



## CreditXpert® FAQ

### 1 General Questions

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#### 1.1 Which of the products simulate the results I might get if I were to submit a Score Update?

CreditXpert Detective™ and the CreditXpert What-If Simulator™ look at potential score impact from taking immediate action based on the results of those products. In other words, they provide you information on the potential results that would come from submitting a Score Update to correct inaccurate information and/or update balances.

CreditXpert Essentials™ does not model the impact of a Score Update; it looks at the impact of your customer taking certain pay down or pay off related actions and then waiting 30 days for the impact of those actions to appear on the credit report. CreditXpert Essentials is a very useful tool but we would not recommend you rely on the CreditXpert Essentials score increase simulated results as a prediction of the results of a Score Update. Some users will take the actions that are recommended by CreditXpert Essentials and input them into the CreditXpert What-If Simulator to get a more accurate estimation of the score impact through Score Update.

#### 1.2 Why didn't my Score Update result in the exact score increase determined by CreditXpert?

CreditXpert is a score simulation engine that determines the approximate score change that will occur by taking a given set of actions. Generally, the score change modeled by CreditXpert will be within 5 points or so of your actual results. Some factors that impact the accuracy of the CreditXpert score increase estimation are:

- Your customer and/or you did not do all of the actions recommended by CreditXpert in the order recommended. You must follow the actions exactly as they are outlined in CreditXpert to achieve the approximate score change produced by CreditXpert.
- Your customer and/or you took other actions and/or modified the actions. This can especially be a concern around paying down or paying off accounts. The CreditXpert simulation is based on achieving certain utilization percentages, certain numbers of outstanding accounts, specific current statuses. Taking an action that is additional to or different from what is simulated can alter the outcome. If you or your customer plan on doing something different from what is or simulated, we strongly recommend you run this revised scenario through CreditXpert What-If Simulator to get a more accurate estimation.
- Your customer failed to make timely payments on all their accounts. CreditXpert assumes that your customer will make at least minimal payments on all their current outstanding obligations. Missing payments during the period of time prior to completion of the Score Update will adversely impact score.
- Your customer and/or you took the recommended actions long after the credit report was pulled. CreditXpert results will slowly get less accurate as time passes from the initial credit pull. As time goes by, your customer's credit profile changes as they make (or miss) payments, open or close accounts, etc.

### 1.3 What is the difference between a collection account and an account that has a payment status of “in collections”?

The difference between a collection account and an account with an “in collection” payment status is the way the account was reported. A collection account is a record placed on a credit report by a collection agency. In contrast, an account with an “in collection” payment status shows that the original lender (the creditor) placed the account into collections, either internally or by contracting a third party. These two types of accounts impact credit scores differently.

### 1.4 What is the difference between a “charge card” and a “credit card,” and how do they affect a credit score?

The difference between a “charge card” and a “credit card” is the type of credit the account provides. The term “charge card” is used for non-revolving credit cards, such as an American Express Card, where the full balance is due monthly. The term “credit card” is used for revolving credit cards, or cards that carry a balance from month to month.

### 1.5 What is the definition of each “payment status” type that is shown in the CreditXpert software?

The many types of payment statuses are defined on the following table:

Payment Status	Meaning
Paid as agreed	A payment status indicating that the account is not late (or at least less than 30 days past due) at a certain point in time.
30 days late	A payment status indicating that a person has a payment at least 30 days past due but has missed no more than two consecutive payments on an account.
60 days late	A payment status indicating that a person has missed no more than three consecutive payments on an account.
90 days late	A payment status indicating that a person has missed no more than four consecutive payments on an account.
120 days late	A payment status indicating that a person has missed no more than five consecutive payments on an account.
150+ days late	A payment status indicating that a person has missed six or more consecutive payments on an account.
Paid derogatory	A payment status indicating that a person has paid off an account (to \$0 balance) which has had a derogatory payment status before. The derogatory statuses referred to here are “On payment plan,” “Repossessed,” “Foreclosed,” “In collections,” and “Charged-off.” The “paid derogatory” payment status does not include accounts whose prior worst payment statuses were merely delinquent, such as “30 days late.”
On payment plan	A payment status indicating that a person has adopted a debt repayment plan established by court, such as the Chapter 13 bankruptcy and wage earner plans.
Repossessed/foreclosed	“Repossessed” is a payment status indicating that a legal procedure has been initiated, by which the lender reclaims the collateral property on a loan in serious delinquency.  “Foreclosed” is a payment status indicating that the account has gone through a legal procedure initiated by a creditor, which has the purpose of having the property sold to collect on a loan in serious delinquency.
In collections	A payment status indicating that a person has missed so many consecutive payments on an account that the creditor places it into collection. This can be the company’s own collection department or an external collection agency.
Charged-off	A payment status indicating that an account in serious delinquency has been declared as uncollectible by the creditor.
In bankruptcy	A payment status indicating that an account was included in the filing of a Chapter 7, 11, or 12 bankruptcy.

## **1.6 What are the differences between the types of payment statuses – “present status,” “historical statuses,” and “worst status”?**

The differences between the different types of payment statuses are the time to which the payment statuses refer. The “present status,” also called “current status,” indicates the account’s most recent payment status as reported by the lender to the bureau. This status may be a few months old if the lender does not report the information on a monthly basis.

The “historical statuses” are payment statuses that were reported to an account prior to the “present status.” There are 24 to 48 historical monthly statuses typically reported in the payment history.

The “worst status” indicates the worst payment status on an account during the account’s entire history. For example, if an account has two delinquencies recorded as a “60 days late” in 12/2004 and a “30 days late” in 11/2004, the worst status of this account is “60 days late.” If “60 days late” is changed to “Paid as agreed”, then the worst payment status becomes “30 days late.”

## **2 Questions about CreditXpert Essentials**

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### **2.1 When should I use the “Target Score Increase” mode?**

Use the “Target Score Increase” mode when you want to specify exactly how much you want a credit score to increase. CreditXpert Essentials will find the most cost efficient way to reach that target score.

### **2.2 When should I use the “Available Cash” mode?**

Use the “Available Cash” mode when you want to find actions that will give the consumer the highest score increase with his/her available cash. Note that in this mode you should only specify the amount of available cash and not enter a value in the “Target Score Increase” field.

### **2.3 Does a higher available cash setting always lead to a higher score improvement?**

No. CreditXpert Essentials looks at various opportunities to close, pay down, and transfer from/to your customer’s accounts. There is a limit to how much this can impact score, and once that limit is reached, use of additional cash will not further improve the score.

Some factors that may limit the overall score increase in a given situation are:

- Your customer cannot use cash to change negative factors in the report such as length of credit history or past delinquencies.
- Your customer cannot use cash to prevent collection accounts and negative public records from lowering his/her credit scores.
- There simply may not be many accounts to close/pay down/ or transfer from/to.

Review with the applicant the “Top Negatives” in the Credit Analysis section of the report. Verify the correctness and completeness of this information. If changes have been or will be made to these trades – we recommend that you simulate their impact in the CreditXpert What-If Simulator.

**2.4 Why does the CreditXpert Essentials select transferring balances to new accounts instead of paying them off using a savings account?**

CreditXpert Essentials will select cost-effective actions before more expensive actions.

**2.5 Why doesn't CreditXpert Essentials select an action no matter how much I change the amount for the "Available Cash" or "Target Score Increase"?**

Although CreditXpert Essentials tests thousands of actions to find the ones which could most improve a customer's credit score, it does not select any actions in cases where actions cannot be found that produce a score increase of three points or greater. On occasion, CreditXpert Essentials will not find any significant actions a consumer can take because there are no accounts to act upon (pay down, transfer, or close) or there is already a high credit score and there are not many remaining methods for improvement.

**2.6 Why does CreditXpert Essentials select actions with a negative factor?**

CreditXpert Essentials sometimes selects negative actions because they actually improve a person's credit score.

