

MGIC



AMERICAN REPORTING COMPANY

Credit Scores & Credit Reporting Updates: Trigger Leads, Credit Score Modernization, Best Practices & More

Oct. 21, 2024

Featuring Mike Olden, VP – Sales & Education, ARC

Disclaimer

The information presented in this webinar is based on the opinions and research of American Reporting Company (ARC) and do not necessarily represent the opinions of MGIC or other entities mentioned herein. Any examples are hypothetical and are for illustrative purposes only. Our training is not intended and should not be interpreted or relied upon as legal advice. We encourage you to seek legal and compliance advice from a qualified professional. We have done our best to verify all information and to credit all sources of information contained herein.

American Reporting Company and MGIC EXPRESSLY DISCLAIM ANY AND ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE REGARDING THESE MATERIALS AND OUR TRAINING PROGRAM. IN NO EVENT WILL MGIC BE LIABLE FOR ANY DIRECT, INDIRECT, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES OF ANY KIND WITH RESPECT TO THE TRAINING OR MATERIALS PROVIDED.

MGIC

arc

AMERICAN REPORTING COMPANY

Today we'll discuss

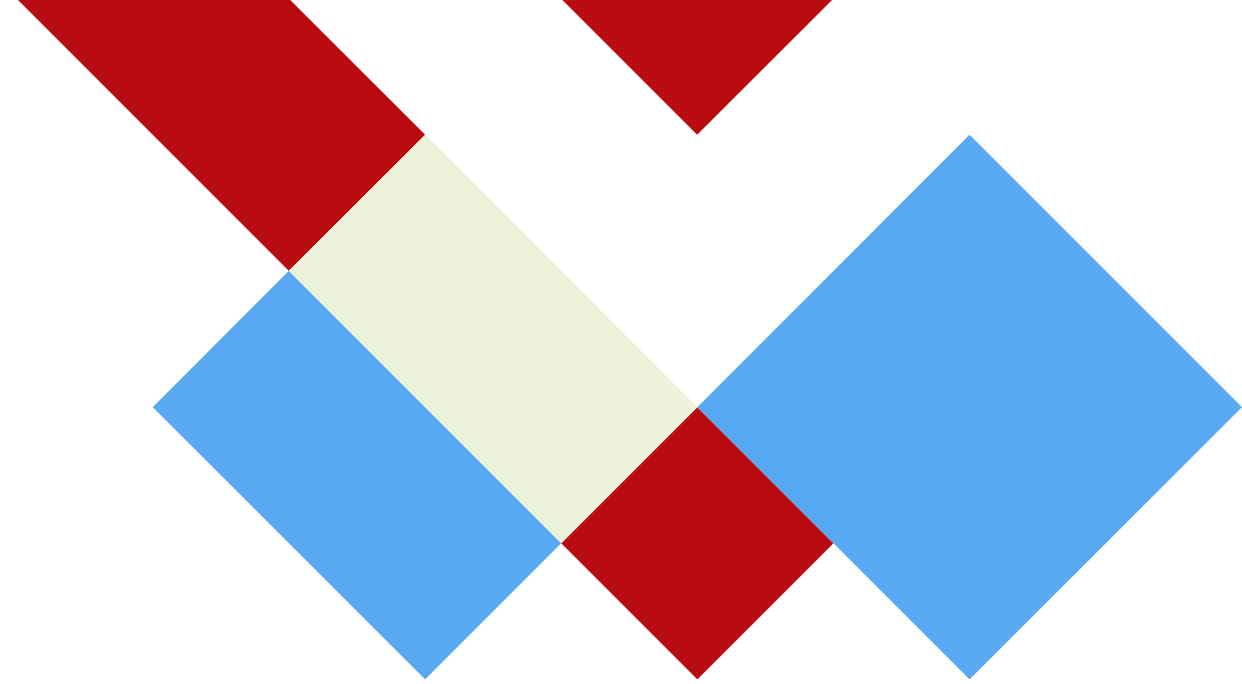
- **Trigger leads and soft hit credit reports**
- **Credit score modernization**
- **Reducing credit reporting costs**
- **Credit related items such as credit card debt, medical collections and inquiries**
- **Preparing your borrowers for success**

MGIC

arc

AMERICAN REPORTING COMPANY

What is a “trigger lead”?



MGIC

arc

AMERICAN REPORTING COMPANY

What is a “trigger lead”?

