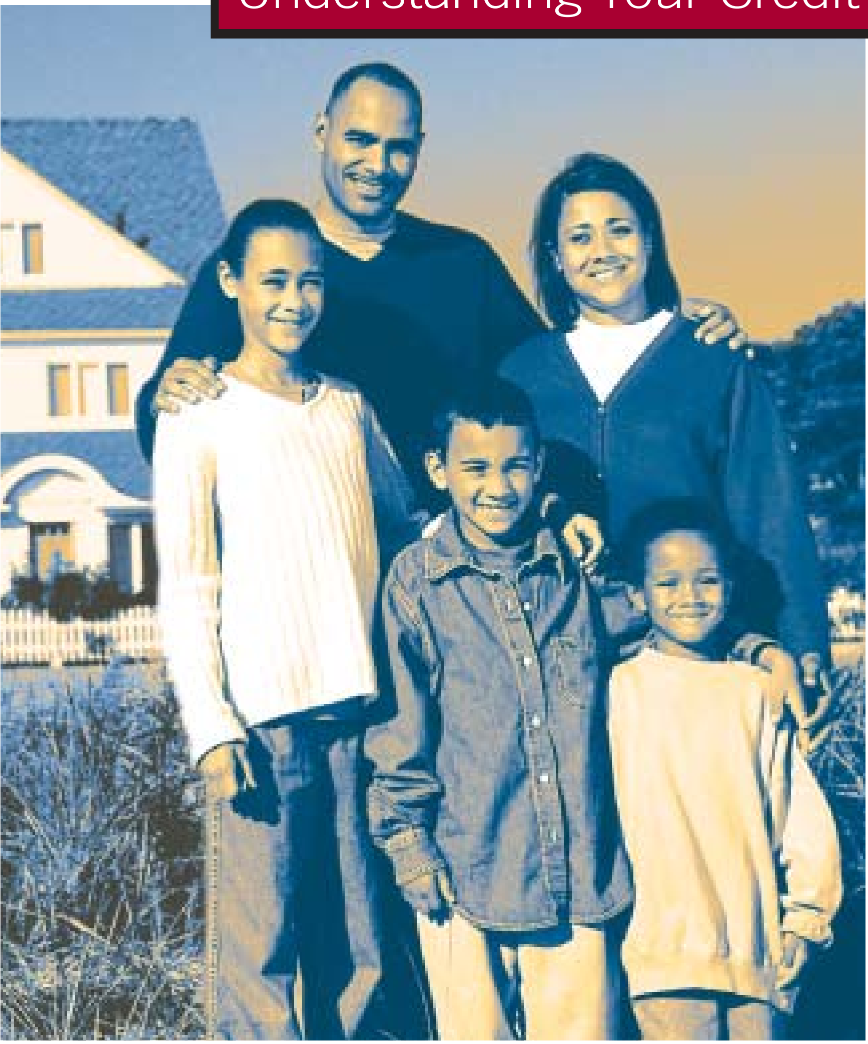
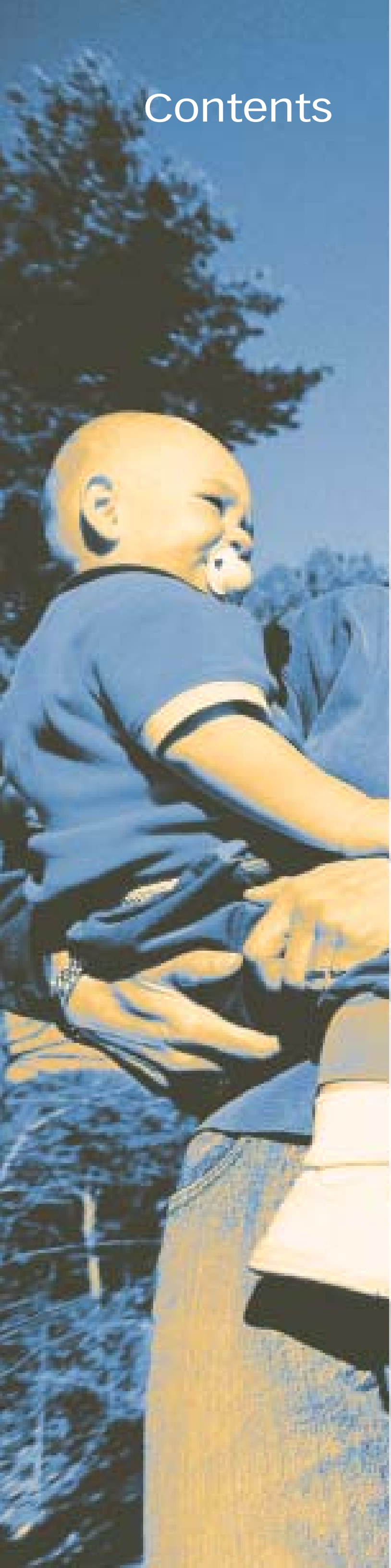
Understanding Your Credit Score



Fair Isaac®



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An Introduction to Credit Scores

What do lenders look at when deciding whether to approve a loan? Typically, lenders making almost any kind of credit decision will look at a variety of types of information, including one or more credit scores.

