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How to deal with “bad credit”—or no credit—when you want to buy a home.

By [Megan Thibos](#) CFPB Blog– MAR 01, 2017

Buying a home is exciting. It's also one of the most important financial decisions you'll make. Choosing a mortgage to pay for your new home is just as important as choosing the right home. If you would like to buy a home, but are worried about your credit, you are not alone. Many of the millions of people who lost their homes during the financial crisis are considering home ownership again. Others who have struggled financially in the past are considering buying their first home. Still others dream of buying a home, but do not have sufficient credit history. In fact, more than 45 million American adults have no credit score because they have limited or no credit history .

First things first: Check your credit. If you haven't checked your credit recently, now is the time to do so. You'll have concrete information to help you make the best decisions about what to do next. And, you'll find out if there are any errors on your credit report that may be lowering your credit scores. You'll also see which areas you may be able to improve. Checking your own credit won't hurt your credit scores. It's important to understand that you don't have just one credit score. There are many credit scoring formulas, and the score will also depend on the data used to calculate it. Today, most mortgage lenders use FICO scores when deciding whether to offer you a loan, and in setting the rate and terms. Most mortgage lenders request and evaluate your credit scores and the scores of any co-borrowers from all three major credit reporting companies and make their decisions based on the middle score.

Figure out where you stand: Your credit scores are only one factor in a mortgage lender's decision, but they're an important one. Credit scores generally range from 300 to 850 points. Higher scores represent a better credit history and make you eligible for lower interest rates. The best rates go to borrowers with credit scores in the mid-700s or above. If your credit scores are in the mid-600s or below, you may have trouble qualifying for a loan. In 2013, only four percent of homebuyers taking out a mortgage had scores less than 620. The loans available to borrowers with credit scores less than 620 have the highest rates and are more likely to have risky features. If your scores are in this range, consider working to improve your credit before applying for a mortgage. A housing counselor can often be helpful at this stage. They can help you understand what loan options might be available to you now, compared to the loan options you could qualify for if you work to improve your credit first. They can also help you understand what changes you will need to make to improve your credit, and make a plan.

Improving your credit: Rebuilding your credit (or building it for the first time) won't happen overnight. Beware of anyone who claims that they can “fix” your credit quickly for a fee. It could be a credit repair scam. There are no shortcuts to building a good credit history; it takes time and making regular payments to your accounts.

To read more, continue here: <https://www.consumerfinance.gov/about-us/blog/bad-credit-or-no-credit-when-you-want-buy-home/>

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