

Gaining Homeownership

THROUGH

Establishing Credit Responsibility



CONTACT US FOR A FREE CREDIT ANALYSIS

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WE ASSIST OUR CLIENTS IN IMPROVING THEIR CREDIT

TRUTHS ABOUT CREDIT

Average Credit Statistics

U.S. The following statistics reflect the average use of credit by today's consumers.

Number of Credit Obligations

On average, today's consumer has a total of 11 credit obligations on record at a credit bureau. These include credit cards (such as department store charge cards, gas cards, or bank cards) and installment loans (auto loans, mortgage loans, student loans, etc.). Not included are savings and checking accounts (typically not reported to a credit bureau). Of these 11 credit obligations, 7 are likely to be credit cards and 4 are likely to be installment loans.

Past Payment Performance

On average, today's consumers are paying their bills on time. Fewer than 4 out of 10 have ever been reported as 30 or more days late on a payment. Only 2 out of 10 have ever been 60 or more days overdue on any credit obligation. 85% of all consumers have never had a loan or account that was 90+ days overdue, and less than 10% have ever had a loan or account closed by the lender due to default.

Credit Utilization

About 48% of credit card holders carry a balance of less than \$1,000. About 10% are far less conservative in their use of credit cards and have total card balances in excess of \$10,000. When we look at the total of all credit obligations combined (except mortgage loans), 54% of consumers carry less than \$5,000 of debt. This includes all credit cards, lines of credit, and loans-everything but mortgages. Nearly 30% carry more than \$10,000 of non-mortgage-related debt as reported to the credit bureaus.

Total Available Credit

The typical consumer has access to \$12,190 on all credit cards combined. More than half of all people with credit cards are using less than 30% of their total credit card limit. Just over 1 in 8 are using 80% or more of their credit card limit.

Length of Credit History

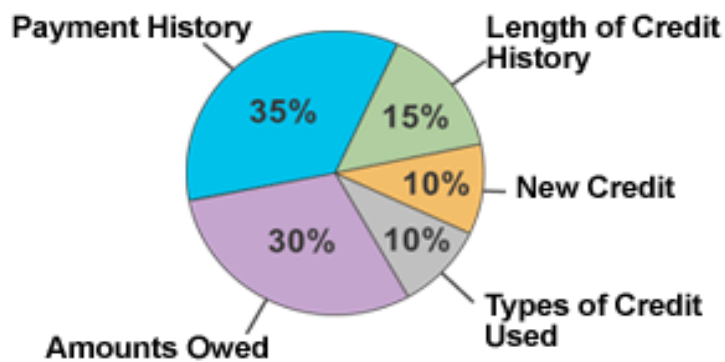
The average consumer's oldest obligation is 13 years old, indicating that he or she has been managing credit for some time. In fact, we found that 1 out of 5 consumers who recently applied for credit, had credit histories of 20 years or longer. Only 1 in 20 consumers had credit histories shorter than 2 years.

Inquiries

When someone applies for a loan or a new credit card account - in short, any time one applies for credit and a lender requests a copy of the credit report - this request is noted as an "inquiry" in the applicant's credit file. The average consumer has had only one inquiry on his or her accounts within the past year. Fewer than 7% had four or more inquiries resulting from a search for new credit.

What's In Your Score

FICO Scores are calculated from a lot of different credit data in your credit report. This data can be grouped into five categories as outlined below. The percentages in the chart reflect how important each of the categories is in determining your score.



These percentages are based on the importance of the five categories for the general population. For particular groups - for example, people who have not been using credit long - the importance of these categories may be somewhat different.