- Generated when a consumer applies for credit.
- Other lenders purchase this info so they can solicit the consumer.
- Lenders can strengthen and protect their relationship with past and future clients by encouraging them to **opt out**.
- **Register to remove names from potential solicitation:**
www.optoutprescreen.com
www.donotcall.gov

MGIC

arc

AMERICAN REPORTING COMPANY



What is the current status of proposed legislation to ban the use of trigger leads?

MGIC

arc

AMERICAN REPORTING COMPANY

Status of proposed legislation to ban the use of trigger leads

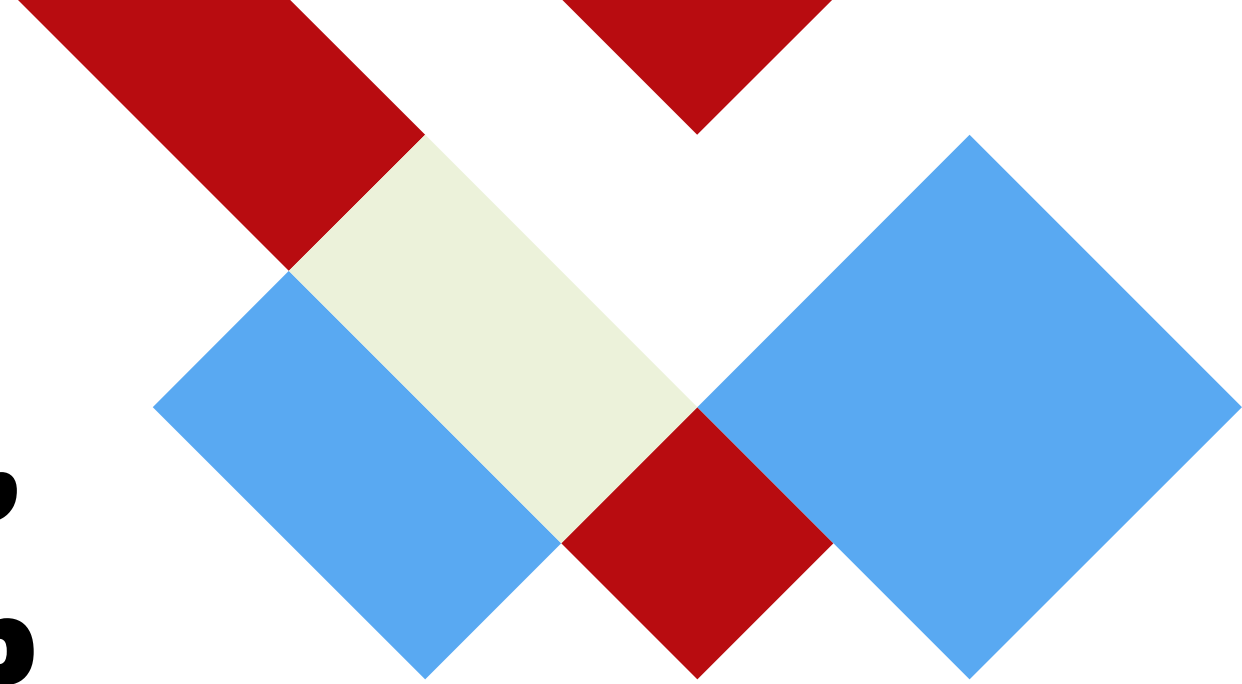
- Multiple bi-partisan bills proposed in Congress to reduce impact of trigger leads on consumers.
- Find more info here: <https://www.govtrack.us/congress/bills> OR <https://www.congress.gov/>
- Additional rules being put into place by Federal Communications Commission (FCC)
- **Starting Jan. 25, 2025** – companies must obtain consumer's prior express written consent separately for each company seeking to apply such consent.
- There will also be options for consumers to revoke text messages.

MGIC

arc

AMERICAN REPORTING COMPANY

How can “soft hit” credit reports help lenders avoid trigger leads?



MGIC

arc

AMERICAN REPORTING COMPANY

How can “soft hit” credit reports help lenders avoid trigger leads?

