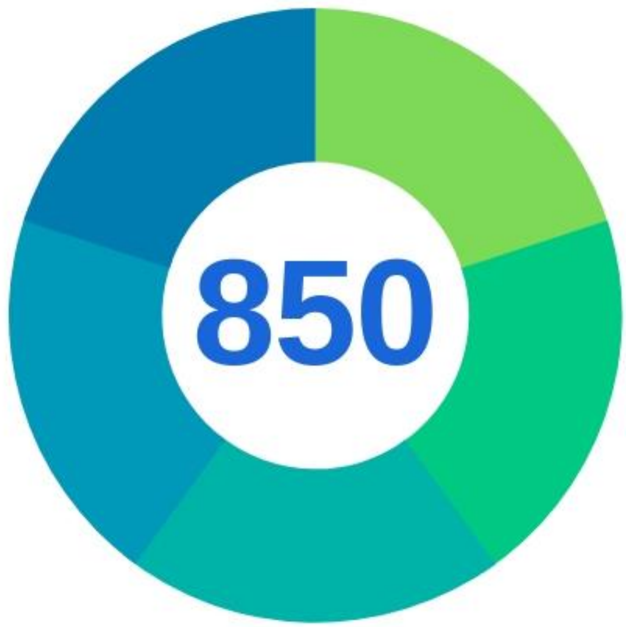
AN INSIDE LOOK AT

FICO Scores

WHAT EVERY CONSUMER SHOULD UNDERSTAND
ABOUT THE MOST POPULAR CREDIT SCORE.



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FICO- The most widely used credit score

There are many different forms of credit scores, used by banks, lenders, and financial institutions every single day. But FICO, or the Fair Isaac Corporation, is one of the most popular for analyzing consumer credit data and using it to formulate a score that predicts credit risk.

FICO Scores are used in over 90% of all U.S. lending decisions, making them by far the most popular and widely used credit scores. In fact, each year, millions of lenders, banks, financial institutions, and retailers access billions of FICO Scores in order to help them make lending decisions. By analyzing a consumer's credit report, FICO is able to gauge an individual's risk as a credit applicant and allow lenders to make wise decisions while granting them new credit and more.

FICO Scores offer them quick, accurate, and consistent metrics of credit risk, helping not only lenders but millions of consumers access credit scores and manage their debt and finances.

Therefore, your FICO Score is an important aspect of your overall credit profile and financial wellness. FICO Scores have a direct and immediate impact on your interest rates, getting approved or denied for new loans like mortgages, auto loans, credit cards and more.

Since consumers also have access to their FICO Scores and data, they can see a version of what lenders are looking at when they make lending decisions, and take active measures to improve their credit based on FICO's best practices and scoring guidelines.

PART ONE

- The Basics About FICO Scores
- FICO Scores are the most commonly used of all credit scores
- Where do FICO Scores come from?
- Putting a number on your FICO Score
- What is a "good" FICO Score?
- Is your FICO above or below the average?
- Find the right FICO Score for you
- Get to know FICO's newest version, UltraFICO Score

PART TWO

- Understanding how your FICO Score is calculated
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- But everyone's FICO calculation is a little different
- Here is a breakdown of those five factors that make up your FICO score
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- FICO by the numbers
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Part One

THE BASICS ABOUT FICO® SCORES

FICO Fact:
Did you know that FICO scores are used in at least 9 out of every 10 lending decisions in the U.S. every day?

FICO SCORES ARE THE MOST COMMONLY USED OF ALL CREDIT SCORES

Every day, people apply for home loans, credit cards, store retail cards, student loans, and more. When they do, the lender is usually accessing your FICO Scores to help them gauge if you're a good, safe candidate for new debt, and what the interest rates and terms will be once they do approve you.

Your FICO Scores (you have many) show up as a three-digit number that helps rate your risk as a credit consumer. The higher your FICO Score, the more likely you are to pay future debt on time and in full based on your past credit history. But with a low FICO Score, you're signaling to the banks that you're more likely to default, and not a strong candidate for new debt.

WHERE DO FICO SCORES COME FROM?

But FICO doesn't actually collect your credit data – they just analyze and summarize it into one a set of convenient and accurate scores. The actual data on your credit file comes from three major credit bureaus, Experian, TransUnion, and Equifax.

Millions of banks, lenders, and financial institutions count on FICO Scores to help them make accurate, fast, and impartial lending decisions every day, as FICO Scores are used in over 90% of all lending decisions.

