Birchwood
CREDIT SERVICES, INC.

1.866.354.ECSB (3272) • ECSB.COM

EQUAL HOUSING LENDER

Member FDIC
Member DIF

Understanding
and Maximizing
Consumer Credit Scores

EASTCAMBRIDGE
SAVINGS BANK

> *Beware of little expenses.*
> *A small leak will sink a great ship.*
>
> - Benjamin Franklin

LET'S TALK ABOUT CREDIT SCORES.

Applying for a mortgage, car loan, or credit card can be a confusing and sometimes intimidating experience. Though it often feels like there are endless hoops to jump through and mountains of paperwork to fill out, the process is much less stressful when you understand what's going on behind the scenes. This booklet provides helpful information about credit scores – what they are, why they matter, how they are calculated, and what you can do to improve yours.

Even though your credit score isn't the only factor lenders use to determine whether or not you qualify for a loan, it is an important part of your overall credit health. The good news is that you have a lot of control over your credit score. Each financial choice you make has the power to influence your credit score positively or negatively.

> *"Once you understand the effects of different choices, you'll have the ability to improve and maintain your best credit score."*

Ready to get started?

WHAT IS A CREDIT SCORE?

Your credit score is basically a summary of your financial history translated into a number on a scale from 300 to 850. The higher your score, the better your credit rating, meaning the better chance you have of qualifying for loans and competitive terms.

The most widely used scoring model in the United States and Canada is the FICO credit score. Developed in 1956 by a company called Fair, Isaac & Company (FICO), this model is designed to determine how likely you are to become 90 days late on any payment within the next twenty-four months. The model calculates the probability of loan delinquency by comparing patterns in your credit history against the credit patterns of millions of other consumers.

FICO makes all these comparisons with software that uses complex equations and advanced analytics to evaluate all the data in your credit report and distill it into a standardized, three-digit score.
But, let's back up a minute. Where does all the credit report data come from?

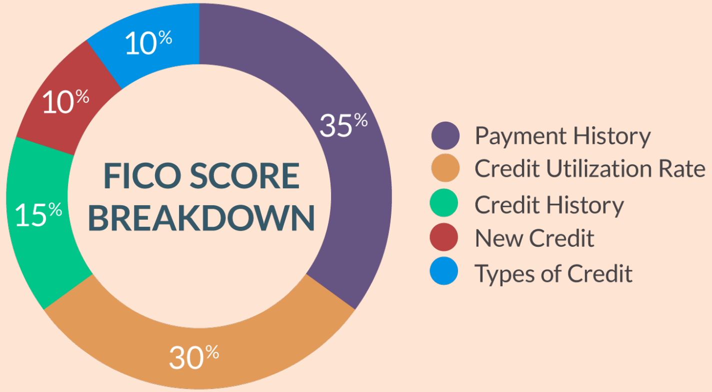
Each financial choice you make – how much you spend on credit, how responsibly you pay down your debts, how many credit-related accounts you have, etc. – gets reported to three credit reporting agencies: Equifax, Experion, and TransUnion. When a lender orders a copy of your credit report, they also usually request the accompanying FICO credit score, which boils everything down into a single score based on that agency's proprietary version of the FICO scoring model.

It's important to note that while FICO works with the credit agencies' data, they do not control the information in your credit reports. They just interpret the data they are given and translate it into the standardized score.

So, to summarize:

- You make financial choices.
- The lending entities you interact with (banks, retailers, etc.) report your choices to the three credit reporting agencies.
- The agencies use the FICO software to turn your data into a single credit score, which is then delivered to the lender reviewing your application for credit.

It may seem like there are a lot of players and moving parts, but because the choices you make drive the entire process, ultimately you're the one in control. In fact, recent statistics indicate that, given thirty days, more than 80% of loan applicants have the ability to potentially improve their credit scores.



WHY IS YOUR CREDIT SCORE IMPORTANT?

