

# FICO® Scoring Questions

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# Sample Credit Report

## “The Five Information Zones”



1

### IDENTIFYING (PERSONAL) INFORMATION

I. Wishfor Credit  
805 Main St.  
Anytown, America 77777

12 Lost Lane  
Somewhere, USA 66666  
Date of Birth 1-25-56  
SSN 888 88 8888

Sam's Gas & Oil  
Attendant

2

### PUBLIC RECORD (LEGAL ITEMS)

9-06 Judgment \$1000 Satisfied 3-07

3

### COLLECTION ITEMS

7-05 Collection \$500

4

### TRADE LINE (ACCOUNT) INFORMATION

Industry	Date Reported	Date Opened	High Credit	Balance	Current Rating	Historical Rating
Bankcard	6-08	3-89	\$5,000	\$0	Current	120+, 6 yrs ago
Auto loan	6-08	7-06	8,000	1,500	Current	
Retail	3-08	6-97	1,000	200	30 days	

5

### INQUIRIES

Date	Industry	Date	Industry
7-01-08	Bank	6-01-08	Auto finance
6-15-08	Oil company	2-07-09	Retail

## CONSIDERED



*Tradelines*



*Inquiries*



*Collections*



*Public Records*

## NOT CONSIDERED



*Age*



*Address*



*Employment*

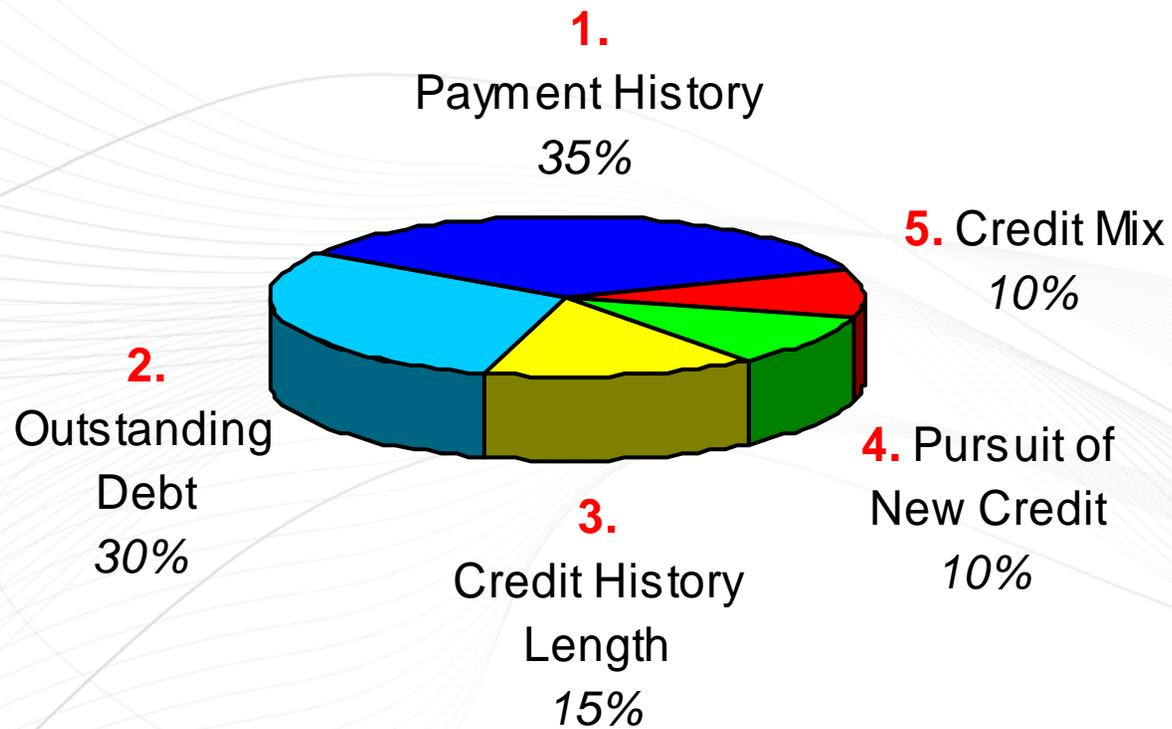


*Income*



*Gender*

# What Drives a Consumer's FICO® Score?



# Loan Modification Impact on Credit Scores



- » The exact impact of a loan modification on a credit score depends on a number of factors:
  - » Whether or not the lender chooses to report the loan modification event to the credit reporting agency.
  - » What information is reported regarding the loan modification.
  - » The overall composition of the consumer's credit report.
- » When present, negative information is considered in terms of severity, frequency, and recency.
- » Generally speaking ...
  - » The impact on score will not be as noticeable for consumers whose credit files already included missed payments/carry heavy debt loads.
  - » Conversely, the downward impact on score will probably be more noticeable on consumer files with no other delinquency/derogatory items and relatively low debt levels.

