VABASSO MORTGAGE

The Credit Preparation Guide

Understanding mortgage credit reports, payment history, balances, inquiries, and preparation before you apply.

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The Credit Preparation Guide

A practical guide to understanding mortgage credit reports, payment history, account balances, inquiries, disputed information, derogatory events, monthly obligations, and the steps consumers can take before applying for a home loan.

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In short

> Mortgage lenders generally review more than a single credit score. A mortgage credit evaluation may consider payment history, account balances, utilization, recent inquiries, collections, public records, housing history, monthly obligations, and the overall pattern shown across one or more credit reports. Credit requirements vary by mortgage program, lender, investor, property, occupancy, loan structure, and the borrower's complete financial profile.

Key takeaways

- A credit score is one part of the mortgage credit review.
- Payment history and current debt balances may be as important as the score itself.
- Mortgage lenders may use different credit models than consumer credit-monitoring services.
- Opening, closing, paying off, transferring, or disputing accounts can have unintended effects.
- Accurate information should be corrected, but consumers should avoid unnecessary last-minute credit changes.
- Strong credit does not guarantee mortgage approval, and imperfect credit does not automatically prevent every financing path.

Who this guide is for

- First-time buyers reviewing their credit reports for the first time
- Buyers preparing for a pre-qualification conversation in the next several months
- Borrowers with collections, late payments, or a past derogatory event on file
- Self-employed borrowers organizing personal and business obligations
- Homeowners preparing to refinance and reviewing current balances
- Anyone who wants to prepare responsibly without taking unnecessary financial risk

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01

How do mortgage lenders review credit?

Mortgage lenders review credit as a pattern of financial behavior rather than a single pass-or-fail number. A credit score is one input among many, and underwriters typically look behind the score at payment history, the number and type of accounts, revolving balances, utilization, installment loans, mortgage and rent history, and any collections, charge-offs, judgments, bankruptcy, foreclosure, or short sale that appears on the file.

Recent inquiries, newly opened accounts, disputed accounts, authorized-user accounts, and the overall depth and age of credit are also considered, because they help describe how a borrower manages credit over time rather than at a single moment. A thin file with little history is reviewed differently than a long-established file with many accounts, even if the numeric scores are similar.

Monthly obligations shown on the credit report feed directly into debt-to-income calculations, which is one reason credit review and income review are closely connected in underwriting. A single item rarely tells the whole story; underwriters generally look at the overall pattern across the file, including how recent, frequent, or severe any negative items are.

Because review practices vary by lender, investor, and loan program, this guide describes common review areas rather than a universal checklist. The table below summarizes areas commonly reviewed and what each may indicate, though weighting and treatment differ by scenario.

Common credit review areas. Actual weighting varies by lender, investor, and loan program.

Review area	What it may indicate
Payment history	Consistency of on-time payments across account types
Utilization	How much of available revolving credit is currently in use
Account mix and age	Experience managing different types of credit over time
Collections or charge-offs	Unresolved or previously unresolved obligations
Public records	Judgments, bankruptcy, foreclosure, or similar events
Recent inquiries and new accounts	Recent credit-seeking behavior or new obligations
Rent and mortgage history	Track record with housing-related payments specifically

> Mortgage credit analysis evaluates risk patterns. It is not simply a pass-or-fail score test.

02

What is the difference between a credit report and a credit score?

A credit report is a detailed record maintained by a credit bureau that lists your credit accounts, payment history, balances, public records, and inquiries. A credit score is a number generated from the information in a report using a particular scoring model. The report is the underlying data; the score is one summary calculation derived from that data at a specific point in time.

There is no single universal credit score. Multiple scoring models exist, and different models can produce different numbers from the same underlying report because they weigh factors differently. Consumer-facing scores available through banking apps or credit monitoring services are often generated by a different model than the score a mortgage lender pulls, which is why the numbers you see for yourself may not match what a lender sees.

Lenders also use different models depending on the loan program and the automated underwriting system involved, and mortgage-specific scoring versions are common. Because reports update as new information is furnished, and because balances change from month to month, a score generated today can differ from a score generated even a few weeks later using the same model.

General distinction between a credit report and a credit score.

Credit report	Credit score
A record of accounts, payments, balances, and public records	A number calculated from the report using a scoring model
Maintained separately by each credit bureau	Can vary by model, bureau, and date generated
Updated as creditors furnish new information	Changes as underlying report data changes

03

Why do mortgage credit scores differ from other scores I have seen?

Borrowers are sometimes surprised that the score used in a mortgage transaction does not match a score they have seen elsewhere. This can happen for several reasons: different bureaus may hold slightly different information, different scoring models weigh factors differently, and the date a report was pulled affects which balances and accounts are reflected.

Consumer-facing apps often display a general-purpose score, while mortgage lenders commonly use scoring versions built specifically for mortgage lending, which can behave differently than a general consumer score even when pulled from the same bureau. Loan programs and underwriting systems can also call for specific scoring approaches.

When more than one borrower is on an application, how their individual credit information is evaluated together is determined by the applicable underwriting system and loan program requirements rather than by a single universal rule. Incomplete reporting by a creditor, meaning an account that was not furnished to every bureau, can also create variation between reports and scores.

The score used for a mortgage transaction depends on the lender, loan program, underwriting system, borrowers, and applicable credit-scoring requirements.

04

What do the three credit bureaus do, and why might my reports differ?

Equifax, Experian, and TransUnion are the three major national credit bureaus. Each bureau independently collects and maintains credit information reported to it by creditors, so the same person can have three reports that are similar but not identical. Creditors are not required to report to all three bureaus, which means an account can appear on one or two reports and be missing from the third.

Timing differences also contribute to variation. A creditor may report to each bureau on a different schedule, so a recent payment or balance change might be reflected on one report before it appears on another. Small differences in how an account is described, dated, or categorized can also occur between bureaus, even for the same underlying account.

If you find information on any of your reports that appears inaccurate, you generally have the ability to dispute it directly with the credit bureau and with the company that furnished the information. Consumers can obtain their credit reports through the federally authorized free annual report program, and the Consumer Financial Protection Bureau publishes consumer resources describing the dispute process in more detail. Vabasso Mortgage does not control what creditors report to the bureaus or how bureaus process that information.

