

THE

**CREDIT**

**OPTIMIZATION**

**PLAYBOOK<sup>®</sup>**

 **creditxpert**

# Why do I need a Credit Optimization Playbook?

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As you likely know, an applicant's credit score has a material impact on many aspects of a mortgage – qualification, available loan programs, interest rate, Private Mortgage Insurance (PMI), homeowners insurance and Loan Level Pricing Adjustments just to name a few.

Based upon CreditXpert's analysis of more than 1 billion credit records, we know that the majority of borrowers can improve their credit score within just 30 days. For some, this will mean that they can qualify for a mortgage. For others, a higher credit score could mean a substantially lower cost of homeownership.

This playbook uncovers the hidden opportunity for each 20-point credit band and highlights some of the outcomes that can be realized by optimizing a borrower's credit score.

Incorporating these "plays" into your operations will help you convert more leads, qualify more borrowers, build deeper relationships, close more loans and even improve margins.

These plays are meant to be thought starters on the opportunities available to you and your applicants. It is important for you to think about the implications of these plays in your own business.



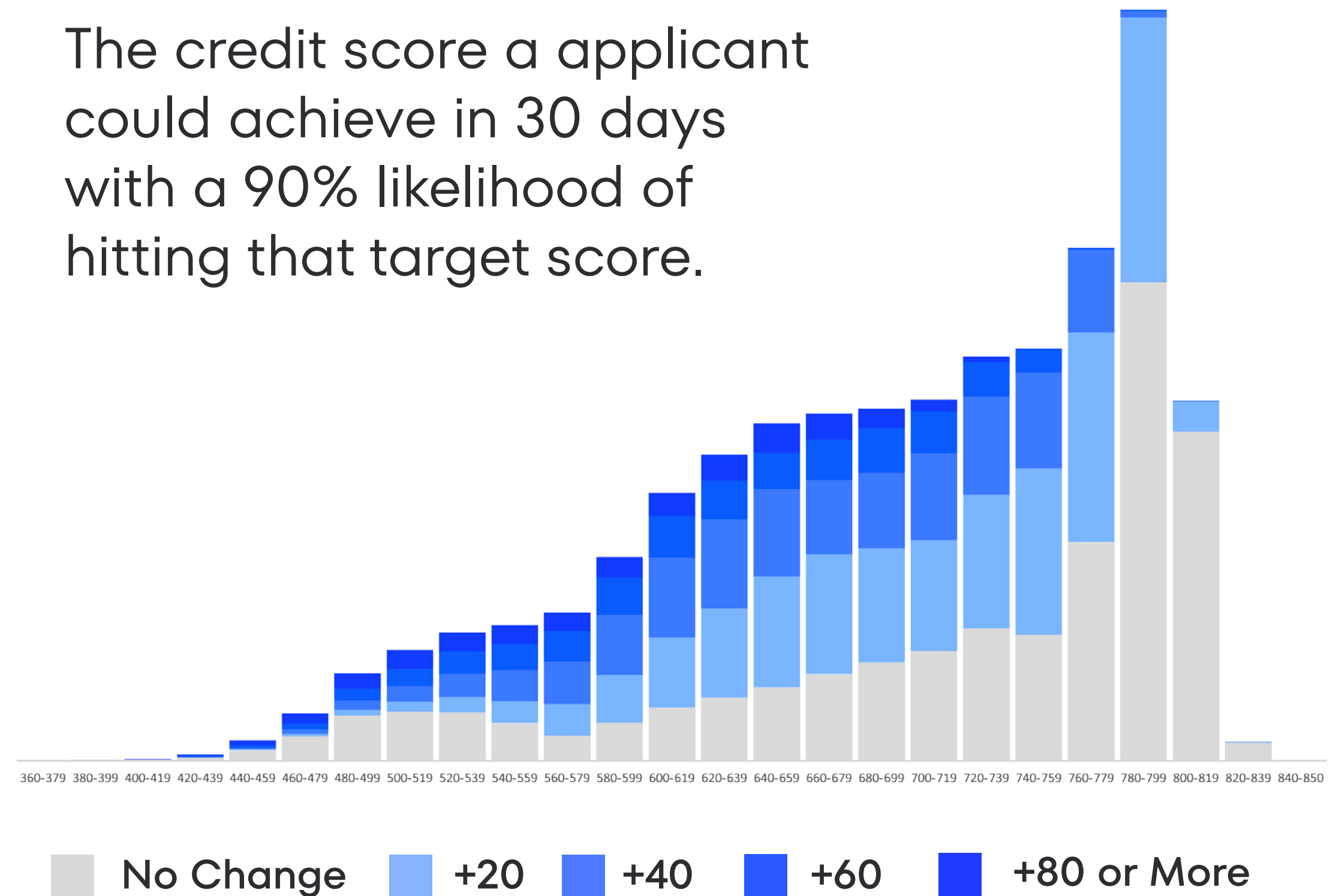
**Matt Hydrew**  
VP, Sales and Client Success  
CreditXpert

