



Understanding Credit and Credit Scores

Sponsored by

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Agenda

- ☑ Credit Reporting Basics
- ☑ Credit Score Analysis
- ☑ Overcoming Credit Obstacles
- ☑ Additional Information and Resources



By the end of this session we will



- Have a better understanding of reading a credit report.
- Understand the differences between major credit scoring models.
- Understand options for credit file security.
- Develop strategies to avoid delays when applying for credit.
- Feel more confident!



Reading and Modifying Credit Reports



- Have you checked your personal credit report?
- Do you have any locked or frozen credit bureau files?
- Have you “Opted-Out” of unwanted solicitations?

Do I have permission to pull your credit?



COMMUNICATE CLEARLY:

- Explain process.
- Obtain permission to pull credit.

OBTAIN DOCUMENTATION:

- Verbal permission is acceptable
- Written permission is preferred.
- Maintain all communication and documentation.

Set expectations now, avoid confusion later.

- Credit is the “cost” of money.
- The interest rate we receive to borrow money from lenders.
- Lenders may review our credit file and use our credit scores in underwriting.

Equal Credit Opportunity Act

Whose account?
Borrower or Co-borrower?

Status of the current account

Which bureau is reporting the status?

APPLICANT						CO-APPLICANT						
APPLICANT	TESTCASE, JANET X					CO-APPLICANT						
SOC SEC #	000-00-0030	DOB	01/22/1947			SOC SEC #	DOB					
MARITAL STATUS	SINGLE					DEPENDENTS						
CREDIT												
E C O A	W H O S E	CREDITOR	DATE REPORTED	DATE OPENED	HIGH CREDIT OR LIMIT	BALANCE	PAST DUE	MO REV	30	60	90+	STATUS
				DLA	ACCT TYPE	TERMS						SOURCE
B	B	HOME COMING FUNDING NE ACCT000023	09/17	01/17 08/17	\$20000 MTG	\$0 180 \$0	\$0	4	0	0	0	PAID XP/TU/EF
SECOND MORTGAGE; TRANSFERRED TO ANOTHER LENDER												
B	B	HSBC NV ACCT000011	05/17	05/14 04/17	\$4000 REV	\$0 \$0	\$0	37	0	0	0	CRCDLST XP/TU/EF
CREDIT CARD LOST OR STOLEN												
B	B	WACHOVIA MORTGAGE CORP ACCT000002	11/13	02/03 10/13	\$58850 MTG	\$0 360 \$0	\$0	99	0	0	0	PAID XP/TU/EF
TRANSFERRED TO ANOTHER LENDER; CONVENTIONAL REAL ESTATE LOAN, INCLUDING PURCHASE MONEY FIRST; FREDDIE MAC ACCOUNT												
B	B	WASH MUTUAL/PROVIDIAN ACCT000012	03/17	08/14 01/17	\$500 REV	\$0 \$0	\$0	31	0	0	0	PAID XP/TU/EF
ACCOUNT CLOSED AT CONSUMER'S REQUEST												