As we've already discussed, lenders use credit scores to evaluate the risks associated with lending funds. Credit scores give lenders a simplified yet comprehensive and – most importantly – standardized and non-discriminatory way to assess the likelihood of whether or not a borrower will pay them back on time. To put it more simply, your credit score helps a lender determine whether you're "good for it" when it comes to borrowing money. In addition to helping a lender decide whether or not to lend you money, your credit score also affects the kinds of credit offers you receive and specific loan terms including your interest rate, required down payment, etc.

For example, let's look at how different credit scores might affect a hypothetical homebuyer:

From a broader perspective, standardized credit scores have a positive effect on the entire lending industry for both lenders and borrowers by:

- Speeding up the loan approval process: The almost instantaneous availability of FICO credit scores gives lenders the ability to make credit decisions more quickly. This efficiency is also why certain retailers and Internet sites are able to offer "instant credit."
- Ensuring fair credit decisions: Because FICO scores evaluate only the facts of your credit history (and not factors like race, religious affiliation, gender, marital status, etc.), they provide the lender with an objective and impartial assessment of the credit risk.
- Deemphasizing older credit problems: The algorithm used by the FICO software "ages" past credit issues as time goes by in order to reduce their importance within the overall score. This means that you don't have to worry about a "black mark" staying on your record forever.
- Now that you have a basic understanding of what a credit score is, where it comes from, and why it's important, let's take a closer look at how lenders judge a credit score and the specific factors that determine go into determining your score.

GETTING TO KNOW YOUR CREDIT

What is a good credit score?

There isn't a universal standard by which to evaluate a credit score as good or bad. Each lender sets its own criteria depending on its particular industry and business model. While one bank, for instance, might offer its best auto loan interest rates to people with a credit score of 690 or more, another bank may choose to set their minimum credit score requirement at 720.
To provide a baseline, Fair Isaac segments the scoring range into five broad categories:

- 780 – 850: Low Risk
- 740 – 780: Medium to Low Risk
- 690 – 740: Medium Risk
- 620 – 690: Medium to High Risk
- 620 and Below: High Risk, sometimes referred to as "Non-Prime"

When a lender is evaluating your credit score, they are actually looking at three different FICO scores – one from each of the three main U.S. credit reporting agencies. Each agency uses its own version of the FICO scoring model to evaluate their version of your credit history. Since each scoring model is slightly different and the agencies may also have slightly different credit data, your three scores may vary. To help them make the safest decision, lenders typically [do they look at the lowest score, an average of the three?]. This is one reason why it's important to check your credit scores with all three agencies.

What goes into a credit score?

The FICO credit scoring model looks at five distinct aspects of your credit history and gives each of them a different "weight" or importance in your overall score:

- Payment History = 35%
- Amounts Owed = 30%
- Length of Credit History = 15%
- New Credit Inquiries = 10%
- Type of Credit Used = 10%

Before we review additional detail about these five categories of data, let's take a quick look at where the data comes from and how it gets onto your credit report.

How does data get onto your credit report?

Your credit report is a summary of your credit-related activity. Each time you interact with a lender – a retailer, bank, credit card company, etc. – information about that interaction is recorded and sent to the three U.S credit reporting agencies. In addition to information about current credit-related transactions, your report also includes basic identifying and other financial information. Here is a list of the kinds of interactions and associated data that wind up in your credit history:

- **Identity Information:** To verify that you are who you say you are, your credit report includes basic identity information such as you name (including maiden and married names), date of birth, and social security number. It also includes relevant contact and work history details such as current and previous addresses, telephone numbers, and employers.
- **Public Record Information:** Publicly available information such as bankruptcy filings, tax liens, debt collection situations, legal financial judgments, and – in some states – delinquent child support payments are included in your credit history. Bankruptcy, paid tax liens, and the majority of other public domain information remain on your report for 7 to 10 years depending on the particular circumstance. Unpaid tax liens can remain on your report indefinitely.
- **Collections History:** Any debts that have been sent to a collection agency will appear on your credit report for 7 years from the date of your initial late payment (30 days late). It's important to keep a close eye on any collection items listed on your credit report. Some collection agencies engage in illegal tactics to try and keep collection accounts current. In other cases, a debt that has been sold to another collection agency will erroneously appear on your report twice.
- **Credit Account Information:** Your report also includes a snapshot of all your credit accounts including the date each account was opened, its value (credit limit or total loan amount), the balance due, a history of monthly payments (covering several years), any information about co-signers or other responsible parties. Good credit history remains on the report indefinitely. Notations about late payments or defaults remain on the report for up to 7 years.
- **General Credit Inquiries:** Each time someone asks

for and obtains information from your credit report, that interaction shows up in your history. There are two types of inquiries – "hard" and "soft." Hard inquiries are made by lenders when you apply for new credit. Soft inquiries are made when you request a copy of your report or when third parties like employers, landlords, or existing creditors request information as part of a credit check.

