CONSUMER CREDIT EDUCATION PROGRAM

Healthcare Financing of America, LLC

In accordance with Section 22304.5 (C)(1)(B)(2) of the California Financial Code this electronically written seminar is required to be available to borrowers prior to disbursing loan proceeds. If you have any questions about this program, please feel free to contact us at the below:

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Suite 100
Franklin, TN 37067
888-889-7033
compliance@hfaloan.com

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A. The Value of Establishing a Credit Score

When you are ready to obtain credit, the lender may check your credit report and score to learn how you have performed managing credit in the past. If you have a history of on time payments, there is a high likelihood that you will have a good credit score. Having a good credit score will likely provide you with the most favorable terms the lender offers.

If you do not have a credit history or you have a history of not managing your credit well in the past, the terms offered by the lender are likely to be less favorable and may preclude you from receiving credit at all.

Building a credit history and a good score takes time so it is important to establish good credit behavior early.

B. Ways to Establish a Credit Score

1. *GET A SECURED CREDIT CARD*

If you're building your credit score from scratch, you'll likely need to start with a secured credit card. A secured card is backed by a cash deposit you make upfront; the deposit amount is usually the same as your credit limit.

You'll use the card like any other credit card: Buy things, make a payment on or before the due date, incur interest if you don't pay your balance in full. You'll receive your deposit back when you close the account.

Secured credit cards aren't meant to be used forever. The purpose of a secured card is to build your credit enough to qualify for an unsecured card - a card without a deposit and with better benefits. Choose a secured card with a low annual fee and make sure it reports to all three credit bureaus, Equifax, Experian and TransUnion.

2. *GET A CREDIT-BUILDER LOAN OR A SECURED LOAN*

A credit builder loan exactly what it sounds like - its sole purpose is to help people build credit. Typically, the money you borrow is held by the lender in an account and not released to you until the loan is repaid.

It's a forced savings program of sorts, and your payments are reported to credit bureaus. These loans are most often offered by credit unions or community banks; at least one lender offers them online.

Another option: If you have money on deposit in a bank or credit union, see about a secured loan for credit-building. With these, the collateral is money in your account or certificate of deposit. The interest rate is typically a bit higher than the interest you're earning on the account, but it may be significantly lower than your other options.

3. *USE A CO-SIGNER*

It’s also possible to get a loan or an unsecured credit card using a co-signer. But be sure that you and the co-signer understand that the co-signer is on the hook for the full amount owed if you don't pay.

This can help you qualify for credit you otherwise would not get, plumping up a thin credit file. Making on-time payments on the account builds up a good payment history.

4. *BECOME AN AUTHORIZED USER ON A CREDIT CARD*

A family member or significant other may be willing to add you as an authorized user on his or her card. Doing so adds that card's payment history to your credit files, so you'll want a primary user who has a long history of paying on time. In addition, being added as an authorized user can reduce the amount of time it takes to generate a FICO score. You don't have to use - or even possess - the credit card at all in order to benefit from being an authorized user.

Ask the primary cardholder to find out whether the card issuer reports authorized user activity to the credit bureaus. That activity generally is reported, but you’ll want to make sure - otherwise, your credit-building efforts may be wasted.

You should come to an agreement on whether and how you’ll use the card before you’re added as an authorized user and be prepared to pay your share if that's the deal you strike.

5. *GET AN INSTALLMENT LOAN*

An installment loan where you borrow a fixed amount and make fixed payments (unless a variable interest rate applies) towards the outstanding balance, allows you to establish a credit and payment history. Vehicle loans and student loans are types of installment loans. Some installment loans, for example, vehicle loans, are secured by collateral. If you obtain a loan to purchase a vehicle, the vehicle will serve as the collateral for the loan, protecting the lender from a loss in the event you fail to pay the loan. If you fail to pay the loan, the vehicle may be repossessed.

