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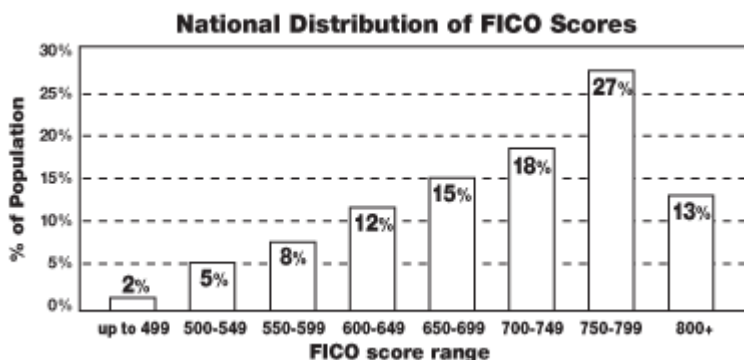
About Credit Scores

When you apply for credit – whether for a credit card, a car loan, or a mortgage – lenders want to know what risk they'd take by loaning money to you. FICO® scores are the credit scores most lenders use to determine your credit risk. You have three FICO scores, one for each of the three credit bureaus: Experian, TransUnion, and Equifax. Each score is based on information the credit bureau keeps on file about you. As this information changes, your credit scores tend to change as well. Your 3 FICO scores affect both how much and what loan terms (interest rate, etc.) lenders will offer you at any given time. Taking steps to improve your FICO scores can help you qualify for better rates from lenders.

For your three FICO scores to be calculated, each of your three credit reports must contain at least one account which has been open for at least six months. In addition, each report must contain at least one account that has been updated in the past six months. This ensures that there is enough information – and enough recent information – in your report on which to base a FICO® score on each report.

About FICO® scores

Credit bureau scores are often called “FICO scores” because most credit bureau scores used in the U.S. are produced from software developed by Fair Isaac and Company. FICO scores are provided to lenders by the major credit reporting agencies.



FICO scores provide the best guide to future risk based solely on credit report data. The higher the score, the lower the risk. But no score says whether a specific individual will be a “good” or “bad” customer. And while many lenders use FICO scores to help them make lending decisions, each lender has its own strategy, including the level of risk it finds acceptable for a given credit product. There is no single “cutoff score” used by all lenders and there are many additional factors that lenders use to determine your actual interest rates.

Other Names for FICO Scores

FICO scores have different names at each of the credit reporting agencies. All of these scores, however, are developed using the same methods by Fair Isaac, and have been rigorously tested to ensure they provide the most accurate picture of credit risk possible using credit report data.

Credit Reporting Agency	FICO® Score
Equifax	BEACON®
Experian	Experian/Fair Isaac Risk Model
TransUnion	EMPIRICA®

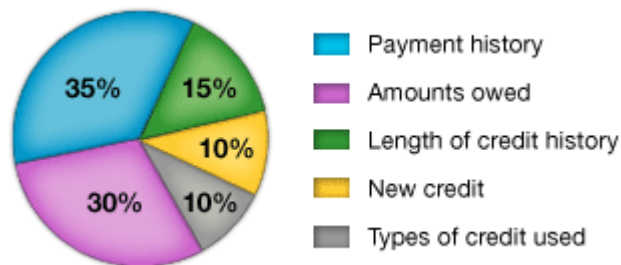
More than one score

In general, when people talk about "your score", they're talking about your current FICO score. However, there is no one score used to make decisions about you. This is true because:

- **Credit bureau scores are not the only scores used.**
Many lenders use their own scores, which often will include the FICO score as well as other information about you.
- **FICO scores are not the only credit bureau scores.**
There are other credit bureau scores, although FICO scores are by far the most commonly used. Other credit bureau scores may evaluate your credit report differently than FICO scores, and in some cases a higher score may mean more risk, not less risk as with FICO scores.
- **Your score may be different at each of the main credit reporting agencies.**
The FICO score from each credit reporting agency considers only the data in your credit report at that agency. If your current scores from the credit reporting agencies are different, it's probably because the information those agencies have on you differs.
- **Your FICO score changes over time.**
As your data changes at the credit reporting agency, so will any new score based on your credit report. So your FICO score from a month ago is probably not the same score a lender would get from the credit reporting agency today.

What's In Your Score

FICO Scores are calculated from a lot of different credit data in your credit report. This data can be grouped into five categories as outlined below. The percentages in the chart reflect how important each of the categories is in determining your score.



These percentages are based on the importance of the five categories for the general population. For particular groups - for example, people who have not been using credit long - the importance of these categories may be somewhat different.