*Any mortgage professional will know a applicant's score.*

Mortgage professionals that **know their applicants credit potential can convert more leads, qualify more applicants, build deeper relationships and close more loans.**

## Credit Potential

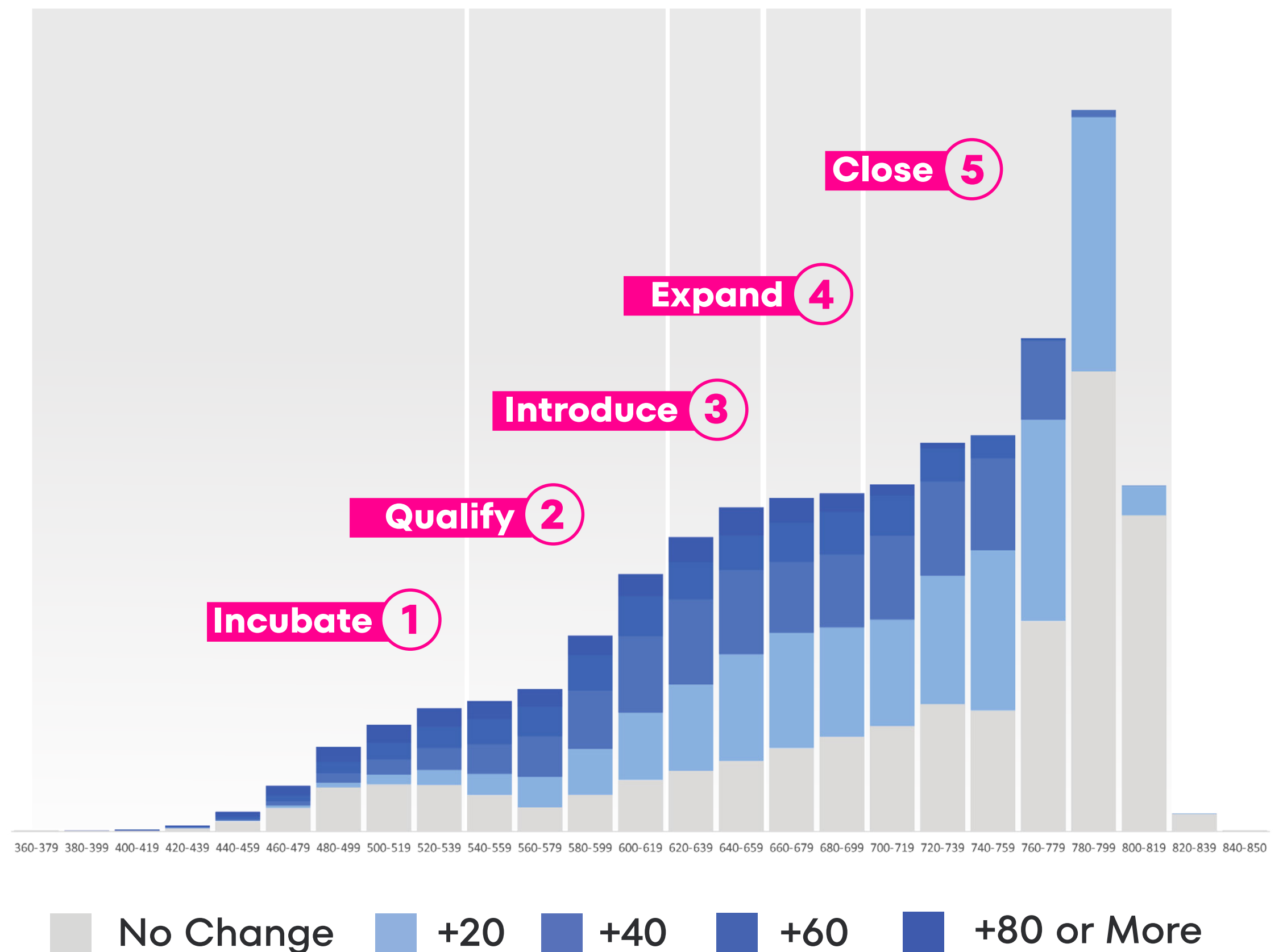
The credit score a applicant could achieve in 30 days with a 90% likelihood of hitting that target score.



