What we will talk about today

- Credit basics
- Establishing credit
- Improving your credit
- Managing your debt
- Getting ready to borrow
- Exploring your credit choices
Credit basics
What is credit?

- Credit lets you make purchases by agreeing to repay those funds later.
- Your credit limit, interest rate, and payment schedule are set by your lender.
- Your credit history reflects your ability to follow your lender’s terms.
- Borrowing responsibly may help you build the life you’ve pictured for yourself.
What’s a credit report?

A credit report is made up of information on your existing credit accounts and loans, provided by your lenders.

A credit report generally contains:

- Your credit history
- Information about you
- Public record information
- Collection agency account information
- Inquiries
What’s a credit score?

Think of your credit score like the grade that’s given to your credit report by the three credit bureaus — Equifax, Experian, and TransUnion. The better your credit history, the higher your score.

What makes up your credit score?

- The three credit bureaus use various measurements to calculate your credit score.
- Here are five key criteria generally used and how important each is.
What’s a credit score? (continued)

- Understanding Wells Fargo’s credit scoring ranges
- Wells Fargo has established the following standards for credit scores:

<table>
<thead>
<tr>
<th>Credit Score Standards</th>
<th>Excellent</th>
<th>Good</th>
<th>Fair</th>
<th>Poor</th>
<th>No credit score</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>760+</td>
<td>700-759</td>
<td>621-699</td>
<td>620 &amp; below</td>
<td>No credit score</td>
</tr>
<tr>
<td></td>
<td>You generally qualify for the best rates, depending on debt-to-income (DTI) and collateral value.</td>
<td>You typically qualify for credit, depending on DTI and collateral value, but may not get the best rates.</td>
<td>You may have more difficulty obtaining credit, and will likely pay higher rates for it.</td>
<td>You may have difficulty obtaining unsecured credit.</td>
<td>You may not have built up enough credit to calculate a score, or your credit has been inactive for some time.</td>
</tr>
</tbody>
</table>
How your score can impact you

Your credit score may affect:

- Your ability to get a credit card
- Your ability to purchase a home
- Whether a landlord will rent you an apartment
- The interest rate lenders are likely to offer you
- The amount of your insurance premiums
- Your ability to borrow money
- Whether you can get service from utility companies
# How you can impact your score

<table>
<thead>
<tr>
<th>Improve your credit score:</th>
<th>Lower your credit score:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Consistently pay bills on time</td>
<td>1. Pay some bills late</td>
</tr>
<tr>
<td>2. Keep your balance on revolving lines under 30% of your spending limit</td>
<td>2. Have credit card balances near your maximum spending limit</td>
</tr>
<tr>
<td>3. Only apply for and open new credit accounts when you need them</td>
<td>3. Apply for new credit cards frequently, whether you need them or not</td>
</tr>
<tr>
<td>4. Pay down debt to reduce your debt-to-income ratio</td>
<td>4. Have a very brief credit history</td>
</tr>
<tr>
<td>5. Establish and maintain a good credit history</td>
<td>5. Exceed your credit card spending limit</td>
</tr>
<tr>
<td>6. Have a mix of revolving credit (e.g., credit cards) and installment credit (e.g., a car loan)</td>
<td></td>
</tr>
</tbody>
</table>
Know what lenders look for

Lenders look at a variety of criteria to evaluate your credit application, including the Five Cs of credit:

- **Credit history:** Your track record of managing credit and making payments over time.

- **Capacity:** Your ability to comfortably manage your payments.

- **Collateral:** Something you own (auto, home, etc.) that you pledge to secure a loan.

- **Capital:** Your savings, investments, and other assets that could help repay a loan.

- **Conditions:** How you plan to use the loan and the economic environment.
Your DTI ratio compares how much you owe to how much you earn each month. Lenders use this percentage to assess your ability to pay back debt. A lower DTI ratio can make it easier to qualify for new credit.

**Calculate your current DTI ratio**

**Step 1:** Calculate your monthly income. Be sure to use your income before taxes.

**Step 2:** List your monthly expenses. Expenses like groceries, utilities, gas, and your taxes generally are not included. Other debt may include alimony or child support.

**Step 3:** Determine your DTI ratio. Divide your monthly expenses by your pretax income to determine your DTI ratio.
How is your debt-to-income (DTI) ratio used?

