# CREDIT PLUS INC

**This 7-page package includes the following valuable things:**

**General Credit Information, Ideas for Improving Scores, Overview of System Features,
How to Submit Rapid Rescore Requests, Credit Report Legend**

**Personally prepared by:**
*Michael Housner, Regional AE, Credit Plus, Inc.* michael.housner@creditplus.com

**The 3 major national credit bureaus are**: Experian (XP), Transunion (TU), and Equifax (EF) ….. but better terms to describe their function are:
1. Repository – they are huge "holders" of data; information about you and millions of other people
2. Credit Reporting Agency (CRA) – these "repositories" get their data when creditors and courthouses "report" to them; and when you pull someone's credit report, they in turn "report" that data to you, through Credit Plus

**Credit Scores (in general)**
1. It is a number that at a glance helps lenders determine how likely you are to make your payments on time.
2. A score is *only created* when you pull someone's credit file, and all that data is fed through a complex mathematical formula.   As a person's data at the repositories changes, their score would change also.
3. Why are scores different?   Fair Isaac Corporation (FICO) created the mathematical formulas that generate the score, BUT….
    a. There are different score formulas depending on what you are applying for….a mortgage, credit card, auto loan, insurance, or even if you are not applying for anything at all and get a "consumer" score directly from one of many websites that advertise "scores" these days
    b. Fair Isaac sold their original formulas to XP, TU, and EF, which in turn slightly altered them based on their own studies and analysis
    c. The 3 bureaus don't always have the exact same data on a consumer.   So, if the data is different or has changed, the score will also be different.

**The FICO score on your mortgage credit reports** – The score range is 300 – 850.
What makes up the score? (the info below is from  www.myfico.com )

1. 35%  Payment History
    a. Account payment information on specific types of accounts (credit cards, retail accounts, installment loans, finance company accounts, mortgage, etc.)
    b. Presence of adverse public records (bankruptcy, judgments, suits, liens, wage attachments, etc.), collection items, and/or delinquency (past due items)
    c. Severity of delinquency (how long past due)
    d. Amount past due on delinquent accounts or collection items
    e. Time since (recency of) past due items (delinquency), adverse public records (if any), or collection items (if any)
    f. Number of past due items on file
    g. Number of accounts paid as agreed
2. 30%  Amounts Owed
    a. Amount owing on accounts
    b. Amount owing on specific types of accounts
    c. Lack of a specific type of balance, in some cases
    d. Number of accounts with balances
    e. Proportion of credit lines used (proportion of balances to total credit limits on certain types of revolving accounts)
    f. Proportion of installment loan amounts still owing (proportion of balance to original loan amount on certain types of installment loans)
3. 15%  Length of Credit History
    a. Time since accounts opened
    b. Time since accounts opened, by specific type of account
    c. Time since account activity
4. 10%  New Credit
    a. Number of recently opened accounts, and proportion of accounts that are recently opened, by type of account
    b. Number of recent credit inquiries
    c. Time since recent account opening(s), by type of account
    d. Time since credit inquiry(s)
    e. Re-establishment of positive credit history following past payment problems
5. 10%  Types of Credit Used
    a. Number of (presence, prevalence, and recent information on) various types of accounts (credit cards, retail accounts, installment loans, mortgage, consumer finance accounts, etc.)

**Inquiries**

This is always a hot topic because borrowers think you've ruined their score because you pulled their credit report. But as you saw above, New Credit only accounts for 10% of a person's score, and of that, Inquiries is only a part. Also, keep in mind what an inquiry represents – *application for additional credit.* If your credit report and score shows that you are a responsible borrower, then *applying* for more credit will have a minimal affect on your score. But if you appear to be an irresponsible borrower, then the inquiry may drop your score a few points, or several points.

Note what Fair Isaac itself says about inquiries at www.myfico.com:

1. "For many people, one additional credit inquiry may not affect their FICO score at all. For most people, a credit inquiry will only decrease their FICO score by a few points."
2. "Looking for a mortgage or an auto loan may cause multiple lenders to request your credit report, even though you're only looking for one loan. To compensate for this, the score ignores all mortgage and auto inquiries made in the 30 days prior to scoring. So if you find a loan within 30 days, the inquiries won't affect your score while you're rate shopping."