A credit score is a number lenders use to help them decide: "If I give this person a loan or credit card, how likely is it that I will get paid back on time?" A score is a snapshot of your credit risk picture at a particular point in time.

There are many types of credit scores, but the most commonly used are credit bureau scores. Credit bureau scores are based solely on information in consumer credit reports maintained at one of the credit reporting agencies. Other types of scores may also include information from credit applications or bank files.

The most widely used credit bureau scores are developed by Fair, Isaac. These are commonly known as FICO® scores. While this booklet discusses FICO scores, some of the information applies to other types of scores as well.

Understanding credit scoring can help you manage your credit. A FICO score looks at the same information in your credit report that a lender looks at. By knowing how your credit risk is evaluated, you can take actions that will lower your credit risk—and thus raise your score—over time.

Complete information on credit scoring can be found online at *www.myfico.com*.

Exploring Credit Scoring

This booklet will give you an understanding of credit scores and what you can do to improve your credit score over time.

For information on:

- **How your score was used in making a particular credit decision**—contact the lender.
- **How to correct information in your credit report**—contact the credit reporting agencies directly. See page 16 for contact information.
- **How to get your FICO score**—visit *www.myfico.com* for your current FICO score, the Equifax Credit Profile™ on which it was calculated and a personalized FICO score explanation.

Scoring Facts and Fallacies

Many of the things that have been reported about credit scoring just aren't true. Throughout this booklet, you can read some of the most common fallacies about scores, and learn the real facts.

How Credit Scoring Helps You

Credit scores give lenders a fast, objective measurement of your credit risk. Before the use of scoring, the credit granting process could be slow, inconsistent and unfairly biased.

Credit scores—especially FICO scores, the most widely used credit bureau scores—have made big improvements in the credit process. Because of credit scores:

- **People can get loans faster.** Scores can be delivered almost instantaneously, helping lenders speed up loan approvals. Today many credit decisions can be made within minutes. Even a mortgage application can be approved in hours instead of weeks for borrowers who score above a lender's "score cutoff." Scoring also allows retail stores, Internet sites and other lenders to make "instant credit" decisions.

- **Credit decisions are fairer.** Using credit scoring, lenders can focus only on the facts related to credit risk, rather than their personal feelings. Factors like your gender, race, religion, nationality and marital status are not considered by credit scoring.

- **Credit "mistakes" count for less.** If you have had poor credit performance in the past, credit scoring doesn't let that haunt you forever. Past credit problems fade as time passes and as recent good payment patterns show up on your credit report. Unlike so-called "knockout rules" that turn down borrowers based solely on a past problem in their file, credit scoring weighs all of the credit-related information, both good and bad, in your credit report.

■ **More credit is available.** Lenders who use credit scoring can approve more loans, because credit scoring gives them more precise information on which to base credit decisions. It allows lenders to identify individuals who are likely to perform well in the future, even though their credit report shows past problems. Even people whose scores are lower than a lender's cutoff for "automatic approval" benefit from scoring. Many lenders offer a choice of credit products geared to different risk levels. Most have their own separate guidelines, so if you are turned down by one lender, another may approve your loan. The use of credit scores gives lenders the confidence to offer credit to more people, since they have a better understanding of the risk they are taking on.

■ **Credit rates are lower overall.** With more credit available, the cost of credit for borrowers decreases. Automated credit processes, including credit scoring, make the credit granting process more efficient and less costly for lenders, who in turn have passed savings on to their customers. And by controlling credit losses using scoring, lenders can make rates lower overall. Mortgage rates are lower in the United States than in Europe, for example, in part because of the information —including credit scores—available to lenders here.

☹ **FALLACY:** A poor score will haunt me forever.

☺ **FACT:** Just the opposite is true. A score is a "snapshot" of your risk at a particular point in time. It changes as new information is added to your bank and credit bureau files. Scores change gradually as you change the way you handle credit. For example, past credit problems impact your score less as time passes. Lenders request a current score when you apply for credit, so they have the most recent information available.

How Mistakes Are Made

When a credit report contains errors, it is often because the report is incomplete, or contains information about someone else. This typically happens because:

- **The person applied for credit under different names** (Robert Jones, Bob Jones, etc.).
- **Someone made a clerical error in reading or entering name or address information from a handwritten application.**
- **The person gave an inaccurate Social Security number, or the number was misread by the lender.**
- **Loan or credit card payments were inadvertently applied to the wrong account.**

For information on how to check your credit report, see page 16.

