

April 17, 2018

Dear Tony,

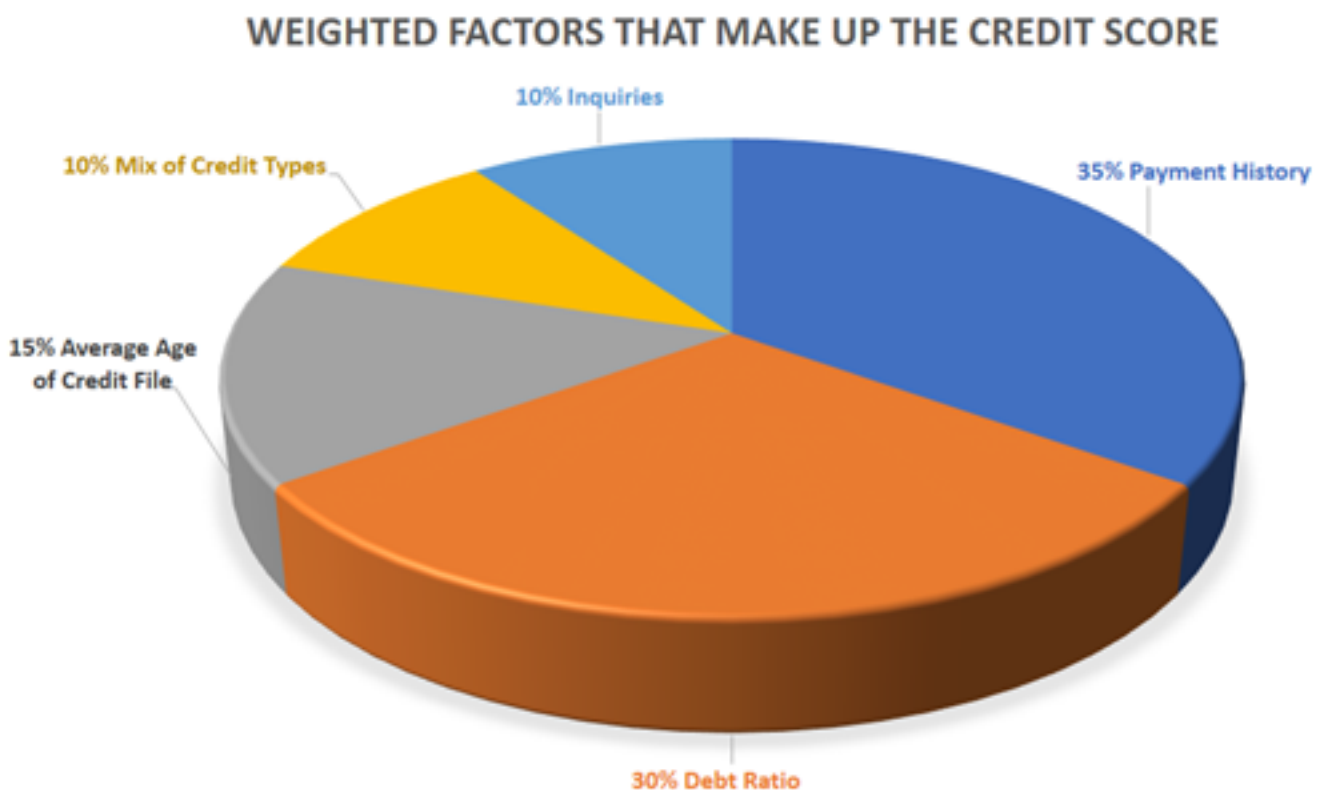
I feel that educating people on credit scoring is extremely important to their financial well-being. I have teamed up with Jamison Legal Group to help explain the credit scoring system to you since I feel credit scores are much more important than most people realize. Even a 10-point increase in your credit score will save you more than \$30,000 over the life of a \$250,000 30-year fixed loan or \$5,000 for a 72-month \$50,000 Auto Loan. I also have an arrangement with Jamison Legal Group to repair my client's credit when needed. This service is free of charge to you where I pay them to challenge the credit bureaus and creditors to get any negative payment history removed that can't be verified. The remainder of this letter was created by Jamison Legal Group and explains to you how the credit score is calculated and how your unique credit situation can be improved according to the information contained on your IdentityIQ 3-Bureau credit report. I look forward to talking to you soon.

