



Speaking Confidently About Credit

Presented by

Plaza Home Mortgage and MGIC

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By the end of this session, we will



- develop strategies to avoid delays in the loan process.
- understand options for credit file security.
- understand different credit scores.
- understand changes in medical collections.
- feel more confident discussing these subjects with borrowers and colleagues.



Best Practices for Success: Pre and Post Credit Pull

Pre-Credit Checklist to Avoid Delays



Does your borrower have a locked or a frozen file?

Remove prior to pulling credit to ensure you can review the full credit file.



Does your borrower have any accounts currently in a disputed status?

Some investors may require disputes be removed prior to pulling credit.



Does your borrower have any recent negative items or high credit card balances?

It's beneficial to know early and avoid surprises or delays.



Provide your borrower the name of your credit provider –

Consumers with credit monitoring services may see the name of your provider rather than your name.

Disputed Inquiries

“I didn’t authorize you to pull my credit.”

- The bureaus have processes in place to address disputed inquiries. Check with your credit reporting provider.
- Retain all documentation.
- Advise your borrower: “The credit reporting agency’s name may appear in the Inquiry Section of the credit report.

B	B	TARGET NB	03/10	07/04 03/06	\$10000 REV	\$0 \$0	\$0	68	0	0	0	PAID XP/EF
4352375050530569												
CLOSED ACCOUNT												
COLLECTION ACCOUNTS												
*** NONE ***												
OTHER CREDIT HISTORY												
*** NONE ***												
PUBLIC RECORDS												
*** NONE ***												
INQUIRIES (LAST 120 DAYS)												
XP	B		03/01/19	American Reporting Company								BANKING

Post-Credit Checklist to Avoid Delays



Are there frozen or locked files on your credit report?

Notify borrower to remove freezes and locks. Ask your CRA to re-access bureaus on existing report rather than re-pulling a new report.



Are there any accounts currently in a disputed status?

Confirm with underwriters and investors if disputes need to be removed. This may require a re-score to resolve quickly before closing.



Are there any Mismatch or Fraud Alerts returned on the credit report? Review the credit report before re-pulling credit. Are you prepared for these events?



Did your borrower receive any trigger lead calls from other lenders?

How do you answer these?

Avoid Mismatch Alerts - check name, address, SSN

- 40 - DEROGATORY PUBLIC RECORD OR COLLECTION FILED
- 10 - PROPORTION OF BALANCE TO HIGH CREDIT ON BANK REVOLVING OR ALL REVOLVING ACCOUNTS
- 14 - LENGTH OF TIME ACCOUNTS HAVE BEEN ESTABLISHED
- 33 - PROPORTION OF LOAN BALANCES TO LOAN AMOUNTS IS TOO HIGH

ALERT

1 - JANET X TESTCASE YOB: 1947 EXPERIAN OFAC NAME MATCHING SERVICE: NO MATCH FOUND UNLESS OTHERWISE INDICATED

0 - ID MISMATCH ALERT: ADDRESS MISMATCH; INPUT DOES NOT MATCH FILE

0 - ID MISMATCH ALERT: SSN MISMATCH; INPUT SSN DOES NOT MATCH FILE

0 - EQUIFAX FRAUD ALERT: POSSIBLE ID THEFT VICTIM - INITIAL ALERT ON FILE. DO NOT GRANT CREDIT WITHOUT VERIFYING THE CONSUMER'S IDENTITY.

[Request New Tradeline](#)



ECOA KEY: B=BORROWER; C=CO-BORROWER; J=JOINT; U=UNDESIGNATED; A=AUTHORIZED USER; P=PARTICIPANT; S=CO-SIGNER;
M=MAKER; X=DECEASED; I=INDIVIDUAL; T=TERMINATED

AMERICAN REPORTING: 6628 212TH ST SW STE 100, LYNNWOOD, WA 98036 (P) 425.563.1900 (F) 425.381.2077

The information is furnished in response to an inquiry for the purpose of evaluating credit risks. It has been obtained from sources deemed reliable, the accuracy of which this organization does not guarantee. The inquirer has agreed to indemnify that reporting bureau for any damage arising from misuse of this information, and this report is furnished in reliance upon that indemnity. It must be held in strict confidence and complies with the provisions of Public Law 91-508, the Fair Credit Reporting Act. Reporting bureau certifies that all Residential Mortgage Credit Reports meet the standards prescribed by FNMA, FHMC, FHA, VA and the Farmers Home Administration.

