Dallas Capital Bank

CREDIT REPORTS AND SCORES

AGENDA

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- Credit Score
- Credit Report
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- How to Fix Mistakes
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KEY TERMS

Credit inquiry:

An inquiry refers to a request to look at your credit file, and it generally falls into one of two types.

- Hard inquiries; these are typically inquiries by lenders after you apply for credit. These inquiries will impact your credit score because most credit scoring models look at how recently and how frequently you applied for credit.
- Soft inquiries; these are reviews of your credit file, including reviews of existing accounts by lenders, prescreening inquiries by prospective lenders, and your requests for your annual credit report. These will not change your credit score.

FICO Score:

FICO stands for the Fair Isaac Corporation. There is no single FICO score. Like all credit scores, FICO scores depend on the contents of your credit report.

- There are three major agencies that collect credit data -- Experian, Equifax, and TransUnion. Because the credit reporting data at each agency can be different, your FICO scores may be different depending on which agency's data is used to calculate it.
- Banks may also use FICO scores when approving checking and savings account applications and setting the terms of those accounts.

Thin credit file/ No credit file:

A thin credit file or no credit file means that a person does not have a credit history or not enough current credit history to produce a credit score.

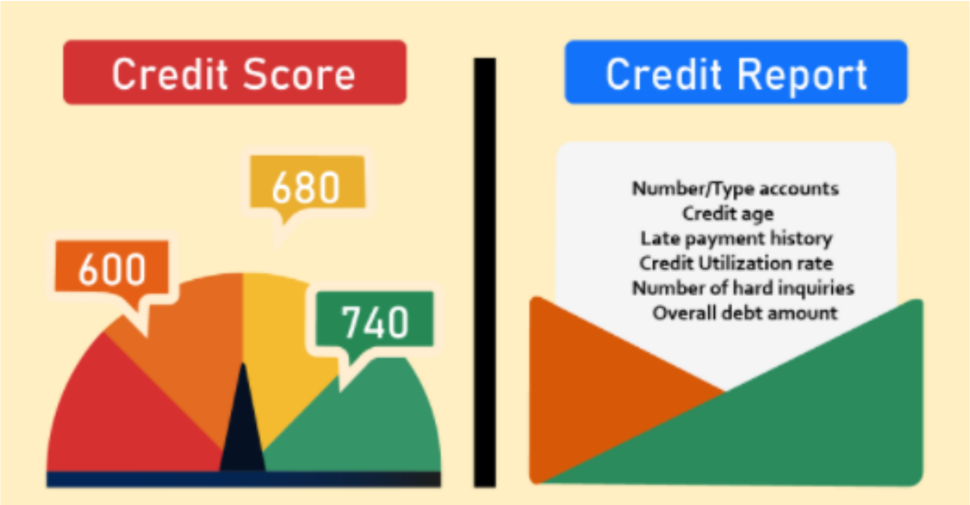
Paid collection:

Is an account that went into collections because it was past due and then was paid.

WHAT IS THE DIFFERENCE BETWEEN A CREDIT REPORT AND A CREDIT SCORE?

Your credit report and your credit score are two different things.

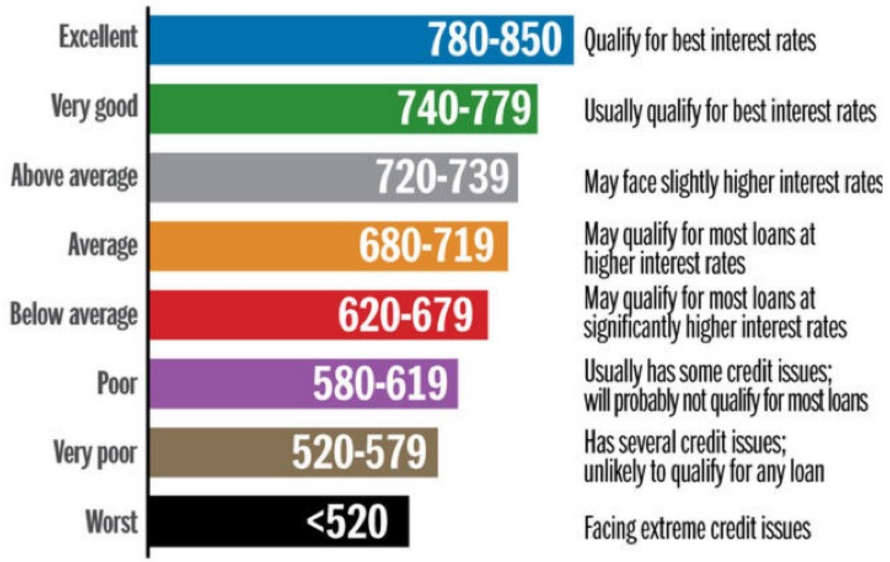
- A credit report is a statement that has information about your credit activity and current credit situation, such as loan paying history and the status of your credit accounts.
- Your credit scores are calculated based on the information in your credit report.



