



CoreLogic<sup>®</sup>  
Credco<sup>®</sup>



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# INTRODUCTION

## Credit Bureau Scoring

Credit scoring has been around since the 1950s, with credit bureau scoring becoming widely available by the 1980s. Today, credit bureau scores are used extensively across many industries; most notably, mortgage lending.

Understanding credit – and what it means to consumers and real estate professionals – is critical, as it represents the underlying basis for which mortgage loans are determined. When someone applies for a loan, the lender determines how much the individual can borrow, for how long, and at what interest rate; all of which is based on the consumer's credit history and credit bureau scoring.

This booklet is designed to help you understand the fundamentals of credit and credit risk scores in mortgage lending. It also provides some recommended approaches to help you help consumers get the most from their credit rating.

### What is a credit score and how does it work?

Credit bureau scoring is a statistical means of assessing how likely a borrower is to pay back a loan. A score is based on the data available in the borrower's credit report, which measures the relative degree of risk a potential borrower represents to the lender. It is not a measure of a borrower's income, assets, or bank account, although those and other factors are still considered by lenders. A credit bureau score does not consider the following variables in the score calculation, as it would be discriminatory by FCRA guidelines: gender, race, age, or ZIP code.

FICO® credit risk scores range from approximately 300 to 850 points, and are available through the three national credit data repositories (Equifax®, TransUnion, and Experian®). The following FICO scoring programs reside at these credit bureaus:

|                    |                                |
|--------------------|--------------------------------|
| <b>Equifax:</b>    | <b>BEACON® 5.0</b>             |
| <b>TransUnion:</b> | <b>FICO Classic '98 or '04</b> |
| <b>Experian:</b>   | <b>FICO II</b>                 |

This score is calculated at the credit bureau, and is based solely on the data within that repository's individual credit file. FICO is not able to access a consumer's credit data or calculate a score.

A FICO credit risk score is calculated by a system of scorecards. In developing these scorecards, Fair Isaac uses actual credit data on millions of consumers, and applies complex mathematical methods to perform extensive research into credit behavior patterns that forecast credit performance. Through this process, FICO identifies distinctive credit patterns, each corresponding to the likelihood that a consumer will make loan payments as agreed. The score is based on all the credit-related data in the credit bureau report, not just negative data such as missed mortgage payments or bankruptcies. Although the FICO scores are helpful in predicting the likelihood of default, their main purpose is to predict loan delinquency. If loan default is the focus of your scoring objectives, you should investigate bankruptcy predictive scoring models.



The types of credit information used in the credit bureau scorecards are typically the same items an underwriter would use to make a credit decision. These can include:

#### Payment history

- ▶ *Public record and collection items*
- ▶ *Severity, recentness and frequency of delinquencies noted in the trade line section*

#### Amounts Owed

- ▶ *Number of balances recently reported*
- ▶ *Average balance across all trade lines*
- ▶ *Relationship between total balances and total credit limits on revolving trade lines*

#### Length of Credit History

- ▶ *Age of oldest trade line*
- ▶ *Number of new trade lines*

#### New Credit

- ▶ *Number of inquiries and new account openings in the last year*
- ▶ *Amount of time since most recent inquiry*

#### Types of Credit Used

- ▶ Number of trade lines reported for each type
- ▶ Mortgage
- ▶ Auto Loans
- ▶ Bankcard / Credit cards
- ▶ Travel and entertainment cards
- ▶ Department store cards
- ▶ Personal finance company references
- ▶ Installment loans
- ▶ Other

FICO observes a large number of credit report histories of borrowers to determine which credit report items, or combination of items, are the most predictive of future risk. This data indicates the amount each item contributes to an accurate assessment of credit risk.



FICO SCORES DO NOT USE RACE, COLOR, RELIGION, NATIONAL ORIGIN, SEX, MARITAL STATUS OR AGE AS PREDICTIVE CHARACTERISTICS. OCCUPATION AND LENGTH OF TIME IN PRESENT RESIDENCE ARE ALSO NOT USED IN THE CREDIT BUREAU SCORE. ALSO, ANY INFORMATION THAT IS NOT PRESENT IN A REPOSITORY CREDIT FILE IS NOT USED IN CREATING A CREDIT BUREAU SCORE.

# UNDERSTANDING THE CREDIT SCORE

What goes into a credit score?

## 1. Payment History (about 35% of a score is based on this category)

The score takes into account:

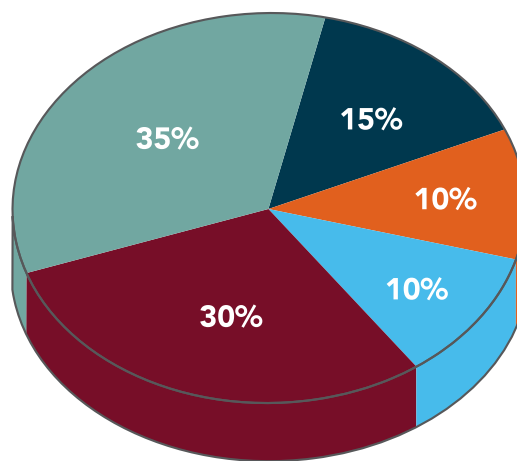
- ▶ *Payment information on many types of accounts, including credit cards, retail accounts, installment loans, finance company accounts and mortgage loans.*
- ▶ *Public record and collection items: reports of events, such as bankruptcies, judgments, suits, liens, wage attachments and collection items.*
- ▶ *Details on late or missed payments and public record and collection items: specifically, how late they were, how much was owed, how recently they occurred and how many there are.*
- ▶ *The number of accounts that show no late payments. A good track record on most credit accounts will increase the credit score.*

## 2. Amounts Owed (about 30% of the 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. 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.