Here is a sample of Wells Fargo’s approach to DTI. This approach will vary by financial institution.

When considering applications from borrowers, Wells Fargo uses these guidelines:

<table>
<thead>
<tr>
<th>Your DTI ratio</th>
<th>What it may mean for you:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>35% or less</strong></td>
<td>Relative to your income, your debt is manageable. Most likely you have money left over for saving or spending after paying your bills. Lenders generally view a lower DTI as favorable.</td>
</tr>
<tr>
<td>Looking good</td>
<td><strong>Your next step:</strong> Before taking on any new debt, estimate the monthly payments and recalculate your DTI ratio so you can see how additional debt could change it.</td>
</tr>
<tr>
<td><strong>36% − 49%</strong></td>
<td>You probably don’t have funds for unexpected expenses. While you are managing your debt adequately, consider lowering your DTI. Doing so will put you in a position to better handle financial emergencies. If you’re thinking about borrowing, keep in mind that lenders may ask for additional eligibility criteria.</td>
</tr>
<tr>
<td>Opportunity to improve</td>
<td><strong>Your next step:</strong> Work on reducing your debt and optimizing your DTI ratio.</td>
</tr>
<tr>
<td><strong>50% or more</strong></td>
<td>You may have limited funds to save or spend. Because more than half of your income is going towards debt payments, you may not have much money left over. With this DTI ratio, lenders may limit your borrowing options.</td>
</tr>
<tr>
<td>Take action</td>
<td><strong>Your next step:</strong> Explore ways to take steps to optimize your DTI ratio, and learn how to manage your existing debt.</td>
</tr>
</tbody>
</table>
Establishing credit
Lay the foundation for good credit

You establish credit by using credit products responsibly and paying back what you’ve borrowed as agreed.

Activities that don’t directly impact your credit report can still be used to demonstrate your financial responsibility and help you qualify for new credit.
Ways to get started

Any of the following activities can help you **build a good financial foundation**.

- Pay your utility, cell phone, or other bills on time every time.
- Open a checking account and use your debit card.
- Build savings through a savings account.

Any of the following activities can help you **build your credit history**.

- Get a secured or unsecured credit card in your name.
- Consider getting a credit card from a gas station or retailer — they can be easier to qualify for — and pay it off every month if you can.
- Get a student or auto loan in your name, with or without a cosigner or co-applicant.
- Become an authorized user on a trusted person’s account. Wells Fargo reports this activity to the credit bureaus, but not all lenders do.
How long will it take?

Each person’s situation is different, so it’s hard to say how long it will take for you to build your credit.

Instead, think of it as an ongoing process. Keep working toward making it the best it can be.

Practice good credit habits

- Pay your bills on time.
- Keep track of balances.
- Manage your debt-to-income ratio.
- Avoid maxing out your credit accounts.
Improving your credit
What if my credit isn’t great?

You can rebuild a damaged credit history! Improving your credit score can open doors to a stronger financial future.

Here’s what you can do to raise your score.

✓ Be responsible and always pay on time. Use alerts or sign up for automatic bill pay. Consistent, on-time payments show lenders that you’re responsible about paying back what you borrow.

✓ Keep your balances low — use 30% or less of your available credit line.

✓ Pay more than the minimum each month whenever possible.

✓ Avoid applying for too many credit cards.

✓ Keep your long-standing accounts open.
What if my credit isn’t great?

Check your credit report

- By law, you’re guaranteed a free annual credit report from each of the three credit bureaus.

- Annualcreditreport.com lets you request all three reports at once or individually. Staggering your individual requests can help you track your credit history over the year.

- Contrary to what you may have heard, checking your credit won’t affect your score.

- Report and resolve any errors.
What can improving your score do?

Good credit generally means lower interest rates. Your credit score can impact interest rates, your terms, or the amount of your loan.

<table>
<thead>
<tr>
<th>$15,000 Loan amount</th>
<th>Interest rate</th>
<th>Monthly payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair credit</td>
<td>15%</td>
<td>$427</td>
</tr>
<tr>
<td>Good credit</td>
<td>10%</td>
<td>$391</td>
</tr>
<tr>
<td>Excellent credit</td>
<td>5%</td>
<td>$352</td>
</tr>
</tbody>
</table>

*Scenario is hypothetical — provided for illustration only.*
Managing your debt
How can I get my debt under control?