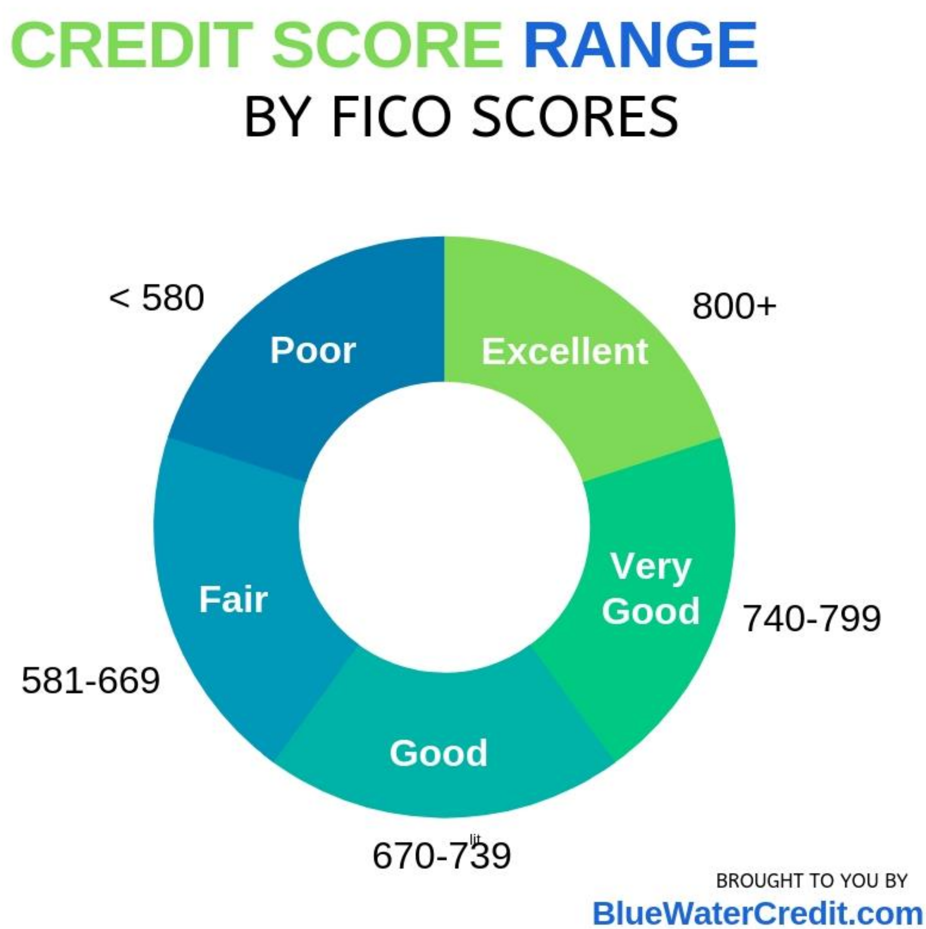
PUTTING A NUMBER ON YOUR FICO SCORE

FICO Scores typically range from 300 to 850, and the higher your FICO score, the better. However, there are some versions of FICO Scores used by certain industries that may run from 250-900.

No matter what the scoring range, the higher your FICO Score, the better, as it signals to lenders that you are a low-risk candidate for future debt and a good steward of your debt and finances. When someone's FICO Score is low, however, lenders may shy away, choosing not to approve that person for a new loan or raising interest rates to cover their risk.