The score takes into account:

- ▶ *The amount owed on all accounts. Note that even if you pay off 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 specified types of accounts. In addition to the overall amount owed, the score considers the amount owed on specific types of accounts, such as credit cards and installment loans.*
- ▶ *Amount of balance owed. 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 with balances. A large number of accounts with balances 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.*
- ▶ *Balance on installment loan accounts compared with the original loan amounts. Paying down installment loans is a good sign that you are able and willing to manage and repay debt.*



### 3. Length of Credit History (approximately 15% of a score is based on this category)

In general, a longer credit history will increase the credit score. However, even those with short credit histories may get high scores, depending on how the rest of the credit report looks.

#### The score takes into account:

- ▶ *How long credit accounts have been established, in general. The score considers the age of the oldest account as well as the average age of all accounts.*
- ▶ *How long specific credit accounts have been established.*
- ▶ *How long it has been since certain accounts have been used.*

### 4. New Credit (approximately 10% of a score is based on this category)

Opening several credit accounts in a short period of time represents a greater risk, especially for those who do not have a long established credit history. This also extends to requests for credit, as indicated by “inquiries” to the credit reporting agencies.

#### The score takes into account:

- ▶ *How many new accounts there are.*
- ▶ *How long it has been since those accounts opened.*
- ▶ *How many recent requests for credit have been made, as indicated by inquiries to the credit reporting agencies. Note that if a credit report is ordered from a credit reporting agency, such as to check it for accuracy, the score does not count. It also doesn't count when a lender requests a credit report or score in order to make a “pre-approved” credit offer, or to review the account with them, even though these inquiries will show up on the consumer's copy of the 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 (approximately 10% of a score is based on this category)

The score will consider the 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 score takes into account:

- ▶ *The types of credit accounts you have and the number of each. The score also looks at the total number of accounts you have. For different credit profiles, what determines too many accounts will vary.*

# UNDERSTANDING THE CREDIT SCORE

## Why did this credit file receive the score it did?

To understand why a credit report scored the way it did, look at the four reason codes given with each score. These are the top reasons why it did not score higher, although other factors probably contributed. Lenders should receive these reasons, referred to as factor codes, along with the score when it's obtained through a credit reporting company. A complete list of score factor codes is included in this booklet (see Appendix):

Factor codes are either a number or letter, followed by a brief description. For example, a score of 563 may have the following factors:

- 02 – Delinquency on accounts*
- 01 – Amount owed on accounts is too high*
- 09 – Too many accounts opened in last 12 months*
- 19 – Too few accounts currently paid as agreed*

Factor codes can be relayed back to the borrower to explain how they can increase their score over time. Score factors are less meaningful for higher-scoring credit records as they merely point to the reasons why the file did not score even higher.

## What effect, if any, do credit inquiries have on Credit Bureau Scores?

A credit inquiry is an item on a credit report that shows a business with a “permissible purpose” (as defined under the federal Fair Credit Reporting Act) has previously requested a copy of the report. There are two types of credit inquiries – hard and soft:

**Hard Inquiry:** Hard inquiries are initiated by the consumer, appear on the credit report, and will have an impact on the consumer's credit score. Examples include when a consumer applies for a mortgage, auto loan, or other credit.

**Soft Inquiry:** Soft inquiries are not initiated by the consumer for the purpose of applying for credit and do not have an impact on the consumer's credit score. Examples include when a consumer requests their own credit report; credit checks that are made by businesses in order to offer goods or services; and credit checks by prospective employers.

**Mortgage and Auto Loan Inquiries:** When shopping for mortgage and auto loans, consumers tend to have their credit run more often within a short period of time. The credit industry has taken this into account and to compensate, the FICO and NEXT GEN scores will ignore all mortgage and auto inquiries made in the 30 days prior to scoring. Additionally, the score will also look at mortgage and auto inquiries older than 30 days and will count all those inquiries within a typical shopping period of 45\* days as one inquiry.



Inquiries on your credit report will appear in a manner similar to this:

| INQUIRIES MADE IN LAST 6 MONTHS |                        |                     |                               |                      |
|---------------------------------|------------------------|---------------------|-------------------------------|----------------------|
| Item #                          | Inquiry Made By        | Dates Inquiry Trade | Data Source - Subscriber Info | Applicant Identifier |
| 1                               | FAC TEST               | 07-05-06            | TUC-082XX891Z                 | APP2                 |
| 2                               | NORWEST-RELS           | 07-05-06            | XPN-397XX65FR                 | APP1                 |
| 3                               | AMERICAN EXPRESS       | 03-05-06            | XPN-7400XX0NZ                 | APP1                 |
| 4                               | VENGROFF WILLIAMS & AS | 02-27-06            | XPN-19XX062YC                 | APP2                 |
| 5                               | LENDERS CRDT           | 02-11-06            | TUC-071XX157Z                 | APP2                 |

# SCORING MODELS

## FICO Industry Scores

All three national bureaus offer an industry specific FICO score to help lenders gain more insight into a consumer's payment behavior within that particular industry. FICO offers industry-specific scores for bankcards, auto lending, installment lending, and finance company lending. When an industry score is requested, the credit file is initially scored on the base FICO models, and is then adjusted by two additional scorecards that apply to that particular industry. Of the two additional scorecards, one applies to credit files with derogatory information, while the other applies to credit files without derogatory information for any type of account. The credit file score is then adjusted to consumer trends that are specific to that industry.