FICO® Score Reason Codes

APPLICANT		CO-APPLICANT	
APPLICANT	TESTCASE, JANET X	CO-APPLICANT	
SOC SEC #	000-00-0030	DOB	01/22/1947
MARITAL STATUS	SINGLE	DEPENDENTS	
CURRENT ADDRESS	123 MAIN ST, SEATTLE, WA 98104	LENGTH	
PREVIOUS ADDRESS		LENGTH	
SCORE MODELS			
EQUIFAX/FICO CLASSIC V5 FACTA - JANET X TESTCASE - 000000003			
SCORE: 622			
00040 - DEROGATORY PUBLIC RECORD OR COLLECTION FILED			
00010 - PROPORTION OF BALANCES TO CREDIT LIMITS IS TOO HIGH ON BANK REVOLVING OR OTHER REVOLVING ACCOUNTS			
00014 - LENGTH OF TIME ACCOUNTS HAVE BEEN ESTABLISHED			
00020 - LENGTH OF TIME SINCE DEROGATORY PUBLIC RECORD OR COLLECTION IS TOO SHORT			
FA - NUMBER OF INQUIRIES ADVERSELY AFFECTED THE SCORE, BUT NOT SIGNIFICANTLY			
TRANSUNION/FICO CLASSIC (98) - JANET X TESTCASE - 000000003			
SCORE: 667			
040 - DEROGATORY PUBLIC RECORD OR COLLECTION FILED			
010 - PROPORTION OF BALANCES TO CREDIT LIMITS IS TOO HIGH ON BANK REVOLVING OR OTHER REVOLVING ACCOUNTS			
014 - LENGTH OF TIME ACCOUNTS HAVE BEEN ESTABLISHED			
020 - LENGTH OF TIME SINCE DEROGATORY PUBLIC RECORD OR COLLECTION IS TOO SHORT			
EXPERIAN/FAIR, ISAAC (VER. 2) - JANET X TESTCASE - 000000003			
SCORE: 654			
40 - DEROGATORY PUBLIC RECORD OR COLLECTION FILED			
10 - PROPORTION OF BALANCE TO HIGH CREDIT ON BANK REVOLVING OR ALL REVOLVING ACCOUNTS			
14 - LENGTH OF TIME ACCOUNTS HAVE BEEN ESTABLISHED			
33 - PROPORTION OF LOAN BALANCES TO LOAN AMOUNTS IS TOO HIGH			

Justifying Reason Codes – *Why Did I Receive These Scores?*

APPLICANT						CO-APPLICANT						
APPLICANT		TESTCASE, JANET X				CO-APPLICANT						
SOC SEC #		000-00-0030		DOB 01/22/1947		SOC SEC #		DOB				
MARITAL STATUS		SINGLE				DEPENDENTS						
CREDIT												
E C O A	W H O S E	CREDITOR	DATE REPORTED	DATE OPENED	HIGH CREDIT OR LIMIT	BALANCE	PAST DUE	MO REV	30	60	90+	STATUS
				DLA	ACCT TYPE	TERMS						SOURCE
B	B	BANK OF AMERICA MORTGA ACCT000018	11/18	02/16 11/18	\$59997 MTG	\$50686 180 \$659	\$0	32	0	0	0	AS AGREED XP/TU/EF
CONVENTIONAL REAL ESTATE LOAN, INCLUDING PURCHASE MONEY FIRST; FREDDIE MAC ACCOUNT												
B	B	CITIMORTGAGE INC ACCT000022	10/18	01/17 10/18	\$20000 MTG	\$18734 UNK \$194	\$0	13	0	0	0	AS AGREED XP/TU/EF
SECOND MORTGAGE												
B	B	HSBC NV ACCT000010	10/18	05/14 10/18	\$10000 REV	\$10015 MIN \$115	\$0	41	0	0	0	AS AGREED XP/TU/EF
B	B	GEMB/WALMART ACCT000009	11/18	12/13 11/18	\$2700 REV	\$1886 MIN \$79	\$0	59	0	0	0	AS AGREED XP/TU/EF

Justifying Reason Codes – *Why Did I Receive These Scores?*

COLLECTION ACCOUNTS

E C C O A	W H O S E	CREDITOR	DATE REPORTED	DATE OPENED	HIGH CREDIT OR LIMIT	BALANCE	PAST DUE	MO REV	30	60	90+	STATUS
				DLA	ACCT TYPE	TERMS						SOURCE
B	B	N/A ACCT000020	06/16	04/18 04/16	\$121 COLL	\$121 -	\$121	-	-	-	-	COLLECTION EF
B	B	N/A ACCT000014	04/16	10/16 02/13	\$28 COLL	\$28 -	\$28	-	-	-	-	COLLECTION EF
ORIGINAL CREDITOR: ORLANDO REGIONA, ASSIGNED ON 10/14												

Disputing Credit Reporting Errors

Review – Confirm - Dispute

Consumers can access their personal credit reports through www.annualcreditreport.com – now available weekly.

Consumers can dispute items online through this portal.

