Understanding your Credit Score.

amerifirst HOME MORTGAGE

amerifirst.com

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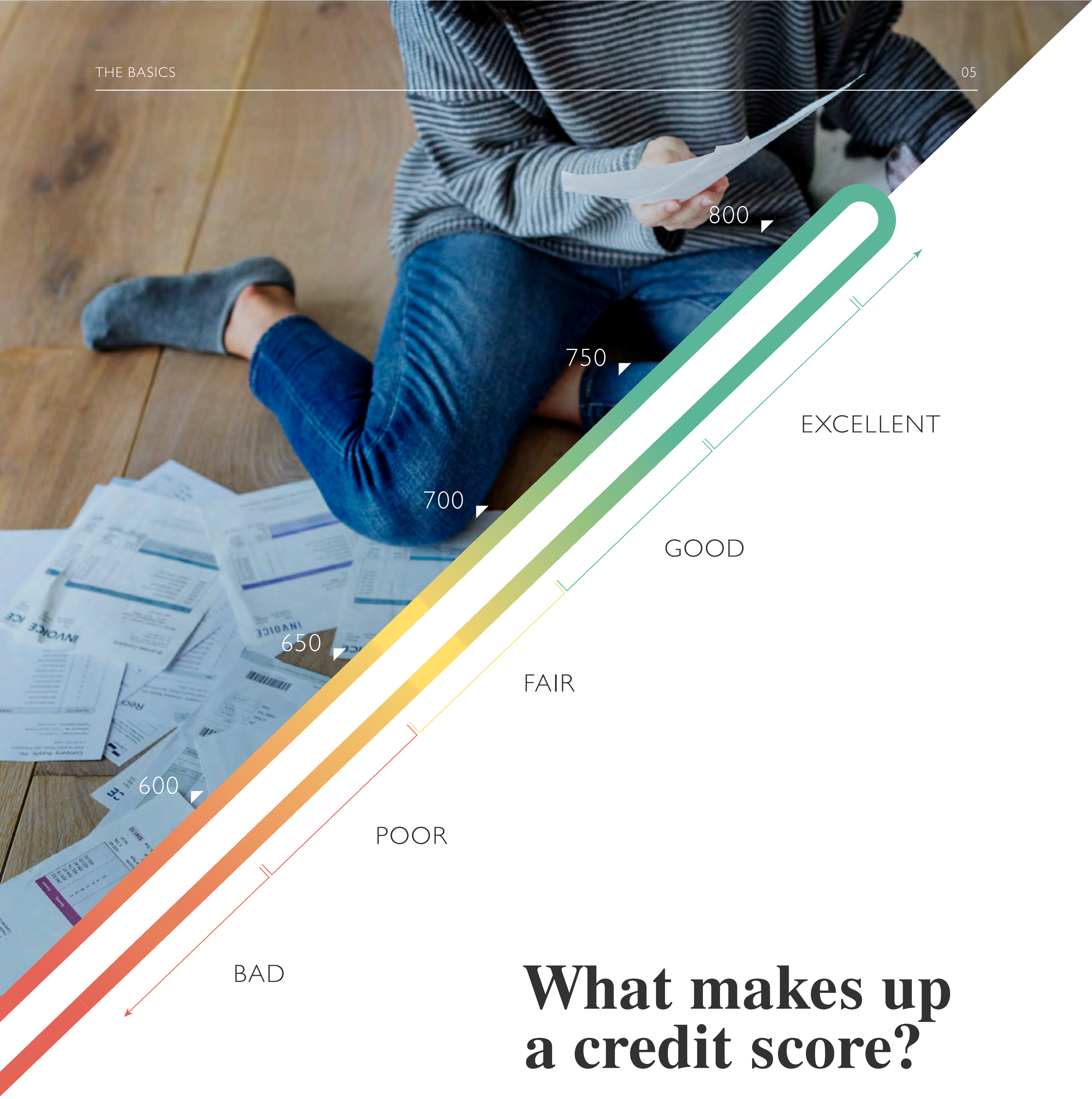
WE'RE IN YOUR CORNER.