UNDERSTANDING YOUR CREDIT SCORE

Banks, credit card companies, and other businesses use credit scores to estimate how likely you are to pay back money you borrow.

- A higher score makes it easier to qualify for a loan and lower interest rates.
- Many scores range from 300 to 850, but different companies use different ranges.



YOU HAVE MANY CREDIT SCORES

You can have more than one score because:

- Lenders use different scores for different products;
- There are many different credit scoring formulas; and
- Information can come from different credit reporting sources

For example, a credit card score could be different from a home loan score, and any scores you purchase online could be different from both of those. For some people, these differences aren't that big. But because lenders use different scores, you might qualify for lower rates with one lender and not another. It can pay to shop around.

WHERE DO CREDIT SCORES COME FROM?

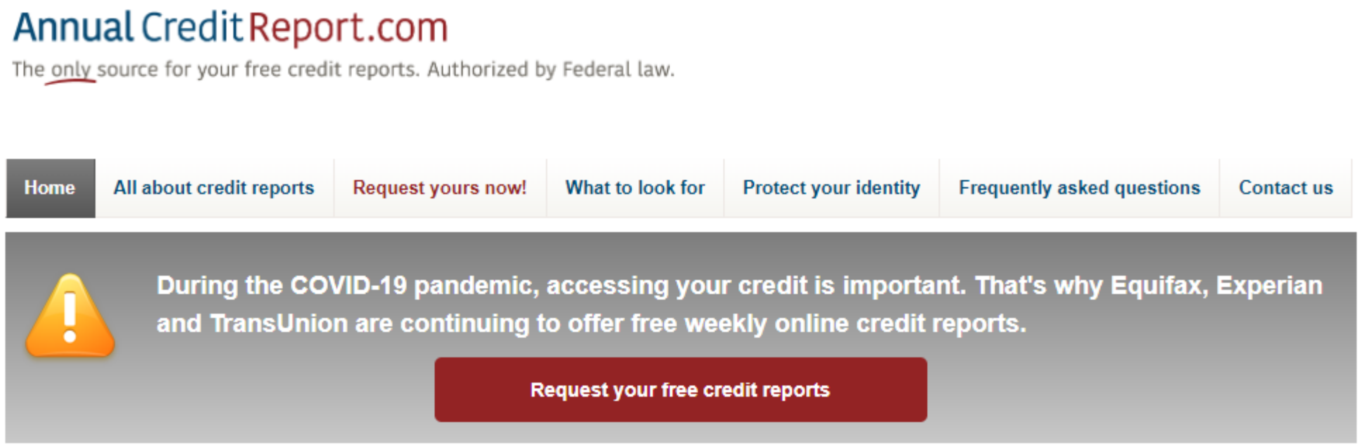
Your credit scores are generally based on information in your credit reports. This information is reported by your lenders to credit reporting companies. The three biggest are Equifax, Experian, and TransUnion.

