



March 2025

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**Counseling Families to Eligibility  
(Eligibility Calculator)**

## Your Presenter Today

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Certified HUD Housing Counselor  
Certified Financial Education and Credit Coach



## Is the Applicant Eligible?

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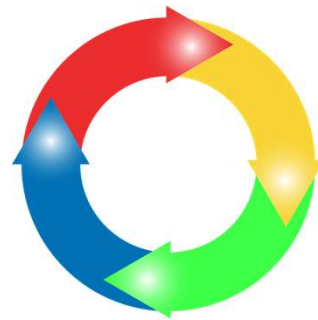
**Let's Understand How Credit Works**



## Who are the players in the Credit World

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- **The Data Furnisher**
- **The Consumer**
- **The Credit Bureaus**  
(Consumer Reporting Agencies)
- **The User**



## FICO® Score Facts

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- The **Fair Isaac Corporation**, better known as **FICO®**, has **MANY SCORE MODELS**
- A 2012 report from the Consumer Financial Protection Bureau (CFPB) puts the number of FICO® scores at 49
- The **FICO® 8** model is the most widely used **scoring model for general lending**
- For mortgage loans, lenders **may** use different versions, such as FICO® 2, FICO® 4, or FICO® 5
- Car loan issuers can use the same options: FICO® 2, FICO® 4, FICO® 5, or FICO® 8
- In 2020 FICO® released two new credit **scores**: the “**FICO® 10**” and “**FICO® 10T**”

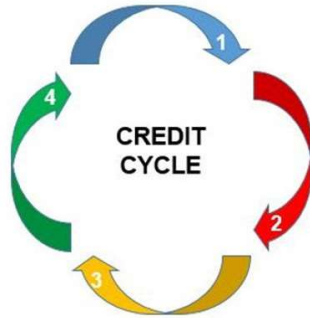


## The Credit Cycle



The Credit Reporting Companies  
Share your History with  
Potential New Lenders

You Pay the Lender

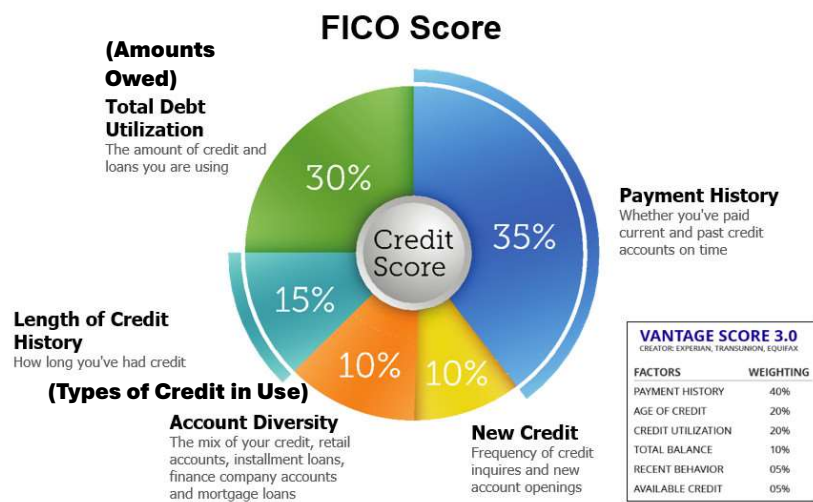


The Lender Updates  
Your Records  
(In House)

The Lender Shares your History with the  
Credit Reporting Companies  
(Credit Bureaus)



## How is the Credit Scores Calculated



## Credit Score Calculations

### Payment History 35%

- Identifies if credit accounts have been paid on time
- Includes the payment history of all revolving and installment debt
- Includes public record and collection items and details on late or missed payments
- Calculates how many accounts show NO late payments

### Total Debt Utilization 30% (Amounts Owed)

- Revolving accounts only
- Takes into consideration the amount that is owed (balance) versus the maximum amount that can be borrowed (credit limit)
- Credit score is maximized by keeping revolving account balances less than 30% of the total credit limit
- The recommendation is to keep the balance at less than 10% of the limit





## Credit Scores Calculation (Cont.)

### Length of Credit History 15%

- How long credit accounts have been opened
- The age of the oldest account
- The average age of ALL the accounts
- How long specific credit accounts have been opened
- How long it has been since the used of certain accounts use

### New Credit 10%

- How many accounts are new
- When was the last time a new account was opened
- How many times new credit has been requested
- How long since inquiries were made, by lenders and consumers
- If after past payment problems, has been a good recent payment history

### Account Diversity 10% (Types of Credit in Use)

- Revolving
  - Credit Cards
  - Home Equity Line of Credit
  - Personal Line of Credit
- Installment
  - Mortgage
  - Student Debt
  - Car Payments
  - Personal Loans



## Credit Improvement Tips

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- **There isn't a one-size-fits-all** way to increase credit score. Reviewing the Credit Reports often will help keep it clean and accurate
- **Pay Twice a Month**, splitting up the monthly payment into two will lower the monthly balance quicker, and it will save money on interest charges
- **Negotiate a lower interest rate**, it will help pay off the balance faster
- **Using Credit**, is the most efficient way to improve a credit score



## Consumer Rights

### Several Laws Protect Consumer Rights

The Federal Trade Commission (FTC), enforces federal consumer protection laws that prevent fraud, deception, fraudulent and unfair business practices

#### A consumer has the right to:

- Report and remove unauthorized inquiries
- Add information to his/her credit report
- Add a consumer statement to the credit report
- Ask for reinvestigation of a dispute
- Ask about why is not getting a response from a request for information
- Dispute any inaccurate information



## Consumer Rights Laws

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- The Equal Credit Opportunity Act (ECOA)
- The Credit Card Accountability, Responsibility, and Disclosure Act (CARD Act)
- The Fair Debt Collection Practices Act (FDCPA)
- The Fair Credit Reporting Act (FCRA)



## Credit Improvement Tips



- **Remove variations** of Name and Old Address (the CR should only have one legal name and legal address)
- **Avoid closing** the oldest account
- Using credit cards for **small day-to-day purchases** and consistently paying them right away (after the transaction has been recorded) will show responsibility with credit
- **Do not ask for a Credit Limit Increase**; wait for it to occur naturally (issued by the lender)



## The Credit Reporting Bureaus/Agencies/Repositories

### The Big Three

(Primary Bureaus)

**EQUIFAX** **TransUnion** **experian**

**AnnualCreditReport.com**

FREE Annual Credit Reports

AnnualCreditReport.com is the ONLY authorized source to get your free annual credit report under federal law.



## The Credit Reporting Bureaus/Agencies/Repositories

### The Secondary CR Agencies (Also Known as Hidden Bureaus)

- Innovis
- SageStream
- LexisNexis
- ARS (Advance Resolution Services Inc.)
- Connect (Previously PRBC)



\* Opt-out of the following data-gathering website:  
<https://www.optoutprescreen.com/>



## What do they do?

### Innovis –

[www.innovis.com](http://www.innovis.com)

<https://www.innovis.com/personal/optOutOptIn>

### SageStream –

[www.sagestreamllc.com](http://www.sagestreamllc.com)

<https://www.sagestreamllc.com/opt-out-opt-in/>

### LexisNexis –

[consumer.risk.lexisnexis.com](http://consumer.risk.lexisnexis.com)

<https://optout.lexisnexis.com/>

### ARS –

[www.ars-consumeroffice.com](http://www.ars-consumeroffice.com)

To Opt-out must mail a letter with the request including your full name and address (5 yrs.), if the request is for a permanent opt-out the letter must include the signature

### Connect (PRBC) –

[www.microbiltconnect.com](http://www.microbiltconnect.com)





## FICO® Useful Websites

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- To get a free Equifax FICO® Score 8
  - <https://www.myfico.com>
- FICO® Credit Empowerment Program
  - <https://www.fico.com/en/sabf>
- FICO® Score Open Access for Credit and Financial Counseling
  - <https://communityfico.com/s/openaccesscfc>



## Credit Improvement Tips

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- **Request a Pay-for-Delete**, for Collections and especially for Charged Off accounts, if a partial payment is made it can reactivate the debt and lower the credit score
- **Have Patience**, an excellent credit score is often the result of conscientious financial behavior and will take time
- **Sign up for free credit monitoring**, this can help alert of important changes in the CR
- Having a balanced **mix of types of debts** can be better for a higher credit score than having all the debt in a single type of debt