> Reviewing all three reports before applying can help you identify differences or errors early, rather than discovering them during underwriting.

05

How does payment history affect a mortgage application?

Payment history is generally one of the most closely reviewed parts of a credit file because it reflects a track record of meeting financial obligations. Reports typically show whether payments were made on time and, if not, how late they were, commonly categorized as 30, 60, 90 days or more past due, across mortgage, revolving, and installment accounts.

How a late payment is treated in underwriting depends on several factors, including how recently it occurred, how often late payments have occurred, and how severe the delinquency was. A single isolated late payment from several years ago is generally viewed differently than a pattern of frequent or recent lates, though this always depends on the complete scenario and the applicable loan program.

Payment arrangements, forbearance, deferrals, and loan rehabilitation programs can also appear on a credit report and may be reviewed as part of understanding the full payment history, particularly for mortgage or student loan accounts. These items do not automatically disqualify a borrower, but they typically require documentation and explanation.

Recent, repeated, or severe late payments may receive more attention than an isolated older event, but treatment depends on the full scenario.

06

What is credit utilization and why does it matter?

Credit utilization generally refers to the amount of revolving credit balance you are carrying compared to the total revolving credit available to you, calculated both per account and in aggregate across all revolving accounts. It is typically expressed as a percentage of available credit currently in use.

Utilization can look different depending on when it is measured. Credit card issuers usually report the balance shown on a specific statement date, which may not match your current balance if you have made payments or new charges since that statement closed. Changes to a credit limit, whether increased or decreased by the issuer, can also shift your utilization percentage even if your balance has not changed.

Balance transfers and promotional financing arrangements can temporarily raise the balance on one account while lowering another, and an account that reaches or approaches its limit is often described as maxed out. Because utilization contributes to both credit scoring and the overall picture of revolving debt, reducing balances can sometimes affect a score and can also reduce a minimum monthly payment used in debt-to-income calculations.

This guide does not identify a specific target utilization percentage, because scoring models and lender treatment vary. Improving utilization should be balanced against the need to preserve funds for closing and emergency reserves.

07

What is the difference between revolving and installment debt?

Revolving debt describes credit that can be borrowed against, repaid, and borrowed again up to a set limit, with credit cards and home equity lines of credit as common examples. Installment debt describes credit with a fixed repayment schedule and typically a fixed number of payments, such as auto loans, personal loans, student loans, and mortgages.

The minimum monthly obligation reported for each type of account is generally what gets used when calculating debt-to-income ratios during mortgage qualification, though how each type of obligation is counted can vary depending on documentation and loan program guidelines. A revolving account with a small required minimum payment can still represent a meaningful available balance that a lender may want to understand.

Because monthly obligations are central to qualification, it can help to review your own numbers before applying. The Debt-to-Income Calculator, the Mortgage Readiness Assessment, and Mortgage Pathway are tools that can help you organize your revolving and installment obligations and see how they might factor into a mortgage qualification conversation with an advisor.

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How are student loans treated in mortgage qualification?

Student loans appear on a credit report with a reported monthly payment, which may or may not match the payment you are actually documented as making, particularly if the loan is in deferment, forbearance, or an income-driven repayment plan. Underwriters generally need to reconcile what is shown on the credit report with what can be documented about the loan's current status and payment.

How a student loan payment is calculated for qualification purposes depends on the loan program and the specific status of the loan, including whether it is deferred, in an income-driven plan, or in standard repayment. There is no single universal formula that applies to every scenario, and different programs may treat a zero or minimal reported payment differently.

Borrowers with student loans should expect to provide documentation describing the loan balance, program, and current payment status when applying, since the credit report alone often does not tell the full story.

A payment shown as zero on a credit report does not always mean the debt will be treated as having no monthly obligation for mortgage qualification.

09

How do collections and charge-offs affect a mortgage application?

A charge-off generally describes an account that a creditor has written off as unlikely to be collected under normal terms, while a collection describes an account that has been placed with, or purchased by, a separate collection agency. Both can appear on a credit report along with details such as whether the balance is paid, unpaid, settled, or on a payment plan, and the date of last activity.

Medical collections are sometimes treated differently than non-medical collections, and treatment can vary by loan program, investor, and scoring model. An unpaid collection balance may also be considered as part of a debt-to-income evaluation depending on the type of account and the loan program's requirements.

Borrowers with collections or charge-offs on their file are sometimes asked to provide a letter of explanation describing the circumstances, and in some cases documentation about how the account was resolved. This guide does not suggest that paying a collection is always necessary or always beneficial for a given transaction, because the answer depends heavily on the loan program, the type of debt, and the lender's specific guidelines.

Paying or settling an account may not immediately remove it from a credit report and may not always produce the expected scoring result.

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How is medical debt treated on a credit report?

Medical collections are a distinct category from other types of collections and have historically received different reporting treatment from the credit bureaus in some circumstances, including how quickly they are reported and how paid medical collections are handled. Reporting practices in this area change periodically, so any specific rule should be confirmed with current guidance from the credit bureaus or applicable regulators rather than assumed from general information.

As with other negative items, the balance and age of a medical collection, along with whether it has been paid or remains outstanding, can factor into how it is reviewed. If a medical bill on your report appears inaccurate, for example because it was covered by insurance or billed in error, you generally have the ability to dispute it with the bureau and the furnisher.

Consumer credit scoring models and mortgage underwriting review do not always treat medical debt the same way. A scoring model might weigh a medical collection differently than a non-medical collection, while an underwriter reviewing the full file may still ask about it separately as part of understanding your overall financial picture.

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How should I handle current or recent late payments before applying?

A currently delinquent account, meaning an obligation that is past due right now, is generally reviewed differently than an account that was recently brought current or one with a history of rolling late payments over time. Payment arrangements made with a creditor, and how long ago an account was brought current, can also factor into how the situation is understood.

Mortgage delinquency and rent delinquency are typically given particular attention because they speak directly to housing payment history, and utility or telecom accounts are sometimes reviewed as well when they are reported to a credit bureau.

If you currently have a past-due account, addressing it before applying, and understanding exactly how it is being reported, are generally useful steps regardless of the specific loan program you expect to pursue.

Framework for handling past-due accounts before applying

These are general steps to consider; specific guidance should come from your mortgage advisor.