You may still need to have a co-borrower for these types of loans but they are a good way to establish credit and a payment history. You should confirm with your lender that they report favorable payment history to the credit bureaus when obtaining the loan.

6. *GET CREDIT FOR THE BILLS YOU PAY*

Rent-reporting companies will report your rent payments to one or more of the credit bureaus which can help build a positive history of on-time payments. You may find companies who do this through a quick internet search but you should be aware of the limitations to these services. Many of these rent reporting services charge a fee for this service or require that you make your rent payment through them, and many of these only report the information to one of the three credit bureaus. You should also note that rent payments, or a good history of making rent payments, may or may not affect your actual credit score even if they are included in your credit report.

One of the three credit bureaus, Experian, offers a service that will have your cell phone and utility bills reflected in your credit report with Experian. The activity will not be reflected in your credit reports with the other two credit bureaus.

C. Ways to Improve Your Credit Score

1. *PAY YOUR BILLS ON TIME*

When lenders review your credit report and request a credit score for you, they're very interested in how reliably you pay your bills. That's because past payment performance is usually considered a good predictor of future performance.
You can positively influence this credit scoring factor by paying all your bills on time as agreed every month. Paying late or settling an account for less than what you originally agreed to pay can negatively affect credit scores.
You'll want to pay all bills on time - not just credit card bills or any loans you may have, such as auto loans or student loans, but also your rent, utilities, phone bill and so on. It's also a good idea to use resources and tools available to you, such as automatic payments or calendar reminders, to help ensure you pay on time every month.
If you're behind on any payments, bring them current as soon as possible. Although late or missed payments appear as negative information on your credit report for seven years, their impact on your credit score declines over time. Older late payments have less effect than more recent ones.

2. *PAY OFF DEBT AND KEEP BALANCES LOW ON CREDIT CARDS AND OTHER REVOLVING CREDIT*

The credit utilization ratio is another important number in credit score calculations. It is calculated by adding all your credit card balances at any given time and dividing that amount by your total credit limit. For example, if you typically charge about $2,000 each month and your total credit limit across all your cards is $10,000, your utilization ratio is 20%.

To figure out your average credit utilization ratio, look at all your credit card statements from the last 12 months. Add the statement balances for each month across all your cards and divide by 12. That's how much credit you use on average each month.

Lenders typically like to see low ratios of 30% or less, and people with the best credit scores often have very low credit utilization ratios. A low credit utilization ratio tells lenders you haven't maxed out your credit cards and likely know how to manage credit well. You can positively influence your credit utilization ratio by:

- Paying off debt and keeping credit card balances low.

- Becoming an authorized user on another person's account (as long as they use credit responsibly).

3. *APPLY FOR AND OPEN NEW CREDIT ACCOUNTS ONLY AS NEEDED*

Don't open accounts just to have a better credit mix - it probably won't improve your credit score. Unnecessary credit can harm your credit score in multiple ways, from creating too many hard inquiries on your credit report to tempting you to overspend and accumulate debt.

4. *DON'T CLOSE UNUSED CREDIT CARDS*

Keeping unused credit cards open—as long as they're not costing you money in annual fees—is a smart strategy, because closing an account may increase your credit utilization ratio. Owing the same amount but having fewer open accounts may lower your credit scores.

5. *DON'T APPLY FOR TOO MUCH NEW CREDIT, RESULTING IN MULTIPLE INQUIRIES*

Opening a new credit card can increase your overall credit limit, but the act of applying for credit creates a hard inquiry on your credit report. Too many hard inquiries can negatively impact your credit score, though this effect will fade over time. Hard inquiries remain on your credit report for two years.

6. *DISPUTE ANY INACCURACIES ON YOUR CREDIT REPORTS*

You should check your credit reports at all three credit reporting bureaus (TransUnion, Equifax, and Experian, the publisher of this piece) for any inaccuracies. Incorrect information on your credit reports could drag your scores down. Verify that the accounts listed on your reports are correct. If you see errors, dispute the information and get it corrected right away. Monitoring your credit on a regular basis can help you spot inaccuracies before they can do damage.

