KCB Info Services
KCBinfo.com

The ONE SOURCE for all your credit reporting needs

11-A N. 6th Street, * Pekin, IL 61554 * Ph: 888/852-2574 * Ph: 309/353-5527 * Fax: 309/353-5541 * Peoria: 309/696-1890 * Lnelson@KewaneeCreditBureau.com

April 30, 2010 Vol. 18, #4

HOW TO DAMAGE OR HURT YOUR CUSTOMERS' CREDIT

Yes, you could actually be hurting your customers credit score without knowing it! In fact, we are working with more and more consumers whose credit scores were lowered by the people with whom they were doing business.

First: Pulling the report over and over because you entered the wrong information the first time or you have more information on the consumer now. Each time you pull a credit report, it will lower the score from one to 5 points. So, be sure you have the correct information before you pull the report.

Second: Not entering the Purpose or Type Codes.

The problem comes when the creditor does not tell the credit bureau the Purpose or Type of loan when they request the report. If there is no Purpose or Type code entered, then FICO has no way to exempt the inquiry from the scoring calculations and score deductions!

ALWAYS! ALWAYS! enter the Correct Type code!!

A young person with little credit, can easily have 15 to 50 points knocked off their FICO score if they go to a car dealer and the dealer calls several financial institutions and none enter the "Auto" Type code when pulling the reports.

If you are pulling reports from KCB Express Credit Searches, Experian or from our MCL Mortgage system, you can enter the codes. Our KCB Express Credit searches are defaulted to your normal Purpose or Type Code. There is a drop down menu if the Purpose or Type were to change.

If you are pulling through e-Port, we have defaulted your Purpose to "Rental."

There are exceptions when inquiries do not adversely affect the scores.
1. Multiple requests for auto or mortgage loans in the last 30 days count as one (per FICO).
2. Employment Credit Reports do not count against the score.
3. Inquiries by the consumer to see their own report with the credit bureaus or through www.annualcreditreport.com do not count against the score.
4. Requests to review a current loan customer's credit do not adversely affect the score.

Third: **Not reporting your current loan customers and collection accounts.**

75% of a consumer's score comes from how they pay, what they owe and who they owe. If you have good paying customers or members, and you do not report their loans, your lack of data could be lowering their scores by 10 to 40 points.

On the other hand, by not reporting your bad accounts, you are in effect subsidizing or raising your delinquents borrowers scores by 30 to 100 points.

If you work for a finance company, bank, credit union, or collection agency, we encourage you to call us. We can set you up to report your accounts to Experian and Equifax

Fourth: Not reporting the high credit limit on your revolving accounts.

If the high credit limit is not reported, FICO scores the balance to the highest amount of dollars advanced, instead of the balance to the Credit Line or Limit.

Fifth: Lower your customers' amount of their Lines or Credit Limits.

When you lower a customer's credit line and they have a 35% or more usage, you increase their percent of usage and thereby knocking 5 to 20 points off. If you lowered their line because their score went down, you just knocked it down farther

FANNIE MAE REPORTING REQUIREMENTS

We have received calls from several banks wanting to know know the requirements for for reporting, if they sell to Fannie & Freddie.

Here is an excerpt from Fannies' web page.

"VII, Ch 1, Exhibit 1: Major Credit Repositories (09/30/05)
A "full-file" status report for each mortgage serviced for Fannie Mae must be sent to the following credit repositories each month. When initially establishing a relationship with a repository, the servicer should indicate that the relationship is being established to comply with Fannie Mae's requirements:"
[Equifax Information Services, Experian, Trans Union, Innovis Data Solutions]

As to reporting to all four, several of our members have told me, they were given the OK to report only to TU, Exp. and Equifax.

BUT you do need to report to the three major credit bureaus.

If you need to report to Experian or Equifax, we can help you.