Your Credit Report—The Basis of Your Score

Credit reporting agencies maintain files on millions of borrowers. Lenders making credit decisions buy credit reports on their prospects, applicants and customers from the credit reporting agencies.

Your report details your credit history as it has been reported to the credit reporting agency by lenders who have extended credit to you. Your credit report lists what types of credit you use, the length of time your accounts have been open, and whether you've paid your bills on time. It tells lenders how much credit you've used and whether you're seeking new sources of credit. It gives lenders a broader view of your credit history than do other data sources, such as a bank's own customer data.

CREATING YOUR CREDIT REPORT

Your credit report does not really exist until you or a lender asks for it. It is then compiled by the credit reporting agency based on the information stored in that agency's files. This information is supplied by lenders, by you and by court records.

Tens of thousands of credit grantors—retailers, credit card issuers, banks, finance companies, credit unions, etc.—send updates to each of the credit reporting agencies, usually once a month. These updates include information about how their customers use and pay their accounts.

Your credit report reveals many aspects of your borrowing activities. All pieces of information should be considered in relationship to other pieces of information. The ability to quickly, fairly and consistently consider all this information is what makes credit scoring so useful.

WHAT'S IN YOUR CREDIT REPORT?

Although each credit reporting agency formats and reports this information differently, all credit reports contain basically the same categories of information.

CREDIT BUREAU REPORT

IDENTIFYING INFORMATION

I. Wishfor Credit	12 Lost Lane	Sam's Gas & Oil
805 Main St.	Somewhere, USA 66666	Attendant
Anytown, America 77777	Date of Birth: 1-25-50	1980
	SS# 888-88-8888	

TRADE LINE INFORMATION

INDUSTRY	DATE REPORTED	DATE OPENED	HIGH CREDIT	BALANCE	CURRENT RATING	HISTORICAL DELINQUENCY
Bankcard	6–99	3–88	$ 5,000	$ 0	Current	120+, 6 yrs ago
Auto loan	6–99	7–95	8,000	1,500	Current	
Retail	3–99	6–91	1,000	0	30 days	
Retail	5–99	11–98	750	300	Current	
Pers finance	5–99	6–96	2,000	1,400	Current	

INQUIRIES THAT YOU INITIATE

DATE	INDUSTRY	DATE	INDUSTRY	DATE	INDUSTRY
7-01-99	Bank	6-01-99	Auto finance	10-25-98	Bank
6-15-99	Retail	11-01-90	Retail		

OTHER INQUIRIES

DATE	INDUSTRY	DATE	INDUSTRY	DATE	INDUSTRY
6-15-99	Oil company	2-07-99	Bank	3-23-98	Bank

PUBLIC RECORD / COLLECTION ITEMS

7-93 COLLECTION $500　　9-93 COLLECTION $750

9-91 JUDGMENT $1000 Satisfied 3-92

IDENTIFYING INFORMATION. Your name, address, Social Security number, date of birth and employment information are used to identify you. These factors are not used in credit bureau scoring. Updates to this information come from information you supply to lenders.

TRADE LINES. These are your credit accounts. Lenders report on each account you have established with them. They report the type of account (bankcard, auto loan, mortgage, etc), the date you opened the account, your credit limit or loan amount, the account balance and your payment history.

INQUIRIES. When you apply for a loan, you authorize your lender to ask for a copy of your credit report. This is how inquiries appear on your credit report. The inquiries section contains a list of everyone who accessed your credit report within the last two years. The report you see lists both "voluntary" inquiries, spurred by your own requests for credit, and "involuntary" inquires, such as when lenders order your report so as to make you a pre-approved credit offer in the mail.

PUBLIC RECORD AND COLLECTION ITEMS. Credit reporting agencies also collect public record information from state and county courts, and information on overdue debt from collection agencies. Public record information includes bankruptcies, foreclosures, suits, wage attachments, liens and judgments.

Other Names for FICO Scores

FICO scores have different names at each of the three credit reporting agencies. All of these scores, however, are developed using the same methods by Fair, Isaac, and have been rigorously tested to ensure they provide the most accurate picture of credit risk possible using credit report data.

Credit Reporting Agency	FICO® Score
Equifax & Equifax Canada	BEACON®
Experian	Experian/ Fair, Isaac Risk Model
Trans Union & Trans Union Canada	EMPIRICA®

How Scoring Works

Along with the credit report, lenders can also buy a credit score based on the information in the report. That score is calculated by a mathematical equation that evaluates many types of information from your credit report at that agency. By comparing this information to the patterns in hundreds of thousands of past credit reports, the score identifies your level of future credit risk.