- **Rate Shopping Credit Inquiries:** When you are in the market for a major loan – auto, mortgage, or education – multiple lenders will submit requests for your credit report. To ensure that these inquiries do not affect your score, the algorithm doesn't factor in any such requests made during a typical rate-shopping period (45 days).

How is different credit information factored into your FICO credit score?

Now that you have a sense of where all your credit history comes from, let's take a look at how lenders organize that data into the five categories of information that influence your FICO credit score:

Payment History (35% of overall score)

Risk Question: How do you measure up in terms of consistent and timely payments?

Your payment history gives prospective lenders an indication of how responsible you are when paying down debts. Although your credit score will not plummet because of one or two late payments, keep in mind that your payment history is one of the most influential factors determining your credit score. Specific information that the FICO scoring model takes into consideration includes:

- Payment Information across all your accounts including credit cards, retail credit accounts (such as department store credit cards), installment loans (such as for auto loans), and finance company accounts or mortgages
- Late Payment Information including frequency, amount due, days late, etc.
- How much a particular late payment affects your score also depends on how recently the infraction took place. For instance, a 60-day late payment that took place within a couple months of the credit report inquiry will bear more negative weight on your score than a longer, 90-day delinquency that took place a couple years ago.
- On-Time Payment Track Record across all your accounts
- The more accounts you have that show no late payments, the better chance you have of increasing your score.
- Public Record Information on bankruptcies, foreclosures, liens, wage attachments, suits, etc.

While these types of things are obviously serious, items that are older or relate to smaller amounts will weigh less heavily than items that are more recent or for larger amounts.

Amounts Owed (30% of overall score)
Length of Credit History (15% of overall score)
Risk Question: Have you been borrowing long enough to demonstrate good credit skills?

Typically, a longer, more established credit history will earn you a higher FICO score, but this doesn't mean that a short credit history automatically leads to a lower score. Specific information that the FICO scoring model takes into consideration includes:

- When your accounts were created – FICO looks at your longest established account, newest account, and an average lifespan of all your other accounts
- When specific accounts were created
- When you last used certain accounts

New Credit Inquiries (10% of overall score)
Risk Question: Are you taking on more than you can handle?

To a lender, a borrower who opens multiple new credit accounts in a short period of time looks like a higher risk, especially if the borrower has a relatively short credit history. While the FICO credit scoring model does make allowances for the wide variety of credit available today, it is still important to think seriously before you open any new accounts, especially if you're in the process of applying for a major loan such as a mortgage. Specific information that the FICO scoring model takes into consideration includes:

- Number of New Accounts – Overall and by type of account
- Length of Time Since Last New Account Opened – Applicable to certain kinds of accounts

- Number of Credit Requests You've Made in the Last 12 Months – Only those that actually have the potential to affect credit risk
- Length of Time Since Lenders Made Credit Report Inquiries
- Whether You have Re-established Good Credit – Your ability to rebound from negative credit concerns such as late payments

Type of Credit Used (10% of overall score)
Risk Question: Have you got a well-balanced mix of credit types?

It's not necessary to have one or more of each type of credit (revolving, retail, installment or finance company loans, etc.), but the FICO credit scoring model does look at your overall credit picture and how your debt is spread out over different types of accounts. Specific information that the FICO scoring model takes into consideration includes:

- Depth of Credit Experience – Whether you've only managed one kind of credit, or have worked with multiple types
- Breadth of Credit Types – Percentages of different credit types across total number of accounts

How does the passage of time affect items on your credit report?