Here are a few things you can do to manage your debt more effectively.

▪ Consider debt consolidation

▪ Pay off debt faster

▪ Lower your monthly payments to help free up cash

▪ Understand the total cost of borrowing

1. Important information about debt consolidation: You can help pay down existing debt over time by consolidating higher interest rate debt, and when you do, be sure to develop a manageable repayment plan. Consolidating multiple loans means you’ll have a single payment each month for that combined debt, but it may not reduce or pay your debt off sooner. There’s the potential to lower your monthly payments by consolidating higher interest rate debt at a lower rate or longer payment terms. By extending the term, you may pay more interest over the term of the loan. When deciding whether to use an asset as collateral (such as your home, auto, time account (CD), or savings account) to consolidate existing debt, we encourage you to carefully consider that if you don’t make your scheduled payments, you could lose the asset(s).
Explore your options

Loan interest rates, payments, and terms are closely related. Changing or adjusting one of these factors will result in changes to the others.

For example, with a $15,000 loan at 7.75%, you can see how a longer repayment period can reduce the monthly payment. You will, however, end up paying more interest over the life of the loan.

<table>
<thead>
<tr>
<th>Years</th>
<th>$15,000 Loan amount</th>
<th>Interest paid (7.75%)</th>
<th>Total paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>$180 / monthly payment</td>
<td>$6,602</td>
<td>$21,602</td>
</tr>
<tr>
<td>5</td>
<td>$302 / monthly payment</td>
<td>$3,141</td>
<td>$18,141</td>
</tr>
<tr>
<td>3</td>
<td>$468 / monthly payment</td>
<td>$1,860</td>
<td>$16,860</td>
</tr>
</tbody>
</table>

*Scenario is hypothetical — provided for illustration only.*
Smart strategies for paying off debt

▪ Pay more than the monthly minimum to pay off your debt faster and reduce overall interest costs.
▪ Set up automatic payments to keep on top of your repayments.
▪ Know your borrowing costs and keep in mind that extending a loan’s term might reduce monthly payments, but you may pay more in interest over the life of the loan.
Getting ready to borrow
Am I ready for a major purchase?

- Identify your short-term and long-term financial goals.
- Writing down your financial goals is the first step in creating a plan to borrow.

<table>
<thead>
<tr>
<th>Goal</th>
<th>Completion date</th>
<th>Amount of funds</th>
<th>Amount of borrowed funds needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Example: Buy a laptop</td>
<td>By Thanksgiving</td>
<td>$2,000</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Goal</th>
<th>Completion date</th>
<th>Amount of funds</th>
<th>Amount of borrowed funds needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Example: Buy a house</td>
<td>By the time I'm 35</td>
<td>$250,000</td>
<td>$225,000</td>
</tr>
</tbody>
</table>
Am I ready for a major purchase?

As you think about your borrowing needs, remember these steps:

▪ Know your current credit score.
▪ Assess your creditworthiness using the Five Cs of credit:
  – Credit history: Check your credit report for accuracy.
  – Capacity: Know your debt-to-income (DTI) ratio.
  – Collateral: If applying for a secured loan, this is required.
  – Capital: Consider your savings, investments, and other assets available.
  – Conditions: Be clear on how you plan to use what you borrow.
▪ Determine how much you need to borrow.
▪ Review your credit options.
Exploring your credit choices

Explore your options to find the type of credit that fits your needs. Each of these types of credit can help you achieve your goals while helping you build your credit history.

