

# Your FICO score



**F**ICO is to credit score as Kleenex is to tissue or Xerox is to photocopy. Fair, Isaac and Company was founded by an engineer (Bill Fair) and a mathematician (Earl Isaac) in 1956. What do you get when you cross an engineer with a mathematician? Credit scoring.

Although Fair, Isaac and Company pioneered credit scoring, other companies have jumped onto the bandwagon. Today, there are three major credit bureaus and each has its own proprietary credit score formula: “Beacon” for Equifax, “Classic” for TransUnion and good ol’ “FICO” for Experian.

A credit score doesn’t exist until it is requested (there is no database of credit scores). Rather a snapshot of your credit, at the moment of the request, gets run through an algorithm and...voila...credit score.

## Different bureaus, different scores

A little-known tidbit: there is more than one credit score formula. Consumer-direct scores are almost always higher (usually by 20-30 points) than a mortgage score. Did you pay for a credit score before you applied for your mortgage? Yes? Annoying, isn’t it?

When processing a mortgage application, we are required to pull a credit report with information and scores from all three credit bureaus. We disregard your highest and lowest score and use only your middle score when underwriting your loan. When more than one person applies for a loan together, the lowest of all middle scores is used.

## How important is it?

Your credit score is an important part of your loan application. Your score may be used to determine eligibility for certain loan programs. Also, the cost of your loan and the cost of mortgage insurance are often determined, in part, by your credit score.

If you have no credit history or very little credit history, you may find that you have no credit score at all. You may still be eligible for some (but not all) loan programs. We must build a credit history, using non-traditional sources: rent, utilities and other bills. With no score, your loan will be manually underwritten and it will likely cost more.

## Can I improve my score?

We’ll provide you with a copy of your credit report, including all of your credit scores. We’ll make sure you know how your score impacts loan eligibility and costs. And wherever possible we will provide you with specific direction as to things you can do to improve your credit scores. The algorithms used to calculate credit scores are closely-held proprietary secrets, but when you’ve seen as many credit reports as we have, you learn a thing or two. We’ve had a lot of success helping clients improve their scores (and save money as a result).



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