**Ordering Credit and Missing Scores/Bureaus on a Credit Report**

1. IMPORTANT – make sure you have the correct spelling of the borrower name, ssn, and address BEFORE you order a credit report. If you are in doubt, please talk with your borrower again.

    a. If you misspell or mistype one of those things, it cannot just be "fixed." (Technically, Credit Plus customer service does have the ability to edit those fields on a credit report, but the report WILL NOT work through Fannie Mae DO/DU afterward).

    b. You will have to pull a brand new credit report, and if you do not have that ability, you will need someone with higher access to do it for you…such as a manager, owner, or IT person who is set up as an Admin in the Credit Plus system.

    c. Catch these errors quickly so that you can order a new credit report quickly. The longer you wait, the greater the chance that the borrower's data is changing at the bureaus. And if the data changes, the score will change too.

2. The 3 bureaus are only supposed to give you a borrower's credit report if you PERFECTLY enter the borrower's name, SSN, and address. Being even slightly off in any of those areas may give 1 or 2 bureaus, but most probably not all 3.

3. Missing a score?…look on the credit report to see if there are some accounts (creditors) that have reported to that bureau. That indicates that you did "hit" the file. Then see if there is an explanation where a score should be stating "insufficient credit" or "no active tradelines for the past 6 months".

4. Missing a bureau entirely?....no score, no tradelines for that bureau…nothing?

    a. You might not be "hitting" the file. Even if the borrower has given you his correct and proper name, SSN, and address, the bureau might have it different.

        i. Remember, the bureaus get their data from creditors, so if the consumer had illegible handwriting on credit applications, or even made mistakes on applications, then that "bad" data has made its way down to the bureaus.

        ii. Look way down the credit report to a section called Source of Information. Look at the information you got back from the other bureaus. If you see variations on the name, SSN, address, that could be the reason why 1 bureau did not return information at all.

        iii. The only way to fix it is for the consumer to write a letter to that bureau along with copies of his driver license, social security card, and utility bill.

    b. The consumer might have put a "freeze" on their credit file. The Credit Plus website will show if that's the case with an error message. The borrower will need to provide you with a special PIN he was given when he asked the bureau to freeze his file, OR he will need to personally call the bureau to have it unfrozen.

        i. If you have the PIN, you can call Credit Plus tech support at 800-258-3488 and they can enter it and try re-pulling the "frozen" bureau. NOTE: sometimes if the consumer has just recently been given the PIN, it takes a few days after for it to work.

# A Quick Overview of Credit Plus Features

1) **The number for Credit Plus is 800-258-3488**; customer service and tech support are open 8am-8pm, M-F; please have ready the credit report number that you're working on.

2) **Credit Plus University**: we provide online, WebEx, training sessions on the Score Wizard and other Credit Plus features; go to www.creditplus.com and click on Credit Plus University to find scheduled sessions.

3) **Borrower Invoice**: After logging in to the system, look under the topic "Products and Services." At the bottom of the list, click on "Total Cost for Borrower." Enter your borrower's name or SSN, along with a date range to narrow down the results, and our system will find everything you've done for that borrower. You can then view and print an invoice detailing everything to put in their file for closing.

The following great features are all accessible from the **Credit File Screen** …. this is the screen you come to once a credit report is in our system, but before you actually view the report. Please take our *Credit Plus University* courses to learn more about using these features, especially the Score Wizard and What-if Simulator.

1) **Add co-borrower or bureaus**: the existing report must be under 30 days old, but "adding on" avoids having to re-pull a whole new report, so you can save on price and save the score(s) you already have

2) **Remove a borrower**: look under "Unmerge Report", uncheck either the borrower or the co-borrower, and then click the large "View" button; this will "cosmetically" remove a borrower so you can print it (this is free); however, if you want to have a single borrower report that can upload to your loan software, or re-issue to an AU system, then click on the "Create Reissue #" button to generate a new credit file (this costs $3, but you've saved the scores you have and it's less expensive than pulling a new report)

3) **Other Reports drop-down list (free and useful reports)**: for example, you can print an additional Score Disclosure Letter; Consumer Copy of the credit report; a Letter of Explanation (for derogatory accounts and inquiries). Since these are all free, why not check them all out.

