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Understanding Your FICO® Score



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Our Commitment as your Mortgage Lender

- We will return phone calls promptly.
- We will keep all parties informed, every step of the way.
- We will endeavor to resolving problems quickly.
- We will follow through on each transaction right through to moving day.
- We will endeavor to act in the best interests of the customer at all times.
- We will establish a price for services upfront, in writing, based on information provided by the customer, so that there are no surprises.

*The price or prices will cover *all the services* provided by us.

*On third party services, such as an appraisal, ordered by us, but paid for by the customer, I will provide the invoice from the third party service provider at the customer's request. Alternatively, I may have the payment made directly by the customer to the third party service provider (example: you pay the appraiser when he is at your home).

- We will endeavor to make my Good Faith Estimate as accurate as possible (unlike the "sunshine lenders", who quote rates & closing costs which are unrealistic, in order to get your business - then surprise you later).
- We will use my best efforts to determine the loan type, features, and lender services that best meet the customer's needs, and to find the best wholesale price for that loan.
- When directed by the customer, we will lock the terms (rate, points, and other major features) of the loan, and will provide a copy of the written confirmation of the rate lock.
- If a customer elects to float the rate/points, we will provide the customer the best rate available to that customer on the day the loan is finally locked.

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Your FICO® Score— A Vital Part of Your Credit Health

When you're applying for credit—whether it's a credit card, a car loan, a personal loan or a mortgage—lenders want to know your credit risk level.

In other words, "If I give this person a loan or credit card, how likely is it that I will get paid back on time?" There are three major credit reporting agencies (Equifax, Experian and TransUnion) in the United States that maintain records of your use of credit and other information about you. These records are called credit reports, and lenders will want to check your credit report when you apply for credit. In most cases, lenders will also want to know your credit score.

What is a credit score?

A credit score is a number that summarizes your credit risk, based on a snapshot of your credit report at a particular point in time. A credit score helps lenders evaluate your credit report and estimate your credit risk.

The most widely used credit scores are FICO® scores, the credit scores created by Fair Isaac Corporation. Lenders can buy FICO® scores from all three major credit reporting agencies. Lenders use FICO® scores to help them make billions of credit decisions every year. Fair Isaac develops FICO® scores based solely on information in consumer credit reports maintained at the credit reporting agencies.

Your credit score influences the credit that's available to you and the terms (interest rate, etc.) that lenders offer you. It's a vital part of your credit health.

This booklet can help you understand how credit scoring works. Understanding your FICO® score can help you manage your credit health. By knowing how your credit risk is evaluated, you can take actions that may lower your credit risk—and thus raise your credit score—over time. A better FICO® score means better financial options for you.

More information on FICO® scores and credit scoring can be found online at www.myfico.com/crediteducation.

WHO IS FAIR ISAAC?

Founded in 1956, Fair Isaac uses advanced math and analytics to help businesses make smarter decisions. Besides inventing the FICO® score, Fair Isaac has also created other leading tools, including products that help businesses detect credit fraud, manage credit accounts and automate complex business decisions. It is important to note that while Fair Isaac works with the credit reporting agencies to provide your FICO® scores, it does not determine the accuracy of the information in your credit report.

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How FICO® Scores Help You



DOES MY FICO® SCORE ALONE DETERMINE WHETHER I GET CREDIT?

No. Most lenders use a number of facts to make credit decisions, including your FICO® score. Lenders may 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 review of this information, as well as their specific underwriting policies, lenders may extend credit to you although your FICO® score is low, or decline your request for credit although your FICO® score is high.

FICO® scores give lenders a fast, objective estimate 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 scores—have made possible big improvements in the credit process. Because of FICO® scores:

■ **People can get loans faster.** FICO® scores can be delivered almost instantaneously, helping lenders speed up loan approvals. This means that when you apply for credit, you'll get an answer more quickly. Today many credit decisions can be made within minutes—or online, within seconds. Even a mortgage application can be approved in hours instead of weeks for borrowers who score above a lender's "score cutoff." FICO® scores also allow retail stores, internet sites and other lenders to make "instant credit" decisions.