**Keep in mind that each bureau may also offer their own scores that are industry specific.**

## FICO Scores

The FICO score was developed to measure the degree of risk a potential borrower represents to the lender. Today, FICO is the leading high-performance credit-scoring model, and is used across many industries. FICO scores are calculated by the credit bureaus from data contained in the bureaus' files. This data is then put into a standardized algorithm to determine the consumer's score. Up to four "score factor codes" and their descriptions can be provided in an easy-to-read format on the summary page of the credit report. These codes provide an indication of the factors that most influenced the score. FICO scores range from approximately 300–850. The higher the FICO score, the lower the lender's risk. Below are the most commonly used FICO scores:

Beacon 5.0 (Equifax)

FICO II (Experian)

FICO Classic '04 (TransUnion)

## FICO '08

FICO has modified their scoring formula to provide a better way of analyzing risk, which will help lenders to predict the likelihood of a borrower defaulting on a loan. FICO '08 is predicted to help lenders reduce their default rates on consumer loans between 5 to 15%. Here are the key differences between FICO '08 and other FICO models:

- ▶ *FICO '08 is more forgiving of consumers with a couple late payments, but harder on those who are repeat offenders*
- ▶ *More weight will be given to consumers with a variety of credit types*
- ▶ *Increased protection for lenders from authorized user abuse while still recognizing legitimate authorized user accounts*
- ▶ *Consumers who use a high percentage of their available credit will be penalized to a greater extent*

## Vantage Score

Vantage Score is the first credit scoring model that was developed collaboratively by Experian, TransUnion and Equifax to create a new standard in the market. It was created through the analysis of approximately 15 million anonymous consumer credit profiles pulled from all three national credit reporting agencies. Using a characteristic leveling model, Vantage Score interprets the same data from different sources (the three national credit bureaus) in the same manner. By using the same scoring model across all three credit reporting agencies, Vantage Score increases consistency and predictability. It's based on a 24 month performance period and scores range from 501-990; the higher the score, the lower the lenders risk.

## Next Gen Scores

FICO developed next generation score models incorporating several innovations. The new models allow credit grantors to make significantly better credit management decisions by using close to 80 predictive variables in the determination of the scores, which is nearly twice the number of variables used in the existing FICO models. There are 18 separate scorecards for each model, compared to 10 in the existing FICO models. Score ranges from 150-950; the higher the score, the lower the lenders risk. Below are the Next Gen Scores that each bureau offers:

**Pinnacle** (*Equifax*)

**Advanced Risk Score** (*Experian*)

**FICO Risk Score, NextGen** (*TransUnion*)

## Bankruptcy Scores

Bankruptcy risk scores from the credit repositories predict the likelihood of the borrower declaring bankruptcy. The higher the score, the higher the risk that a bankruptcy will occur.

**BNI 3.0** (*Equifax*)

**Bankruptcy Score** (*Experian*)

**Delphi** (*TransUnion*)

## WORKING WITH A CREDIT SCORE

### How do you increase a credit score?

Over time, a borrower can improve the information in their credit report by paying credit obligations on time and using credit wisely. As derogatory data in the credit report gets older, it has less influence on the score. A missed payment from four years ago will not count as much as a missed payment that is six months old.

A credit score, like a credit report, is essentially a snapshot of a consumer's changing credit record. Scores from the national credit bureaus may be different since the available data may be different from each repository. If a request is made to obtain an updated score, the score is likely to change for various reasons; however, it's not possible to limit how that score will change. Credit items are updated often, so new items are likely to have been added since the previous report. Additionally, existing items will have aged. Repeatedly requesting a consumer's credit report may substantially increase the number of inquiries on the repository report, which may affect the score adversely.

It is also possible that you can affect the credit score by paying down credit cards and transferring balances. Part of the credit score is based on the total amount of credit used versus the total amount available. Transferring balances to reflect more available credit on each card may have a positive impact on the score.

However, ensuring a score increase in this case is not always possible. Such actions may upset the mix of available credit, and may actually decrease the score. It's important to note that the point of scoring is not to calculate an up-to-date debt ratio – the debt ratio is still considered by lenders independent of the score. Therefore, it's not critical that balances be completely up to date for the purpose of scoring.

The score reflects data available on the credit report to assess the consumer's current payment patterns and payment history.

### Are there any tools available to help me determine how to increase a credit score?

There are numerous Web sites that claim to have the ability to “repair” credit or increase scores to the limit needed; however, be cautious. When it comes to credit, there are no easy fixes. Responsibility and time will fix past problems.

There are, however, industry tools to help you determine if there are errors or inaccuracies – and how to fix them – to legitimately maximize credit scores. One such product is called CreditXpert, offered by CoreLogic Credco. CreditXpert helps you uncover a consumer's true score, so you can make more informed and appropriate lending decisions.

With CreditXpert's Detective, Essentials and What-If Simulator, you can approve more applicants and eliminate guesswork by providing helpful insights, predictions, and more thorough analysis.

- ▶ **CreditXpert Essentials™** proactively uncovers pay-downs, open/close account actions, balance transfers and other ways to help improve scores.
- ▶ **CreditXpert Detective™** automatically identifies opportunities to improve credit scores by updating incorrect, missing and outdated information.
- ▶ **CreditXpert What-If Simulator™** offers predictive capabilities to let you safely simulate changes to the credit profile to determine impacts to the applicant's score.

## I have information on my credit report that is incorrect. What can I do to fix it?

Consumers who want to address what they believe is erroneous information on a mortgage report should contact the credit reporting agency that developed the report. The Fair Credit Reporting Act (FCRA) allows the credit reporting agency a “reasonable period of time,” generally not to exceed 30 days, to reinvestigate consumer disputed items. A significant number of credit grantors use an automated system for investigating disputes and respond within a few days. Most credit reporting agencies make a special effort to quickly resolve disputed information affecting a mortgage decision.

Consumers wishing to dispute items on their credit files can do so through the following credit bureaus:

**Equifax:** (800) 685-1111, [www.equifax.com](http://www.equifax.com)

**Experian:** (888) 397-3742, [www.experian.com](http://www.experian.com)

**TransUnion:** (800) 916-8800, [www.transunion.com](http://www.transunion.com)

The score is generated using the credit information at one of the three national credit repositories. Therefore, changes made solely to the mortgage credit report and not to the credit repository information will not affect the score.

It is the policy of many lenders and investors, including Freddie Mac and Fannie Mae, that if gross inaccuracies appear on the credit file, erroneous information can be documented and the score disregarded. The applicant is not required to go through the procedure of changing the information at the credit repository for the purpose of altering the credit score in these cases.

