

Second Chances for Individuals with Damaged Credit

An overview of the importance of credit in America

Credit and Everyday Life in America

The use of consumer credit has become a fixture of everyday life in America. People access credit to purchase homes, cars, educations, vacations and more. In addition, many people make purchases with credit cards. The majority of American households today have at least one general-purpose credit card – which include MasterCard® and VISA®, among others.

This report will discuss the importance of establishing and maintaining good credit in America. It will also explore the growing number of individuals who find themselves with damaged credit, the shrinking resources available to help them gain access to tools to improve their credit history and PREMIER Bankcard's role in this market.

Good Credit is Earned, Not Given.

Credit is not something that is just given. An individual must apply for it. And just as you would hesitate to lend money to a stranger: banks, retailers, or finance companies will not grant credit without knowing something about the person applying for it.



In the past, a retailer or bank would have to call each creditor you listed on an application form before they would decide to extend credit. Today, they rely on credit reports in addition to other sophisticated scoring systems.

A credit report is a record of an individual's credit activity. It lists any credit card accounts or loans a consumer may have, the balances, and how regularly they make their payments. It also shows any action that has been taken against them because of unpaid bills.

There are several major consumer reporting agencies that operate nationwide. An individual's credit rating is drawn from their credit report, which outlines borrowing, charging, and repayment activities.

While banks, retailers and finance companies use these credit ratings to determine creditworthiness, it is important to remember that they can also be used by a variety of other entities as a "character yardstick." It can affect a person's ability to get a job, an apartment or standard rates

on insurance. The following is a list of requestors that can legally access credit information:

- creditors who are considering granting or have granted the person credit
- employers considering an individual for employment, promotion, reassignment, or retention
- insurers considering you for an insurance policy or reviewing an existing policy
- government agencies reviewing your financial status or government benefits
- anyone else with a legitimate business need for the information, such as a potential landlord

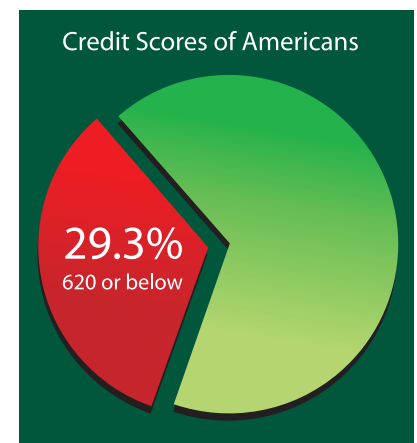
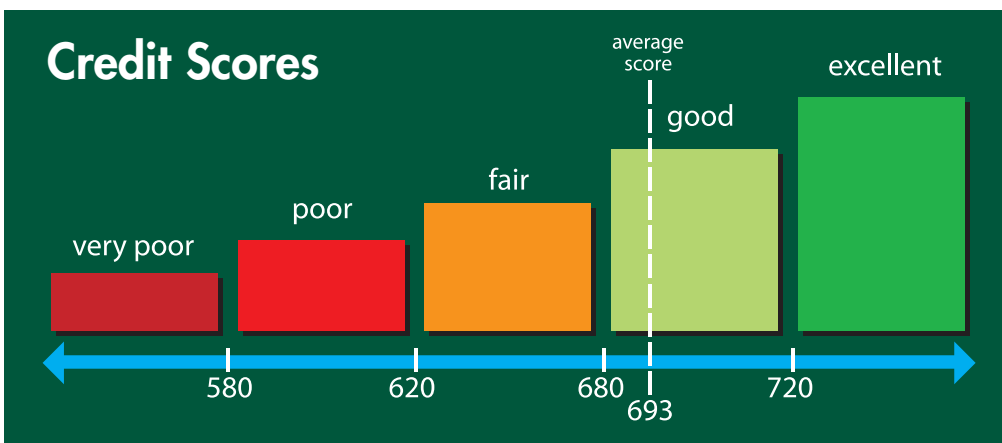
Damaged Credit and Its Side Effects

A credit score can range from 330 to 830. According to Experian, one of the major consumer reporting agencies, the average credit score is 693. The higher the credit score the less risk this represents to the lender. Most lenders would view a person as having bad credit if they fall below 620. DSNews.com reported on September 28, 2010 that nearly 1/3 of Americans, or 29.3 percent, have a credit score below 620, according to data provided by myFICO.com.

Damaged credit can happen to anyone as a result of unemployment, unexpected medical expenses, divorce or other circumstances. The fact is the number of individuals with damaged credit in today's economy is growing. Personal bankruptcy filings are soaring. The National Bankruptcy Research Center reported overall consumer filings in 2009 had reached 1,407,788, a 32% increase over 2008.

A significant percentage of the population live with the following possible side effects of damaged credit:

- higher interest rates on credit cards and loans
- denial of credit and loan applications
- difficulty getting approved for an apartment
- required to pay security deposits on utilities
- not being able to receive a monthly cell phone contract
- denial of employment for certain jobs
- higher insurance premiums



The Path to Rebuilding Credit

While paying bills on time or resolving inaccurate credit report information can all help, some would suggest that the person should stop using credit and pay with cash. This may sound like good advice, but it doesn't help them rebuild their credit and alleviate the side effects of damaged credit. The individual must find an organization willing to take a risk and lend them money, while reporting the individual's activity to one of the major consumer reporting agencies.

