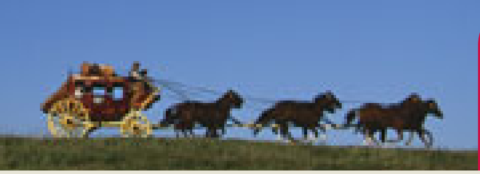

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# Credit Confidence

## Understanding Credit And Using It Wisely

## Why Care About Credit?

One of your best assets is your good credit history. Strong credit references can open a world of financial opportunity — whether it's financing your education, renting an apartment, or meeting criteria for a job. On the other hand, poor credit will follow you for years and can hurt your chances for other loans in the future.

Your credit history is part of what affects the lender's decision to give you a loan or line of credit, how much you can borrow, and what interest rate you will pay. But if you have no credit or less-than-perfect credit, it doesn't mean you can't get a loan. Many lenders consider a nontraditional credit history, such as proof that you've paid your rent and utilities on time.

In addition, your credit history can influence:

**The day-to-day.** You may need good credit for such routine matters as having utilities connected to your home, or getting a cell phone.

**Jobs.** Employers often check the credit of prospective employees. A solid credit history reflects positively on your ability to manage your job responsibly.

**Apartments.** Renting an apartment may be easier. A good credit rating tells landlords that you are a person who's more likely to pay the rent on time.

**Education.** Credit can affect your ability to get a loan to help cover tuition.

**Your business.** Your personal credit can affect your ability to get a loan to start or grow a small business.

**Insurance.** Credit history is often a factor in determining your auto, homeowners, and renter's insurance rates.

## How Lenders Evaluate Your Credit

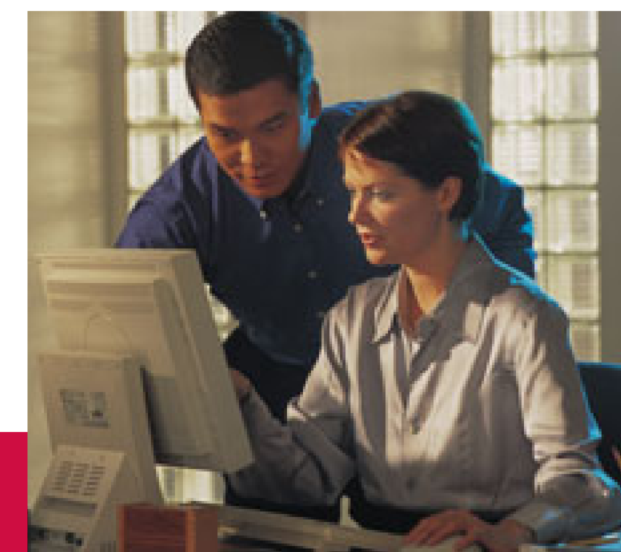
When lenders are trying to decide whether or not to give you a loan, one of the many things they review is your credit history. If you've managed your debts responsibly in the past, it shows that you're likely to pay back what you borrow — in other words, you're a "good" credit risk.

Lenders often buy both a credit report and a credit score from the credit reporting agencies: Equifax, Experian, and TransUnion. Some lenders create their own credit scores.

## Credit Reports

Your credit report is a detailed list of your credit history. It consists of information provided by lenders who have extended credit to you. The lender information may vary from one credit reporting agency to another, but includes the same types of information — which lenders have extended credit to you, what types of credit you have, your payment history with lenders, and more.

Identifying information such as your name, date of birth, and employment history is listed on your credit report, but is not used to determine your credit score.



## Credit Scores

In addition to the credit report, lenders may also use a credit score that is a numeric value based on the information contained in your credit report. That score (usually between 300 and 850) is calculated by a statistical mathematical formula that evaluates various types of credit report information.

The credit score identifies to the lender the level of future risk associated with your credit history, as compared to hundreds of thousands of other credit reports. The higher the score, the lower the risk.

The way you've handled credit in the past is often a good indication of how you will manage credit in the future. Your credit score is a snapshot of your credit risk picture at a particular point in time. When your credit information changes, so does your credit score. That's why lenders obtain your most recent score whenever you apply for credit.

Credit bureau scores are often called "FICO scores" because many credit bureau scores used in the U.S. are produced from software developed by Fair Isaac Corporation (FICO).

While many lenders use credit scores to help them make their lending decisions, each lender has its own criteria, including the level of risk it finds acceptable for a given credit product. There is no single minimum credit "cutoff score" used by all lenders, and there are many additional factors that lenders use to determine your actual interest rates.

## What Factors from a Credit Report Make up a Credit Score?

Here are five factors that determine your credit score. The levels of importance shown here are for the general population and will be different for each individual:

- **Payment History (35%):** The first thing a lender wants to know is whether past credit accounts have been paid on time.
- **Amounts Owed (30%):** Part of the science of scoring is determining how much is too much for a given credit profile.
- **Length of Credit History (15%):** In general, a longer credit history will increase the score. However, even people who have not been using credit long may get high scores, depending on how the rest of the credit report looks.
- **New Credit (10%):** Research shows that opening several credit accounts in a short period of time does represent greater risk — especially for people who do not have a long-established credit history. This also extends to requests for credit, as indicated by certain "inquiries" to the credit reporting agencies, resulting from requests for new credit. An inquiry is a request by a lender to get a copy of a credit report.
- **Type of Credit (10%):** The score will consider the mix of credit cards, retail accounts, installment loans, finance company accounts, and mortgage loans.

## Does Everyone Have a Credit Score?

No. In order for a credit score to be calculated on a credit report, the report must contain at least one account that has been open for six months or greater. In addition, the report must contain at least one account that has been updated in the past six months. This ensures that there is enough information in a report on which to base a score.

## What Can I Do To Improve My Credit Score?

- Pay your bills consistently and on time.
- Check your credit report annually and remove any errors.
- Keep your debt reasonable.
- Maintain only a reasonable amount of unused credit.
- Avoid too many inquiries.

## Wells Fargo's Online Credit Resource Center

Empower yourself — learn more about credit and how you can use it.

Whether you're planning a big purchase or just managing your daily finances, it's crucial that you know what's on your credit report, what your credit score is, and the difference between the two. Wells Fargo's Credit Resource Center can provide the answers you need. For more information, visit www.wellsfargo.com/credit_center.

## Checking Your Credit Report

Every time you apply for credit, you're giving lenders permission to see your credit report. And other creditors with a qualified purpose — such as sending you a pre-approved credit card offer — can check your report without your permission. So shouldn't you see what they're seeing? Be proactive and check your credit report on a regular basis. Not only will you be better prepared for negotiations with lenders, you can also get early warning signs of fraud.

You should review your credit report from the three major U.S. credit reporting agencies (Equifax, Experian, and TransUnion) at least once a year, and especially before making a large purchase, like a house or a car. You also can order credit reports from all three agencies at the same time from Fair Isaac Corporation.

Credit agencies charge a small fee for the report. However, residents of some states may obtain one free credit report per year from each agency. And if you've been denied credit in the past 60 to 90 days, the agencies must provide a current report, free of charge.

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