The above graph represents credit inquiries analyzed by CreditXpert in CY2023.

# The Five Credit Optimization Plays

Mortgage lending and credit can be complicated. That's why we worked to simplify the benefits of Credit Optimization into easy to understand "plays." Think of these plays as strategies you can deploy across your prospect pool that can help you convert more leads, qualify more borrowers, build deeper relationships, close more loans and even improve margins.



The above graph represents credit inquiries analyzed by CreditXpert in CY2023.

## 1 Incubate

Credit Range

**360 - 539**

## 2 Qualify

Credit Range

**540 - 619**

## 3 Introduce

Credit Range

**620 - 659**

## 4 Expand

Credit Range

**660 - 699**

## 5 Close

Credit Range

**700 - 850**

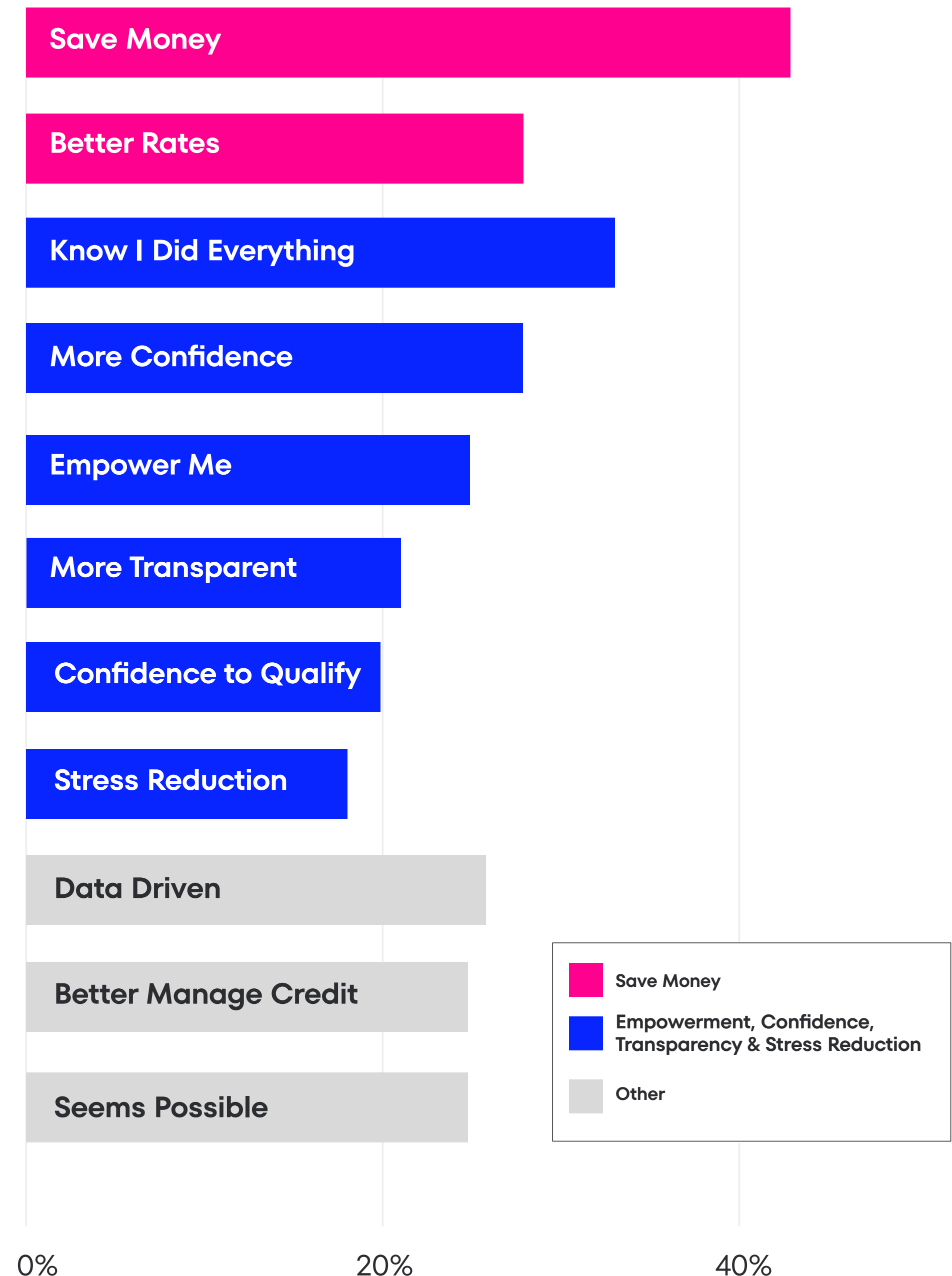
# Let's start with the softer side of things

As a trusted advisor to those that are likely making the biggest purchase of their life, Credit Optimization is a great tool to help you establish a connection with your borrowers.