Even if you've had credit problems in the past, you can still take steps to improve your future credit score. FICO scoring models weight items on your credit report based on how recently they appear in your credit history. In this way, though mistakes from your past remain on your report (usually for 7 to 10 years, depending on the type of item), they have less of an influence on your score the older they are. For example, here is how the negative impact of a major delinquency decreases over time:

When the Delinquency Occurred	Negative Impact
In the past year	93%
1 – 2 years ago	60%
2 – 3 years ago	44%
3 – 4 years ago	33%
More than 4 years ago	22%

What information is NOT part of the FICO credit score calculation?

In addition to knowing what information affects your credit score, it's important to understand which factors do not influence your score. The following information is strictly excluded from all FICO scoring models:

Personal Information:

- Race, Ethnicity, or National Origin
- Religious Affiliation [It's not stated overtly, but should we include political affiliation?]
- Gender
- Marital Status
- Age (Age may be considered by other credit scoring models, but not by FICO)
- Location of Residence
- Receipt of Public Assistance Benefits
- Involvement in Consumer Rights Disputes

Professional & Financial Information:

- Occupation, Title, Employer, Salary, Dates of Employment or Employment History (Though the FICO calculations do not factor in this information, individual lenders may consider it as part of their own qualification process.)
- The Interest Rates on Your Current Credit Accounts
- Data Related to Child/Family Support or Rental Agreements
- "Soft" Credit Report Inquiries (from you, an employer, etc.)
- Any Information Outside Your Credit Report

By excluding these factors from the scoring model, FICO helps to ensure that lenders make impartial and non-discriminatory decisions that are based completely on the relevant facts. Even with these precautions in place, consumers should still take the time to learn about their basic credit rights. In the following section, we'll look at some of the most important consumer protection legislation.

YOUR CREDIT RIGHTS

An educated consumer is an empowered consumer.

There are a number of legislative acts and government agencies that help make sure your rights are protected. Familiarizing yourself with the basics of consumer credit rights will help you make informed decisions. The following section takes a high-level look at who can see your credit report, some key elements of the Fair Credit Reporting Act (FCRA), and the role of the Consumer Financial Protection Bureau (CFPB).

PERMISSIBLE PURPOSE – WHO CAN VIEW YOUR CREDIT REPORT

Although your credit report is not available to anyone and everyone, there are a number of instances in which it is legally permissible for you or a third part to access your credit report and the information contained therein. However, any time a third party wants to access your credit information, the accessing party must disclose to you that they are doing so. Further, if they take action based on what they see in your credit report, they must explain their actions and you are legally entitled to a free copy of the credit report that was part of their decision process.

Situations in which you or a third party may access your credit report:

- New Credit Account: Any time you apply for a new line of credit, the lender may access your credit report as part of their qualification process.
- Credit Management: You are entitled to one free copy of each of your three credit reports (one from each credit reporting agency) per a 12-month period.
- Credit Offer Pre-Screening: Creditors access consumer credit reports to “pre-screen” for specific credit offers. These inquiries do not affect your credit score, but if you prefer, you can opt out of receiving pre-screened credit offers by visiting **www.optoutprescreen.com** or calling 1-888-5-OPTOUT.
- New Employment: Prospective employers may request a copy of your credit report as part of their hiring process.
- Insurance Underwriting: Insurance companies often require a credit check before they grant coverage. They may also intermittently re-check your credit score in order to adjust the rate on your premium.
- Additional instances in which third parties may legally access your credit report include any time you initiate a business transaction, a judge issues a court order or federal jury subpoena, you are involved in an

investment risk evaluation, or you're pursuing eligibility for a government license.

The Fair Credit Reporting Act (FCRA): Access. Accuracy. Privacy.

The Fair Credit Reporting Act (FCRA) protects the interests of consumers in credit affairs involving various kinds of reporting agencies (credit bureaus, credit reporting agencies, etc.) that sell personal information such as medical records or rental history records.
For a full description of all the rights defined by the FCRA, you can visit **www.ftc.gov/credit**, but here is a brief summary of the key elements:

Access:

You have the right to know what credit information is on your file.
You are entitled, with proof of identity, to one free "disclosure" (credit report) per twelve-month period from each of the three credit bureaus (Equifax, Experian, and TransUnion).