Looking to buy a home soon? Worried you may not be mortgage ready? Don't worry. At Amerifirst, we help thousands of customers like you buy their first home every year. Home financing is our business – it's the only thing we do. That means we take the time to get to know you, answer any questions you may have, and help you overcome any hurdles that may stand in your way.

If you're wondering if your credit is good enough to secure a home mortgage, this handy credit guide can answer many of your questions. Also, feel free to reach out to us with any questions or concerns you may have. We're here to help!



What makes up a credit score?

Your credit score (also called FICO score), a three-digit number between 300 and 850, is the rating you've earned through spending and borrowing habits. The higher your score, the more likely it is that you'll qualify for a loan. Better credit scores can also earn you lower interest rates, which means you could pay thousands less for your mortgage over time.

WHY YOUR CREDIT SCORE IS SO IMPORTANT

The higher your credit score, the more likely it is that you'll qualify for a loan. Better credit scores can also earn you lower interest rates, literally saving you thousands of dollars in financing fees over the life of the loan.

Only about 20 percent of Americans have an exceptional credit score, which is anything above 800.* These are people with a stellar credit rating who usually get the best interest rates. On the other hand, 18 percent of all U.S. consumers have credit scores that are considerably lower – ranging from 580-669 – meaning they may not qualify for the home loan they want.

Most credit scores fall between 600-750. Mortgage lenders consider a score of 700 or above to be very good.

*Experian Credit Reporting Agency, 10.18

HOW DO WE VIEW YOUR SCORE?

If you are considering a home purchase, it's in your best interest to make every effort to increase your credit score; especially if you know you have issues you should be dealing with. If you're like most people, however, you may be unaware of bad marks on your credit record until you apply for financing for a major purchase.

As part of the loan application process, we'll run a credit report for you. You can also take advantage of the opportunity to get a free credit report from each of the three main credit reporting agencies: Equifax, Experian and Transunion. You can choose to get the free report from all three bureaus at the same time, so you are aware of what information each bureau has collected. Another option is to get your credit report from one agency and reserve the right to get your free reports from the other two credit reporting agencies as you work on improving your credit standing over time.

When reviewing your loan application, we'll look at the scores generated from all three credit reporting agencies. Typically, the score will not be the same from all three reports, and we will consider the middle score as a barometer.

Check your credit report for free at annualcreditreport.com.

These five factors determine your credit score

35%

PAYMENT HISTORY

Paying debt on time and in full has the greatest positive impact on your credit score. Late payments, judgments and charge-offs all have a negative impact. Missing a high payment will have a more severe impact than missing a low payment, and delinquencies that have occurred in the last two years carry more weight than older items.

30%

AMOUNTS OWED

This is the percentage of available credit that you have borrowed. Ideally, you should try to keep balances as close to zero as possible and below 30% of the available credit limit when trying to purchase a home.

15%

LENGTH OF CREDIT HISTORY

This is the length of time each account has been open and the length of time since the account's most recent action. A seasoned borrower will always be stronger in this area.

10%

NEW CREDIT

When you apply for a loan or credit card, you trigger a process known as a hard inquiry, in which the lender requests your credit score (and often your credit report). A hard inquiry typically has a short-term negative effect on your credit score. If you continue to make timely payments, your credit score typically rebounds quickly from the effects of hard inquiries.

10%

TYPES OF CREDIT

A mix of auto loans, credit cards and mortgages is more positive than a concentration of debt from cards only.

