

Frequently Asked Questions on CreditXpert® Products

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2 About this Document

The purpose of this document is to answer some frequently-asked questions about the following CreditXpert® products:

- CreditXpert Essentials™
- CreditXpert What-If Simulator™
- CreditXpert 3-Bureau Comparison™

This document is intended for providers as well as end-users of these products.

3 General Questions

3.1 How can I send data in a secure way to CreditXpert® support?

Here are the options for sending us this information:

- 1) Allow us to use FTP or HTTP/SSL to pull the file(s) from your server.
- 2) Send data in a password-protected WinZip file.
- 3) Send data through Ensured mail or a similar service.

3.2 How can I change printing preferences and font colors?

CreditXpert® Inc. does not control the look-and-feel of CreditXpert® products. Please send any suggestion related to presentation (such as printing and font colors) directly to your interface provider (if you are an end-user) or your technical team (if you are a provider).

3.3 What is the difference between a collection account and an account having a payment status of "in collection"?

A collection account refers to a record placed on a credit report by a collection agency. In contrast, the status "In Collections" for an account refers to its payment status, and shows that the original lender (creditor) had placed the account into collections (either internally or contracted to a third party). These two types of accounts impact credit scores differently.

3.4 What is the difference between a "charge card" and a "credit card", and how do they affect my credit score?

What we call "Charge Cards" are non-revolving credit cards, such as the American Express Green Card. There are more factors used in credit scores relating to revolving accounts than to non-revolving accounts (such as charge cards). Therefore, revolving credit cards (what we call "Credit Cards") usually have a much larger impact on credit scores. .

3.5 What is the meaning of each payment status that is shown in the CreditXpert® software?

Please find the meaning of payment statuses in 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. It can be initiated by the creditor or the borrower, and caused by a borrower missing several consecutive payments on the account. Similarly, "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. Foreclosure can only happen in secured loans since it is the collateral that is used to repay the creditor. This typically happens for mortgages when three or more payments have been missed.
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. This means the lender considers (for accounting purposes) that the money it loaned to the borrower is lost. Lenders use this as a last resort, once a legal limit on the length of the collection period is reached.
In bankruptcy	A payment status indicating that an account was included in the filing of a Chapter 7, 11, or 12 bankruptcy.

3.6 What is the difference between the different types of payment statuses (such as the present status, historical statuses, and worst status)?

The "present status," also called "current status," indicates the account's most recent payment status reported by the lender to the bureau. This status may be a few months old if the lender does not report the information monthly.

The "historical statuses" are the payment statuses that happened to an account prior to the "present status". There are 24 to 48 historical statuses typically reported in the payment history.

The "worst status" indicates the worst payment status on an account during the account's entire history. Say an account has two delinquencies (also called "lates"), a "60 days late" in 2004/12, and a "30 days late" in 2004/11. The worst status of this account is "60 days late." If you change the "60 days late" to "paid as agreed," then the worst payment status becomes "30 days late."

3.7 What is the difference between "minimum payment" and "monthly payment"?

The "minimum payment" refers to the minimum amount that a borrower is required to pay to the lender each month. This is the smallest payment that will keep the account current. For a revolving account, it usually is a small percentage (such as two percent) of the balance, and therefore it is a function of how much the account is used. For an installment account, it is calculated as the original amount divided by the terms, and it will often be the same from month to month. The borrower can usually pay more than the minimum without incurring extra charges, unless the account has prepayment fees. If the account is delinquent (such as "90 days late"), the minimum payment includes all past due charges, interest and fees. Therefore if you make the minimum payment you will become "paid as agreed" (also called "current") right away.

The "monthly payment" refers to a payment that is just enough to keep the payment status of an account from getting any worse. For example, the "make monthly payment" action in the What-If Simulator with 3 payments selected simulates making such a payment each month for three successive months. To be clear, this is not a single payment but 3 payments over time. Say an account is "90 days late" in June. If you do not make any payment on it, it will become "120 days" late in July (you can simulate this with "miss monthly payment" for 1 month). In contrast, the "make monthly payment" action makes a payment that prevents it from becoming "120 days late," and maintains the payment status as "90 days late."

3.8 Can CreditXpert® products work with profiles which do not have a credit score?

Yes, CreditXpert® products can work with credit profiles that do not have an associated credit score. The information provided by these products are based on the credit report information only; the tool does not assume any particular value for the credit score to work with. The selected actions will likely improve someone's credit no matter what credit score is being used.

3.9 How can the CreditXpert 3-Bureau Comparison™ help improve creditworthiness?

The CreditXpert 3-Bureau Comparison™ identifies the differences and similarities in credit data at each of the three national credit bureaus (Equifax, Experian, and TransUnion). By comparing credit report data, users can discover and understand the impact of unique data at different bureaus on consumer creditworthiness. By analyzing the positive and negative factors influencing a consumer's credit score at each bureau, consumers can learn how to establish the best credit score at each bureau to maximize their creditworthiness.

