

CREDIT EDUCATION PROGRAM

MODERN FINANCE COMPANY

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INTRODUCTION

- ▶ California law requires that Modern Finance Company (“MFC”) offer this Credit Education Program to customers who obtain a loan with a principal amount of at least \$2,500, but less than \$10,000.¹
- ▶ This program is offered to you at no cost. You are not required to read this program, however MFC encourages you to do so as it provides information to help you understand your credit score and credit report.²
- ▶ If you have any questions about your loan, feel free to contact MFC by phone at (818) 379-6500 or by e-mail at customerservice@modernfinance.com

WHAT IS A CREDIT SCORE AND WHY IS IT IMPORTANT?

- ▶ A credit score is a three-digit number (typically between 300 and 850) which summarizes your creditworthiness.
- ▶ There are multiple models that can produce your credit score, but 90% of lenders use your FICO Score. Another model is called your VantageScore.³
- ▶ The following factors affect your credit score:
 - ▶ Payment history (whether you pay creditors on time) [35% of your score];
 - ▶ Credit utilization (i.e., how much of your available credit you're using) [30% of your score];
 - ▶ Length of credit history (how long you've had credit accounts) [15% of your score];
 - ▶ Types of credit (e.g., credit cards, loans, etc.) [10% of your score]; and
 - ▶ New credit inquiries [10% of your score].⁴
- ▶ Opening a credit card is one way to establish a credit score. Becoming an authorized user on someone else's credit card, or opening a credit-builder loan are other ways to establish a credit score.⁵
- ▶ A higher score has many benefits. It can improve the likelihood that you qualify for credit. It can lead to better loan terms and lower interest rates. If you rent a home, landlords may consider your credit score when determining your rental terms.⁶ Simply put, having a good credit score can save you money in the long term.

IMPROVING AND MAINTAINING YOUR CREDIT SCORE

- ▶ Pay your bills on time.
- ▶ Keep your credit card balances below 30% of your credit limit.
- ▶ Avoid opening multiple new accounts in a short period.
- ▶ Keep old accounts open to maintain a longer credit history.
- ▶ Monitor your credit.
 - ▶ Use free tools available to you to monitor your credit score.
 - ▶ Set up automatic fraud alerts, especially if you suspect you may be the victim of identity theft.⁷
- ▶ Remember, good credit habits can improve your credit score, which may save you money spent on interest over time.

WHAT IS A CREDIT REPORT?

- ▶ A credit report is a detailed record of your credit history, compiled by Credit Reporting Agencies (referred to as “CRAs”) (Equifax, Experian, and TransUnion).
- ▶ A credit report includes at least the following information:
 - ▶ Personal information (name, address, Social Security number);
 - ▶ Credit accounts (loans, credit cards, payment history);
 - ▶ Inquiries (who has accessed your report); and
 - ▶ Public Records (for example, bankruptcies and/or liens).
- ▶ Lenders, employers, insurance companies, and rental property owners are examples of entities/individuals who use your credit report to assess your financial reliability.⁸

HOW TO ACCESS YOUR CREDIT REPORT

- ▶ You are entitled to obtain one free credit report per year from each CRA (Equifax, Experian and TransUnion).
- ▶ AnnualCreditReport.com is the only website authorized by the federal government to issue free, annual credit reports from the three CRAs.
- ▶ Ways to request your credit report:
 - ▶ Online by visiting AnnualCreditReport.com
 - ▶ By calling 1-877-322-8228 (TTY: 1-800-821-7232);
 - ▶ By filling out the Annual Credit Report request form and mailing it to:
 - ▶ Annual Credit Report Request Service
PO Box 105281
Atlanta, GA 30348-5281
- ▶ It is recommended that you regularly review your credit reports for errors or fraudulent activity.⁹

DISPUTING ERRORS IN YOUR CREDIT REPORT

- ▶ If you believe that there is an error on your credit report, you can contact the CRAs and the company that reported the information to the CRAs.
- ▶ Generally, you can dispute errors on your credit report by mail (use certified mail), online, or by phone.
- ▶ If you dispute an error by mail, be sure to include the following information:
 - ▶ Your contact information (legal name, address, and phone number);
 - ▶ The account number associated with the error, as well as a clear description of the error (and why you believe it is an error);
 - ▶ A request that the information be removed or corrected;
 - ▶ A copy of the part of your credit report that contains the error (you can circle it with pen highlight it to be specific);
 - ▶ Copies of any documents that support your position that the error is indeed an error.¹⁰

DISPUTING ERRORS IN YOUR CREDIT REPORT (CONTINUED)

- ▶ Disputing errors online or by phone with the CRAs:
 - ▶ Equifax:
 - ▶ <https://www.equifax.com/personal/credit-report-services/credit-dispute/>
 - ▶ (866) 349-5191
 - ▶ Experian
 - ▶ <https://www.experian.com/disputes/main.html>
 - ▶ (888) 397-3742
 - ▶ TransUnion
 - ▶ dispute.transunion.com
 - ▶ (800) 916-8800
- ▶ You can dispute the error with the company (such as lender, landlord, credit card company) who reported it (called a “furnisher”). The CFPB has a sample letter to help guide your dispute to furnishers:
https://files.consumerfinance.gov/f/documents/092016_cfpb_FurnisherDisputeLetter.docx

COMMON MYTHS

- ▶ MYTH: Checking your own credit report hurts your score.
 - ▶ FACT: Checking your own credit report is categorized as a “soft” inquiry and does not affect your score.

 - ▶ MYTH: Closing old accounts improves your score.
 - ▶ FACT: Closing accounts can shorten your credit history, which may lower your score.

 - ▶ MYTH: You only have one credit score.
 - ▶ FACT: You have multiple credit scores based on different credit score models and CRAs.
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RESOURCES AVAILABLE TO YOU

- ▶ AnnualCreditReport.com
 - ▶ Free annual credit reports
- ▶ Consumer Financial Protection Bureau (CFPB)
 - ▶ Access to guides on credit reports and scores
 - ▶ www.consumerfinance.gov
- ▶ Federal Trade Commission (FTC)
 - ▶ Information on disputing errors in your credit report
 - ▶ www.ftc.gov
- ▶ Modern Finance Company
 - ▶ Contact us if you have questions about your loan.
 - ▶ (818) 379-6500 or by e-mail at customerservice@modernfinance.com

SOURCES



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2. *Cal. Fin. Code* § 22304.5(c)(5)
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4. <https://www.myfico.com/credit-education/fico-scores-bridge#:~:text=FICO%20Scores%20are%20an%20industry%20standard%2090%25,borrow%20and%20how%20much%20interest%20you'll%20pay.>
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