In order for a FICO score to be calculated on your credit report, the report must contain at least one account which has been open for six months or greater. In addition, the report must contain at least one account that has been updated in the past six months. This ensures that there is enough information—and enough recent information—in your report on which to base a score.

ABOUT FICO SCORES

Credit bureau scores are often called "FICO scores" because most credit bureau scores used in the US and Canada are produced from software developed by Fair, Isaac and Company (FICO). FICO scores are provided to lenders by the three major credit reporting agencies: Equifax, Experian and Trans Union.

FICO scores provide the best guide to future risk based solely on credit report data. The higher the score, the lower the risk. But no score says whether a specific individual will be a "good" or "bad" customer. And while many lenders use FICO scores to help them make lending decisions, each lender has its own strategy, including the level of risk it finds acceptable for a given credit product. There is no single "cutoff score" used by all lenders.

OBTAIN YOUR FICO SCORE

Fair, Isaac, in partnership with Equifax, also offers FICO credit scores to consumers over the Internet. Log on to *www.myfico.com* to purchase Score Power,™ a service that provides you with your current FICO score, the Equifax Credit Profile™ on which it was calculated, and a clear, concise and personalized explanation of your score.

MORE THAN ONE SCORE

In general, when people talk about "your score," they're talking about your current FICO score. However, there is no *one* score used by lenders to make decisions about you.

■ **Credit bureau scores are not the only scores used.** Many lenders use their own scores, which often will include the FICO score as well as other information about you. Some businesses will sell you credit scores that are not FICO scores and may not be used by any lenders at all. Such scores often include advice that may not apply to FICO scores and could actually hurt your credit standing with lenders.

■ **FICO scores are not the only credit bureau scores.** There are other credit bureau scores, although FICO scores are by far the most commonly used. Other credit bureau scores may evaluate your credit report differently than FICO scores, and in some cases a higher score may mean more risk, not less risk as with FICO scores.

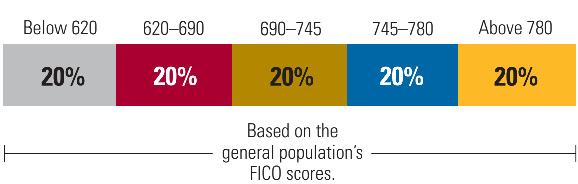
■ **Your score may be different at each of the three main credit reporting agencies.** The FICO score from each credit reporting agency considers only the data in your credit report at that agency. If your current scores from the credit reporting agencies are different, it's probably because the information those agencies have on you differs. Today Equifax is the only credit reporting agency to make FICO scores available to consumers at *www.equifax.com* and at *www.myfico.com.*

■ **Your FICO score changes over time.** As your data changes at the credit reporting agency, so will any new score based on your credit report. So your FICO score from a month ago is probably not the same score a lender would get from the credit reporting agency today.

FALLACY: Credit scoring is unfair to minorities.

FACT: Scoring does not consider your gender, race, nationality or marital status. In fact, the Equal Credit Opportunity Act prohibits lenders from considering this type of information when issuing credit. Independent research has shown that credit scoring is not unfair to minorities or people with little credit history. Scoring has proven to be an accurate and consistent measure of repayment for all people who have some credit history. In other words, at a given score, non-minority and minority applicants are equally likely to pay as agreed.

How Do People Score?



Getting a Better Score

The next few pages give some tips for getting a better FICO score. It's important to note that raising your score is a bit like getting in shape: It takes time and there is no quick fix. In fact, quick-fix efforts can backfire. The best advice is to manage credit responsibly over time.

One general tip is to make sure the information in your credit report is correct. Check your credit report for accuracy at least 90 days before you plan any major purchases, such as applying for a mortgage. If you find errors, have them corrected by the lender and credit reporting agency. See page 16 for information on how to check your credit report.

For a more specific advice about your own FICO score, go to *www.myfico.com.*

What a FICO Score Considers

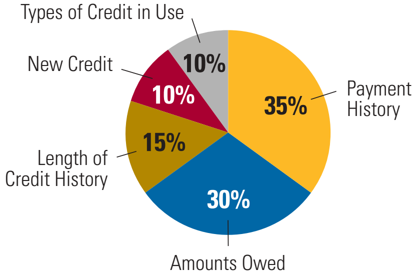
Listed on the next few pages are the five main categories of information that FICO scores evaluate, along with their general level of importance. Within these categories is a complete list of the information that goes into a FICO score. Please note that:

- **A score takes into consideration all these categories of information, not just one or two.** No one piece of information or factor alone will determine your score.

- **The importance of any factor depends on the overall information in your credit report.** For some people, a given factor may be more important than for someone else with a different credit history. In addition, as the information in your credit report changes, so does the importance of any factor in determining your score. Thus, it's impossible to say exactly how important any single factor is in determining your score—even the levels of importance shown here are for the general population, and will be different for different credit profiles. What's important is the *mix* of information, which varies from person to person, and for any one person over time.