## How Long do Negative Items Stay on the CR

| Types of Negative Information           | Maximum Time on the Credit Report  |
|---|--|
| Charge-Off & Collection Accounts        | 7 years from the date it became delinquent   |
| General Civil Judgment                  | 7 years from the filing date   |
| City, County, State & Federal Tax Liens | 7 years from the date paid off (if not paid it may remain in the credit report indefinitely)   |
| Chapter 7, 11 & 12                      | 10 years from the filing date<br>Accounts included in bankruptcy (BK) will remain 7 years from the date they were reported as included in the BK or from the original delinquency date   |
| Chapter 13                              | 7 years from the filing date<br>Accounts included in bankruptcy will remain 7 years from the date they were reported as included in the bankruptcy or from the original delinquency date |



## Credit Dispute Process

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- **Credit is a game; to win we must know the rules of the game;** many people are losing the credit game because nobody ever taught them how to play it. The credit agencies, every creditor, and collection company in the country know these rules
- The Credit agencies created an online dispute system called **eOSCAR (electronic Online Solutions for Complete Accurate Reporting)** that can be used to dispute Items on the credit report
- **Write dispute letters and mail using certified mail**
  - Do not send them personal information: (SS#, DOB, Phone Number, Etc.)
  - They can use this information to verify the account, ,they should have this information if the account is legit, is their responsibility to prove to you that you owe the amount



## Credit Dispute Process

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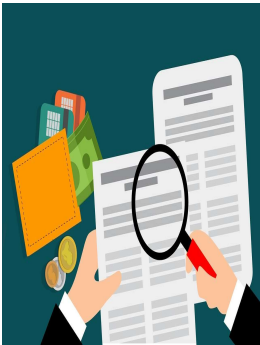
- **Credit Dispute Process:** Credit Bureaus utilize the E-OSCAR system to read/review disputes.  
**\*\* Always mail dispute letters via certified mail \*\***
  - *If possible, hand write the dispute letter, this can help to have a human read and review the dispute.*
- **Always dispute based on the law, and include a reference to it and the request letter**
  - (e.g., FCRA § 611 15 U.S.C. § 1681l refers to inaccurate reporting)
  - (e.g., FCRA § 605B 15 U.S.C. & 1681 c-2 states that an account involved in Identity theft must be removed within four business days of receipt of the request)
  - (e.g., 5 U.S.C. § 552e(i)(3), states that any agency that fails to maintain any record with accuracy, relevance, timeliness, and completeness as is necessary to guarantee fairness in any determination shall not use such record)



## Credit Dispute Process

- **Dispute Credit Report Inaccuracies**

**Inaccuracy samples:**



- Charge Off remarks dated after the account was closed
- A debt collector fails to identify the original creditor
- A collection should not report/show a late payment, it is by default late
- A collection shows "Open" status
- A collection or Charge Off should not report/show a past-due amount
- Late payments are listed with different amounts
- Last activity listed with different dates
- Last Payment listed with different dates



## Sample of Inaccurate Reporting



| HSBC/LEVITZ              |                             | TransUnion | Experian | Equifax                            |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
|--------------------------|-----------------------------|------------|----------|------------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Account #:               | 22042410225****             |            |          | 220424-410225****                  |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| Account Type:            | Revolving                   |            |          | Revolving                          |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| Account Type - Detail:   | Charge account              |            |          | Charge account                     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| Bureau Code:             | Individual                  |            |          | Individual                         |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| Account Status:          | Transferred                 |            |          | Transferred                        |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| Monthly Payment:         | \$0.00                      |            |          | \$160.00                           |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| Date Opened:             | 06/12/2004                  |            |          | 06/01/2004                         |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| Balance:                 | \$0.00                      |            |          | \$0.00                             |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| No. of Months (terms):   | 0                           |            |          | 0                                  |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| High Credit:             | \$3,932.00                  |            |          | \$2,805.00                         |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| Credit Limit:            | \$2,805.00                  |            |          | \$0.00                             |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| Past Due:                | \$0.00                      |            |          | \$0.00                             |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| Payment Status:          | Late 90 Days                |            |          | Late 90 Days                       |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| Last Reported:           | 10/08/2010                  |            |          | 10/01/2010                         |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| Comments:                | Purchased by another lender |            |          | Account transferred or sold Charge |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| Date Last Active:        | 09/15/2010                  |            |          | 02/01/2010                         |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| Date of Last Payment:    | 09/22/2010                  |            |          | 02/01/2010                         |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| Two-Year payment history |                             |            |          |                                    |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
|                          | ? Legend                    |            |          |                                    |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| Month                    | Sep                         | Aug        | Jul      | Jun                                | May | Apr | Mar | Feb | Jan | Dec | Nov | Oct | Sep | Aug | Jul | Jun | May | Apr | Mar | Feb | Jan | Dec | Nov | Oct |
| Year                     | 10                          | 10         | 10       | 10                                 | 10  | 10  | 10  | 10  | 10  | 09  | 09  | 09  | 09  | 09  | 09  | 09  | 09  | 09  | 09  | 09  | 09  | 08  | 08  | 08  |
| TransUnion               | 120                         | 120        | 120      | 120                                | 90  | 60  | 30  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  |
| Experian                 | OK                          | 120        | 120      | 120                                | 90  | 60  | 30  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  |
| Equifax                  | OK                          | 120        | 120      | 120                                | 90  | 60  | 30  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  | OK  |

## Credit Improvement Tips

- **Freezing** the **Secondary** CR **before disputing** will help during a dispute process
- **Keep** the Primary and Secondary CRs **when not looking for credit** (unfreeze before applying for credit and keep it accessible for an adequate time frame)
- Pay attention to the **Statement Date**: This is typically when the creditor reports to the Credit Agencies, your activity for the month
- Pay attention to the **Due Date**: This is typically when the creditor requires you to make the monthly payment





## Credit Dispute Web Addresses to Dispute

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- **TransUnion:**  
<https://www.transunion.com/credit-disputes/dispute-your-credit>
- **Equifax:**  
<https://www.equifax.com/personal/disputes>
- **Experian:**  
<https://www.experian.com/disputes/main.html>



# Sample - Inaccurate Reporting Letter

(Name)  
(Address)  
  
(DOB)  
Last four digits of SSN:  
  
(Credit Bureau Name)  
(Address)

I am writing to you to notify you that after reviewing my credit report files, I noticed that you are reporting several alarming inaccuracies to the following account(s), and by FCRA § 611.12 U.S.C. 1.1011 this inaccurate information must be removed immediately, this errors in reporting are hurting my credit rating, affecting me financially and hurting my good name. I need your immediate attention on this matter.

1. Account Name: (creditor name)  
Account Number: (xxxxxxxx)

- You are reporting a different **Date Opened**, the other credit agencies have different dates when the account was opened.  
**TransUnion is reporting XXXXXXXX**  
**Experian is reporting XXXXXXXX**  
**Equifax is reporting XXXXXXXX**  
Why is it that the same creditor is reporting different dates for the same account?

- You are reporting a different amount under **High Credit**, the other credit agencies have different high credit.  
**TransUnion is reporting XXXXXX.00**  
**Experian is reporting XXXXXX.00**  
**Equifax is reporting XXXXXX.00**  
Why is it that the same creditor is reporting different dates for the same account?

- You are reporting a different date for **Last Reported**, the other credit agencies have different last reported dates.  
**TransUnion is reporting XXXXXXXX**  
**Experian is reporting XXXXXXXX**  
**Equifax is reporting XXXXXXXX**  
Why is it that the same creditor is reporting different dates for the same account?

- You are reporting a different **Date of Last Activity**, the other credit agencies have a different date of last activity.  
**TransUnion is reporting XXXXXXXX**  
**Experian is reporting XXXXXXXX**  
**Equifax is reporting XXXXXXXX**  
Why is it that the same creditor is reporting different dates for the same account?

- You are reporting a different **Date of last Payment** the other credit agencies have different last reported dates.  
**TransUnion is reporting XXXXXXXX**  
**Experian is reporting XXXXXXXX**  
**Equifax is reporting XXXXXXXX**  
Why is it that the same creditor is reporting different dates for the same account?

- You are reporting a different **Payment History**, the other credit agencies have different last reported dates.  
**TransUnion is reporting XXXXXXXX**  
**Experian is reporting XXXXXXXX**  
**Equifax is reporting XXXXXXXX**  
Why is it that the same creditor is reporting different dates for the same account?