1. A long credit history helps your score. Credit scores are based on experience over time. Your score improves the longer you have credit, open at least two different types of accounts (ex: credit card and auto loan) and make payments on time.
2. Be careful closing accounts. If you close some credit card accounts and put most or all of your credit card balances onto one card, it may hurt your credit score if you are using a high percentage of your total credit limit. Frequently opening accounts and transferring balances can hurt your score too.
   - The CFPB recommends keeping your credit utilization **below 30% of your available credit**.
3. Only apply for credit you need. Credit providers look at your recent credit activity as an indicator of your need for credit. If you apply for a lot of credit over a short period of time, it may appear that your money situation has changed for the worse.

YOUR CREDIT REPORT MATTERS AS MUCH AS YOUR SCORE

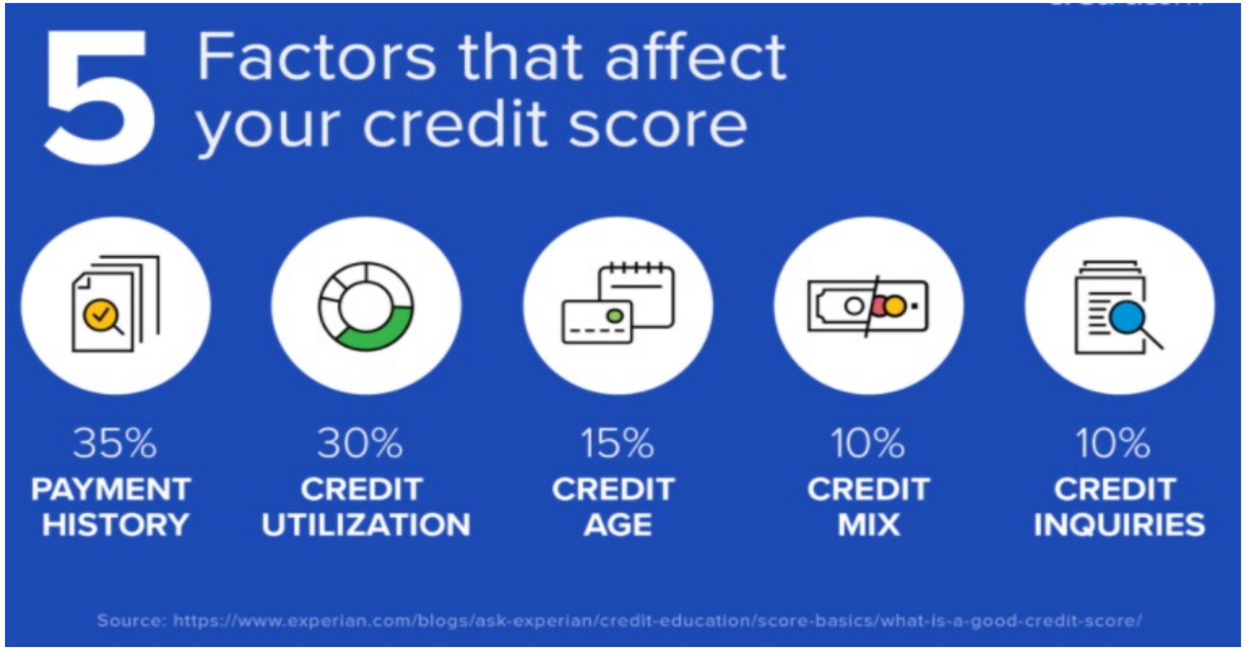
Mistakes in your credit reports could hurt your credit history and credit score, so check them regularly. Go to annualcreditreport.com or call 877-322-8228.

- You can get one free credit report from each of the big three credit reporting companies every 12 months.
- In addition, Equifax offers six free credit reports every 12 months, until December 31, 2026.
- When you visit the site, you may see steps to view more frequently updated reports online. This gives you a greater ability to monitor changes in your credit.



WHEN YOU GET YOUR REPORT, REVIEW IT

- Look for mistakes in your name, phone number, or address and for loans, credit cards, or other accounts that are not yours.
- There are several variables that affect your credit score, including:
  - How many credit accounts you have.
  - How long you've had those accounts.
  - How close you are to your credit limit.
  - How often your payments have been late.
  - Other factors



HOW LONG DOES NEGATIVE INFORMATION GENERALLY STAY ON YOUR CREDIT REPORT?