08 / take action

09 / **DEALING WITH CREDIT CHALLENGES**

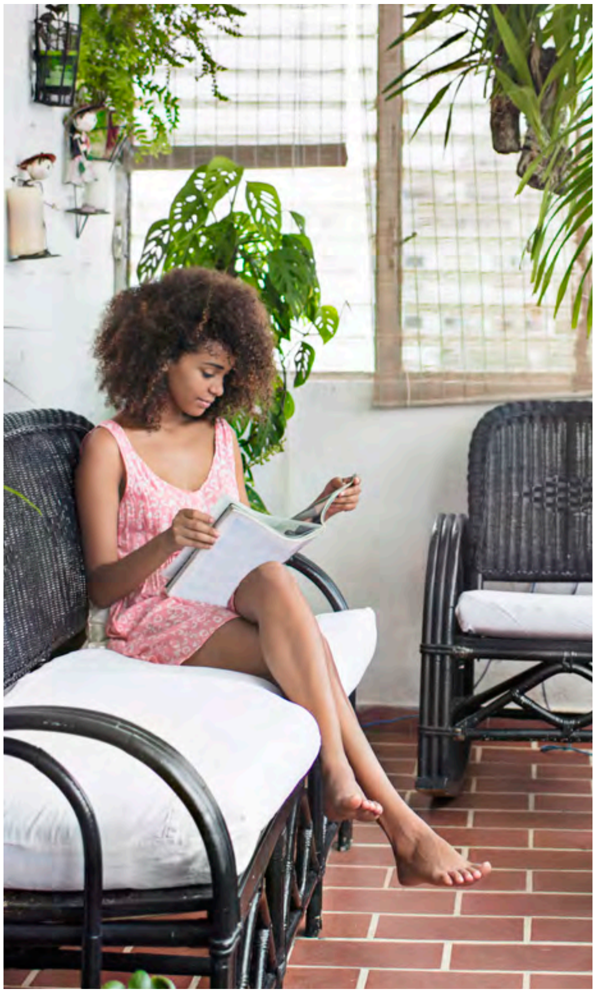
How does a low credit score affect my interest rate?

How to increase your credit score

Disputing errors on your credit report

Dealing with credit challenges

Unfortunately, a person with a bad credit score is often in this position because he or she has a history of not paying their bills on time. Of course, there are exceptions when unforeseen circumstances come into play, such as health complications, or loss of employment.



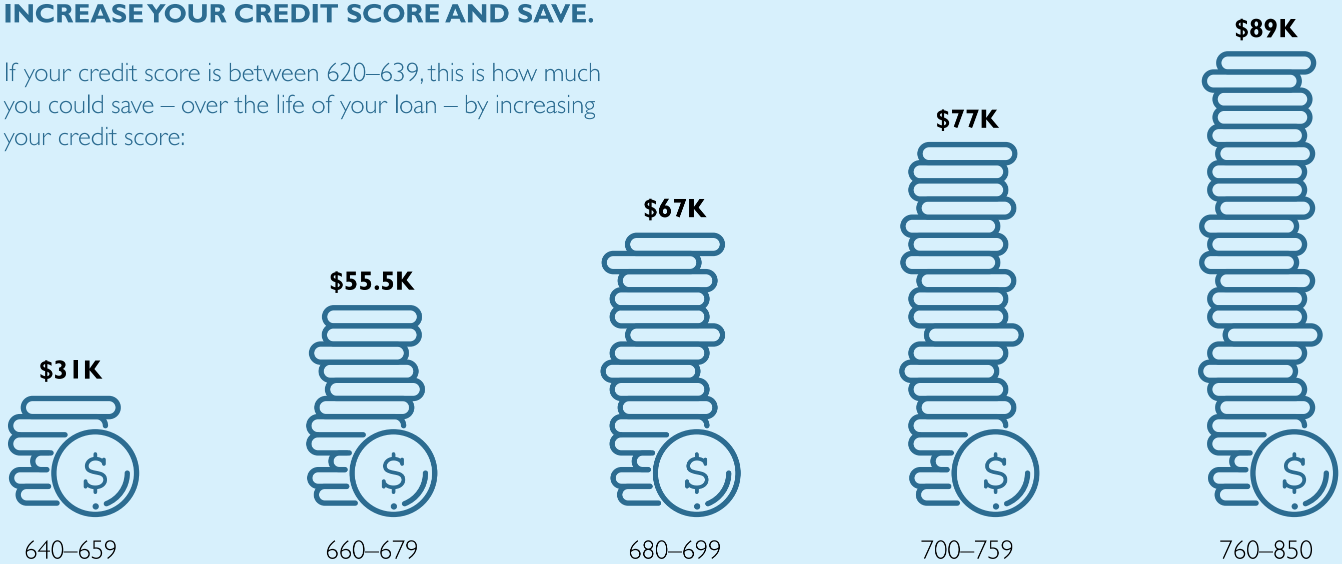
HOW DOES A LOW CREDIT SCORE AFFECT MY INTEREST RATE?