- Delete this account for **INACCURATE REPORTING**.

**\*\*\* Add any other accounts as needed to this letter \*\*\***

I am asking that you **Delete/Remove** this **Inaccurate Reporting** account(s), see a copy of the credit report page that shows the inaccurate reporting by the account holder.

Upon completion of the deletion, please send me a copy of the updated Credit Report reflecting these changes.

Sincerely,  
(Client's Name)



# Sample - Validation Letter

(Client Name) (Date)  
(Client Address)  
Re: (Creditor Name)  
(Creditor Address)  
(Phone Number)  
Original Creditor: (Name)  
Account #: XXXXXX Amount Owed: \$ XXXX

Dear debt collector:

I have reviewed my Credit Report and found out that you are reporting a debt that I believe is incorrect. I do not recognize your organization name nor the original creditor's name listed under this alleged account, nor recognize the date opened, and/or the amount of the debt. You can contact me in writing and provide me with the following information.

Be advised this is not a refusal to pay, but this is a formal notice that your claim is disputed, and **FULL VALIDATION** is requested, under the **Fair Debt Collections Practice Act (FDCPA)** made under 15 USC 1692g Sec. 809 (b) of the FDCPA and section 609 (a)(3)(A) of the **Fair Credit Report Act (FCRA)**, this is NOT a request for "verification" or proof of my mailing address. Under this federal law, I have the right to request a full validation of any debt you say I owe you. I am requesting proof that I am indeed the party responsible for paying this alleged debt and irrefutable proof that there is a contractual obligation that is binding on me to pay this debt.

I am asking for this information because I have some questions about the accuracy of this debt. **Because of these questions, please consider the debt to be disputed at this time.** If you decide to stop the reporting of this debt, and/or forward or return it to another company, please indicate to them that **it is disputed**, also report to the three credit bureaus that the debt is disputed.

I respectfully request that your office provide me with competent evidence that I have any legal obligation to pay you for this debt.

Per FCRA regulation, please provide the following information within 30 days from the date of your receipt of this request for full validation:

- Name and Address of Alleged Creditor
- Name on File of Alleged Debtor
- Alleged Account #
- Address on File for Alleged Debtor
- Amount of alleged debt
- The date that this alleged debt became payable
- Location and/or venue where the alleged debt was created
- Date of original charge off or delinquency
- Was this debt assigned to the debt collector or purchased?
- Amount paid if the debt was purchased by your organization
- The agreement that bears the signature of the alleged debtor wherein he or she agreed to pay the creditor
- Agreement showing the alleged monthly payment schedule
- Address where the alleged account monthly payment was being mailed
- Account number or debit card number that was used to make payment (if any payment was made)

This request is for complete evidence, proof in the form of document(s) showing my signature, a copy of my ID showing my picture, and/or showing the date of birth, etc. I made this request following the FDCPA and FCRA and is made in absolute accordance with Federal Law.

Please also supply detailed information the following information:

**Details about your authority to collect this debt.**

- I would like more information about your firm before I discuss the alleged debt with you.
  - Does your firm have a debt collection license from my state? If not, explain why not. If so, provide the date of the license, the name on the license, the license number, and the name, address, and telephone number of the state agency issuing the license.
  - If you are contacting me from a place outside my state, does your organization have a debt collection license from that state? If so, provide the date of the license, the name on the license, the license number, and the name, address, and telephone number of the state agency issuing the license.

**Why you think I owe the debt, and to whom I owe it, including:**

- The full and legal name and address of the creditor to whom the debt is currently owed, and the full account number used by that creditor.
- If this debt started with a different creditor, provide the name and address of the original creditor, the account number used by that creditor, and the amount owed to that creditor at the time it was transferred. When you identify the original creditor, please provide any other name by which I might know them, if that is different from my official name. In addition, tell me when the current creditor obtained the debt and who the current creditor obtained it from.
- Provide verification and documentation that there is a valid basis for claiming that I am required to pay the debt to the current creditor. For example, you can provide a copy of the written agreement with my legible signature and all other pertinent information that created the original requirement to pay. **(Do not just send me a bill, a bill is not sufficient proof that this account was created by me)**
- If you are asking that I pay a debt that belongs to someone else or someone else was required to pay it, identify that person and provide verification and documentation about why this is a debt that I am being required to pay.

**The amount and age of the debt, specifically:**

- A copy of the last original billing statement sent to me by the original creditor showing my full name and address.
- State the amount of the debt when you obtained it when that was, and the detailed amount owed, including late and attorney fees if any.
- If there have been any additional interest, fees, or charges added since the last billing statement from the original creditor, provide an itemization showing the dates and amount of each added amount. In addition, explain how the added interest, fees, or other charges are expressly authorized by the agreement creating the debt or are permitted by law.
- If there have been any payments or other increases and/or reductions since the last billing statement from the original creditor, provide an itemization showing the dates and amount of each of them.
- If there have been any other changes or adjustments since the last billing statement from the original creditor, please provide full verification and documentation of the amount you are trying to collect. Explain how that amount was calculated. In addition, explain how the other changes or adjustments are expressly authorized by the agreement creating the debt or permitted by law.
- Tell me when the creditor claims this debt became due and when it became delinquent.
- Identify the date of the last payment made on this account.

If you fail to provide any of the information or documentation I asked for within the legally required time (30 days), please explain why.

If you do not provide sufficient and/or adequate proof at all and do not adequately explain why I will understand that you are unable to validate or document your claim.

Thank you in advance for your response.

Sincerely,  
(Client Name)



## Sample - Name Variations Letter

Client Name)  
(Address)

XX/XX/202X

DOB: XX/XX/XXXX  
Last four digits of SS#: XXXX

(Credit Bureau Name)  
(Address)

To whom may concern.

I am writing because after reviewing my credit report I noticed that your organization is reporting several alarming inaccuracies in my personal identifying information, per FCRA § 611(1) 15 U.S.C. § 1681I my credit file should only report accurate information and these inaccuracies are damaging my credit rating, my financial life and good name.

Please review and correct the information below.

1. My only legal name is: (Client's Name)  
Please delete any other names (AKAs) you are reporting in my credit file, as they are inaccurate.
2. My only legal address is: (Client's Address)  
Please delete any other addresses you are reporting in my credit file, as they are inaccurate.

I expect this letter to promptly resolve and correct the pointed inaccurate data, Federal Law makes it your responsibility to maintain and report accurate records in my credit report.

After the request has been completed, please send me a copy of my Updated Credit Report reflecting these changes.

Sincerely,  
(Client Name)



## Sample - Pay-for-Delete Letter

(Client's Name)  
(Address)

(Date)

Re: (Collection Agency Name)  
(Address)

Account # XXXXXXXXXX Amount Owed: \$XXXXX

Dear Collection Manager:

This letter is in reference to your credit report entry on my Credit File related to the debt referenced above. I wish to save us both some time and effort by discussing payment for this debt.

I am willing to make a payment on this debt in return for your agreement to remove this debt from the credit reporting agencies within 30 calendar days of payment. If you agree to these terms, I will send certified payment in the amount of \$XXX.XX payable to (Creditor Name) in exchange for all information related to this debt to be removed/deleted from my credit files.

If you accept this offer, you also agree not to discuss the offer with any third party, excluding the original creditor. If you accept the offer, please prepare a letter on your company letterhead agreeing to the terms and have an authorized agent of (Creditor Name) sign this letter and mail it to the address listed above. This letter will be treated as a contract and subject to the laws of my state. If the offer is accepted I will send payment within 3 business days after receipt of the acceptance letter verification.

As granted by the Fair Debt Collection Practices Act (FDCPA) and Fair Credit Reporting Act (FCRA), I have the right to dispute this alleged debt. If I do not receive your response within 15 calendar days from the receipt of this letter, I will withdraw this offer and request full validation of this debt.

Please forward any questions and your response to this offer to the address listed above.