■ **Credit decisions are fairer.** Using FICO® scores, lenders can focus only on the facts related to credit risk, rather than their personal opinions or biases. Factors like your gender, race, religion, nationality and marital status are not considered by FICO® scores. (See page 10 for more information.) So when a lender considers your FICO® score, they are getting an evaluation of your credit history that is fair and objective.

■ **Older credit problems count for less.** If you have had poor credit performance in the past, FICO® scores don't let that haunt you forever. The impact of past credit problems on your FICO® score fades as time passes and as recent good payment patterns show up on your credit report. And FICO® scores weigh any credit problems against the positive information that says you're managing your credit well.

Your Credit Report — The Basis of Your FICO® Score

The credit reporting agencies maintain information on millions of individuals.

Lenders making credit decisions buy credit reports on their prospects, applicants and customers from the credit reporting agencies.

Your report details your credit history as it has been reported to the credit reporting agency by lenders who have extended credit to you. Your credit report lists what types of credit you use, the length of time your accounts have been open, and whether you've paid your bills on time. It tells lenders how much credit you've used and whether you're seeking new sources of credit. It gives lenders a broader view of your credit history than do other data sources, such as a bank's own customer data.

Your credit report contains many pieces of information that reveal many aspects of your borrowing activities.

The ability to quickly, fairly and consistently consider all this information, including the relationships between different types of information, is what makes credit scoring so useful.

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HOW FAST DOES MY FICO® SCORE CHANGE?

Your FICO® score is based on a snapshot of the information in your credit report at a point in time. Therefore, your FICO® score can change whenever your credit report changes. But your score probably won't change a lot from one month to the next.

While a bankruptcy or late payments can lower your FICO® score fast, improving your FICO® score takes time. That's why it's a good idea to check your FICO® score 6–12 months before applying for a big loan, so you have time to take action if needed. If you are actively working to improve your FICO® score, you'd want to check it quarterly or even monthly to review changes.

WHAT'S IN YOUR CREDIT REPORT?

Although each credit reporting agency formats and reports this information differently, all credit reports contain basically the same categories of information.

Credit Report

1 Personal Information

| | |
|------------------------|---------------------------------------|
| Name | John Smith |
| Date of Birth | May 1, 1970 |
| Social Security Number | 123-45-6789 |
| Current Address | 6100 Fifth Avenue Dayton, OH 45439 |

2 Accounts Summary

| Acct. Type | Company | Account No. | Balance | Neg. Items |
|-------------|-----------|-------------|----------|------------|
| Installment | Ford Mot. | BFM915X | \$23,000 | No |
| Revolving | Citicorp | 427188888 | \$325 | No |

3 Inquiries

| Date | Company requesting your credit record |
|-----------|---------------------------------------|
| 1/4/2005 | Main Street Bank |
| 9/21/2004 | XKK Cellular Phone Service |

4 Negative Items

| Acct. Type | Company | Status | Delinquency | Neg. Descrip. |
|-------------|---------|----------------|------------------|---------------|
| Installment | Ford | Pays as agreed | 30 days past due | No |

1. PERSONAL INFORMATION.

Your name, address, Social Security number, date of birth and employment information are used to identify you. These factors are not used in calculating your FICO® score. Updates to this information come from information you supply to lenders.

2. ACCOUNTS. These are your credit accounts. Most lenders report on each account you have established with them. They generally report the type of account (bankcard, auto loan, mortgage, etc.), the date you opened the account, your credit limit or loan amount, the account balance and your payment history.

3. INQUIRIES. When you apply for a loan, you authorize your lender to ask for a copy of your credit report. This is how inquiries appear on your credit report. The inquiries section contains a list of lenders who accessed your credit report within the last two years. The report you see lists “voluntary” inquiries, spurred by your own requests for credit, and may also list “involuntary” inquiries, such as when lenders order your report before making you a preapproved credit offer in the mail. See page 15 for more information on inquiries.

