







AGENDA

- 📌 What's In Your Credit Report
- 📌 What's a "FICO" Score
- 📌 What's In Your FICO Score
- 📌 What's Not In Your FICO Score
- 📌 How Credit Scoring Helps You
- 📌 How To Improve Your FICO Score
- 📌 Facts & Frequently Asked Questions (FAQs)
- 📌 How to Deal with Financial Problems
- 📌 Detecting and Avoiding Scams
- 📌 What is and How to Prevent Identity Theft
- 📌 Contact Information

What's In Your Credit Report

- 📌 Identifying Information
 - 📌 Name, Social Security Number, Addresses, Employment Info...
- 📌 Public Record and Collection Items
 - 📌 Bankruptcy, Liens, Judgments, Collections...
- 📌 Trade Lines
 - 📌 Installment Loans (mortgage, auto...)
 - 📌 Revolving Accounts (credit card, department stores...)
- 📌 Inquiries
 - 📌 Voluntary – your own request when applying for credit
 - 📌 Involuntary – pre-approvals triggered by creditor

What's In Your Credit Report


SEE CREDIT REPORT HAND OUT!!!




What is a FICO Score

- 📌 What is a "FICO" Score
 - 📌 Credit scoring software developed by Fair Isaac & Company
 - 📌 FICO scores provide the best guide to future risk for lenders
- 📌 Other Names for FICO Scores


<ul style="list-style-type: none"> 📌 <u>Credit Reporting Agency</u> 📌 EQUIFAX 📌 EXPERIAN 📌 TRANSUNION 	<ul style="list-style-type: none"> 📌 <u>FICO Score</u> 📌 Beacon 📌 Fair Isaac Risk Model 📌 Empirica
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- 📌 How FICO Score Works
 - 📌 The higher the score the lower the risk
 - 📌 Your three scores affect both how much and what loan terms



What is a FICO Score

(i.e. \$ 216,000 @ 30 year fixed-rate mortgage)

If your FICO score is	Your interest rate is	Your monthly payment is
760 – 850	6.11%	\$ 1,310
700 – 759	6.33%	\$ 1,341
680 – 699	6.51%	\$ 1,366
660 – 679	6.72%	\$ 1,397
640 – 659	7.15%	\$ 1,459
620 – 639	7.70%	\$ 1,540



What is a FICO Score

(i.e. \$ 20,000 @ 60 month new vehicle loan)

If your FICO score is	Your interest rate is	Your monthly payment is
720 – 850	6.88%	\$ 395
690 – 719	7.60%	\$ 402
660 – 689	9.41%	\$ 419
625 – 659	11.50%	\$ 440
590 – 624	14.94%	\$ 475
500 – 589	16.11%	\$ 488



What's In Your FICO Score

Mortgage Loan Sample

- \$ 3,156 savings per year & \$ 94,680 savings for 30 years

Auto Loan Sample

- \$ 1,116 savings per year & \$ 5,580 savings for 60 months

The five categories that makes up the FICO score:

- Payment History = 35%
- Amounts Owed = 30%
- Length of Credit History = 15%
- New Credit (inquiries) = 10%
- Types of Credit in Use = 10%

Note: A score takes into consideration all these categories not just one or two



What's In Your FICO Score

Payment History (35%)

- Account payment information on specific types of accounts
- Presence of adverse public records (bankruptcy, judgments, suits, liens...)
- Severity of delinquency
- Amount past due on delinquent loans

Amounts Owed (30%)

- Types and Number of accounts with balances
- Proportion of credit lines used (balance versus limits)

Length of Credit History (15%)

New Credit (10%)

- Number of recently opened accounts and credit inquiries
- Re-establishment of positive credit history following past payment problem

Types of Credit Used (10%)

- Mortgage, installment loans, credit cards, retail accounts, finance accounts...



What's Not In Your FICO Score

FICO score do not consider the following:

- your race, color, religion, national origin, sex & marital status
- your age
- your salary, occupation, employer, employment history
- where you live
- any interest rate being charged on a particular account
- any items reported as child/family support obligations
- certain types of inquiries (promo inquiries, employer inquiries...)
- Any information that is not proven to be predictive of future credit performance
- whether or not you are participating in a credit counseling



How Credit Scoring Helps You

Because of credit scores:

- People can get loans faster
- Credit decisions are fairer and unbiased
- Credit "mistakes" count for less
- More credit is available
- Credit rates are lower overall

Other items considered by lenders when approving a loan:

- Loan Type
 - with or without collateral
 - revolving or installment loan
- Debt to Income Ratio
- Length of Employment
- Loan to value of the collateral
- Payment history with the same lending company



How to Improve Your FICO Score

Payment History Tips

- If you missed payments, get current and stay current
- Be aware that paid off collection accounts will not be removed from report

Amounts Owed Tips

- Keep balance low on credit card and/or revolving accounts
- Don't close unused credit cards but don't open credit you don't need

Length of Credit History Tips

- A few old accounts is better than several new accounts

New Credit Tips

- Do your rate shopping within a specific period of time (30 days)
- Re-establish your credit history if you've had problems with new accounts

Types of Credit Use Tips

- Apply for and open new credit accounts ONLY as needed
- Have 1 or 2 Visa or MC credit cards instead of several retail credit cards