It is our Underwriting Department's job to estimate your ability to pay back a loan based upon your credit score. Unfortunately, a low credit score puts you in a high-risk category, meaning you will likely pay a higher interest rate and higher monthly fees over the total life of the loan.

Using myFICO.com's loan savings calculator, borrowers with credit scores above 760 save as much as $247 in monthly payments for a 30-year, $250,000 mortgage compared to borrowers with scores ranging from 620-639. That's a yearly savings of nearly $3,000. Try it yourself to see what you can save!

INCREASE YOUR CREDIT SCORE AND SAVE.

If your credit score is between 620–639, this is how much you could save – over the life of your loan – by increasing your credit score:



*myFICO.com, 11.6.18; based on a 30 year, $250,000 mortgage

HOW TO INCREASE YOUR CREDIT SCORE.

Distribute debt from revolving credit.

Our borrower, Mr. Jones, has a credit score of 664. He has five credit cards, but his Visa account is almost maxed out. His other four credit cards have relatively low balances. Mr. Jones moves part of the debt from the Visa account to the other major credit card accounts, thus distributing the debt more evenly over the five cards. This changes the ratio of debt to available credit (which has a 30% impact on the overall credit score), and Mr. Jones successfully raises his credit score by 20 points with very little effort.

Transfer outstanding balances to new accounts.

Our borrower, Ms. Smith, has only two credit cards, but both are pushing the limit of available credit. Ms. Smith opens two new credit card accounts, each with a credit limit of $5,000. She transfers part of her existing balances to the new accounts. While she has acquired two new cards that have no established history, the greater impact is the change in the ratio of debt to available credit. Ultimately, experts say that it is best to have two to five credit cards, and no more. You should keep your balances as low as possible.

Don't close your credit accounts.

If you have a credit account with a zero balance, do not close the account. Instead, make a small purchase so the card shows up as an active account on your credit report and you will be awarded points for your long-term credit history.

As soon as you begin to make mortgage payments on time and in full, your credit standing typically will begin to improve. Once that occurs, you may have the opportunity to refinance into a loan program with a lower interest rate – and start traveling the path to a stronger financial future.

DISPUTING ERRORS ON YOUR CREDIT REPORT

If you are in the process of reviewing your credit reports, the first thing to do is make sure that the information contained within the reports is correct. If you find that you have errors on your credit report, follow this procedure to correct them:

To submit a dispute to a nationwide credit reporting agency (CRA), contact the CRA that has the inaccurate information on your credit report. You may submit a dispute with each of the CRAs online, by mail, or over the telephone.

You may also submit documents in support of your dispute. Documents may be uploaded for online disputes, submitted by mail, or submitted for phone disputes by following instructions given by the agent. When mailing documents, please only submit copies of documents and not originals. Documents will not be returned to you following the investigation.

To submit a dispute with a business, contact the business directly. The contact information for that business should be included on your credit report or monthly billing statement.

Online

Equifax
www.equifax.com/personal/disputes

Experian
www.experian.com/dispute

TransUnion
www.dispute.transunion.com

Phone

Equifax
866-349-5191

TransUnion
800-916-8800

Experian
call phone # on report

Mail

Equifax
P.O. Box 740 4256
Atlanta, GA 30374

Experian Dispute Dept.
P.O. Box 9701
Allen, TX 75013

TransUnion Consumer Solutions
P.O. Box 2000
Chester, PA 19016

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What if I have no credit?

