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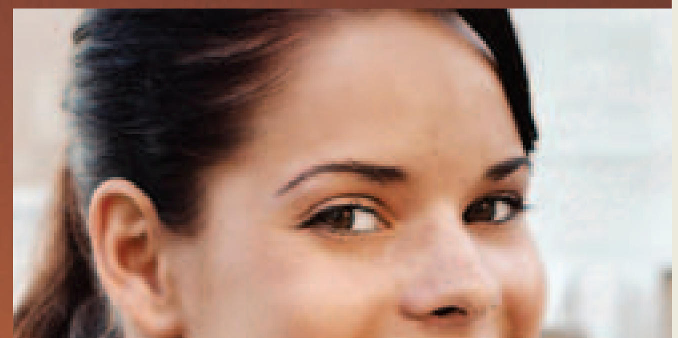
Credit Confidence



Understanding Credit And Using It Wisely

Why Care About Credit?

One of your best assets is your good credit history. Strong credit references can open a world of financial opportunity—whether it's financing your education, renting an apartment, or meeting criteria for a job. On the other hand, bad credit follows you for years and can hurt your chances for other loans in the future.

Your credit history is part of what affects the lender's decision to give you a loan or line of credit, how much you can borrow, and what interest rate you will pay. In addition, your credit history can influence the following:

- **The day-to-day:** You may need good credit for such routine matters as having utilities connected to your home, or getting a cell phone.
- **Jobs:** Employers often check the credit of prospective employees. A solid credit history reflects positively on your ability to manage your job responsibly.
- **Apartments:** Renting an apartment may be easier. A good credit standing tells landlords that you are a person who's more likely to pay the rent on time.
- **Education:** Credit can affect your ability to get a student loan to help cover tuition.
- **Your business:** Your personal credit can affect your ability to get a loan to start or grow a small business.
- **Insurance:** Credit history is often a factor in determining your auto, homeowners, and renter's insurance rates.

Credit, when used wisely, can help you reach your goals—and Wells Fargo is here to help.

How Do Lenders Evaluate Credit?

When lenders are trying to decide whether or not to give you a loan, one of the many things they review is your credit history. If you've managed your debts responsibly in the past, it shows that you're likely to pay back what you borrow—in other words, you're a "good" credit risk.

Credit Reports

Your credit report is a detailed list of your credit history and consists of information provided by lenders that have extended credit to you. The lender information may vary from one credit reporting agency to another, but includes the same types of information—which lenders have extended credit to you, what types of credit you have, your payment history with lenders, and more. Identifying information such as your name, date of birth, and employment history is listed on your credit report, but is not used to determine your credit score.

Credit Scores

Many lenders also use a FICO score—a numeric calculation of your credit report calculated by Fair Isaac Corporation—to obtain a fast, objective measure of your credit risk. That score (usually between 300 and 850) is calculated by a statistical mathematical formula that evaluates various types of credit report information. The credit score identifies to the lender the level of future risk associated with your credit history, as compared to hundreds of thousands of other credit reports. The higher the score, the lower the risk.

What Credit Report Factors Make Up A Credit Score?

By understanding the factors that can help or hurt your FICO score, you'll have a better understanding of how lenders view you as a credit risk—and how you can improve your score. Here are the five factors that determine your FICO score:

Your payment history: what is your track record? (approximately 35% of your score)
The most significant impact on your score is whether you have paid past accounts in a timely manner (on or before the date the payment was due).

Amounts that you owe: how much is too much? (30%)

- In some cases, having a very small balance without missing payments shows you've managed credit responsibly, and may be slightly better than having no balance at all.
- While you don't want to have too many accounts open, it's good to have more than one, so that you're not using too much of one account's available credit limit.
- Owing a lot of money on numerous accounts suggests to lenders that you may be overextended and more likely to make late payments—or make no payments at all.

Length of credit history: how established is it? (15%)
In general, a more seasoned credit history will increase your FICO score. Lenders want to see that you can responsibly manage your credit accounts over time.