4. NEGATIVE ITEMS. Lenders report delinquency information when you have missed a payment. Credit reporting agencies also collect information on overdue debt from collection agencies, and public record information from state and county courts. Public record information includes: bankruptcies, foreclosures, tax liens, garnishments, legal suits and judgments.



How FICO® Scores Work

FICO® scores are the best-known and most widely used credit scores. Most credit scores used in the US and Canada are produced from software developed by Fair Isaac Corporation. FICO® scores are provided to lenders by the three major credit reporting agencies: Equifax, Experian and TransUnion.

When lenders order your credit report, they can also buy a FICO® score that is based on the information in the report. That FICO® score is calculated by a mathematical equation that evaluates many types of information from your credit report at that agency. By comparing this information to the patterns in hundreds of thousands of past credit reports, the FICO® score estimates your level of future credit risk.

In order for a FICO® score to be calculated on your credit report, the report must contain enough information—and enough recent information—on which to base a score. Generally, that means you must have at least one account that has been open for six months or longer, and at least one account that has been reported to the credit reporting agency within the last six months.

FICO® scores provide a reliable guide to future risk based solely on credit report data. FICO® scores have a 300–850® score range. 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.

ARE FICO® SCORES UNFAIR TO MINORITIES?

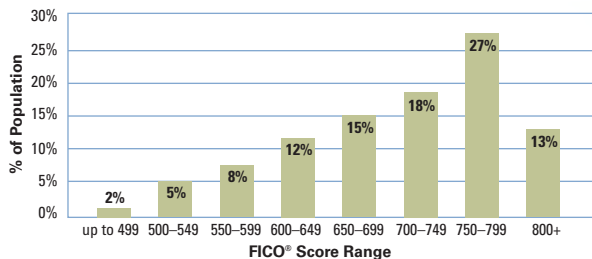
No. FICO® scores do not consider your gender, race, nationality or marital status. In fact, the Equal Credit Opportunity Act prohibits lenders from considering this type of information when issuing credit.

Independent research has shown 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.



National Distribution of FICO® Scores



ARE FICO® SCORES THE ONLY RISK SCORES?

No. While FICO® scores are the most commonly used credit risk scores in the US, lenders may use other scores to evaluate your credit risk. These include:

■ Application risk scores.

Many lenders use scoring systems that include the FICO® score but also consider information from your credit application.

■ Customer risk scores.

A lender may use these scores to make credit decisions on its current customers. Also called “behavior scores,” these scores generally consider the FICO® score along with information on how you have paid that lender in the past.

■ **Other credit scores.** These 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. When purchasing a credit score for yourself, most experts recommend getting the FICO® score, as this is the score most lenders use when making credit decisions.

YOU HAVE THREE FICO® SCORES

In general, when people talk about “your score,” they’re talking about your current FICO® score. But in fact there are three different FICO® scores developed by Fair Isaac—one at each of the three main US credit reporting agencies. And these scores have different names.

| Credit Reporting Agency | FICO® Score Name |
|-------------------------|--------------------------------|
| Equifax | BEACON® |
| Experian | Experian/Fair Isaac Risk Model |
| TransUnion | FICO® Risk Score, Classic |

The FICO® scores from all three credit reporting agencies are widely used by lenders. The FICO® score from each credit reporting agency considers only the data in your credit report at that agency. Fair Isaac develops all three FICO® scores using the same methods and rigorous testing.

WILL YOUR SCORES BE DIFFERENT?

FICO® scores range from 300 to 850®. Fair Isaac makes the scores as consistent as possible between the three credit reporting agencies.

Each of the three credit reporting agencies probably has different information about you, and that means your scores will also be different. If your information is identical at all three credit reporting agencies, your FICO® scores should be pretty close.

Since lenders may review your score and credit report from any of the three credit reporting agencies, it’s a good idea to check your credit report from all three and make sure they’re all accurate.

What a FICO® Score Considers

Listed on the next few pages are the **five main categories of information that FICO® scores evaluate, along with their general level of importance.**

Within these categories is a complete list of the information that goes into a FICO® score. Please note that:

- ▶ **A FICO® 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 FICO® 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 FICO® score.

