



## Credit Scores

Three digits that affect many details of your mortgage.

In the simplest terms, a credit score is a three-digit number, typically between 300 and 850, that represents your credit risk, or the likelihood you will pay your bills on time. It's like a track record that indicates how often you pay back the money you borrow.

### WHAT YOU NEED TO KNOW ABOUT CREDIT SCORES.

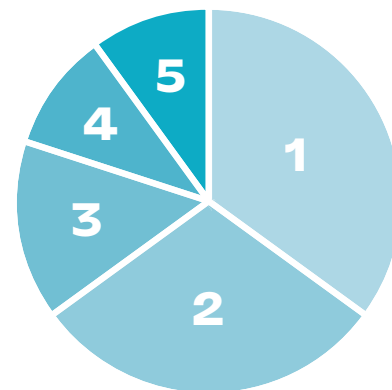
Lenders use your credit score to evaluate the level of risk associated with lending to you. It's an important number that follows you throughout your financial life, mattering most when you borrow money for something expensive like a home.

When it comes to credit scores, higher is always better. That's because a higher score shows lenders you're trustworthy, leading to better loan terms and lower interest rates — two things every homebuyer wants.

### HOW IS A CREDIT SCORE CALCULATED?

The FICO scoring model is typically used to calculate your credit score, and it's based on your credit report — a document containing data on your entire credit history, from accounts you've opened to amounts you've borrowed.

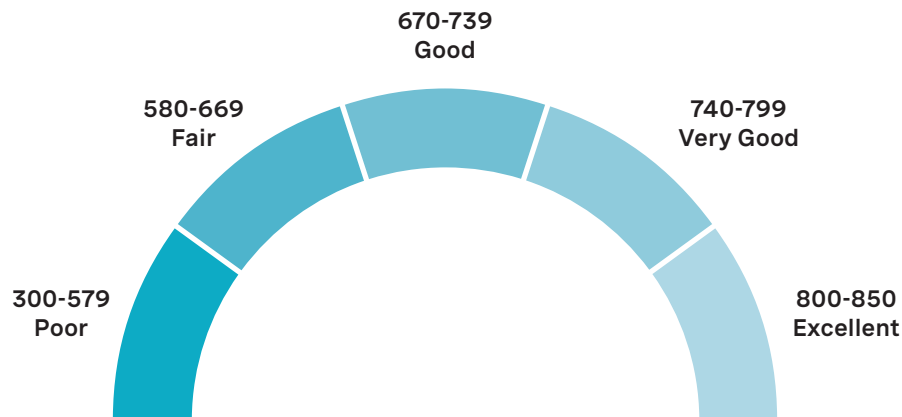
There are five key factors within your credit report that form your credit score, and each is weighted differently. Let's break them down:



- 1. Payment history (35%)** — Your track record of paying back the money you've borrowed makes up the largest portion of your credit score. When you pay bills on time each month, like credit card, auto loans or even utility bills, you build a lasting, positive effect on your overall score.
- 2. Credit utilization (30%)** — Think of this as your credit limit. It's the money you use vs. the money available to you. Lenders want to see that you're using your credit and paying it off, but also doing so responsibly (no maxed-out cards, for example).
- 3. Credit history (15%)** — Alongside payments, how long your credit accounts have been active matters. Whether it's a credit card you've used for years or an auto loan you've already paid off, a history of borrowing money (and paying it back!) matters.
- 4. Credit mix (10%)** — Speaking of those credit accounts, a variety gives you a small advantage. Having a mix of credit, like a credit card, single installment loan or line of credit, shows lenders you're able to reliably manage multiple types, making you that much more trustworthy.
- 5. New credit (10%)** — Your recently opened credit accounts also factor in. This includes how many new accounts you've opened over the past couple years, how long ago you last applied for credit and how many inquiries are on your report.

## WHAT ARE CREDIT SCORE RANGES?

Your credit score slots into one of five different ranges that influence how lenders view your creditworthiness. Here's what each means for your borrowing power:



CREDIT SCORE RANGE	CREDIT RATING	WHAT IT MEANS
800-850	Excellent	You're a low-risk borrower and can qualify for the best rates.
740-799	Very Good	You have a proven history of creditworthiness and can more easily secure a loan.
670-739	Good	You're an acceptable borrower with lower risk.
580-669	Fair	You're considered "subprime" and riskier to lend to.
300-579	Poor	You might be high risk and need to improve your credit score.

## HOW CAN YOU RAISE YOUR CREDIT SCORE?

Improving your credit score is easier than you think. The simplest way is to always pay your bills on time every month. Other ways to see a boost in your score are to keep credit card balances lower than your credit limit and maintain a diverse mix of credit types, such as credit cards and installment loans.

## WHAT YOUR CREDIT SCORE MEANS FOR YOUR MORTGAGE.

Upon application, mortgage lenders will make a credit score inquiry — sometimes called a “credit check” or “credit pull” — to check your credit report. The number they see directly impacts your eligibility for a mortgage because it helps assess whether you're safe or risky to lend to. The lower your credit score, the riskier you look. The higher it is, the safer you seem.

Your credit score also plays a major role in your mortgage rate, which determines how much interest you'll end up paying on the money you borrow. Lower credit scores result in higher rates, causing you to pay more over the life of your mortgage. Higher credit scores lead to lower rates, saving you money instead.

## HOW MUCH CAN YOUR CREDIT SCORE SAVE YOU?

The difference between a 7.0% and 7.5% mortgage rate may not seem like much, but it adds up over the life of your mortgage. Just a 100-point difference in your credit score can cost or save you thousands of dollars over a 30-year term — making those three digits essential to maintain.

CREDIT SCORE RANGE	LOAN AMOUNT	LOAN TERM	INTEREST RATE	MONTHLY PAYMENT
Very Good (740-799)	\$240,000	30-year fixed	7.0%	\$1,597
Fair (580-669)	\$240,000	30-year fixed	7.5%	\$1,678

In the example above, a customer with a very good credit rating is saving an average of \$81 each month. Over the lifetime of the loan, that totals to over \$29,000. Only half of a percent difference in your interest rate can mean significant savings.

## THERE'S MORE TO A MORTGAGE THAN NUMBERS.

All in all, a healthy credit score doesn't just improve your chances of mortgage approval — it opens the door to better loan terms, helping you pay less and save more on your mortgage.

Buying a home is a big deal, and those three little digits can have large consequences. But at Frost Mortgage, we go beyond the numbers. Our team looks at your home loan from the ground up, starting with you. We take the time to understand your goals, plans and needs — because they're just as important when building your mortgage.

Between the many metrics and terms, homeownership may seem daunting. But we're with you. We'll get you there and stay by your side, from the moment you apply to 30 years down the road. Here to offer guidance when you want it and a helping hand before you need it. It's what makes Frost Mortgage different — because it's what you deserve.

## VISIT WITH A MORTGAGE LOAN ADVISOR TODAY.

(877) 521-4011

mortgage@frostbank.com

NMLS #431208

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