Identify and confirm any credit reporting errors.

Secure documentation for all corrections and deletion of reporting errors.

Credit Lock

- Offered by all bureaus
- Free at Equifax and TransUnion (Experian charges for subscription package)
- May delay the application process.

Credit Freeze

- Offered by all bureaus
- Always **FREE-ZE**
- May delay the application process.



Frozen and Locked Files - Solutions

If you have a frozen or locked files after you have pulled contact each bureau to temporarily remove these so your lender can proceed:

- Equifax: 800-349-9960 <https://www.equifax.com/personal/credit-report-services/>
- Experian: 888-397-3742 (Option 2; then Option 2)
<https://www.experian.com/freeze/center.html>
- Transunion: 888-909-8872 <https://www.transunion.com/credit-freeze>
- Additional information from the Federal Trade Commission
<https://www.consumer.ftc.gov/articles/0497-credit-freeze-faqs>

Opt-Out: Avoid unwanted solicitations

To eliminate unwanted solicitations during your loan process or anytime, consumers can opt out via mail or phone:

For mail: www.optoutprescreen.com.

For phone calls: www.donotcall.gov



Credit Score Analysis

Credit Score Confusion FAQ

Q: “Why doesn’t my mortgage credit score match my personal credit report score?”

A: There are many credit score models. Let’s identify the scores you received and compare those with your mortgage credit report.

Q: “Another lender already pulled my credit. Do you need to pull it again?”

A: Yes, but if pulled within a specific timeframe, there might not be an additional impact.

Q: “I pay my bills on-time and in-full each month. Why don’t I have an 800+ credit score?”

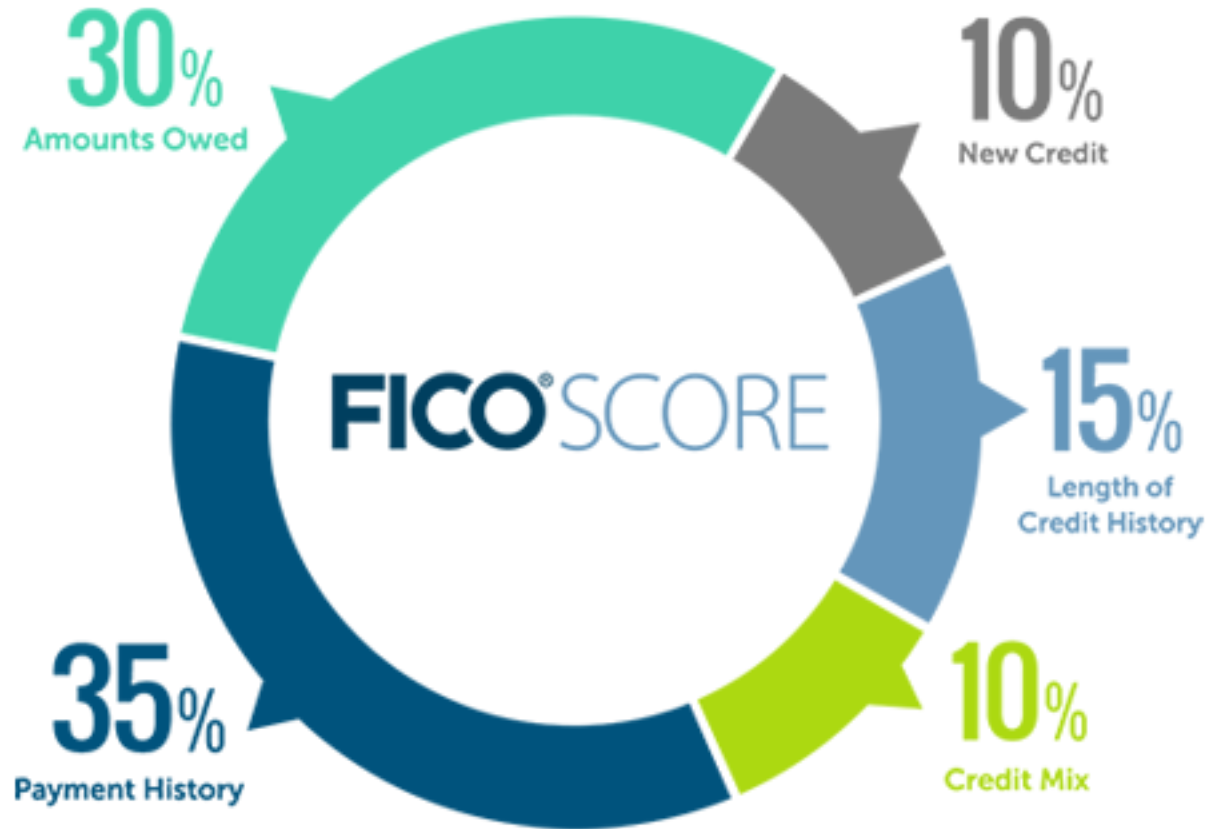
A: On-time payments are just one factor that impact credit scores. Let’s review your entire report to see what is affecting your scores.

