

FICO SCORES

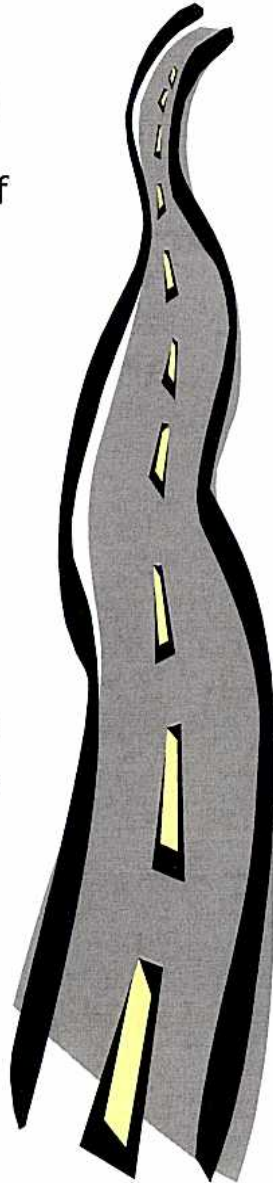
Understanding the crossroads that lead to explaining the score.

What makes up the score?

- 35% = based on payment history (i.e. on-time pays or delinquencies)
 - More weight on current pay history (reference right side of sheet)
- 30% = capacity (capacity is King)
- 15% = length of credit
- 10% = accumulation of debt in the last 12-18 months
 - # of inquiries
 - opening dates
- 10% = mix of credit
 - installment (raises) vs. revolving (lowers)
 - # of finance company loans the more, the lower the score

What actions will hurt the score?

- Missing payments (irregardless of \$ amounts...It will take 24mo to restore credit with one late pay)
- Credit cards at capacity (i.e. maxing out credit cards)
- Closing credit cards out (this lowers available capacity)
- Shopping for credit excessively
- Opening up numerous trades in a short time period
- Having more revolving loans in relation to installment loans
- Borrowing from finance companies



What doesn't affect the score?

- Debt ratio
- Income
- Length of residence
- Length of employment

Approximate Credit Weight for each year

- 40% = current to 12 months
- 30% = 13-24 months
- 20% = 25-36 months
- 10% = 37+ months

How to improve the score?

- Pay down on credit cards
- Do not close credit cards because capacity will decrease
- Continue to make payments on time (older late pays will become less significant with time)
- Slow down on opening new accounts
- Acquire a solid credit history with years of experience
- Moving revolving debt to installment debt.