



**NORTHPOINT**  
M O R T G A G E  
POWERED BY FAIRWAY HOME MORTGAGE

# You're Closer to Homeownership Than You Think

Most people wait until their credit looks "perfect" before they ask for help. That day never comes - and that's why they stay stuck. This class is about ending the waiting and starting the moving. With the right strategy, the right structure, and the right timing, homeownership is within reach - even if your file has some history.

[FREE HOMEBUYER PREP GUIDE](#)

# The Myth of the "Perfect File"

Here's the truth most people never hear: **banks don't wait for perfect - they approve for prepared.** Millions of aspiring homeowners delay taking action because they believe their past disqualifies them. It doesn't.

Missed payments. Collections. A repossession. Even bankruptcy. These are setbacks - not sentences. The real problem isn't your credit history. It's that **no one ever showed you what to fix, what to leave alone, and what lenders actually look for** when they decide to say yes.

## Sound Familiar?

- "I'll apply when my credit is better"
- "I have too many collections"
- "I had a bankruptcy a few years ago"
- "I don't even know where to start"
- "I've been told to just wait"

# What Banks Actually Approve

Forget what you think you know. Banks don't approve effort. They approve **structure, positioning, timing, and behavior**. Understanding this distinction changes everything about how you prepare.

## Structure

How your credit accounts, debt ratios, and profile are organized

## Positioning

Where your score, income, and history stand relative to approval thresholds

## Timing

When in your credit journey you apply - and why timing is everything

## Behavior

Recent patterns lenders use to predict your future reliability



# Understanding Your Credit Profile

Before you can fix anything, you need to see the full picture. Your credit profile is made up of several key components - and each one is weighted differently by lenders. Knowing what matters most tells you where to focus your energy first.

Payment history and amounts owed together make up **65% of your score**. These are your highest-leverage areas - and the ones we'll focus on most in this class.

# What to Fix First

Not everything on your credit report deserves your attention right now. Trying to fix everything at once is one of the most common - and costly - mistakes. Strategic sequencing is everything.

**1**

## **Pull All Three Reports**

Get your free reports from Equifax, Experian, and TransUnion at [AnnualCreditReport.com](https://www.annualcreditreport.com). Errors are more common than you think - and disputing them costs nothing.

**2**

## **Dispute Inaccurate Items**

Look for accounts that aren't yours, incorrect balances, or outdated negative items. Removing inaccuracies can give your score an immediate boost - sometimes 20-50+ points.

**3**

## **Address Recent Lates First**

A payment that was 30 days late last month hurts more than a collection from three years ago. Lenders look at recency - prioritize getting current on active accounts immediately.

**4**

## **Reduce Credit Utilization**

Aim to keep balances below 30% of each card's limit - and below 10% for the best results. This single move can raise your score significantly in as little as one billing cycle.

# What to Leave Alone

## **Don't Close Old Accounts**

Closing a credit card - even one you don't use - can shorten your credit history and increase your utilization ratio overnight. Both hurt your score. Old accounts with no balance? Leave them open.

## **Don't Apply for New Credit**

Every hard inquiry can drop your score 5-10 points. In the 6-12 months before you apply for a mortgage, avoid opening new credit cards, car loans, or financing offers - even the attractive store ones.

## **Don't Pay Off Old Collections Blindly**

Paying an old collection doesn't always help - and can sometimes restart the clock on negative items. Get guidance before paying. A "pay for delete" agreement is almost always the better move.

## **Don't Make Large Unexplained Deposits**

Lenders audit your bank statements. Unexplained large deposits raise red flags about the source of the down payment. Document everything - gifts, transfers, and bonuses - in advance.

# Letters Lenders Love to See

Sometimes the numbers tell one story, but a well-crafted letter tells the whole truth. Lenders are human - and the right documentation can be the difference between a denial and an approval.



## Letter of Explanation (LOE)

A brief, honest explanation for any negative items - job loss, medical emergency, divorce. Lenders look for context, not excuses. One clear paragraph showing the cause and resolution is powerful.



## Pay for Delete Agreement

A written agreement with a collection agency to remove the account from your report in exchange for payment. Not all collectors agree, but when they do, it can clean up your file significantly.



## Gift Letter

If part of your down payment is a gift from a family member, a signed gift letter confirming it's not a loan is required by most lenders. Without it, that money won't count toward your approval.



## Medical Debt Explanation

Many lenders treat medical collections differently from consumer debt. A brief explanation with documentation showing the bill was disputed or resolved can neutralize its impact on your approval.

# What Banks Actually Approve You For

Your approval isn't just about your credit score. Lenders evaluate your entire financial profile to determine how much house you can buy - and on what terms. Here's what they're really looking at:



## Credit Score

FHA loans may accept scores as low as 580 with 3.5% down. Conventional loans typically want 620+. The higher your score, the better your interest rate - which affects your monthly payment for the life of the loan.



## Debt-to-Income Ratio (DTI)

Lenders want your total monthly debt payments to be no more than 43-50% of your gross monthly income. Reducing existing debts before applying can dramatically improve your qualifying power.



## Down Payment & Reserves

A larger down payment means better loan terms and no PMI. But many programs allow 3-3.5% down. Lenders also want to see reserves - money left in the bank after closing to cover a few months of payments.

# Your 90-Day Action Plan

Strategy without a timeline is just a wish. Here's a concrete roadmap to get your profile mortgage-ready in 90 days. Consistent action - not perfection - is what moves you forward.



Most buyers who follow this framework see meaningful score improvements within 60-90 days - enough to qualify for better rates and programs they didn't think were available to them.

# Move With Strategy, Not Fear

< p>You don't need a perfect file. You need a clear plan and someone who's been through it - not just studied it. This isn't theory. This is the same formula used to turn denials into approvals for real people with real credit challenges.

## Know What to Fix

Prioritize high-impact items that move your score fastest

## Know What to Leave

Avoid the costly mistakes that accidentally hurt your score

## Know What Lenders Want

Position your profile for approval - not just for "better credit"

📄 **Ready to get started?** Visit [NorthpointMortgage.com](https://NorthpointMortgage.com) and take your first real step toward the keys to your home. You're closer than you think. 🏠