## Can I get assistance in filing a dispute?

When a credit report is ordered through Credco, consumers get free access to a convenient, toll-free consumer disputes service. With just one call, FCRA-certified specialists will work hand-in-hand with consumers to resolve any discrepancies with the national credit bureaus. As a single contact point, Credco’s Consumer Disputes Resolution service makes the often complicated and time-consuming credit dispute process easier for your clients, and you.

### “One-call” Dispute Resolution

- ▶ **Dispute Investigations** – Credco investigates tradelines by working directly with the credit bureaus.
- ▶ **Consumer Interaction** – Credco actively communicates the results of our investigative process to the consumer.
- ▶ **Bureau Communication** – Credco Consumer Disputes team works with the bureaus on the consumer’s behalf to update incorrect data.
- ▶ **FCRA Compliance** – Credco strictly adheres to the guidelines set by the FCRA regarding timeframes, forms and procedures.

Once credit information has been corrected, you can then request Rapid ReCheck, an innovative service offered by Credco, which speeds up the bureau-level update process. Rapid ReCheck provides fast, permanent updating of national repository records – and an updated FICO score. When you obtain your client’s original source documentation from the credit grantor, simply forward it to Credco for validation by our credit specialists. Once validated, it will be forwarded to the appropriate credit bureau(s) and processed within three to five business days.

## UNDERSTANDING NON-TRADITIONAL CREDIT

The banking industry has begun to look beyond traditional credit reports and scores as the primary indicators of consumer creditworthiness. The industry is realizing that just because a consumer does not have a complete traditional credit history, it doesn't mean they are a credit risk. For example, many consumers don't believe in debt, they make payments on time and have a decent amount of money in a savings account.

In the past, it was difficult for lenders to ascertain the credit risk for these consumers. However, that has all changed. Innovative new products, such as the Anthem Report from Credco, assess a consumer's credit worthiness by looking at alternative payment histories such as rent, utility and insurance payments. By examining these payment histories, lenders can accurately determine the relative credit risk for a consumer. As a result, many consumers with strong alternative payment histories can now qualify for the same loans as consumers with traditional credit histories and scores.

### Non-Traditional Credit Reporting

Many consumers have little or no traditional credit, but are credit worthy. With Anthem, Credco's suite of alternative credit services, lenders can originate any non-traditional loan and help more homebuyers fulfill the American dream.

The Anthem Report offers the most cost-effective credit reporting solution for consumers with little or no credit history. This powerful reporting tool delivers verified non-traditional credit data – along with a unique score – in an easy-to-use format that allows lenders to qualify more borrowers.



# KNOW YOUR RIGHTS

## The FACT Act

With the passage of the Fair and Accurate Credit Transaction (FACT) Act in 2004, the federal government created a “Bill of Rights” for consumers that is designed to help consumers understand what is contained in their credit report. Among other things, the FACT Act states that consumers are entitled to:

- ▶ *A free credit report from each of the three national credit bureaus once a year.*
- ▶ *Removal of potentially fraudulent information from a credit report if a consumer establishes that they have been a victim of identity theft.*
- ▶ *Any information a business has received that is believed to be from someone that has stolen their identity.*

## Obtaining a free credit report

In response to the passage of the FACT Act, the three national credit bureaus were required to create a single resource for consumers to access their once-yearly free credit report. While there are many other Web sites that claim to provide a “free” credit report, there is only one place that offers a truly free report - [www.annualcreditreport.com](http://www.annualcreditreport.com).

This Web site is officially sanctioned to allow consumers to get a free credit report from Experian, Equifax and TransUnion. You can also arrange to have yearly reminders sent to you to pull your report.

Be cautious: many sites that offer “free” credit reports will require you to sign up for a service that requires you to pay after a limited trial period has elapsed. Only [annualcreditreport.com](http://annualcreditreport.com) offers free reports with no strings attached.

## Will the free credit report include the credit score?

No. The free credit report will not come with a score. If you would like to order a credit score, you can do so for a nominal fee. However, as covered earlier in this book, there are numerous scores in the market. The national credit bureaus offer several score options to consumers. If you are looking for a score for a specific purpose (home purchase, auto purchase, credit card application, etc.), it is recommended you research which scores those industries will accept.

## FOR MORE INFORMATION

### Credit Bureau Contact Information

(For questions or to dispute an item on your credit report)

#### **Equifax Information Service Center**

P.O. Box 740241  
Atlanta, GA 30374-0241  
800-685-1111  
[www.equifax.com](http://www.equifax.com)

#### **Experian Information Solutions, Inc.**

P.O. Box 2002  
Allen, TX 75013  
888-397-3742  
[www.experian.com](http://www.experian.com)

#### **TransUnion Corporation**

P.O. Box 34012  
Fullerton, CA 92834  
800-916-8800  
[www.transunion.com](http://www.transunion.com)

#### **To Get Your Free Credit Report**

[www.annualcreditreport.com](http://www.annualcreditreport.com)

#### **To Get Your FICO Score**

[www.myfico.com/Products/FICOOne/Description.aspx](http://www.myfico.com/Products/FICOOne/Description.aspx)

#### **Credit Education**

[www.myfico.com/crediteducation](http://www.myfico.com/crediteducation)

#### **Credit Counseling**

- ▶ National Foundation of Credit Counseling (NFCC)  
[www.nfcc.org](http://www.nfcc.org)
- ▶ The Department of Housing and Urban Development  
[www.hud.gov/offices/hsg/sfh/hcc/hccprof14.cfm](http://www.hud.gov/offices/hsg/sfh/hcc/hccprof14.cfm)
- ▶ Association of Independent Consumer Credit Counseling Agencies (AICCCA)  
[www.aiccca.org](http://www.aiccca.org)



