

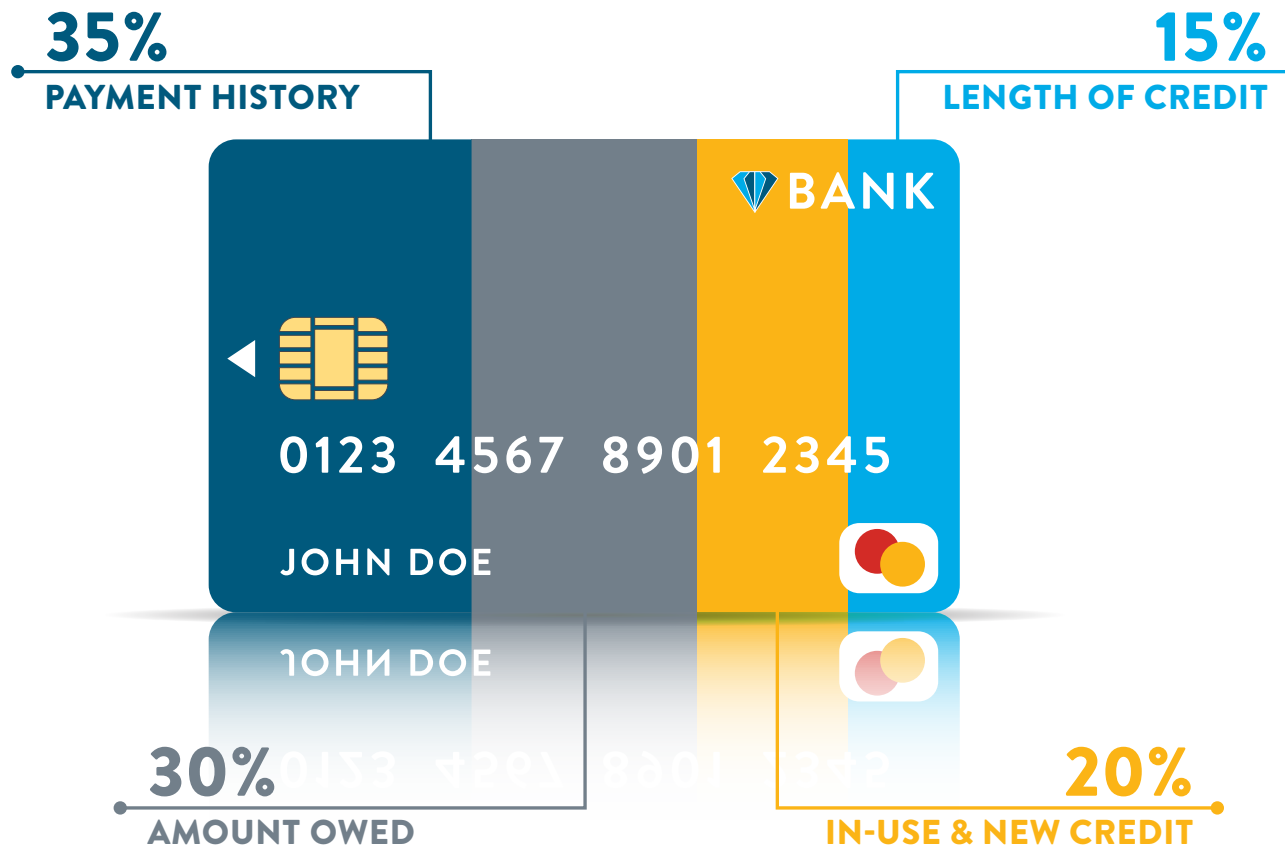


THE FICO FORMULA: UNDERSTANDING YOUR CREDIT

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HOW FICO SCORES ARE CALCULATED