Sincerely,  
(Client's Name)

\_\_\_\_\_  
Signature



## Credit Improvement Tips

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- Making sure the credit report is both **accurate and up to date** is one of the best steps to take in boosting the credit score
- **Removing** any incorrect information, could raise the credit score, in some cases significantly
- Be added as an **authorized user** on someone else's credit card account (in an account with good standing and with a low balance)
- Having a balanced **mix of types of debts** can be better for a higher credit score than having all the debt in a single type of debt



## Improvement SAMPLE (69 Points Increase in 3 months)

Subscriber Name: [REDACTED]  
 Subscriber Code/Market: [REDACTED]  
 Branch/Issued: [REDACTED]

INPUT PARAMETERS FOR PRIMARY SUBJECT  
 Reference ID: [REDACTED]  
 SSN: [REDACTED]  
 Name: [REDACTED]  
 Current Address: [REDACTED]

NAME: [REDACTED]  
 Also Known As: [REDACTED]  
 Date of Birth: [REDACTED] SSN: [REDACTED] Phone: [REDACTED] In file Since: 3/12

Current Address: [REDACTED] Previous Address: [REDACTED] Previous Address: [REDACTED]  
 Reported 2/19 Reported 4/17

EMPLOYMENT  
 Position: [REDACTED] Start: [REDACTED] End: [REDACTED] In file Since: 9/19 Effective: 10/19  
 Position: [REDACTED] Start: [REDACTED] End: [REDACTED] In file Since: 10/18 Effective: 10/18

ALERTS AND SPECIAL MESSAGES  
 Type: FRAUD ALERTS Explanation: CLEAR

SCORING  
 Type: FICO SCORE 8 Score: **+601** Explanation:  
 030 SERIOUS DELINQUENCY, AND PUBLIC RECORD OR COLLECTION FILED  
 012 LENGTH OF TIME REVOLVING ACCOUNTS HAVE BEEN ESTABLISHED  
 037 TOO FEW ACCOUNTS PAID AS AGREED  
 020 LENGTH OF TIME SINCE DEBOGATORY PUBLIC RECORD OR COLLECTION IS TOO SHORT  
 Note: In addition to the factors listed above, the number of inquiries on the consumer's credit file has adversely impacted the credit score.

CREDIT INFORMATION Summary (Total history)

| Public Records          | 0     | Collections                                  | 3            | Trades                             | 4        | Inquiries | 13        |
|-------------------------|-------|--|--------------|------------------------------------|----------|-----------|-----------|
| Negative Trade Accounts | 1     | Trade Accounts with Any Historical Negatives | 0            | Occurrence of Historical Negatives | 0        |           |           |
|                         | Count | High Credit                                  | Credit Limit | Balance                            | Past Due | Payment   | Available |
| Revolving               | 2     | \$134  | \$200        | \$134                              | \$0      | \$25      | 33%       |
| Installment             | 2     | \$44,507                                     | \$0          | \$44,410                           | \$0      | \$474     | n/a       |
| Total                   | 4     | \$44,641                                     | \$200        | \$44,544                           | \$0      | \$499     |           |



## Improvement SAMPLE (69 Points Increase in 3 months)

Subscriber Name: [REDACTED]  
 Subscriber Code/Market: [REDACTED]  
 Results Issued: 2/19/21

INPUT PARAMETERS FOR PRIMARY SUBJECT  
 Reference ID: [REDACTED]  
 SSN: [REDACTED]  
 Name: [REDACTED]  
 Current Address: [REDACTED]

Also Known As: [REDACTED] SSN: [REDACTED] Phone: [REDACTED] In File Since: 3/12

Date of Birth: [REDACTED]

Current Address: [REDACTED] Previous Address: [REDACTED] Previous Address: [REDACTED]

Reported 3/12 Reported 2/19

EMPLOYMENT

| Position   | Start      | End        | In File Since | Effective |
|------------|------------|------------|---------------|-----------|
| [REDACTED] | [REDACTED] | [REDACTED] | 9/19          | 10/19     |
| [REDACTED] | [REDACTED] | [REDACTED] | 10/18         | 10/18     |

ALERTS AND SPECIAL MESSAGES

| Type         | Explanation |
|--------------|-------------|
| FRAUD ALERTS | CLEAR       |

SCORING

Type: FICO SCORE 8

Score: **+670**

Explanation:

- 019 SERIOUS DELINQUENCY
- 014 LENGTH OF TIME ACCOUNTS HAVE BEEN ESTABLISHED
- 027 TOO FEW ACCOUNTS PAID AS AGREED
- 010 PROPORTION OF BALANCES TO CREDIT LIMITS IS TOO HIGH ON BANK REVOLVING OR OTHER REVOLVING ACCOUNTS

Note: In addition to the factors listed above, the number of inquiries on the consumer's credit file has adversely impacted the credit score.

CREDIT INFORMATION Summary (Total History)

| Public Records          | 0 | Collections                                  | 0 | Trades                             | 5 | Inquiries | 7 |
|-------------------------|---|--|---|------------------------------------|---|-----------|---|
| Negative Trade Accounts | 1 | Trade Accounts with Any Historical Negatives | 0 | Occurrence of Historical Negatives | 0 |           |   |

|             | Count | High Credit | Credit Limit | Balance  | Past Due | Payment | Available |
|-------------|-------|-------------|--------------|----------|----------|---------|-----------|
| Revolving   | 3     | \$1,025     | \$1,700      | \$503    | \$0      | \$60    | 66%       |
| Installment | 2     | \$38,060    | \$0          | \$38,323 | \$0      | \$474   | n/a       |
| Total       | 5     | \$39,085    | \$1,700      | \$38,826 | \$0      | \$534   |           |





## Improvement SAMPLE (140 Points Increase in 3 months)

Subscriber Name: [REDACTED]  
 Subscriber Code/Market: [REDACTED]  
 Results Issued: [REDACTED]

INPUT PARAMETERS FOR PRIMARY SUBJECT  
 Reference ID: [REDACTED]  
 SSN: [REDACTED]  
 Name: [REDACTED]  
 Current Address: [REDACTED]

Also Known As: [REDACTED]  
 SSN: [REDACTED]  
 Date of Birth: [REDACTED]  
 Phone: [REDACTED]  
 In File Since: 7/95

Current Address: [REDACTED]  
 Reported 7/11  
 Previous Address: [REDACTED]  
 Reported 9/06  
 Previous Address: [REDACTED]

EMPLOYMENT

| Position   | Start      | End        | In File Since |
|------------|------------|------------|---------------|
| [REDACTED] | [REDACTED] | [REDACTED] | 5/20          |
| [REDACTED] | [REDACTED] | [REDACTED] | 5/20          |
| [REDACTED] | [REDACTED] | [REDACTED] | 9/06          |
| [REDACTED] | [REDACTED] | [REDACTED] | Effective     |

ALERTS AND SPECIAL MESSAGES

Type: ID MISMATCH ALERT  
 Explanation: CURRENT INPUT ADDRESS DOES NOT MATCH FILE ADDRESS(ES)

FRAUD ALERTS: CLEAR

SCORING

Type: FC0 SCORE 8  
 Score: **+576**  
 Explanation:  
 040 DEROGATORY PUBLIC RECORD OR COLLECTION FILED  
 027 TOO FEW ACCOUNTS PAID AS AGREED  
 014 LENGTH OF TIME ACCOUNTS HAVE BEEN ESTABLISHED  
 020 LENGTH OF TIME SINCE DEROGATORY PUBLIC RECORD OR COLLECTION IS TOO SHORT

CREDIT INFORMATION Summary (Total History)

| Public Records          | 0 | Collections                                  | 1   | Trades                             | 1   | Inquiries | 5   |
|-------------------------|---|--|-----|------------------------------------|-----|-----------|-----|
| Negative Trade Accounts | 0 | Trade Accounts with Any Historical Negatives | 0   | Occurrence of Historical Negatives | 0   |           |     |
| Count                   |   | High Credit                                  |     | Credit Limit                       |     | Balance   |     |
| Installment             | 1 | \$20,545                                     | \$0 | \$16,991                           | \$0 | \$511     | n/a |
| Total                   | 1 | \$20,545                                     | \$0 | \$16,991                           | \$0 | \$511     |     |



## Improvement SAMPLE (140 Points Increase in 3 months)

Subscriber Name:   
 Subscriber Code/Market:   
 Results Issued:

INPUT PARAMETERS FOR PRIMARY SUBJECT  
 Reference ID:   
 SSN:   
 Name:   
 Current Address:

Also Known As:

SSN:  Date of Birth:  Phone:  In File Since: 7/95

Current Address:  Reported 1/20  
 Previous Address:  Reported 7/11  
 Previous Address:

**EMPLOYMENT**

Position:  Start:  End:  In File Since: 5/20  
 Effective: 5/20

Position:  Start:  End:  In File Since: 9/06  
 Effective:

**ALERTS AND SPECIAL MESSAGES**

Type:  Explanation:   
 FRAUD ALERTS CLEAR

**SCORING**

Type:

FICO SCORE B **Score +716**

Explanation:  
 014 LENGTH OF TIME ACCOUNTS HAVE BEEN ESTABLISHED  
 012 LENGTH OF TIME REVOLVING ACCOUNTS HAVE BEEN ESTABLISHED  
 005 TOO MANY ACCOUNTS WITH BALANCES  
 003 PROPORTION OF LOAN BALANCES TO LOAN AMOUNTS IS TOO HIGH  
 Note: In addition to the factors listed above, the number of inquiries on the consumer's credit file has adversely impacted the credit score.