Therefore, it's impossible to measure the exact impact of a single factor without looking at your entire report—even the levels of importance shown in the diagram below are for the general population, and will be different for different credit profiles.

- ▶ **Your FICO® score looks only at credit information in your credit report.** Lenders often look at other information when making a credit decision, however, including your income, how long you have worked at your present job and what type of credit you are requesting.
- ▶ **Your FICO® score considers both positive and negative information in your credit report.** Late payments will lower your FICO® score, but establishing or re-establishing a good track record of making payments on time will raise your score.

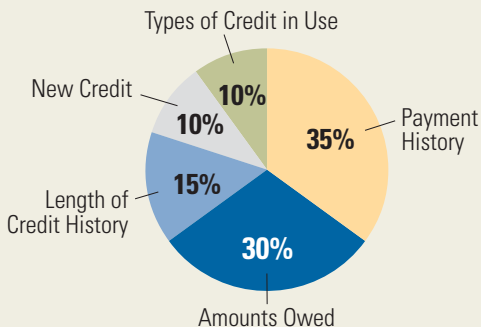
GETTING A BETTER SCORE

The next few pages give some tips for getting a better FICO® score. It's important to note that raising your FICO® score is a bit like getting in shape: 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.

For information on how to monitor your FICO® score's progress, see page 15.

How a FICO® Score Breaks Down

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 relative importance of these categories may be different.



▶▶ FICO® TIPS

■ Pay your bills on time.

Delinquent payments and collections can have a major negative impact on your FICO® score.

■ **If you have missed payments, get current and stay current.** The longer you pay your bills on time, the better your FICO® score.

■ **Be aware that paying off a collection account, or closing an account on which you previously missed a payment, will not remove it from your credit report.** Your FICO® score will still consider this information, because it reflects your past credit pattern.

■ **If you are having trouble making ends meet, contact your creditors or see a legitimate credit counselor.** This won't improve your FICO® score immediately, but if you can begin to manage your credit and pay on time, your score should get better over time. And seeking assistance from a legitimate credit counseling service will not hurt your FICO® score.

1. Payment History

What is your track record?

Approximately 35% of your FICO® score is based on this category.

The first thing any lender would want to know is whether you have paid past credit accounts on time. This is also one of the most important factors in a FICO® score.

Late payments are not an automatic “score-killer.” An overall good credit picture can outweigh one or two instances of, say, late credit card payments. But having no late payments in your credit report doesn't mean you will get a “perfect score.” Some 60%–65% of credit reports show no late payments at all. Your payment history is just one piece of information used in calculating your FICO® score. Your FICO® score takes into account:

Payment information on many types of accounts.

- ▶ These will include credit cards (such as Visa, MasterCard, American Express and Discover), retail accounts (credit from stores where you do business, such as department store credit cards), installment loans (loans where you make regular payments, such as car loans), finance company accounts and mortgage loans.

Public record and collection items—reports of events such as bankruptcies, foreclosures, suits, wage attachments, liens and judgments.

- ▶ These are considered quite serious, although older items and items with small amounts will count less than more recent items or those with larger amounts. Bankruptcies will stay on your credit report for 7–10 years, depending on the type.

Details on late or missed payments (“delinquencies”) and public record and collection items.

- ▶ The FICO® score considers how late they were, how much was owed, how recently they occurred and how many there are. A 60-day late payment is not as significant as a 90-day late payment, in and of itself. But recency and frequency count, too. A 60-day late payment made just a month ago will affect a score more than a 90-day late payment from five years ago.

How many accounts show no late payments.

- ▶ A good track record on most of your credit accounts will increase your FICO® score.

2. Amounts Owed

How much is too much?

Approximately 30% of your FICO® score is based on this category.