# FICO FACTOR CODES

## FICO Scoring System - Factor Codes

This chart lists the score factor codes and corresponding reason statement descriptions for FICO broad-based credit bureau risk scores and associated Industry Option scores (Auto, Bankcard, Installment and Personal Finance) across the major credit bureaus. This chart may be used as a reference when taking adverse action or in customer service when responding to consumers' inquiries as to the reasons for declination.

| Reason Statement  | Equifax      | TransUnion           | Experian                 |
|---|--------------|----------------------|--------------------------|
|   | (BEACON 5.0) | (FICO Classic 98/04) | (Alpha/Num)<br>(FICO II) |
| Amount owed on accounts is too high   | 01           | 01                   | A/01                     |
| Level of delinquency on accounts  | 02           | 02                   | B/02                     |
| Too few bank revolving accounts   | 03           | --                   | C/03                     |
| Too many bank or national revolving accounts  | 04           | --                   | D/04                     |
| Too many accounts with balances   | 05           | 05                   | E/05                     |
| Too many consumer finance company accounts  | 06           | 06                   | F/06                     |
| Account payment history is too new to rate  | 07           | 07                   | G/07                     |
| Too many inquires last 12 months  | 08           | 08                   | H/08                     |
| Too many accounts recently opened   | 09           | 09                   | J/09                     |
| Proportion of balance to credit limits is too high on bank revolving and other revolving accounts | 10           | 10                   | K/10                     |
| Amount owed on revolving accounts is too high   | 11           | 11                   | L/11                     |
| Length of time revolving accounts have been established   | 12           | 12                   | M/12                     |
| Time since delinquency too recent or unknown  | 13           | 13                   | N/13                     |
| Length of time accts have been established  | 14           | 14                   | O/14                     |
| Lack of recent bank revolving information   | 15           | 15                   | P/15                     |
| Lack of recent revolving account information  | 16           | 16                   | Q/16                     |
| No recent non-mortgage balance information  | 17           | 17                   | R/17                     |
| Number of accounts with delinquency   | 18           | 18                   | S/18                     |
| Too few accounts currently paid as agreed   | 19           | 27                   | T/19                     |
| Date of last inquiry too recent   | --           | 19                   | --                       |
| Time since derogatory public record or collection too short                                       | 20           | 20                   | V/20                     |
| Amount past due on accounts   | 21           | 21                   | W/21                     |

*Factor Codes chart continued on next page*

# FICO FACTOR CODES

| Reason Statement   | Equifax         | TransUnion           | Experian                 |
|--|-----------------|----------------------|--------------------------|
|  | (BEACON 5.0)    | (FICO Classic 98/04) | (Alpha/Num)<br>(FICO II) |
| Serious delinquency, derogatory public record or collection  | 22 <sup>†</sup> | 22                   | X/22                     |
| Number of bank or national revolving accounts with balances  | 23              | --                   | --                       |
| No recent revolving balances   | 24              | 24                   | U/24                     |
| Length of time installment loans have been established   | 25 <sup>†</sup> | --                   | 25 <sup>†</sup>          |
| Number of revolving accounts   | 26 <sup>†</sup> | --                   | 26 <sup>†</sup>          |
| Number of bank or other revolving accounts   | --              | 26 <sup>†</sup>      | --                       |
| Number of established accounts   | 28              | 28                   | 28 <sup>†</sup>          |
| No recent bankcard balances  | --              | 29                   | --                       |
| Time since most recent account opening is too short  | 30              | 30                   | Z/30                     |
| Too few accounts with recent payment information   | 31              | --                   | 31 <sup>†</sup>          |
| Lack of recent installment loan information  | 32              | 04                   | Y/32                     |
| Proportion of loan balances to loan amounts is too high  | 33              | 03                   | I/33                     |
| Amount owed on delinquent accounts   | 34              | 31 <sup>†</sup>      | 34 <sup>†</sup>          |
| Payment due on accounts  | --              | 36                   | --                       |
| Length of time open installment loans have been established  | --              | --                   | 36 <sup>†</sup>          |
| Number of consumer finance company accounts established relative to length of consumer finance history | --              | --                   | 37 <sup>†</sup>          |

# FICO FACTOR CODES

| Reason Statement  | Equifax         | TransUnion           | Experian                 |
|---|-----------------|----------------------|--------------------------|
|   | (BEACON 5.0)    | (FICO Classic 98/04) | (Alpha/Num)<br>(FICO II) |
| Serious delinquency and public record or collection filed           | 38              | 38                   | 38 <sup>†</sup>          |
| Serious delinquency   | 39              | 39                   | 39 <sup>†</sup>          |
| Derogatory public record or collection filed                        | 40              | 40                   | 40 <sup>†</sup>          |
| Lack of recent auto loan information                                | 98 <sup>†</sup> | 97 <sup>†</sup>      | 98 <sup>†</sup>          |
| Length of time consumer finance company loans have been established | --              | 98 <sup>†</sup>      | --                       |
| Lack of recent consumer finance company account information         | 99 <sup>†</sup> | 99 <sup>†</sup>      | 99 <sup>†</sup>          |

