

# Credit Scores & Credit Reporting Updates

**May 1, 2025**



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# Credit Scores & Credit Reporting Updates

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**May 1, 2025**

**Featuring Mike Olden, VP – Sales & Education, ARC**

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# Today we'll discuss

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- 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

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# What is a “trigger lead”?

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# What is a “trigger lead”?

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- 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**

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**Will opting out  
improve a  
consumer's score?**

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# Will opting out improve a consumer's score?

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

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# **Status of proposed legislation to ban the use of trigger leads**

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# Status of proposed legislation to ban the use of trigger leads

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- 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](http://www.optoutprescreen.com)  
[www.donotcall.gov](http://www.donotcall.gov)

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# **Credit score modernization & bi-merge credit reports**

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# Credit score modernization & bi-merge credit reports

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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>

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# Impact of credit card debt

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# Impact of credit card debt

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- 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](http://www.ficoscore.com/education)

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# Impact of medical collections

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# Impact of medical collections

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- 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

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# Impact of credit inquiries

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# Impact of credit inquiries

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- 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](https://www.myfico.com/credit-education/credit-reports/credit-checks-and-inquiries)

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# **Status of student loan forgiveness & repayment**

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# Status of student loan forgiveness & repayment

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- 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

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# **Preparing your borrowers prior to pulling credit**

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# Preparing your borrowers prior to pulling credit

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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

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# **“Soft” inquiry vs. “hard” inquiry**

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# “Soft” inquiry vs. “hard” inquiry

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- **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

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# **Are all credit scores the same?**

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# Are all credit scores the same?

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

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# **Can a re-score be paid by the borrower?**

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# Can a re-score be paid by the borrower?

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

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

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

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- 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

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# Questions?

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# Contact Us

We would love to hear from you.

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