**CREDIT INFORMATION Summary (Total History)**

|                          |   |   |   |                                     |   |            |   |
|--------------------------|---|---|---|-------------------------------------|---|------------|---|
| Public Records:          | 0 | Collections:                                  | 0 | Tradelines:                         | 2 | Inquiries: | 3 |
| Negative Trade Accounts: | 0 | Trade Accounts with Any Historical Negatives: | 0 | Occurrence of Historical Negatives: | 0 |            |   |

|              | Count    | High Credit     | Credit Limit | Balance         | Past Due   | Payment      | Available |
|--------------|----------|-----------------|--------------|-----------------|------------|--------------|-----------|
| Revolving    | 1        | \$0             | \$500        | \$0             | \$0        | \$0          | 100%      |
| Installment  | 1        | \$20,565        | \$0          | \$16,875        | \$0        | \$511        | n/a       |
| <b>Total</b> | <b>2</b> | <b>\$20,565</b> | <b>\$500</b> | <b>\$16,875</b> | <b>\$0</b> | <b>\$511</b> |           |



## Improvement SAMPLE (90 Points Increase in 3 months)

Subscriber Name: [REDACTED]  
Subscriber Code/Market: [REDACTED]  
Results Issued: 02/20/20

INPUT PARAMETERS FOR PRIMARY SUBJECT  
Reference ID: [REDACTED]  
SSN: [REDACTED]  
Name: [REDACTED]  
Current Address: [REDACTED]

[REDACTED] MARY [REDACTED]  
Also Known As: [REDACTED]  
Date of Birth: [REDACTED] SSN: [REDACTED] Phone: [REDACTED] In File Since: 2/87

Current Address: [REDACTED] Reported 4/20  
Previous Address: [REDACTED] Reported 10/19  
Previous Address: [REDACTED]

EMPLOYMENT  
[REDACTED] Position: [REDACTED] Start: [REDACTED] End: [REDACTED] In File Since: 3/09 Effective: 3/09  
KARSTEN MANUFACTURING CORP. Position: [REDACTED] Start: [REDACTED] End: [REDACTED] In File Since: 11/00 Effective: [REDACTED]

ALERTS AND SPECIAL MESSAGES  
Type: ID MISMATCH ALERT Explanation: CURRENT INPUT ADDRESS DOES NOT MATCH FILE ADDRESS(ES)  
IDVISION ALERTS: CLEAR

SCORING  
Type: FICO SCORE 8 Score: 603 Explanation:  
010. PROPORTION OF BALANCES TO CREDIT LIMITS IS TOO HIGH ON BANK REVOLVING OR OTHER REVOLVING ACCOUNTS  
018. NUMBER OF ACCOUNTS WITH DELINQUENCY  
013. TIME SINCE DELINQUENCY IS TOO RECENT OR UNKNOWN  
004. LACK OF RECENT INSTALLMENT LOAN INFORMATION

CREDIT INFORMATION Summary (Total history)

| Public Records          | 0 | Collections                                  | 0        | Trades                             | 4   | Inquiries | 0                 |
|-------------------------|---|--|----------|------------------------------------|-----|-----------|-------------------|
| Negative Trade Accounts | 1 | Trade Accounts with Any Historical Negatives | 0        | Occurrence of Historical Negatives | 0   |           |                   |
| Count                   |   | High Credit                                  |          | Credit Limit                       |     | Balance   | Payment Available |
| Revolving               | 6 | \$24,970                                     | \$24,000 | \$20,587                           | \$4 | \$509     | 17%               |
| Total                   | 6 | \$24,970                                     | \$24,000 | \$20,587                           | \$4 | \$509     |                   |



## Improvement SAMPLE (90 Points Increase in 3 months)

|   |   |  |   |
|---|---|--|---|
| [Redacted]  |   | Subscriber Name: [Redacted]<br>Subscriber Code/Market: [Redacted]<br>Results Issued: 1/23/21   |   |
| [Redacted]  |   | INPUT PARAMETERS FOR PRIMARY SUBJECT<br>Reference ID: [Redacted]<br>SSN: [Redacted]<br>Home: [Redacted]<br>Current Address: [Redacted]   |   |
| Also Known As: [Redacted]    SSN: [Redacted]    Phone: [Redacted]    In File Since: 2/87<br>Date of Birth: [Redacted] |   |  |   |
| Current Address: [Redacted]   |   | Previous Address: [Redacted]   |   |
| Reported 4/20   |   |  |   |
| EMPLOYMENT  |   |  |   |
| [Redacted]  | Position: [Redacted]                            | Start: [Redacted]<br>End: [Redacted]   | In File Since: 3/09<br>Effective: 3/09        |
| [Redacted]  | Position: [Redacted]                            | Start: [Redacted]<br>End: [Redacted]   | In File Since: 11/00<br>Effective: [Redacted] |
| ALERTS AND SPECIAL MESSAGES   |   |  |   |
| Type  | Explanation                                     |  |   |
| FRAUD ALERTS  | CLEAR   |  |   |
| SCORING   |   |  |   |
| Type  | Explanation                                     |  |   |
| FICO SCORE 8  | Score<br><b>+693</b>                            | 010 PROPORTION OF BALANCES TO CREDIT LIMITS IS TOO HIGH ON BANK REVOLVING OR OTHER REVOLVING ACCOUNTS<br>004 LACK OF RECENT INSTALLMENT LOAN INFORMATION<br>005 TOO MANY ACCOUNTS WITH BALANCES<br>020 TIME SINCE MOST RECENT ACCOUNT OPENING IS TOO SHORT |   |
| CREDIT INFORMATION Summary (Total History)  |   |  |   |
| Public Records: 0   | Collections: 0                                  | Trades: 6  | Inquiries: 0                                  |
| Negative Trade Accounts: 0  | Trade Accounts with Any Historical Negatives: 0 | Occurrence of Historical Negatives: 0  |   |
|   | Count   | High Credit  | Credit Limit                                  |
| Revolving   | 6   | \$24,970   | \$24,800                                      |
|   |   | Balance  | Past Due                                      |
|   |   | \$20,353   | \$0   |
| Total   | 6   | \$24,970   | \$24,800                                      |
|   |   | Payment  | Available                                     |
|   |   | \$448  | 10%   |



## Improvement SAMPLE (87 Points Increase in 4 months)

Subscriber Name: [REDACTED]  
 Subscriber Code/Market: [REDACTED]  
 Results Issued: 1/29/21

INPUT PARAMETERS FOR PRIMARY SUBJECT  
 Reference ID: [REDACTED]  
 SSN: [REDACTED]  
 Name: [REDACTED]  
 Current Address: [REDACTED]

Also Known As: [REDACTED] SAMANTHA [REDACTED]  
 Date of Birth: [REDACTED] SSN: [REDACTED] Phone: [REDACTED] In File Since: 9/09

Current Address: [REDACTED] Reported 3/21  
 Previous Address: [REDACTED] Reported 11/15  
 Previous Address: [REDACTED]

EMPLOYMENT

| Position   | Start      | End        | In File Since |
|------------|------------|------------|---------------|
| [REDACTED] | [REDACTED] | [REDACTED] | 5/10          |
| [REDACTED] | [REDACTED] | [REDACTED] | 6/18          |
| [REDACTED] | [REDACTED] | [REDACTED] | 7/17          |

ALERTS AND SPECIAL MESSAGES

| Type         | Explanation   |
|--------------|---|
| FRAUD ALERTS | FILE PREVIOUS ADDRESS IS A MULTI-UNIT BUILDING REPORTED MISUSED AND REQUIRES FURTHER INVESTIGATION (UNIT 213) |

SCORING

Type: FICO SCORE 8

Score: **+575**

Explanation:

- 030 SERIOUS DELINQUENCY AND PUBLIC RECORD OR COLLECTION FILED
- 010 NUMBER OF ACCOUNTS WITH DELINQUENCY
- 020 LENGTH OF TIME SINCE DEROGATORY PUBLIC RECORD OR COLLECTION IS TOO SHORT
- 027 TOO FEW ACCOUNTS PAID AS AGREED

CREDIT INFORMATION Summary (Total History)

| Public Records          | 0           | Collections                                 | 2        | Trades                            | 14       | Inquiries | 1    |
|-------------------------|-------------|---|----------|-----------------------------------|----------|-----------|------|
| Negative Trade Accounts | 6           | Trade Accounts with Any Historical Negative | 2        | Occurrence of Historical Negative | 0        |           |      |
| Count                   | High Credit | Credit Limit                                | Balance  | Past Due                          | Payment  | Available |      |
| Open                    | 4           | \$1,493                                     | \$0      | \$0                               | \$0      | \$0       | 100% |
| Closed w/ Balance       | n/a         | n/a   | \$18,481 | \$18,481                          | \$0      | n/a       |      |
| Total                   | 14          | \$1,493                                     | \$0      | \$18,481                          | \$18,481 | \$0       |      |



## Improvement SAMPLE (87 Points Increase in 4 months)

Subscriber Name: [REDACTED]  
 Subscriber Code (Market): [REDACTED]  
 Results Issued: 7/14/21

INPUT PARAMETERS FOR PRIMARY SUBJECT  
 Reference ID: [REDACTED]  
 SSN: [REDACTED]  
 Name: [REDACTED]  
 Current Address: [REDACTED]

Also Known As: [REDACTED]  
 SSN: [REDACTED] Phone: [REDACTED] In file Since: 9/09

Current Address: [REDACTED] Previous Address: [REDACTED] Previous Address: [REDACTED]  
 Reported 3/21 Reported 11/15

EMPLOYMENT

| Position   | Start      | End        | In file Since |
|------------|------------|------------|---------------|
| [REDACTED] | [REDACTED] | [REDACTED] | 5/10          |
| [REDACTED] | [REDACTED] | [REDACTED] | 6/10          |
| [REDACTED] | [REDACTED] | [REDACTED] | 7/17          |
| [REDACTED] | [REDACTED] | [REDACTED] | 7/17          |

ALERTS AND SPECIAL MESSAGES

Type: FRAUD ALERTS  
 Explanation: FILE PREVIOUS ADDRESS IS A MULTI-UNIT BUILDING REPORTED MISUSED AND REQUIRES FURTHER INVESTIGATION (UNIT: 213)

SCORING

Type: FICO SCORE B  
 Score: **+662**  
 Explanation:  
 039 SERIOUS DELINQUENCY  
 027 TOO FEW ACCOUNTS PAID AS AGREED  
 014 LENGTH OF TIME ACCOUNTS HAVE BEEN ESTABLISHED  
 018 NUMBER OF ACCOUNTS WITH DELINQUENCY

CREDIT INFORMATION Summary (Total History)

| Public Records          | 0           | Collections                                  | 0        | Trades                             | 15       | Inquiries | 1    |
|-------------------------|-------------|--|----------|------------------------------------|----------|-----------|------|
| Negative Trade Accounts | 6           | Trade Accounts with Any Historical Negatives | 2        | Occurrence of Historical Negatives | 8        |           |      |
| Count                   | High Credit | Credit Limit                                 | Balance  | Past Due                           | Payment  | Available |      |
| Revolving               | 5           | \$199  | \$300    | \$21                               | \$0      | \$20      | 93%  |
| Open                    | 4           | \$1,493                                      | \$0      | \$0                                | \$0      | \$0       | 100% |
| Closed w/Balance        | n/a         | n/a  | \$10,481 | \$10,481                           | \$0      | \$0       | n/a  |
| Total                   | 15          | \$1,892                                      | \$300    | \$10,502                           | \$10,481 | \$20      |      |



## Credit Improvement Tips

- **Removal of Hard Inquiries**
  - Make sure the request for removal of inquiries is for accounts that are **not associated with active or past accounts** in the CR
  - If they don't comply you can start a complaint with the CFPB [www.cfpb.org](http://www.cfpb.org)
- **Keeping a zero balance may not always be the best for a higher credit score**
  - The credit agency algorithm may calculate the same as if the balance is at 30% of usage



## Credit Do's and Don'ts

---

### Do...

- dispute inaccurate information on credit reports (errors and negative)
- avoid unnecessary credit inquiries
- pay down credit card balances before installment debt
- become an authorized user
- be wary of anyone who claims that can "fix" credit

### Don't...

- ignore credit reports
- apply for too much credit during a short period of time
- pay bills late





## Credit – Do's and Don'ts (Cont.)

---

### Do...

- keep the oldest account open
- open a self-lender loan
- get a Secure Credit Card
- send all disputes/requests in writing via certified mail
- use the same name when you apply for credit. Don't leave out middle initials or "Jr."

### Don't...

- fall for a credit repair scheme. Why pay for something that can be done by yourself for free? Be patient
- stop using credit cards



## Credit – Do's and Don'ts (Cont.)

### Do...

- review bill statements and pay them on time every month and set up either auto-pay or bill payment reminders
- keep credit cards secure. Always have the card issuer's phone number available in case the card is lost or stolen
- have rent, utility, and service payments reported to a self-reporting system

### Don't...

- "max out" your cards, keep the balance at less than 30% of the available limit (3% to 6% is best)
- ignore the warning signs of credit trouble



## Credit Improvement Tips

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- **Create a Budget**, this will help clarify the actual monthly amount received and will help to allocate it to pay for expenses and bill payments, it will also help when tempted to use a credit card, and limit the credit utilization
- **Take responsibility**, the result of doing so is immeasurable, it will liberate the mind and allow it to accept recommendations in a completely different manner and achieve the desired outcome



## Credit Builder Links:



### Revolving Secure Credit Card (SCC):

- <https://www.creditbuildercard.com/tandtleagacypartners.html>
- <https://www.discover.com/credit-cards/secured/>
- <https://www.capitalone.com/credit-cards/secured-mastercard/>
- <https://www.openskycc.com/>
- <https://cred.ai/>
- <https://sablecard.com/credit>
- <https://www.firstprogress.com>

### Installment Credit Builder account:

- <https://self.inc/refer/18353708>

### Installment Lending Circle Credit Builder account:

- <https://www.missionassetfund.org/lending-circles/>



## Common myths about credit reporting

---

- When paid, the bad debt history will be deleted from the credit report
- The credit reporting agency denied me credit
- I'm not responsible for those charges on the account
- A divorce decree separates joint accounts
- Requesting your own report harms the credit history
- There is only one credit score, and it is on every report



## RD's Credit Review

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- Tri Merge Credit Report (TMCR) for ALL note signers
- For Community Property States Only  
Non-Purchasing Spouse (NPS) Considerations:
  - **NPS (Non-Purchasing Spouse) must provide a copy of their credit report**
  - Obligations must be considered in the Total Debt (TD) ratio
  - Judgements of a non-purchasing spouse must be paid in full unless an exception is granted by the Loan Approval Official



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## Reviewing the Credit Report



- Review credit inquiries and confirm whether the applicant has obtained credit that is not yet reflected on the report
- Highlight any other areas of concern and develop a list of questions or issues that need clarification from the applicant

## For USDA RD 502 Program

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- No minimum credit score is required
- If the applicant has a 640 score or higher and No Significant Delinquencies, the applicant qualifies for a streamlined credit review
- If the score is under 640, a full credit analysis must be completed using Indicators of Unacceptable Credit





## For RD - Which Credit Score to Use?

- If **3** scores – use the middle score
- If **2** scores - use the lowest score
- If **1** score or **0** is reported
  - a full/manual credit analysis must be completed
  - obtain alternate credit verifications if needed\*



\*alternate credit cannot be used to offset derogatory credit

## RD Streamlined Credit Analysis

Applicants who have:  
A positive DNP result,  
more than one credit  
score  
and a score of 640 or  
higher



And who Do not have:  
Outstanding Federal  
Judgments, and/or  
a Significant  
Delinquency

**ARE CONSIDERED TO HAVE ACCEPTABLE CREDIT**

(REGARDLESS OF WHETHER THE TMCR LISTS OTHER CREDIT "BLEMISHES")