- Bring past-due obligations current where possible
- Confirm that updated payment status is being reported accurately
- Avoid any new missed payments in the months before applying
- Keep documentation of payment arrangements or resolutions
- Discuss any material past-due issues with an advisor before applying

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How does bankruptcy affect future mortgage eligibility?

Bankruptcy filings, including Chapter 7, Chapter 11, Chapter 12, and Chapter 13, are reviewed differently depending on the chapter filed, whether the case ended in discharge or dismissal, and the specific dates involved. A discharge generally means the court released the filer from certain debts, while a dismissal means the case ended without that relief, and the two are treated differently.

Underwriters typically look at the payment history and re-established credit that follows a bankruptcy, along with any documented extenuating circumstances that contributed to the filing, such as a medical event or job loss. Loan programs differ in how they evaluate bankruptcy history, and this guide does not state specific waiting periods, because they vary by program, lender, and circumstance and can change over time.

Mortgage eligibility after bankruptcy depends on the bankruptcy type, dates, discharge or dismissal status, credit history, circumstances, loan program, underwriting findings, and lender requirements.

> This section is educational information, not legal advice. Consult a qualified attorney for guidance specific to your bankruptcy case.

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How do foreclosure, short sale, or deed-in-lieu affect future mortgage eligibility?

Foreclosure, short sale, and deed-in-lieu of foreclosure are each distinct outcomes for a mortgage that could not be sustained under its original terms, and lenders generally review them somewhat differently. Underwriters commonly look at any mortgage delinquency that led up to the event, the date the event was completed, and the borrower's housing history afterward.

Re-established credit following one of these events, along with documentation and explanations describing what occurred, are typically part of how a subsequent application is reviewed. Extenuating circumstances, such as a significant income disruption or medical event, may be considered by some programs, though documentation requirements vary.

Because treatment of these events differs by loan program, investor, and lender, and because requirements can change over time, this guide does not state specific waiting periods after a foreclosure, short sale, or deed-in-lieu. A licensed advisor can review your specific timeline and circumstances against current program guidelines.

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Do credit inquiries affect my mortgage application?

Credit inquiries are generally divided into soft inquiries, which do not affect scoring and are not visible to other lenders, and hard inquiries, which occur when a lender pulls your credit in connection with an application and can be visible on your report. Mortgage-related inquiries are a common example of a hard inquiry.

Recent inquiries are sometimes reviewed by underwriters, particularly when they appear close to the time of the mortgage application, because an inquiry can sometimes be associated with new debt that has not yet appeared on the credit report. Undisclosed accounts discovered late in the process, sometimes through a fresh credit pull, can affect debt-to-income calculations and may require an explanation.

An inquiry itself may be less significant than whether it resulted in new debt or changed the borrower's financial obligations.

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Why do new accounts matter during the mortgage process?

Opening a new credit card, auto loan, personal loan, buy-now-pay-later plan, furniture financing agreement, or home-improvement financing arrangement during the mortgage process can introduce a new monthly obligation, a new inquiry, or both, any of which can affect an application already in progress.

Co-signing for someone else's debt, incurring new business debt, or accepting a credit limit increase can also change the financial picture an underwriter is evaluating, even if the change was not intended to affect the mortgage. Lenders often re-verify credit shortly before closing, and new activity discovered at that stage can require additional documentation or, in some cases, cause delays.

Because the effect of any new account or obligation depends on the specific loan program, the timing, and the rest of the file, borrowers are generally encouraged to hold off on new financial commitments until after closing unless they have discussed it with their mortgage professional first.

> Do not open new credit or finance major purchases during the mortgage process without first discussing the potential effect with your mortgage professional.

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Should I close credit accounts before applying for a mortgage?

Closing a credit account reduces the total revolving credit available to you, which can raise your overall utilization percentage even if your balances do not change, and this can sometimes affect a credit score. Closing an account also removes it from your available emergency access to credit and does not immediately remove its payment history from your credit report.

Closing older accounts can affect the average age of your credit accounts over time, and closing an account with automatic payments or recurring bills attached can create administrative complications if those payments are not redirected carefully.

Because the effect of closing an account depends on your overall credit profile, the age and utilization of your remaining accounts, and your personal financial habits, this guide does not universally recommend closing or keeping any particular account. This is a decision worth discussing with your mortgage advisor before you apply, particularly if you are considering the change specifically because of the mortgage process.

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How do disputed accounts affect a mortgage file?

Consumers should dispute inaccurate information. They should not dispute accurate information solely to influence a mortgage decision. A legitimate dispute exists to correct genuine errors, such as a wrong balance, a payment reported late in error, an account that does not belong to the consumer, or evidence of fraud or identity theft. Filing a dispute for those reasons is a normal and appropriate consumer right.

When a dispute is filed, the furnisher — the creditor or servicer that reported the information — and the credit bureau are generally required to investigate. During that process, the account may carry a dispute notation on the credit report. That notation itself does not say who is right; it simply flags that the account is under review while the furnisher and bureau exchange information.

An unresolved dispute notation can complicate underwriting because some scoring models and automated underwriting systems treat disputed trade lines differently, and a lender may need the dispute resolved or documented before finalizing a decision. This does not mean disputes are discouraged; it means timing matters, and a dispute filed shortly before or during an active mortgage application may require extra documentation or follow-up.

Once a dispute is resolved, the credit report is typically updated to reflect the outcome, and the account may be corrected, removed, or confirmed as accurate. Depending on what changed, a subsequent score recalculation may occur. Consumers with an open or recent dispute who are planning to apply for a mortgage may want to discuss timing with a licensed advisor before submitting an application.

> Legitimate disputes protect consumers, but an unresolved dispute on an active file can require additional underwriting documentation.

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Do authorized-user accounts affect mortgage qualification?

An authorized user is someone added to another person's credit account — often called the primary holder — without being legally responsible for the debt. Being added as an authorized user can give someone access to an account's reported payment history, balance, and age, but the influence on a credit score is not guaranteed or automatic.

Because an authorized user is not the party who applied for or is legally obligated on the account, some scoring models and underwriting systems weigh authorized-user tradelines differently than accounts a consumer opened directly. In some cases, an authorized-user account may contribute meaningfully to a credit profile; in others, it may carry less weight or be excluded entirely from a lender's manual review.