Payment History

- Account payment information on specific types of accounts (credit cards, retail accounts, installment loans, finance company accounts, mortgage, etc.)
- Presence of adverse public records (bankruptcy, judgements, suits, liens, wage attachments, etc.), collection items, and/or delinquency (past due items)
- Severity of delinquency (how long past due)
- Amount past due on delinquent accounts or collection items
- Time since (recency of) past due items (delinquency), adverse public records (if any), or collection items (if any)
- Number of past due items on file
- Number of accounts paid as agreed

Amounts Owed

- Amount owing on accounts
- Amount owing on specific types of accounts
- Lack of a specific type of balance, in some cases

- Number of accounts with balances
- Proportion of credit lines used (proportion of balances to total credit limits on certain types of revolving accounts)
- Proportion of installment loan amounts still owing (proportion of balance to original loan amount on certain types of installment loans)

Length of Credit History

- Time since accounts opened
- Time since accounts opened, by specific type of account
- Time since account activity

New Credit

- Number of recently opened accounts, and proportion of accounts that are recently opened, by type of account
- Number of recent credit inquiries
- Time since recent account opening(s), by type of account
- Time since credit inquiry(s)
- Re-establishment of positive credit history following past payment problems

Types of Credit Used

- Number of (presence, prevalence, and recent information on) various types of accounts (credit cards, retail accounts, installment loans, mortgage, consumer finance accounts, etc.)

Please note that:

- **A score takes into consideration all these categories of information, not just one or two.**
No one piece of information or factor alone will determine your score.
- **The importance of any factor depends on the overall information in your credit report.**
For some people, a given factor may be more important than for someone else with a different credit history. In addition, as the information in your credit report changes, so does the importance of any factor in determining your score. Thus, it's impossible to say exactly how important any single factor is in determining your score - even the levels of importance shown here are for the general population, and will be different for different credit profiles. What's important is the mix of information, which varies from person to person, and for any one person over time.
- **Your FICO score only looks at information in your credit report.**
However, lenders look at many things when making a credit decision including your income, how long you have worked at your present job and the kind of credit you are requesting.
- **Your score considers both positive and negative information in your credit report.**
Late payments will lower your score, but establishing or re-establishing a good track record of making payments on time will raise your score.

What is Not In Your Score

FICO® scores consider a wide range of information on your credit report. However, they do not consider:

- **Your race, color, religion, national origin, sex and marital status.**
US law prohibits credit scoring from considering these facts, as well as any receipt of public assistance, or the exercise of any consumer right under the Consumer Credit Protection Act.
- **Your age.**
Other types of scores may consider your age, but FICO scores don't.
- **Your salary, occupation, title, employer, date employed or employment history.**
Lenders may consider this information, however, as may other types of scores.
- **Where you live.**
- **Any interest rate being charged on a particular credit card or other account.**

- **Any items reported as child/family support obligations or rental agreements.**
- **Certain types of inquiries (requests for your credit report).**
The score does not count “consumer-initiated” inquiries – requests you have made for your credit report, in order to check it. It also does not count “promotional inquiries” – requests made by lenders in order to make you a “pre-approved” credit offer – or “administrative inquiries” – requests made by lenders to review your account with them. Requests that are marked as coming from employers are not counted either.
- **Any information not found in your credit report.**
- **Any information that is not proven to be predictive of future credit performance.**
- **Whether or not you are participating in a credit counseling of any kind.**

How Credit Scoring Helps You

Credit scores give lenders a fast, objective measurement of your credit risk. Before the use of scoring, the credit granting process could be slow, inconsistent and unfairly biased.

Credit scores – especially FICO® scores, the most widely used credit bureau scores – have made big improvements in the credit process. Because of credit scores:

- **People can get loans faster.**
Scores can be delivered almost instantaneously, helping lenders speed up loan approvals. Today many credit decisions can be made within minutes. Even a mortgage application can be approved in hours instead of weeks for borrowers who score above a lender’s “score cutoff”. Scoring also allows retail stores, Internet sites and other lenders to make “instant credit” decisions.
- **Credit decisions are fairer.**
Using credit scoring, lenders can focus only on the facts related to credit risk, rather than their personal feelings. Factors like your gender, race, religion, nationality and marital status are not considered by credit scoring.
- **Credit “mistakes” count for less.**
If you have had poor credit performance in the past, credit scoring doesn’t let that haunt you forever. Past credit problems fade as time passes and as recent good payment patterns show up on your credit report. Unlike so-called “knock out rules” that turn down borrowers based solely on a past problem in their file, credit scoring weighs all of the credit-related information, both good and bad, in your credit report.
- **More credit is available.**
Lenders who use credit scoring can approve more loans, because credit scoring gives them more precise information on which to base credit decisions. It allows lenders to identify individuals who are likely to perform well in the future, even though their credit report shows past problems. Even people whose scores are lower than a lender’s cutoff for “automatic approval” benefit from scoring. Many lenders offer a choice of credit products geared to different risk levels. Most have their own separate guidelines, so if you are turned down by one lender, another may approve your loan. The use of credit scores gives lenders the confidence to offer credit to more people, since they have a better understanding of the risk they are taking on.
- **Credit rates are lower overall.**
With more credit available, the cost of credit for borrowers decreases. Automated credit processes, including credit scoring, make the credit granting process more efficient and less costly for lenders, who in turn have passed savings on to their customers. And by controlling credit losses using scoring, lenders can make rates lower overall. Mortgage rates are lower in the United States than in Europe, for example, in part because of the information - including credit scores - available to lenders here. Knowing and improving your score can also lead to more favorable interest rates