4 Questions about CreditXpert Essentials™

4.1 Why don't I see all my accounts in the drill-down table after each factor in the CreditXpert Analysis™?

The list of accounts following each factor only contains the accounts used to calculate that specific factor. You would not expect to see every account listed, because even though the accounts may affect factors that determine the credit score, these factors may not be among the top positive or negative ones.

4.2 When should I use the "Target Score Increase" mode?

In this mode of operation, the tool tries to achieve a user specified target score increase. It answers the following question: *"Is it possible to reach this score increase, and how much cash would I need?"* The tool will try to find the actions that can achieve the target score increase with the least amount of cash. The assumption here is that the user is very interested in getting a certain score increase, and as such, how much cash will be used is of secondary importance.

4.3 When should I use the "Available Cash" mode?

In this mode of operation, the tool tries to find the actions that would give the consumer the highest score increase with the available cash. It answers the following question: *"How much can I improve the score if all I have is this much cash?"* In this mode the user should only specify the amount of available cash to be used by the software, and leave the target score increase as is (either blank or as specified in the interface you are using).

4.4 Does a higher available cash setting always lead to a higher score improvement?

No, a higher available cash setting in the Essentials does not always lead to a higher score improvement. The most common reasons for this are:

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

As you can see, none of these factors are affected by available cash and are simply negative items which your customer cannot change in the short-term.

4.5 Why does Credit Wizard select transferring balances to new accounts instead of paying them off using a savings account?

The Essentials will select cost-effective actions before more expensive actions. So while using available cash to pay down existing balances may produce the same score increase as opening a new account and transferring balances from existing accounts to it, the Essentials will select the second because it costs the customer less cash. Transferring a balance does not use cash, while paying the balance does.

4.6 Why doesn't the Essentials select any action no matter how much I change the amount of available cash or target score increase?

Although the Essentials tests thousands of actions to find the ones which could most improve a customer's credit score, there are certain cases where no actions are selected. Usually this occurs because the Essentials only selects actions that can produce a significant score increase (defined as 3 points or greater).

On occasion the Essentials will not find any such significant actions a consumer can take. The most common reasons for this are: the consumer did not have any accounts to act upon (pay down, transfer, or close), or simply that the consumer already has a very high credit score and there are not many remaining methods for improving it.

4.7 Why does the Essentials select actions that conflict with a negative factor?

Some 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 benefit of this action is larger than its negative effect, the credit score will increase and the selection is valid.

The following example illustrates the above explanation:

Mr. XYZ orders the CreditXpert Essentials™ and learns that the top three negative factors in his credit report are: (1) Balance to limit ratio too high on revolving accounts; (2) Too many recently opened accounts, and (3) Too many inquiries. He then runs the CreditXpert Essentials™ to learn how to improve his credit score. The Essentials tells him that he can increase his credit score by 11 points if he opens two new revolving accounts with credit limits of \$1000.00 each.

At this point he becomes confused. He wonders how adding two new accounts to his credit report is going to help his credit score if having too many new accounts is already a negative factor. What is happening here is that the Essentials selects opening two new accounts with \$1000.00 credit limits each because these two new accounts will increase his total available credit without increasing his credit usage (since their balances will be \$0). Besides this, since both newly opened accounts have 0 as their balance to limit ratio, this will lower his overall Balance to limit ratio (first negative factor). In this case the negative impact from making his second negative factor worse (He will now have more recently opened accounts.) is outweighed by the larger positive impact of reducing his Balance to limit ratio.

4.8 Is there a standard action for the Essentials, such as opening a new account?

No, there is no standard action in the Essentials. 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.

5 Questions about the CreditXpert What-If Simulator™

5.1 What is rapid rescoring? And what is the "Rapid Rescoring" mode in the What-If Simulator?

Rapid rescoring is a means of quickly updating credit report information during the loan application process. If your lender uses rapid rescoring services, they can arrange for new information to be posted to your credit report within 72 hours. Rapid rescoring can help you increase your credit scores by either correcting errors or paying down account balances. By default, the passage of at least one month's time is an automatic part of each custom scenario because in order to see a score change you must normally wait a month for the new information to be reported to the credit bureau. However, the Rapid Rescoring mode is designed to simulate what will happen if you use rapid rescoring services, and this mode turns off the passage of time so that you can see the effect of immediately correcting errors. With Rapid Rescoring Mode selected, you can either "Correct" or "Update" account information.

5.2 What is the difference between 'CORRECT' ('MODIFY') action and 'UPDATE' ('MODIFY') action?

A CORRECT (also called SET) 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 (also called MODIFY) 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 edits 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.

5.3 How can I change historical payment statuses or worst payment statuses in the What-If Simulator?

The CORRECT (also called SET) 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 correcting the historical payment status to 'paid as agreed' (or the status you want) on the corresponding 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.

5.4 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 What-If Simulator will not remove any other delinquencies except the one for which you are making the change. For the example above, let's say you changed "60 days late" to "paid as

agreed." 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 2004/11.