Q: “I am a limited user of credit; what can I do?”

A: There are multiple options for traditional and non-traditional credit. Let’s review together.

Are all credit scores alike?

- Mortgage industry uses FICO® Scores
- Other creditors such as credit cards and auto loans may use different score models such as VantageScore®
- Consumer credit reports may include different score models, for example:
www.annualcreditreport.com and Credit Karma
- Newer versions of FICO® Scores will not score paid third-party collections and reduce the impact of medical collections.



Source: FICO[®]

Minimum Requirements for FICO® Scores

The minimum requirements for establishing a FICO® Score are -

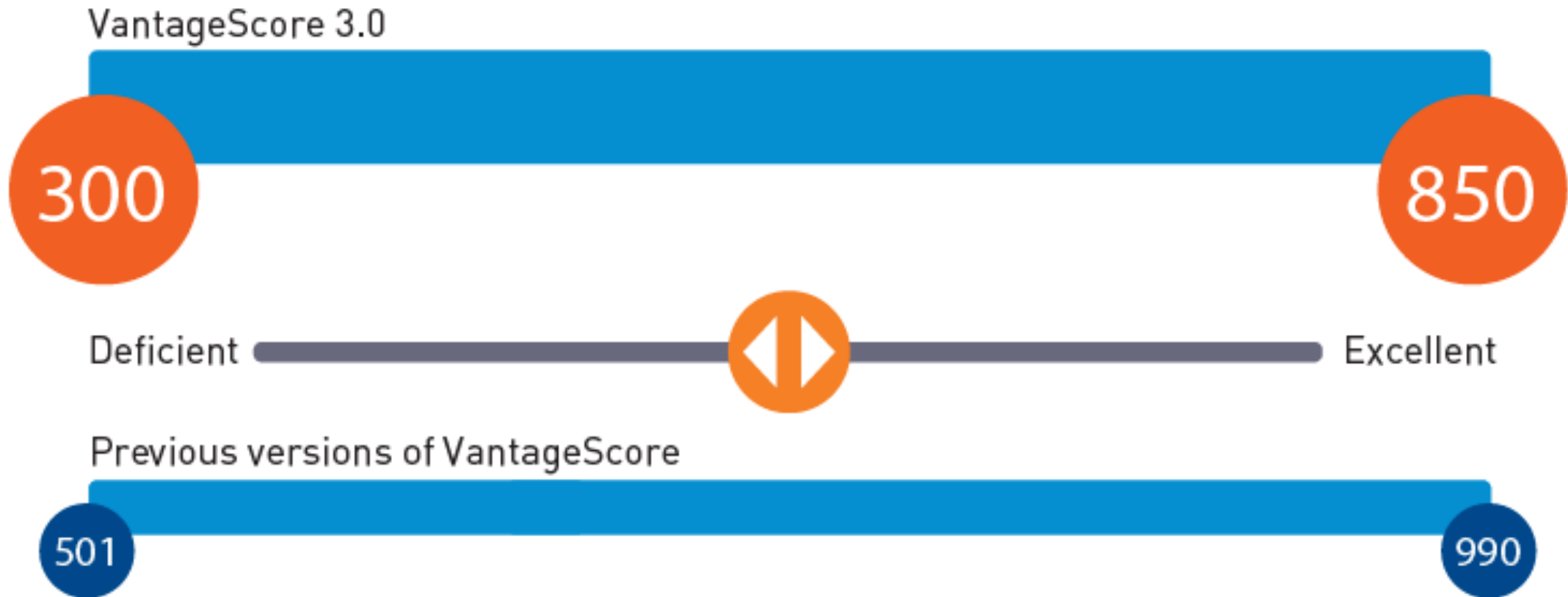
- At least one open account for six months
- At least one undisputed account reported to the credit bureaus in the past six months
- No indication of a 'deceased' notation on the account(s)
- For more information please visit <https://ficoscore.com/education/>