D. Factors that Impact a Credit Score

1. *TOP 5 CREDIT SCORE FACTORS*

While the exact criteria used by each scoring model varies, here are the most common factors that affect your credit scores.

- Payment history. Payment history is the most important ingredient in credit scoring, and even one missed payment can have a negative impact on your score. Lenders want to be sure that you will pay back your debt, and on time, when they are considering you for new credit. Payment history accounts for 35% of your FICO® Score, the credit score used by most lenders.

- Credit utilization. Your credit utilization ratio is calculated by dividing the total revolving credit you are currently using by the total of all your revolving credit limits. This ratio looks at how much of your available credit you're utilizing and can give a snapshot of how reliant you are on non-cash funds. Using more than 30% of your available credit is a negative to creditors. Credit utilization accounts for 30% of your FICO® Score.

- Credit history length. How long you've held credit accounts makes up 15% of your FICO® Score. This includes the age of your oldest credit account, the age of your newest credit account and the average age of all your accounts. Generally, the longer your credit history, the higher your credit scores.

- Credit mix. People with top credit scores often carry a diverse portfolio of credit accounts, which might include a car loan, credit card, student loan, mortgage or other credit products. Credit scoring models consider the types of accounts and how many of each you have as an indication of how well you manage a wide range of credit products. Credit mix accounts for 10% of your FICO Score.

- New credit. The number of credit accounts you've recently opened, as well as the number of hard inquiries lenders make when you apply for credit, accounts for 10% of your FICO®Score. Too many accounts or inquiries can indicate increased risk, and as such can hurt your credit score.

2. *TYPES OF ACCOUNTS THAT IMPACT CREDIT SCORES*

Typically, credit files contain information about two types of debt: installment loans and revolving credit. Because revolving and installment accounts keep a record of your debt and payment history, they are important for calculating your credit scores.

Installment credit usually comprises loans where you borrow a fixed amount and agree to make a monthly payment toward the overall balance until the loan is paid off. Student loans, personal loans, and mortgages are examples of installment accounts.

Revolving credit is typically associated with credit cards but can also include some types of home equity loans. With revolving credit accounts, you have a credit limit and make at least minimum monthly payments according to how much credit you use. Revolving credit can fluctuate and doesn't typically have a fixed term.

3. *HOW DOES HAVING DIFFERENT ACCOUNTS AFFECT MY CREDIT SCORE?*

Credit mix - or the diversity of your credit accounts - is one of the most common factors used to calculate your credit scores. It is also one of the most overlooked by consumers. Maintaining different types of credit accounts, such as a mortgage, personal loan and credit card, shows lenders you can manage different types of debt at the same time. It also helps them get a clearer image of your finances and ability to pay back debt.

While having a less diverse credit portfolio won't necessarily cause your scores to go down, the more types of credit you have - as long as you make on-time payments the better. Credit mix accounts for 10% of your FICO® Score and could be an influential factor in helping you achieve a top score.

4. *CAN UTILITY BILLS IMPACT MY CREDIT SCORE?*

Utility, phone, Internet provider, and other similar types of bills are not automatically included in your credit file (with the exception of the specific service provided by Experian that is discussed above). Historically, the only way these types of bills could impact a credit score was if you didn't make payments and the account was referred to a collection agency. Any types of bills that are referred to a collection agency will be reflected on your credit report except that there is a delay in the reporting of any healthcare bills to allow time for any insurance payments or insurance disputes to be resolved.

5. *WHAT CAN HURT YOUR CREDIT SCORES*

As we discussed above, certain core features of your credit file have a great impact on your credit score, either positively or negatively. The following common actions can hurt your credit score:

- Missing payments. Payment history is one of the most important aspects of your FICO® Score, and even one 30-day late payment or missed payment can have a negative impact.

