

- First:

The Fair Credit Reporting Act, (FCRA), along with the Fair and Accurate Credit Transactions Act of 2003, (FACTA), form the base of consumer credit rights in the United States, and promotes the accuracy, fairness, and privacy of information in the files of consumer reporting agencies. The FCRA and FACTA requires that credit agencies, including Transunion, Equifax and Experian, provide you with a **FREE annual credit report** if you request it. (You can also request your credit scores but you will have to pay for them.)

To get your absolutely **100% free annual credit report**
from Transunion, Equifax and Experian, go to;

www.annualcreditreport.com

It is a good idea for you to check your credit report annually, to see what is on it, and for mistakes, errors and fraud. This will give you the knowledge of where you stand on your credit, what your score is, and an opportunity to fix errors and correct erroneous derogatory credit.

Check all 3 bureaus today, and advise your clients to do so too.

If you need help in interpreting the report, give me a call, Scott Simmons, 760-831-0044, and I'll go over it with you as a free service.

- FICO Credit Scores and why they are important to you and to your clients;

FICO is a private company providing a “predictive” scoring service to the credit reporting bureaus, Transunion, Equifax and Experian, (among others), and thus to lenders who then use the scores, and credit reports to make financial decisions impacting every aspect of consumer borrowing and, especially, for us, commercial property lending policies.

Bottom line, a buyer/borrowers credit report and credit score can positively or negatively affect their ability to obtain commercial property financing at excellent to very poor terms, (loan to value, interest rate, amortization, term, prepayment penalties, fees, points, requirements, etc.). The upshot of all of this is that people with higher FICO scores get better loans.

FICO credit scores range from 300 – 850. The higher the score, the better. In the US, the median FICO score is in the 720's, and 11 percent of the population has a FICO score higher than 800. 1 percent has a score of close to 850. Generally, the very best rates for mortgages are offered to people who have a FICO of 720 and higher. If you remember, 720 is the average FICO score for American consumers, so all you have to be is average to get great rates! Good quality commercial loans look for a credit score of 680 and above. If your credit score is less than 680, you may have more difficulty obtaining financing at the best rates and terms. (Most people with credit scores of around 680 will fall seriously delinquent on 1 or more of their financial obligations within the next 2 years). 13% of borrowers have FICO credit scores of less than 600. If your FICO score is less than 600, lenders figure that you're going to bail out on them better than 50% of the time.



Scott Simmons - Commercial Property Financing

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A borrower's payment history makes up about 35% of the score, while current liabilities (amount owed) make up about 30%. 15% is the length of a person's credit history, 10% takes into account new credit established, and 10% takes into account the type of credit used, (mortgage accounts, auto loans, credit cards, installment loans, retail accounts, etc.). For negative events, FICO's scoring method penalizes those with higher credit scores more than those with lower credit scores. FICO's research finds that people with six inquiries or more on their credit report can be up to eight times more likely to declare bankruptcy than people with no inquiries. Credit derogatoriness stay on a credit report for 7 years, (except chapter 7 bankruptcies which are there for 10 years).

- A little history;

In 1956 engineer Bill Fair and mathematician Earl Isaac founded FICO, (renamed the Fair Isaac company in 2003), on the principle that data, used intelligently, can improve business decisions. In 1958 FICO devised a system to allow the statistical analysis of an individual's credit and devised a "score", (FICO score), this was the very beginning of their ability to help to determine a person's likelihood of paying or defaulting on a financial obligation. In 1975 FICO developed their first true behavior scoring system for the banking industry to predict the credit risk of existing customers. In 1981 FICO developed their first automated credit account management system. In 1991 FICO credit bureau risk scores were made available at all three major US credit reporting agencies — BEACONsm at Equifax, EMPIRICA[®] at Trans Union, and the Experian/FICO model at Experian. In 1995 FNMA and FHLMC recommended the use of FICO scores for evaluating US residential mortgage loans. In 2006 FICO celebrated 50 years in business. In 2007 FICO reached 100 billion FICO scores sold since its inception, making FICO the milestone for the world's leading credit bureau score, and the standard of measure for US consumer credit risk. In 2003 The Fair and Accurate Credit Transactions Act, (FACTA), was passed as an amendment to the Fair Credit Reporting Act, (FCRA), and, among many other things, requires that each of the three credit reporting agencies provide, upon request, a free credit report every twelve months to every consumer. The goal was to allow consumers a way to ensure their credit information is correct and to guard against identity theft.

For all your;

- Commercial,
 - Industrial and
 - Residential income, (RV Parks, Mobile Home Parks, Apartments, 5+ Units, Multifamily)
- Loan needs,

Call/contact me,

Scott Simmons



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