This disclosure is also provided free of charge if:

- Someone has initiated unfavorable action, such as denying you credit, against you based on information in your credit report
- You have been the victim of identity theft and have placed a fraud alert on your file
- You have been the victim of fraud that has resulted in false information appearing in your file
- You receive public assistance
- You are currently unemployed, but anticipate applying for employment within a period of 60 days

You have the right to know if you have been denied credit, insurance, or employment because of information in your credit file. If any information in your file has been used against you, the person or entity that has taken action against you is obligated to disclose to you the name, address, and phone number of the agency that provided the information in question.

You have the right to know your credit score. You may request a credit score from a consumer credit reporting agency, but there may be a cost associated with the request.

Accuracy:

You have the right to dispute inaccuracies on your credit report. If you find information on your credit report that you believe to be erroneous, you have the right to ask the reporting agency to investigate the issue. The agency is obligated to investigate your dispute, contact the creditor on your behalf, and report back to you on the resolution.

You have the right to have inaccurate information on your credit report remedied or removed. If your dispute is verified and the information is confirmed to be inaccurate, the reporting agency is obligated to correct or delete the misinformation. In cases where the creditor does not respond within the allotted amount of time (usually 30 days, but sometimes up to 45 days), the information in question is considered "unverified" and will be removed from your credit file.

You have the right to an up-to-date credit file. Typically, consumer reporting agencies are not allowed to provide negative information that is more than seven years old. In addition, bankruptcies that are older than ten years should not appear on your credit report.

Privacy:

You have the right to know that only those with a valid need will be granted access to your credit information. The FCRA specifies that only people with a "valid need" may have access to your credit information. This usually refers to people or entities that are considering your application for credit, insurance, employment, rental, or some other related business.

You have the right to require your consent for the release of credit information to future or current employers. Consumer reporting agencies must have your written consent to release credit information to your current or potential employer. (Exception: In the trucking industry, written consent is not typically required.)

You have the right to remove your name and address from "pre-screened" offer lists. You may opt-out from unsolicited credit and insurance offers that you receive based on information in your credit report. The company extending the offer is obligated to include a toll-free number on the offer materials, which you can call if you would like to remove yourself from the list that drives these offers. You may also opt-out with the nationwide credit bureaus by calling 1-888-5OPTOUT (1-888-567-8688).

Additional Points:

If an agency, the person using credit information provided by an agency, or the person who has provided information to a consumer reporting agency violates any part of the FCRA, you may be able to sue in either state or federal court.

- If you are in the military services and on active duty, you have additional rights in cases that involve identity theft. (Visit **www.ftc.gov/credit** for more details.)
- Depending on where you live, you may have additional rights under state law. To learn about these rights, contact your local consumer protection agency or your state's Attorney General.

The Consumer Financial Protection Bureau (**CFPB**)

Established by Congress, the Consumer Financial Protection Bureau works to:

- Educate consumers so that they have a better information to make financial decisions
- Study the data to better understand consumers, financial service providers, and the consumer financial market
- Enforce federal consumer financial laws by ensuring they are upheld by banks, credit unions, and other financial institutions

The CFPB protects consumers by:

- Writing rules, supervising companies, and enforcing federal consumer financial protection laws
- Restricting unfair, deceptive, or abusive acts or practices
- Fielding consumer complaints
- Promoting financial education, researching consumer behavior, and monitoring financial markets for new risks to consumers
- Enforcing laws that outlaw discrimination and other unfair treatment in consumer finance

The CFPB helps ensure that consumers are not refused credit, discouraged from applying for credit, offered less favorable terms, or subject to account closure on the basis of race, color, religious affiliation, national origin,

gender, marital status, age, or any other non-relevant attributes or affiliations.

You can learn more about this organization and the references and services they provide by visiting them online at **www.consumerfinance.gov/contact-us/**

MANAGING YOUR CREDIT

Now that you have a better understanding of how your credit score is calculated, why it's important, and your rights, managing your credit is simply a matter of proactively staying on top of the information in your credit report and taking any necessary actions.