<table>
<thead>
<tr>
<th>If you want to...</th>
<th>Make everyday, online, and recurring purchases</th>
<th>Pay for a large planned or unplanned expense</th>
<th>Purchase a vehicle</th>
<th>Pay for home improvements</th>
<th>Pay for college</th>
<th>Purchase a home</th>
<th>Manage or consolidate debt</th>
<th>Build or manage credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Like...</td>
<td>• Groceries, gas, dining</td>
<td>• Auto repairs</td>
<td>• Auto lease buyout</td>
<td>• Energy-efficient upgrades</td>
<td>• College tuition and other eligible expenses</td>
<td>• First or next home</td>
<td>• Lower interest rate</td>
<td>• Establish a credit history</td>
</tr>
<tr>
<td>• Online shopping</td>
<td>• Furniture, appliances</td>
<td>• Boat, RV, camper, trailer, airplane</td>
<td>• Home renovation and remodeling</td>
<td>• Options for students, parents, and cosigners</td>
<td>• Foreclosed properties</td>
<td>• Lower monthly payments</td>
<td>• Get access to credit</td>
<td></td>
</tr>
<tr>
<td>• Phone, electricity, cable bills</td>
<td>• Private school (K through 12)</td>
<td>• New/used auto or truck</td>
<td>• Home repairs</td>
<td>• Consolidate or refinance existing private student Loans</td>
<td>• Investment properties</td>
<td>• Reduce number of monthly payments</td>
<td>• Rebuild credit history</td>
<td></td>
</tr>
<tr>
<td>• Travel</td>
<td>• Taxes</td>
<td>• New/used motorcycle</td>
<td>• Landscaping projects</td>
<td>• Home Mortgage</td>
<td>• Vacation home</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consider these options ...</td>
<td>• Credit Card</td>
<td>• CD/Savings Secured Line of Credit</td>
<td>• Auto Loan (for auto or truck purchase only)</td>
<td>• CD/Savings Secured Line of Credit</td>
<td>• Private Student Loan2</td>
<td>• Home Mortgage</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• CD/Savings Secured Loan</td>
<td>• CD/Savings Secured Line of Credit</td>
<td>• CD/Savings Secured Loan</td>
<td>• CD/Savings Secured Loan</td>
<td>• Wells Fargo Private ConsolidationSM loan2/refinance</td>
<td>• CD/Savings Secured Loan</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Credit Card</td>
<td>• Home Equity Line of Credit</td>
<td>• Home Equity Line of Credit</td>
<td>• Credit Card</td>
<td>• Home Mortgage — refinance or cash-out refinancing</td>
<td>• Home Equity Line of Credit</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Personal Line of Credit</td>
<td>• Personal Line of Credit</td>
<td>• Personal Line of Credit</td>
<td>• Home Equity Line of Credit</td>
<td>• Personal Loan</td>
<td>• Wells Fargo Private ConsolidationSM student loan3</td>
<td>• Credit Card</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Personal Loan</td>
<td>• Recreational or Specialty Vehicle Loan (for motorcycle, boat, RV, camper, trailer, or airplane purchase only)</td>
<td>• Personal Loan</td>
<td>• Home Mortgage</td>
<td>• Private Student Loan</td>
<td>• Wells Fargo Private ConsolidationSM student loan</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. Before you apply, we encourage you to carefully consider whether consolidating your existing debt is the right choice for you. Consolidating multiple loans means you’ll have a single payment each month for that combined debt, but it may not reduce or pay your debt off sooner. By understanding how consolidating your debt benefits you, you’ll be in a better position to decide if it is the right option for you.

2. Wells Fargo private student loans are subject to credit qualification, completion of a loan application/consumer credit agreement, verification of application information, and if applicable self-certification form, school certification of loan amount, and student’s enrollment at a Wells Fargo-participating school.

3. The Wells Fargo Private ConsolidationSM student loan is subject to completion of a loan application/consumer credit agreement, verification of application information, credit qualification, and a benefit to borrower determination. Federal student loans cannot be consolidated into a Wells Fargo Private Consolidation student loan.

All credit options listed are subject to qualification and, if applicable, income verification and/or collateral evaluation. Visit wellsfargo.com/smartercredit to learn more.
Thank you

Explore our resources:

- Wells Fargo Smarter Credit™ Center at wellsfargo.com/smartercredit
- Wells Fargo Path To Good Credit at wellsfargo.com/pathtocredit
- Wells Fargo Mobile® service at wellsfargo.com/mobile
- Wells Fargo Online® tour at wellsfargo.com/online-banking/tour/index
- Wells Fargo YouTube channel at youtube.com/user/wellsfargo

Contact us:

Online Customer Service at 1-800-956-4442

Make an appointment:

Schedule an appointment online to meet with a banker at a specific date, time, and location of your choice at appointments.wellsfargo.com/maa
Questions?