- **Your FICO score only looks at information in your credit report.** Lenders look at many things when making a credit decision, however, including your income, how long you have worked at your present job and the kind of credit you are requesting.

- **Your score considers both positive and negative information in your credit report.** Late payments will lower your score, but establishing or re-establishing a good track record of making payments on time will raise your score.



How a Score Breaks Down

These percentages are based on the importance of the five categories for the general population. For particular groups—for example, people who have not been using credit long—the importance of these categories may be different.

1. Payment History

What is your track record?

Approximately 35% of your score is based on this category.

The first thing any lender would want to know is whether you have paid past credit accounts on time. This is also one of the most important factors in a credit score.

However, late payments are not an automatic "score-killer." An overall good credit picture can outweigh one or two instances of, say, late credit card payments. By the same token, having *no* late payments in your credit report doesn't mean you will get a "perfect score." Some 60%–65% of credit reports show no late payments at all—your payment history is just one piece of information used in calculating your score.

Your score takes into account:

- **Payment information on many types of accounts.** These will include credit cards (such as Visa, MasterCard, American Express and Discover), retail accounts (credit from stores where you do business, such as department store credit cards), installment loans (loans where you make regular payments, such as car loans), finance company accounts and mortgage loans.

- **Public record and collection items—reports of events such as bankruptcies, foreclosures, suits, wage attachments, liens and judgments.** These are considered quite serious, although older items and items with small amounts will count less than more recent items or those with larger amounts.

- **Details on late or missed payments ("delinquencies") and public record and collection items—specifically, how late they were, how much was owed, how recently they occurred and how many there are.** A 60-day late payment is not as risky as a 90-day late payment, in and of itself. But recency and frequency count too. A 60-day late payment made just a month ago will count more than a 90-day late payment from five years ago. Note that closing an account on which you had previously missed a payment or satisfying a judgment or collection item does not make the late payment or item disappear from your credit report.

- **How many accounts show no late payments.** A good track record on most of your credit accounts will increase your credit score.

✓ TIPS for Raising Your Score

- **Pay your bills on time.** Delinquent payments and collections can have a major negative impact on your score.

- **If you have missed payments, get current and stay current.** The longer you pay your bills on time, the better your score.

- **Be aware that paying off a collection account will not remove it from your credit report.** It will stay on your report for seven years.

- **If you are having trouble making ends meet, contact your creditors or see a legitimate credit counselor.** This won't improve your score immediately, but if you can begin to manage your credit and pay on time, your score will get better over time.

✓ TIPS for Raising Your Score

- **Keep balances low on credit cards and other "revolving credit."** High outstanding debt can affect a score.
- **Pay off debt rather than moving it around.** The most effective way to improve your score in this area is by paying down your revolving credit. In fact, owing the same amount but having fewer open accounts may lower your score.
- **Don't close unused credit cards as a short-term strategy to raise your score.**
- **Don't open a number of new credit cards that you don't need, just to increase your available credit.** This approach could backfire and actually lower your score.

2. Amounts Owed

How much is too much?

Approximately 30% of your score is based on this category.

Having credit accounts and owing money on them does not mean you are a high-risk borrower with a low score. However, owing a great deal of money on many accounts can indicate that a person is overextended, and is more likely to make some payments late or not at all. Part of the science of scoring is determining how much is *too* much for a given credit profile.

Your score takes into account:

- **The amount owed on all accounts.** Note that even if you pay off your credit cards in full every month, your credit report may show a balance on those cards. The total balance on your last statement is generally the amount that will show in your credit report.
- **The amount owed on all accounts, and on different types of accounts.** In addition to the overall amount you owe, the score considers the amount you owe on specific types of accounts, such as credit cards and installment loans.
- **Whether you are showing a balance on certain types of accounts.** In some cases, having a very small balance without missing a payment shows that you have managed credit responsibly, and may be slightly better than no balance at all. On the other hand, closing unused credit accounts that show zero balances and that are in good standing will not generally raise your score.
- **How many accounts have balances.** A large number can indicate higher risk of over-extension.
- **How much of the total credit line is being used on credit cards and other "revolving credit" accounts.** Someone closer to "maxing out" on many credit cards may have trouble making payments in the future.
- **How much of installment loan accounts is still owed, compared with the original loan amounts.** For example, if you borrowed $10,000 to buy a car and you have paid back $2,000, you owe (with interest) more than 80% of the original loan. Paying down installment loans is a good sign that you are able and willing to manage and repay debt.

3. Length of Credit History

How established is yours?

Approximately 15% of your score is based on this category.

