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TRANSUNION INTERACTIVE

Credit Boot Camp: How to Fix Your Finances

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Agenda

- Introduction to Credit Reporting
- Breaking Down Credit Reports
- Understanding Credit Scores
- Preparing Consumers for Home Purchases
- Questions and Answers

Credit Reporting – What It Is

- TransUnion, Equifax and Experian are the three national credit reporting agencies (CRAs) that keep records on consumers.
- The reporting agencies work with lenders, creditors, insurers and employers to update and distribute your information to the appropriate institutions.
- Think of it as your financial reputation and the way you will be viewed by lenders, creditors, insurers and employers.

The logo for Equifax, featuring the word "EQUIFAX" in a bold, red, italicized sans-serif font.The logo for TransUnion, featuring a stylized arrow graphic composed of green dots pointing to the right, positioned above the word "TransUnion" in a green sans-serif font with a small "SM" trademark symbol.The logo for Experian, featuring a blue and red dot matrix graphic to the left of the word "Experian" in a blue sans-serif font, with the tagline "A world of insight" in a smaller blue font below it.A smaller version of the TransUnion logo, featuring the stylized arrow graphic and the word "TransUnion" in green.

Credit Reporting – An Example: New Credit Card

- When you apply for a new credit card the creditor requests a copy of your financial history from one or more of three nationwide credit reporting agencies. This causes a "hard inquiry" to be recorded on your credit report.
- The creditor uses your credit reports and scores along with income and debt information to determine what rates to offer.
- You start to use the new credit card and the creditor reports your activities to the credit reporting agencies about every 30 days.
- The credit reporting agencies update your credit report as they receive new information from creditors or lenders.
- Your credit profile changes based on your financial activity. The next time you apply for a credit card or loan, the process repeats.

Credit Reports – Components

A consumer's credit report is divided into six main sections:

- Consumer information (name, address, date of birth, employment and SSN)
- Consumer statement
- Account histories
- Public records
- Inquiries
- Creditor contacts



Credit Reports – How They Can Change

- When a consumer opens/closes an account, makes/misses a payment or moves, these sections are updated with new information.
- Negative records will stay on a credit report for up to 7-10 years.
- Positive records can remain on your credit report longer.



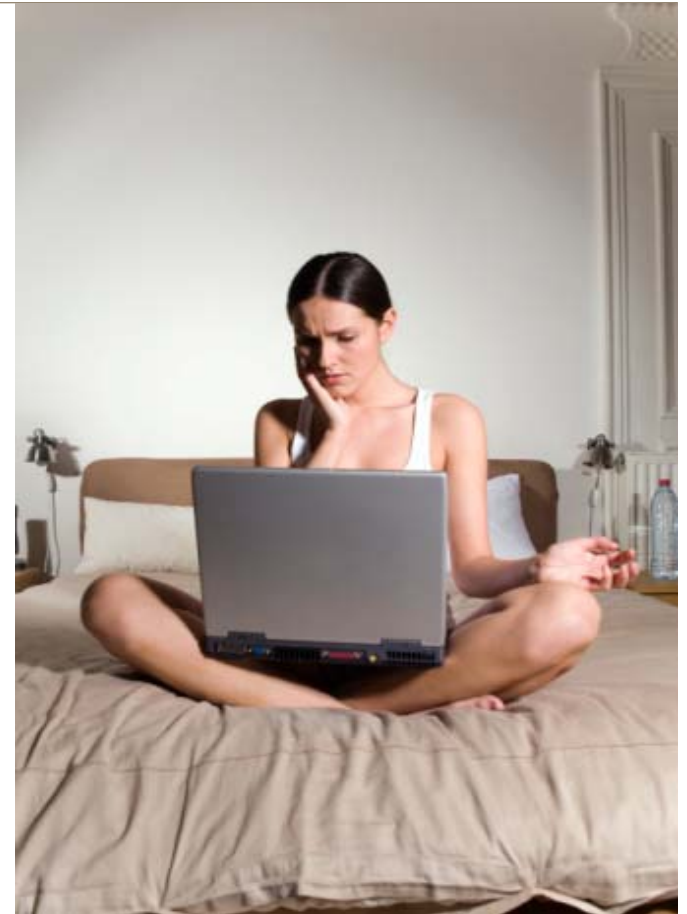
Credit Report – Importance of Monitoring

- Not all creditors report to all three agencies and the agencies obtain their data independently.
- As a result, a consumer's credit reports from TransUnion, Equifax and Experian could be substantially different from each other.
- It is important to check all three credit reports every 6-12 months to ensure that the information is accurate and up-to-date.



Credit Monitoring – Reporting a Dispute

- Under the Fair Credit Reporting Act, (FCRA) consumers are protected from having inaccurate information on their credit reports.
- If you find an inaccurate record on your report, try contacting the creditor or lender associated with the mark first.
- If you can't make progress this way, you can also dispute the inaccuracy directly with the credit reporting agencies.
- You can learn more about the dispute process in the “dispute” or “investigate” sections of the CRA’s Web sites.