Alerts Section – Investigating Alerts

SOURCE OF INFORMATION

NAME: JANET TESTCASE 000000003 DOB: N/A

SSN: 000000003

ADDRESS: 19 FOREST DR, ANTHILL, MO 65488-0001 - REPORTED 06/03 - 04/18

ADDRESS: 39804 HIGHWAY 27, MO, 65488 - REPORTED 06/17 - 10/17

ADDRESS: 1000 N 26TH ST, ANTHILL, MO 65488 - REPORTED 08/17

EMPLOYER: STATE OF MISSOURI// - REPORTED 10/13

EMPLOYER: DEPT OF REVENUE// - REPORTED 09/11

2 TRANSUNION - PULLED ON: 11/05/18 - INFILE DATE: 10/01/90

NAME: JANET X TESTCASE

NAME: DOB: 01/22/47

SSN: 000000003

ADDRESS: 19 FOREST DR, ANTHILL, MO 65488 - REPORTED 11/17

ADDRESS: 39804 HIGHWAY 27, ANTHILL, MO 65488 - REPORTED 05/17

PHONE: 555-0170 - RESIDENCE

3 EQUIFAX - PULLED ON: 11/05/18 - INFILE DATE: 09/18/82

NAME: JANET X TESTCASE DOB: 01/22/47

SSN: 000000003

ADDRESS: 19 FOREST DR, ANTHILL, MO 65488-0001 - REPORTED 01/10

ADDRESS: 39804 HIGHWAY 27, ANTHILL, MO 65488-0001 - REPORTED 10/17

ADDRESS: 1000 N 26TH ST, ANTHILL, MO 65488 - REPORTED 06/03

EMPLOYER: DEPT OF REVENUE//ANTHILL, MO

EMPLOYER: UNKNOWN//ANTHILL, MO

CREDITORS

BANK OF AMERICA

PO BOX 1598, NORFOLK, VA 23501

800-205-6247

Alerts Section – Is it fraud?



AMERICAN REPORTING COMPANY
6628 212TH ST SW STE 100, LYNNWOOD, WA 98036
Phone: 425.563.1900
Fax: 425.381.2077

MERGED INFILE CREDIT REPORT

FILE #	2304323	FNMA # INVALID	DATE COMPLETED	11/5/2018	RQD' BY	MIKE OLDEN
SEND TO	AMERICAN REPORTING COMPANY		DATE ORDERED	11/5/2018		
	CUST. # 9999		REPOSITORIES	XP/TU/EF	PRPD' BY	
	6628 212TH ST. SW. STE. 100		PRICE	\$0.00	LOAN TYPE	CONV
	LYNNWOOD, WA 98036		REF. #	MGIC		

PROPERTY ADDRESS

APPLICANT			CO-APPLICANT		
APPLICANT	TESTCASE, JANET X		CO-APPLICANT		
SOC SEC #	000-00-0030	DOB 01/22/1947	SOC SEC #	DOB	
MARITAL STATUS	SINGLE		DEPENDENTS		
CURRENT ADDRESS	123 MAIN ST, SEATTLE, WA 98104		LENGTH		
PREVIOUS ADDRESS			LENGTH		

SCORE MODELS

EQUIFAX/FICO CLASSIC V5 FACTA - JANET X TESTCASE - 000000003

Common Alerts – Summary

ALERT	DEFINITION/USE	RECOMMENDED ACTION
Mismatch Alerts	Name; address; or SSN as entered does not match bureau records.	Contact your provider – verify correct name; address; or SSN based on documents or ‘Source of Information’.
Fraud Alerts	Notifies lender consumer may have been a victim of fraud.	Defer to your legal department for further action but typically lenders must verify consumer’s identity.
Frozen/Locked File	Consumer has chosen to restrict access to their credit report.	Consumers should remove these prior to pulling credit.



Credit File Security

How to Place a Credit Lock or Freeze?

Credit Lock

- Offered by all 3 bureaus
- Free at Equifax and TransUnion (Experian charges for subscription package.)
- Can interrupt or delay accessing credit data – Remember to unlock your file before your lender pulls credit.

Credit Freeze

- Offered by all 3 bureaus
- Always FREE-ze
- Can interrupt or delay accessing credit data - Remember to unlock your file before your lender pulls credit.