Source: myfico.com/crediteducation

THINGS TO CONSIDER

The weight of each category varies from person to person

The weight of each category depends on many individual factors

The FICO formula can change as a person's credit report changes



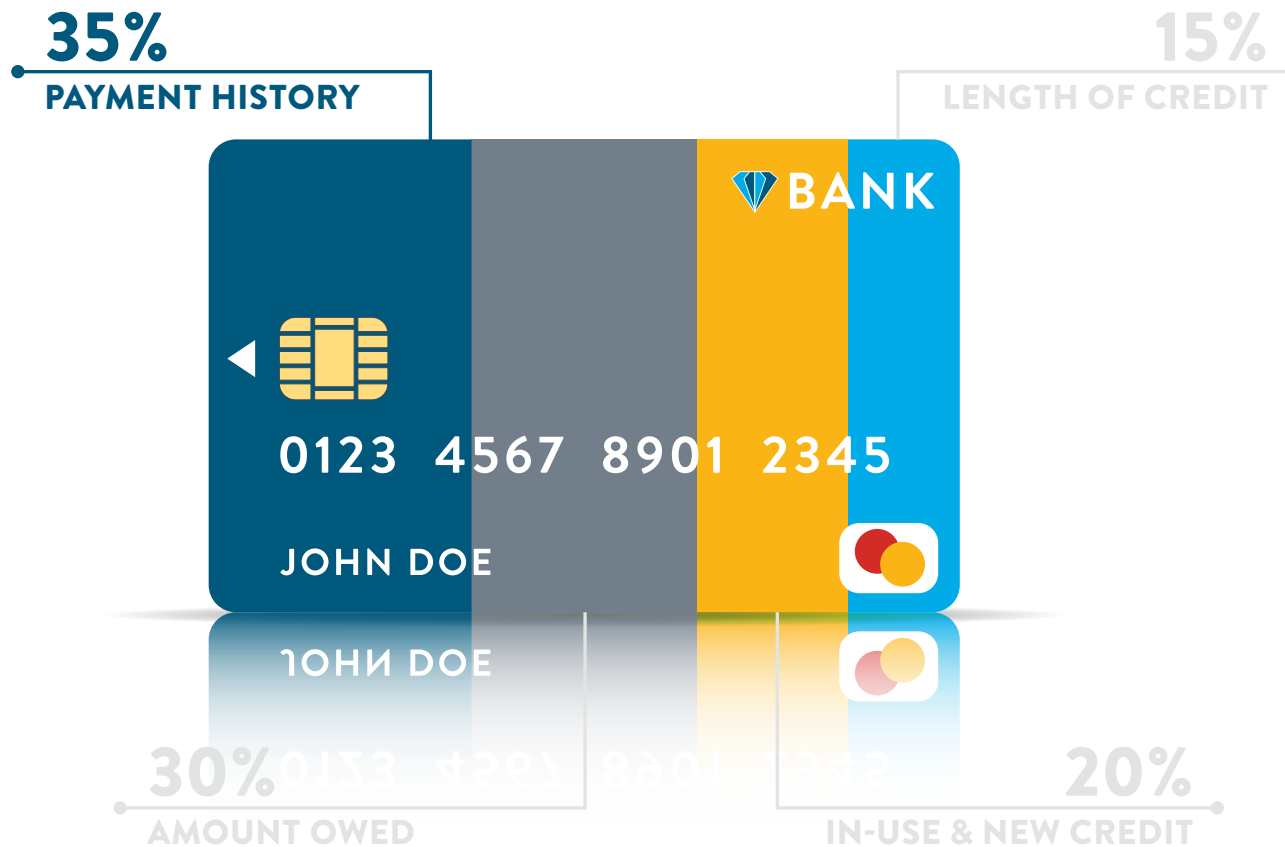
WHAT IS **NOT** PART OF THE FICO FORMULA

- ▶ Race, color, religion, national origin, sex or marital status
- ▶ Age
- ▶ Salary, occupation, title, employer, date employed or employment history
- ▶ Where you live
- ▶ Interest rates on credit cards or other accounts
- ▶ Child and/or family support obligations
- ▶ Certain types of inquiries (credit report requests)
- ▶ Any information not found in your credit report
- ▶ Any information on your credit report that isn't proven to be predictive of future credit performance
- ▶ Whether or not you are participating in a credit counseling