How long does negative information generally stay on your credit report?

- Late payment = 7 years
- Chapter 13 bankruptcy = 7 years
- Chapter 7 bankruptcy = 10 years
- Foreclosure = 7 years
- Lawsuits and judgments = 7 years or longer

In general, recent negative information has **more** of an effect on your credit score than older information.

HOW TO RAISE YOUR SCORE

1. Paying your bills on time, every time has the greatest impact on your score.
   - One way to make sure your payments are on time is to set up automatic payments or set up electronic reminders. If you have missed payments, get current and stay current.
2. Don’t get close to your credit limit. Credit scoring models look at how close you are to being “maxed out,” so try to keep your balances low in proportion to your overall credit limit.
   - Experts advise keeping your use of credit at no more than 30 percent of your total credit limit. Ex: the credit card has a $1,000.00 limit, try not to exceed $300.00.
3. Dispute inaccuracies in your credit file:
   - Reports saying you paid late when you paid on time.
   - Accounts you closed that are listed as open.
   - The same item showing up more than once (like an unpaid debt).

HOW TO FIX MISTAKES

If you find something wrong in your credit report, you may contact both the credit reporting company (Equifax, Experian, or TransUnion) and the company that provided the information (for example, your credit card company).

1. Explain what you think is wrong and why.
2. Include copies of documents that support your dispute. Your credit reports come with instructions on how to dispute mistakes.

You can contact the nationwide credit reporting companies online, by mail, or by phone:

Equifax Information Services LLC	Experian	TransUnion LLC Consumer Dispute Center
PO Box 740256 Atlanta, GA 3034 (866) 349-5191	PO Box 4500 Allen, TX 75013 (888) 397-3742	PO Box 2000 Chester, PA 19016 (800) 916-8800

HOW TO REBUILD YOUR CREDIT

When you experience a financial challenge, your credit record could suffer. Rebuilding it takes time. There are no shortcuts or secrets. The steps below can help:

- Pay your bills on time, every time. “On time” means the payment gets to the company by the day the bill is due. If you pay by mail, put your payment in the mail a few days before it is due.
- Don’t get too close to your credit limit: Credit scores consider how close you are to being “maxed out” on credit cards. If you use too much of your credit limit, it may hurt your credit score.
- Don’t apply for too much credit in a short time: Your credit score may go down if you apply for or open a lot of new accounts in a short time. This includes getting a new card so you can transfer balances, or opening a new store card account so you can get a discount.
- If you do not qualify for a regular credit card, try a secured card: Many banks and credit unions offer secured credit cards. With most of these cards, your credit line starts out small. You put an amount equal to your credit limit in an account as a deposit. As you show you can pay on time, your credit limit may be raised, and you may have your deposit refunded. Fees and interest rates can be high for secured cards but using one can help you establish a credit record.

HOW TO REBUILD YOUR CREDIT CONT.

- If you pay with a credit card, pay your balance off every month: You can build credit by using your credit card and paying on time, every time. Pay off your balances in full each month to avoid paying interest. Paying off your balance each month can also build better credit than carrying a balance, because it helps keep you from getting too close to your credit limit.
- Keep it up: Credit scores are based on your overall experience with paying your bills over time. The longer you have credit and pay on time, the more information there is to show you're a good credit risk.
- Check your credit reports and fix errors right away: Your credit report shows your history of loans and borrowing.

FOUR THINGS THAT DO NOT HELP REBUILD YOUR CREDIT

1. Using a debit card or paying cash.
   - These transactions do not help you prove you can repay debts.
2. Using a prepaid card.
   - A prepaid card is your own money loaded on to the card in advance.
3. Taking out a payday loan.
   - Even making on-time repayments might not help your credit.
4. Taking an auto loan from a “buy here, pay here” car lot, unless they promise in writing to report your on-time payments.

QUESTIONS?

Resources:

1. Consumer Financial Protection Bureau:
   - consumerfinance.gov;
   - 855-411-2372