Payment History—35% Of Your TOTAL SCORE

- Account payment information on specific types of accounts (credit cards, retail accounts, installment loans, finance company accounts, mortgage, etc.)
- Presence of adverse public records (bankruptcy, judgments, suits, liens, wage attachments, etc.), collection items, and/or delinquency (past due items)
- Severity of delinquency (how long past due)
- Amount past due on delinquent accounts or collection items
- Time since (recency of) past due items (delinquency), adverse public records (if any), or collection items (if any)
- Number of past due items on file
- Number of accounts paid as agreed

Amounts Owed—30% Of Your TOTAL SCORE

- Amount owing on accounts
- Amount owing on specific types of accounts
- Lack of a specific type of balance, in some cases
- Number of accounts with balances
- Proportion of credit lines used (proportion of balances to total credit limits on certain types of revolving accounts)
- Proportion of installment loan amounts still owing (proportion of balance to original loan amount on certain types of installment loans)

Length of Credit History—15% Of Your TOTAL SCORE

- Time since accounts opened
- Time since accounts opened, by specific type of account
- Time since account activity

New Credit—10% Of Your TOTAL SCORE

- Number of recently opened accounts, and proportion of accounts that are recently opened, by type of account
- Number of recent credit inquiries
- Time since recent account opening(s), by type of account
- Time since credit inquiry(s)
- Re-establishment of positive credit history following past payment problems

Types of Credit Used—10% Of Your TOTAL SCORE

- Number of (presence, prevalence, and recent information on) various types of accounts (credit cards, retail accounts, installment loans, mortgage, consumer finance accounts, etc.)

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Allied Home Mortgage Capital Corporation
(866) 826-7789 Toll-Free
www.mythoroughbredgroup.com

Improving Your FICO® Score

It's important to note that raising your score is a bit like losing weight: It takes time and there is no quick fix. In fact, quick-fix efforts can backfire. The best advice is to manage credit responsibly over time.

- **Pay your bills on time.**
Delinquent payments and collections can have a major negative impact on your score.
- **If you have missed payments, get current and stay current.**
The longer you pay your bills on time, the better your score.
- **Be aware that paying off a collection account will not remove it from your credit report.**
It will stay on your report for seven years. *Paying a collection can ACTUALLY LOWER your score!*
- **Keep balances low on credit cards and other “revolving credit”.**
High outstanding debt can affect a score. If your balance is greater than 50% of your credit limit, then your credit score is lower. Getting close to credit limit places you at a higher credit risk!
- **Pay off debt rather than moving it around.**
The most effective way to improve your score in this area is by paying down your revolving credit. In fact, owing the same amount but having fewer open accounts may lower your score.
- **Don't close unused credit cards as a short-term strategy to raise your score.**
- **Don't open a number of new credit cards that you don't need, just to increase your available credit.** This approach could backfire and actually lower score.
- **If you have been managing credit for a short time, don't open a lot of new accounts too rapidly.**
New accounts will lower your average account age, which will have a larger effect on your score if you don't have a lot of other credit information. Also, rapid account buildup can look risky if you are a new credit user.
- **Do your rate shopping for a given loan within a focused period of time.**
FICO® scores distinguish between a search for a single loan and a search for many new credit lines, in part by the length of time over which inquiries occur. Applying for a mortgage should be done within a 45 day window period to avoid a drop in your score.
- **Re-establish your credit history if you have had problems.**
Opening new accounts responsibly and paying them off on time will raise your score in the long term. If you cannot obtain credit then consider opening a SECURED Credit Card. This way, they will provide you a credit card, report it to your bureau and help you re-establish good credit. See Joel Anderson regarding the opening of these types of accounts.
- **Note that it's OK to request and check your own credit report.**
This won't affect your score, as long as you order your credit report directly from the credit reporting agency or through an organization authorized to provide credit reports to consumers. We recommend for you to go to www.myfico.com or www.freecreditreport.com.

- **Apply for and open new credit accounts only as needed.**

Don't open accounts just to have a better credit mix - it probably won't raise your score. Avoid opening multiple accounts. It is good to have at the most two to three credit cards and NEVER keep balances on them higher than 30% of the Total Credit Limit.

- **Have credit cards - but manage them responsibly.**

In general, having credit cards and installment loans (and paying timely payments) will raise your score. **Someone with no credit cards, for example, tends to be higher risk than someone who has managed credit cards responsibly.**

- **Note that closing an account doesn't make it go away.**

A closed account will still show up on your credit report, and may be considered by the score. This is a bad option to "CLOSE" an account especially if it still has a balance. It triggers the system that you may be under poor decision-making of funds and not able to meet your obligations.

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