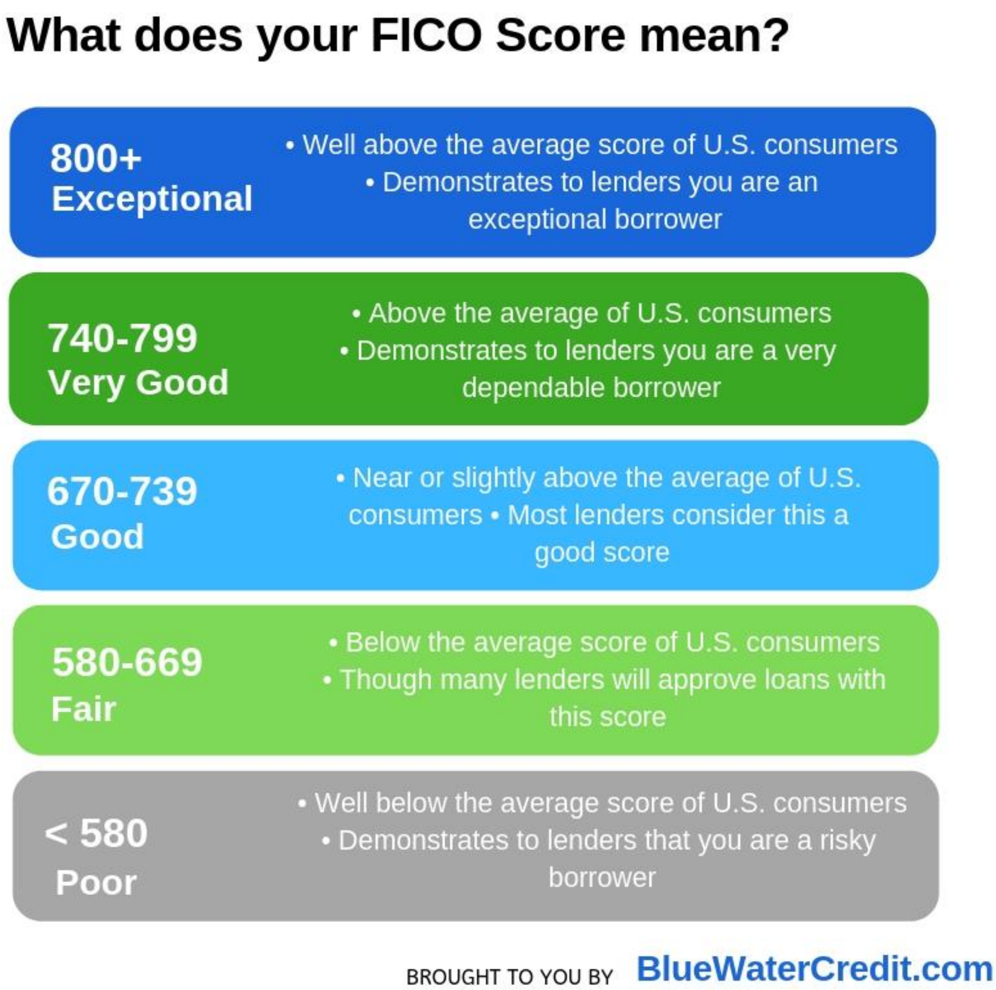
WHAT IS A “GOOD” FICO SCORE?

There is no one correct answer, as different lenders may have their own opinions and ranges of what they considered a favorable FICO Score. For instance, one lender may consider a 730 FICO Score a great candidate for lending, while another may look for a score of 760 or higher for the same program that offers their lowest interest rates. We do know that scores over 720 are generally considered in the good range.



IS YOUR FICO ABOVE OR BELOW THE AVERAGE?

Across the United States, there are plenty of consumers with great FICOs, and a whole lot with subpar scores, as well. But, if we add them all up, in 2018 the national average for FICO Scores is now approximately 704.