Source: myfico.com/crediteducation



PAYMENT HISTORY – 35%



Source: myfico.com/crediteducation

THINGS TO CONSIDER

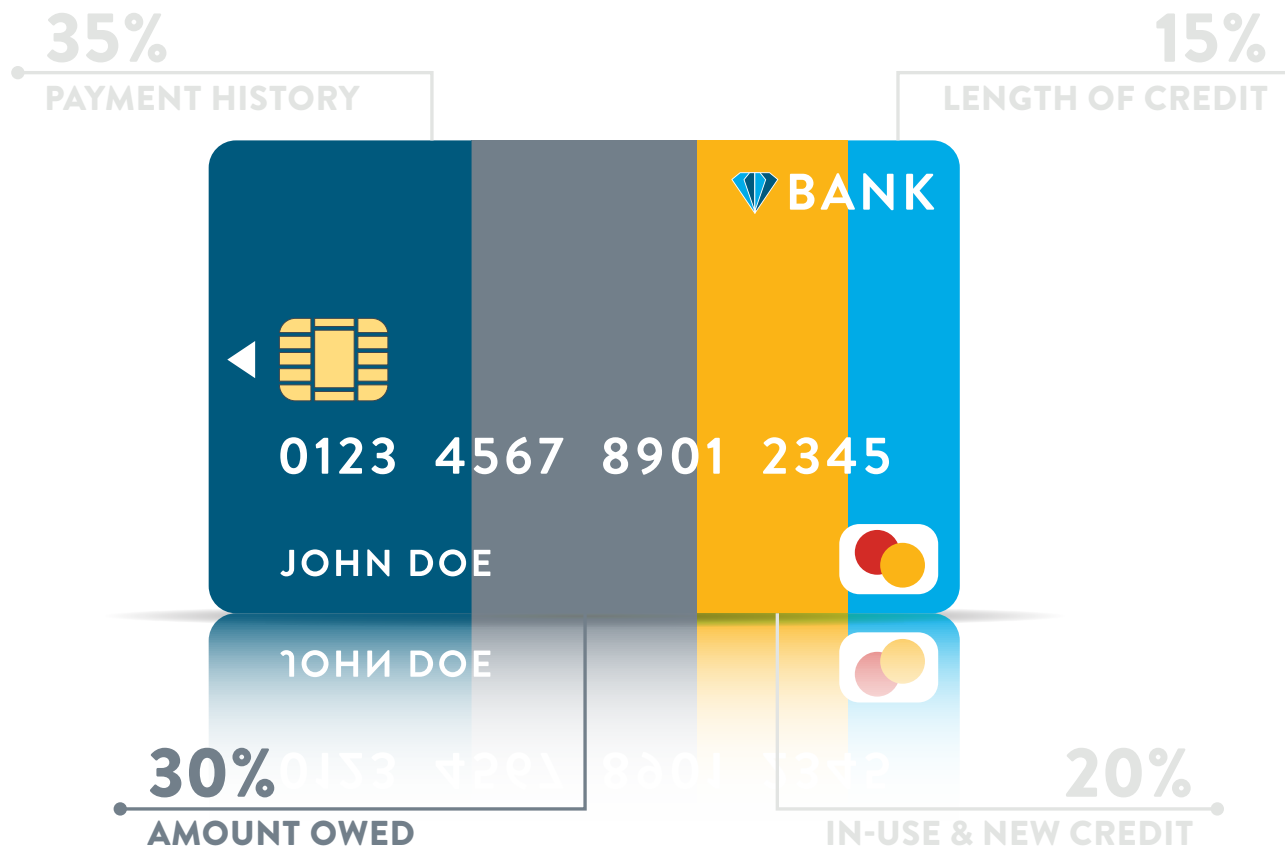
Whether credit obligations have been paid on time in the past

