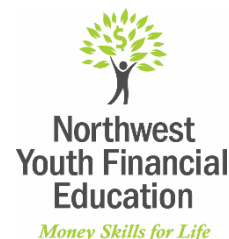




## Who wants to be a Credit Score Millionaire?



### Answer Key

[Explanations in brackets.]

- 1) Which of the following companies produces the widely used FICO credit score?
  - a) FICO [FICO stands for Fair Isaac Corporation. Using credit report data provided by each of the three major credit bureaus (b, c, & d) FICO calculates scores which are designed to measure your likelihood of repaying new loans.]
  - b) Experian
  - c) Equifax
  - d) Transunion
- 2) Which of the following is NOT used to match information on your credit report?
  - a) Name
  - b) Social Security #
  - c) Email Address [You provide personal information every time you get a loan. This information is matched to your existing credit report data. Sometimes similar information can be mismatched and cause errors, like a common name such as John Smith.]
  - d) Birth Date
- 3) The single most important factor in building good credit is:
  - a) Never use a credit card [This is good advice if you cannot use it responsibly. However, just like any tool, when used responsibly it can provide tremendous benefit, including a low-cost method of building a credit score (by paying the balance off each month before interest accrues).]
  - b) Never miss a payment [65% of your score (payment history – 35%, and amounts owed - 30%) is directly affected by failure to make regular on-time payments. Missing payments can cause significant damage to multiple parts of your credit score.]
  - c) Never close an old account [Closing old accounts will hurt your score, but rarely as much as missing payments.]
  - d) Never check your own score [Checking your own score does not drop it at all. Only lender inquiries hurt your score, and usually by less than 5 points each. Also when loan shopping, you have a 14-day period where multiple checks for a single loan only count as one check.]
- 4) This type of loan will damage your credit score even when paid back on time.
  - a) Auto Loan
  - b) Credit Card
  - c) Finance Co. Loan [Loans from finance companies ALWAYS hurt your score, even when paid back on time. This is because they are considered high-risk lenders by FICO. Examples include payday lenders, rent-to-own furniture, high-rate auto lenders, and subprime mortgage lenders (which often have the word “financial” in their name).]

- d) Mortgage
- 5) Which two factors make up 65% of your FICO credit score?
- a) New accounts & length of accounts [10% & 15%]
  - b) New accounts & types of credit [10% & 10%]
  - c) Payment history & amount owed [35% and 30%, a reminder to always make payments on time.]
  - d) Types of credit & length of accounts [10% & 15%]
- 6) The website to access your free credit report with no fees is:
- a) AnnualCreditReport.com [This is the only website mandated by the federal government to give you access to your free credit reports. Every year you are entitled to one free report from each of the three major credit bureaus (Experian, Equifax, Transunion), for a total of 3 free reports per year. This means that you could check one report every 4 months to stay on top of your credit information. All other websites below charge for monthly credit monitoring services in order to access your credit reports.]
  - b) CreditReport.com
  - c) FreeCreditReport.com
  - d) DudeWheresMyScore.com
- 7) Which of the following causes the most damage to your credit score.
- a) Bankruptcy [A bankruptcy is a legal proceeding that halts collection and foreclosure activity. It is a last resort as a consumer. It can damage your score by 250 points or more for up to 10 years.]
  - b) Foreclosure [Foreclosure is the process where a mortgage lender takes possession of a house after 3 months of missed payments. A foreclosure does more damage to a credit score than anything besides a bankruptcy.]
  - c) Short Sale [This can be an appealing option when a house is “underwater” (house is worth less than what is still owed). A short sale is an agreement between a mortgage lender and a homeowner to sell the home for an amount less than owed on the home loan. It satisfies the debt owed, but is just as negative as a foreclosure, except without the additional damage that comes from missing 3 or more payments as in a foreclosure.]
  - d) Repossession [A repossession means the lender legally takes possession of a car, furniture or other such item, because the consumer has failed to make regular payments on these loans. This causes damage to your score, but not as much as the other three options.]
- 8) What is the maximum possible FICO credit score?”
- a) 1050
  - b) 300
  - c) 550
  - d) 850 [FICO credit score range from 300-850. Most people have scores between 600-800.]
- 9) Studies show that about \_\_\_\_\_% of all credit reports have at least one error.