Remember that you have more than one FICO Score

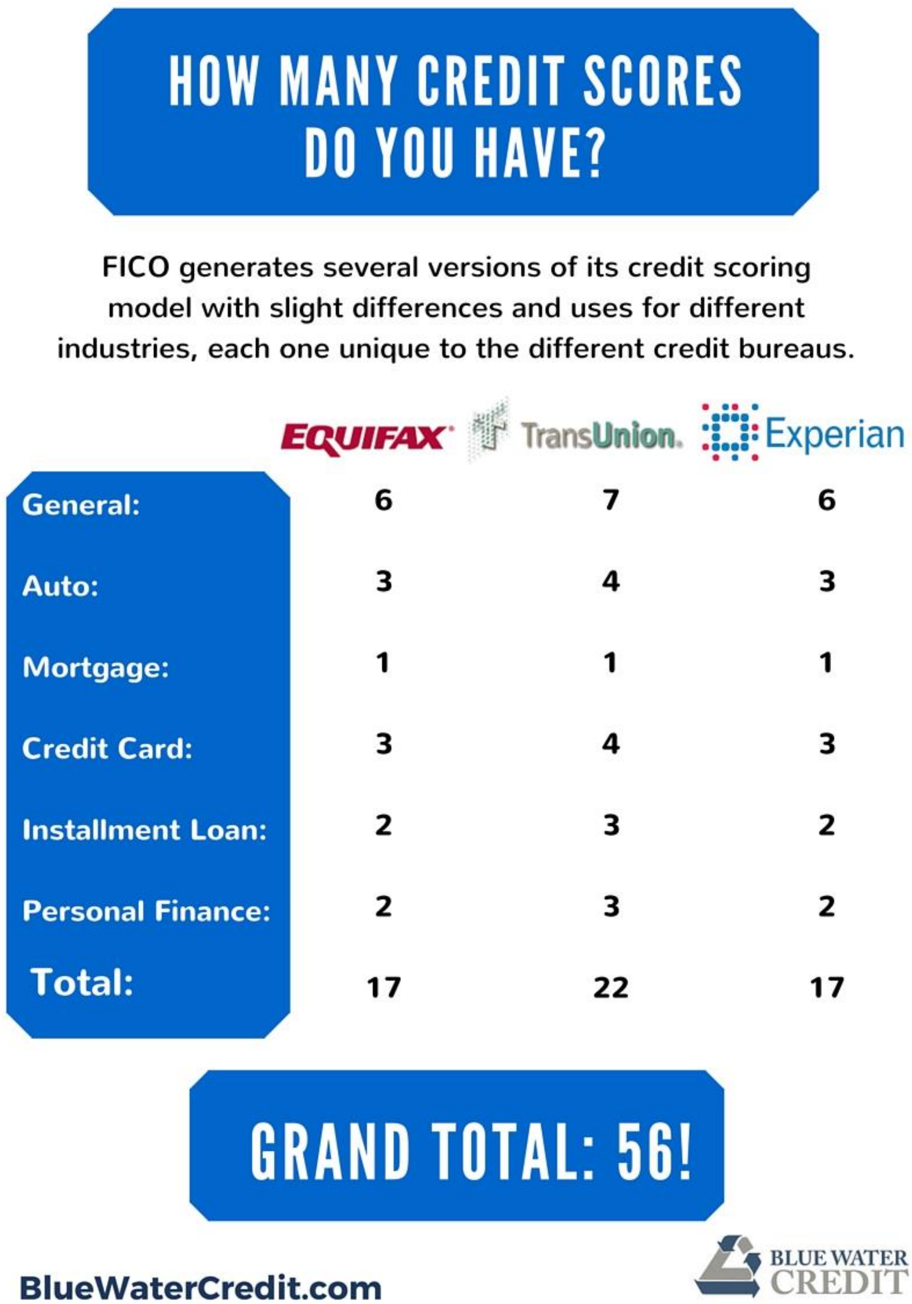
Over the years, FICO has done a great job adapting to the needs, goals, and trends in the credit markets, expanding and updating their scoring models periodically.

In order to cater to specific consumers, lenders, and industries, FICO Scores are available in a variety of forms and multiple functions.

For instance, auto lenders use a different version of your credit file (FICO Auto Scores), which is structured specifically to help automobile lenders make credit decisions on applicants. But credit card companies, on the other hand, predominantly use FICO Bankcard Scores and FICO Score 8, which fit their needs. While their general guidelines for maintaining good credit and best practices are the same, it’s important to realize that there isn’t just one FICO Score available.

FIND THE RIGHT FICO SCORE FOR YOU

In fact, there are 56 FICO Scores using data compiled by the three major credit bureaus – and those are just the most common ones! No matter if you're looking to buy a house, apply for a new credit card, get a student loan, purchase that brand-new car, or even forced to take on medical debt, there's a version of FICO Scores that's best for you.



HOW MANY CREDIT SCORES DO YOU HAVE?

FICO generates several versions of its credit scoring model with slight differences and uses for different industries, each one unique to the different credit bureaus.

	EQUIFAX	TransUnion	Experian
General:	6	7	6
Auto:	3	4	3
Mortgage:	1	1	1
Credit Card:	3	4	3
Installment Loan:	2	3	2
Personal Finance:	2	3	2
Total:	17	22	17

GRAND TOTAL: 56!

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GET TO KNOW FICO’S NEWEST VERSION, ULTRAFICO

FICO has released a great new version of their scoring system with a wide range of practical uses for many consumers, UltraFICO Score. UltraFICO Score factors in data from your checking, savings, or money market accounts safely and securely, helping to build or boost your credit score based on responsible financial behavior. You can opt-in to UltraFico Score and allow your banking records and history to help improve your credit score.

How helpful is UltraFICO for your credit score?

FICO reports that 7 out of 10 consumers with an average of $400 in their savings accounts over the past three months see an increase in their FICO Score once they opt-in to UltraFICO Score!

That's especially impactful when you consider that an estimated 15 million consumers currently do not have a FICO Score – called "Credit Invisible" – but could now receive one with UltraFICO Score. Even if you have a low FICO Score now but an established positive banking history, your score could see a significant boost.

Part Two

UNDERSTANDING HOW YOUR FICO SCORE IS CALCULATED

Your FICO Score is determined based on data from your credit reports.