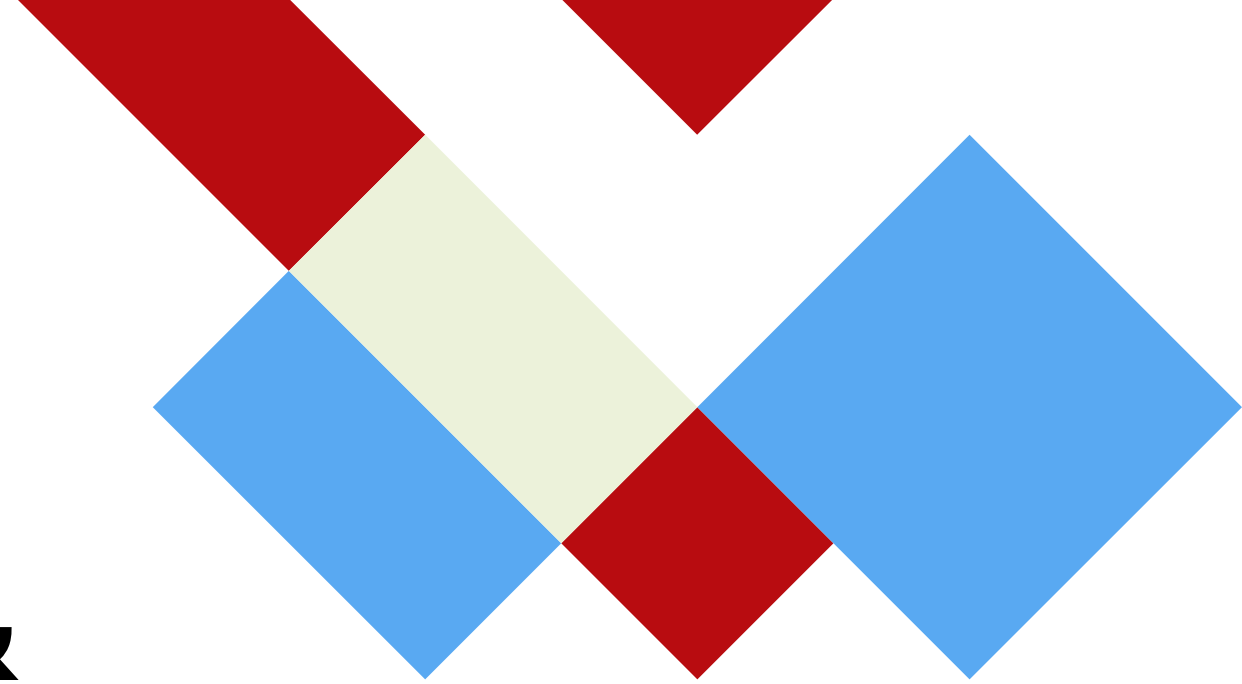
- Historically, soft hit credit reports are used for: rent applications, employment, pre-closing reviews, etc.
- Can be used for pre-approvals through the GSEs or independently to help avoid trigger leads.
- Can help LOs protect relationships with borrowers.

MGIC

arc

AMERICAN REPORTING COMPANY

Credit score modernization & bi-merge credit reports



MGIC

arc

AMERICAN REPORTING COMPANY

Credit score modernization & bi-merge credit reports

In late 2022, the FHFA announced plans:

- To migrate to more recent versions of FICO scores (FICO 10T); and authorized the use of competing score Vantage 4.0. **American Reporting Company has these scores available today.**
 - New models are more comprehensive and include use of non-traditional items when available.
- For lenders' use of a bi-merge credit report rather than a tri-merge credit report.

Learn more:

<https://www.fhfa.gov/PolicyProgramsResearch/Policy/Pages/Credit-Scores.aspx>

MGIC

arc

AMERICAN REPORTING COMPANY



**What process would
you create around
ordering and managing
credit costs?**

MGIC

arc

AMERICAN REPORTING COMPANY

What process would you create around ordering and managing credit costs?