Having credit accounts and owing money on them does not necessarily mean you are a high-risk borrower with a low FICO® score. However, when a high percentage of a person's available credit has already been used, this can indicate that a person is overextended, and is more likely to make some payments late or not at all. Part of the science of scoring is determining how much is too much for a given credit profile. Your FICO® score takes into account:

- ▶ **The amount owed on all accounts.** Note that even if you pay off your credit cards in full every month, your credit report may show a balance on those cards. The total balance on your last statement is generally the amount that will show in your credit report.
- ▶ **The amount owed on all accounts, and on different types of accounts.** In addition to the overall amount you owe, your FICO® score considers the amount you owe on specific types of accounts, such as credit cards and installment loans.
- ▶ **Whether you are showing a balance on certain types of accounts.** In some cases, having a very small balance without missing a payment shows that you have managed credit responsibly, and may be slightly better than carrying no balance at all. On the other hand, closing unused credit accounts that show zero balances and that are in good standing will not raise your FICO® score.
- ▶ **How many accounts have balances.** A large number can indicate higher risk of over-extension.
- ▶ **How much of the total credit line is being used on credit cards and other "revolving credit" accounts.** Someone closer to "maxing out" on many credit cards may have trouble making payments in the future.
- ▶ **How much of installment loan accounts is still owed, compared with the original loan amounts.** For example, if you borrowed \$10,000 to buy a car and you have paid back \$2,000, you owe (with interest) more than 80% of the original loan. Paying down installment loans is a good sign that you are able and willing to manage and repay debt.

▶▶ FICO® TIPS

■ **Keep balances low on credit cards and other "revolving credit."** High outstanding debt can lower your FICO® score.

■ **Pay off debt rather than moving it around.** The most effective way to improve your FICO® score in this area is by paying down your revolving credit.

■ **Don't close unused credit cards as a short-term strategy to raise your FICO® score.** Owing the same amount but having fewer open accounts may lower your FICO® 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 your FICO® score.

■ **Avoid credit repair agencies that charge a fee to improve your FICO® score by removing negative, but accurate, information from your credit reports.** No one can force credit reporting agencies or lenders to remove accurate information from a credit report. Credit repair companies often take your money without delivering what they promise, or provide only temporary improvements of your score, sometimes by removing accurate information that will reappear later.

▶▶ FICO® 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 FICO® score if you don't have a lot of other credit information. Even if you have used credit for a long time, opening a new account can still lower your FICO® score.

3. Length of Credit History

How established is yours?

Approximately 15% of your FICO® score is based on this category.

In general, a longer credit history will increase your FICO® score. However, even people who have not been using credit long may get high FICO® scores, depending on how the rest of the credit report looks. Your FICO® score takes into account:

- ▶ **How long your credit accounts have been established, in general.** Your FICO® score considers the age of your oldest account, the age of your newest account and an average age of all your accounts.
- ▶ **How long specific credit accounts have been established.**
- ▶ **How long it has been since you used certain accounts.**

What FICO® scores ignore

FICO® scores consider a wide range of information on your credit report, as shown on pages 7–12. 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.
- **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 or score).** Your FICO® score does not count any inquiries you initiate, any inquiries from employers, or any inquiries lenders make without your knowledge. For details, see page 13.
- **Any information not found in your credit report.**
- **Any information that is not proven to be predictive of future credit performance.**

4. New Credit

Are you taking on more debt?

Approximately 10% of your FICO® score is based on this category.

People tend to have more credit today and to shop for credit—via the internet and other channels—more frequently than ever. FICO® scores reflect this reality. However, research shows that opening several credit accounts in a short period of time does represent greater risk—especially for people who do not have a long established credit history.

Multiple credit requests also represent greater credit risk. However, FICO® scores do a good job of distinguishing between a search for many new credit accounts and rate shopping for the best mortgage or auto loan. Your FICO® score takes into account:

- ▶ **How many new accounts you have.** Your FICO® score looks at how many new accounts you have by type of account (for example, how many newly opened credit cards you have). It also may look at how many of your accounts are new accounts.
- ▶ **How long it has been since you opened a new account.** Your FICO® score may consider this information for specific types of accounts.
- ▶ **How many recent requests for credit you have made, as indicated by inquiries to the credit reporting agencies.** Inquiries remain on your credit report for two years, although FICO® scores only consider inquiries from the last 12 months. FICO® scores have been carefully designed to count only those inquiries that truly impact credit risk—see page 13 for details.
- ▶ **Length of time since credit report inquiries were made by lenders.**
- ▶ **Whether you have a good recent credit history, following past payment problems.** Re-establishing credit and making payments on time after a period of late payment behavior will help to raise a FICO® score over time.

