Insider Q&A: TransUnion exec talks credit scores and real estate

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It may be winter now, but the spring house-hunting season is just ahead. John Danaher, president of consumer interactive at credit bureau TransUnion, says that makes this the perfect time for home-seekers who want the best terms and rates on a mortgage to take control of their credit.

TransUnion is one of the three major credit bureaus, which keep track of and provide consumer credit reports. Your credit report and score are integral to securing the best terms for a mortgage. Answers are edited for length and clarity.

Q: Why think about real estate now?

A: Typically the home-buying season starts to heat up in the springtime. That is when people start looking around in earnest. So what we recommend is doing some work upfront to make that process go as smoothly as possible. That involves checking and knowing what your credit standing is and doing work to be pre-approved for a loan so you're ready when you find the house you want. It helps you set a budget and know how much house you can afford.

Q: What are the first steps to take?

A: The first thing is to look at your credit report and see what your score is. And maybe people don't know this, but for a real estate transaction a mortgage lender looks at all three credit reports — TransUnion, Experian and Equifax.

So you want to understand what your credit score is and what is impacting that score.

On our side, we recommend things to consumers that they can do to improve that score. Utilization is one thing in particular that comes to mind.

I don't know about you, but I tend to overspend over the holidays. Typically in January I have my lowest credit score of the year because I have the highest utilization on my credit cards. I pay them down and my score tends to improve.

I think we recommend that the optimal utilization should be around 30 percent.

Q: What about just paying your bills on time? I understand that is the biggest driver of your score.

A: That is the single biggest determinant. If you are planning to buy a home, now is not the time to skip a payment. That will have the biggest negative impact on your score. It will do two things: it can drive the interest rate higher or it could, in certain cases, prevent you from getting a loan.

It's very critical for folks to pay their bills on time. And to the extent they can have a derogatory item on their credit (such as a very late payment, bankruptcy, tax lien or other negative item), to address or be aware of that.

Q: How long does it take to improve your score?

A: In some cases it can happen very quickly. The example of if you pay off your credit cards — you'll see it next month. If you have a derogatory item, that can stay on your report for seven years. You just need to set your expectations that you are not going to get the best interest rate. You can take some actions that will change it within a month's time or it can be years.

Q: What should consumers know about efforts to change what the credit bureaus look at?

A: Certainly there is an effort to try to look at more consumer data to score more consumers, including things like payday loans or utility bills or rental payments. This is a trend in the industry that we call "alternative data" to score more consumers. But when you look at the continuum of products out there, the mortgage is the most traditional and resistant to change. The things they will look at are the same as years ago.

Credit score, debt-to-income ratio and the appraisal or value of property — those three are still the standard pillars of the mortgage industry.

Q: What are some common mistakes people make in the mortgage application process?

A: It's usually a gap between what they think they can afford versus what a lender would be willing to give them based on those three items. There can be a disconnect.

People say "Hey I have good credit" and assume they do, then they go to the lender and the lender pulls their file and there's an issue or two on there. It's that gap between expectation and reality for some folks.

Taking the long view over the last twenty years or so though — that gap has narrowed because consumers have so much more access to their credit information than they ever did and tens of

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What is the tiny house movement?

Metro Creative

The tiny house movement has transformed the way many people look at housing and how it can help them downsize not only their residences, but also their lives.

Living small has been embraced as an eco-friendly way to cut costs and simplify life. According to the tiny house resource The Tiny Life, the typical American home is 2,600 square feet, while the typical tiny house is between 100 and 400 square feet. Many tiny homes are smaller than the average urban apartment.

Proponents of the small house movement say that living the tiny life isn't really a sacrifice, but a way to experience a simpler, fuller life that frees them from expensive mortgage payments and unnecessary clutter.

One of the advantages of tiny house living is that buyers are often able to buy their homes (whether stationary or mobile) outright, eliminating the need to finance their purchases. Tiny homes also boast much lower utility bills than more traditional homes.

Outfitting tiny homes with wood-burning appliances can keep heating costs to a minimum. In some instances, tiny homes are completely off the grid, harvesting electricity through solar panels and employing rain-capturing technology to supply water.

According to the resource Living Big in a Tiny House, the tiny house movement is eco-friendly. Small homes create much smaller carbon footprints than large homes. In addition, the resources needed to build and sustain such homes pales in comparison to those needed to build and maintain more traditional homes.

Furthermore, with less interior space, residents of tiny homes are less likely

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