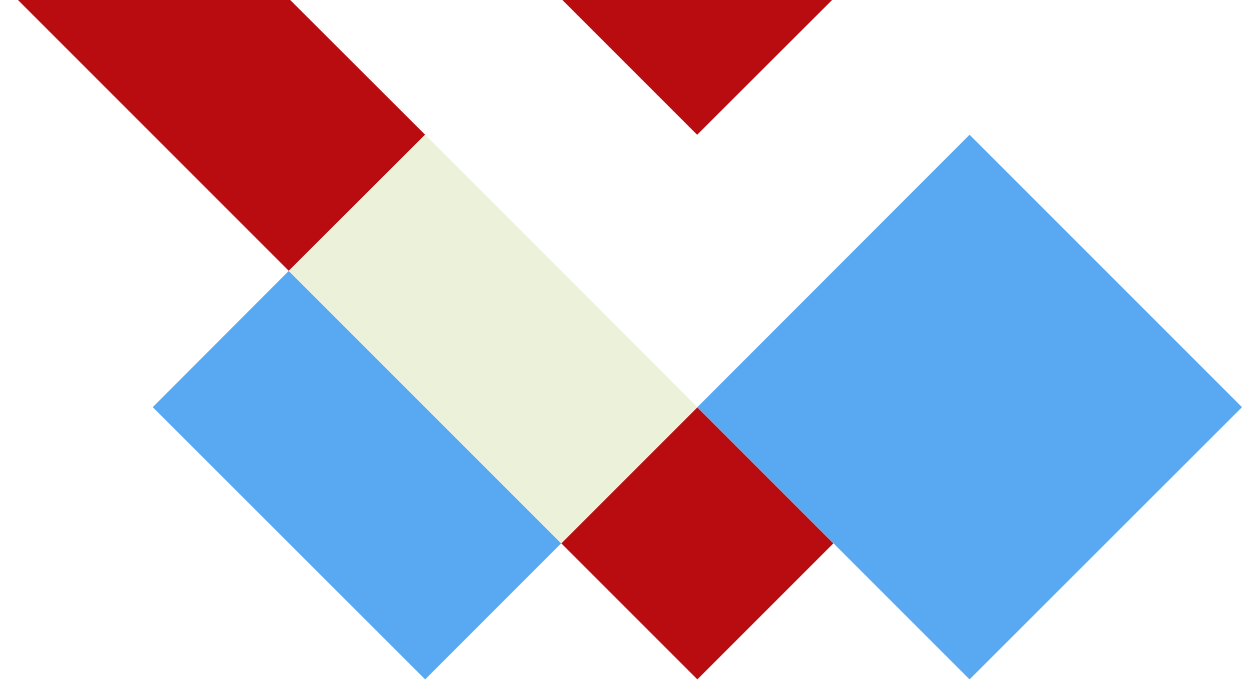
- Implement a credit cascade. By pulling one or two bureaus with minimum standards as part of the process, lenders can lower credit reporting costs.
- Measure run-off of borrowers who start application but leave and complete with another lender due to trigger leads.
- If adding a second report (soft hit) into the loan process, can the additional cost be supported by closed loans vs. loans that are lost via trigger leads?
- Regular conversations with your credit reporting provider.

MGIC

arc

AMERICAN REPORTING COMPANY

Impact of credit card debt



MGIC

arc

AMERICAN REPORTING COMPANY

Impact of credit card debt

- Balances account for 30% of a consumer's FICO score.
- **Tip:** Keep credit card balances <20-25% of credit limit to have an opportunity for higher scores.

Learn more:

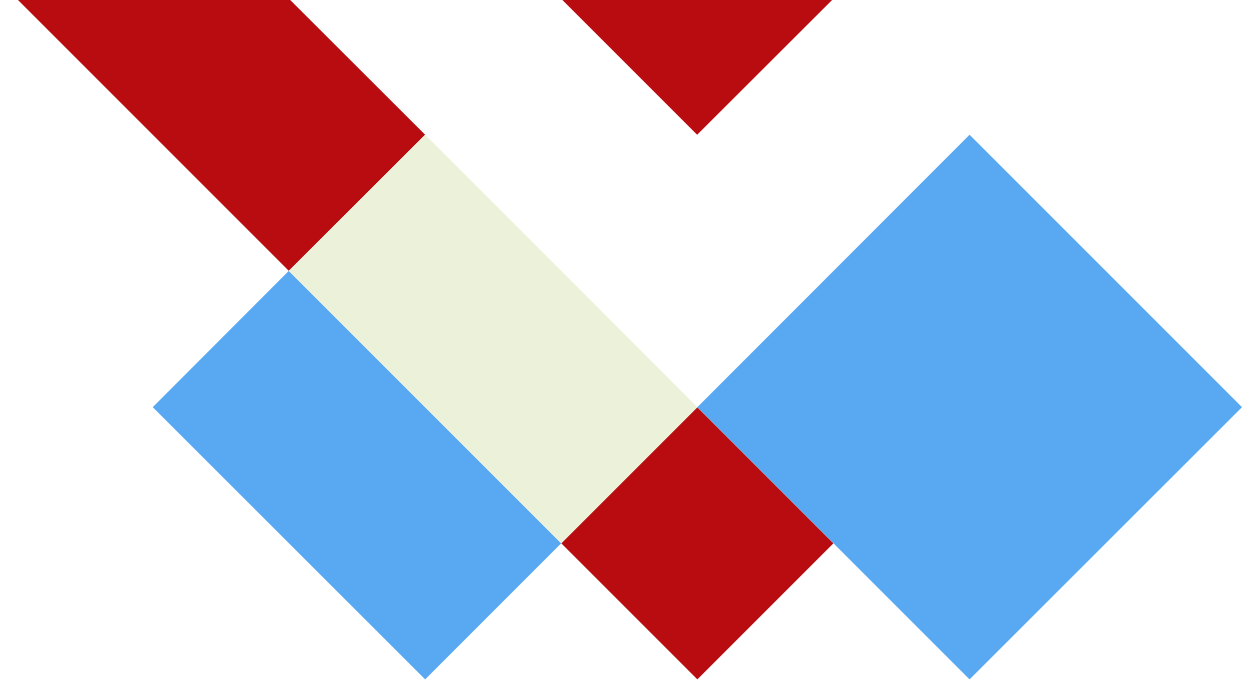
www.ficoscore.com/education

MGIC

arc

AMERICAN REPORTING COMPANY

Impact of medical collections



MGIC

arc

AMERICAN REPORTING COMPANY

Impact of medical collections

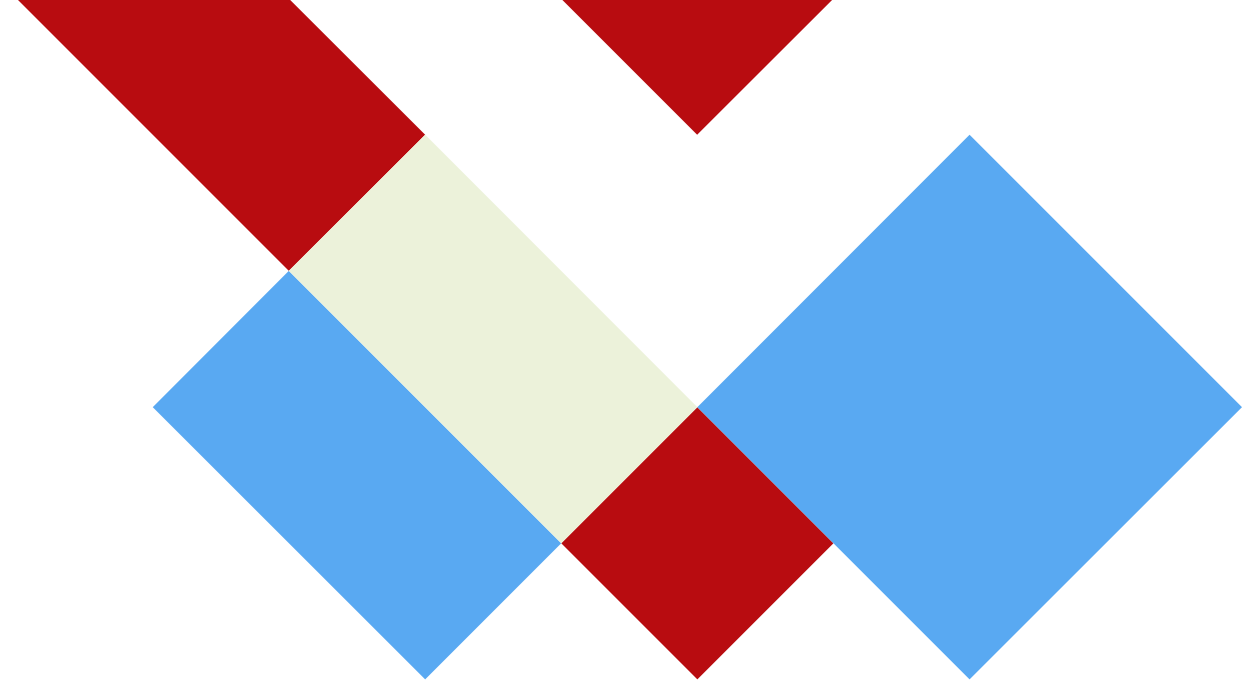
- Medical collections **<\$500** are no longer eligible to be reported so there is no impact on scores.
- Medical collections **>\$500** are not eligible to be reported for 12 months after being sent to collection.