Sincerely

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## Credit Advice for Tony Smith

A credit score is a numerical number that ranges from 250 to 999 depending on the model of the credit score used to score your credit report. **More than 90% of Mortgage and Auto Loans are approved or denied based on one of the credit scoring models from Fair Isaac Corporation known as the Classic FICO Score that ranges from 300-850 or the Vantage Score from Fair Isaac which also ranges from 300-850 for Vantage 3.0, which are the three scores you get with IdentityIQ.** The Vantage Score you got with IdentityIQ is a very reliable indicator of what your Classic FICO Score will be since both the Classic FICO and Vantage Score are made by Fair Isaac Corporation and both have the same range of 300-850. If you have a 720 with Vantage 3.0, chances are you'll have the same score or be within a few points if your report were analyzed using Classic FICO. Five weighted categories are used to determine your credit score.



The higher your score is, the better. The credit score is trying to predict if you'll become 90 days late or more in the next two years, that's all. This is accomplished by analyzing millions of credit reports of people in the past and identifying the factors all of them had in common on day 1 that ultimately paid 90 days late or more at least once over the next two years. Someone with a score above 800 statistically only becomes 90-days late or more over a 2-year period at a rate of less than 1 in 1000 while a person with a 480 credit score will statistically become 90-days late or more over the next 2-years more than 1 in 10 times. That's why high credit scores get the best interest rates; the banks know they won't have to

chase the borrower for the money as much if their score is high. A lender knows that only 1 in 1000 people with a credit score above 800 will seriously default and go 90 days late over the next 24 months while as many as 1 in 10 will for people with a 480 credit score. The credit score allows lenders to predict how many loans will default with surprising accuracy. The good news is, there's things you can do to maximize this 3-digit number to your benefit. Before we analyze your unique credit situation, it's important that you understand the big picture of what makes the credit score the number it is. Let's begin.

Although seemingly complex and often confusing, your credit score is essentially based on five key factors, the first and most important being payment history. The credit score models have shown that people that don't pay their bills on-time are at a very high risk of going 90-days late in the next two years. This is common sense since you must pay late to become 90-days late. That's why this factor has the highest weight in determining your credit score

### **35% of the score is based on how you handle your debt obligations. (Payment History)**

- Pay all of your bills on time and try to avoid getting a tax lien or a judgment entered against you because those also affect your payment history in a negative way.

- Please note that paying a past due balance on a collection or charged-off account does NOT increase your credit score once it becomes a collection or a charge-off (due to flaws in the credit scoring software) and may even have the opposite effect. I do not suggest paying these types of accounts or even contacting these creditors when you are planning to apply for a loan in the next six (6) months. Please let me clarify that I am not suggesting that you not pay these accounts, but that you consider waiting until after the loan closes to pay them since it can sometimes "not always" reduce your score and hurt your chances of getting loan approval; However, since not paying them can sometimes lead to a lawsuit being filed, one excellent solution would be to negotiate to pay or settle these accounts either concurrent with the loan closing or shortly after. An alternative would be to immediately settle these types of accounts if the collection agency agrees to completely delete the collection from your credit report in exchange for payment in full. Just paying a collection will not get it deleted from your credit report, it will only get it to show as a paid collection which still hurts the credit score. If the collection agency agrees to delete the account completely in exchange for payment in full, be sure to get that in writing before you send payment. Also keep in mind that even unpaid collections fall off your credit report after 7 years, so if a collection is more than 6 years old, sometimes it's better to consider not paying it at all since the effect it has on the credit score at that point is minimal and it will disappear in less than 12 months anyways.