How and when to check your current FICO credit score and credit report

Since your credit report and associated credit score can change at any point based on your credit-related activity, it's a good idea to take advantage of the free annual reports (one from each of the three main credit reporting agencies) that you're entitled to during any 12-month period. It's especially important to take a look at your credit reports at least six months before any major purchase, like a car or home. This way, if you find any discrepancies or need to take steps to improve your credit score, you'll have some time to get things taken care of before you're applying for your loan.

You can easily obtain your free credit report copies by contacting the Annual Credit Report Request Service:

Annual Credit Report Request Service
P.O. Box 105281
Atlanta, GA 30348-5281

1-877-FACT-ACT (1-877-322-8228)
www.annualcreditreport.com

CONSUMER BEWARE: NOT ALL CREDIT SCORES ARE CREATED EQUAL

It's important to note that most lenders use the FICO credit score that is provided with the credit reports from the three main credit reporting agencies (Equifax, Experion, and TransUnion) when they are considering your loan application. The FICO credit score is not, however, the only credit score available; and this can create some confusion if you're not sure what you're looking at.

Many of the "retail" credit report offers directed at consumers (from companies like **FreeCreditReport.com** and similar providers) inflate the average consumer credit score by 40 t0 60 points. If you read the fine print on these offers, it explains that the credit score they provide is for "educational purposes only" and is not the score that most lending institutions use to inform their lending decisions.

You should also beware of imposter websites that try to lure unsuspecting consumers into providing private personal information. These sites use names and URLs that are very close to the names and URLs of legitimate companies. Make sure you double check the credibility of the company you're dealing with before disclosing any personal or payment information.

Finally, a few tips on protecting your privacy, online and off:

- Keep your Social Security number in a safe place rather than carrying it with you. Provide it to others only when you can be sure of their identity and the validity of their request. Never send your Social Security number by email.
- Shred documents that contain your Social Security number or other financial information rather than throwing them in the trash.
- Keep all your payment cards (debit and credit cards, etc.) and other financial tools (checks and bank statements) together in a secure place.
- When correcting an error on your credit report, deal directly with the credit reporting agency that generated the report and the creditor in question. Do not share information about the discrepancy with FICO or any third parties.

HOW TO CORRECT ERRORS ON YOUR CREDIT REPORT

Once you have your credit reports, review them carefully to make sure there aren't any items or pieces of information that are incorrect. Whether because of incomplete information, data entry errors, or identity mix-ups, errors do happen. Experts estimate that as many as 20 percent of consumers find incorrect information on one or more of their credit reports, and that correcting the errors can improve those individuals' credit scores.
Any incorrect, incomplete, or outdated data can be disputed. Some examples of the kinds of items you can dispute include:

- Information pertaining to inactive accounts or public records that is past the statute for reporting
  * May vary by state
- Duplicate instances of a single public record or collection item, often due to the debt account having changed hands
- Accounts reported as charge-offs that should be reported as having been discharged through bankruptcy

Type of Information	How Long It Remains on Your Credit Report*
Chapter 7, 11, or 12 Bankruptcy	10 years from the date filed
Chapter 13 Bankruptcy	7 years from the date paid
Chapter 13 Bankruptcy Not Completed	10 years
Bankruptcies Voluntarily Dismissed	7 years
Civil Judgments	7 years from the date filed
Unpaid Tax Liens	10 years (may vary by state)
Paid Tax Liens	7 years from date paid
Collections Paid or Unpaid	7 years from the date of the initial missed payment
Charge-off Accounts	7 years from the date of the initial missed payment
Credit Accounts	7 years from the date of the initial missed payment
Inquiries	2 years

- Multiple instances of inquiries for a single loan
- Unreported credit limits on tradelines
- Paid collections reported as still outstanding

> *Managing your credit is simply a matter of proactively staying on top of the information in your credit report and taking any necessary actions.*

If you find any erroneous information on a credit report, the Fair Credit Reporting Act (FCRA) guarantees you the right to dispute the information, and – if the information is proved incorrect – to have the error fixed.