## Credit bureau risk score factor reason codes legend

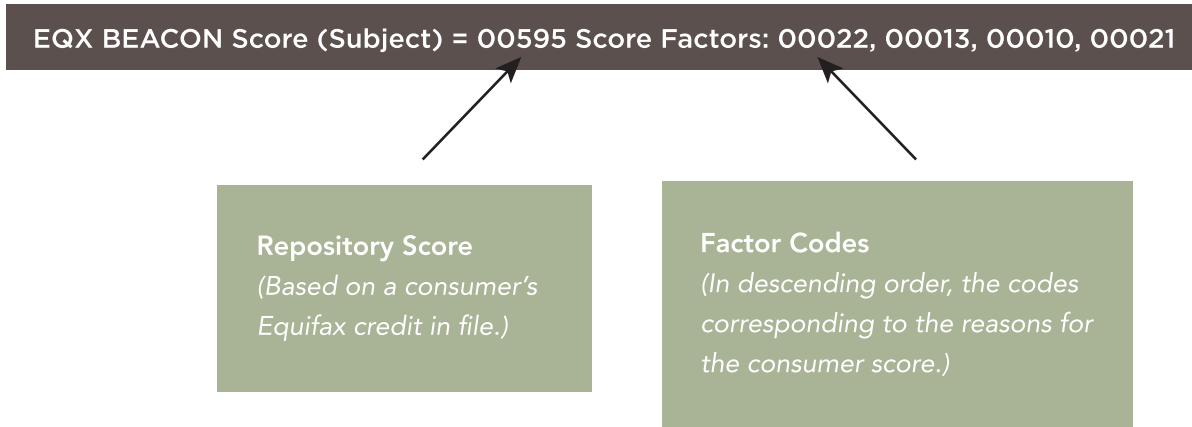
- ▶ † indicates that the code is only used in one or more Industry Options but is not currently used in the base model.
- ▶ A number in the column specifies the code associated with the reason statement for that score.
- ▶ A blank in the column indicates that the code is not presently delivered with that particular score.

FICO has worked closely with the Federal Reserve Board and the Office of the Comptroller of the Currency in developing the statements associated with these score factor reason codes, but in any event we recommend that FICO be consulted whenever changes to score factor code reason statements are made. If this is necessary, please contact FICO's toll-free Credit Bureau Scores Helpline at 1-800-777-2066.

BEACON is a registered trademark of Equifax Credit information Services, Inc.

# EQUIFAX BEACON 5.0

How the Equifax Beacon 5.0 score appears on a CoreLogic Credco Instant Merge Report:



## Equifax BEACON Adverse Action Codes

The Adverse Action Codes reflect the most significant characteristics contributing to the score a consumer's credit file receives when requesting BEACON. The Adverse Code is a number code that corresponds to the following narratives.

| CODE | Explanation   | CODE | Explanation  |
|------|---|------|--|
| 01   | Amount owed on accounts is too high   | 11   | Amount owed on revolving accounts is too high                            |
| 02   | Level of delinquency on accounts  | 12   | Length of time revolving accounts have been established                  |
| 03   | Too few bank revolving accounts   | 13   | Time since delinquency is too recent or unknown                          |
| 04   | Too many bank or national revolving accounts  | 14   | Length of time accounts have been established                            |
| 05   | Too many accounts with balances   | 15   | Lack of recent bank revolving information                                |
| 06   | Too many consumer finance company accounts  | 16   | Lack of recent revolving account information                             |
| 07   | Account payment history is too new to rate  | 17   | No recent non-mortgage balance information                               |
| 08   | Too many inquiries last 12 months   | 18   | Number of accounts with delinquency                                      |
| 09   | Too many accounts recently opened   | 19   | Too few accounts currently paid as agreed                                |
| 10   | Proportion of balances to credit limits is too high on bank revolving or other revolving accounts | 20   | Length of time since derogatory public record or collection is too short |

Codes continued

| CODE | Explanation  | CODE | Explanation   |
|------|--|------|---|
| 21   | Amount past due on accounts  | 31   | Too few accounts with recent payment information                      |
| 22   | Account not paid as agreed, public record, or collection agency filing | 32   | Lack of recent installment loan information                           |
| 23   | Number of bank or national revolving accounts with balances            | 33   | Proportion of loan balances to loan amounts is too high               |
| 24   | No recent revolving balances   | 34   | Amount owed on delinquent accounts                                    |
| 25   | Length of time installment loans have been established                 | 38   | Serious delinquency, and derogatory public record or collection filed |
| 26   | Number of revolving accounts   | 39   | Serious delinquency   |
| 28   | Number of established accounts   | 40   | Derogatory public record or collection filed                          |
| 30   | Time since most recent account opening is too short                    | 98   | Lack of recent auto finance loan information                          |
|      |  | 99   | Lack of recent consumer finance company account information           |

### List of Equifax BEACON 5.0 Reject Messages

The Reject message is a one-byte alpha code that corresponds to the following narratives. Narrative Table:

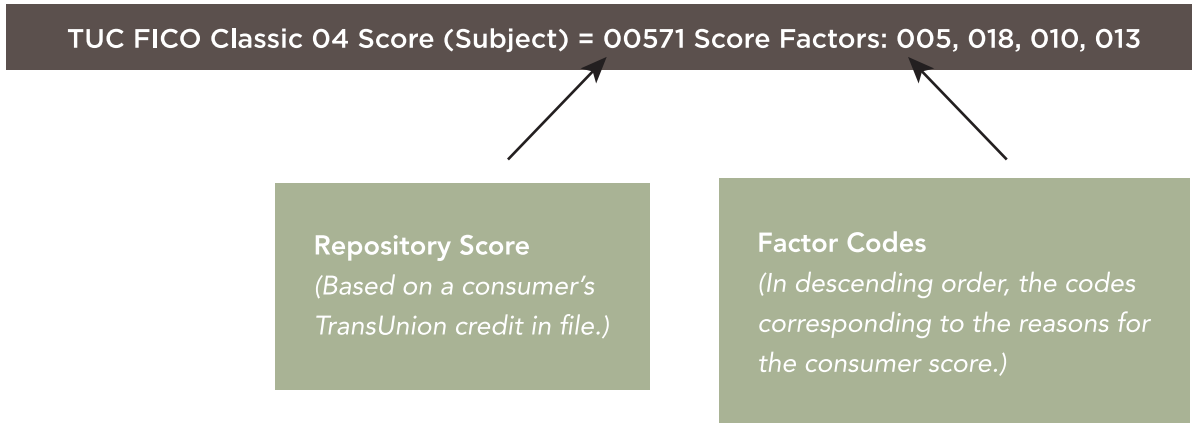
|   |  |
|---|--|
| A | BEACON NOT VALID FOR THIS SERVICE                              |
| B | BEACON NOT AVAILABLE, PLEASE CONTACT YOUR SALES REP            |
| C | BEACON NOT AVAILABLE, PLEASE CONTACT YOUR SALES REP            |
| G | BEACON IS TEMPORARILY UNAVAILABLE                              |
| H | BEACON IS TEMPORARILY UNAVAILABLE                              |
| I | BEACON NOT AVAILABLE, FILE CANNOT BE SCORED                    |
| J | BEACON NOT AVAILABLE, FILE UNDER REVIEW                        |
| L | BEACON NOT AVAILABLE, SUBJECT IS DECEASED                      |
| M | BEACON NOT AVAILABLE, NO QUALIFYING ACCOUNTS PRESENT           |
| N | BEACON NOT AVAILABLE, INSUFFICIENT OR UNKNOWN ACCOUNT HISTORY  |
| O | BEACON NOT AVAILABLE, NO RECENTLY REPORTED ACCOUNT INFORMATION |
| P | BEACON NOT AVAILABLE, NO QUALIFYING ACCOUNTS PRESENT           |
| Q | BEACON NOT AVAILABLE, PLEASE ALERT YOUR BEACON REP             |