- Using too much available credit. High credit utilization can be a red flag to creditors that you're too dependent on credit. Credit utilization is calculated by dividing the total amount of revolving credit you are currently using by the total of all your credit limits. Lenders like to see credit utilization under 30% - under 10% is even better. This ratio accounts for 30% of your FICO® Score.

- Applying for a lot of credit in a short time. Each time a lender requests your credit reports for a lending decision, a hard inquiry is recorded in your credit file. These inquiries stay in your file for two years and can cause your score to go down slightly for a period of time. Lenders look at the number of hard inquiries to gauge how much new credit you are requesting. Too many inquiries in a short period of time can signal that you are in a dire financial situation or you are being denied new credit.

- Defaulting on accounts. The types of negative account information that can show up on your credit report include foreclosure, repossession, charge-offs, settled accounts. Each of these can severely hurt your credit for years, even up to a decade.

E. Ways to Check One's Credit Score

There are a few ways to check your credit scores:

- Visit a free credit scoring website. Numerous websites offer free credit scores; just pay attention to the terms before you sign up. Some free sites offer educational scores that aim to give you an understanding of how you're doing credit-wise.

- The three credit bureaus (Experian, TransUnion and Equifax) may provide a credit score from the particular bureau but make sure you understand whether there is a fee for this information.

- Check with your credit card issuer or lender. Many credit card and car loan companies offer complimentary credit scores that you can check by logging into your account online or receiving on your monthly statement. Typically, you have to opt in to receive the number.

- Visit a nonprofit credit counselor. Credit counselors can often pull your scores for free and go over the details with you. To find one, check the https://nfcc.org website.

F. Ways to Obtain a Free Copy of One's Credit Report

It's important to check for accuracy in your credit reports from the three major credit bureaus, Experian, TransUnion and Equifax. Each of the nationwide credit bureaus must provide you with a free copy of your credit report, at your request, once every 12 months. The three nationwide credit reporting companies have set up one website, toll-free telephone number, and mailing address through which you can order your free annual report.

To order, visit annualcreditreport.com, call 1-877-322-8228, or complete the Annual Credit Report Request Form and mail it to:

> Annual Credit Report Request Service
> P.O. Box 105281
> Atlanta, GA 30348-5281

Do not contact the three nationwide credit reporting companies individually. You may order your reports from each of the three nationwide credit reporting companies at the same time, or you can order from only one or two. You need to provide your name, address, Social Security number, and date of birth. If you have moved in the last two years, you may have to provide your previous address. To maintain the security of your file, each nationwide credit reporting company may ask you for some information that only you would know, like the amount of your monthly mortgage payment. Each company may ask you for different information because the information each has in your file may come from different sources.

You're also entitled to a free report if a company takes adverse action against you, such as denying your application for credit, insurance, or employment, based on information in your report. You must ask for your report within 60 days of receiving notice of the action. The notice will give you the name, address, and phone number of the credit reporting company. You're also entitled to one free report a year if you're unemployed and plan to look for a job within 60 days; if you're on welfare; or if your report is inaccurate because of fraud, including identity theft. Otherwise, a credit reporting company may charge you a reasonable amount for another copy of your report within a 12-month period.

To buy a copy of your report, contact the three credit report companies:

Experian-1-888-397-3742
www.experian.com
By Mail:
Experian
P.O. Box 4500
Allen, TX 75013

TransUnion-1-800-916-8800
www.transunion.com
By Mail:
TransUnion Consumer Solutions
P.O. Box 2000
Chester, PA 19016-2000

Equifax-1-800-685-1111
www.equifax.com
By Mail:
Equifax Information Services LLC
P.O. Box 740256
Atlanta, GA 30374-0256

G. Ways to Dispute an Error in One's Credit Report

Outdated or incorrect entries, such as a timely payment misreported as late or a collections account listed as open even though you've paid it off, can lower your credit scores. Correcting these issues can, in turn, improve your credit scores. If you discover information on your credit report that shouldn't be there, you can request to have it removed in a process known as a dispute. To dispute credit report information, you'll need to contact the credit bureau in whose report you found the error.