### **30% of the credit score is derived from your revolving balances carried on accounts as they pertain to your debt utilization ratio.**

- Think about this factor and why it's almost as important as payment history. If someone is close to being maxed on their credit cards, many times that person is one paycheck short of paying their bills late

and statistics have shown that people in this situation become 90-days late or more quite often over a two-year period. For that demonstrable reason, revolving credit card debt ratios make up a very significant portion of what ultimately determines your credit score. Your total revolving credit utilization ratio is calculated as follows: (Total Open Revolving Credit Card Debt divided by Total Open Revolving Credit Card Limits) X 100 = Credit Card Utilization Ratio "Debt Ratio".

Example: (\$15,000 of open credit balances divided by \$75,000 of available credit card limits) X 100 = 20% Credit Card Utilization Ratio (debt ratio for short)

The closer to zero your Credit Card Utilization Ratio is, the better your credit score.

- Having a 0% debt ratio is ideal, so you want to keep your credit card balances as low as possible to maximize your credit score. If you can do so, you should pay off or pay down your credit balances to enhance your score. But whatever you do, never close your credit cards, just pay them as close to zero as possible; don't close them.

- If you are not able to pay off your credit cards there are still steps you can take to improve your credit scores. First and foremost, I suggest restructuring your credit card balances whenever you are carrying revolving credit card debt you can't pay to zero. Given the way that the scoring engine treats the accounts individually, spreading your debt evenly across all cards will appreciably boost your credit score.

Example: Assume you are not able to pay a dime on your current credit card balances but want to maximize your credit score by evenly distributing your debt among all your cards by transferring balances. Assume you had a current debt ratio as described above as being 20%, given the below credit limits you would want to structure your credit card debt as follows:

CREDITOR	CURRENT BALANCE	CREDIT LIMIT	IDEAL BALANCE
Citibank	\$7,400	\$10,000	\$2,000
First USA	\$20	\$6,500	\$1,300
Dillards	\$2,244	\$9,000	\$1,800
Discover	\$1,336	\$14,500	\$2,900
Chase	\$4,000	\$35,000	\$7,000
<b>TOTAL</b>	<b>\$15,000</b>	<b>\$75,000</b>	<b>\$15,000</b>

Moving balances around like in the example above can increase the credit score 5 to 15 points

The best way to accomplish the above redistribution example is to start with your lowest balance account and where possible, transfer UP to the ideal balance for that card. For example; on First USA, the above ideal balance should be \$1,300 and the current debt owed is \$20. In this example, you should use First USA to transfer \$1,280 onto Citibank to pay DOWN Citibank from \$7400 to \$6,120 to bring Citibank closer to the ideal balance of \$2000 but at the same time bring First USA from \$20 to the exact ideal balance of \$1300. Now that we have First USA exactly where it needs to be, we would then transfer

\$3000 from Chase to Citibank to bring Chase to its ideal balance of \$7,000 and bring Citibank closer to its ideal balance of \$2000. Citibank would be at \$3,120 after this transfer is made. Now that First USA and Chase are exactly where they need to be, we would next move to Discover, which we can transfer a total of \$1564 onto to bring Discover up to its ideal balance of \$2,900 and the others down to their ideal balances. The only 2 cards remaining we can transfer to is Dillard and Citibank. Dillards needs \$444 paid to it to achieve the ideal balance of \$1800, which leaves \$1120 remaining to transfer from Discover. Since Citibank is the only card NOT at their ideal balance, we transfer the remaining \$1,120 from Discover to Citibank to bring that balance from \$3,120 down to its ideal balance of \$2,000

DONE!

Please note! Some revolving credit cards (mostly department store cards like Dillards above) do not allow you to transfer debt to another card, in which case the only option would be to evenly distribute the remaining cards if Dillards was already less than its ideal balance because you can't borrow from Dillards to pay someone else but you can borrow from a Visa or Mastercard to pay down Dillards if they are above the ideal balance.

Please keep in mind that this advice is meant to maximize your credit score. It does not take into consideration varying rates of interest that you may be paying on different credit card accounts. You may find that steps you take to improve your credit score for purposes of qualifying for preferred mortgage or auto financing may need to be reconsidered and possibly reversed to save money once that financing has been completed.