Some CreditXpert Essentials selections may be surprising, because they may make a negative factor even worse. This does not mean that the selection is wrong. An action that makes one part of a person's credit worse can simultaneously make another part better. As long as the net benefit of this action is larger than its negative effect, the credit score will increase and the selection is valid.

**2.7 Is there a standard action for CreditXpert Essentials, such as opening a new account?**

No, there is no standard action; all actions are tailored to the consumer's situation. For example, opening a new account will only be proposed when this can improve a consumer's credit score.

**2.8 Why don't I see all my accounts listed in the drill-down table after each factor in the CreditXpert Credit Analysis?**

The CreditXpert Essentials only lists accounts in the drill-down tables that were used to determine the factor. Furthermore, only the top positive and top negative factors are given.

### 3 Questions about CreditXpert What-if Simulator™

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#### 3.1 Please describe each of the possible actions and define the terms used in the What-if Simulator.

Below is a table containing definitions of terms used in What-If Simulator followed by a table containing explanations of the various What-If Simulator actions.

##### *What-If Simulator Glossary*

<b>Term</b>	<b>Description</b>
<b>“Correct” type of action</b>	A change of information that was already reported. For example, to <i>Correct</i> the balance or payment status is to replace an incorrect balance or payment status with the correct one.
<b>“Update” type of action</b>	To fill in new information based on physical actions (such as paying down accounts) taken now or later. For example, you can <i>Update</i> the balance, the credit limit, or (for delinquent or derogatory accounts only) the payment status. If you <i>Update</i> a payment status, the changes in balance and past due needed to achieve the new payment status are automatically calculated.
<b>Present Payment Status</b>	Also called “Payment Status” and “Current Status.” The <i>Present Payment Status</i> indicates the account’s most recent payment status shown by the credit profile. This status may be a few months old. If the lender does not report the information on a monthly basis.
<b>Historical Payment Statuses</b>	<i>Historical Payment Statuses</i> are the account’s payment statuses associated with dates prior to the <i>Present Payment Status</i> . There are 24 to 48 Historical Statuses typically reported in an account’s payment history, depending on the credit bureau.
<b>Worst Payment Status</b>	The <i>Worst Payment Status</i> indicates the highest level of delinquency ever reached on the account since it was opened.

### Explanation of What-if Simulator Actions

<u>Action</u>		<u>Description</u>	<u>What is the approximate impact of a Score Update:</u>
Correct	<b>Balance</b>	Correct the reported <i>Balance</i> .	If I correct the <i>Balance</i> ?
	<b>Credit Limit</b>	Correct the reported or the unreported <i>Credit Limit</i> .	If I correct the <i>Credit Limit</i> ?
	<b>Present Payment Status</b>	Correct the reported <i>Present Payment Status</i> .	If I correct the <i>Present Payment Status</i> ?
	<b>Worst Payment Status</b>	Correct the reported <i>Worst Payment Status</i> . This action can only improve the <i>Worst Payment Status</i> to "paid as agreed," "30 days late," or "60 days late."	If I correct the <i>Worst Payment Status</i> ?
	<b>Historical Payment Status</b>	Correct the reported <i>Historical Payment Status</i> for a specific month in the payment history.	If I correct the <i>Historical Payment Status</i> ?
	<b>Open/Close Status</b>	Correct the reported "Open" Status on an account that is actually closed.	If I get correct the <i>Open/Close Status</i> ?
	<b>Revolving/Installment Status</b>	Correct the reported <i>Revolving/Installment Status</i> . The requested new status must not conflict with the account type (e.g., a mortgage cannot be made revolving).	If I correct the <i>Revolving/Installment Status</i> ?
<b>Delete</b>		<i>Delete</i> an account that does not belong to the credit profile.	If I <i>Delete</i> the account from the report?
Update	<b>Balance</b>	Updating the balance field to reflect a new <i>Balance</i> after a payment is made.	If a payment is made, and I update the <i>Balance</i> ?
	<b>Present Payment Status</b>	Updating the <i>Present Payment Status</i> by making a payment. The payment needed to achieve the new payment status will be automatically calculated and the new balance and/or past due amount will be updated to reflect this.	If a payment is made, and I update the <i>Present Payment Status</i> ?