Overall “good picture” outweighs a few late payments

Public records and collection items can have a big negative impact



AMOUNTS OWED – 30%



Source: myfico.com/crediteducation

THINGS TO CONSIDER

Owing money doesn't necessarily mean you're high-risk

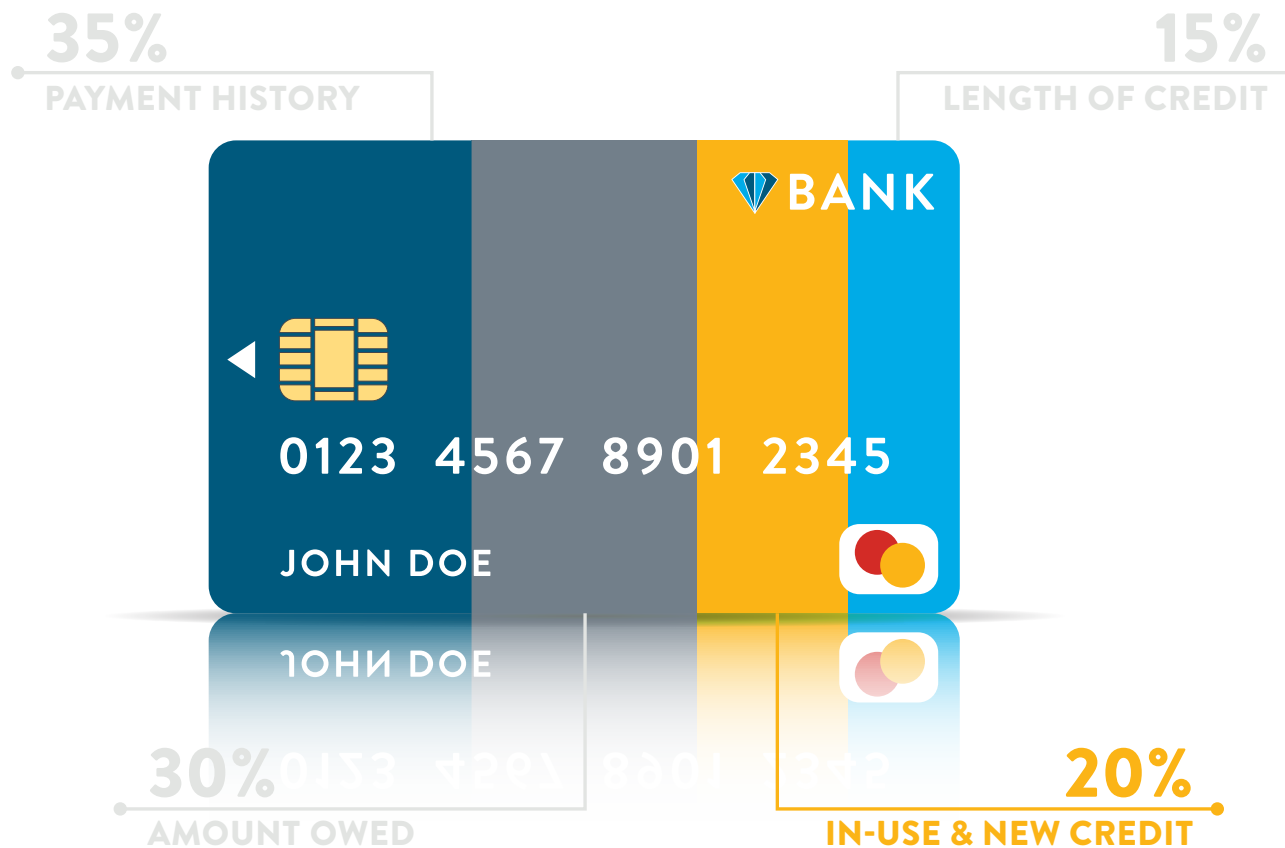
Being close to the "maxed out" limit on your credit or credit cards can be concerning