FICO relies on data collected, organized, and maintained by the three chief credit bureaus in the U.S., TransUnion, Experian, and Equifax. These credit bureaus not only record your personal information, like your name, Social Security number, address, etc. but update your credit file with your accounts, balances, payment record, and also negative information like delinquencies and public records.

FICO uses the data from these three bureaus to calculate your credit score, although there are several variations of FICO Scores and the information provided by each credit bureau may differ slightly.

While we don't know the exact complex algorithm that FICO uses to calculate your score, they do share a basic version that breaks down five major factors that influence your FICO score.

This information is so important since a good FICO score will help you save money, access lower interest rates, and generally give you better financial options when it comes to debt and lending.

So, what goes into your FICO score?

No matter how different our financial situation may be, our FICO scores are all tabulated exactly the same, based on five broad categories of consumer credit behavior.

5 FACTORS THAT GO INTO YOUR FICO SCORE:

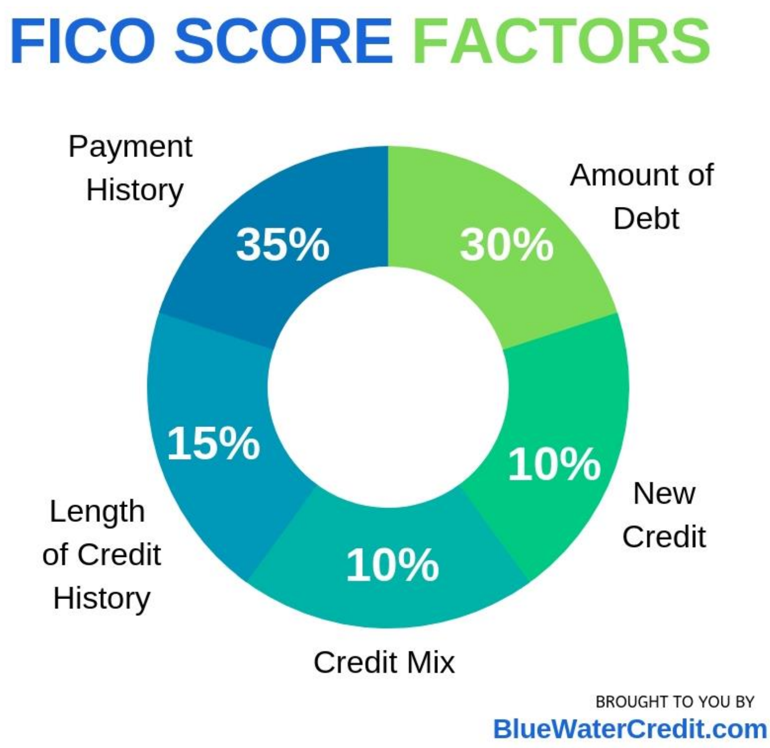
1) **Payment history**
2) **Amounts owed**
3) **Length of credit history**
4) **New credit**
5) **Credit mix**

FICO also lets us know roughly how much each of these categories factors into scoring, as they are not weighted equally.

For instance, Payment history is the most important factor for FICO scoring, which makes up about 35% of your individual score.

HOW MUCH DO THESE FACTORS INFLUENCE YOUR FICO SCORE?

35% Payment history
30% Amounts owed
15% Length of credit history
10% New credit
10% Credit mix



EVERYONE'S FICO CALCULATION IS A LITTLE DIFFERENT

Remember, too, that this is an oversimplification, and everyone's credit picture is dynamic and treated differently. For instance, someone with a great FICO score (like a 750) may see their score take a bigger hit if they miss one payment than someone with a below-average score, like a 620, if they do the same. FICO's algorithm accounts for all of this as their intent is to gauge the future risk of defaulting for creditors and lenders.

HERE IS A BREAKDOWN OF THOSE FIVE FACTORS THAT MAKE UP YOUR FICO SCORE:

Payment history (35%)
FICO gives huge credence to your payment history, as your track record with paying on time is (of course) the biggest predictor of future payment behavior. Therefore, payment history typically makes up more than one-third of your score, and making payments on time (and in-full) is crucial for keeping a great FICO.

Amounts owed (30%)
Another important factor for tabulating your credit score is the amounts you owe. It's not necessarily the total amount of debt you owe that may improve or lower your score, but the proportion of your debt balances compared to the total available credit for that account (utilization). When banks and lenders see that you are maxed out and have used up most or all of your available credit, it signals to them that you are having financial problems or not a good steward of your finances, so keep your balances low and don't max out credit cards.