New credit: are you taking on more debt? (10%)
Opening several credit accounts in a short period of time does represent greater risk—especially for those with newer credit histories.

Types of credit in use: is it a "healthy" mix? (10%)
Your FICO score will reflect your mix of credit cards, retail accounts, installment loans, finance company accounts, mortgage loans, etc. While a healthy mix will improve your score, it's not necessary to have one of each, and it's not a good idea to open accounts you don't intend to use.

What's A "Good" Credit Score?

There is no single "cutoff" score used by all lenders, and there are additional factors besides your credit score that lenders use to determine whether to give you credit and at what interest rate. So it's hard to say what a good score is outside of a particular lending situation. For example, one lender may offer lower interest rates to people with scores above 680; another lender may use 720, and so on. According to Fair Isaac Corporation, this is how FICO scores are typically spread among the population:

Below 650	650-699	700-749	750-800	Above 800
27%	15%	18%	27%	13%

Based on the general population's FICO scores

What Does A Credit Score Ignore?

Lenders look at many things when making a credit decision, including your income, employment history, and the kind of credit you're requesting. But none of those factors are included in your FICO score. And neither the lender nor your score considers your race, religion, sex, marital status, age, or if you receive public assistance. FICO scores also ignore self-inquiries, so checking your own credit report will not lower your credit score. In fact, it's a good idea to check your credit report at least once a year to make sure there are no mistakes.

Does Everyone Have A Credit Score?

In order for a credit score to be calculated on a credit report, the report must contain at least one account that has been open for six months or greater. In addition, the report must contain at least one account that has been updated in the past six months. This ensures that there is enough information in a report on which to base a score.

Your credit score is a snapshot of your credit risk picture at a particular point in time. When your credit information changes, so does your credit score. That's why lenders obtain your most recent score whenever you apply for credit.

Checking Your Credit Report

Every time you apply for credit, you're giving lenders permission to see your credit report. And other creditors with a qualified purpose—such as sending you a pre-approved credit card offer—can check your report without your permission. So shouldn't you see what they're seeing? Be proactive and check your credit report on a regular basis. Not only will you be better prepared for negotiations with lenders, you can also get early warning signs of fraud.

You should review your credit report from the three major nationwide consumer credit reporting agencies (Equifax, Experian, and TransUnion) at least once a year, and especially before making a large purchase, like a house or a car.

Free Annual Credit Report Request Service

There's a centralized service—sponsored by Equifax, Experian, and TransUnion—for consumers to request free credit reports. Under the Fair and Accurate Credit Transactions Act (FACT Act), consumers can request and obtain a free credit report once every 12 months from each of the three nationwide consumer credit reporting agencies. To make your request in a secure Web environment, visit www.annualcreditreport.com. You may also call 1-877-322-8228 to request your credit reports by phone. You will go through a simple verification process and your reports will be mailed to you.

You may also request additional credit reports during the year by contacting one of the three agencies listed below or Fair Isaac Corporation. Credit agencies generally charge a small fee for the report. However, if you've been denied credit in the past 60 to 90 days, the agencies must provide a current report, free of charge.

Equifax
1-800-685-1111
www.equifax.com

TransUnion
1-800-888-4213
www.transunion.com

Experian
1-888-397-3742
www.experian.com

Fair Isaac Corporation
1-800-342-6726
www.myfico.com

Keep in mind that any credit report will not contain your FICO score. FICO scores must be purchased. You can obtain yours for a small fee from the three main credit reporting agencies, Fair Isaac Corporation, or the Annual Credit Report Request Service.

Your Credit Matters

Empower yourself—learn more about credit and how you can use it.

Whether you're planning a big purchase or just managing your daily finances, it's crucial that you know what's on your credit report, what your credit score is, and the difference between the two. Wells Fargo's online Credit Resource Center can provide the answers you need at www.wellsfargo.com/credit_center.

Learn more about money management and how to establish and protect your credit with Wells Fargo's award-winning financial literacy program, *Hands on Banking*®, at www.handsonbanking.com.