The number of accounts with balances matters

Low usage of revolving debt often benefits credit score vs. no usage



IN-USE & NEW CREDIT – 20%



Source: myfico.com/crediteducation

THINGS TO **CONSIDER** IN-USE CREDIT

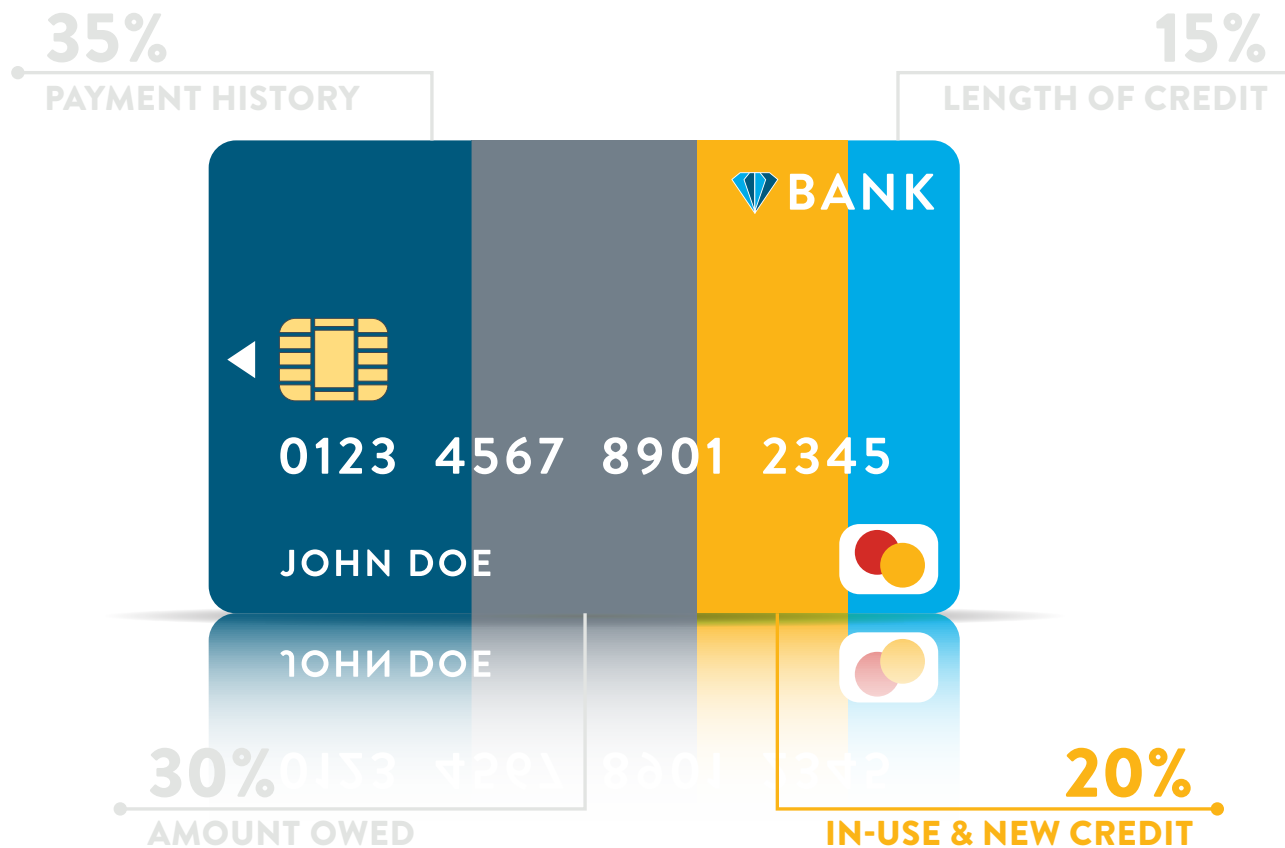
Usually not a key factor

More important with short credit histories

A mix of different types of credit accounts can help scores