▶▶ FICO® TIPS

■ Do your rate shopping for a given auto or mortgage loan within a short 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.

■ Be careful about opening new accounts that you don't need.

Opening new accounts can lower your FICO® score in the short term. Beware of discounts or low interest rates being offered to entice you to open a new charge account that you don't need.

■ Re-establish your credit history if you have had problems.

Opening new accounts responsibly and paying them off on time will raise your FICO® score in the long term.

■ Note that it's OK to request and check your own credit report and your own FICO® score.

This won't affect your FICO® 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.

For more information, see page 15.

▶▶ FICO® 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 FICO® score.

■ **Have credit cards—but manage them responsibly.**

In general, having credit cards and installment loans (and making timely payments) will raise your FICO® score. People with no credit cards, for example, tend to be higher risk than people who have 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 its history will be considered by your FICO® score.

5. Types of Credit in Use

Is it a “healthy” mix?

Approximately 10% of your FICO® score is based on this category.

The score will consider your mix of credit cards, retail accounts, installment loans, finance company accounts and mortgage loans. It is not necessary to have one of each, and it is not a good idea to open credit accounts you don't intend to use. The credit mix usually won't be a key factor in determining your FICO® score—but it will be more important if your credit report does not have a lot of other information on which to base a score. Your FICO® score takes into account:

- ▶ **What kinds of credit accounts you have.** Do you have experience with both revolving and installment type accounts, or has your credit experience been limited to only one type?
- ▶ **How many of each.** Your FICO score also looks at the total number of accounts you have. For different credit profiles, how many is too many will vary depending on your overall credit picture.



How the FICO® Score Counts Inquiries

As explained in the last section, a search for new credit can mean greater credit risk. This is why the FICO® score counts inquiries—requests a lender makes for your credit report or score when you apply for credit. FICO® scores consider inquiries very carefully, as not all inquiries are related to credit risk. There are three important facts about inquiries to note here:

■ **Inquiries usually have a small impact.** For most people, one additional credit inquiry will take less than five points off their FICO® score. However, inquiries can have a greater impact if you have few accounts or a short credit history. Large numbers of inquiries also mean greater risk: People with six inquiries or more on their credit reports can be up to eight times more likely to declare bankruptcy than people with no inquiries on their reports.

■ **Many kinds of inquiries are ignored completely.** Your FICO® score does not count an inquiry when you order your credit report or credit score from a credit reporting agency or from another company that provides this information to consumers. Also, the FICO® score does not count inquiries a lender has made for your credit report or score in order to make you a “pre-approved” credit offer, or to review your account with them, even though you may see these inquiries on your credit report. Inquiries that are marked as coming from employers are not counted either.

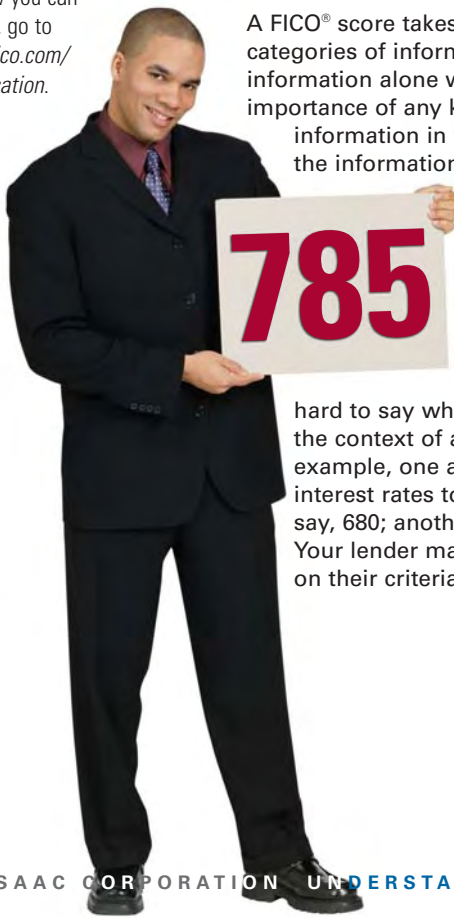
■ **The score allows for “rate shopping.”** If you’re looking for a mortgage or an auto loan, you may want to check with several lenders to find the best rate. This can cause multiple lenders to request your credit report, even though you’re only looking for one loan. To compensate for this, FICO® scores 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. When you need an auto or home loan, you can avoid lowering your FICO® score by doing your rate shopping within a short period of time, such as 14 days.