The first step is to contact the credit reporting agency that generated the report with the presumed error:

- Equifax: 800-685-1111 or at **www.equifax.com**
- Experian: 888-397-3742 or at **www.experian.com**
- TransUnion: 800-916-8800 or at **www.transunion.com**

The agency is then obligated to investigate the discrepancy. The FCRA grants the agency up to 30 days to respond, but since most agencies use automated systems to address such disputes, the turn around time is often much shorter. In addition, most agencies will make a special effort to expedite a resolution when the item in question is affecting a mortgage decision.

When addressing an error on your credit report, you may be asked to send the credit reporting agency a letter of explanation and supporting documentation such as personal identification (including your social security card), proof of address (such as a utility bill or pay stub), and any other materials that may help the agency get to the bottom of your request.

A few things to keep in mind when sending this information:

- Always send copies, not originals.
- Always send your letters and documents via certified mail with attached proof of delivery/return receipt.
- Always respond quickly to any correspondence from the credit reporting agency.
- Stay informed about your rights by visiting the FCRA and CFPB websites.

WHAT TO DO IF YOU'RE TURNED DOWN FOR CREDIT

If a lender denies you credit, you can request to know the reasons why and they are obligated to provide you with an answer within 30 days. In addition, you are entitled to a free copy of your credit report within 60 days of being turned down. If your FICO credit score was a primary driver of the lender's decision, the factors listed on your report as reasons for your score may help you determine where you need to make changes in order to qualify for future credit.

WHAT TO DO IN THE CASE OF CREDIT/IDENTITY THEFT

Identity theft is big business. Criminals steal your personal information (name, Social Security number, credit card or bank account numbers, etc.) and use it to make purchases, open new accounts, qualify for loans, and even get new jobs. Reviewing your credit report on a regular basis is an excellent way to detect identity theft since any activity attributed to you will show up on your report. If you see items on you report that indicate you're a victim of identity theft, don't hesitate to take action:

1. Notify the credit reporting agencies: Call the toll-free fraud number of any one of the three main credit reporting agencies, and all three agencies will place a fraud alert on your credit report.
2. Contact the affected lender(s): Call or email any affected lenders so that you can close any accounts that appear to have been fraudulently opened or accessed.

3. Report the crime to local police: Contact law enforcement in the community where the theft took place.
4. File a complaint with the Federal Trade Commission: Get more information at **www.ftc.gov/bcp/edu/microsites/idtheft**

TIPS TO IMPROVE YOUR CREDIT SCORE

Sometimes, even after you've reviewed your credit report and dealt with any errors, your credit score will still be low. This can be frustrating, especially if you typically pay your bills on time and have a good income, but it's because there are so many factors that go into calculating your score. To help you figure out which items are affecting your score negatively, each of the three credit reports includes a listing of "factor codes" that tell you the top four influencing factors on your score. These appear as a number or a letter followed by a brief description such as "delinquency on accounts," or "too many accounts opened in the past 12 months."
Once you know what your trouble areas are, you can decide which measures you should take to get your credit in better standing. Over time, your intentional and proactive efforts can help you improve your score and your chances at more favorable credit terms.

To get you started, here are some tips for smart credit management. They are organized by the five areas that the FICO scoring model considers so you can more easily see how your financial choices relate to how you score in each area.

PAYMENT HISTORY

- Pay your bills on time. Late payments definitely have a detrimental affect on your credit score, especially if they are a frequent occurrence. You may find it helpful to set up payment reminders through your bank or on your calendar.
- If you miss a payment, make sure to get your account current as soon as possible.
- Understand that even if you pay off a collection account or close an account on which you were delinquent, the related information will remain on your credit report and your FICO score will still take it into consideration.
- If you are having a tough time keeping up with payments, don't hesitate to contact your creditors or see a legitimate credit counselor. Taking such steps won't improve your FICO score immediately, but they will put you on the right path to managing your credit more closely and successfully, which will ultimately help you improve your score.

