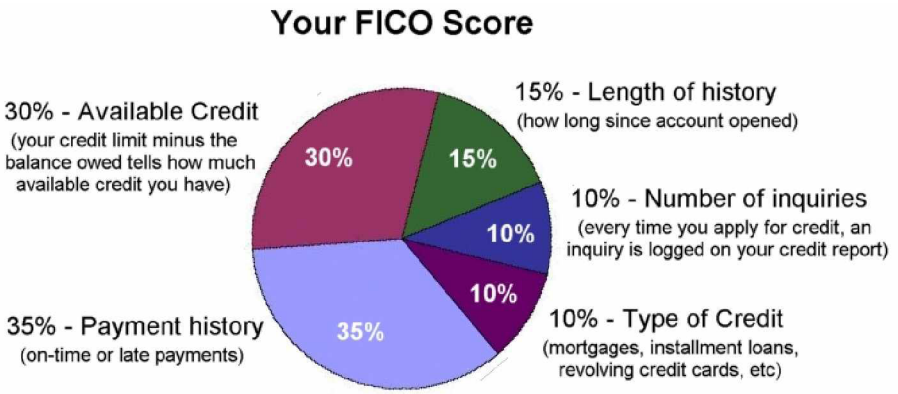
Continental Credit LLC

What makes up the FICO Credit Score?

There are many different scoring models that can produce a different credit score for the same person. Insurance companies, credit card companies and other industries have their own models., When applying for a home mortgage loan, the FICO score is used, and many times can produce a lower score than the other models.



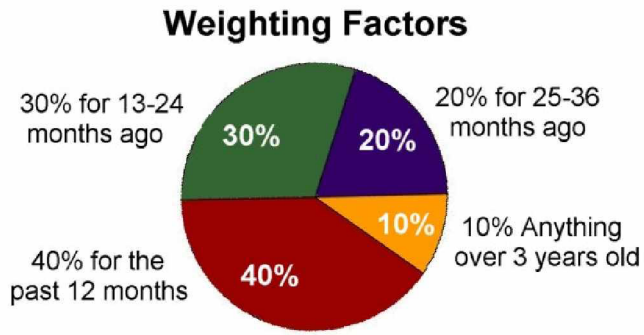
What actions will HURT your FICO Credit score?

The following are the top items that will actually lower your FICO score. Avoiding these actions prior to applying for a mortgage loan will help to increase your score.

- **Missing Payments** - no matter the dollar amount, $5 or $500, if you miss a payment it hurts your score the same. And only one late payment takes 2 years to restore credit. Missing a mortgage payment hurts your score worse than missing any other payment.
- **Credit cards balances at or near the credit limit** – the closer your balance is to the credit limit, the more it hurts your score. If your balance is:
  - < 30% of your credit limit – it will not drop your score.
  - 30% - 49% of your credit limit – takes away 10% of your available credit points
  - 50% - 89% of your credit limit – takes away 25% of your available credit points
  - 90% - 100% of your credit limit – takes away 90-100% of your available credit points

  Some credit card companies do not report a credit limit to the credit bureaus in which case the model assumes your current balance is 100% of your available limit, which lowers your FICO score. Two common cards that do not report limits are Amex & Capital One.
- **Closing credit cards that are 2 or more years old** – this will negatively affect both the length of history factor as well as the available credit and will temporarily drop your score.
- **Excessive credit inquiries and new accounts** - applying for several new accounts/loans within a 12 month period will negatively affect your score.
- **Having more revolving credit in relation to installment credit** – revolving credit (credit cards, retail store cards, etc) counts against you more than installment credit (mortgage, car loan, student loan, etc)

How much weight does older information have on my FICO score?



What does NOT affect your FICO score?

The FICO Credit score models are NOT affected by:

- age
- race
- gender
- national origin
- education
- marital status
- disability
- public assistance
- income
- length of residence
- length of employment

How can you improve your FICO score?

The following is a list of actions that have a big impact towards helping your score. However, it takes careful balance to achieve the goal as some 'improvement actions' may hurt your score if not done carefully, contact Julie for Guidance.

- Make payments on time, ESPECIALLY your mortgage or rent payment!
- Stop applying for any new credit cards and/or loans. Approximately 6-12 inquiries within 90 days will lower your score about 1 point per inquiry. More than 15 inquiries within 90 days will lower your score about 2.5 points for EACH inquiry.
- Pay down credit card balances to 30% or lower of the available limit. If that is not possible, then try to get below 50%. Just make sure your balance is never more than 90% of your available credit limit. You can also ask your credit card company to raise your credit limit to help give you a lower balance ratio. Be careful when doing this, you must not spend any more or you will be in worse shape. Also note that when you ask to have your limit increased, a credit inquiry is performed on your credit report.
- If you have more than 5 revolving accounts, close the newer accounts and keep the older (longer history) accounts. Closing accounts less than 2 years old can help your score, but you should have 2-4 revolving accounts open.
- Take $500 to your bank and open up a 6 month CD. Get a $500 secured loan using the CD as collateral. Immediately pay back $300. Each month, make DOUBLE the minimum payment. After 6 months, you will have good credit to start offsetting the bad credit. Repeat this action more than once to continue to improve your credit
- Make sure your credit card company reports a credit limit. If they won't, then pay off the balance or transfer the balance to another account that does.
- Try to have 3-5 OPEN and ACTIVE accounts (loans, credit cards, mortgage, etc) in good standing on your credit report. More good credit will help offset any bad credit and most lenders require at least 3 active accounts to give you a loan.
- Review your credit report once a year. You can obtain 1 free credit report a year by contacting **www.annualcreditreport.com**