For more information on Equifax products call 1-800-879-1025.

Equifax is a registered trademark, and BEACON is a registered trademark of Equifax, Inc.

# TRANSUNION FICO CLASSIC 98/04

How the TransUnion FICO Classic 98/04 score appears on a CoreLogic Credco Instant Merge Report:



## FICO Classic 98/04 Scoring Factors

| CODE | Explanation   | CODE | Explanation  |
|------|---|------|--|
| 00   | No adverse factor   | 11   | Amount owed on revolving account is too high                             |
| 01   | Amount owed on accounts is too high   | 12   | Length of time revolving accounts have been established                  |
| 02   | Level of delinquency on accounts  | 13   | Time since delinquency is too recent or unknown                          |
| 03   | Proportion of loan balances to loan amounts is too high   | 14   | Length of time accounts have been established                            |
| 04   | Lack of recent installment loan information   | 15   | Lack of recent bank revolving information                                |
| 05   | Too many accounts with balances   | 16   | Lack of recent revolving account information                             |
| 06   | Too many consumer finance company accounts  | 17   | No recent non-mortgage balance information                               |
| 07   | Account payment history is too new to rate  | 18   | Number of accounts with delinquency                                      |
| 08   | Too many inquiries last 12 months   | 19   | Date of last inquiry too recent  |
| 09   | Too many accounts recently opened   | 20   | Length of time since derogatory public record or collection is too short |
| 10   | Proportion of balances to credit limits is too high on bank revolving or other revolving accounts | 21   | Amount past due on accounts  |
|      |   | 22   | Serious delinquency  |

*Codes continued*

| CODE | Explanation  | CODE | Explanation   |
|------|--|------|---|
| 24   | No recent revolving balances                         | 36   | Payments due on accounts  |
| 26   | Number of bank revolving or other revolving accounts | 38   | Serious delinquency, and public record or collection filed                    |
| 27   | Too few accounts currently paid as agreed            | 39   | Serious delinquency   |
| 28   | Number of established accounts                       | 40   | Derogatory public record or collection filed                                  |
| 29   | No recent bankcard balances                          | 41   | No recent retail balances   |
| 30   | Time since most recent account opening is too short  | 42   | Length of time since most recent consumer finance company account established |
| 31   | Amount owed on delinquent accounts                   | 50   | Lack of recent retail account information                                     |
|      |  | 56   | Amount owed on retail accounts  |
|      |  | 97   | Lack of recent auto loan information  |

### FICO Classic 98/04 Message Codes

FICO Classic 98/04 ALERT message occurs when a credit file scored by FICO Classic 98/04 contains one or more of the following: previous bankruptcy, derogatory public record, collection activity or an MOP 7 or higher.

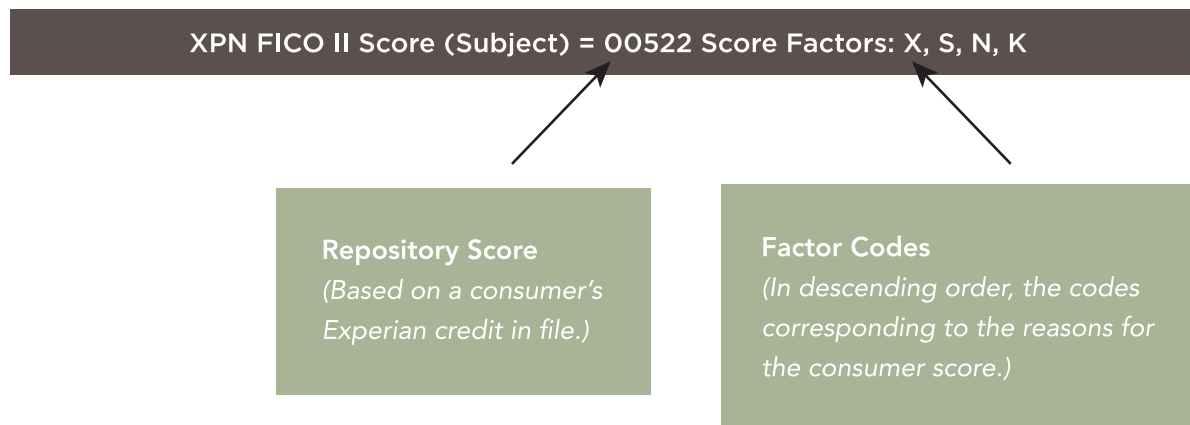
FICO Classic 98/04 NOT SCORED: DECEASED message occurs when the subject's Social Security Number matches the Social Security Administration's deceased Social Security Number file.

