Credit Scores & Credit Reporting Updates

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Today we'll discuss

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





What is a "trigger lead"?



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



Will opting out improve a consumer's score?



Will opting out improve a consumer's score?

- Not directly But this will limit opportunities to apply for new credit
 - Less opportunities = less possible inquiries/new accounts



Status of proposed legislation to ban the use of trigger leads



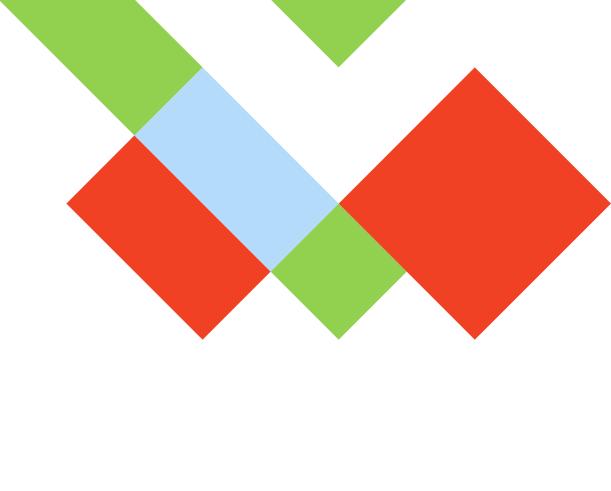
Status of proposed legislation to ban the use of trigger leads

- Congress was not able to pass proposed bills in 2024
- New bills have been presented in 2025:
 HR 2808 (Rose-Torres) and S3502 (Reed-Haggerty)
- Would amend FCRA to restrict most trigger leads
- Best solution for consumers to avoid unwanted solicitations is to register to remove names from potential solicitation:

www.optoutprescreen.com www.donotcall.gov



Credit score modernization & bi-merge credit reports





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

FHFA updated timeline from Q4 2025 to "to be determined"

Learn more:

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



Impact of credit card debt



Impact of credit card debt

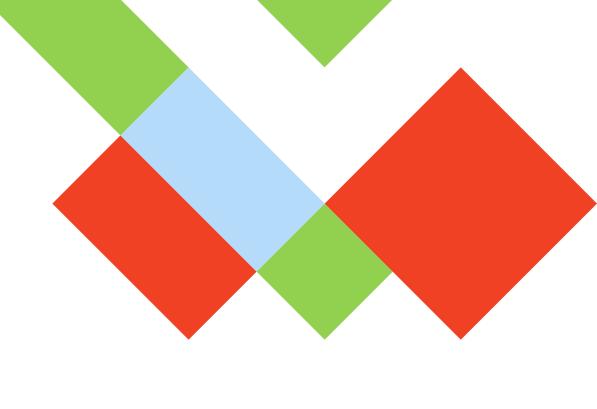
- Balances account for 30% of a consumer's FICO score
- **Tip:** Keep credit card balances <20-25% of credit limit to have an opportunity for higher scores.

Learn more:

www.ficoscore.com/education



Impact of medical collections



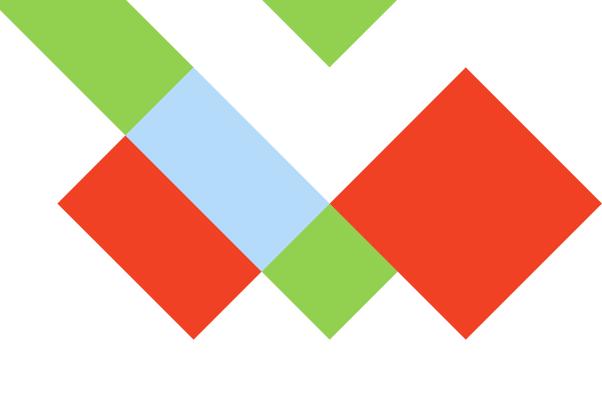


Impact of medical collections

- Medical collections <\$500 are no longer eligible to be reported so there is no impact on scores
- Medical collections >\$500 are eligible to be reported after being sent to collection for >12 months



Impact of credit inquires





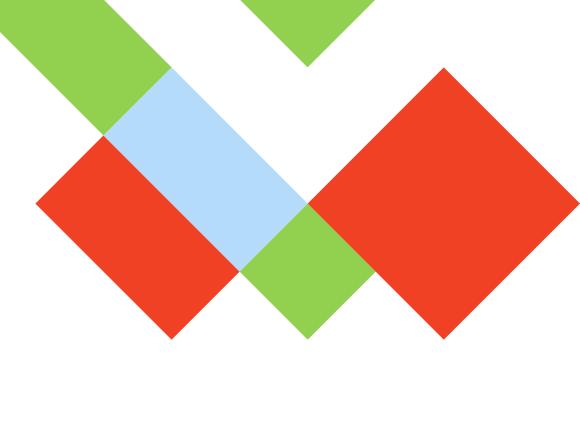
Impact of credit inquiries

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

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



Status of student loan forgiveness & repayment





Status of student loan forgiveness & repayment

- The Office of Federal Student Aid (FSA) will resume collections of defaulted federal student loan portfolio on May 5, 2025
- 42.7 million borrowers owe >\$1.6 trillion in student debt
- 38% of borrowers are in repayment and current on their student loans
- On defaulted loans, FSA may take tax refunds, Social Security benefits, or up to 15% of wages through garnishment



Preparing your borrowers prior to pulling credit





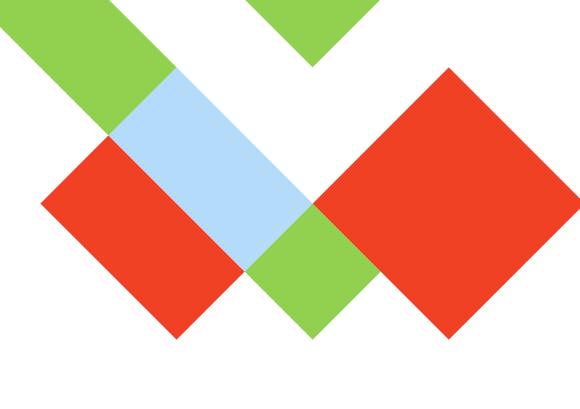
Preparing your borrowers <u>prior</u> to pulling credit

Encourage borrowers to:

- Review personal credit report can order reports weekly at no charge: http://www.annualcreditreport.com/
- Initiate disputes for reporting errors: <u>https://consumer.ftc.gov/articles/disputing-errors-your-credit-reports</u> or <u>https://www.annualcreditreport.com/filingADispute.action</u>
- 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









"Soft" inquiry vs. "hard" inquiry

• Soft inquiry – does not impact consumer's score

 Hard inquiry – is typically for the extension of credit and may impact consumer's score – but typically <5 points





Are all credit scores the same?



Are all credit scores the same?

- No many credit scores in use today
- Most used by lenders = FICO Scores and Vantage Scores



Can a re-score be paid by the borrower?



Can a re-score be paid by the borrower?

No – must be borne by the lender based on contractual agreements between resellers and bureaus



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



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



Questions?





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