IN-USE & NEW CREDIT – 20%



Source: myfico.com/crediteducation

THINGS TO **CONSIDER** NEW CREDIT

Opening several new accounts in a short period of time represents greater risk

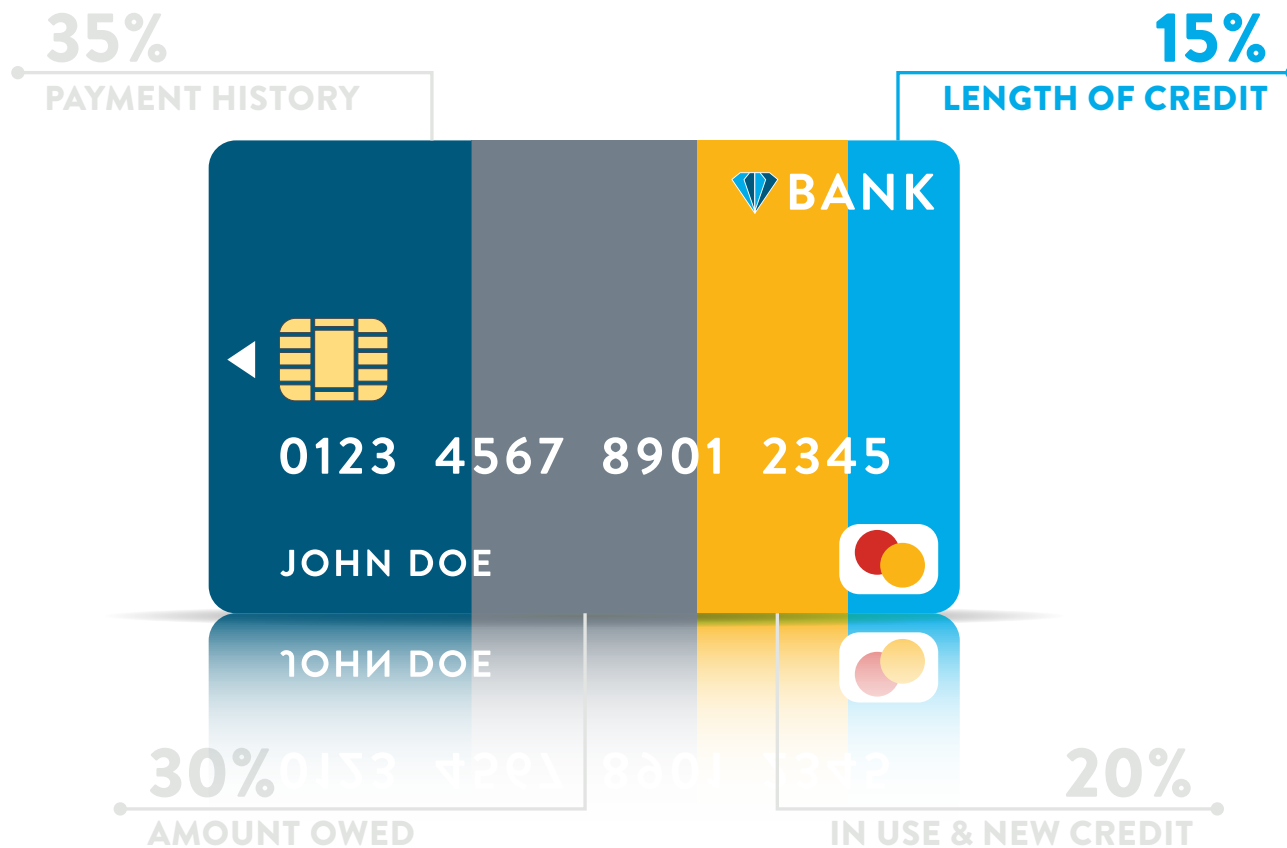
Inquiries have a small impact on scores

Many types of inquiries are ignored

FICO scores allow for "rate shopping"