The relationship between the authorized user and the primary account holder can also come under review during underwriting, particularly if the account appears to be the primary source of an otherwise thin credit file. A lender may ask questions or request documentation to understand how the account relates to the applicant's overall financial picture.

Authorized-user status should never be assumed to guarantee an improvement in mortgage readiness. It is one data point among many, and its treatment depends on the scoring model used, the lender's guidelines, and the rest of the applicant's credit file.

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How does co-signed debt affect a mortgage application?

Co-signing can affect mortgage qualification even when another person is expected to make the payments. A co-signer takes on a legal obligation for the debt, and that obligation is typically reported on the co-signer's own credit file, meaning the payment history — on time or late — can influence the co-signer's credit profile regardless of who actually makes the payments.

Co-signed obligations commonly appear on autos, student loans, personal loans, leases, and occasionally mortgages. Because the debt is legally the co-signer's responsibility, it is often included in that person's debt-to-income calculation during a later mortgage application, which can affect how much they are able to borrow.

Some lenders allow a co-signed debt to be excluded from debt-to-income calculations if the consumer can document that another party has been making the payments consistently, typically through a documented payment history from the other party's own bank statements or cancelled payments over a period of time. Exclusion is not automatic and depends on the specific program and documentation available.

Anyone considering co-signing a loan for a family member or friend while also planning to apply for a mortgage in the near future should discuss the potential effect with a licensed advisor beforehand, since the added obligation and any late-payment risk on the co-signed account can both influence the outcome.

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How is housing payment history reviewed?

Housing payment history refers to how consistently a consumer has paid a mortgage or rent obligation over time. For consumers with an existing mortgage, this history is typically visible directly on the credit report. For renters, the picture is often less consistent, because not every landlord reports rental payments to the credit bureaus.

When rental history does not appear on a credit report, a lender may verify it independently through landlord verification, particularly for a private landlord rather than a large management company. Evidence such as electronic payment records, cancelled checks, or bank statements showing a consistent recurring payment to the same landlord over time can support this verification.

Late rental payments, when they can be documented, are generally reviewed similarly to other late payment history, though treatment varies by lender and program. First-time buyers who have never made a housing payment of any kind may be evaluated in part on payment shock — the difference between their current housing cost and their proposed mortgage payment — since that gap can be relevant to how comfortably a new payment fits their budget.

Consumers who rent from a private landlord and want that history considered may benefit from keeping their own records, including receipts, bank statements, and any communication with the landlord, in case verification is needed later.

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How is debt-to-income different from a credit score?

A credit score is generally a measure of credit risk based on how a consumer has managed borrowed money over time. Debt-to-income, or DTI, is a separate measure of monthly cash flow — how much of a consumer's gross monthly income is committed to debt payments and, eventually, a housing payment. The two describe different things and are evaluated separately during underwriting.

A consumer can have strong credit but too much monthly debt, or limited credit history with manageable debt. Mortgage qualification evaluates multiple dimensions, and a strong result in one area does not automatically offset a weaker result in another, though some programs allow flexibility when several parts of a file are strong.

DTI calculations typically consider the proposed housing payment alongside other recurring obligations reported on a credit file, such as auto loans, student loans, and minimum credit card payments. Residual funds — what remains after obligations are paid — and reserves can also factor into how a lender views overall cash flow, separate from the DTI ratio itself.

Consumers who want to understand their own starting point can use the Debt-to-Income Calculator at /calculators/debt-to-income to estimate their current ratio using their own numbers, which can be a useful reference point before discussing qualification with a licensed advisor.

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What is a thin credit file, and how is it reviewed?

A thin credit file describes a credit report with few accounts, a short overall history, little or no revolving credit, or no recent activity. This is common among younger consumers, recent immigrants, and people who have historically relied on cash or debit rather than credit accounts. A thin file is not automatically disqualifying, but it can limit how much a credit score reflects.

Some lenders and programs allow the use of nontraditional credit history when a traditional file is too thin to evaluate. This can include documented payment history for rent, utilities, insurance premiums, and telecom or subscription services, generally supported by statements or verification from the provider rather than a credit bureau report.

Where nontraditional credit is permitted, documentation requirements tend to be more detailed than for a traditional credit file, since the lender is assembling a payment history from multiple independent sources rather than a single centralized report. Consistency and length of the documented history typically matter more than the specific type of account.

Consumers with a thin file should not assume that opening several new accounts quickly is a useful shortcut; doing so can add inquiries and very new accounts to a file without the seasoning that makes a credit history useful to a lender. Building history gradually, and discussing options like nontraditional credit with a licensed advisor, is generally a more measured approach.

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How should consumers review for identity theft and credit-report errors?

Reviewing a credit report before applying for a mortgage is a useful habit, and it becomes especially important when something looks unfamiliar. Warning signs include accounts the consumer does not recognize, balances that appear incorrect, duplicate listings of the same account, or an inquiry the consumer did not authorize. These signs can indicate a simple furnisher error or, in more serious cases, identity theft.

If identity theft is suspected, consumers generally have options such as placing a fraud alert or a credit freeze with the bureaus, filing a dispute with the affected furnisher and bureau, and contacting the creditor directly to report unauthorized activity. Documentation of every step — dates, reference numbers, and correspondence — is typically important for resolving the issue.

Timing matters when identity theft or a significant reporting error is discovered close to a planned mortgage application. Resolving fraudulent accounts or serious errors can take time, and an unresolved issue may need to be explained or documented during underwriting. Reviewing credit reports well before applying gives more room to address problems if they surface.

Consumers should also be cautious about how they share sensitive information while resolving credit issues, particularly if contacted unexpectedly by someone claiming to represent a creditor or bureau.

> Vabasso Mortgage will never ask consumers to send full credit-report credentials, passwords, or sensitive account information through an unverified channel. Learn more at our Trust Center at /security.

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What should consumers know about credit-repair companies?

Credit-repair companies offer to help consumers improve their credit, typically by disputing items on their behalf. No company can legally remove accurate negative information simply because it is unfavorable; only inaccurate, incomplete, or unverifiable information can properly be removed through the dispute process, and any company promising otherwise should be viewed with caution.

Consumers considering a credit-repair service should carefully review the contract, including the fees charged, what services are actually promised, and the cancellation rights available under applicable law. Improvement in a credit profile generally takes time regardless of who is filing a dispute, since it depends on the underlying accuracy of the information and how furnishers and bureaus respond.

