

Your New Niche: Fixing Credit Reports

By helping your clients correct credit errors, you can boost your referral business

By **William DiPaolo**, managing partner, Cogent Road Inc.

MOST BROKERS UNDERSTAND that selling to referred clients and selling to cold prospects are so different that they can't be compared fairly. Generating referrals, however, can be a struggle for many brokers. But if you can offer your clients a service with inherent value, you may see your referral business boom.

Most mortgage clients understand that their credit report influences their loan and its terms. For many, then, credit review and improvement can mean the world — not to mention a favorable mortgage.

For brokers, credit proofreading — or credit review and rescoring — can be an effective referral-generating opportunity. This service helps you identify errors in your clients' credit reports, as well as ways they can correct the errors.

In fact, many FICO scores could be wrong. A 2004 U.S. Public Interest Research Group report found that 25 percent of credit reports contain "errors serious enough to deny consumers access to credit." This could mean that one of in four applicants may be turned down because their credit score was wrongly and unnecessarily lowered in error.

Another type of error that can deflate FICO scores and that often is more damaging involves credit-use. These errors often appear in different forms, which makes them hard to detect. Worse, consumers who seemingly make good short-term financial decisions inadvertently commit credit-use errors without realizing it.

In fact, many consumers use credit in ways that needlessly lower their scores. Some have too many credit cards. Others don't have enough. The

same goes for credit balances. It all depends on how the credit fits into their profiles and how Fair Isaac and Co. interprets consumers' new credit.

Mortgage brokers can help their clients identify these errors, however, and work toward reconciling them and increasing their credit scores.

To offer a credit-review and rescoring service, you'll likely want software that detects any hint of data or usage errors within a credit profile. The software scans applicants' entire credit profiles each time you order a credit report. Results are then neatly categorized by the type of error, with credit-use errors separated from data errors.

Once detected, these tools tell you how to fix the errors and how many more points your clients will get by doing so. With the help of a credit-reporting agency, your clients often can see higher credit scores in just three days.

When you position your credit review in a way that presents you as a qualifying expert, you're moving down the referral runway. Taking the next step and demonstrating that you can improve your clients' credit health can enhance your referrals.

People are concerned with every detail of their financial lives, and with credit proofreading, their credit profile becomes the one financial area in which you can help. And because healthier credit profiles often mean higher credit scores and better mortgage terms, many clients go out of their way to send you their friends and family members. **■**



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