4) **Score Wizard**: the Wizard will quickly and simply outline what your borrower needs to do to improve his score; the credit report must be less than 30 days old; cost: $3.50 per bureau per borrower

   a) pick the bureau you want to use (usually the middle score bureau is sufficient), choose either "rapid re-score" mode or "planning" mode (which looks ahead 1 month), and tell the Wizard how much "disposable cash" your client has (money your client has available to pay down some debts; the Wizard seems to work better this way than by using the "target score increase"

   b) the Wizard will outline what your client should do, and by how many points the score will increase; read carefully what it says and do not try to second-guess the Wizard's suggestions

   c) you can go back and try different amounts of disposable cash and see what different recommendations are given; also, make sure you use both "modes" so you have all the possibilities; the Wizard will tell you which bureau you have already paid for so that you can use it again for free

5) **What-If Simulator**: it allows you to "experiment" by making changes on the credit report and seeing if the score will go up or down; the credit report must be less than 30 days old; cost: $4.50 per bureau per borrower

   a) pick the bureau you want to use (this will usually be the middle score bureau, or the bureau that specifically is reporting a tradeline you want to "experiment" with)

   b) the Simulator will show the tradelines and data from just that bureau; make changes to status, credit limit, or balance; click on a late date and make it "paid as agreed" so it disappears; or even check the box on a line and click "delete" at the bottom of the screen; you must always click on the "Calculate" button at the top to see what happens to the score; click on the number next to the "calculate" button to open a new window that you can print; click on "start over" to wipe the slate clean and try again

   c) at the bottom of the screen is another link that says "Alternate Version;" it runs a little slower, but some people find it easier to use and to print out the results; there is no extra charge to use it

   d) you can go back and "play around" another day; the Simulator will tell you which bureau you have already paid for so that you can use it again for free

# Things to know about score improvement

**Look underneath each score and you will see "reason codes" for each bureau. Those are the top reasons holding down the score at that bureau. After looking over those reasons, look at the credit report and find the accounts related to those reasons.**

**Credit Cards – Revolving Debt proportions**
1. Look on the credit report for revolving debt (not installment loans, or "open" accounts).
2. As a general rule of thumb, the balance should be no more than 30% of the credit limit. So, if it's more than that, have your borrower pay it down.
3. If there are many revolving accounts with high balances, you will most probably need to pay down most or all of them.
4. If there is nothing derogatory on the credit report, just high balances on revolving debt, you can often improve the score significantly. But, if there are many derogatory items on the credit report, paying down revolving debt may not help the score very much.
5. Our Score Wizard program is very good at quickly determining for you which (if any) revolving accounts need to be paid down, and to what balance. You can also use the What-if Simulator, but it will take you longer to find the "perfect" pay-down balance.

**Collections/Judgments**:
1. It only takes one collection or judgment to generate the code that says "public record or collection filed".
2. Paying off or satisfying a collection or judgment does not *usually* improve the score because the derogatory account still exists, and so still generates that reason code. In fact, paying off an old collection may even make the score drop.
3. However, a collection company may be willing to totally delete (remove) the collection from your credit report. They are certainly under no obligation to do so, but you can ask. Here is an interesting website on the subject: http://credit.about.com/od/debtcollection/qt/paycollection.htm
4. Charge-off accounts behave a little differently than collections. You can sometimes gain points by paying those off.
5. You can use our What-if Simulator to experimentally see what affect paying off or removing an account has on the score.

**Late Dates**
1. When you look at the reason codes, the term "delinquency" means late dates.
2. When you look at the overall credit report and you see LOTS of late dates, especially ones from within the last year, there is not much you can do to help the score….those lates simply need to drift into the past.
3. However, if you just see 1 recent late date on 1 account, and just 1 other recent late date on another account, you should have your borrower call those creditors and ask…beg…for those single late dates to be removed as a *courtesy…*many creditors will do that 1 time. It may also be that the late dates were a mistake, but don't push the creditor to admit to making an error. Just ask them to remove it as a courtesy since the borrower has an otherwise perfect payment history with that creditor.
4. You can use our What-if Simulator to experimentally see what affect removing a late date has on the score.

**Authorized User Accounts – removing or adding**
1. When you see the letter "A" next to a tradeline, it means the borrower is just an authorized user on someone else's account.
2. If that account has recent late dates, you can most probably improve the score by having the actual account holder remove your borrower as a user.
3. If the account is a revolving credit card and it's "maxed out," you might also improve the score by removing it, but only if the borrower will still have other revolving credit cards on his report.
4. What about adding someone as an authorized user to a credit card? This may help, but the better course of action is to get the actual card holder to make it a joint account with your borrower. This guarantees that the account will show up on the credit report within a month or two. But be careful….the account should have a lot of history, no late dates, high credit limit, and low balance.
5. Use our What-if Simulator to experimentally see what affect adding or removing an account has on the score.

