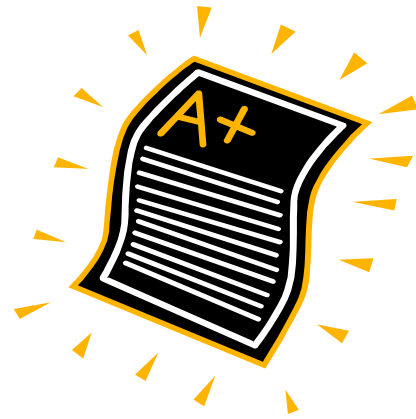


How to Increase Your Credit Score



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Credit scoring or “credit risk scoring” is a system that was developed in the late ‘80s then lastly, adopted by the mortgage industry around 1994 to statistically judge your ability to repay your debts. Some lenders have developed their own systems and software, but most rely on a company by the name of Fair Isaac Co. The result has been more commonly known as the “FICO score”. This company has leased its software to the large credit bureaus so they can process all of your credit data they have collected from your creditors through the formula to produce a number that is a snap shot of your ability to repay your debt. Scores range from about 400-900 with a lot of attention to the 600 range. A 640 score is loosely recognized as an acceptable “A” grade. A score greater than 740 doesn’t appear to offer any additional benefit to borrowers. Fair Isaac’s formula is a black box, relatively unknown to its users who generate your credit scores. However, this formula has SO MUCH power over all of us as consumers that as time moves on, peeking into the black box is slowly becoming a reality. We are now required to disclose scores to our clients, and our computer models allow us to speculate on improved scores resulting from minor changes to specific elements of the credit report (ask about our Credit Analyzer). The Fair Isaac formula, with over 35 different variables will never be disclosed. Completely opening the black box to the consumer would invite serious manipulation and thereby destroy its effectiveness, credibility and frankly, destroy Fair Isaac’s monopoly.

THE FOLLOWING ARE MANY HELPFUL NUGGETS TO INCREASE YOUR SCORE!

1. Occupation, income and length of time in present home are not used in creating a credit risk score.
2. Different categories of credit are given different weights or impact in creating a credit score. Late payments, collections, bankruptcies, charge-offs, and tax liens are 35% of the score. Length of credit history is 15% of the score. Types of credit, such as the existence of finance companies, are 10% of the score (see below). Inquiries (applications for new credit) are as much as 10% of the score; this area typically generates the most interest from consumers (see below).
3. Time since the account was opened is important. Longer is more desirable.

4. Severity, frequency and the more recent a delinquency is noted on an account are primary indicators of risk. The last 24 mos. of history is where the focus lies. With public records, the older and more isolated the occurrence, the less the risky.
5. The formula doesn't subtract for late payments after a grace period but paid before 30 days delinquent. This event goes "unreported" to the bureaus.
6. The more recent the blemish, the greater the impact is on the score. For example, a 30-day late payment that is only one month old indicates a higher risk than a 30-day late made 3 years ago. Current, delinquent payments hurt the credit score dramatically. Said differently, someone that has missed a couple of payments in the last two months would be a higher risk than someone with much older, MORE SEVERE delinquency provided there is other positive data in the credit file.
7. CHECK THE DATE OF THE "LAST ACTIVITY" ON COLLECTION AND CHARGE OFF ACCOUNTS. PAY OFF OLD COLLECTI ON ACCOUNTS, CHARGE-OFFS AND JUDGMENTS in escrow, NOT BEFORE closing. This prevents bringing an old derogatory account "current" and making the score even more negative. Models score from date of last activity.
8. Try to keep credit balances 30% or less of the maximum allowable credit. It is better to leave the balances on existing cards, if the balances are low relative to the limit. It would be a mistake and lower the score to transfer several cards to one "low rate" card thereby utilizing the new card's full credit limit immediately - Bad I deal
9. However, we have seen borrowers close out unused accounts with zero balances and immediately (30 days) gain 3points for each acct. closed.
10. The existence of and the number of "finance companies" can negatively impact the credit score. Companies like Household Finance and Beneficial, who charge higher rates, typically lend to customers that "need the money" more so than others. The Fair I saac model understands this and penalizes these borrowers for their desperate desire to borrow.
11. INQUIRES on your report - A golden rule would be: don't have any creditor run your credit unless you're seriously considering doing business with that company. Several inquiries across several product categories over a period exceeding 30 days, is undesirable. For example, don't apply for revolving credit and a car loan at the same time as you're applying for a mortgage loan...not good!
12. An inquiry can cost the consumer 2 or more points off their score depending on other variables. The average is 3 to 35 points. Fair I saac estimates that multiple inquiries contribute less than 10% of the weight of the score. **Multiple inquiries in fourteen days by auto dealers**



or mortgage companies are counted as one inquiry. Only mortgage and auto inquiries older than 30 days from to the current report date will impact the score.

13. Only 5-7 inquiries count in the total score of the consumer. Inquiries in excess of 7 do not further depress the score.
14. Inquiries for the purpose of marketing by a bank, pre-approved credit solicitations, or for managing existing accounts are not used to calculate the credit score.
15. Administrative (employer-employee) inquiries are not counted in the score.
16. Make sure your credit report provider is using the current version and not an older version of the software from the Fair Isaac. Older versions produce different scores. Other "consumer versions" of the software exist. The scores provided by many online vendors use these less costly products. Software versions for mortgage providers require minimum data sets to produce a score. Often prospective clients will come to us and recite a score that hasn't been provided by the correct software, and this creates potential unrealistic expectations which must then be adjusted.
17. Because of similarity in names, enter the borrower name exactly as it appears on the social security card. Do not hyphenate the name – just use it as another middle name without the hyphen. Always use the suffix (Jr., Sr., II, III, IV) when it exists.
18. Check bankruptcy papers to see the debts discharged and if accurately reported on the credit report as part of a bankruptcy.
19. If a "deletion letter" or admission of guilt is received from a creditor, and they have clearly stated that an error exists in their reporting to the bureaus, you may use our "Rapid Re-scoring" service to effect an increased score in just a few days instead of waiting 60-90 days for the credit bureaus to reflect the change.