Facts



Average Credit Statistics

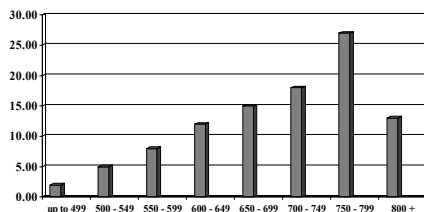
- Number of Credit Obligations
 - Average Consumer has 13 = 9 revolving accounts & 4 installment loans
- Past Payment Performance
 - <50% = been 30 days late / 33% = been 60 days late / 23% = been 90 days late
- Credit Utilization
 - Credit Cards = 40% carry <\$ 1,000 balance / 15% carry >\$ 10,000 balance
 - All Others = 48% carry <\$ 5,000 balance / 37% carry >\$ 10,000 balance
- Total Available Credit
 - Average Consumer has access to \$ 19,000 on credit card limit
 - >50% use less than 30% of their total credit limit / 15% use over 80%
- Length of Credit History
 - Average Consumer oldest obligation is 14 years old
 - 5% of consumers had credit histories < 2 years
- Inquiries – a permissible request for a copy of your report



Facts

- The graph shows that overall majority has good credit

National Distribution of FICO Scores



Frequently Asked Questions

- Can I get a free credit report?
 - Yes, each credit bureau is required to provide you with a free credit report
- Will a poor score haunt me forever?
 - No, a score is a snapshot and it changes as new information is added to the files thus providing an opportunity to improve a poor credit score
- Is credit scoring unfair to minorities?
 - No, scoring considers only credit-related information. Equal Credit Opportunity Act prohibits lenders from considering gender, race, religion, nationality, marital status when issuing credit.
- Is credit scoring infringes on my privacy?
 - No, lenders using scoring usually ask for less information.



Frequently Asked Questions

- How long does bankruptcy filing stay on credit report?
 - 10 years
- Will my credit be affected while I “shop for rates”?
 - No, as long as your inquiries are for specific loan types and within 30 days.
- Will my score drop if I apply for new credit?
 - If it does, not much. If you’re applying for a mortgage loan for a short period of time (30 days) then these requests are treated as a single inquiry
- Does my score determine whether or not I get credit?
 - No, because most lenders use a number of facts to make credit decisions.



How to Deal with Financial Problems

- Self-Help
 - Develop a Budget – first step toward taking control
 - Contact Your Creditors – to negotiate a payment plan
 - Deal with Debt Collectors – keep in contact to avoid collection calls
 - Seek Credit Counseling – financial management assistance
 - Auto & Home Loans – consider selling rather than being repossessed
- Debt Consolidation
 - Home Equity Line of Credit – equity of your home for collateral
- Bankruptcy
 - The last resort because the results are long-lasting and far reaching. Reported on credit report for 10 years and can make it difficult to obtain credit or may have to pay a higher interest rate.
 - Chapter 13 – a court approved repayment plan
 - Chapter 7 – liquidation of most assets & may receive discharge once every 6 years



How to Detect and Avoid Scams

- Ads Promising Debt Relief Scams
 - While the ads pitch the promise of debt relief, they rarely say relief may be spelled B-A-N-K-R-U-P-T-C-Y which has a long term consequence and will cost you attorney’s fees.
- Advance Fee Loan Scams
 - Targeted to consumers with bad credit.
 - In exchange for an up-front fee, these companies “guarantee” that applicants will get the credit they want – usually credit card or personal loans. Legitimate companies don’t guarantee.
- Credit Repair Scams
 - Ads that promises deletion of bad credit but ONLY time, a conscientious effort, and a plan for repaying your debt will improve your credit score on your report.



What is Identity Theft

- How ID Thieves Get Your Information
 - Businesses – hacking, conning info from employees...
 - Personal – stolen wallets, purses, mail, credit card numbers...
 - Dumpster Diving – rummage through public trash
 - Skimming – data storage device capturing for credit cards
 - Address Changing – ID thieves change the address to receive victim's mail
- How ID Thieves Use Your Information
 - Spending sprees to buy big ticket items
 - Open new credit with stolen identity
 - Take out loans and not pay the future monthly payments
 - Open bank accounts under stolen identity then issue bad checks
- How to Tell if You're A Victim of ID Theft
 - Receiving credit cards for which you did not apply
 - Receiving collection calls for merchandise you didn't buy



How to Prevent Identity Theft

- What to Do if Your Identity's Been Stolen
 - Place a fraud alert on your credit report and review them
 - Close the accounts that you know, or believe, have been tampered with or opened fraudulently
 - File a report with your local police or the police in the community where the identity theft took place
 - File a complaint with the Federal Trade Commission
 - On-line @ www.consumer.gov/idtheft
 - Call @ 877.IDTHEFT (438.4338)
 - Send to: ID Theft Clearinghouse, Federal Trade Commission, 600 Pennsylvania Avenue, NW Washington, DC 20580



Contact Information



- Equifax – 800.685.111 @ www.equifax.com
- Experian – 888.397.3742 @ www.experian.com
- Trans Union – 800.916.8800 @ www.transunion.com
- OPT OUT
 - Pre-Screened Credit Card Offers
 - 888.567.8688, this removes you from "pre-approval" credit card offers for two years.
 - Telemarketing
 - www.the-dma.org/consumers/offtelephonest.html, this removes you from national marketing companies for five years.
 - Do Not Call List/Cell Phones
 - 888.382.1222 or www.donotcall.gov, this blocks your number for five years.
- ATTACHMENT: Credit Report Sample Dispute Letter



Q & A