AMOUNTS OWED

- Use credit cards and other "revolving" credit sparingly so that you can keep your balances low.
- Pay down your debt rather than moving it around. Though balance transfer offers may be tempting, the best way to improve your FICO score around amounts owed it to reduce your overall debt.
- Don't close inactive accounts thinking that it will raise your FICO score. If the amount of your debt remains the same but you have fewer open accounts, your score might actually go down.
- Don't open multiple new credit cards in an attempt to increase your available credit. This often backfires and has a negative affect on your score.
- Avoid fee-based "credit repair" agencies that promise to remove negative information from your credit report. Third parties cannot remove any accurate information from a credit report, and inaccurate information can only be removed by filing a dispute directly with the credit reporting agency. Any entity that promises otherwise is probably not to be trusted.

LENGTH OF CREDIT HISTORY

- If you don't have a lot of experience with credit, don't open a lot of new accounts by mistakenly assuming that having many accounts will offset a short credit history. A multitude of new accounts will lower the average account age, which will have a negative affect on your score.

- Don't assume that closing older, inactive accounts – such as credit cards you no longer use – will improve your score. In fact, older accounts help to establish a longer credit history (a good thing), and you aren't penalized for having available, unused credit. Unless you have other reasons, it's best to just keep the accounts open.

INQUIRIES

- If you are rate shopping for a car, student, or mortgage loan, make sure that you condense your research and inquiries into a short period of time so that the FICO scoring software can distinguish between a search for a single loan and a search for multiple credit lines.
- Resist the urge to open new accounts every time you get an offer for discounts or low interest rates. Opening many new accounts can lower your score in the short term.
- However, do take steps to re-establish your credit after you've had problems. Managing new accounts responsibly (on-time payments and low balances) will help you raise your score over time.
- Don't hesitate to request copies of your own credit report and FICO score. As long as you order your report directly from one of the three main credit reporting agencies or through an authorized company, your score will not be negatively affected.

TYPE OF CREDIT

- Don't try to open new credit accounts in an effort to "balance" your credit mix. It's doubtful that such a strategy would work, and the likelier outcome is that opening new accounts would lower your score.
- Prove that you can manage credit responsibly by having a reasonable number of credit cards and installment loans (such as an auto loan) and making payments consistently and on time.
- Do not assume that limiting your credit accounts will improve your score. People who don't have any credit cards, for instance, tend to be considered higher risk because they cannot demonstrate that they have good credit management skills.

- If you can follow these guidelines, over time you will have a strong chance of improving your FICO credit score. The key to long-term credit success is to make smart financial choices based on good information. Don't fall for silver bullet-fixes. When it comes to credit, slow and steady wins the race every time.

YOU DON'T HAVE TO DO THIS ALONE.

Though your credit is ultimately your responsibility, you don't have to feel like you're in this all on your own. There are many knowledgeable professionals who can provide you with valuable guidance and helpful insights. These experts have access to a wide array of credit-related tools, software, and services that can help you assess, analyze, and optimize your credit. If you're in the market for a major purchase that will require a loan application, take advantage of these folks and their know-how. They will help you sort out any credit concerns and put you on the path towards an improved FICO credit score.

Good luck and good credit!

ABOUT BIRCHWOOD CREDIT SERVICES, INC.

Birchwood delivers a broad range of full-service credit information solutions to mortgage professionals, property managers, real estate agents, and independent landlords across the United States. The company's offerings include everything from credit and capacity products to quality control and identity products, collateral and property analysis reports, and tenant screening solutions. In addition to innovative, best-in-class products, clients also benefit from Birchwood's award-winning "Delight the Customer" service.

Founded in 1992, Birchwood has built a strong, nationwide reputation for trust, innovation, and customer service that is almost too good to believe. Based in North Conway, New Hampshire the team at Birchwood has spent more than twenty years, making sure their clients have all the information they need to make efficient, accurate, profitable decisions each day.

www.birchwoodcreditservices.com

Mortgage Executive Magazine Award
A comprehensive list of the nation's leading companies was recently compiled by Mortgage Executive Magazine, and ***Birchwood Credit Services, Inc.*** *was named as one of the Top Fifty Mortgage Service Providers in America.*

NOTES


Money is only a tool. It will take you wherever you wish, but it will not replace you as the driver.
- Ayn Rand