SHOULD I CLOSE OLD ACCOUNTS TO RAISE MY SCORE?

No. In fact, it might lower your FICO® score. First of all, any late payments associated with old accounts won’t disappear from your credit report if you close the account. Second, long established accounts show you have a longer history of managing credit, which is a good thing. And third, having available credit that you don’t use does not lower your FICO® score. You may have reasons other than your FICO® score to shut down old credit card accounts that you don’t use. But don’t do it just to get a better score.

WHAT IF I'M TURNED DOWN FOR CREDIT?

If you have been turned down for credit, the Equal Credit Opportunity Act (ECOA) gives you the right to obtain the reasons why within 30 days. You are also entitled to a free copy of your credit report within 60 days, which you can request from the credit reporting agencies. If your FICO® score was a primary part of the lender's decision, the lender may use the score reasons (see right) to explain why you didn't qualify for the credit. To get more specific information on what your score is and how you can improve it, go to www.myfico.com/crediteducation.



Interpreting Your FICO® Score

When a lender receives your FICO® score, up to five “key factors” are also delivered.

These key factors are the top reasons why your FICO® score was not higher. If the lender rejects your request for credit, and your FICO® score was part of the reason, these factors can help the lender tell you why your score wasn't higher.

These key factors can be more useful than your FICO® score itself in helping you determine whether your credit report might contain errors, and how you might improve your credit health. However, if you already have a high FICO® score (for example, in the mid-700s or higher) some of the key factors may not be very helpful because they may be only marginal factors related to the last three categories considered by the score (length of credit history, new credit and types of credit in use).

A FICO® score takes into consideration all of the categories of information, and no one piece of information alone will determine your score. The importance of any key factor depends on the overall information in your credit report. In addition, as the information in your credit report changes, so does the importance of any factor in determining your score.

WHAT IS A GOOD FICO® SCORE?

Since there's no one “score cutoff” used by all lenders, it's hard to say what a good FICO® score is outside the context of a particular lending decision. For example, one auto lender may offer lower interest rates to people with FICO® scores above, say, 680; another lender may use 720, and so on. Your lender may be able to give you guidance on their criteria for a given credit product.

Checking Your FICO® Score

Because lenders check your FICO® scores, it makes sense to see how lenders see you. It's easy to check your own FICO® scores online, although in most cases there will be a charge to obtain the FICO® score.

An important time to check your FICO® score is six months or so before you plan to make a major purchase, such as a car or home. This will give you time to verify the information on your credit report, correct errors if there are any, and take actions to improve your FICO® score if necessary. In general, any time you are applying for credit, taking out a new loan or changing your credit mix is a good time to check your FICO® score.

MANAGE YOUR CREDIT HEALTH

Improving your FICO score can help you:

- *Get better credit offers*
- *Lower your interest rates*
- *Speed up credit approvals*

The payoff from a better FICO® score can be big. For example, with a 30-year fixed mortgage of \$150,000, you could save approximately \$165,000 over the life of the loan—or \$459 on each monthly payment—by first improving your FICO® score from 550 to 720.*

* Based on average national interest rates as of September 2007.

Obtaining your credit reports and FICO® scores can help you understand how lenders view your credit risk.