Please also note that it is impossible for both a husband and wife to get to their ideal balance if they carry joint credit cards because only one can get to the ideal balance and follow the advice exactly because the same balance will show on both credit reports; so if you had an ideal balance on a Discover card that suggests a balance of \$3244 and your spouse has an ideal balance for the same card as being \$500, it is impossible for both to achieve their ideal balance since that same card shows on both credit reports for the husband and wife. The best thing you can do is carry a balance somewhere in between the ideal balance of both spouses.

Another step you can take to improve your credit scores is to lower your debt ratio by raising your current credit limits. CAUTION: You need to approach this matter with due care. Call and ask each credit card company if they will increase your card limit based on a review of your payment history with them only. INSIST that you do not want them to pull your credit report and thereby create an inquiry that will damage your score. Some creditors will do this, some will not. I do not suggest letting them pull your credit if you plan to make a credit purchase in the next six (6) months since the inquiry will decrease your credit score.

**HOT TIP! Another option one should always consider is borrowing money from a friend or relative to get your credit cards paid down as close to zero as possible while you are making a big purchase. This will do wonders for your credit score. Just make sure to disclose this on any**

loan applications if you are asked about debt obligations outside of what is showing on your credit report. Another brilliant move is to have someone with an old credit card and a low balance add you as an authorized user on their credit card. Once this gets reported to your credit report, it will increase your credit score if the balance on the credit card is low and the card is also old. Some of the newest credit scoring models don't give credit for these authorized user accounts but most still do and could lead to a 50-point score increase in less than 30 days if you don't have any credit cards or if the ones you have are maxed. Choose wisely though; if the person that adds you as an authorized user either pays late or maxes out the credit card, it could decrease your score. You only want to choose people that have near zero balances with a credit card that's at least 3 to 5 years old. (The older the card, the better... The higher the limit, the better... The lower the balance, the better)

Now you know that the two most important factors in determining your credit score are based on

- 35% PAYMENT HISTORY - Whether you pay your creditors on-time, have Collections and/or Public Records.
- 30% DEBT RATIO - The amount of debt you carry as it pertains to your "revolving credit card debt ratio" mostly, although installment debt also has a marginal impact too in this area, but not enough to warrant paying down the balance on any installment accounts. Installment accounts are mortgages and car loans, being maxed on those barely effect your credit score at all but being maxed out on credit cards dramatically reduces your credit score.

The remaining three factors that determine your credit score also offer you opportunities to enhance your credit score even further. Those factors are:

- 15% AVERAGE AGE OF CREDIT - 15% of the score is derived from the average length of time you have had credit, including your oldest and youngest account but mostly the average age of all accounts. The longer an account has been open, the better. Never close a credit card account; leave it open with a zero balance but make sure to use the card at least once a year to assure it isn't closed automatically by the bank due to non-use. You actually reduce your score by closing older accounts as your average account age drop if the account is older than the other accounts. Even if the account isn't older than the average age of each account, it still makes sense to keep it open because it helps you in the area of debt ratio when that credit is available in addition to getting older everyday it remains open.
- 10% TYPES OF CREDIT – 10% of the score is derived from the mixture of credit types you have on your credit report. To maximize this area, you want to have one mortgage, one car loan, and a few credit cards. The magic number of credit cards to have is three but it is never a good idea to close credit cards to get down to that number because closing the card (as I explained above) does more damage than the increase received by having fewer cards.

- 10% INQUIRIES - 10% of the score is derived from the number of times you apply for credit. There are several types of inquiries but the only kind that hurt your credit score are those linked to an application for credit. In some cases, even asking for a credit limit increase is considered applying for a loan and can trigger the wrong kind of inquiry when the bank runs your credit because of the credit limit increase request. Pulling your own credit report online or directly through the credit bureaus is considered a personal inquiry and does not hurt your credit score. Anytime you receive a pre-approved credit offer in the mail it is considered what the industry calls a "promotional inquiry" and will not affect your score either unless you take advantage of the offer and accept it. Lastly, a current creditor of yours looking at your credit report without you asking them is considered an "account review" inquiry and has no effect on your credit score either.