### **3.2 What is the difference between the “correct” action and the “update” action?**

The difference between the “correct” action and the “update” action is the placement in time for which a change is desired: “correct” concerns historical information that requires correction, while “update” concerns current or future actions.

A “correct” action should be used to simulate the result of changing past information through a dispute process, such as correcting an error or filling in more recent information.

An “update” action should be used to simulate the result of an action that a consumer might take now or in the future, such as making a payment, closing an account, opening a new account, or transferring debt between accounts.

Selecting “correct” allows you to simulate immediate corrections to existing information. Correcting the balance or payment status does not require paying down the balance because “correct” simply replaces an incorrect balance or payment status with the correct one. Alternatively, selecting “update” simulates immediate changes that require paying down a balance. You can update either the balance (for any account) or the payment status (for delinquent or derogatory accounts only). If you update a payment status, the balance reduction needed to achieve the new payment status is automatically calculated.

### **3.3 How can I change historical payment statuses or worst payment statuses in the CreditXpert What-if Simulator™?**

You can change historical payment statuses or worst payment statuses by using the “correct” action.

The “correct” action can change historical payment statuses, allowing specific corrections to any delinquencies in the account's payment history. If you want to correct an erroneous delinquency for an account, then it can be removed by changing the historical payment status to “paid as agreed” (or the status you want) on the corresponding account date.

To change the worst payment status, you can use the action “Set Worst Payment Status” to change the status to the one that you want.

### **3.4 If I change a payment status to “paid as agreed,” will this “wipe out” all delinquencies on the account?**

No, when you change the payment status to “paid as agreed” on an account, the CreditXpert What-If Simulator will not remove any other delinquencies except the one for which you are making the change. Let's say you changed “60 days late” to “paid as agreed” in a report that shows the delinquencies of “30 days late” on 11/2004 and “60 days late” on 12/2004. After the change, the “60 days late” will be replaced by the “paid as agreed,” but the “30 days late” will still be there as a historical payment status for 11/2004.

### **3.5 I tried the same action twice and got two different results; why? Also, why do the score results vary with the order of actions?**

Disparate results may result when actions are specified in a different order. The CreditXpert What-If Simulator results for each action are dependent on the actions that have taken place before. Simulating an action in a different order or in combination with different actions can lead to different results. This is a result of the complexities of credit scoring models and the interactions between accounts. To avoid previous actions from effecting a new simulation, be sure to “reset” your CreditXpert What-If Simulator.

### **3.6 Why does the credit score decrease when I pay off an old derogatory account?**

Paying off old derogatory accounts (such as collections accounts or charged-off accounts) can negatively impact credit scores. This counterintuitive result can happen because paying off an old account may cause the delinquency date for that account to become the current month. Since credit scores are affected by how recently accounts appear to have become derogatory, a one-month-old paid collection account may do far more damage to a credit score than a six-year-old unpaid collection.

### **3.7 Can I use the CreditXpert What-if Simulator on a person's profile from one bureau, and then infer the impact of the same actions on the person's profiles from other bureaus?**

No. The same actions on different bureaus will often vary the score impact significantly, because each bureau's report can contain very different information.

## **4 Questions about CreditXpert Detective**

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### **4.1 How does CreditXpert Detective identify possibly inaccurate and/or outdated tradeline information?**

CreditXpert compares the credit report for the bureau selected against the other two credit bureaus. It looks for information that is inconsistent and older than information on the other two bureaus, and specifically identifies information that will likely have at least a 3 point increase in score. Please note the results that CreditXpert Detective produces are only for the bureau that you selected. For example, if you select TU then CreditXpert will compare your customer's TU profile to his/her Experian and Equifax files and look for inconsistencies and outdated information. It will identify possible actions to take related to the TU report only. To obtain results on a different bureau, CreditXpert Detective needs to be run on that other bureau.

### **4.2 Does CreditXpert Detective always return suggested actions?**

No. It only identifies actions that will correct information that is likely inaccurate and that would likely result in at least a 3 point increase. Many files have such opportunities, and many do not.