On occasion, a borrower will not have enough credit references to obtain the loan they wish to secure. If this is the case for you, start by opening small lines of credit that report to one of the three major credit reporting agencies – like a secured credit card – and make purchases that you can pay off easily. If you do not already have a checking or savings account, you might consider opening one. Your bank or credit union may be able to provide you with a credit card account once you have established a history with them as a customer. You might also consider asking a family member or spouse to add you as an authorized user on their credit card account. By adding your name to their established line of credit, you can ride their coattails, so to speak, and gain points by using their credit history.

In many cases, you can also demonstrate a positive credit history by providing proof of non-traditional forms of credit, such as:

- Rental housing payments
- Telephone service
- Utility company reference (gas, electricity, water, etc.)
- Insurance premiums
- Child care payments
- School tuition
- Retail store credit cards
- Automobile lease

Bankruptcy & Foreclosure

If you've gone through bankruptcy or a foreclosure, you're probably already aware that your credit score has dropped significantly. While you will have to meet specific waiting period requirements depending upon the type of bankruptcy/foreclosure and loan type you had, the good news is that you can become a homeowner again. Just keep in mind that you'll have to take steps to improve your credit profile before you begin shopping for a new home.

Reach out to one of our experienced loan officers. They can help you put a plan together to get you back on track and ready for homeownership when the time is right. They can also help you explore our loan options, including those with flexible credit requirements.

Credit remediation and repair

If you feel you would prefer to work with a credit repair service rather than try to tackle credit repair issues on your own, please give us a call so we can help you sort through your options. We can refer you to a reputable credit remediation service and guide you in the right direction once we have the opportunity to review your credit report with you.

The Federal Trade Commission (FTC) regulates credit repair services and provides free information to help consumers spot, stop and avoid doing business with disreputable credit repair companies. You can submit a consumer complaint regarding your credit report.

For more information, visit their website at: www.ftc.gov.

Provided for general information only and not intended as credit counseling, financial or legal advice. Consult your own financial or legal professional for advice specific to your own situation.

You're closer than you might think.

Financing after property loss.

Conventional	
Chapter 7 or 11 Bankruptcy	4 years from discharge or dismissal date 2 years if extenuating circumstances
Chapter 13 Bankruptcy	2 years from discharge or 4 years from a dissmissal 2 years from dismissal if extenuating circumstances
Foreclosure	7 years from Transfer of Title date. 3 years with extenuating cicumstances and a 90% maximum LTV
Deed-in-Lieu of Foreclosure	4 years from completion date
Short Sale	Same as Deed-in-Lieu of Foreclosure above

USDA Rural Development	
Chapter 7 or 11 Bankruptcy	3 years from discharge date. Less than 3 years / over 12 months if borrower meet credit exception (extenuating circumstances)
Chapter 13 Bankruptcy	1 year of on-time payments to the plan and approval from the Bankruptcy Trustee to enter into a new loan
Foreclosure	3 years from Transfer of Title date without GUS approval. Less than 3 years with documented extenuating circumstances
Deed-in-Lieu of Foreclosure	Same as Foreclosure above
Short Sale	3 years from completion

VA Manufactured Housing	
Chapter 7 or 11 Bankruptcy	3 years from discharge date
Chapter 13 Bankruptcy	2 years of on-time payments to the plan and approval from the Bankruptcy Trustee to enter into a new loan
Foreclosure	3 years from Transfer of Title date
Deed-in-Lieu of Foreclosure	Same as Foreclosure above
Short Sale	Minimum of 12 months of reestablished credit after Transfer of Title date

VA Conventional	
Chapter 7 or 11 Bankruptcy	4 years from discharge or dismissal date 2 years if extenuating circumstances
Chapter 13 Bankruptcy	2 years from discharge or 4 years from a dissmissal 2 years from dismissal if extenuating circumstances
Foreclosure	7 years from Transfer of Title date. 3 years with extenuating cicumstances and a 90% maximum LTV
Deed-in-Lieu of Foreclosure	4 years from completion date
Short Sale	Same as Deed-in-Lieu of Foreclosure above