Getting started can be difficult, but if a person is committed to consistently demonstrating positive financial habits with all their creditors then they may see their credit ratings improve over time.

Due to their high-risk characteristics, individuals with damaged are finding it increasingly difficult to find access to credit, let alone tools to help them rebuild it.

A Second Chance for Those With Damaged Credit

Since 1989, PREMIER Bankcard has become sophisticated evaluators of high-risk individuals. The company's fundamental belief is that people who are willing to take personal responsibility for their financials

My experience with First PREMIER means so much to me because I know firsthand that an individual's credit can be easily destroyed. A few years back, after my husband passed away, I had to sell an automobile. I inadvertently forgot to issue a bill of sale to the buyer, and the vehicle was involved in a serious accident where a man was killed. It was determined by the courts that due to the lack of a bill of sale, I was liable for the damages to the victim's family (which totaled \$300,000). I had no insurance and only \$5,000 in the bank, so I had to declare bankruptcy. My savings was gone, and my credit score plummeted, making it impossible for me to obtain any loans or credit. I received an offer from First PREMIER credit and was excited to see that I was pre-approved for a small credit line.

– Cardholder from Jackson, Mississippi

habits should be allowed access to credit and an opportunity to show a positive repayment pattern.

PREMIER Bankcard's role is to provide a tool that can help these individuals towards their goal in the form of a credit card.

The terms of the credit card are very different from the credit cards that people with good credit are accustomed to carrying in their wallets. The main difference is that those with good credit carry a credit card for convenience, usually enjoying large lines of credit and no annual fees.

The primary purpose of the organization's credit card is to provide individuals with less than perfect credit histories an avenue to obtain credit and to provide a tool to help them demonstrate positive financial patterns.



Therefore, credit lines are kept low (usually around \$300) so that these individuals are not put in a position to further hinder their financial progress. We then report cardholder payment information to the major consumer reporting agencies.

In addition, the annual percentage rate and fees associated with carrying this type of credit card are priced based on risk. The approach is much like high-risk auto insurance. If you have a bad driving record, you have to pay more and once your driving record has improved, your premiums will come down. People who have damaged credit pay a higher cost for credit, but if they make timely payments, after awhile when their credit score improves, their cost of borrowing can come down dramatically.

When the cardholder's credit score improves, they may start to qualify for more traditional types of credit card offers with better rates and less fees.

Many times these cards are looked at with skepticism and disdain by those who don't understand the credit industry. To those who have experienced the effects of damaged credit first hand, it is an investment millions of them are willing to make. It's a credit tool that not only allows for purchase of everyday items,

but also to provide a platform to show positive payment habits.

Managing Risk and Customer Satisfaction

The Federal Government is increasingly regulating the way credit card companies can price for risk. Current regulations limit the fees that can be charged on a credit card to 25 percent of a credit card's line. The more government pricing regulations that are imposed, the less access individuals at the lower end of the credit scale will have to this type of tool.

A large proportion of the charges associated with PREMIER Bankcard's credit card are used to maintain significant reserves to cover cardholder default.

In addition to the higher cost of managing risk, one of the costs—and opportunities—

inherent in their customer base involves a high level of customer service. PREMIER Bankcard's customer service standards continue to meet or exceed traditional credit card issuer standards.

PREMIER Bankcard also provides credit education information to cardholders to help them understand

the importance of managing their finances.

PREMIER Bankcard is the service provider for First PREMIER Bank credit cards. While they are sister organizations under the United National Corporation holding company, they operate independently. The PREMIER Bankcard credit card loans are self-funded by their cash reserves.

The company fully discloses the terms and conditions of the card in their marketing and when the cardholder receives their card. Based on company research, the majority of their cardholders understand the terms and conditions of the PREMIER Bankcard credit card and its purpose. However, if anyone accepts the offer and didn't fully understand it or no longer wants it, they can take advantage of the company's full refund of fees policy.

Moving Forward to Serve

Obviously, financial difficulties are not something individuals seek out. Bumps in the road can come in the form of unexpected medical bills, job loss and more. While the majority of Americans are not faced with damaged credit, those who are continue to face a declining number of resources to help them re-establish themselves.

As a father of two teenagers, I was living a happy, normal life before landing in the hospital with a heart condition. It was a terrible time for me and my family. Fortunately, my health has recovered. However, because of the hospital bills, our finances were in terrible shape and our credit rating plummeted. I turned to First PREMIER and was accepted for a small credit line of \$250. I only use my credit card in emergencies...I find that my credit score is slowly improving along with our financial stability.

– Cardholder from Florissant, Missouri

While rules and regulations continue to shift and change, PREMIER Bankcard remains committed to helping individuals receive a second chance when it comes to moving forward with their finances.