In general, a longer credit history will increase your score. However, even people who have not been using credit long may get high scores, depending on how the rest of the credit report looks.

Your score takes into account:

- **How long your credit accounts have been established, in general.** The score considers both the age of your oldest account and an average age of all your accounts.
- **How long specific credit accounts have been established.**
- **How long it has been since you used certain accounts.**

✓ TIPS for Raising Your Score

- **If you have been managing credit for a short time, don't open a lot of new accounts too rapidly.** New accounts will lower your average account age, which will have a larger effect on your score if you don't have a lot of other credit information. Also, rapid account buildup can look risky if you are a new credit user.

What FICO scores ignore

FICO scores consider a wide range of information on your credit report, as shown on pages 8–13. However, they do *not* consider:

- **Your race, color, religion, national origin, sex and marital status.** US law prohibits credit scoring from considering these facts, as well as any receipt of public assistance, or the exercise of any consumer right under the Consumer Credit Protection Act.
- **Your age.** Other types of scores may consider your age, but FICO scores don't.
- **Your salary, occupation, title, employer, date employed or employment history.** Lenders may consider this information, however, as may other types of scores.
- **Where you live.**
- **Any interest rate being charged on a particular credit card or other account.**
- **Any items reported as child/family support obligations or rental agreements.**
- **Certain types of inquiries (requests for your credit report).** The score does not count "consumer disclosure" inquiries—requests you have made for your credit report, in order to check it. It also does not count "promotional inquiries"—requests made by lenders in order to make you a "pre-approved" credit offer—or "administrative inquiries"—requests made by lenders to review your account with them. Requests that are marked as coming from employers are not counted either.
- **Any information not found in your credit report.**
- **Any information that is not *proven* to be predictive of future credit performance.**

✓ TIPS
for Raising Your Score

- **Do your rate shopping for a given loan within a focused period of time.** FICO scores distinguish between a search for a single loan and a search for many new credit lines, in part by the length of time over which inquiries occur.
- **Re-establish your credit history if you have had problems.** Opening new accounts responsibly and paying them off on time will raise your score in the long term.
- **Note that it's OK to request and check your own credit report and your own FICO score.** This won't affect your score, as long as you order your credit report directly from the credit reporting agency or through an organization authorized to provide credit reports to consumers. You can be sure that your FICO score will not be affected by an inquiry when it is requested through *www.myfico.com* or *www.equifax.com*.

4. New Credit

Are you taking on more debt?

Approximately 10% of your score is based on this category.

People tend to have more credit today and to shop for credit—via the Internet and other channels—more frequently than ever. Fair, Isaac scores reflect this fact. However, research shows that opening several credit accounts in a short period of time does represent greater risk—especially for people who do not have a long-established credit history. This also extends to requests for credit, as indicated by certain "inquiries" to the credit reporting agencies, resulting from your requests for new credit. An inquiry is a request by a lender to get a copy of your credit report.

FICO scores do a good job of distinguishing between a search for many new credit accounts and rate shopping, which is generally not associated with higher risk.

Your score takes into account:

- **How many new accounts you have.** The score looks at how many new accounts there are by type of account (for example, how many newly opened credit cards you have). It also may look at how many of your accounts are new accounts.
- **How long it has been since you opened a new account.** Again, the score looks at this by type of account.
- **How many recent requests for credit you have made, as indicated by inquiries to the credit reporting agencies.** Inquiries remain on your credit report for two years, although FICO scores only consider inquiries from the last 12 months. Note that if you order your credit report from a credit reporting agency or *www.myfico.com*, the score does not count this, as it is not an indication that you are seeking new credit. Also, the score does not count requests a lender has made for your credit report or score in order to make you a "pre-approved" credit offer, or to review your account with them, even though you may see these inquiries on your credit report.
- **Length of time since credit report inquiries were made by lenders.**
- **Whether you have a good recent credit history, following past payment problems.** Re-establishing credit and making payments on time after a period of late payment behavior will help to raise a score over time.

5. Types of Credit in Use

Is it a "healthy" mix?

Approximately 10% of your score is based on this category.

The score will consider your mix of credit cards, retail accounts, installment loans, finance company accounts and mortgage loans. It is *not* necessary to have one of each, and it is not a good idea to open credit accounts you don't intend to use. The credit mix usually won't be a key factor in determining your score—but it will be more important if your credit report does not have a lot of other information on which to base a score.

Your score takes into account:

- **What kinds of credit accounts you have, and how many of each.** The score also looks at the total number of accounts you have. For different credit profiles, how many is *too* many will vary.