HomeStyle® Renovation	
Chapter 7 or 11 Bankruptcy	3 years from discharge date. Less than 3 years / over 12 months if borrower meet credit exception (extenuating circumstances)
Chapter 13 Bankruptcy	1 year of on-time payments to the plan and approval from the Bankruptcy Trustee to enter into a new loan
Foreclosure	3 years from Transfer of Title date without GUS approval. Less than 3 years with documented extenuating circumstances
Deed-in-Lieu of Foreclosure	Same as Foreclosure above
Short Sale	3 years from completion

FHA	
Chapter 7 or 11 Bankruptcy	3 years from discharge date
Chapter 13 Bankruptcy	2 years of on-time payments to the plan and approval from the Bankruptcy Trustee to enter into a new loan
Foreclosure	3 years from Transfer of Title date
Deed-in-Lieu of Foreclosure	Same as Foreclosure above
Short Sale	Minimum of 12 months of reestablished credit after Transfer of Title date

*If the applicant has a real estate mortgage discharged in a Chapter 7 bankruptcy, but the lender has yet to conclude their foreclosure action, the applicant is still in ownership of that property. The title must be quit-claimed to the lender in order to relieve the applicant from ownership of the property as well as remove responsibility for real estate and HOA dues. Until the title is transferred out of the applicant's name, they may not meet requirements for eligibility.

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credit tips

18 / **TEN TIPS TO FOLLOW DURING THE MORTGAGE PROCESS**

Ten tips to follow during the mortgage process

When you fill out a credit application with Amerifirst, we will run your credit report. Our Underwriting department - the team responsible for assessing your credit risk - will use your credit report information to adhere to specific guidelines for the loan program you are requesting. This includes reviewing your credit score. During this time, it is recommended that you not do anything that will have an adverse effect on your score. For example, this is not the time to be using your credit cards to purchase new appliances or furniture for your new home.

DON'TS

Don't apply for new credit of any kind.

Do not respond to invitations to apply for new lines of credit. If you do, that company will pull your credit report and this will have an adverse effect on your credit score. Likewise, don't establish new lines of credit for furniture, appliances, computers, etc.

Don't pay off collections or charge-offs.

Once your loan application has been submitted, don't pay off collections unless your consultant specifically asks you to in order to secure the loan. Generally, paying off old collections causes a drop in the credit score.

Don't close credit card accounts.

If you close a credit card account, it can affect your ratio of debt to available credit which has a 30% impact on your credit score.

Don't max out or overcharge existing credit cards.

Running up your credit cards is the fastest way to bring your score down, and it could drop up to 100 points overnight. Remember to keep your credit cards below 30% of the available credit limit.

Don't consolidate debt to one or two cards.

Once again, we don't want you to change your ratio of debt to available credit. Likewise, you want to keep beneficial credit history on the books.

Don't co-sign on another person's loan.

Also, don't change your name and address at this time. The less activity that occurs while your loan is in process, the better it is for you.

DO'S

Do join a credit watch program.

Your bank, credit union or credit card company may be able to provide you with a free credit watch program that can alert you to any changes in your credit report. This can be a safeguard to help you intervene before your lender sees a problem.

Do stay current on existing accounts

Late payments on your existing mortgage, car payment, or any other creditors can cost you dearly. One 30-day late payment can affect your credit score anywhere from 30 to 75 points.

Do continue to use your credit as you normally would.

Red flags are easily raised within the scoring system. If it appears you are diverting from your normal spending patterns, it could cause your score to go down. For example, if you've had a monthly service for Internet access billed to the same credit card for the past three years, don't drop it now.

Do call your mortgage consultant.

If you receive notification from a collection agency or creditor that could potentially have an adverse effect on your credit score, call us so we can try to direct you to the right resources and prevent any derogatory reporting to credit bureaus.

JEREMY DROBECK
Mortgage Consultant | NMLS #130817

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