You should check all your credit reports for accuracy, and file disputes with each bureau separately to ensure the information is updated everywhere. Under the Fair Credit Reporting Act, both the credit reporting company and the information provider (that is, the person, company, or organization that provides information about you to a credit reporting company) are responsible for correcting inaccurate or incomplete information in your report. To take advantage of all your rights under this law, contact both the credit reporting bureau (using the information provided above) and the information provider.

STEP ONE: FILE A DISPUTE WITH EACH CREDIT BUREAU REFLECTING THE ITEM.

Tell the credit reporting company, in writing, what information you think is inaccurate. Each of the three credit bureaus have their own online dispute processing portals that provide helpful information and fill-in forms. The Federal Trade Commission also has a sample dispute letter available by visiting: https://www.consumer.ftc.gov/articles/0384-sample-letter-disputing-errors-your-credit-report. If sending your dispute by mail, include copies (NOT originals) of documents that support your position. In addition to providing your complete name and address, your letter should clearly identify each item in your report you dispute, state the facts and explain why you dispute the information, and request that it be removed or corrected. You may want to enclose a copy of your report with the items in question circled. Send your letter by certified mail, return receipt requested, so you can document what the credit reporting company received. Keep copies of your dispute letter and enclosures.

Credit reporting companies must investigate the items in question - usually within 30 days - unless they consider your dispute frivolous. They also must forward all the relevant data you provide about the inaccuracy to the organization that provided the information. After the information provider receives notice of a dispute from the credit reporting company, it must investigate, review the relevant information, and report the results back to the credit reporting company. If the information provider finds the disputed information is inaccurate, it must notify all three nationwide credit reporting companies so they can correct the information in your file.

When the investigation is complete, the credit reporting company must give you the results in writing and a free copy of your report if the dispute results in a change. This free report does not count as your annual free report. If an item is changed or deleted, the credit reporting company cannot put the disputed information back in your file unless the information provider verifies that it is accurate and complete. The credit reporting company also must send you written notice that includes the name, address, and phone number of the information provider.

If you ask, the credit reporting company must send notices of any corrections to anyone who received your report in the past six months. You can have a corrected copy of your report sent to anyone who received a copy during the past two years for employment purposes.

If an investigation doesn't resolve your dispute with the credit reporting company, you can ask that a statement of the dispute be included in your file and in future reports. You also can ask the credit reporting company to provide your statement to anyone who received a copy of your report in the recent past. You can expect to pay a fee for this service.

STEP TWO: CONTACT THE INFORMATION PROVIDER.

Tell the information provider (that is, the person, company, or organization that provides information about you to a credit reporting company), in writing, that you dispute an item in your credit report. The Federal Trade Commission also has a sample dispute letter available by visiting https://www.consumer.ftc.gov/articles/0485-sample-letter-disputing-errors-your-credit-report-information-providers. Include copies (NOT originals) of documents that support your position. If the provider listed an address on your credit report, send your letter to that address. If no address is listed, contact the provider and ask for the correct address to send your letter. If the information provider does not give you an address, you can send your letter to any business address for that provider.

If the provider continues to report the item you disputed to a credit reporting company, it must let the credit reporting company know about your dispute. And if you are correct - that is, if the information you dispute is found to be inaccurate or incomplete - the information provider must tell the credit reporting company to update or delete the item.

WHAT TO DO IF YOU DISAGREE WITH THE OUTCOME OF YOUR DISPUTE

If you don't agree with the results of your dispute, you may be able to add a statement of dispute to your credit report. A statement of dispute lets you explain why you believe the information in your credit report is incomplete or inaccurate. You may also dispute again if you have additional relevant information. If you have additional relevant information to substantiate your claim, you can submit a new dispute.

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