When we asked a national sample of those that had recently purchased a home or refinance a mortgage "why would you optimize your credit score," we learned that it's about more than rate.

Sure saving money and a lower rate were at the top of their list, but we learned from these homeowners that there are other meaningful benefits. Credit Optimization made them feel a little bit more in control of the process, more empowered, more confident and less stressed. It also helped bring more transparency to what many describe as a fairly opaque process.

By offering Credit Optimization, you'll establish a closer connection with your borrowers. Going the extra mile will help you stand out among the competition and likely increase your lead flow as word gets out!



SOURCE: CreditXpert 2023 Consumer Survey

# The Five Credit Optimization Plays

Five simple ways to leverage CreditXpert to optimize a applicant's credit score and achieve better outcomes.

## Incubate

These borrowers are not "mortgage ready" and will take some time to get to a qualifying score. While a relatively small percentage of these borrowers can qualify for an FHA loan, most will either need to settle for a pricey subprime mortgage or spend time working on their score over multiple months.

**+56**

**Score Increase**

**\$3,144**

**Cash Required**

**3**

**Account Actions**

**Credit Range**

**3 6 0 - 5 3 9**

## Qualify

Most of these borrowers on the cusp of qualifying for an FHA or Conventional Loan. The goal here is to get these borrowers to a 580 or 620 mid-score. While the monthly and life of loan savings to the borrower is on the low end, there are life-changing outcomes for these borrowers as they become homeowners.

**+40**

**Score Increase**

**\$2,722**

**Cash Required**

**2**

**Account Actions**

**Credit Range**

**5 4 0 - 6 1 9**

## Introduce

Most of these borrowers will qualify for conventional loans and (in some cases) Jumbo loans. By optimizing borrower credit scores in these bands you will introduce borrowers to more affordable homeownership with rate breaks, lower PMI and homeowners insurance rates and lower LLPA premiums for originators.

**+32**

**Score Increase**

**\$3,113**

**Cash Required**

**2**

**Account Actions**

**Credit Range**

**6 2 0 - 6 5 9**

## Expand

All of these borrowers will initially qualify for a conventional loan but the move is to qualify them for a Jumbo loan should they need additional purchasing power. Aside from increased purchasing power, getting these borrowers into the 700 range will make homeownership more affordable by lowering rates, PMI and save originators on LLPA premiums.

**+30**

**Score Increase**

**\$3,788**

**Cash Required**

**2**

**Account Actions**

**Credit Range**

**6 6 0 - 6 9 9**

## Close

As these borrowers all have qualifying and competitive credit scores, they are most likely to be shopping around to find the best rates and terms because they can. This means that your job is to CLOSE these borrowers and credit optimization can be a unique tool that can help you seal the deal. For some, you may be able to get them a lower rate or lower PMI. For others, a credit optimization plan may be that thing that shows them that you have done everything you can to get them the best possible deal.

**+21**

**Score Increase**

**\$2,705**

**Cash Required**

**1**

**Account Actions**

**Credit Range**

**7 0 0 - 8 5 0**

The average Cash Required, Account Actions and Score Increases were taken from all credit files analyzed in CY2023.

# How to Read the Plays

## Applicable Population

An estimate of the percentage of all mortgage applicants that this play could apply to. It is based upon the number of total applicants that have initial scores within the plays credit bands.

## Case Study

With each of the plays, we wanted to give a sense of the impact a higher score could have on your borrowers and, where applicable, lower LLPAs. To arrive at the case studies, we used publicly available calculators provided by Forbes and NerdWallet.

### Introduce 14% of Applicants

Those that can benefit from the **INTRODUCE** play represent about **14% of all mortgage inquiries**. Most of these applicants will qualify for conventional loans and (in some cases) Jumbo loans. By optimizing applicant credit scores in these bands you will introduce applicants to more affordable homeownership with rate breaks, lower PMI and homeowners insurance rates and lower LLPA premiums for originators.