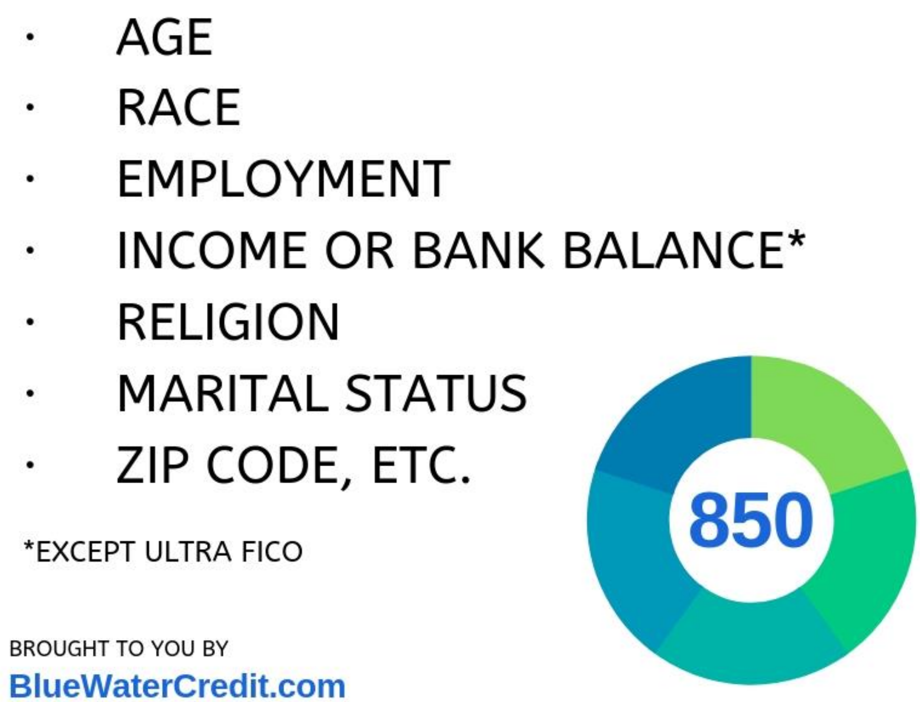
Length of credit history (15%)
FICO looks for well-established accounts that have been open for a while, rewarding a seasoned track record with a higher credit score. Of course, it's possible for people with newer credit accounts to have a top-notch FICO score or consumers with long-time accounts to have a low score (especially if they've missed payments). But, in general, FICO likes to see older accounts, more time since you opened your newest account, and active use of accounts.

Credit mix (10%)
FICO scoring algorithms reward a well-balanced mix of accounts on a consumer's profile, such as a blend of credit cards, installment loans, mortgages, and more. In fact, your credit mix can account for about 10% of your credit score.

New credit (10%)
Your use of new credit factors into your FICO score, although only about 10%. For instance, if you suddenly start applying for multiple new credit cards and loans, it may be viewed as risky financial behavior, and therefore your score may fall.

WHAT *DOESN'T* GO INTO YOUR FICO SCORE?

Your score is only calculated based on these five categories of credit use. FICO does not ever factor in other data like:



While that is true for FICO scores, some lenders may ask for information like your current employer, how long you've been there, your asset situation, and more during the application process.

WHAT INFORMATION SHOWS UP ON YOUR CREDIT REPORT?

All credit reports collect and list the same basic set of information, such as:

Personal Information
The basics like name, address, date of birth, your Social Security number, and your employment information. While these are listed on your credit report, they don't impact your score.

Accounts
Your report will list all of your credit accounts, organized and listed by the type of account (mortgage, auto loans, credit cards, etc.) They will also contain the date they were opened, the credit limit or the loan amount, your balance and payment history.

Negative Items
Negative information like late payments, delinquent accounts, collections, bankruptcies and foreclosures, and more will be listed on your FICO Score report.

Remember that your credit report will be updated frequently, changing and reporting new data continuously, and your FICO Score will go up or down accordingly.

Inquiries
Every time you apply for a new loan, whether it be a credit card, mortgage, auto loan, or others, that action will be reflected on your credit report in the form of an "inquiry." We have more information about inquiries below.

WILL APPLYING FOR NEW CREDIT HURT MY FICO SCORE?

Applying for new lines of credit may alter your credit score slightly, but you most likely won't see a big change.