✓ TIPS for Raising Your Score

- **Apply for and open new credit accounts only as needed.** Don't open accounts just to have a better credit mix—it probably won't raise your score.
- **Have credit cards—but manage them responsibly.** In general, having credit cards and installment loans (and paying timely payments) will raise your score. Someone with no credit cards, for example, tends to be higher risk than someone who has managed credit cards responsibly.
- **Note that closing an account doesn't make it go away.** A closed account will still show up on your credit report, and may be considered by the score.

☹ **FALLACY:** Credit scoring infringes on my privacy.

☺ **FACT:** FICO scores evaluate your credit report alone, which lenders already use to make credit decisions. A score is simply a numeric summary of that information. In fact, lenders using scoring can often ask for *less* information about you. They may have fewer questions on the application form, for example.

Interpreting Your Score

When you or a lender receive your Fair, Isaac credit bureau risk score, up to four "score reason codes" are also delivered. These explain the top reasons why your score was not higher. If the lender rejects your request for credit, and your FICO score was part of the reason, these score reasons can help the lender tell you why your score wasn't higher.

These score reasons are more useful than the score itself in helping you determine whether your credit report might contain errors, and how you might improve your score over time. However, if you already have a high score (for example, in the mid-700s or higher) some of the reasons may not be very helpful, as they may be marginal factors related to the last three categories described previously (length of credit history, new credit and types of credit in use).

To see your own FICO score and reason codes with a detailed explanation on how you can improve the score over time, visit *www.myfico.com.*

COMMON SCORE REASONS

Here are the top 10 most frequently given score reasons. Note that the specific wording given by your lender may be different from this.

- *Serious delinquency*
- *Serious delinquency, and public record or collection filed*
- *Derogatory public record or collection filed*
- *Time since delinquency is too recent or unknown*
- *Level of delinquency on accounts*
- *Number of accounts with delinquency*
- *Amount owed on accounts*
- *Proportion of balances to credit limits on revolving accounts is too high*
- *Length of time accounts have been established*
- *Too many accounts with balances*

Q&A on Credit Scores

WHAT IS A GOOD FICO SCORE TO GET?

Since there's no one "score cutoff" used by all lenders, it's hard to say what a good score is outside the context of a particular lending decision. For example, a FICO score of 750 may qualify you for a platinum credit card, whereas a score of 675 may indicate you're a better match for a standard card. Your lender may be able to give you guidance on the criteria for a given credit product.

HOW CAN I FIND OUT MY FICO SCORE?

You can now purchase your own FICO score at two different sites on the Internet. Go to *www.myfico.com* or *www.equifax.com* to access Score Power, a service brought to you by Fair, Isaac and Equifax. You'll receive your current FICO score, your Equifax credit report, a full explanation of your score, and advice for improving your score over time.

Some lenders also may tell you your score, if they are using it to make a lending decision. In California, state law requires lenders to tell you your score if they use it in connection with your mortgage application. In all 50 states, if you are turned down for credit based primarily on your score, the lender does need to give you the reasons why your score wasn't higher. This can help you understand your credit picture and how to improve it.

Note that FICO scores are also called BEACON (at Equifax), the Experian/Fair, Isaac Risk Model (at Experian) and EMPIRICA (at Trans Union). Any other score is not your FICO score.

WHAT IF I'M TURNED DOWN FOR CREDIT?

If you have been turned down for credit, the Equal Credit Opportunity Act (ECOA) gives you the right to obtain the reasons why within 30 days. You are also entitled to a free copy of your credit bureau report within 60 days, which you can request from the credit reporting agencies.

If the score was a primary part of the lender's decision, the lender will use the score reason codes (see page 14) to explain why you didn't qualify for the credit. (They often may not tell you your score, because the reasons behind it are more useful—but you can ask.)

If your credit application was turned down, or you didn't qualify for the interest rate you wanted, ask your lender how you can improve your credit picture.

☹ **FALLACY:** My score will drop if I apply for new credit.

☺ **FACT:** Probably not much. If you apply for several credit cards within a short period of time, multiple requests for your credit report information (called "inquiries") will appear on your report. Looking for new credit can equate with higher risk, but most credit scores are not affected by multiple inquiries from auto or mortgage lenders within a short period of time. The FICO score treats these as a single inquiry, which will have less impact on your credit score.

FALLACY: My score determines whether or not I get credit.

FACT: Lenders use a number of facts to make credit decisions, including your FICO score. Lenders look at information such as the amount of debt you can reasonably handle given your income, your employment history, and your credit history. Based on their perception of this information, as well as their specific underwriting policies, lenders may extend credit to you although your score is low, or decline your request for credit although your score is high.