5.5 How does the "Make/Miss Payment" work? Will the action "make payment" for 3 months bring the payment status of a "90 days late" account to "paid as agreed"?

"Make Payment" simulates making a monthly payment on the account for n consecutive months (the value of n is entered by the user). For example, if you enter "3" in the "Make Payment" field, the What-If Simulator will simulate making a monthly payment on this account for 3 consecutive months. This will not change the present payment status of this account; therefore, making 3 consecutive payments cannot bring a "90 days late" account to "paid as agreed." The payment status of this account will stay as "90 days late" after the payments. Please note that all other accounts will be automatically aged for 3 months without changing their present payment statuses.

"Miss Payment" works in a similar way as "Make Payment." It simulates missing the monthly payment on the account for "n" consecutive months. Each month, the payment status will get worse, until a derogatory status such as "foreclosed" or "in collections" is reached. The derogatory status reached and the time taken to reach it depend on the type of account.

5.6 What does the "Advance" action mean, and when should I use it?

"Advance" actions are used to age accounts in the profile for a certain amount of time.

There are two types of "Advance" actions:

- 1) "Advance Current". You can use this action when you want to simulate accounts being re-reported at the current profile date. For instance, you know the balance for an account is \$300 at the current profile date, but the account was reported 3 months ago with a \$500 balance. Then you can use an "Advance Current" action on the account, and then CORRECT (also called SET) the balance to \$300. If you do not use the "Advance" action in this case, the balance that you changed is the one reported 3 months ago.
- 2) "Advance Synchronize". You can use this action to age accounts up to the date you specify. For instance, you can "Advance Synchronize" all the accounts for 3 months to see what the credit score will be at that time. This will keep the payment statuses for all accounts the same as their present statuses.

5.7 I tried the same action twice times and got two different results, why? (Also: Why do the score results vary with the order of actions?)

You probably requested the actions in a different order. The What-If Simulator result for each action is highly dependent on the actions that have taken place before it. Simulating an action in a different order or in combination with different actions can lead to different results, even if these differences are subtle. This is a result of the complexities of credit scoring models and the interactions between accounts. To avoid previous actions from affecting a new simulation, be sure to "reset" your What-If Simulator if the "reset" option is presented. If this option is not presented please consult your interface provider (or your technical team if you are a provider) to check whether the What-If Simulator is automatically reset with each new simulation.

5.8 Why do I get a different score change when I enter actions appeared in the CreditXpert Essentials™ into the What-if Simulator?

The Essentials and the What-If Simulator will give the same score changes if they are working with exactly the same actions. If you see different score changes between them, you should check for two possible reasons.

First, the Essentials output may include score changes resulting from aging the credit profile by one month. If the What-if Simulator is in the "Rapid Rescore" mode, then the simulation does not include any score changes from aging. If you change the What-If Simulator to the Planning mode, you should get the same score change for the same actions.

If the reason mentioned above cannot explain the difference, please check with your technical team whether you are using different versions of the Essentials and the What-If Simulator. If you are using the same version, please contact your provider to submit a question for CreditXpert® support.

5.9 Why does the credit score decrease when I pay off a derogatory account?

Paying off old derogatory accounts (such as collections accounts or charged-off accounts) can negatively impact credit scores in real life. This counterintuitive result can happen because paying off an old account may cause some dates to be made more recent, which may indicate that the delinquency is more recent than it used to. 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.

5.10 Why does the credit score decrease in the scenario "pay off all delinquent/derogatory accounts"?

The 'pay off all delinquent or derogatory accounts' scenario in the What-If Simulator can sometimes show negative score changes. This counterintuitive result can happen when old derogatory accounts are paid off in the scenario, because delinquencies may now appear more recent. See question 5.9 for more details.

5.11 In the scenarios referring to "all accounts" (such as "paying off all accounts"), why didn't all the accounts in my credit profile show up in the results?

The What-If Simulator applies some selection criteria to prioritize accounts and determine which ones to include in such scenarios. For example, the accounts may need to be reported recently or have a balance. Also, payments or increases in balance may be applied to the highest priority accounts only.

5.12 In the scenario "Miss Payment on One Account", which account will be selected and why?

Our account selection logic looks for several characteristics in order to choose the account on which to miss the payment. Among other criteria, we pick the account that is the most delinquent and with the highest balance. This is likely to produce the highest score decrease from this scenario.

5.13 Can I use the 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, you should not. The score impact from the same actions on different bureaus will often vary significantly, because the report from each bureau can contain very different information. These variations in reported data make the What-If Simulator an invaluable tool when evaluating potential actions.

5.14 What does the following "warning" message mean: 'The date of the credit profile was updated because the account information was synchronized'?

This is an informational message that indicates that the profile was simulated in the future. The message indicates that all accounts were synchronized with the accounts that were acted upon (that is, moved forward in time), and that the date of the credit profile was updated to match.

This message is triggered by an automatic action added to the end of each What-If Simulator simulation in Planning mode. It does not apply to the Rapid Rescoring mode.