BEFORE YOU BUY YOUR SCORE

Make sure you buy the FICO® score. Some businesses will sell or give you credit scores that are not FICO® scores and may not be used to make lending decisions. These services may also give you credit management advice that does not apply to FICO® scores and could actually hurt your credit standing with lenders. The advice in this booklet and on www.myFICO.com/crediteducation applies to FICO® scores only. FICO® scores are the scores most lenders use, so your FICO® score is the score to know.

Please note that Fair Isaac and myFICO are not credit repair organizations or similarly regulated organizations governed by the federal Credit Repair Organizations Act or similar state laws. Fair Isaac and myFICO do not provide so-called "credit repair" services or advice or give advice or assistance regarding "cleaning up" or "improving" your credit record, credit history, or credit rating.

Learn more about scoring at www.myfico.com/crediteducation

HOW CAN MISTAKES GET ON MY CREDIT REPORT?

If your credit report contains errors, it is often because the report is incomplete, or contains information about someone else. This typically happens because:

- You applied for credit under different names
- Someone made a clerical error in reading or entering name or address information from a hand-written application.
- You gave an inaccurate Social Security number, or the number was misread by the lender.
- Loan or credit card information was inadvertently applied to the wrong account.

Checking Your Credit Report

Because your FICO® score is based on information in your credit reports, it is important to make sure that the information in your credit report is accurate.

You should review your credit report from each credit reporting agency at least once a year and especially before making a large purchase, such as a house or car. You have the right to obtain one free copy of your credit report a year from each of the three major credit reporting agencies. For more information, contact the Annual Credit Report Request Service at:

P.O. Box 105281
Atlanta, GA 30348-5281
1 877 FACT ACT (1 877 322 8228)
www.annualcreditreport.com

If you report an error to a credit reporting agency, it must investigate and respond to you within 30 days. In addition, if you are in the process of applying for a loan, immediately notify your lender of any incorrect information in your report.

You can also dispute any errors by contacting the credit reporting agencies directly:

- Equifax:
(800) 685-1111, www.equifax.com
- Experian (formerly TRW):
(888) 397-3742, www.experian.com
- TransUnion:
(800) 888-4213, www.transunion.com

Fair Isaac is not a credit reporting agency, it does not maintain credit information on individuals and it cannot correct credit report errors. If you want to correct errors, you need to contact the credit reporting agencies, not Fair Isaac.

PROTECT YOUR PRIVACY

To reduce the possibility of identity theft, protect your personal information.

■ Don't carry your Social Security number in your purse or wallet. Provide it to others only when absolutely necessary.

■ Shred any documents that contain your Social Security number or financial information if you no longer need them. Don't just toss them in the trash.

■ Keep all your payment tools in a safe place, including credit cards, debit cards, checks and account information.

■ To correct an error on your credit report, work directly with the credit reporting agencies and your creditor. Don't send your correction to Fair Isaac or to other third parties.

■ Don't send your Social Security information in emails

MONITOR FOR IDENTITY THEFT

Another important reason to regularly check your credit report is for an early detection of identity theft. Identity theft is when someone uses your personal information—such as your name, Social Security number, credit card number or other identifying information—without your permission to make purchases, open accounts, take-out loans, buy cars and even get new jobs.

By regularly checking your credit report from each of the credit reporting agencies, you can make sure they are accurate and don't include activities you haven't authorized. If you suspect that your personal information has been hijacked and misappropriated to commit fraud or theft, take action immediately, and keep a record of your conversations and correspondence. These four basic actions are appropriate in almost every case.

1. **Call the toll-free fraud number** at any one of the three major credit reporting agencies to place a fraud alert on your credit report. You only need to contact one of the credit reporting agencies to have the alert placed on all three. Once you place the alert, you are entitled to order one free copy of your credit report from each of three credit reporting agencies.
2. **Contact the lender and close any accounts** that have been tampered with or opened fraudulently.
3. **File a report** with your local police or the police in the community where the identity theft took place.
4. **File a complaint** with the Federal Trade Commission. Find more information at www.ftc.gov/bcp/edu/microsites/idtheft.

Learn more about scoring at
www.myfico.com/crediteducation.

Get the Facts About FICO® Scores

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