Initial Fraud Alert: Active for 1 year. May be extended.

Extended Fraud Alert: Active for 7 years.

Active-Duty Fraud Alert: Available for military while on active-duty. May be extended.

For directions go to:

<https://www.identitytheft.gov/#/CreditBureauContacts>



The logo for Equifax, featuring the word "EQUIFAX" in a bold, red, italicized sans-serif font.The logo for TransUnion, featuring the word "TransUnion" in a blue sans-serif font, with a circular icon containing the letters "tu" to the right.The logo for Experian, featuring a cluster of colored squares (blue, purple, pink) to the left of the word "experian" in a blue sans-serif font, with a trademark symbol.

Monitoring available at each credit bureau plus other third parties (some programs may require a fee.)

Click the buttons above for more info.

Can Lenders Give a Copy of the Credit Report to Borrowers?

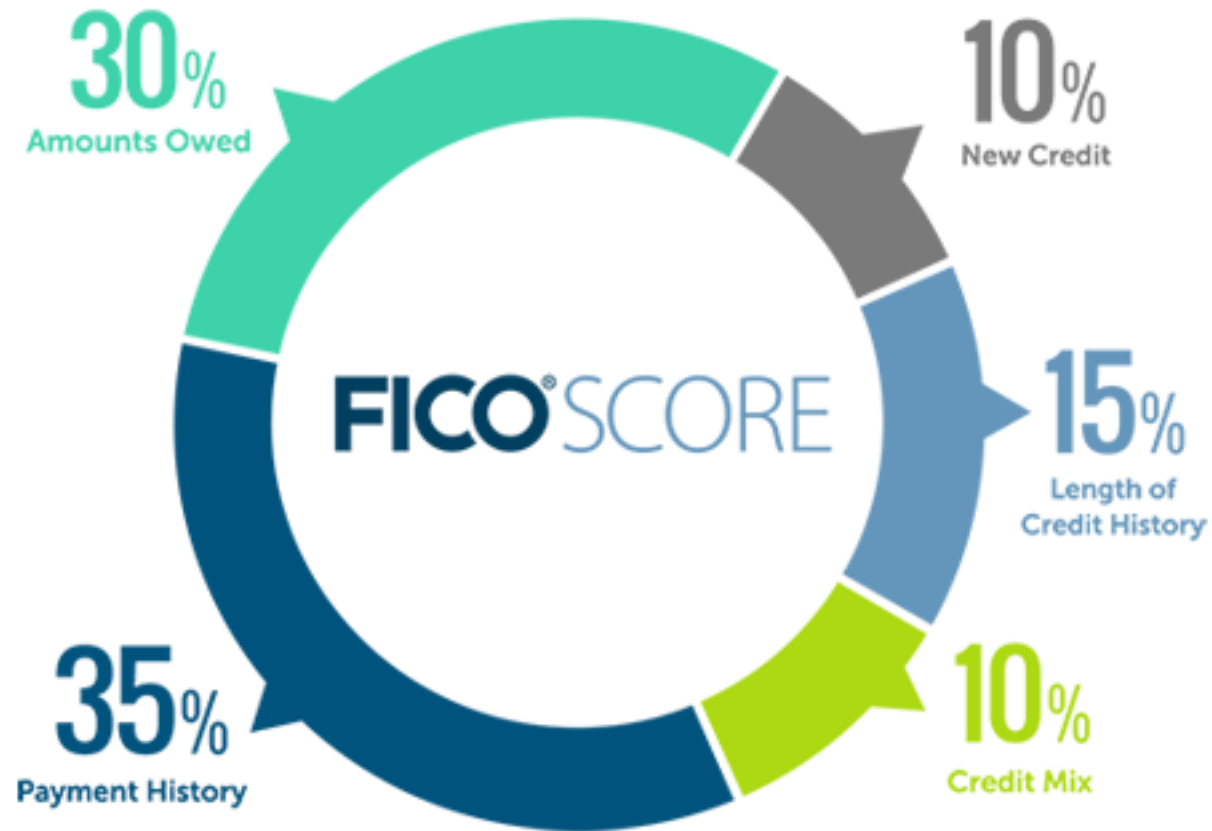
- Defer to your legal department but if you do provide a copy...
- Provide the consumer copy version, not the lender's version.
- Credit score disclosures must be sent to each applicant; typically, within three days of pulling credit.

