Home Lenders Stress Importance of Good Credit

By David Thomas

Lending institutions in the Fayetteville area say that bad or nonexistent credit is the biggest obstacle for applicants seeking mortgage loans, but local banks and financial groups are working to help homebuyers fix their credit and qualify for loans.

Most companies have to see a credit score above a certain minimum before they can accept an application, said Johneese Adams, senior vice president of mortgage lending for Arvest’s Township branch.

Arvest is the largest lender in the Fayetteville area by a wide margin, with around 50 percent of the market share when reported in 2012, according to the Northwest Arkansas Business Journal (right??).

At Arvest, the minimum score is a 620. When a client comes to her without a good score, she does her best to point them in the right direction to get their scores back on track.

“We want to help as many people as we can,” she said.

Arvest lenders suggest that clients with lower credit scores visit Credit Counseling of Arkansas, a nonprofit group that offers financial literacy and education programs.

The program is great for clients who can’t necessarily qualify for homes at the moment but who are looking to qualify at a later time, Adams said.

“I’ve met with people a year or two before and said, okay, here’s the plan, here’s how we’re going to fix it. And they’ll come back to see me in 12 months and they’ve done exactly what we said: They’ve repaired their credit, they got their credit score up and they’ve got a good history and we’re off and running getting them a home loan,” Adams said.

Many of the people she sits down with haven’t heard of services like the CCOA before, Adams said.

Besides going to CCOA, Adams had a few other suggestions for people looking to establish a good credit score.

“I don’t encourage credit card debt at all, [but] it has to be used,” she said. “We’re in a world of credit.”

A credit card used sparingly in a person’s name can do a lot to help establish a good credit score. Using and paying off around $50 a month “looks really positive and it boosts your credit score,” Adams said.

These small, regular payments form what’s called trending credit. Diversifying credit also makes applications more enticing for lenders. In addition to paying credit card bills, Adams usually suggests a type of loan secured by a Certificate of Deposit.