

# City of Denton Credit Scoring Methodology

## Exhibit 4

### New Customer Credit Scoring

#### Credit Screening and Risk Assessment Scores:

In order to ensure deposits and collection actions are performed in a fair manner, staff utilizes a credit screening process that determines the credit risk associated with potential and existing utility customers. The City has a contract with Online Utility Exchange to verify identity and perform a credit check when requesting service. The credit check is a “soft” inquiry on the customer’s credit, and as such, will not negatively affect their credit rating. The customer credit score is based off the following factors:

- Considers anything on the consumers credit file
- The deposit decision is based on the Experian Risk model score
  - This is based on the VantageScore, if the customer has an unpaid utility or telecom debt, have they filed bankruptcy, etc.
- The score provided on the Adverse Letter is the Experian VantageScore. This is different from the customer’s FICO score.
  - **VantageScore** – A consumer credit rating product developed by three credit rating agencies – Equifax, TransUnion and Experian. VantageScore uses a rating scale (501 to 990). The score is calculated through a weighted average of a consumer’s available credit, recent credit, payment history, credit utilization, depth of credit and credit balances.

VantageScore calculation categories		
Category	Description	Weight <sup>(15)</sup>
Payment history	how timely and consistent your payments are	Extremely influential
Age and type of credit	length of credit history and types of credit previously received	Highly influential
Percent of credit limit used	debt-to-credit ratios and how much credit is available	Highly influential
Total Balances/Debt	what your total debt is, most likely, delinquent debt is counted more harshly than current debt	Moderately influential
Recent credit	how recent and many new hard inquiries and new accounts there are	Less influential
Available credit	how much credit can be accessed, for example, could you spend \$50,000 of credit tonight or within the next week	Least influential

Color	Credit Risk	Deposit Req'd	Deposit Waiver Options
Green	Minimal	None	N/A
Yellow	Moderate	1 month	LOC, Cosigner, or Sign up for Draft
Red	High	2 months	LOC, Cosigner, or Sign up for Draft

\* LOC = Letter of Credit

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### **Adverse Letter Example**

#### ***CITY OF DENTON***

601 E HICKORY SUITE F  
DENTON, TX 76205

Date

First Name Last Name

Mailing Address

City State Zip

**Reference Number: 30145473**

Thank you for your application for service. The deposit decision has been based upon information provided by the following sources of information:

**Information obtained from your Experian credit report.**

A credit report is a record of your credit history. It includes information about whether you pay your bills on time and how much you owe to creditors. The deposit amount required from you may be more than the deposit amount offered to consumers who have better credit histories. Please understand that neither Experian nor ONLINE Information Services made the deposit decision. They are the suppliers of the information only.

You are advised that under the Fair Credit Reporting Act, since adverse action has been taken, you have the right to request a free copy of your credit report within 60 days and dispute any inaccuracies or the completeness of information appearing on your credit report. It is a good idea to check your credit reports to make sure the information they contain is accurate. The Fair Credit Reporting Act requires that ONLINE respond to your request within 30 days of your request. To obtain your free report, contact ONLINE using one of the three methods provided below:

ONLINE Information Services  
Consumer Service  
PO Box 1489  
Winterville, NC 28590  
Toll Free: (800) 234-7683  
Website: <http://www.onlineis.com/consumers>

When you receive your consumer copy there will be a phone number as well as directions on how to dispute any inaccuracies or the completeness of items on your credit file.

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### Score Disclosure Notice

#### Your Credit Score and Understanding Your Credit Score

<b>Your Credit Score *</b>	648  Source: Experian Report Date: 10/9/2017
<b>What you should know about credit scores</b>	Your credit score is a number that reflects the information in your credit report. We used your credit score to set your required deposit amount for service.  Your credit score can change, depending on how your credit history changes.
<b>The range of scores</b>	Scores range from a low of 300 to a high of 850
<b>Key <u>factors</u> that adversely affected your credit score **</b>	<ul style="list-style-type: none"><li>• THE DATE THAT YOU OPENED YOUR OLDEST ACCOUNT IS TOO RECENT</li><li>• LACK OF SUFFICIENT CREDIT HISTORY</li><li>• LACK OF SUFFICIENT RELEVANT REAL ESTATE ACCOUNT INFORMATION</li><li>• YOU HAVE TOO MANY COLLECTION AGENCY ACCOUNTS THAT ARE UNPAID</li><li>• TOO MANY INQUIRIES</li></ul>
<b>How your score compares to the scores of other consumers</b>	Your score ranks higher than 38% of the U.S. consumers.

\*Keep in mind that there are many different credit scores utilized by different industries. The score above was utilized by a specific type of creditor in order to determine likelihood of payment for their industry. If you obtain a score directly from the national credit reporting agencies it may be different than the score provided on this disclosure.

\*\*You can utilize the Key Factors to determine what adversely impacted your score the most.

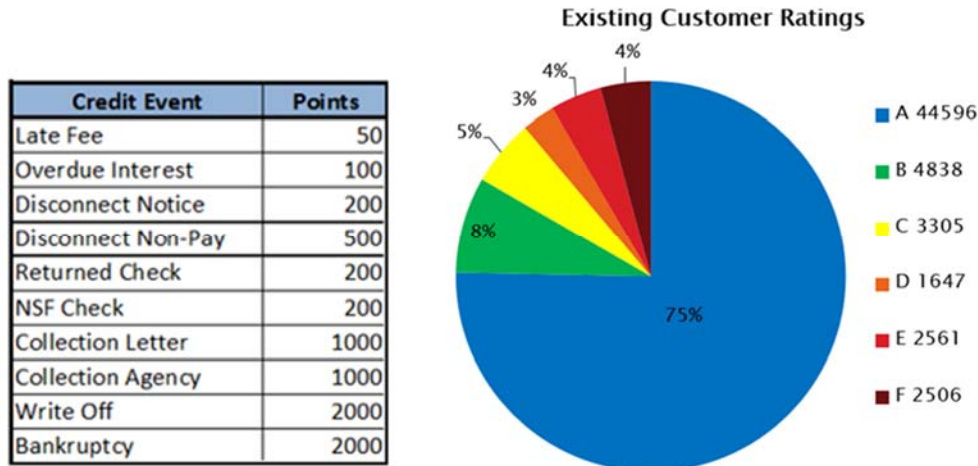
For more information about credit reports and your rights under federal law, visit the Federal Reserve Board's website at [www.federalreserve.gov](http://www.federalreserve.gov), or the Federal Trade Commission's website at [www.ftc.gov](http://www.ftc.gov).

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### Existing Customers Credit Ratings

- ▶ Once a new customer is established with the City of Denton, their ongoing behavior will determine whether or not any additional deposit is required
- ▶ Negative behavior will result in “points” being assigned to the account
- ▶ These “points” result in an internal score which we then convert to a rating



Customer Rating	Points Accured	Deposit Required
"A" Rating	<150 points	NA
"B" Rating	150-300	NA
"C" Rating	301-600	NA
"D" Rating	601-900	Two Month Avg
"E" Rating	901-2,000	Two Month Avg
"F" Rating	>2,000	Two Month Avg

### Credit & Collection Timeline