Checking Your Credit Report

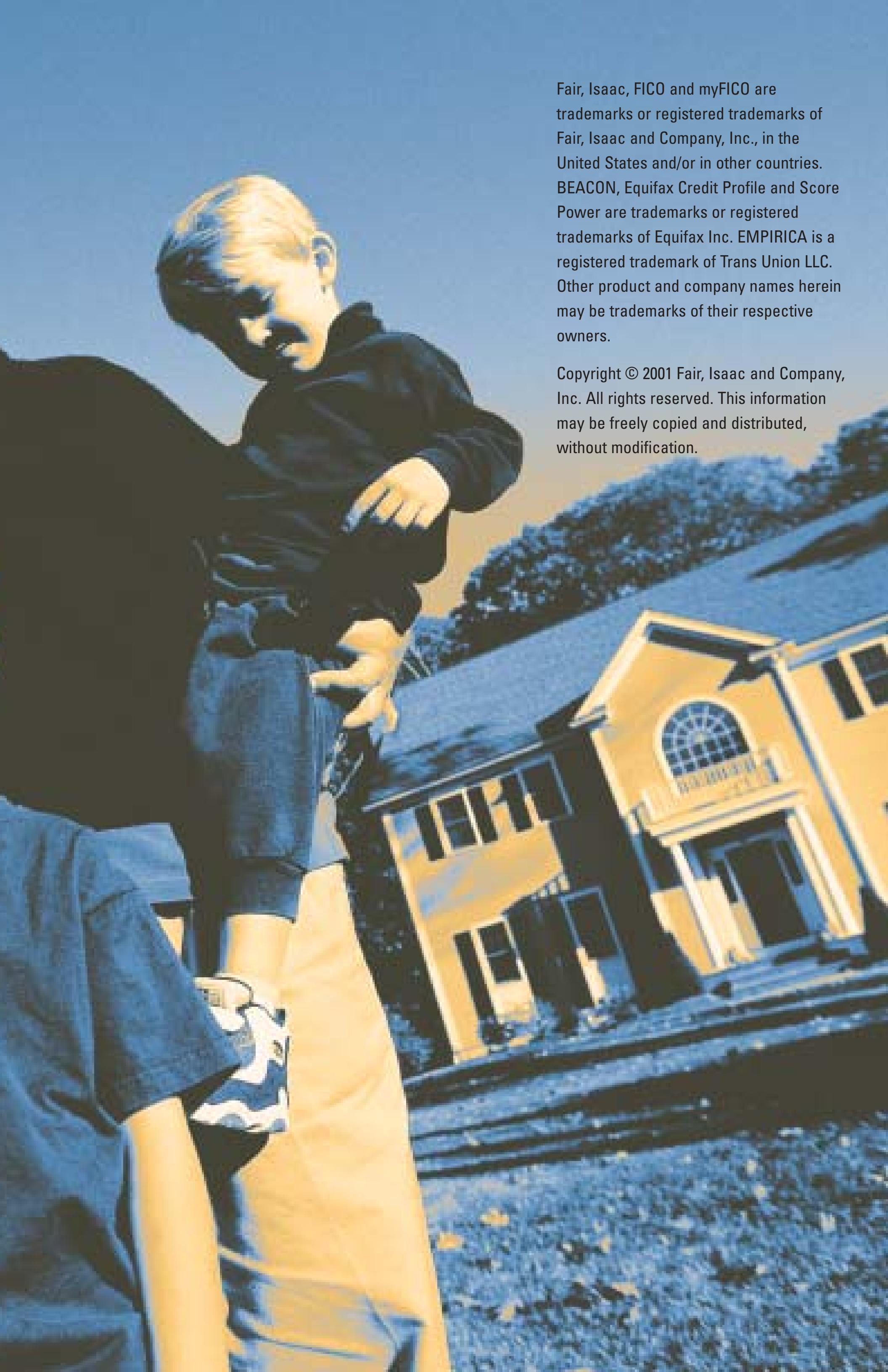
You should make sure the information in your credit report is correct. Not only is your credit score based on this information, but lenders also review this information in making credit decisions.

Review your credit report from each credit reporting agency at least once a year and especially before making a large purchase, like a house or car. To request a copy, contact the credit reporting agencies directly:

- *Equifax: (800) 685-1111, www.equifax.com*
- *Experian (formerly TRW): (888) 397-3742, www.experian.com*
- *Trans Union: (800) 916-8800, www.transunion.com*

If you find an error, the credit reporting agency must investigate and respond to you within 30 days. If you are in the process of applying for a loan, immediately notify your lender of any incorrect information in your report. Your lender will need to reorder your credit report and score once any changes have been made to your information at the credit reporting agency. Small errors may have little or no effect on your score. If there are significant errors, however, the lender may disregard the score.

Note that only the credit reporting agencies have the data from which FICO scores are calculated. Fair, Isaac can't correct data at the credit reporting agencies.



Corporate Headquarters:
Fair, Isaac and Company, Inc.
P.O. Box 11746
San Rafael, CA 94912-1746

www.myfico.com
www.fairisaac.com

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