

Rescore and Profit

Software can catch the credit errors that are holding your clients back

By **William DiPaolo**, chief operating officer, Cogent Road

BORROWERS MAY SEE THE THREE major credit bureaus as the ultimate authorities on credit scores. But smart mortgage brokers know that credit-score data occasionally is reported late or incorrectly, which can give borrowers lower credit scores than they actually deserve.

Many brokers already perform rescoring for borrowers on a case-by-case basis — but that method means some credit mistakes may go unnoticed. To maximize their clients' borrowing power, brokers should rescore all loan applicants with fully integrated rescoring software. This software allows brokers to check every credit report they receive — and catch the errors that could keep borrowers from reaching their income potential.

Fixing errors

Credit scores are generated from a series of mathematical calculations using what are known as tradeline data. Often listed in a cryptic manner, tradeline data comprise the consumer-spending history included in a credit report. Rescoring possibilities exist when the tradeline data contain errors or when applicants unknowingly allocate their credit limits and balances improperly.

For example, if debt levels are excessive, insufficient or improperly balanced between creditors, borrowers' credit scores may be adversely affected. Scores also can be lowered because of errors in account status, balance and payment information.

Once they discover an error, brokers can submit the file through their credit-reporting agency for rescoring using the software. The

new score typically is available in three to five business days.

It is important to understand that rescoring has nothing to do with removing credit data, misrepresenting credit histories or otherwise dressing up an applicant to give the impression of a higher score to secure a loan. Rather, effective rescoring is a proven strategy that rapidly updates a credit history to reflect its true, most accurate status. In many cases, borrowers will benefit from legitimately higher credit scores after rescoring.

Software can help

When rescoring, remember to assess whether rescoring potential exists. This includes finding how many more points are possible and how to achieve those points. For rescoring to work as a business process, this initial analysis must be inexpensive, efficient and easy to implement across all applicants. And that is where credit-management software can help.

Through the use of credit-management software, brokers can quickly gauge the rescoring potential of any credit report. Credit-management software can scan every credit report to calculate how many points are suppressed because of inefficient debt allocation. It also will scan the underlying data comprising each tradeline to detect errors that may harm the score.

Some credit-management software will even produce a customized rescoring plan for the applicant based on the results of its analysis. Rescoring plans can help brokers effectively explain what steps borrowers must take to increase their scores, as well as what the expected outcome is.

Rescoring potential

The best candidates for rescoring are those with scores that disqualify them for any loan, or put them a bit below qualifying for a better loan. If these clients can gain enough points, you can make or improve their loans. If not, you will avoid wasting time with unqualified applicants and instead provide them with a rescoring incubation period that can bring back a higher score in as few as 90 days.

Rescoring can maximize closing rates and convert denied applicants into viable sources of prequalified, future business. Used correctly, this process also may have the pleasant side effect of increasing brokers' word-of-mouth referral business. ■



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