	620 <small>Original Score</small>	700 <small>(+40)</small>
<b>Home Price</b>	\$280,000	\$251,700
<b>Loan Amount</b>	\$251,700	\$251,700
<b>LTV</b>	90%	90%
<b>Interest Rate</b>	7.00%	6.625%
<b>Monthly P&amp;I</b>	\$1,668	\$1,612
<b>Monthly P&amp;I Savings</b>		<b>\$56</b>
<b>Monthly MI</b>	\$315	\$166
<b>Monthly MI Savings</b>		<b>\$149</b>
<b>Years of MI</b>	8.27	7.92
<b>Monthly Savings</b>		<b>\$205</b>
<b>Life of Loan Savings</b>		<b>\$38,167</b>
<b>LLPA Impact</b>		
LLPA in BP	225	112.5
Monthly MI	\$5,663	\$2,832
<b>LLPA Savings</b>		<b>\$2,831</b>

### Optimization Advantages

#### 620-639



**Who Benefits?** 29% of applicants can reach 660, another 11% can reach the 680 – 699 band.

**The Outcomes:** With more than a third of all applicants here qualifying for a Jumbo loan, they will be able to tap into additional purchasing power. Perhaps more importantly, LLPAs decrease by 0.625% (620 initial credit score, 90% LTV) for those applicants who achieve a 660 credit score. At 680 the LLPAs decrease by 87.5 basis points (bps). PMI decreases, too, by 14bps at 660 and by 46bps at 680.

#### 640-659



**Who Benefits?** 33% of applicants can reach the 680. Another 26% can achieve a score above 700, where real financial benefits become available.

**The Outcomes:** With most being able to access all loan programs, this is really about helping applicants save money and making compelling offers that will improve close rates. At 680 (from 620 initial credit score, 90% LTV), LLPAs decrease by 87.5bps. At 700 they decrease by 112.5 bps. PMI decreases, too. At 680 it drops by 46 basis points. At 700 it decreases further by 64 basis points.

■ No Change ■ +20 ■ +40 ■ +60 ■ +80 or More

## Credit Potential

These pie charts show the percentage of borrowers that could improve their credit score by 20-point credit band within a 30-day timeframe and with at least a 90% likelihood of success.

## Optimization Advantages

Here you will find some highlights of how you and your borrower can benefit from Credit Optimization. As there are MANY details behind each of these plays, we made the decision to focus on surfacing highlights. You'll want to compare these to your own policies and lending standards.

Credit Potential identified through CreditXpert analysis of CY2023 credit inquiries.  
Estimated monthly P&I and monthly MI were calculated using tools on Forbes.com and NerdWallet.  
LLPAs were calculated using Fannie Mae's 12.05.2024 Loan-Level Price Adjustment Matrix.

# Incubate

5% of Applicants

Those that could benefit from the **INCUBATE** play represent about **5% of all mortgage inquiries**. These applicants are not “mortgage ready” and will take some time to get to a qualifying score. While a relatively small percentage of these applicants can qualify for an FHA loan, most will either need to settle for a pricey subprime mortgage or spend time working on their score over multiple months.

	<b>540</b> <small>Original Score</small>	-----> <b>600</b> <small>(+40)</small>
<b>Interest Rate</b>	8.00%	7.25%
<b>Monthly P&amp;I</b>	\$1,255	\$1,167
<b>Monthly P&amp;I Savings</b>		<b>\$88</b>
<b>Monthly Savings</b>		<b>\$88</b>
<b>Life of Loan Savings</b>		<b>\$31,758</b>

**\$190,000**  
Home Price

**\$171,000**  
Loan Amount

**90%**  
LTV

## Optimization Advantages

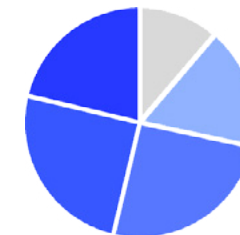
### <500-519



**Who Benefits?** 18% of these applicants can reach a credit score of 580 in just 30 days.

**The Outcomes:** For applicants in these bands, qualifying for a mortgage can be lifechanging. An FHA or VA loan puts applicants on the path to affordable homeownership. Taking the time to work with these applicants will also generate referrals of others that are dreaming of homeownership.

### 520-539



**Who Benefits?** 25% of these applicants can raise their score to 580 in just 30 days

**The Outcomes:** For applicants in these bands, qualifying for a mortgage can be lifechanging. An FHA or VA loan puts applicants on the path to affordable homeownership. Taking the time to work with these applicants will also generate referrals of others that are dreaming of homeownership.