However, those who see a drop in score are usually applying for multiple credit cards within a short window of time, which causes several inquiries to hit your credit report. That may signal higher risk and your score will dip slightly accordingly – but only incrementally and temporarily. However, "shopping" for auto loans, student loans, and mortgages within a period of time most likely will not affect your credit score, as they probably will all be considered a single inquiry.

UNDERSTANDING CREDIT INQUIRIES AND "RATE SHOPPING"

Whenever you fill out an application for a lender, you are authorizing them to access your credit records, which counts as an "inquiry" with the credit bureaus. If you look at your credit report soon after, you'll see that those credit inquiries are listed there.

FICO realizes that responsible consumers will look for the best deal, rate, and terms on high-ticket items like home loans, auto financing, or student loans. Therefore, they allow for these inquiries made within 30 days to count as one single inquiry – negating any negative effect on your score.

So, if you are "shopping" for a home loan, car loan, or student loan, don't be hesitant to have lenders pull your credit, causing inquires, but be aware that you want to keep all of them within a 30-day window or less.

But you should be aware that this rate-shopping period not always 30 days. For older versions of FICO Scores, it was only a 14-day window, and the newest versions of FICO Scores allow for 45 days of inquiries to count as one.

Of course, each lender chooses which version of FICO scoring they will use when calculating scores, so that is largely out of the consumer's control.

HOW MUCH CAN CREDIT INQUIRIES DROP YOUR SCORE?

Since each person has a unique set of factors based on their credit data and history, FICO's algorithm will affect each consumer slightly differently. However, we do know that typically, inquiries have little impact on FICO Scores.

In most cases, a credit inquiry will take about five points or less off of their FICO Score – not a big blow considering that FICOs range from 300 to 850.

Of course, if you have a less-established credit history, are short on accounts, or the new inquires start adding up, your score could be impacted more.

Remember that it's all about gauging risk, and statistics prove that consumers with six inquiries or more on their credit reports are eight times more likely to declare bankruptcy.

Part Three

FICO BY THE NUMBERS

- ✓ 10 Billion FICO Scores are purchased and used every year for lending decisions.
- ✓ 27 Million FICO Scores are accessed every day
- ✓ FICO has been the industry leader in credit scoring for more than 25 years.

SO, JUST HOW MUCH CAN YOU SAVE WITH A BETTER FICO SCORE?

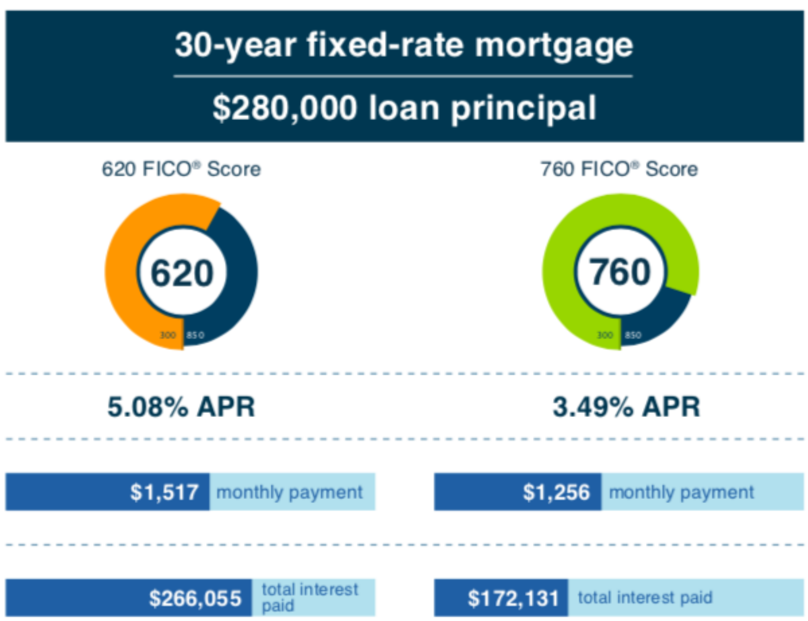
Your FICO Scores aren't just numbers on paper, but metrics that countless retailers, banks, lenders, and credit companies use to determine if you're a good risk to take out a new loan and what your interest rates and terms should be. Therefore, keeping a good (or great!) FICO Score means that you can potentially save a whole lot of money on your mortgage, auto loans, student loans, credit cards, and much more.

The simple difference between a mediocre FICO Score and a very good FICO Score, for instance, can mean the difference of tens of thousands of dollars (or much more!) in interest and loans over the course of your life.