LATE PAYMENTS DROP FOR SECOND CONSECUTIVE QUARTER: SURVEY

Late payments for most classes of consumer loans dropped in the fourth quarter ended Dec. 31, the second consecutive quarterly decline, according to a survey by the American Bankers Association.

"Clearly, consumers are shoring up their finances and banks are putting losses behind them," James Chessen, ABA's chief economist, said in a statement. "Overall, there is a prudent approach to credit."

Loans 30 days or more past due fell in proportion to overall loans in eight of 11 categories tracked by the ABA's quarterly Consumer Credit Delinquency Bulletin. But housing-related loans showed mixed results, indicating the housing market still lags in the spreading economic recovery.

Delinquencies on credit cards fell substantially. Consumers were late on 4.39% of their card payments, down from 4.77% the previous quarter. Improvement also occurred on home equity lines of credit, where delinquent loans made up 2.04% of the money lent - down from 2.12%. Delinquencies on auto loans from dealers held steady at 3.15%, and delinquency rates rose for home equity loans and non-card revolving loans.

Many economists believe that modest job gains and improved consumer spending in recent weeks are signs of new life in the economy. The improvement in the ABA indexes is in line with what major lenders have recently reported. Discover Financial Services, for example, said last month that delinquencies on its credit cards declined for a fifth month in a row in February.

The continued decline in delinquencies is a good sign because they are a leading indicator of future charge-offs, according to Sanjay Sakhrani, an analyst at KBW Inc.'s Keefe, Bruyette & Woods Inc., reports American Banker, a Collections & Credit Risk sister publication.

"You could actually see a leveling off if not the beginning of a decline in charge-offs," in the second quarter, Sakhrani adds.

The improvement also may be a reflection of

11-A N. 6th Street, * Pekin, IL 61554 * Ph: 888/852-2574 * Ph: 309/353-5527 * Fax: 309/353-5541 * Peoria: 309/696-1890 * Lnelson@KewaneeCreditBureau.com

stricter underwriting standards that lenders have adopted, John Stilmar, an analyst at SunTrust Robinson Humphrey, says.

"Only people with good credit are getting credit," while "you're burning off some of those more credit-challenged borrowers" who got loans when standards were looser.
Most analysts agreed that the improvement should continue through the first half of this year, as consumers use their tax rebates to pay down debt.

But even among loan types where delinquencies fell, they remained well above historical averages. A composite index of delinquencies across all categories fell to 3.19% from 3.23% for the quarter. Before the fourth quarter of 2008, the number had never exceeded 2.9% in the 20 years for which data are available. (www.CollectionsandCreditRisk.com, 4-8-10)

CREDIT CARD DEBT PLUMMETS IN FEBRUARY AFTER A REVISED GAIN IN JANUARY

Total credit card debt outstanding in the U.S. continued to fall in February, according to numbers released Wednesday by the Federal Reserve. Overall consumer credit also dropped, shocking many analysts and economists who were expecting modest gains.
The Fed said that credit card debt -- called revolving debt in the report – dropped 13.1 percent in February, on an annualized basis. In dollars, outstanding revolving debt fell $9.5 billion in the month. The Fed’s monthly consumer credit statistical release, also called G.19, showed a revised increase of 2.1 percent in credit card debt in January; the last report indicated a preliminary drop of 2.3 percent.

At the end of February, total outstanding revolving debt was $858.1 billion, a level not seen since September 2006. Since its peak in September 2008, credit card debt has declined $117.6 billion, with most of the decline due to bank charge-offs (“Charge-offs a Key Driver in Declining Credit Card Balances,” Sept. 23, 2009).
Non-revolving debt – like car, student or personal loans – fell at a 1.6 percent annual rate in February.
Overall, U.S. consumer credit contracted at a 5.6 percent annual rate in the month after posting a revised gain of 5.2 percent in January. The Fed’s G.19 report does not track debt backed by real estate.
Many experts had been expecting gains. Analysts polled by Reuters had forecast consumer credit would rise by a modest $500 million in February.

