Demystifying FICO® Scores
<table>
<thead>
<tr>
<th>FICO® Score Questions</th>
<th>True</th>
<th>False</th>
</tr>
</thead>
<tbody>
<tr>
<td>Missing a few payments now and then is ok and won’t have much impact on your FICO® Scores.</td>
<td></td>
<td>✗</td>
</tr>
<tr>
<td>Deferred student loans are bypassed by the FICO® Scores.</td>
<td>✗</td>
<td></td>
</tr>
<tr>
<td>Getting married will merge credit reports with a consumer’s spouse.</td>
<td>✗</td>
<td></td>
</tr>
<tr>
<td>A “hard inquiry” could lower your FICO® Scores.</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Annual household income is part of the calculation of a FICO® Score.</td>
<td>✗</td>
<td></td>
</tr>
<tr>
<td>Closing unused credit cards will improve a FICO® Score.</td>
<td>✗</td>
<td></td>
</tr>
<tr>
<td>FICO® Scores may be different across the 3 credit bureaus.</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>
# FICO® Score Questions

Your FICO® Scores can be accessed for the following purposes:

<table>
<thead>
<tr>
<th></th>
<th>True</th>
<th>False</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto loan review</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Credit Card Review</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Renting an apartment</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Facebook profile setup</td>
<td></td>
<td>x</td>
</tr>
</tbody>
</table>

Which item will impact your FICO® Scores?

<table>
<thead>
<tr>
<th></th>
<th>True</th>
<th>False</th>
</tr>
</thead>
<tbody>
<tr>
<td>Missed auto payment</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Applying for credit</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Bounced check</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>High credit card balances</td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>
Agenda

- Credit System Overview
- FICO® Score Overview
- FICO® Score Dynamics
## How It All Connects

<table>
<thead>
<tr>
<th>YOU</th>
<th>LENDERS</th>
<th>CREDIT BUREAUS</th>
<th>FICO®</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Apply to lenders for new credit and loans</td>
<td>• Grant new credit and loans to you</td>
<td>• Create and update your credit report with public record and lender-provided information</td>
<td>• Creates FICO® Score algorithms—used to generate FICO® Scores—and provides them to the credit bureaus</td>
</tr>
<tr>
<td>• Pay your bills on time; avoid bankruptcy, and collections</td>
<td>• Report your credit activity and payment history to the credit bureaus</td>
<td>• Generate FICO® Scores based on data from your credit reports</td>
<td>• Educates and consults with lenders, regulators, consumers and other entities regarding FICO® Scores</td>
</tr>
<tr>
<td>• Utilize your available credit</td>
<td>• Access your credit reports and FICO® Scores from the credit bureaus to evaluate your credit risk</td>
<td>• Make your credit reports and FICO® Scores available to lenders</td>
<td>• Enables consumers like you to access your FICO® Scores through myFICO.com, FICO® Score Open Access and other authorized distributors</td>
</tr>
<tr>
<td>• Access your own FICO® Scores and credit reports</td>
<td>• Provide consumers like you free access to the same FICO® Scores they use in lending decisions, through the FICO® Score Open Access program</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Don’t be Mistaken …

• Many credit educational sites provide educational credit scores or credit score versions that are not commonly used by lenders
• These non-FICO Scores will likely be a different value as compared to your FICO Scores
• This can lead to confusion and drive misinformed credit related actions
• If it doesn’t say it’s a FICO® Score, chances are it isn’t.
Where Can You Get Your FICO® Scores?

- myFICO
- FICO® Score Open Access Credit Counseling Partners
- FICO® Score Open Access Partners
- FICO® Score Regulatory Disclosure
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### Sample Credit Report