MGIC

arc

AMERICAN REPORTING COMPANY

Impact of credit inquires



MGIC

arc

AMERICAN REPORTING COMPANY

Impact of credit inquiries

- Hard inquiries (application for extension of credit) may impact a consumer's score.
- On average, the impact is <5 points.

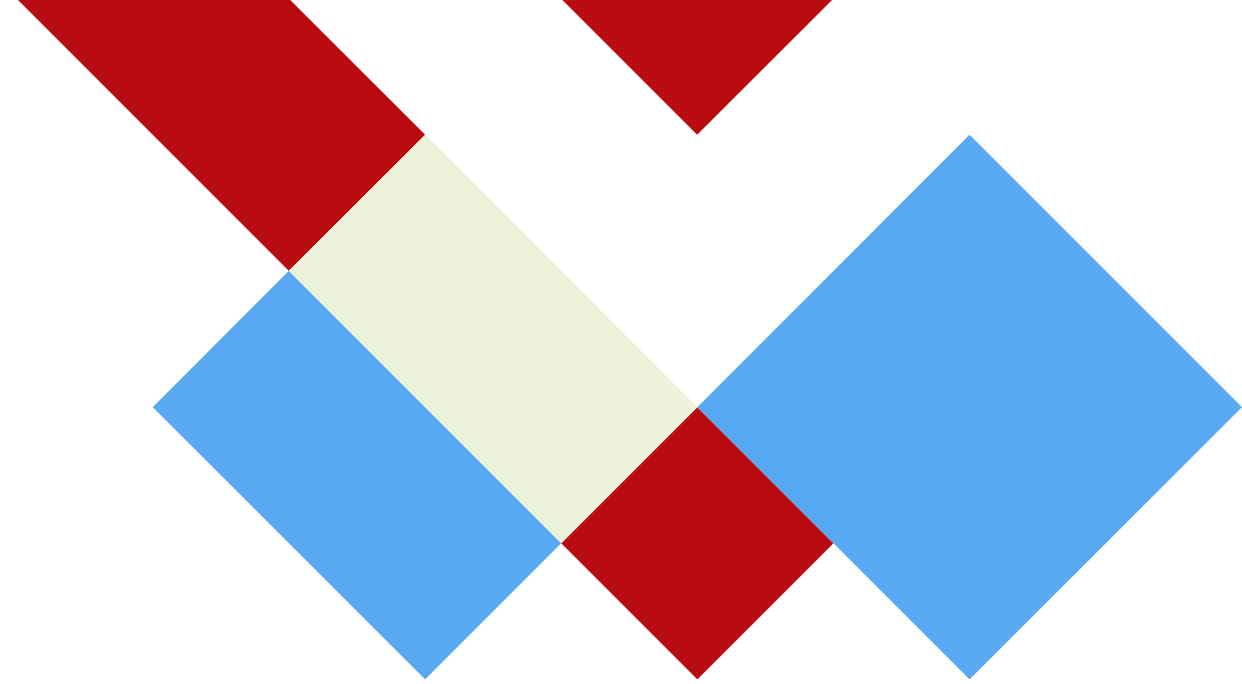
Learn more: <https://www.myfico.com/credit-education/credit-reports/credit-checks-and-inquiries>

MGIC

arc

AMERICAN REPORTING COMPANY

Preparing your borrowers prior to pulling credit



MGIC

arc

AMERICAN REPORTING COMPANY

Preparing your borrowers prior to pulling credit

Encourage borrowers to:

- Review personal credit report – can order reports **weekly** at no charge:
<http://www.annualcreditreport.com/>
- Initiate disputes for reporting errors:
<https://consumer.ftc.gov/articles/disputing-errors-your-credit-reports-or>
<https://www.annualcreditreport.com/filingADispute.action>
- Pay down credit card balances below 20-25% of credit limit.
- Avoid closing accounts or applying for new credit.
- Temporarily lift any locks or freezes by contacting EACH credit bureau (Equifax, Experian, and TransUnion).
- Complete opt-out process.

MGIC

arc

AMERICAN REPORTING COMPANY

Contact Us

We would love to hear from you.

Mike Olden

VP Sales and Education

mikeo@arcreports.com

ARC Customer Service

Direct: 800.992.1058

E-mail: CS@arcreports.com

Visit Us On The Web

www.arcreports.com

LinkedIn

www.linkedin.com/company/arcreports