## What RD Considers Significant Delinquency

In the past 36 months before the application date:

- A foreclosure, Deed-in-lieu of foreclosure, short sale, or mortgage charge-off has been completed
- A discharged Chapter 7 bankruptcy
- Agency debts that were debt settled or are being considered for debt settlement



## Significant Delinquency (Cont.)

Chapter 13 bankruptcy is a significant delinquency **if** the applicant:

- Did not successfully complete the debt restructuring plan (i.e., quit making payments)  
OR
- Has not made the last 12 months of payments according to the restructuring plan  
OR
- They don't have written authorization from the bankruptcy court to incur an RD loan



## Credit Scores and Acceptability

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- IF the applicant has at least two credit scores on the TMCR, but that reliable score is less than 640:
  - THEN, obtain other credit verifications as outlined in HB-1-3550, Chapter 4, Paragraph 4.12 C.
  - A full credit analysis is needed

## FICO - Below 640 and Insufficient Credit

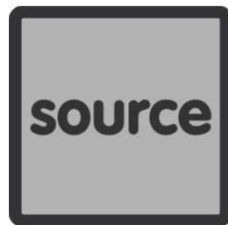
- Verification of rent/mortgage
  - Obtain if the score is below 640, only one score, or no score
  - Cannot be from a relative
  - Counts as “two sources”
- Nontraditional credit (if needed)
  - Need a total of 3 sources which can be a combination of credit report tradelines, alternative credit, and landlord reference
  - **Cannot outweigh adverse credit**



## RD's Nontraditional Credit Sources

### Preferred Sources

- Rent
- Utilities (not included in rent)
- Telephone
- Cable TV/internet
- Insurance payments (other than payroll deductions)



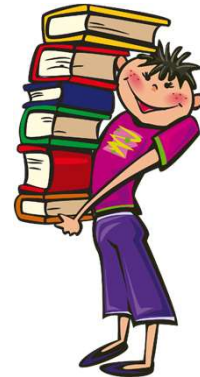
### Alternative Sources

- Child Care
- School tuition
- Payments to local retail stores
- Payment arrangements for medical bills
- Savings history (resulting in a 3-month PITI balance)



## Credit - Student Loans

- Can be a Long-Term Challenge
- If Deferred or in Forbearance – RD uses the higher of:
  - Monthly payment as shown on TMCR
  - or
  - .50% of the loan balance(s)
- If in Repayment – use the actual payment -  
If all 4 criteria below are met:
  - Loan is in repayment status
  - Credit Score is 640 or higher
  - No indicators of Significant Delinquency
  - Payment Shock of 100% or less





## Challenge of Student Loans



- It can benefit the applicant to apply for the Income-Driven-Repayment Program. There are pros and cons to doing this, but it is typically better than Forbearance or Deferment
- This would enable them to meet one of the four requirements, giving them a lower amount to use in the total debt ratio

## 4A – The Calculator



**You can Find the Most Updated Worksheet for Computing Income and Max Loan Calculator using the link below**

**<https://www.rd.usda.gov/programs-services/services/direct-loan-application-packagers>**

**Watch the automated calculator tutorial using the link below**

**<https://www.youtube.com/watch?v=l1ux3VcZkLM>**



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## Eligibility – Other 4A

- If the applicant(s) have both wage income and is self-employed make sure to complete all methods
- If the applicant(s) has only self-employment income, not need to complete the other methods
- For Seasonal workers, can complete only the YTD/Average method (make sure this is clearly explained in the narrative)



| CO-APPLICANT'S Income  |    |        |   | Application Number:      |        | CO-APPLICANT TOTALS      |          |
|--|----|--------|---|--------------------------|--------|--------------------------|----------|
| Co-Applicant's Name:   |    |        |   | Co-Applicant's Name      |        |                          |          |
| <b>Wage Income</b> (Show year work for ALL income calculation methods)   |    |        |   |                          |        |                          |          |
| <i>Use average (this does not apply unless specified) per year for Repayment (R), Annual (A), or both (B).</i> |    |        |   |                          |        |                          |          |
| <b>Straight-based</b>  |    |        |   | <b>Hours</b>             |        | <b>Weeks</b>             |          |
| Base   | \$ | 20.00  | x | 4                        | =      | \$                       | 320.00   |
| Overtime   | \$ |        | x |                          | =      | \$                       |          |
| Total =  |    |        |   | \$                       | 320.00 |                          |          |
| <b>Straight-based</b>  |    |        |   | <b>Monthly/Quarterly</b> |        | <b>Monthly/Quarterly</b> |          |
| Base   | \$ |        | x |                          | =      | \$                       |          |
| Overtime   | \$ |        | x |                          | =      | \$                       |          |
| Bonus  | \$ |        | x |                          | =      | \$                       |          |
| Total =  |    |        |   | \$                       |        |                          |          |
| <b>Yearly</b>  |    |        |   | <b>Historical</b>        |        | <b>2021</b>              |          |
| Base   | \$ |        | x |                          | =      | \$                       | 998.40   |
| Overtime   | \$ |        | x |                          | =      | \$                       | 3,775.38 |
| Bonus  | \$ |        | x |                          | =      | \$                       |          |
| Total =  |    |        |   | \$                       | 998.40 | \$ 3,775.38              |          |
| <b>YTD</b>   |    |        |   | <b>YTD Income</b>        |        | <b>Days</b>              |          |
| Base   | \$ | 224.00 | / | 365                      | =      | \$                       | 224.00   |
| Overtime   | \$ |        | / | 365                      | =      | \$                       |          |
| Bonus  | \$ |        | / | 365                      | =      | \$                       |          |
| Total =  |    |        |   | \$                       | 224.00 |                          |          |
| <b>Average</b>   |    |        |   | <b>Average</b>           |        | <b>Days</b>              |          |
| Base   | \$ |        | / |                          | =      | \$                       |          |
| Overtime   | \$ |        | / |                          | =      | \$                       |          |
| Bonus  | \$ |        | / |                          | =      | \$                       |          |
| Total =  |    |        |   | \$                       |        |                          |          |
| <b>Self-Employed - Business Name:</b>  |    |        |   |                          |        |                          |          |
| <b>Business Structure:</b>   |    |        |   |                          |        |                          |          |
| <b>Average (2 years)</b>   |    |        |   |                          |        |                          |          |
| <b>Net Income/Loss</b>   |    |        |   |                          |        |                          |          |
| <b>Depreciation/Depletion</b>  |    |        |   |                          |        |                          |          |
| <b>Interest</b>  |    |        |   |                          |        |                          |          |
| <b>(Non-Cash Deduction)</b>  |    |        |   |                          |        |                          |          |
| <b>Total</b>   |    |        |   |                          |        |                          |          |
| <b>YTD</b>   |    |        |   |                          |        |                          |          |
| <b>Total</b>   |    |        |   |                          |        |                          |          |
| <b>Nontaxable Income: \$2/SS/Disability/Child Support/Elc.</b>   |    |        |   |                          |        |                          |          |
| <b>Alimony/Public Assistance/Pension/Unemployment</b>  |    |        |   |                          |        |                          |          |
| <b>OTHER</b>   |    |        |   |                          |        |                          |          |
| <b>Additional Information/Remarks</b>  |    |        |   |                          |        |                          |          |

**Maximum Loan Calculator /  
Payment Assistance Calculation Spreadsheet**

Applicant: \_\_\_\_\_ Applicant's Name: \_\_\_\_\_  
Co-Applicant: \_\_\_\_\_ Co-Applicant's Name: \_\_\_\_\_

Application Number: \_\_\_\_\_

Property County: TRAINING Annual Taxes: \$ 6,000.00  
Income Category: LOW Annual Insurance: \$ 1,200.00  
Area Loan Limit: \$ 322,000.00 Current Mo. Hg Pymt: \$ 1,100.00  
Energy Efficient Home: \_\_\_\_\_ 38 Year Term Available Option: No