FICO Classic 98/04 NOT SCORED: INSUFFICIENT CREDIT message occurs when the subject's credit file contains only new tradelines, or when the subject's credit file contains only tradelines that have not been updated within the last six months.

For more information on TransUnion products call 1-800-916-8800.

# EXPERIAN FICO II MODEL

How the Experian FICO II score appears on a CoreLogic Credco Instant Merge report:



## Glossary of Experian FICO II Risk Model Score Factor Codes

*(Auto Loan, Bank Card Loan, Installment Loan, and Personal Finance Options Included)*

| Numerical Factor | Alpha Factor | Definition   | Numerical Factor | Alpha Factor | Definition  |
|------------------|--------------|--|------------------|--------------|---|
| 01               | A            | Current balances on accounts   | 11               | L            | Current balances on revolving accounts                            |
| 02               | B            | Delinquency reported on accounts   | 12               | M            | Length of revolving account history                               |
| 03               | C            | Too few bank revolving accounts  | 13               | N            | Length of time <i>(or unknown time)</i> since account delinquent  |
| 04               | D            | Too many bank revolving accounts   | 14               | O            | Length of time accounts have been established                     |
| 05               | E            | Number of accounts with balances   | 15               | P            | Insufficient or lack of bank revolving account information        |
| 06               | F            | Number of finance company accounts   | 16               | Q            | Insufficient or lack of revolving account information             |
| 07               | G            | Unable to evaluate recent payment history  | 17               | R            | No recent <i>(non-mortgage)</i> account balance information       |
| 08               | H            | Number of recent inquiries   | 18               | S            | Number of accounts delinquent                                     |
| 09               | J            | Number of accounts opened within the last twelve months                          | 19               | T            | Too few accounts rated "current"                                  |
| 10               | K            | Proportion of balance to high credit on bank revolving or all revolving accounts | 20               | V            | Length of time since legal item filed or collection item reported |



Codes continued

| Numerical Factor | Alpha Factor | Definition  | Numerical Factor | Alpha Factor | Definition   |
|------------------|--------------|---|------------------|--------------|--|
| 21               | W            | Amount past due on accounts                                   | 33               | I            | Proportion of current loan balance to original loan amount                           |
| 22               | X            | Account(s) not paid as agreed and/or legal item filed         | 34               |              | Amount owed on delinquent accounts   |
| 24               | U            | Lack of recently reported balances on revolving/open accounts | 36               | *            | Length of time open installment loans have been established                          |
| 25               | *            | Length of installment loan history                            | 37               | *            | Number of finance company accounts established relative to length of finance history |
| 26               | *            | Number of revolving accounts                                  | 38               |              | Serious delinquency, and public record or collection filed                           |
| 28               | *            | Number of accounts established                                | 39               |              | Serious delinquency  |
| 30               | Z            | Length of time since most recent account established          | 40               |              | Derogatory public record or collection filed   |
| 31               | *            | Too few accounts with recent payment information              | 98               | *            | Lack of recent information on auto loan, or lack of auto loans                       |
| 32               | Y            | No recent installment loan information                        | 99               | *            | Lack of recent information on finance accounts, or lack of finance accounts          |

### Experian Exclusion Messages – FICO II

When a score does not appear on the Experian credit profile report for a particular consumer account, an exclusion message is generated as shown below.

| CPU Code | Message   | Description  |
|----------|---|--|
| 9000     | EXPERIAN'S FICO II SCORE NOT AVAILABLE DUE TO SYSTEM FILE SIZE PARAMETERS | The Profile report contains more subscriber tradeline and inquiry transactions.  |
| 9001     | EXPERIAN'S FICO II SCORE NOT AVAILABLE DUE TO REPORT OF "DECEASED" STATUS | The Profile report contains a subscriber transaction with a status code of '21' or an association code of 'X' indicating the consumer is deceased.   |
| 9002     | EXPERIAN'S FICO II SCORE NOT AVAILABLE DUE TO MODEL EXCLUSION CRITERIA    | The Profile report does not contain any tradeline which satisfied both of the following: <ul style="list-style-type: none"> <li>▶ Status date within the last six (6) months OR a balance within the last six (6) months if the status code is not '11' (curr. acct.)</li> <li>▶ Does not contain disputed information.</li> </ul> |
| 9003     | EXPERIAN'S FICO II SCORE NOT AVAILABLE DUE TO LACK OF CREDIT HISTORY      | The Profile report does not contain any tradelines which have been open for at least six (6) months.   |

For more information on Experian products call 1-800-854-7201.

## About CoreLogic Credco

Tracing its history over 50 years, CoreLogic Credco is the nation's number one provider of merged and specialized credit reports, processing over 90 million credit and related transactions annually. With access to one of the world's largest consumer and business databases, CoreLogic Credco leads the mortgage; automotive; bankruptcy; merchant services; recreational vehicle; marine and other specialty credit and retail markets with a broad range of advanced business information solutions designed to reduce risk and improve business performance. For more information visit [www.credco.com](http://www.credco.com).

## About CoreLogic

**CoreLogic (NYSE: CLGX)** is a leading provider of consumer, financial and property information, analytics and services to business and government. The company combines public, contributory and proprietary data to develop predictive decision analytics and provide business services that bring dynamic insight and transparency to the markets it serves. CoreLogic has built the largest U.S. real estate, mortgage application, fraud, and loan performance databases and is a recognized leading provider of mortgage and automotive credit reporting, property tax, valuation, flood determination, and geospatial analytics and services. More than one million users rely on CoreLogic to assess risk, support underwriting, investment and marketing decisions, prevent fraud, and improve business performance in their daily operations. Formerly the information solutions group of The First American Corporation, CoreLogic began trading under the ticker CLGX on the NYSE on June 2, 2010. The company, headquartered in Santa Ana, Calif., has more than 10,000 employees globally with 2009 revenues of \$2 billion. For more information visit [www.corelogic.com](http://www.corelogic.com).