**NOW THAT YOU UNDERSTAND THE BIG PICTURE OF WHAT MAKES THE CREDIT SCORE THE NUMBER IT IS, LET'S TAKE A LOOK AT SPECIFIC STEPS YOU CAN TAKE TO IMPROVE YOUR SCORE BASED ON YOUR CREDIT REPORT FROM IDENTITYIQ PULLED ON 04/04/2018**



A Credit Score can be considered very bad all the way up to excellent based on the following ranges:

- 800-850 Excellent
- 720-799 Very Good
- 680-719 Good
- 620-679 Fair
- 580-619 Poor
- 500-579 Bad
- 300-499 Very Bad

**Your Fair Isaac Vantage 3.0 Credit Scores were as follows on 04/04/2018:**

EQUIFAX 533

EXPERIAN 533

TRANS UNION 508

Whenever a lender pulls all 3 credit reports and scores, they approve or disapprove your credit application based on the middle score, or the lowest score if there's only one or two scores reported. That said, your middle score is 533 with Equifax. Based on your middle score of 533, your credit score is considered **bad**.

As far as payment history goes (which is 35% of your credit score), negative items usually remain on the credit report for the following length of time unless their accuracy cannot be verified and they are removed sooner:

- 7 years from the time of the late payment or charge-off
- 7 years for a judgment
- 7 years from the date paid on a tax lien, 10 years if unpaid
- 7 years from the filing date for a Chapter 13 bankruptcy
- 10 years from the filing date for a Chapter 7 bankruptcy
- A Federal Student Loan can stay on your report forever if unpaid
- A private, unpaid student loan derogatory falls off after 7 years

You have the following negative items on your credit report, which means this section can be improved. We will dispute these negative items to make sure they are reported accurately and to assure they can be verified. It will take 30 days before your score improves because of the letters we send to the credit bureaus.

Your Derogatory Items:

Creditor Name	Account Number	Balance
WFDS	51870386****	\$18,987.00
PUGT SND COL	42515**	\$1,235.00
PUGT SND COL	44331**	\$1,779.00
SYNCB/CARE CREDIT	601918309047****	\$0.00
Unknown Collection	41093**	\$905.00



Creditor Name	Account Number	Balance
Bankruptcy	2121211	\$0.00

30% of the Credit Score is derived from your debt ratio on your revolving accounts. You currently have the following revolving accounts that are open:

Revolving Account	Balance	Limit
DSNB MACYS	\$0.00	\$300.00
NAVY FCU	\$7,097.00	\$7,000.00
US BANK	\$0.00	\$12,300.00
CAPITAL ONE	\$297.00	\$500.00
KOHL'S/CAPONE	\$1,280.00	\$2,000.00
SYNCB/OLDNAV	\$383.00	\$400.00
TARGET/TD	\$416.00	\$500.00
<b>Total</b>	<b>\$9,473.00</b>	<b>\$23,000.00</b>

Your total balance owed on your open and revolving accounts is \$9,473.00. Your total limit available for the creditors above is \$23,000.00. This means that your debt ratio for revolving credit is  $\$9,473.00 / \$23,000.00 = 41.18\%$ .

Being as close to zero as possible is ideal. If you can't pay your revolving debt to zero, use the algorithm I mentioned several pages above to evenly spread the debt so that each account is 41.18% of the limit.

15% of the credit score is derived from the average age of the credit file. The older the better. **Never close credit cards, ever.** The biggest impact in this area is concerned with the average age of all of your accounts, which means the older the average account is, the better. A much smaller impact in this area considers how old the oldest account is on your report and how old the newest one is.

10% of the score deals with the credit mixture you have. You have the following mix of credit account types:

Installment Loans: 6

Revolving Accounts: 7

10% of the score is derived from how many times you inquired about new credit in the past year "inquiries". All Auto related inquiries and Mortgage related inquiries are grouped together as 1 inquiry for each group for scoring purposes. If you have 10 mortgage companies run your credit in a 45 day period, those ten inquiries are counted as 1 inquiry for scoring purposes. The same goes for Auto.

We hope you found this information helpful and wish you the very best on your journey to credit excellence.

Sincerely,

Jamison Legal Group

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