It is worth noting that consumers can dispute inaccurate information directly with credit bureaus and furnishers at no cost, without hiring a third party. For consumers who are comfortable managing paperwork and follow-up themselves, this direct route accomplishes the same legitimate outcome as a paid service.

Vabasso Mortgage does not endorse or recommend any specific credit-repair provider, and this section is not a suggestion that every such business is illegitimate. Consumers who choose to work with a credit-repair company should verify its reputation, read reviews and complaints, and understand exactly what is being promised before signing an agreement.

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What is rapid rescoring, and what does it actually do?

Rapid rescoring is a lender-initiated process, not a consumer credit-repair service. It allows a mortgage lender, working with a credit reporting company, to submit updated creditor information — such as a reduced balance or a corrected account — for faster review after a consumer has already taken an action, such as paying down a balance.

Rapid rescoring typically requires documentation showing that the underlying change is accurate and verified, such as a payoff letter or an updated statement directly from the creditor. Only certain kinds of changes are generally eligible, and the process is not available in every situation or through every lender.

It is important to understand that rapid rescoring does not create new information or manufacture an improvement; it simply speeds up how quickly an already-accurate update is reflected. There is no guaranteed score increase from the process, and the outcome depends on the specific change, the scoring model used, and the rest of the consumer's credit file.

Consumers should not confuse rapid rescoring with any form of consumer-initiated credit repair. It is a tool available to lenders in specific circumstances during an active mortgage transaction, and a licensed advisor can explain whether it may be relevant to a particular file.

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Should you pay down debt before applying for a mortgage?

The debt with the highest interest rate is not always the debt with the greatest mortgage-qualification impact. A card with a smaller balance but a high utilization percentage on a low limit, for example, may influence a credit score more than a larger installment loan with a fixed payment. Deciding which debt to pay down first benefits from looking at several factors together rather than interest rate alone.

Paying down a balance can affect utilization, monthly payment obligations counted in debt-to-income, funds available for closing and reserves, and in some cases documentation requirements if the payoff needs to be verified. Closing an account after paying it off can also have its own effects on a credit file, separate from the payoff itself.

Because these factors interact, a large payoff made without a broader view can sometimes leave a consumer with less available cash for closing and reserves than expected, even if it modestly helps utilization or debt-to-income. A short scenario analysis before making a large payoff — comparing the effect on funds available, ratios, and the credit profile together — is generally a more reliable approach than assumptions.

Factors to weigh before paying down a balance ahead of a mortgage application.

Factor	Why it matters
Interest rate	Higher-rate debt costs more over time but may not carry the most qualification weight

Factor	Why it matters
Monthly payment	Directly affects debt-to-income calculations used in underwriting
Utilization	Revolving balances relative to limits can influence credit scores
Funds to close	Cash used for payoff reduces funds otherwise available for closing
Reserves	Depleting savings to pay debt can leave fewer post-closing reserves
Score impact	Effects vary by account type, balance, and overall credit mix
DTI impact	Paying off an installment loan removes a fixed payment from the ratio
Payoff documentation	Some payoffs require a letter or statement to be reflected
Account closure	Closing an account after payoff can affect a credit file separately
Emergency savings	Preserving a cushion protects against unexpected costs after closing

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What should you review before pre-qualification?

Before pursuing a pre-qualification conversation, it is generally useful to have a clear view of your own credit and financial picture rather than relying on guesswork. The checklist below outlines common preparation steps that can make an initial conversation with a licensed advisor more productive.

None of these steps guarantee a particular outcome. They are simply ways to reduce surprises and organize information that a lender is likely to ask about during pre-qualification or a fuller application.

Before pre-qualification

Consider working through each item before your first conversation with an advisor.

- Review your credit reports from the major bureaus
- Confirm that your identity information is accurate on each report
- Verify that every listed account belongs to you and reflects an accurate balance
- Identify any information that appears inaccurate and consider whether to dispute it
- List your current monthly obligations, including debts not shown on a credit report
- Avoid taking on new debt while you are preparing to apply
- Maintain on-time payments across all existing accounts
- Preserve your savings rather than spending down available funds
- Gather documentation for income, assets, and any nontraditional credit history

- Discuss any known credit issues honestly and early with a licensed advisor
- Estimate your debt-to-income ratio using your own numbers
- Complete the Mortgage Readiness Assessment to organize your overall picture

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What should you avoid doing before closing?

Once a mortgage application is underway, certain actions can complicate or delay the process even if they seem unrelated to the loan itself. Lenders commonly re-verify credit, income, and assets close to closing, so changes made during this period can require additional documentation or, in some cases, affect approval.

The checklist below summarizes the most common actions to avoid between application and closing. If any of these situations is unavoidable — for example, a necessary large deposit or an employment change — the best approach is to discuss it with your loan officer before it happens, not after.

What not to do before closing

These actions can affect an active mortgage file even late in the process.

- Do not miss payments
- Do not open new accounts
- Do not finance furniture or vehicles
- Do not co-sign debt
- Do not close accounts without guidance
- Do not transfer balances solely to change appearances
- Do not make unexplained large deposits
- Do not initiate unnecessary disputes
- Do not change employment without discussing the effect
- Do not assume the loan is final before closing

> Discuss any unavoidable changes with your loan officer before they happen, not after.

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What does a 90-day credit preparation plan look like?

A structured preparation window can help organize the steps described throughout this guide into a sequence. The plan below outlines one way to spread preparation across roughly 90 days, though the right pace depends on individual circumstances and can be shorter or longer.

This plan is educational and may not resolve every credit issue. Some errors, disputes, or derogatory events take longer than 90 days to work through, and some consumers will need more time regardless of how closely they follow a sequence like this one.

Days 1-30

- Obtain and review available credit reports
- List all reported debts
- Identify any errors or unfamiliar accounts
- Establish autopay or reminders for every recurring payment
- Stop applying for new credit
- Calculate current utilization across revolving accounts
- Evaluate available funds for down payment, closing, and reserves

Days 31-60

- Correct any verified errors identified in the first 30 days
- Reduce selected balances strategically, based on a broader review of the factors involved
- Document any resolved accounts or disputes
- Continue maintaining on-time payments
- Preserve reserves rather than spending them down
- Organize housing payment history, including rent documentation if applicable

Days 61-90

- Avoid new financial changes, including new credit or employment shifts
- Update account balances and confirm reported figures are current
- Gather written explanations for any remaining credit issues
- Complete the Mortgage Readiness Assessment
- Calculate an estimated debt-to-income ratio
- Begin pre-qualification conversations when the file feels organized

> This plan is educational and general in nature. It may not resolve every credit issue, and some situations require more than 90 days.

