

Optimize Your Clients' Options

Help borrowers improve their credit and expand the loan products available to them

By **David G. Chung**, managing director of business development, CreditXpert Inc.

DESPITE ITS INFLUENCE ON their daily lives, most Americans don't understand the credit-scoring process or its impact on their finances. As a mortgage broker, you should help your borrowers understand the material terms, costs and risks of different loan products as you help them select the right mortgage. You also should provide them with information about their credit and its impact on loan rates and terms, as well as options for improving their scores.

To strengthen your role as a trusted adviser, you first must understand how credit optimization works.

What is it?

Although you can't change fixed issues such as real estate values or borrowers' ability to pay, you can increase your pool of viable applicants by improving clients' creditworthiness. Unlike collateral and income, a borrower's credit score can often improve with a few targeted changes, such as correcting inaccuracies or paying down a balance. Moving an applicant up one score band can mean the difference between refusal and approval or between nonprime and prime status.

Credit optimization uses personalized credit-scoring technology — including accuracy assessment, credit management and simulation solutions — to find an applicant's true credit score. Effective credit optimization stems from extensive experience with credit-scoring, data-mining and predictive modeling.



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There are two basic ways to raise credit scores: ensuring accuracy in credit files and improving credit behavior. Effective credit-optimization solutions address both areas.

To increase accuracy, credit-optimization technology automatically screens credit reports for outdated or inaccurate information that may negatively impact scores.

To enhance credit behavior, the technology identifies the most cost-effective actions to improve credit management and, therefore, credit scores. These actions may include paying down debt, improving credit utilization, transferring balances and opening new accounts.

You can access credit-optimization services through most origination platforms and credit-reporting agencies. Once you've evaluated borrowers' potential, your credit-report provider's rapid-rescoring services can work with the credit bureaus to make the changes suggested by optimization in as few as four days.

What to look for

When selecting a credit-optimization provider, make sure the product or service considers the full context of the applicant's credit history and the complexity of credit-scoring models, instead of only indicating that a particular account has a specific impact. In other words, seek personalized recommendations.

Although opening a new account might improve some borrowers' credit scores, it can hurt others'. Any score improvement will be based on the interrelated effects of all of a borrower's accounts. Recommended actions should reflect that.

Because credit represents a personal, individualized matter, applicants may want to consider different options for raising their scores. An effective product or service should let you test different scenarios to understand their impacts. This can help you take a consultative role with your applicants.

Also, make sure to distinguish the legitimate practice of credit optimization from credit repair. Effective credit optimization won't attempt to conceal past credit behavior. Rather,

it will recommend positive future actions that will improve the score. Be wary of claims about "fixing" past credit blunders and recommendations to dispute as many accounts as possible.

Your benefits

Beyond improving your closing ratio, empowering your applicants to succeed by helping them with their credit can elevate you from salesperson to trusted adviser. Trust is the fundamental basis for lending and a critical factor in borrowers' decisionmaking process. Shoppers start with rates, but trust closes the deal. **!**

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