# Qualify

## 16% of Applicants

Those that can benefit from the **QUALIFY** play represent about **16% of all mortgage inquiries**. Most of these applicants are on the cusp of qualifying for an FHA or Conventional Loan. The goal here is to get these applicants to a 580 or 620 mid-score. Lots of potential with life-changing outcomes. While the monthly and life of loan savings to the applicant is on the low end, there are life-changing outcomes for these applicants as they become homeowners.

**\$278,300**  
Home Price

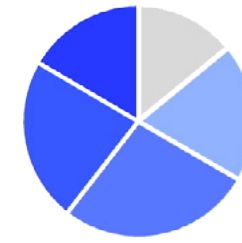
**\$250,500**  
Loan Amount

**90%**  
LTV

	<b>560</b> Original Score	<b>600</b> (+40)
<b>Interest Rate</b>	7.75%	7.25%
<b>Monthly P&amp;I</b>	\$1,794	\$1,708
<b>Monthly P&amp;I Savings</b>		<b>\$86</b>
<b>Total Monthly Savings</b>		<b>\$86</b>
<b>Life of Loan Savings</b>		<b>\$30,871</b>

## Optimization Advantages

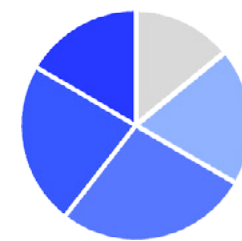
### 540-559



**Who Benefits?** 27% of applicants in this credit score band can raise their score to 580 and 11% can achieve a score close to 620.

**The Outcomes:** Those that reach a 580 can qualify for a VA or FHA loan. Those that reach 620 qualify for a conventional loan. The only other option available to these applicants are sub-prime mortgages with rates between 2% - 4% higher. **\*\* Conventional financing opens up the Private Mortgage Insurance option (PMI) which can be less expensive than FHA's MIP program (Government alternative to PMI). Additionally, PMI can be cancelled once the LTV is less than 80%. MIP may be cancellable but only if the initial downpayment was more than 10%.**

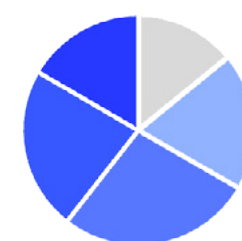
### 560-579



**Who Benefits?** 21% of this group can achieve a score of 580. Another 21% can reach 620.

**The Outcomes:** 40% of this group can qualify for a VA, FHA or Conventional loan. Small improvements in a applicant's credit score here can have life-changing outcomes and greatly reduce the cost of homeownership. **\*\* See 540-559 for additional outcomes.**

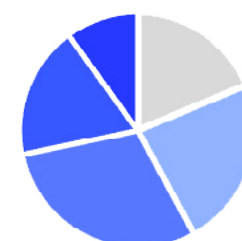
### 560-579



**Who Benefits?** All applicants in this band are right at the qualifying line for FHA & VA loans. 30% can raise their score to 620.

**The Outcomes:** Most of these applicants will qualify for VA, FHA and Conventional loans. This means that they have options and are on the path to affordable homeownership! **\*\* See 540-559 for additional outcomes.**

### 580-599



**Who Benefits?** 26% of applicants in this band can reach a score of 620, which qualifies them for a conventional loan. Another 16% can raise their score to 660, enough to potentially qualify them for a jumbo loan!

**The Outcomes:** Most of these applicants will qualify for VA, FHA and Conventional loans. This means that they have options and are on the path to affordable homeownership! **\*\* See 540-559 for additional outcomes.**



# Introduce

## 14% of Applicants

Those that can benefit from the **INTRODUCE** play represent about **14% of all mortgage inquiries**. Most of these applicants will qualify for conventional loans and (in some cases) Jumbo loans. By optimizing applicant credit scores in these bands you will introduce applicants to more affordable homeownership with rate breaks, lower PMI and homeowners insurance rates and lower LLPA premiums for originators.