Packaging Phase 1/Eligibility  
Stage COE

| Monthly Debts |          | Income Totals             |                   |
|---------------|----------|---------------------------|-------------------|
| Description   | Amount   | Annual Income:            | Annual Insurance: |
| BOA           | \$ 51.00 | \$80,761.63               | \$ 1,200.00       |
| Sync PPC      | \$ 30.00 | Total Deductions:         | \$960.00          |
|               |          | Annual Adj. Income:       | \$79,800.00       |
|               |          | Repayment Income:         | \$77,477.68       |
|               |          | Monthly Repayment:        | \$6,456.47        |
|               |          | Area Loan Limit Enforced: |                   |
|               |          | Maximum Loan Amount:      | \$ 322,000.00     |
|               |          | PITI                      | \$1,596.00        |
|               |          | Maximum PITI Allowed      | \$2,136.04        |
|               |          | PITI Ratio                | 24.72%            |
|               |          | Total Monthly Debts:      | \$ 91.00          |
|               |          | Total Debt                | \$1,677.00        |
|               |          | Maximum TD Allowed        | \$2,647.15        |
|               |          | Total Debt Ratio          | 25.97%            |

| Loan #            | Int. Rate | Term months | Principal     | Monthly Note Pymt | Annual Note Pymt |
|-------------------|-----------|-------------|---------------|-------------------|------------------|
| Initial Loan      | 4.125%    | 396         | \$ 322,000.00 | \$1,489.62        | \$17,875.39      |
| Subsequent Loan 1 |           |             | \$ -          | \$ -              | \$ -             |
| Subsequent Loan 2 |           |             | \$ -          | \$ -              | \$ -             |
| Leveraged Loan 1  |           |             | \$ -          | \$ -              | \$ -             |
| Leveraged Loan 2  |           |             | \$ -          | \$ -              | \$ -             |
| Totals:           |           |             | \$ 322,000.00 | \$1,489.62        | \$17,875.39      |

Note: Grant amounts are NOT included in any payment assistance calculations.

| Option 1                       | Option 2                     |
|--------------------------------|------------------------------|
| PITI At Note Rate: \$2,089.62  | Note Payment: \$1,489.62     |
| 24% of Adj. Income: \$1,396.00 | Monthly 1% Payment: \$955.00 |
| Difference: \$493.62           | Difference: \$534.62         |

Note: The lesser of Option 1 and Option 2 will be used for the payment assistance calculations below.

| Loan                       | Initial Loan | Subsequent Loan 1 | Subsequent Loan 2 | Total     |
|----------------------------|--------------|-------------------|-------------------|-----------|
| Monthly Payment Assistance | \$493.62     | \$ -              | \$ -              | \$ 493.62 |
| Monthly Installment (P&I)  | \$996.00     | \$ -              | \$ -              | \$ 996.00 |

## Eligibility – Other 4A

- Enter the Annual Taxes and Insurance amounts
- If no Maximum Loan Amount appears, the applicant might be over-income
- – **Red Notice** – Loan Does Not Qualify for Proposed Amount
- Check that the borrower's TDR and PITI ratio are within the limit

**Maximum Loan Calculator /  
Payment Assistance Calculation Spreadsheet**

Applicant: \_\_\_\_\_ Applicant's Name: \_\_\_\_\_  
Co-Applicant: \_\_\_\_\_ Co-Applicant's Name: \_\_\_\_\_

Application Number: \_\_\_\_\_

Property County: TRAINING Annual Taxes: \$ 6,000.00  
Income Category: LOW Annual Insurance: \$ 1,200.00  
Area Loan Limit: \$ 322,000.00 Current Mo. Hg Pymt: \$ 1,100.00  
Energy Efficient Home: \_\_\_\_\_ 38 Year Term Available Option: No

Packaging Phase 1/Eligibility  
Stage COE

| Monthly Debts |          | Income Totals             |                   |
|---------------|----------|---------------------------|-------------------|
| Description   | Amount   | Annual Income:            | Annual Insurance: |
| BOA           | \$ 51.00 | \$80,761.63               | \$ 1,200.00       |
| Sync PPC      | \$ 30.00 | Total Deductions:         | \$960.00          |
|               |          | Annual Adj. Income:       | \$79,800.00       |
|               |          | Repayment Income:         | \$77,477.68       |
|               |          | Monthly Repayment:        | \$6,456.47        |
|               |          | Area Loan Limit Enforced: |                   |
|               |          | Maximum Loan Amount:      | \$ 322,000.00     |
|               |          | PITI                      | \$1,596.00        |
|               |          | Maximum PITI Allowed      | \$2,136.04        |
|               |          | PITI Ratio                | 24.72%            |
|               |          | Total Monthly Debts:      | \$ 91.00          |
|               |          | Total Debt                | \$1,677.00        |
|               |          | Maximum TD Allowed        | \$2,647.15        |
|               |          | Total Debt Ratio          | 25.97%            |

| Loan #            | Int. Rate | Term months | Principal     | Monthly Note Pymt | Annual Note Pymt |
|-------------------|-----------|-------------|---------------|-------------------|------------------|
| Initial Loan      | 4.625%    | 396         | \$ 322,500.00 | \$1,589.45        | \$18,873.39      |
| Subsequent Loan 1 |           |             | \$ -          | \$ -              | \$ -             |
| Subsequent Loan 2 |           |             | \$ -          | \$ -              | \$ -             |
| Leveraged Loan 1  |           |             | \$ -          | \$ -              | \$ -             |
| Leveraged Loan 2  |           |             | \$ -          | \$ -              | \$ -             |
| Totals:           |           |             | \$ 322,500.00 | \$1,589.45        | \$18,873.39      |

Note: Grant amounts are NOT included in any payment assistance calculations.

| Option 1                       | Option 2                     |
|--------------------------------|------------------------------|
| PITI At Note Rate: \$2,189.45  | Note Payment: \$1,589.45     |
| 24% of Adj. Income: \$1,396.00 | Monthly 1% Payment: \$956.48 |
| Difference: \$593.45           | Difference: \$632.97         |

Note: The lesser of Option 1 and Option 2 will be used for the payment assistance calculations below.

| Loan                       | Initial Loan | Subsequent Loan 1 | Subsequent Loan 2 | Total     |
|----------------------------|--------------|-------------------|-------------------|-----------|
| Monthly Payment Assistance | \$593.45     | \$ -              | \$ -              | \$ 593.45 |
| Monthly Installment (P&I)  | \$996.00     | \$ -              | \$ -              | \$ 996.00 |

**Loan Does not Qualify at Proposed Amount!**





**Section G - Credit History Evaluation**  
Address questions 1-5 as applicable. For names of any address accounts and include status of account, outstanding delinquency amount, etc.

**Section D - Additional Credit Checks**

4. Are there any outstanding judgments against the applicant obtained for the United States as a Federal court order from the United States court? (If "Yes," the applicant is not eligible for the program; this is statutory and cannot be waived. Address in Section G.)

5. Was the "RED CROSS REFERENCE" checked in Adversity, and determined to be acceptable? (If "No," address in Section G.)

6. Was the U.S. Department of the Treasury's Do Not Pay portal checked, and determined to be acceptable? (If "No," address in Section G.)

**Form RD 1044-02**  
02/17/05-20

**CREDIT HISTORY WORKSHEET**

Applicant: Applicant's Name Credit Score(s) High ☐ Satisfactory ☐ Low ☐

Cs: Applicant: Cs: Applicant's Name Credit Score(s) High ☐ Satisfactory ☐ Low ☐

**Section A - Credit Score**

1. Does the applicant have at least 2 credit scores on the Timeliness Credit Report (TCR)? (If "No," the Loan Originator must complete Section C - Supplemental / Alternative Credit.)

**Section B - Showing Payment History**

2. If the applicant's credit score is less than the acceptable score identified in Supplement 1.070:

A. Was Form RD 1044-02, Lender's Verification, obtained from each lender for the past 2 years?

B. Has the applicant had 2 or more rent or mortgage payments paid 10 days or more past due, within the last 2 years? (If "Yes," address in Section G.)


**Section C - Supplemental / Alternative Credit**

3. If the applicant does not use traditional credit, or has a limited credit history, does the applicant have a minimum of 5 credit sources? (If "No," the Loan Originator must complete Section C - Supplemental / Alternative Credit.)

| Applicant (AU) / Cs: Applicant (Cs: AU) | Account Name | Number of Months Open | Last Active |
|---|--------------|-----------------------|-------------|
|   |              |                       |             |
|   |              |                       |             |
|   |              |                       |             |
|   |              |                       |             |
|   |              |                       |             |
|   |              |                       |             |
|   |              |                       |             |
|   |              |                       |             |
|   |              |                       |             |
|   |              |                       |             |

## Eligibility – Other 4A

- USDA completes this tab
- However, it is a useful tool for completing the Credit Analysis (3 pages)



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