The stock market reacted poorly to the news, turning further into the negative territory Wednesday after the announcement. Some analysts take the news as a sign that consumer spending, or access to credit, has not rebounded to a point where it can sustain an economic recovery. (www.insideARM.com, 4-8-10)

NATIONAL FORECLOSURE RATE FALLS 2% IN FEBRUARY

According to new statistics released by Foreclosure Deals, a leading online provider of foreclosure listings and information, February of 2010 saw a 2% decrease in foreclosures from January and only a 6% increase in foreclosures since last year, marking what seems to be a general trend of slowing foreclosures throughout the nation. While experts differ over whether this effect is due to an improving housing market or the effectiveness of foreclosure assistance programs, statistics show that the rate of new foreclosures is decreasing. The 6% increase in foreclosures from February of last year is the smallest increase registered since the beginning of the foreclosure boom in 2006, indicating that the gold rush days of foreclosure home purchase could be coming to an end. "While there are still plenty of foreclosures out there and plenty of people in mortgage debt, the slowing trend seems to mean that foreclosure assistance programs are doing their jobs," commented James Foxx, a business analyst for Foreclosure Deals. (www.creditandcollectionnews.com, 4-8-10)

7,500 ONLINE SHOPPERS UNKNOWINGLY SOLD THEIR SOULS

A computer game retailer revealed that it legally owns the souls of thousands of online shoppers, thanks to a clause in the terms and conditions agreed to by online shoppers.
A computer game retailer revealed that it legally owns the souls of thousands of online shoppers, thanks to a clause in the terms and conditions agreed to by online shoppers.
The retailer, British firm **GameStation**, added the "immortal soul clause" to the contract signed before making any online purchases earlier this month. It states that customers grant the company the right to claim their soul.
"By placing an order via this Web site on the first day of the fourth month of the year 2010 Anno Domini, you agree to grant Us a non transferable option to claim, for now and for ever more, your immortal soul. Should We wish to exercise this option, you agree to surrender your immortal soul, and any claim you may have on it, within 5 (five) working days of receiving written notification from gamesation.co.uk or one of its duly authorized minions."
GameStation's form also points out that "we reserve the right to serve such notice in 6 (six) foot high letters of fire, however we can accept no liability for any loss or damage caused by such an act. If you a) do not believe you have an immortal soul, b) have already given it to another party, or c) do not wish to grant Us such a license, please click the link below to nullify this sub-clause and proceed with your transaction."
The terms of service were updated on April Fool's Day as a gag, but the retailer did so to make a very real point: No one reads the online terms and conditions of shopping, and companies are free to insert whatever language they want into the documents.
While all shoppers during the test were given a simple tick box option to opt out, very few did this, which would have also rewarded them with a £5 voucher, **according to news:lite**. Due to the number of people who ticked the box, GameStation claims believes as many as 88 percent of people do not read the terms and conditions of a Web site before they make a purchase.
The company noted that it would not be enforcing the ownership rights, and planned to e-mail customers nullifying any claim on their soul.

KCB INFO SERVICES HOURS

Monday - Friday 9:00am to 4:30pm

KCB Information Services offers: Consumer credit reports, Collections Reports, Business Credit reports, Employment Credit reports, Residential Mortgage Credit Reports, Merged Credit Reports, Fannie Mae & Freddie Mac access, Criminal background checks, Tenant Screening Reports, Flood Zone Determination, Flood Life of Loan Certification and Identity Authentication.

KCB Information Services has served businesses since 1928 and serves Central Illinois for Experian and Equifax.

"The budget should be balanced, the Treasury should be refilled, public debt should be reduced, the arrogance of officialdom should be tempered and controlled, and the assistance to foreign lands should be curtailed lest Rome become bankrupt. People must again learn to work, instead of living on public assistance." - Cicero , 55 BC