**\$280,000**  
Home Price

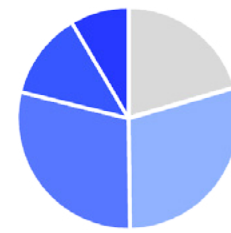
**\$251,700**  
Loan Amount

**90%**  
LTV

	<b>620</b> Original Score	<b>700</b> (+40)
Interest Rate	7.00%	6.625%
Monthly P&I	\$1,668	\$1,612
<b>Monthly P&amp;I Savings</b>		<b>\$56</b>
Monthly MI	\$315	\$166
<b>Monthly MI Savings</b>		<b>\$149</b>
Years of MI	8.27	7.92
<b>Monthly Savings</b>		<b>\$205</b>
<b>Life of Loan Savings</b>		<b>\$38,167</b>
LLPA Impact		
LLPA in BP	225	112.5
Monthly MI	\$5,663	\$2,832
<b>LLPA Savings</b>		<b>\$2,831</b>

## Optimization Advantages

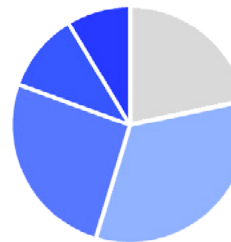
### 620-639



**Who Benefits?** 29% of applicants can reach 660, another 11% can reach the 680 – 699 band.

**The Outcomes:** With more than a third of all applicants here qualifying for a Jumbo loan, they will be able to tap into additional purchasing power. Perhaps more importantly, LLPAs decrease by 62.5 basis points (620 initial credit score, 90% LTV) for those applicants who achieve a 660 credit score. At 680 the LLPAs decrease by 87.5 basis points (bps). PMI decreases, too, by 14bps at 660 and by 46bps at 680.

### 640-659



**Who Benefits?** 33% of applicants can reach a 680. Another 26% can achieve a score above 700, where real financial benefits become available.

**The Outcomes:** With most being able to access all loan programs, this is really about helping applicants save money and making compelling offers that will improve close rates. At 680 (from 620 initial credit score, 90% LTV), LLPAs decrease by 87.5bps. At 700 they decrease by 112.5 bps. PMI decreases, too. At 680 it drops by 46 bps. At 700 it decreases further by 64 bps.

■ No Change ■ +20 ■ +40 ■ +60 ■ +80 or More

# Expand

## 15% of Applicants

Those that can benefit from the **EXPAND** play represent about **15% of all mortgage inquiries**. All of these applicants will initially qualify them for a conventional loan but the move is to qualify them for a Jumbo loan should they need additional purchasing power. Aside from increased purchasing power, getting these applicants into the 700 range will make homeownership more affordable by lowering rates, PMI and save originators on LLPA premiums.

**\$1,000,000**  
Home Price

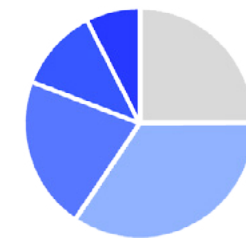
**\$900,000**  
Loan Amount

**90%**  
LTV

	<b>660</b> Original Score	<b>720</b> (+40)
Interest Rate	7.50%	7.00%
Monthly P&I	\$6,293	\$5,988
<b>Monthly P&amp;I Savings</b>		<b>\$305</b>
Monthly MI	\$923	\$525
<b>Monthly MI Savings</b>		<b>\$398</b>
Years of MI	8.83	8.34
<b>Total Monthly Savings</b>		<b>\$703</b>
<b>Life of Loan Savings</b>		<b>\$155,011</b>
LLPA Impact		
LLPA in bp	162.5	87.5
LLPA in \$	\$14,625	\$7,875
<b>Lender LLPA Savings</b>		<b>\$6,750</b>

## Optimization Advantages

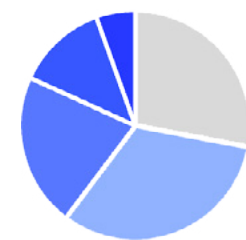
### 660-679



**Who Benefits?** 12% of applicants can reach a 700 while another 12% can increase their score to 720.

**The Outcomes:** Once in the 700s, rates, fees and insurance premiums decrease, options expand into jumbo loans, plus additional conventional options. At 700 (from 660 initial credit score, 90% LTV), LLPAs decrease by 50bps. At 720 LLPAs decrease by 75bps. PMI decreases, too. At 700 it drops by 50bps. At 720 it decreases further by 62 bps. Keep in mind that these applicants are some of the most competitive and will likely be rate shopping – Credit Optimization can help ensure that you close.

### 680-699



**Who Benefits?** 32% of applicants can increase their score to 700 while another 22% can reach 720.

**The Outcomes:** Once in the 700s, rates, fees and insurance premiums decrease, options expand into jumbo loans, plus additional conventional options. Keep in mind that these applicants are some of the most competitive and will likely be rate shopping – Credit Optimization can help ensure that you close.