<table>
<thead>
<tr>
<th>PERSONAL IDENTIFYING INFORMATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Smith</td>
</tr>
<tr>
<td>123 Main St.</td>
</tr>
<tr>
<td>Anytown, GA 12345</td>
</tr>
<tr>
<td>Date of birth: 1-25-85</td>
</tr>
<tr>
<td>SSN: 888 88 8888</td>
</tr>
<tr>
<td>ACME, Service Technician</td>
</tr>
<tr>
<td>$52,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PUBLIC RECORD (LEGAL ITEMS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COLLECTION ITEMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>7-2018 Collection $500</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TRADE LINE (ACCOUNT) INFORMATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
</tr>
<tr>
<td>----------</td>
</tr>
<tr>
<td>Bankcard</td>
</tr>
<tr>
<td>Auto Loan</td>
</tr>
<tr>
<td>Retail</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INQUIRIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
</tr>
<tr>
<td>------------</td>
</tr>
<tr>
<td>7-01-18</td>
</tr>
<tr>
<td>6-15-17</td>
</tr>
</tbody>
</table>
A **FICO® Score** is a three digit number ranging from 300-850*, where higher equates to lower risk, that lenders use to help them make more informed credit granting decisions.

*Industry FICO® Score versions range from 250-900.*
How do you get a FICO® Score?

• Not deceased
• One trade line open at least 6 months
• One undisputed trade line updated in last 6 months
Predictive Credit Bureau Data Used in a FICO® Score

Data elements used must be **permissible** and **predictive**

<table>
<thead>
<tr>
<th>Considered</th>
<th>Not Considered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade lines (accounts)</td>
<td>Age</td>
</tr>
<tr>
<td>Credit inquiries</td>
<td>Address</td>
</tr>
<tr>
<td>Collections</td>
<td>Employment</td>
</tr>
<tr>
<td>Public Records</td>
<td>Income</td>
</tr>
<tr>
<td></td>
<td>Gender</td>
</tr>
</tbody>
</table>
Five Categories of FICO® Score Predictive Characteristics

1. Payment History 35%
2. Outstanding Debt 30%
3. Credit History Length 15%
4. Pursuit of New Credit 10%
5. Credit Mix 10%
1. Payment History

Key Factors

• **How recent** is the most recent delinquency, collection or public record item?

• **How severe** was the worst delinquency—30 days, 90 days?

• **How many** credit obligations have been delinquent?
2. Outstanding Debt

Key Factors

- How much does the consumer owe creditors?
- What percentage of available credit card limits is the consumer using?
- What percentage is outstanding on open installment loans?
3. Credit History Length

Key Factors

- How long have accounts been established—**average** number of months accounts have been open
- New accounts—number of months since most recent account opening

3. Credit History Length
15%
4. Pursuit of New Credit

Key Factors

• Inquiries: Number of recent credit inquiries (12 months)

• New accounts—number of trade lines opened in last year
5. Credit Mix

Key Factors

- What is the mix of credit product types?
- Revolving credit—number of bankcard trade lines
- Installment credit—percent of trade lines that are installment loans
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Bottom Line Impact -- Auto Loan Example

$20,000 - 3 year auto loan:

- FICO® Score 755 = $21,096 in payments
- FICO® Score 665 = $22,320 in payments
- FICO® Score 550 = $25,668 in payments
- A higher FICO® Score can result in big $$ savings (over $4,500 between the highest and lowest FICO® Score tiers)
Important Credit Information to Know

• All US consumers have the right to access their credit report (from each national CRA) annually at no charge (www.annualcreditreport.com)

• All consumers have the legal right to dispute information they believe to be inaccurately reported. The CRAs have up to 30 days to investigate and resolve the dispute.

• Negative information (late payments, collection items, etc.) must be purged from the credit report after 7 years

• A poor credit history will not haunt one forever (the score is dynamic)

• Lenders may leverage other information (in addition to credit scores) to make credit granting decisions

• Protecting your consumer identity is very important as it represents your “financial fingerprint”

• A higher FICO® Score can translate into substantial $$ savings
Credit Education = Credit Empowerment

- www.MyFICO.com
  - Credit Education Content -- https://www.myfico.com/credit-education
  - Credit Education Pamphlets -- https://www.myfico.com/credit-education/credit-scores/brochures
  - FICO® Score Educational Game -- https://www.creditgalaxy.org/

- Other resources
  - https://www.annualcreditreport.com/index.action
  - https://www.consumerfinance.gov/ask-cfpb/category-credit-reporting/
Thank You