**Other things to help**
1. Keep old revolving credit cards open…don't close them.
2. Regularly check your credit report to catch errors early. You get a free one each year from each bureau. Go to www.annualcreditreport.com. Don't do all 3 bureaus at the same time…space it out throughout the year.
3. Learn more about credit from websites like www.myfico.com and to get addresses to write the bureaus

# <u>Information Regarding Rapid Rescores</u>

Doing a "Rapid Rescore" really means updating the repositories (XP, TU, EQ) with new data in just a few days, and then pulling a new credit report, which will have a new score based on that new data.   Without the "Rapid Rescore" ability, you would need to either wait for a creditor to report the updated data on their own (which is usually 30 days), or have the consumer dispute items with the bureau (which also usually takes 30 days + ).

You **can** update accounts that already exist on the credit report.  You **cannot** add new accounts with a rapid rescore.  And, you **cannot** "fix" misspelled borrower names, ssn, or addresses with this service.   When the bureaus have that info wrong, the consumer MUST write to the bureaus and include copies of his driver license, Social Security Card, and recent utility bill (to help with address verification).   The consumer should also contact his creditors to make sure they all have his information correct too, otherwise they will continue to misreport it to the bureaus.

**Score Plus is the department at Credit Plus that handles all rapid rescore requests.**
**You will need:**

Score Plus Order Form, filled out and signed by someone authorized at your company
- You can download this form at www.creditplus.com.   Look in the top right corner for the link.
- The cost is noted on the form.
- Make sure it is signed by someone authorized to do so at your company.   At most companies, only a few individuals have authorization.

Proper documentation
- letter from the creditor
  - must be from the creditor that is reporting the account on the credit report, not from a 3<sup>rd</sup> party
  - the document must be typed (never handwritten) and actually have the form of a letter (not just a transaction history printout)
  - must have the borrower's name and at least part of the account number
  - must **specifically state** what is being updated on the account; you cannot just "assume" that the credit bureaus (repositories) will know what needs to be updated; the letter must state it in no uncertain or vague terms; for example, it cannot say "we are removing the derogatory info on your account"…that's not specific enough
  - if this letter from the creditor is being used to update a balance, the letter must give the current balance; it cannot have any wording about "upon receipt of funds" or "upon clearance of funds"
- statement – this is ONLY for credit card accounts to update the balance, nothing else
  - paper statement or printout from the credit card website (printout must show the URL web address)
  - must have at least a partial account number and borrower name
  - **must show the new balance** that you want updated at the bureaus; a record of a payment that was made will not suffice…it must have the new balance

**Removing Dispute Remarks:**  In many cases, you will need both a letter from the creditor stating that there is no dispute on the account, AND a letter from the consumer that has the name of the creditor, the account number(s), the consumer's signatures, the consumer's ssn, a statement that he no longer disputes account, he agrees with the status of the account, and to please delete the dispute remark.  The bureaus keep changing their requirements for dispute removal, and the staff in our Score Plus dept will do their best to guide you.
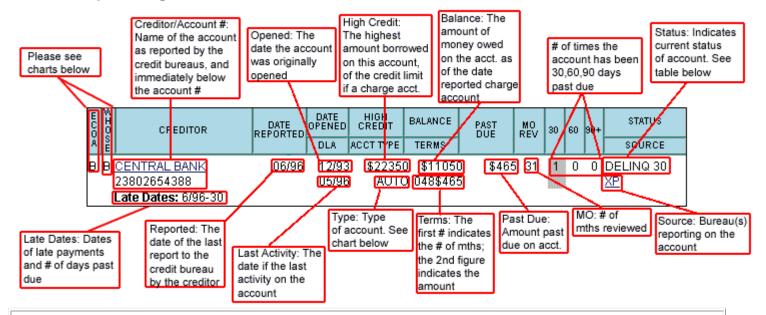
**Transunion:**  Their policy is to **always** call the creditor to verify all rapid rescore documents.   So, if your rescore request involves TU, please have the borrower call the creditor and have them make a note on his account "permission to discuss with the credit bureaus."

**American Express:**  The cardholder **must** contact the American Express Credit Bureau Unit at **954-503-3787**. Getting documents from AmEx customer service are not acceptable.

**NO-DOC rescore:**  Sometimes, no matter how hard you try, the creditor will not give you the letter you need, but they will confirm the information over the phone.   Fill out the Score Plus order form, and write No-Doc on it.  The bureaus will not do conference with the creditor and consumer, so you must have the borrower call the creditor and have the creditor note on the account "permission to discuss with Experian , Transunion, and Equifax."   The bureaus charge more for these no-doc requests.