Credit Reporting – Maintaining Healthy Profile

- Managing credit and maintaining a good credit history can lead to better rates on major purchases.
- Consumers should check their credit reports every 6-12 months or at least 3 months before a major purchase in order to guard against damaging inaccuracies and identity theft.
- To maintain a healthy credit profile:
 - Pay bills on time
 - Keep credit card balances below 35% of their limits
 - Correct any negative inaccuracies immediately



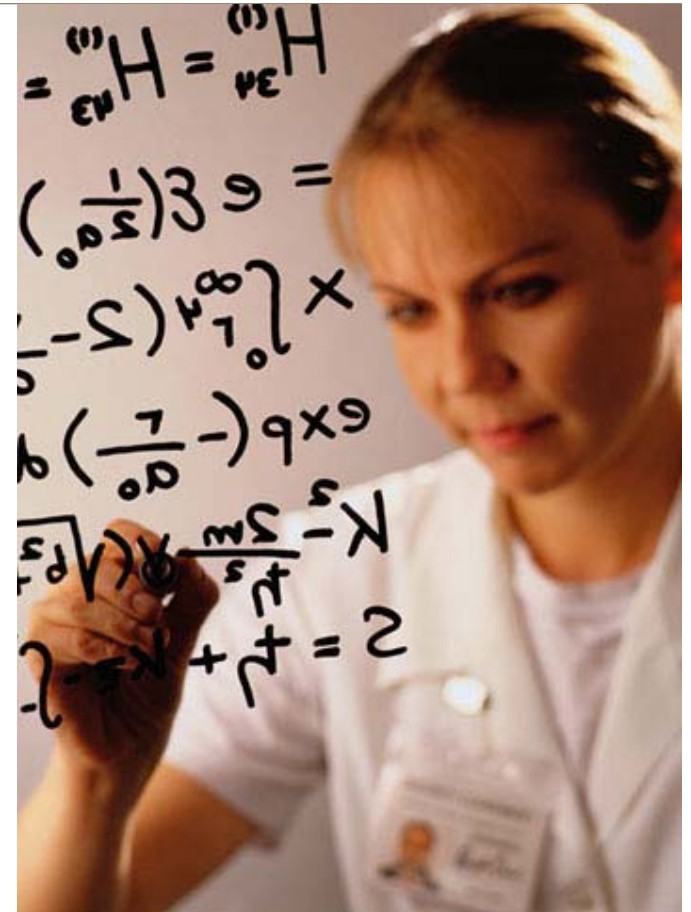
Credit Score – Components

- **Payment history** – A good record of on-time payments will help your credit.
- **Outstanding debt** – High balances in relation to your credit limits can harm your credit. Aim for balances under 35%.
- **Credit account history** – An established credit history makes you a less risky borrower. Think twice before closing old accounts before a loan application.
- **Recent inquiries** – When a lender or business checks your credit, it causes a hard inquiry and a slight ding to your credit score. Apply for new credit in moderation.
- **Types of credit** – A healthy credit profile has a balanced mix of credit accounts and loans.



Credit Score – How It is Calculated

- Thousands of different credit scoring formulas exist today for various evaluation purposes.
- Each unique credit scoring system is accurate and correct for its own application.
- The credit scores consumers can order online use an algorithm created for consumers that approximates these different formulas.
- Consumers' online credit scores may vary a bit from the score the lender uses, but they should be in the same range.



Preparing Consumers to Purchase a Home

- Consumers should start by checking their credit reports from TransUnion, Equifax and Experian.
(www.annualcreditreport.com)
- To get the best possible mortgage rate, consumers should make sure their credit history is healthy and accurate. Credit scores above 700 are likely to qualify them for most prime loans.
- If your credit score is not quite 700 or above, you should focus your efforts on paying bills on time, reducing your debt balances, avoiding new inquiries and clearing negative inaccuracies from your credit reports.