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Credit preparation worksheet

The interactive worksheet on this page is designed to help you organize the credit and debt information most relevant to mortgage preparation, using figures you provide yourself. It does not connect to a credit bureau and does not pull an actual credit report.

Inputs for the worksheet typically include an estimated credit score range, the number of open revolving accounts, total revolving balances, total revolving limits, monthly payments on autos, student loans, and personal loans, minimum credit card payments, other recurring debts, gross monthly income, any recent late payments, collections, bankruptcy or foreclosure history, recent credit inquiries, available savings, and a desired purchase timeline.

Based on those inputs, the worksheet produces estimated outputs such as revolving utilization, total estimated monthly debts, an estimated debt-to-income ratio, a general credit-preparation category, potential risk areas to review further, any missing information that would help refine the estimate, suggested questions to bring to a mortgage professional, and recommended next steps.

The worksheet does not produce a credit score and does not predict approval for any loan. Results are organized into four neutral categories — Organizing, Developing, Nearly Ready, and Ready for Personalized Review — that describe general preparation stages rather than a lending decision or guarantee of any kind.

> This worksheet is an educational estimate only. It does not produce a credit score, pull a credit report, or predict loan approval.

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Common credit myths, and what is actually true

Credit and mortgage qualification are surrounded by persistent myths, many of which lead consumers to make decisions that do not actually help, and sometimes hurt, their credit profile. Understanding what is actually true can prevent unnecessary anxiety or unhelpful actions before applying for a mortgage.

Some of these myths involve credit-scoring mechanics, such as confusion between checking your own credit and a lender's inquiry. Others involve broader assumptions about mortgage qualification, such as the belief that a single factor like income or pre-qualification guarantees an outcome regardless of the rest of a file.

The table below addresses eight of the most common myths encountered by mortgage applicants. It is not exhaustive, and specific questions about your own situation should always be directed to a licensed advisor rather than assumptions based on general information.

Common credit myths and a more accurate description of how things generally work.

Myth	What is actually true
Checking my own credit always lowers my score	A consumer checking their own credit report is generally treated as a soft inquiry and is not the same as a lender's hard inquiry
Closing a credit card always improves credit	Closing an account can reduce available credit and shorten average account age, which may affect a credit profile depending on the rest of the file
Paying a collection immediately removes it	Paying a collection resolves the balance, but how the account continues to appear on a report is governed by credit-reporting rules, not simply by payment
I need perfect credit to buy a home	There is no universal minimum credit score across the mortgage industry, and expectations vary by lender, investor, and program
A higher income fixes every credit issue	Income and credit are evaluated as separate dimensions, and a strong income does not automatically offset every credit concern

Myth	What is actually true
A pre-qualification guarantees approval	Pre-qualification is a preliminary estimate based on limited information and is not a commitment to lend or a guarantee of final approval
Every lender uses the same credit requirements	Credit expectations differ by lender, investor, and loan program, and a scenario declined by one lender may fit another
Disputing every negative account will improve mortgage approval	Disputing accurate information solely to influence a decision does not remove valid negative history and can complicate underwriting

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Important disclosure

This guide provides general educational information and is not credit-repair advice, legal advice, financial advice, a mortgage decision, or a commitment to lend. Credit reporting, scoring, underwriting, and mortgage requirements vary by bureau, scoring model, loan program, lender, investor, borrower, property, and transaction, and they change over time. Vabasso Mortgage does not promise to increase a credit score, remove accurate credit information, or guarantee mortgage approval. Nothing in this guide should be read as a recommendation to dispute accurate information, close or open accounts, pay or settle a debt, or take any other action without first reviewing your complete circumstances with a licensed mortgage advisor and, where appropriate, a qualified legal or financial professional.

Frequently asked questions

What credit score is needed to buy a home?

There is no single credit score required to buy a home. Minimum score expectations vary by lender, investor, loan program, property type, occupancy, and overall file strength, so a score that qualifies for one program may not qualify for another. Rather than targeting a specific number, it is generally more useful to focus on payment history, utilization, and accuracy of your credit report. A licensed advisor can review your specific profile against current program guidelines.

Do mortgage lenders use the score I see online?

Not always, and often not exactly. Many free credit-monitoring services display an educational score model, while mortgage lenders commonly use specific mortgage-industry scoring models pulled from all three bureaus. The number you see online can be a useful directional reference, but it may differ from the score a lender actually uses to evaluate your file.

Why are my three credit scores different?

Each bureau — Equifax, Experian, and TransUnion — can hold different information because not every creditor reports to all three, and scores are calculated using the specific data on file at each bureau. Because the underlying data differs, and different scoring models may be applied, it is normal and expected for the three scores to vary, sometimes by a meaningful margin.

Does checking my own credit lower my score?

Checking your own credit report generally does not lower your score. Reviewing your own report or score is typically treated as a soft inquiry, which is different from a hard inquiry generated when a lender pulls your credit for a specific application. Regularly reviewing your own reports is a common and encouraged preparation step, not a risk to your score.

Does mortgage pre-qualification affect credit?

It depends on how the pre-qualification is performed. Some pre-qualifications are based on self-reported information and do not involve a credit pull at all, while others involve a lender pulling credit, which can generate a hard inquiry. Ask your loan officer directly whether a specific pre-qualification step involves a credit pull before proceeding.

Does paying off a credit card improve qualification?

Paying off a credit card can help in some ways but is not a guaranteed fix on its own. It may reduce your utilization and your monthly debt-to-income obligation if the balance was carried monthly, but the overall effect on a credit score and on qualification depends on the rest of your credit file. A broader review with an advisor can clarify the likely effect before you commit funds.

Should I close paid-off credit cards?

Not necessarily, and closing an account is not automatically beneficial. Closing a paid-off card removes its available credit limit, which can raise your overall utilization percentage, and it can also affect the average age of your accounts over time. Whether closing a specific account makes sense depends on your full credit picture, so it is worth discussing with an advisor before deciding.