- When consumers apply for a mortgage, all inquiries in the previous 30 days are ignored.
- For FICO[®] Score V4 and above – multiple automobile, student loan, and mortgage related inquiries that occur within any 45-day period are treated as a single inquiry for scoring.
- For older versions such as FICO[®] Score V2, there is a 14 day de-duplication window.
- **Within the United States, ‘Soft Hit’ inquiries do not affect FICO[®] Scores –**

- The only types of inquiries that affect FICO® Scores are *consumer-initiated* requests for credit. These are “hard hits.”
- Checking your own credit, applying for employment or rent, or account review do not affect your credit scores. These are “soft hits.”
- **If an inquiry does impact a FICO® Score, on average it’s typically less than five points.**

Source: myfico.com

VantageScore Models – Score Ranges



VantageScore 4.0 Credit Score Influencers and Tips

Extremely influential

TOTAL CREDIT USAGE, BALANCE AND AVAILABLE CREDIT

Highly influential

CREDIT MIX AND EXPERIENCE

Moderately influential

PAYMENT HISTORY

Less influential

AGE OF CREDIT HISTORY

Less influential

NEW ACCOUNTS

Consumer Tip

TIP: Focus on keeping revolving balances low, under 30% of credit limits.

TIP: It's helpful to maintain a mix of accounts (e.g., credit cards, auto, mortgage) over time to improve your score.

TIP: Make sure you pay all bills on time.

TIP: Higher scoring consumers have credit open accounts, such as credit cards in good standing for longer periods of time. Don't close your older accounts.

TIP: Don't open too many new accounts too quickly.



Overcoming Credit Obstacles

Post-Credit Checklist to Avoid Delays

- Are there frozen or locked files on your credit report?
- Are there any accounts currently in a disputed status?
- Are there any Mismatch or Fraud Alerts returned on the credit report?
- Are there any outstanding collections or other negative items on your report?

Consult with your Homestreet Bank lending officer before taking action.

Reporting that will not have a negative impact on FICO® Scores:

- Accounts reported as Current; Deferred; In Forbearance; Affected by Natural or Declared Disaster; Loan Modified.

Reporting that likely will have a negative impact on FICO® Scores:

- Accounts reported with Account Status that is worse (more seriously delinquent) than what was reported prior to the disaster.
- Accounts reported with substantially higher balance or amount past due than what was reported prior to the disaster.
- Accounts reported as “Paying Under a Partial Payment Agreement”

Source: FICO

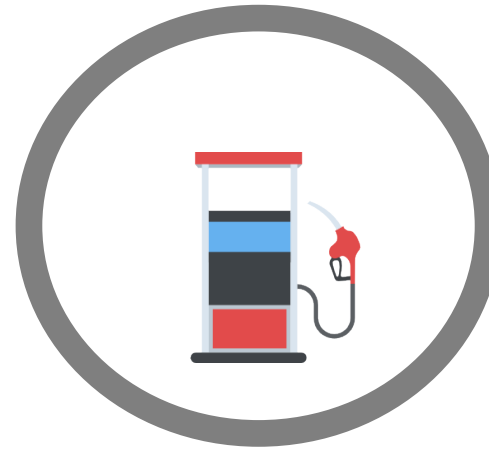
Limited user of credit? Where to establish new credit:



Banks
Credit Unions



Department
Stores



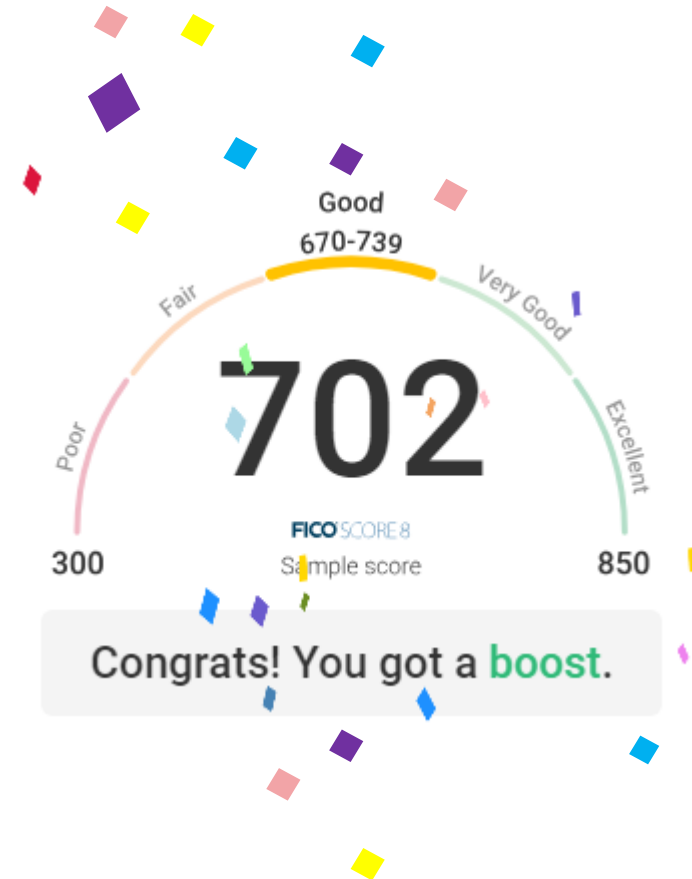
Independent Card
Issuers:
Gas Cards
Retail



Authorized
User Accounts

www.bankrate.com is a good source to search for the best rates on new accounts.

- Extra credit for utility and mobile phone payments.
- 8 million consumers could potentially move into Fair (580-669) or Good (670-739) credit ranges.
- Currently reporting to Experian and may help borrower's FICO® Scores with non-mortgage lending opportunities.
- <https://www.experian.com/consumer-products/score-boost.html>



SOURCE: experian.com

Credit Repair or Debt Management companies may:

- Attempt to charge fees before any work is completed.
- Promise or imply to delete legitimate credit items.
- Ask lender for a copy of borrower's credit report.

These actions may violate the Credit Repair Organizations Act (CROA) or contracts with the credit bureaus. Bureaus can restrict access to lenders who violate this regulation.

A better alternative is to refer borrowers to a HUD certified counselor here: [HUD - Housing Counselors List](#)

A grayscale photograph of a person rappelling down a rock face. The person is positioned in the upper center, with a red rope extending downwards. A prominent red horizontal band is overlaid across the middle of the image, containing the text "Additional Information and Resources" in white. In the foreground, a hand is visible on the left, holding a white fabric strap that is part of the rappelling equipment. The background shows a rocky cliff face and a hazy sky.

Additional Information and Resources

- Financial literacy is the key. Take the CFA Credit Score Quiz to check your knowledge. <http://www.creditscorequiz.org/>
- For more information about FICO[®] Scores go to www.myfico.com or www.ficoscore.com/education.
- For more information about VantageScore[®] go here: www.your.vantagescore.com
- <https://www.fico.com/en/covid-19-credit-reporting-impact-US>
- <https://your.vantagescore.com/resource/435/how-protect-my-credit-score-if-financial-hardships-covid-19>

Questions? Contact Us

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