For instance, here is an illustration for education purposes of two borrowers who take out 30-year fixed-rate mortgages of $280,000. Borrower A has a 760 FICO Score, but Borrower B only has a 620 FICO.

Borrower A (620 FICO Score)
$1,517 monthly payment
$266,055 total interest paid

Borrower B (760 FICO Score)
$1,256 monthly payment
$172,131 total interest paid



In this illustration, Borrower A pays $261 less every month for the SAME MORTGAGE loan, saving an impressive $93,960 over the 30-year life of the loan – just by maintaining a great FICO!

A GOOD FICO SCORE CAN HELP YOU SAVE BIG MONEY IN MANY WAYS!

The same principle goes into savings for credit cards, auto loans, and just about any other kind of debt or credit account.

Here is another example of estimated loan savings for different home loans and car loans based on various FICO Scores. This is just a hypothetical scenario to educate you about the savings a great credit score will offer.

BLUE WATER CREDIT

Estimated Loan Savings

Home Loan 2018-2019

Credit Score	Loan Balance	Interest	Payment	Total payments	Total Cost over Loan	Annual Cost
620-639	$ 400,000.00	6.04%	$ 2,410.00	$ 867,600.00	$ 142,560.00	$ 4,752.00
640-659	$ 400,000.00	5.50%	$ 2,270.00	$ 817,200.00	$ 92,160.00	$ 3,072.00
660-679	$ 400,000.00	5.06%	$ 2,162.00	$ 778,320.00	$ 53,280.00	$ 1,776.00
680-699	$ 400,000.00	4.85%	$ 2,110.00	$ 759,600.00	$ 34,560.00	$ 1,152.00
700-759	$ 400,000.00	4.67%	$ 2,067.00	$ 744,120.00	$ 19,080.00	$ 636.00
760-850	$ 400,000.00	4.44%	$ 2,014.00	$ 725,040.00	$ -	$ -

Source: https://www.myfico.com/loan-center/home-mortgage-rate-comparison/

Car Loan (60 months) 2018-2019

Credit Score	Loan Balance	Interest	Payment	Total payments	Total Cost over Loan	Annual Cost
500-589	$ 26,000.00	15%	$ 619.00	$ 37,140.00	$ 9,120.00	$ 1,824.00
590-619	$ 26,000.00	14%	$ 605.00	$ 36,300.00	$ 8,280.00	$ 1,656.00
620-569	$ 26,000.00	10%	$ 552.00	$ 33,120.00	$ 5,100.00	$ 1,020.00
660-689	$ 26,000.00	7%	$ 515.00	$ 30,900.00	$ 2,880.00	$ 576.00
690-719	$ 26,000.00	5%	$ 491.00	$ 29,460.00	$ 1,440.00	$ 288.00
720-850	$ 26,000.00	3%	$ 467.00	$ 28,020.00	$ -	$ -

Source: https://www.valuepenguin.com/auto-loans/average-auto-loan-interest-rates

HOW CAN YOU GET ACCESS TO YOUR FICO SCORE?

It's easy for consumers to access their own FICO Scores. Simply go to the website www.myFICO.com to see your scores or contact an authorized FICO Score Retailer or your lender for details.

YOU CAN ALWAYS IMPROVE YOUR FICO SCORE – AND BLUE WATER CREDIT CAN HELP!

No matter where your score is today – or how low it sinks – there's always the opportunity to rebuild it and achieve a better score with positive and responsible use of credit and debt. Blue Water Credit is the industry leader in legal and ethical credit repair with thousands of happy clients saving money thanks to improved credit scores!

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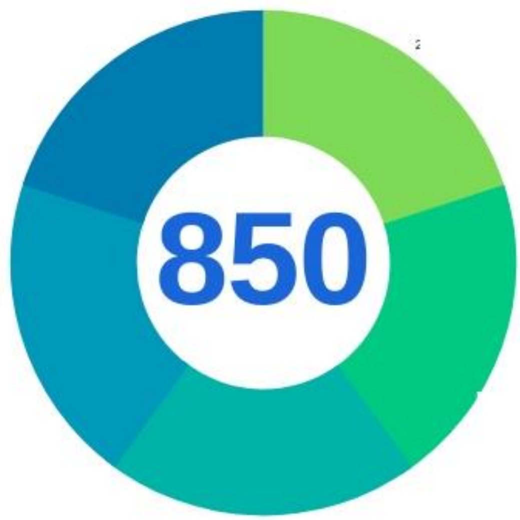
FOR MORE GREAT INFORMATION AND HELP WITH YOUR FICO SCORE, CONTACT:



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