How does credit utilization work?

Credit utilization generally refers to the percentage of your available revolving credit that you are currently using, calculated across individual accounts and in total. It is one of several factors that can influence a credit score, alongside payment history, account age, and other elements. Reducing balances relative to limits is a common way consumers try to manage this factor.

What utilization percentage is best?

There is no single utilization percentage that applies universally across scoring models and lenders. Lower utilization is generally viewed more favorably than higher utilization, but exact thresholds are not fixed or guaranteed by any program. Rather than targeting an exact number, focus on paying down balances consistently and monitoring how your reported utilization changes over time.

How long do late payments remain on a report?

How long a late payment remains on a credit report is set by federal credit-reporting law and bureau practice, not by this guide, and consumers should confirm specific timelines directly with the credit bureaus. In general, negative information does not remain indefinitely, but the exact duration and how it affects a mortgage decision depend on the type of late payment, how recent it is, and the lender's guidelines.

Can I qualify with recent late payments?

It is possible in some circumstances, but outcomes vary widely by lender, loan program, and the specifics of the late payment. Some programs are more sensitive to recent late payments than others, and a single isolated late payment is often viewed differently than a pattern of late payments. A licensed advisor can review your specific history against current guidelines.

Do collections need to be paid?

Whether a collection must be paid before or during a mortgage transaction depends on the lender, loan program, and the type of collection involved. Some programs require certain collections to be paid or resolved, while others do not, and treatment can differ for medical versus non-medical collections. Confirm requirements for your specific scenario with a licensed advisor rather than assuming a universal rule.

Do medical collections count?

Medical collections are often treated somewhat differently than other types of collections in credit scoring and mortgage underwriting, but the exact treatment varies by scoring model, lender, and program, and rules in this area have changed over time. Do not assume a medical collection will be automatically excluded; confirm current treatment with a licensed advisor.

Can I qualify after bankruptcy?

It is possible to qualify for a mortgage after a bankruptcy, but eligibility depends on the type of bankruptcy, how it was resolved, the loan program, and how much time has passed. Waiting period expectations are set by specific loan programs and investors, not by this guide, and they should be confirmed directly with a licensed advisor based on your documentation.

Can I qualify after foreclosure?

Qualifying after a foreclosure is possible for some borrowers, but eligibility depends heavily on the loan program, how much time has passed, and the circumstances surrounding the foreclosure. There is no single rule that applies across every lender and program, so this should be discussed directly with a licensed advisor who can review your specific documentation.

Can I qualify after a short sale?

It is possible to qualify after a short sale, though treatment varies by lender, investor, and loan program, and depends on factors such as how the short sale was documented and how much time has passed. As with bankruptcy and foreclosure, there is no universal rule, and specifics should be reviewed individually with a licensed advisor.

How are student loans counted?
Student loans are generally counted as a monthly obligation in debt-to-income calculations, but the specific payment used can vary depending on whether the loan is in repayment, deferment, forbearance, or an income-driven plan, and depending on program guidelines. Because treatment differs by program, it is worth confirming how your specific loans will be counted with a licensed advisor.

How are deferred student loans treated?
Deferred student loans are not automatically excluded from debt-to-income calculations. Depending on the program, a lender may use a percentage of the outstanding balance, the actual reported payment, or documentation from the loan servicer describing the future required payment. Because approaches differ, confirm current treatment for your loans with a licensed advisor.

Do authorized-user accounts count?
Authorized-user accounts may factor into a credit profile, but they are not guaranteed to help or to be counted the same way as accounts a consumer holds directly. Some scoring models and lenders weigh authorized-user tradelines differently, and treatment can depend on the rest of the applicant's credit file. Do not assume an authorized-user account will automatically improve or guarantee qualification.

Does co-signed debt count?
Yes, co-signed debt is generally reported on the co-signer's credit file and can be included in debt-to-income calculations, even if another party is making the payments. Some programs allow exclusion of a co-signed debt with documentation showing the other party has consistently made the payments, but this is not automatic and depends on the specific program.

Can I dispute an error before applying?
Yes, consumers can and generally should dispute genuine inaccuracies on their credit report at any time, including before applying for a mortgage. Legitimate disputes correct real errors, but disputing accurate information solely to try to influence a mortgage decision is not appropriate and can complicate the file. Address disputes as early as possible so they have time to resolve before applying.

Can disputed accounts affect underwriting?
Yes, an open or unresolved dispute on an active credit file can affect underwriting, because some scoring models and automated systems treat disputed trade lines differently, and a lender may need documentation or resolution before finalizing a decision. This does not mean disputes should be avoided; it means timing and documentation matter, especially close to an application.

What is rapid rescoring?
Rapid rescoring is a lender-initiated process that allows updated, verified creditor information to be reflected more quickly than the standard reporting cycle, typically after a documented change such as a paid-down balance. It is not a form of consumer credit repair, does not guarantee a score increase, and is not available in every situation or through every lender.

Can a lender remove negative credit information?
No, a lender cannot remove accurate negative information from a credit report simply because it is unfavorable. Only inaccurate, incomplete, or unverifiable information can properly be removed through the dispute process with the furnisher and credit bureau. Be cautious of any company or individual claiming they can guarantee removal of accurate negative history.

Should I use a credit-repair company?

That decision depends on your comfort managing the dispute process yourself, since consumers can dispute inaccurate information directly with bureaus and furnishers at no cost. If you consider a paid credit-repair company, carefully review the contract, fees, promises made, and cancellation rights, and remember that no company can legally remove accurate negative information.

Can I open a secured card before applying?

Opening a new account, including a secured card, shortly before applying for a mortgage can add a recent inquiry and a very new account to your file, which may affect a credit profile depending on the rest of your history. If you are considering this as a strategy to build credit, it is worth doing well in advance of applying and discussing timing with a licensed advisor.

Can I finance a car before closing?

Financing a car before closing on a mortgage is generally discouraged, because a new auto loan adds a monthly payment that can affect your debt-to-income ratio and can also generate a new credit inquiry, both of which a lender may re-verify close to closing. If a vehicle purchase feels necessary, discuss the timing with your loan officer first.

Can I buy furniture before closing?

