Give me a little credit
Credit reports and credit scores
Disclaimer

- The purpose of this presentation is to help you better understand credit reporting and to provide general information about how you can manage your credit report so that you can get the credit you need and want. For legal reasons, I:
  - cannot discuss issues specific to your personal credit report
  - cannot advise individuals about how to improve their personal credit report or credit scores
  - cannot submit disputes regarding your personal credit report on your behalf

- Information regarding Experian policies and processes is current as of the date of this presentation but may change.
Our people and locations

17,000 people across 40 countries

Some of our office locations

**Corporate Office – UK**
Cardinal Place, 80 Victoria Street, London, SW1E 5JL, United Kingdom

**Operational Headquarters – UK**
Landmark House, Experian Way, NG2 Business Park, Nottingham, NG80 1ZZ, United Kingdom

**Operational Headquarters – USA**
475 Anton Blvd. Costa Mesa, CA 92626, United States

**Operational Headquarters – Brazil**
Serasa Experian, Alameda dos Quinimuras, 187-3 andar, CEP 04068-900, Planalto Paulista, São Paulo, Brazil

North America
Latin America
UK and Ireland
EMEA
Asia Pacific
We help clients of all sizes, from individual consumers to large multi-national companies.

Our Industry Focus

- 32% Financial Services
- 21% Direct-to-consumer
- 14% Retail
- 5% Automotive
- 5% Telecoms & Utilities
- 4% Insurance
- 3% Public Sector & Education
- 16% Other

Year ending 31st March 2012
A diverse portfolio by region, business line and customer segment

**By region***
- North America: 48%
- UK & Ireland: 19%
- Latin America: 21%
- EMEA/Asia Pacific: 12%

**By business line***
- Credit Services: 46%
- Marketing Services: 21%
- Decision Analytics: 11%
- Consumer Services: 22%

**By customer segment***
- Financial services: 30%
- Direct to consumer: 21%
- Other: 17%
- Public Sector/Education: 2%
- Healthcare: 2%
- Media/Technology: 6%
- Telecoms/Utilities: 5%
- Retail: 10%

* Contribution to Group revenue FY13
The choice is yours
What is credit?

- Obtaining goods or services and paying for them at a later date under agreed upon terms
- Credit cards, mortgages and car loans
- Service contracts: cable television, telephone, utility service
- Your financial references
Credit does not equal debt

Build a positive credit history so you can get the best terms when you invest in debt.
Credit reports and financial services make the world go round
Credit reporting companies serve consumers and businesses by making possible:

- Instant credit
- Lower-cost credit
- Nationwide credit
- Widespread availability
- Account management
The credit cycle

You pay lender

Credit reporting companies share with new lenders

Lender updates records

Lender shares history with credit reporting companies
Credit reporting companies are like libraries

Credit reporting company clients check out information …

… If they have a permissible purpose under the law
Defining credit reports and their importance

What is a credit report?

► Your personal credit report includes a record of your financial accounts and obligations and the identification information associated with them.

► This report is sometimes called a credit file or a credit history.

► Credit reporting companies collect and organize data about your credit history from your creditor’s and public records.
Defining credit reports and their importance

- Why is it important?
  - Lenders use credit reports and credit scores to gauge the likelihood that you will pay back a loan
    - A strong credit history enables you to obtain a credit card, home and auto loans and many other valuable credit services, and can affect the amount that you pay for those services
  - Reports are also used in other non-lending situations – employment checks, apartment rental applications, utilities, cellular phones, etc.
  - Your credit report serves as your financial references to companies with whom you want to do business
You need good credit references

Credit References

Financial Success!

Academic Credentials

Character references

Employment References

Diploma
The Fair Credit Reporting Act
Permissible purposes

- Open or manage credit accounts
- Offers of credit
- Employment purposes
- Underwrite insurance
- A business transaction initiated by the consumer
- Court order or federal jury subpoena
- Valuation of risk of an investor
- Eligibility for government license
- Disclosure to consumer
The players in the credit cycle

- Credit reporting companies
- Lenders
- Risk score modelers
- The government
- You
What’s in a credit report?

- Identifying information
- Account information
- Public record information
- Inquiries
- Dispute instructions
Rental payment history data

What is it?
- On-time as well as late payments
- Bad checks and/or insufficient funds (NSF)
- Unfulfilled lease terms
- Outstanding balances/write-offs
- Previous collections activity

Why is it important?
- 96 million of 300 million U.S. residents rent
- Rental payments not previously on credit report
- 64 million U.S. consumers insufficient/no credit history
- Consumers rejected with good payment history

United States Population

Owners 69%
Renters 31%
Rental data
Increases scoreable population

Rental payment information improves scores for existing consumers and helps score previously un-scoreable consumers.

RentBureau® consumers

- **Scorable**: 68%
- **Unscoreable**: 32%
- **No hit**: 22%
- **Thin file**: 10%

New Consumers

- **87% of new consumers are scoreable**

Learn more at [www.experian.com/buildcredithistory](http://www.experian.com/buildcredithistory)
Initiating a dispute

- Must get report directly from Experian
  - Toll-free number on report gives you access to customer service
  - Report number identifies you and your record
  - You and customer service representative will be looking at the same information in the same order
- Can dispute online, by telephone or by mail
- Dispute must be specific
Processing a dispute

- Credit reporting company verifies with the source of the information (creditor or court)
- Must allow up to 45 days for processing
- Source verifies, corrects or updates
- Secure, encrypted electronic system is used
- Creditors required to report corrections to all databases
- Consumer can add statement of dispute if issue is not resolved with source
Information you provide in an application for credit, housing, or insurance is reported to credit reporting companies.
## How long is information kept on a report?