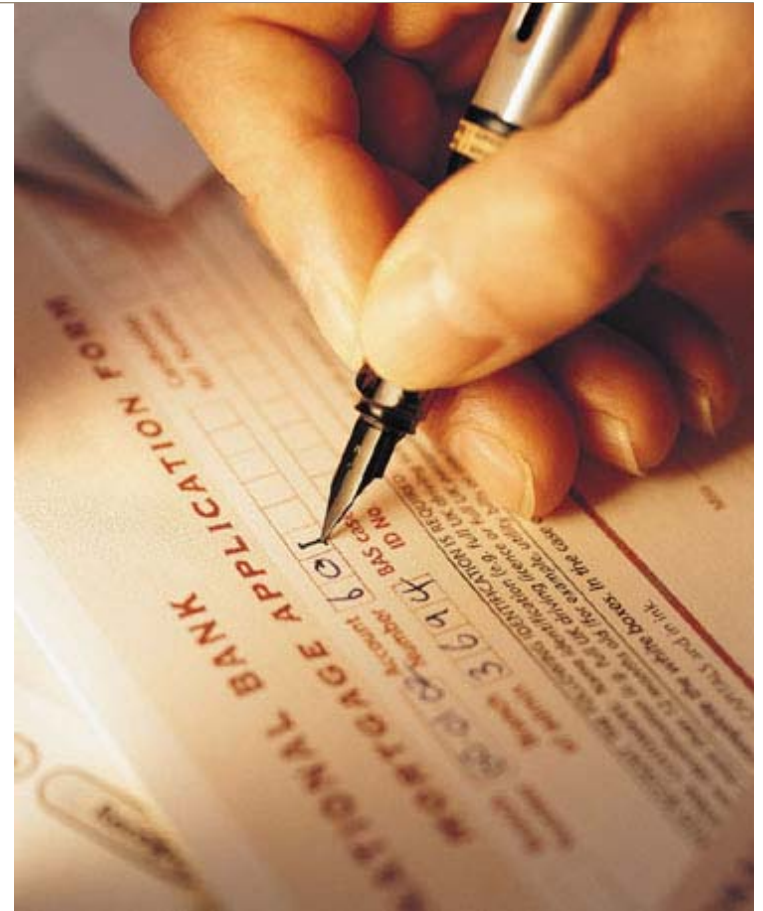
Preparing Consumers to Purchase a Home

- Consumers should validate that the information on their credit reports is correct and fix any problems they discover. Allow 30-90 days for correcting inaccuracies.
- Consumers can learn more about the dispute process in the “dispute” or “investigate” sections of the CRA’s Web sites.
- For a complete understanding of credit history, consumers should check their credit reports and credit scores from all three national credit reporting agencies.



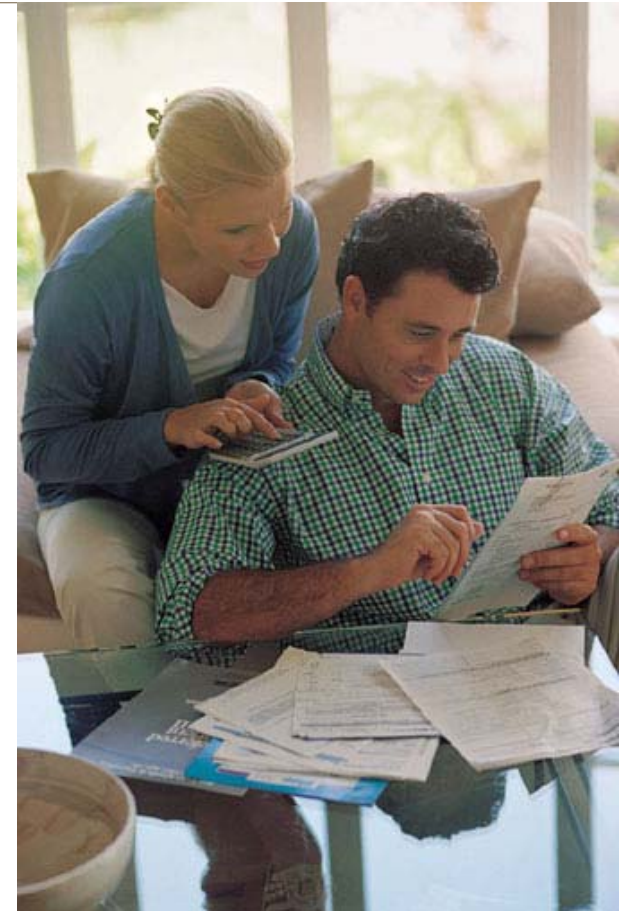
Preparing Consumers to Purchase a Home

- Consumers should understand where they are and how lenders will view them.
- The rule of thumb is that most borrowers can afford a home that runs about two and a half times their annual salary.
- It's okay to start out small. Just because you may qualify for a large loan doesn't mean that it is a smart financial decision to buy as large a home as possible.



Preparing Consumers to Purchase a Home

- Consumers should calculate their loan-to-value ratio to see how much they can afford to borrow by dividing the loan amount by the property's value.
 - If the loan-to-value ratio is above 80%, your rates may increase significantly. Find a less expensive home or save up for a down payment to lower this percentage.
- Consumers should also calculate the debt-to-income ratio by adding up their monthly debts and dividing that by their monthly income.
 - A debt-to-income ratio under 20-30% is usually considered good and will help consumers to be perceived as financially stable.



Tips for Preparing to Purchase or Refinance a Home

- To get the best possible mortgage rate, make sure your credit history is healthy and accurate.
- Although many things are out of control right now, take control of what you can. Consumers should be empowered to control their credit score.
- If your credit score is not quite as high as you would like it, focus your efforts on paying bills on time, reducing your debt balances, avoiding new inquiries and clearing negative inaccuracies from your credit report.
- Make sure the information on your credit reports is correct and fix any problems you discover. Give yourself 30-90 days for correcting inaccuracies.
- Figure out how much you can afford: The rule of thumb is that most borrowers can afford a home that runs about two and a half times their annual salary.

Summary

- Think of credit reports and credit scores as your financial reputation and the way you will be viewed by lenders, creditors, insurers, and potential employers.
- Always know where you stand. Consider subscribing to a credit monitoring service to catch any inaccuracies and to make sure your financial profile is in the best shape possible to take advantage of the best rates.
- By preparing yourself, you can ensure a smooth finance process and can potentially save thousands on your loan.

Questions and Answers