Financing furniture before closing carries similar risk to financing a vehicle, since new financed purchases add debt and can affect your credit file during an active mortgage transaction. Many lenders re-verify credit close to closing, and a new large purchase discovered during that check can require additional review or documentation. It is safer to wait until after closing.

Does a balance transfer help?

Not necessarily, and a balance transfer made solely to change how a credit report appears is not recommended. Transferring a balance can shift utilization between accounts, open a new account with its own inquiry, or close an existing account, and the net effect on a credit profile depends on the details. Discuss any planned balance transfer with an advisor before an active mortgage application.

Do rent payments help mortgage qualification?

They can, depending on whether the payments are documented and reported. Some landlords report rental payments to credit bureaus, and in other cases a lender may verify rental history independently through bank statements, cancelled checks, or landlord verification, particularly for private landlords. Treatment of rental history varies by lender and program.

Can limited credit history qualify?

It is possible in some cases. A thin credit file is not automatically disqualifying, and some programs allow the use of nontraditional credit history, such as documented rent, utility, insurance, or telecom payments, when a traditional file is too limited to evaluate. Availability of this option depends on the specific lender and program.

What is nontraditional credit?

Nontraditional credit refers to documented payment history for obligations that are not typically reported to the major credit bureaus, such as rent, utilities, insurance premiums, and telecom or subscription services. It is sometimes used to help evaluate consumers with a thin or limited traditional credit file, where permitted by the specific loan program.

How long should I prepare before applying?

There is no fixed preparation timeline that fits every consumer; it depends on the current state of your credit, debts, savings, and documentation. Some consumers are ready to have a meaningful pre-qualification conversation within weeks, while others benefit from a longer preparation period, such as the 90-day framework described earlier in this guide.

What should I avoid during underwriting?

During underwriting, avoid missing payments, opening new accounts, financing large purchases, co-signing debt, closing accounts without guidance, making unexplained large deposits, filing unnecessary disputes, and changing employment without discussing the effect first. Lenders commonly re-verify credit and finances close to closing, and unexpected changes can require additional documentation or delay the process.

Does strong credit guarantee approval?

No, strong credit does not guarantee mortgage approval on its own. Underwriting evaluates multiple dimensions together, including income, debt-to-income, savings, documentation, and property eligibility, and a strong credit profile can be offset by weaknesses elsewhere in a file. Credit is an important factor, but it is not the only one.

Can I get a mortgage with imperfect credit?

Yes, imperfect credit does not automatically prevent mortgage qualification. There is no universal minimum credit score across the industry, and different lenders, investors, and programs weigh credit history differently, particularly when other parts of a file are strong. A licensed advisor can review your specific profile against current program guidelines.

What is the difference between a credit score and DTI?

A credit score generally reflects credit risk based on past borrowing and repayment behavior, while debt-to-income, or DTI, measures monthly cash flow by comparing debt payments to gross income. They are evaluated separately during underwriting, and a strong result in one does not automatically offset a weaker result in the other.

What happens if my score changes before closing?

Because lenders commonly re-verify credit close to closing, a meaningful change in your score or credit profile between application and closing can require additional review, updated documentation, or in some cases a reassessment of the loan terms. Avoiding new debt, missed payments, and other changes during this period is the most reliable way to prevent surprises.

Tools, related pages, and next steps

A stronger plan begins before the application. Understand the loan, prepare the funds, estimate the payment, and take the next step with greater clarity.

Calculators

- → Debt To Income Calculator vabasso.com/calculators/debt-to-income
- → Home Affordability Calculator vabasso.com/calculators/home-affordability
- → Mortgage Payment Calculator vabasso.com/calculators/mortgage-payment
- → Down Payment Calculator vabasso.com/calculators/down-payment
- → Closing Costs Calculator vabasso.com/calculators/closing-costs

Loan programs

- → Conventional Loans vabasso.com/loan-programs/conventional
- → Fha Loans vabasso.com/loan-programs/fha
- → Va Loans vabasso.com/loan-programs/va
- → Usda Loans vabasso.com/loan-programs/usda
- → Jumbo Loans vabasso.com/loan-programs/jumbo
- → Bank Statement Loans vabasso.com/loan-programs/bank-statement
- → Asset Qualifier Loans vabasso.com/loan-programs/asset-qualifier
- → Asset Depletion Loans vabasso.com/loan-programs/asset-depletion

Related reading

- → How credit affects mortgage vabasso.com/resources/article/how-credit-affects-mortgage
- → Pre qualification vs pre approval vabasso.com/resources/article/pre-qualification-vs-pre-approval
- → Mortgage readiness checklist vabasso.com/resources/article/mortgage-readiness-checklist
- → Documents needed for a mortgage vabasso.com/resources/article/documents-needed-for-a-mortgage
- → How the mortgage process works vabasso.com/resources/article/how-the-mortgage-process-works
- → Mortgage Glossary vabasso.com/mortgage-glossary
- → Guide library vabasso.com/resources/guides

Next steps

- → Take the Mortgage Readiness Assessment vabasso.com/pre-qualify
- → Calculate my debt-to-income ratio vabasso.com/calculators/debt-to-income
- → Explore my mortgage pathway vabasso.com/mortgage-pathway
- → Get pre-qualified vabasso.com/get-pre-qualified
- → Apply now vabasso.com/apply
- → Mortgage Readiness Assessment vabasso.com/pre-qualify

Sources

Program rules referenced in this guide are maintained by the applicable agency, investor, and lender. Confirm current requirements with your licensed mortgage advisor and official program guidance before making decisions. Source: HUD / FHA program guidance, agency and investor guidelines, and Vabasso Mortgage editorial review dated 2026-07-31.

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This guide provides general educational information and is not credit-repair advice, legal advice, financial advice, a mortgage decision, or a commitment to lend. Credit reporting, scoring, underwriting, and mortgage requirements vary by bureau, scoring model, loan program, lender, investor, borrower, property, and transaction, and they change over time. Vabasso Mortgage does not promise to increase a credit score, remove accurate credit information, or guarantee mortgage approval. Nothing in this guide should be read as a recommendation to dispute accurate information, close or open accounts, pay or settle a debt, or take any other action without first reviewing your complete circumstances with a licensed mortgage advisor and, where appropriate, a qualified legal or financial professional.

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