Improving Your FICO® Score

It’s important to note that raising your score is a bit like losing weight: It takes time and there is no quick fix. In fact, quick-fix efforts can backfire. The best advice is to manage credit responsibly over time.

Payment History Tips

- **Pay your bills on time.**
Delinquent payments and collections can have a major negative impact on your score.

- **If you have missed payments, get current and stay current.**
The longer you pay your bills on time, the better your score.
- **Be aware that paying off a collection account will not remove it from your credit report.**
It will stay on your report for seven years.
- **If you are having trouble making ends meet, contact your creditors or see a legitimate credit counselor.**
This won't improve your score immediately, but if you can begin to manage your credit and pay on time, your score will get better over time.

Amounts Owed Tips

- **Keep balances low on credit cards and other “revolving credit”.**
High outstanding debt can affect a score.
- **Pay off debt rather than moving it around.**
The most effective way to improve your score in this area is by paying down your revolving credit. In fact, owing the same amount but having fewer open accounts may lower your score.
- **Don't close unused credit cards as a short-term strategy to raise your score.**
- **Don't open a number of new credit cards that you don't need, just to increase your available credit.**
This approach could backfire and actually lower score.

Length of Credit History Tips

- **If you have been managing credit for a short time, don't open a lot of new accounts too rapidly.**
New accounts will lower your average account age, which will have a larger effect on your score if you don't have a lot of other credit information. Also, rapid account buildup can look risky if you are a new credit user.

New Credit Tips

- **Do your rate shopping for a given loan within a focused period of time.**
FICO® scores distinguish between a search for a single loan and a search for many new credit lines, in part by the length of time over which inquiries occur.
- **Re-establish your credit history if you have had problems.**
Opening new accounts responsibly and paying them off on time will raise your score in the long term.
- **Note that it's OK to request and check your own credit report.**
This won't affect your score, as long as you order your credit report directly from the credit reporting agency or through an organization authorized to provide credit reports to consumers.

Types of Credit Use Tips

- **Apply for and open new credit accounts only as needed.**
Don't open accounts just to have a better credit mix - it probably won't raise your score.
- **Have credit cards - but manage them responsibly.**
In general, having credit cards and installment loans (and paying timely payments) will raise your score. Someone with no credit cards, for example, tends to be higher risk than someone who has managed credit cards responsibly.
- **Note that closing an account doesn't make it go away.**
A closed account will still show up on your credit report, and may be considered by the score.

Facts & Fallacies

Fallacy: My score determines whether or not I get credit.

Fact: Lenders use a number of facts to make credit decisions, including your FICO score. Lenders look at information such as the amount of debt you can reasonably handle given your income, your employment history, and your credit history. Based on their perception of this information, as well as their specific underwriting policies, lenders may extend credit to you although your score is low, or decline your request for credit although your score is high.

Fallacy: A poor score will haunt me forever.

Fact: Just the opposite is true. A score is a “snapshot” of your risk at a particular point in time. It changes as new information is added to your bank and credit bureau files. Scores change gradually as you change the way you handle credit. For example, past credit problems impact your score less as time passes. Lenders request a current score when you submit a credit application, so they have the most recent information available. Therefore by taking the time to improve your score, you can qualify for more favorable interest rates.

Fallacy: Credit scoring is unfair to minorities.

Fact: Scoring considers only credit-related information. Factors like gender, race, nationality and marital status are not included. In fact, the Equal Credit Opportunity Act (ECOA) prohibits lenders from considering this type of information when issuing credit. Independent research has been done to make sure that credit scoring is not unfair to minorities or people with little credit history. Scoring has proven to be an accurate and consistent measure of repayment for all people who have some credit history. In other words, at a given score, non-minority and minority applicants are equally likely to pay as agreed.