# Credit Report Legend



**Please see charts below**

**Creditor/Account #:** Name of the account as reported by the credit bureaus, and immediately below the account #

**Opened:** The date the account was originally opened

**High Credit:** The highest amount borrowed on this account, of the credit limit if a charge acct.

**Balance:** The amount of money owed on the acct. as of the date reported charge account

**# of times the account has been 30,60,90 days past due**

**Status:** Indicates current status of account. See table below

**Late Dates:** Dates of late payments and # of days past due

**Reported:** The date of the last report to the credit bureau by the creditor

**Last Activity:** The date if the last activity on the account

**Type:** Type of account. See chart below

**Terms:** The first # indicates the # of mths; the 2nd figure indicates the amount

**Past Due:** Amount past due on acct.

**MO:** # of mths reviewed

**Source:** Bureau(s) reporting on the account

---

## ECOA Codes

A: Authorized user - Authorized user of a shared account.
B: Borrower - Borrower has sole responsibility.
C: Co-borrower - Co-borrower has sole responsibility
J: Joint account - Joint account with contractual responsibility.
I: Individual account - Individual account for applicant's exclusive use.
M: Maker - The borrower is primarily responsible, having a cosigner (Co-maker) to assume liability if the borrower defaults.
S: Co-Signer - The borrower is the co-signer and becomes liable if the primary signer defaults.
P: Participating - A joint account for which contractual liability cannot be determined.
T: Terminated - A joint or cosigned account where the borrower is no longer associated with the account.
X: Deceased - The borrower has been reported deceased.
U: Undesignated - An account that has not yet been designated.

---

## WHOSE Codes

B: Borrower is solely responsible for payment
C: Co-borrower is solely responsible for payment
J: Joint account-contractual responsibility

---

## Account Type

MTG: Mortgage
INST: Installation account
AUTO: Auto loan
CRCD: Credit card
COLL: Account in collections
REV: Revolving account
OPEN: Open account
EDU: Education account
COSI: Co-signer account
LEAS: Leasing account

## Account Status

00 - no status - NO STATUS
01 - credit card lost - CRCDLOST
02 - inactive - INACTIVE
03 - deleted - DELETED
10 - current/as agreed - AS AGREED
11 - current was 30 - CUR WAS 30
12 - current was 60 - CUR WAS 60
13 - current was 90 - CUR WAS 90
14 - current was 120+ - CUR WAS 120+
1C - current was collection - CUR WAS COLL
1R - current was reposession - CUR WAS REPO
1B - current was bankruptcy - CUR WAS BK
1F - current was foreclosure - CUR WAS FORE
20 - paid account - PAID
2X - closed account - CLOSED
2T - transferred account - TRANSFERRED
21 - paid was 30 - PD WAS 30
22 - paid was 60 - PD WAS 60
23 - paid was 90 - PD WAS 90
24 - paid was 120+ - PD WAS 120+
2C - paid was collection - PD WAS COLL (obsolete - use 9P)
2R - paid was repossession - PD WAS REPO (obsolete - use 9R)
2A - paid was charge off - PD CHG OFF (obsolete - use 9A)
2F - paid was foreclosure - PD FORECLO (obsolete - use 9F)
2S - paid voluntary surrender - PD VOL SUR (obsolete - use 8S)
30 - 30 days - DELINQ 30
40 - 60 days - DELINQ 60
50 - 90 days - DELINQ 90
60 - 120+ days - DELINQ 120+
70 - bankruptcy - BANKRUPTCY
71 - paying under payment plan - PAY PLAN
80 - repossession - REPOSESS
82 - foreclosure - FORECLOS
83 - settled - SETTLED
8S - voluntary surrender - VOL SUR
90 - charge off - CHARGE OFF
91 - placed for collection - COLLECTION
9P - PAID COLLECTION - PD COLL
9R - paid was repossession - PD WAS REPO
9A - paid was charge off - PD CHG OFF
9F - paid was foreclosure - PD FORECLO
92 - now paying/was charge off - CO NOW PAY
93 - Claim filed with government for insured portion of balance on loan - GOV CLAIM
94 - Closed/Not paid as agreed - CLOS NP AA
95 - Cannot locate consumer - SCNL LOC

## Rating Code Status

| I = Installment | R = Revolving | M = Mortgage | O = Open Account | C = Closed |
|---|---|---|---|---|
| 1 = as agreed | 2 = 30 day late | 3 = 60 day late | 4 = 90 day late | |
| 5 = settled | 7 = BK | 8 = repo/foreclosure | 9 = chargeoff/collection | |