## The Data Shows...



- » Consumers with previous indications of not paying as agreed are more likely to demonstrate higher future risk.
- » Measured future risk (recent 12-month performance window) for several population segments of interest.

Population Segment	Description	Bad Rate %
1	No mortgage, clean on other accounts	5.0%
2	No mortgage, has delinquency on other accounts	42.1%
3	Has mortgage, clean on mortgage, clean on all other accounts	2.9%
4	Has mortgage, clean on mortgage, delinquency on other accounts	18.9%
5	Has mortgage, delinquency on mortgage, delinquency on other accounts	49.6%
6	Has mortgage, delinquency on mortgage, clean on other accounts	17.5%

*Bad Rate = 90+ days past due on any credit obligation*

- » Consumers with negative mortgage information experienced future bad rates that are 6 to 17 times higher compared to consumers with no negative items on file.

- » Industry reporting guidelines (Metro 2) are created by the Consumer Data Industry Association.
  - » Includes guidelines for different programs (Making Home Affordable Program, Hope for Homeowners Program, Freddie Mac/Fannie Mae programs).
  - » Includes guidelines for trial period, post trial period, renegotiated or refinanced loans, loans in forbearance, short sale, foreclosure.
- » Generally speaking ...
  - » Any account status code indicating not paying as originally agreed and/or any indication of late payments in the mortgage obligation's payment history profile will be considered negative by the score.
  - » Special comment codes reported by the lender may or may not be considered negative by the credit score.

## Impact on Credit Score Can Vary

» Let's compare potential score impact for two consumer scenarios:

<b>Alex has a FICO® Score of 680 and:</b>	<b>Mary has a FICO® Score of 780 and:</b>
Has six credit accounts, including several active credit cards, an active auto loan, a mortgage, and a student loan	Has ten credit accounts, including several active credit cards, an active auto loan, a mortgage, and a student loan
An eight-year credit history	A fifteen-year credit history
Moderate utilization on his credit card accounts (his balances are 40-50% of his limits)	Low utilization on her credit card accounts (her balances are 15-25% of her limits)
Two reported delinquencies: a 90-day delinquency two years ago on a credit card account, and an isolated 30-day delinquency on his auto loan a year ago	Never has missed a payment on any credit obligation
Has no accounts in collections and no adverse public records on file	Has no adverse public records on file

## Impact on Credit Score Can Vary



» What happens to score if one of the following scenarios takes place and is reported according to CDIA reporting guidelines?

	John (680)	Mary (780)
Bankruptcy posted	530-550	540-560
Foreclosure on mortgage reported	575-595	620-640
Short Sale on mortgage reported	600-620	650-670
New 30-day late on mortgage is reported	600-620	670-690
Enters Loan Mod Trial Period*	580-600	620-640
Enters Loan Mod Trial Period**	no change	no change
Loan Mod Final**	no change	no change
Mort Loan in Forebearance**	no change	no change
Refinance (prev trade closed/new trade posted)	minor change	minor change

\* Any comment code reported is considered negative.

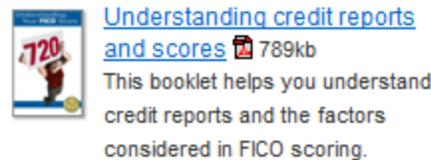
\*\* Any comment code that is reported is not considered negative.

## Overtime, FICO® Scores can Rebound Back



- » Delinquency and derogatory related items required to be purged after 7 years\*
- » As delinquency and derogatory information ages on the credit report, less points are lost for “recency related” characteristics (assumes no new late payments hit the file)
- » Demonstration of other sound credit behaviors will help the score
  - » Keep balances low
  - » Make payments on time
  - » Only apply for credit when needed

- » Wealth of credit scoring information at [www.myFICO.com](http://www.myFICO.com)
- » Consumer can also obtain their FICO score, explanation and underlying credit report to understand their specific credit situation
- » Other FICO credit educational brochures and learning aids available as well



## Credit Education Center

Smart credit decisions begin here.



## Educational Videos

Videos; an all new way to learn about credit.



### Signs of looming credit problems

Duration: 44 minutes | Conducted on: April 11, 2008

There are usually signs that credit trouble is coming. This web how to use your FICO score to spot these signs – and how to prevent a personal credit crisis from arriving.



### Credit in today's climate

Duration: 38 minutes | Conducted on: February 22, 2008

FICO scoring expert Ethan Dornhelm sheds light on the FICO: and explains many of the misconceptions around FICO scores familiar with FICO scores or new to credit, this webinar covers topics from "how to get the best FICO scores" to "what credit re watch out for".



### Holiday best practices webinar

Duration: 34 minutes | Conducted on: November 8, 2007

Whether you have good credit or bad credit, it can be challenging credit standing through the holiday season. November's myFICO discuss the ways you can protect your credit and avoid falling i pitfalls. During this 20 minute webinar we'll cover the following

# THANK YOU

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