Fallacy: Credit scoring infringes on my privacy.

Fact: Credit scoring evaluates the same information lenders already look at - the credit bureau report, credit application and/or your bank file. A score is simply a numeric summary of that information. Lenders using scoring sometimes ask for less information - fewer questions on the application form, for example.

Fallacy: My score will drop if I apply for new credit.

Fact: If it does, it probably won't drop much. If you apply for several credit cards within a short period of time, multiple requests for your credit report information (called “inquiries”) will appear on your report. Looking for new credit can equate with higher risk, but most credit scores are not affected by multiple inquiries from auto or mortgage lenders within a short period of time. Typically, these are treated as a single inquiry and will have little impact on the credit score.

Glossary of Terms

Application scoring

The use of a statistical model to objectively evaluate and “score” credit applications and credit bureau data in order to assess likely future performance. Scores help businesses make decisions such as whether to accept or decline the application.

Bankruptcy

A proceeding in U.S. Bankruptcy Court that may legally release a person from repaying debts owed. Credit reports normally include bankruptcies for up to 10 years.

Charge-off

The balance on a credit obligation that a lender no longer expects to be repaid and writes off as a bad debt.

Collection

Attempted recovery of a past-due credit obligation by a collection department or agency.

Consumer credit file

A credit bureau record on a given individual. It may include: consumer name, address, Social Security number, credit history, inquiries, collection records, and public records such as bankruptcy filings and tax liens.

Credit bureau

A credit reporting agency that is a clearinghouse for information on the credit rating of individuals or firms. Is often called a “credit repository” or a “consumer reporting agency”. The three largest credit bureaus in the U.S. are Equifax, Experian and TransUnion.

Credit bureau risk score

A type of credit score based solely on data stored at the major credit bureaus. It offers a snapshot of a consumer's credit risk at a particular point in time, and rates the likelihood that the consumer will repay debts as agreed.

Credit history

A record of how a consumer has repaid credit obligations in the past.

Credit obligation

An agreement by which a person is legally bound to pay back borrowed money or used credit.

Credit report

Information communicated by a credit reporting agency that bears on a consumer's credit standing. Most credit reports include: consumer name, address, credit history, inquiries, collection records, and any public records such as bankruptcy filings and tax liens.

Credit risk

The likelihood that an individual will pay his or her credit obligations as agreed. Borrowers who are more likely to pay as agreed pose less risk to creditors and lenders.

Credit score

This term is often used to refer to credit bureau risk scores. It broadly refers to a number generated by a statistical model which is used to objectively evaluate information that pertains to making a credit decision.

Default

A failure to make a loan or debt payment when due. Usually an account is considered to be "in default" after being delinquent for several consecutive 30-day billing cycles.

Delinquent

A failure to deliver even the minimum payment on a loan or debt payment on or before the time agreed. Accounts are often referred to as 30, 60, 90 or 120 days delinquent because most lenders have monthly payment cycles.

Equal Credit Opportunity Act (ECOA)

Federal legislation that prohibits discrimination in credit. The ECOA originally was enacted in 1974 as Title VII of the Consumer Credit Protection Act.

Fair Credit Reporting Act(FCRA)

Federal legislation that promotes the accuracy, confidentiality and proper use of information in the files of every "consumer reporting agency". The FCRA was enacted in 1970.

FICO® scores

Credit bureau risk scores produced from models developed by Fair Isaac Corporation are commonly known as FICO scores. Fair Isaac credit bureau scores are used by lenders and others to assess the credit risk of prospective borrowers or existing customers, in order to help make credit and marketing decisions. These scores are derived solely from the information available on credit bureau reports.

Inquiry

An item on a consumer's credit report that shows that someone with a "permissible purpose" (under FCRA rules) has previously requested a copy of the consumer's report. Fair Isaac credit bureau risk scores take into account only inquiries resulting from a consumer's application for credit.

Installment debt

Debt to be paid at regular times over a specified period. Examples of installment debt include most mortgage and auto loans.

Insurance bureau score

An insurance rating based solely on credit bureau data stored at the major credit bureaus. It offers a snapshot of an individual's insurance risk at a particular point in time, and helps insurers evaluate new and renewal auto and homeowner insurance policies.

Late payment

A delinquent payment; a failure to deliver a loan or debt payment on or before the time agreed.

Revolving debt

Debt owed on an account that the borrower can repeatedly use and pay back without having to reapply every time credit is used. Credit cards are the most common type of revolving account.

Score

See "credit score".

Scoring model

A statistical formula that is used, usually with the help of computers, to estimate future performance of prospective borrowers and existing customers. A scoring model calculates scores based on data such as information on a consumer's credit report.