- a) 70% [An error can cause significant negative impact to your score. It is wise to check your free credit reports regularly at [annualcreditreport.com](http://annualcreditreport.com), to ensure that your reports do not contain errors.]
  - b) 50%
  - c) 98%
  - d) 18%
- 10) The total potential difference in costs between credit scores of 808 and 638 is: (includes 30 yr \$200k mortgage, 6 yr 20k auto loan, \$10k balance credit card, homeowner's and auto insurance)
- a) \$100,000 [Breakdown of additional costs over the life of the loans (and associated insurance): mortgage = \$68,166 extra, car loan = \$5,058 extra, Credit card = \$6,318 extra, Homeowner's insurance (30 years) = \$15,120 extra, and auto insurance = \$1,296 (6 years) = \$95,958 total extra, nearly \$100k!]
  - b) \$50,000
  - c) \$10,000
  - d) \$5,000
- 11) The difference between a FICO score and a "FAKE-O" score (any score other than FICO) can be up to \_\_\_\_\_ points.
- a) 37
  - b) 13
  - c) 400
  - d) 79 [FICO is the credit score used by lenders and other industries, other scores can be misleading because they do not give an accurate picture of what lenders see.]
- 12) Which of the following has the smallest negative impact on a credit score?
- a) Short Sale [Reminder: a short sale is an agreement between the borrower and the lender to sell the house for less than what is still owed on the mortgage, and to settle the loan at that amount. A short sale is almost as negative as a foreclosure, but does not have the added negative weight of missed payments.]
  - b) Foreclosure [Reminder: A foreclosure is the process of a lender taking possession of a home after the homeowner has missed 3 or more payments.]
  - c) Walk Away [This term refers to a borrower abandoning a home and ceasing to make payments on the loan. It is the same as a foreclosure.]
  - d) Deed in Lieu [Like a short sale, a deed-in-lieu is an agreement between the borrower and lender. However, with a deed-in-lieu the borrower hands over all ownership rights of the house to the lender, the lender then sells the house and uses the sale proceeds to cover the outstanding debt on the borrower's loan. If the debt is not fully paid by the sale of the house, the lender may pursue payment of the remaining portion of the debt.]
- 13) "Golden" accounts add substantial value to your FICO score. How long must you have an account for it to be considered "golden."
- a) 3 years
  - b) 5 years
  - c) 10 years [A green account is anything open less than 1 year, white = 1-3 years, bronze = 4-6 years, silver = 7-9 years, Golden = 10+ years. It's best to have multiple golden accounts. Scores above 800 are very difficult to achieve without "golden" accounts.]

d) 30 years

14) A chapter 13 bankruptcy (debt restructuring) remains on your credit report for seven years from the filing date. How long does a chapter 7 bankruptcy (liquidation) remain on your report?

a) 20 years

b) 7 years

c) 10 years [A chapter 13 usually reduces amounts owed, and consolidates debts into a repayment plan. In other words, portions of the debt must still be paid under chapter 13. However, under chapter 7 bankruptcy, the filer must sell all their assets (with some major exceptions like a house, a car and some basic possessions) and use the proceeds to pay off debts. All remaining outstanding debts are then discharged, or forgiven. As you might guess, a bankruptcy on your credit report ruins any trust that lenders may have in you in the future.]

d) 3 years

15) The closer your balance to your credit limit, the greater the negative impact. Anything above \_\_\_\_\_% is considered a high debt ratio & can drop your score.

a) 50%

b) 25%

c) 90%

d) 10% [The higher your debt ratio the greater the negative impact, but anything above 10% can put negative pressure on your score.]