LENGTH OF CREDIT HISTORY – 15%



Source: myfico.com/crediteducation

THINGS TO CONSIDER

Longer credit history is generally beneficial

Age of the oldest, newest and average account are considered

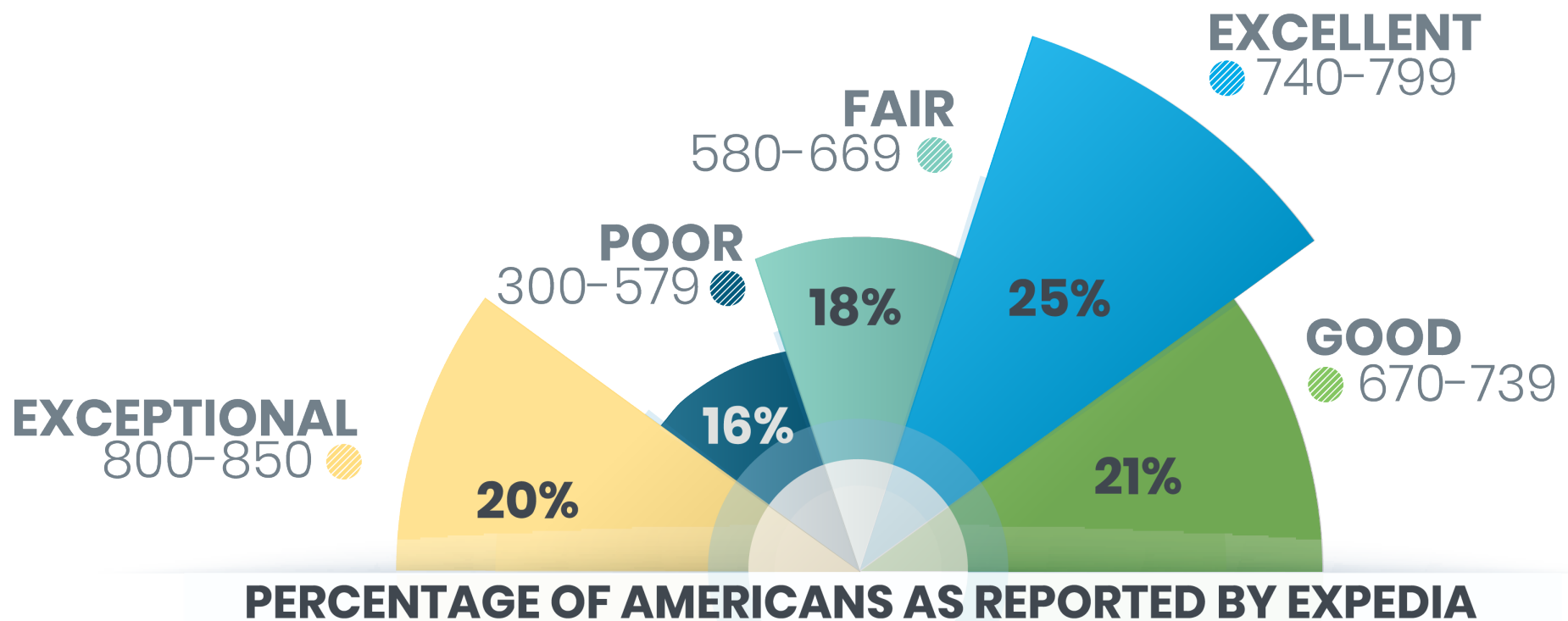
How long have specific accounts been established? (*credit card, mortgage, car loans*)

How long since certain accounts have been used? (*credit card, merchant, line of credit*)



PUTTING IT ALL TOGETHER

Now that you know your score, and what factors are included, it's important to **understand what the score means**. Typically a score over 780 is considered excellent, while a score under 660 is considered at least somewhat challenged. We have loan programs for nearly every category of score so don't despair! By working with a loan advisor you can work on **raising your score** with some changes to how you're spending your money – or take a look at the programs that are **available to you now**.





About APM

As a company, we embrace the concept of homeownership with enthusiasm and optimism for housing in America. Every employee at American Pacific Mortgage takes personal ownership in *Creating Experiences That Matter™* for our customers and consumers. Every transaction represents a family, a home, and a life decision – we understand and value that our participation is a privilege and that our job is to delight everyone involved in the loan process.



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