<table>
<thead>
<tr>
<th>Category</th>
<th>Retention Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open accounts in good standing</td>
<td>Indefinitely</td>
</tr>
<tr>
<td>Closed accounts in good standing</td>
<td>10 years</td>
</tr>
<tr>
<td>Late or missed payments</td>
<td>7 years</td>
</tr>
<tr>
<td>Collection accounts</td>
<td>7 years</td>
</tr>
<tr>
<td>Civil judgments</td>
<td>7 years</td>
</tr>
<tr>
<td>Chapter 7 bankruptcy</td>
<td>10 years</td>
</tr>
<tr>
<td>Chapter 13 bankruptcy</td>
<td>7 years</td>
</tr>
<tr>
<td>Unpaid tax liens</td>
<td>10 years</td>
</tr>
<tr>
<td>Paid tax liens</td>
<td>10 years</td>
</tr>
<tr>
<td>Credit inquiries</td>
<td>2 years</td>
</tr>
</tbody>
</table>
What’s NOT in a credit report?

- Credit reporting companies do not store:
  - Criminal background
  - Medical information
  - Buying habits / transaction data
  - Bank account information
  - Credit scores
Common myths about credit reporting

- When paid, the bad debt will go away
- The credit reporting company denied me credit
- I’m not responsible for those charges on our account
- A divorce decree separates joint accounts
- Consumers must give their permission for a report to be issued (employment is the exception)
- Requesting your own report and preapproved offers harms your credit history
- There is only one credit score and it is on every report
What is a credit score?

- Used instead of a manual “score sheet”
- Valuable risk management tool
- Many different models, with many different scales available from many different sources
- Credit reporting companies often apply the model selected by the creditor when delivering the credit report; however, the credit scoring model, or formula, is proprietary to the developer and is not known by the credit reporting company

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Risk factors are the key

- Generated when a risk score is calculated
- Tell the consumer what to address in their credit history to become more creditworthy
- Are largely consistent from model to model
- Are usually included in or described in an adverse action notice
- Experian provides risk factors to consumers with the scores it provides through its direct-to-consumer services
VantageScore 3.0 Characteristics Contributions

- Payment History, 40%
- Depth of Credit, 21%
- Utilization, 20%
- Balances, 11%
- Recent Credit, 5%
- Available Credit, 3%
Composition of a FICO Score

- **Percentage breakdown**

  - Types of Credit: 35%
  - New Credit: 10%
  - Length of Credit History: 15%
  - Amount Owed: 30%
  - Payment History: 10%
## How Mistakes Affect FICO Scores

<table>
<thead>
<tr>
<th>Credit mistake</th>
<th>If your score is 680</th>
<th>If your score is 780</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maxed-out card</td>
<td>Down 10 to 30 pts.</td>
<td>Down 25 to 45 pts.</td>
</tr>
<tr>
<td>30-day late payment</td>
<td>Down 60 to 80 pts.</td>
<td>Down 90 to 110 pts.</td>
</tr>
<tr>
<td>Debt settlement</td>
<td>Down 45 to 65 pts.</td>
<td>Down 105 to 125 pts.</td>
</tr>
<tr>
<td>Foreclosure</td>
<td>Down 85 to 105 pts.</td>
<td>Down 140 to 160 pts.</td>
</tr>
<tr>
<td>Bankruptcy</td>
<td>Down 130 to 150 pts.</td>
<td>Down 220 to 240 pts.</td>
</tr>
</tbody>
</table>

*Source: FICO*
Ten rules for managing credit

1. Establish a credit report
2. Always pay as agreed
3. Get a credit card
4. Use caution in closing accounts
5. Apply for credit judiciously
6. Time is key
7. Demonstrate stability
8. Have a plan
9. Put credit to work for you
10. Share your knowledge
Learn to live credit smart and enjoy the benefits

Trying to protect young people from credit is like trying to protect them from drowning by not teaching them how to swim.
Centralized source for free reports
www.annualcreditreport.com

- One every twelve months
- Single contact point
  - Telephone - 877 322 8228
  - Mail
  - Internet
- Fee for credit score disclosure
Experian Education Resources – On the Web

- **Free annual FACT Act credit report**
  - [www.annualcreditreport.com](http://www.annualcreditreport.com)
    Access to free report from each of the three credit reporting companies

- **Experian**
  - [www.experian.com/crediteducation](http://www.experian.com/crediteducation)
    Ask Experian advice column, sample consumer report, frequently asked questions
  - [www.livecreditsmart.com](http://www.livecreditsmart.com)
    Credit trends and information to inspire consumers to use credit wisely
    Electronic versions of our published materials, sample credit report, videos, PowerPoint presentations with talk notes and more
Experian Consumer Resources – Credit and beyond

- www.experian.com
  - Experian subscription-based credit monitoring and unlimited Experian credit reports and scores, consumer assistance and education resources

- Credit Educator
  - Personalized review and guidance about your credit report and score by an Experian professional for a nominal fee.
  - [www.experian.com/credit-educator.html](http://www.experian.com/credit-educator.html)

- ProtectMyID.com
  - For fee service that monitors credit report and other sources to provide early alert to identity theft and services to aid in rapid recovery

- www.AutoCheck.com
  - For fee vehicle history reports to help consumers make good pre-owned auto purchasing decisions
Experian

A world of insight