■ No Change ■ +20 ■ +40 ■ +60 ■ +80 or More

# Close 50% of Applicants

These are the most competitive applicants and they represent about **50% of all mortgage inquiries**. Because these applicants all have qualifying and competitive credit scores, they are most likely to be shopping around to find the best rates and terms . . . because they can. This means that your job is to **CLOSE** these applicants and credit optimization can be a unique tool that can help you seal the deal. For some, you may be able to get them a lower rate or lower PMI. For others, a credit optimization plan may be that thing that shows them that you have done everything you can to get them the best possible deal.

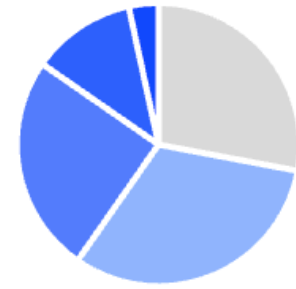
**\$353,000**  
Home Price

**\$318,000**  
Loan Amount

**90%**  
LTV

	700 <small>Original Score</small>	760 <small>(+40)</small>
Interest Rate	6.625%	6.375%
Monthly P&I	\$2,036	\$1,984
<b>Monthly P&amp;I Savings</b>		<b>\$52</b>
Monthly MI	\$209	\$122
<b>Monthly MI Savings</b>		<b>\$87</b>
Years of MI	8.00	7.80
<b>Total Monthly Savings</b>		<b>\$139</b>
<b>Life of Loan Savings</b>		<b>\$27,705</b>
LLPA Impact		
LLPA in bp	1.125%	.50%
LLPA in \$	\$3,578	\$1,590
<b>Lender LLPA Savings</b>		<b>\$1,988</b>

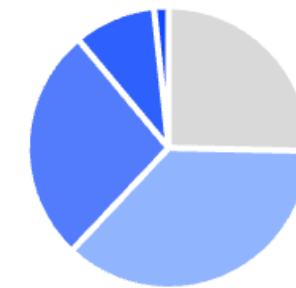
## 700-719



**Who Benefits?** 12% of these applicants can increase their score to 760, THE score for the best possible mortgage!

**The Outcomes:** Rates, fees and insurance premiums are approaching their lowest levels, and all options are open. At 740 (from 700 initial credit score, 90% LTV), LLPAs decrease by 50 bps. At 760 LLPAs decrease by 62.5 bps. PMI decreases, too. At 740 PMI drops by 79 bps. At 760 PMI decreases further by 130 bps.

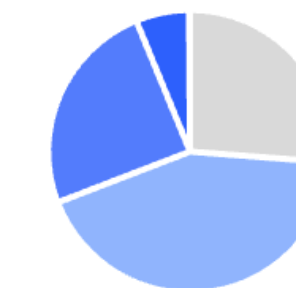
## 720-739



**Who Benefits?** 27% of these applicants can increase their score to 760, THE score for the best possible mortgage!

**The Outcomes:** Rates, fees and insurance premiums are approaching their lowest levels, and all options are open. At 760 (from 720 initial credit score, 90% LTV), LLPAs decrease by 37.5 bps. At 780 LLPAs decrease by 62.5 bps. PMI decreases, too. At 760+ PMI drops by 94 bps.

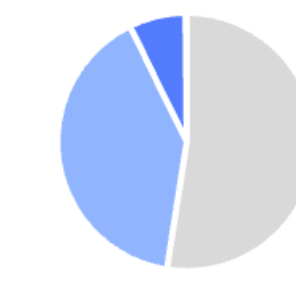
## 740-759



**Who Benefits?** 27% of these applicants can increase their score to 760, THE score for the best possible mortgage!

**The Outcomes:** Rates, fees and insurance premiums are approaching their lowest levels, and all options are open. At 760 (from 740 initial credit score, 90% LTV), LLPAs decrease by 12.5 bps. At 780 LLPAs decrease by 37.5 bps. PMI decreases, too. At 760+ PMI drops by 51 bps.

## >760



**Who Benefits?** 69% of these applicants can increase their credit scores by at least 20 points!

**The Outcomes:** Applicants at this credit score and above enjoy the lowest rates, fees and premiums, plus access to all borrowing options. At 780 (from 760 initial credit score, 90% LTV), LLPAs decrease by 25 bps. PMI rates DO NOT decrease above 760

■ No Change ■ +20 ■ +40 ■ +60 ■ +80 or More

\*LLPAs reach their lowest levels at >= 780.