The background of the slide is a grayscale photograph of a person's hands working at a desk. On the left, a hand is on a laptop keyboard. In the center, there is a laptop. To the right, a hand is holding a pen over a document. Above the laptop, there are two tablets or smartphones. A solid red horizontal banner is positioned across the middle of the image, containing the title text in white.

Credit Score Overview

Are all credit scores the same?

- Mortgage industry uses FICO® Scores.
- Other creditors may use different score models such as VantageScore®
- Consumer credit reports may include different score models; for example, www.annualcreditreport.com and Credit Karma.



Source: FICO®

How Do Inquiries Impact FICO® Scores?

- The only inquiries that impact FICO® Scores are consumer-initiated requests for credit. These are “hard hits.” NOTE: The mortgage industry allows for multiple inquiries within a specific timeframe.
- Checking your own credit; applying for employment or rent; account review by existing creditors, do not impact credit scores. These are “soft hits.”
- If an inquiry does impact a score, on average it’s typically less than 5 points.

How Does Account Status Impact FICO® Scores?

No Impact on FICO® Scores if account is -

- *Current*
- *Deferred*
- *In Forbearance*
- *Affected by Natural or Declared Disaster*
- *Loan Modification.*

Impact on FICO® Scores if account status -

- reflects delinquency or other negative status.
- reflects high proportion of balance to credit limit.
- reported as “Paying Under a Partial Payment Agreement”

Source: FICO



Industry Updates and Resources

Are Medical Collections Still Reported?

- Any medical bill sent to collection cannot be reported to the credit bureaus for 12 months.
- All medical collections, paid or unpaid *under \$500* are no longer eligible for reporting to the credit bureaus.
- Consumers with previous medical collections under \$500 should review their credit report at www.annualcreditreport.com to ensure these have been removed.

When Will New Credit Score Models Be Used?

- Fannie Mae and Freddie Mac plan to implement new credit score models in Q4 2024.
- FICO 10T (Trended Data) and Vantage 4.0 are scheduled to be used in the mortgage industry replacing older models currently in use. Trended Data may impact the consumer's score.
- Both models are designed to include additional information such as rent, utilities, and telecom payments.
- The GSEs plan to use both scores but switch from a tri-merge report to a bi-merge report.

How Can Consumers Dispute Reporting Errors?

Review – Confirm - Dispute

Consumers can access their personal credit reports each week for free through www.annualcreditreport.com until December 31, 2023.

Identify and confirm any credit reporting errors.

Secure documentation for all corrections and deletion of reporting errors.

File disputes online for quickest results:

<https://www.annualcreditreport.com/filingADispute.action>

How Can Borrowers Avoid Trigger Leads?

Consumers can opt out by using the following links:

To eliminate unwanted mail solicitations, go to www.optoutprescreen.com or call 888-567-8688

To eliminate unwanted phone solicitations, go to www.donotcall.gov or call 888-382-1222.

There are some exceptions to this process – companies that have a current relationship with you are exempt; as are certain non-profit organizations such as religious, political, or community-based non-profits seeking funding. To eliminate these solicitations, it is best to contact each organization directly.

Consumers can also contact the Data & Marketing Association at <https://dmachoice.thedma.org/> for additional assistance.

Encourage Consumers To Avoid Credit Repair Dangers

Credit Repair or Debt Management companies may...

- *attempt to charge fees before any work is completed.*
 - *promise or imply to delete legitimate credit items.*
 - *ask lender for a copy of borrower's credit report.*
- These actions may violate the Credit Repair Organizations Act (CROA) or contracts with the credit bureaus.
 - Bureaus can restrict access to lenders who violate this regulation.
 - A better alternative is to refer borrowers to a HUD certified counselor here:
https://www.hud.gov/program_offices/housing/sfh/hcc/hcc_home



- Take the Credit Score Quiz to check your knowledge.
<http://www.creditscorequiz.org/>
- For more information about FICO® Scores go to www.myfico.com or www.ficoscore.com/education.
- For more information about VantageScore® go here:
www.your.vantagescore.com
- <https://www.fico.com/en/covid-19-credit-reporting-impact-US>
- <https://your.vantagescore.com/resource/435/how-protect-my-credit-score-if-financial-hardships-covid-19>

Contact Us

We would love to hear from you.

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