HMDA Backgrounder

History

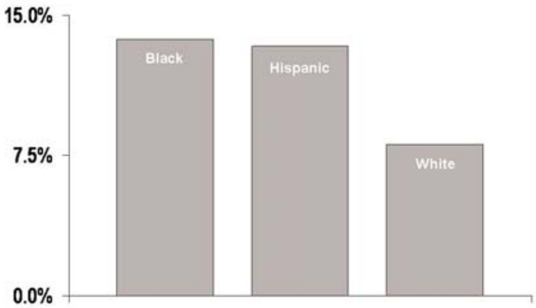
The Home Mortgage Disclosure Act is one of several laws that help ensure that banks and other financial institutions lend fairly to all parts of their communities. It has proved itself to be a helpful tool in this regard, particularly since 1990, when most banks and other mortgage lenders began reporting certain characteristics of their applicants, such as race, gender and income. That additional information revealed disturbing disparities between denial rates for blacks and whites. Then, as now, the information did not include all the factors that affect loan decisions and, therefore, could not indicate the presence or absence of discrimination. But the disparities prompted lenders to review their underwriting criteria and loan processes and improve their employee training on fair lending. The data also brought about increased scrutiny of the lending industry by media and consumer groups, which was accompanied by a more activist approach to fair lending enforcement by the Department of Justice and bank regulatory agencies.

Now, nearly 15 years later, additional data on mortgage loans made and denied are being released for the first time. In 2004, banks began recording, among other items, the prices of loans if the APR exceeds the prevailing Treasury rate by either three percent (on first-lien mortgages) or five percent (on subordinate liens). Individual institutions were required to report these data to federal regulators by March of 2005, and the Federal Reserve is expected to issue an industry report in September 2005. Though data will vary from institution to institution, it is expected that the new aggregate data will show that minorities are more likely to pay a higher cost for loans than whites. As a result, the industry is anticipating increased scrutiny and questions about discrimination. Many institutions are confident, however, that the data will show that progress has been made in increasing the number of loans to minorities. The industry believes the pricing disparities that exist have more to do with advances in risk-based pricing than discrimination.

Making Progress

Financial institutions have made measurable progress in enabling more minorities to own their own homes. HMDA data from the past several years show increases in minorities receiving home loans. For instance, from 1993 to 2003, the annual number of home purchase loans to Hispanics rose 357 percent; to Asians, 192 percent; to blacks, 206 percent. Over this same period, lending to Native Americans and whites increased more modestly — 72 percent and 64 percent, respectively. Today, 70 percent of all Americans own their homes, and homeownership has increased across all racial categories.

Percent Change in Homeownership 1994-2003



NOTE: 1994 was the first year race was considered in this survey.

Source: U.S. Census Bureau

Several factors have helped shape this trend toward homeownership. Increased outreach and financial literacy efforts have prepared more borrowers to successfully navigate the process of buying a home. Low mortgage rates have put monthly payments within the reach of many. Lenders have adjusted loan criteria to accommodate cultural differences and compensate for borrowers with little or no credit history. And borrowers who have not qualified in the past may now get a home loan because of advances in technology and lenders' ability to manage and price for risks.

Risk-Based Pricing Plays a Role

Lenders' ability to price loans according to borrowers' risk has made homeownership possible for more individuals. Rather than turning away a borrower who may not have qualified in the past because of a spotty credit history, for instance, lenders can make the loan but charge slightly more for it. Risk-based pricing has spurred significant increases in subprime mortgage lending, which has grown an average 25 percent a year since 1994.

The availability and reliability of credit scores and credit reports has helped make risk-based pricing possible. A credit score, which is an objective measurement of a borrower's creditworthiness based on the borrower's past payment behavior, can help a lender determine what loan rate to charge any borrower. Pricing according to a borrower's creditworthiness is comparable to the pricing of auto insurance premiums. A driver who has been involved in some accidents or has received speeding tickets is going to pay more than one with a spotless driving record.

Your FICO® Score	Your Interest Rate	Your Monthly Payment
720-850	5.57%	$858
700-719	5.69%	$870
675-699	6.23%	$922
620-674	7.38%	$1,037
560-619	8.53%	$1,157
500-559	9.29%	$1,238

Below are two profiles of actual borrowers from a bank. Though the loan amount is the same and the income is very similar, other factors resulted in the first borrower getting a loan with an interest rate more than two percentage points lower than the other borrower. While subprime loans carry varying rates and terms, the highest cost loans generally go to borrowers with credit scores of less than 620. The chart below shows the difference a credit score can make on the loan rate and monthly payment on a $150,000 30-year fixed-rate mortgage. The example, from www.myfico.com, is based on actual rates available Feb. 16, 2005.

Criteria	Prime Borrower	Subprime Borrower
Loan Amount	$131,000	$131,000
Income	$ 52,000	$ 52,000
Term	30 years	30 years
Credit Score	708	594
Debt-to-Income Ratio	40	48
Loan-to-Value Rate	72	100
APR	6.0%	8.25%

HMDA and Loan Criteria

A portion of a bank's subprime loans will be detailed in the institution's HMDA data, as will application denial rates. What won't be included, however, are the reasons for assigning borrowers a higher loan rate or for declining applicants. HMDA is a tool that provides feedback enabling bankers to understand the flow of mortgage credit in their communities. In part to protect borrowers' privacy, the data don't include all of the factors in the credit-granting process, but they can help bankers and regulators identify potential problem areas that may warrant further examination.

Among the factors NOT included in the data are credit history, employment, loan-to-value ratio, debt-to-income ratio and collateral. Each of these factors influences the underwriting decision. In some cases, there are correlations between these factors and race, which may partially explain disparities in HMDA data.

For instance, a Federal Reserve study ("Credit Report Accuracy and Access to Credit," *Federal Reserve Bulletin*, Summer 2004) found that those who live in predominantly minority census tracts are half as likely to have a high credit score (which the study defines as above 660) as those who live in tracts with less than 10 percent minorities. That means that prime loans — typically given to those with high credit scores — are less likely to be found in minority census tracts, and subprime loans more likely.

In addition, white households in the U.S. are far wealthier than black or Hispanic households, a disparity that remains unexplained even after taking into account income and demographic factors, says Sharmila Choudhury, with the Office of Policy at the Social Security Administration, in her paper "Racial and Ethnic Differences in Wealth and Asset Choices." Specifically, whites have, on average, four times the amount of liquid assets as blacks or Hispanics. Since assets may fund higher downpayments or protect lenders from the risk of default, asset disparities are likely to contribute to loan disparities, as well.

Minority Homeownership — Closing the Gap

Lenders will continue to explore ways to encourage minority homeownership that is fair and affordable. Like many other businesses, banks understand that reaching out to minority populations makes good business sense. One in every four Americans is a member of a minority group, according to the 2000 U.S. Census, and the collective buying power of African-Americans, Asian-Americans, Hispanics and American Indians has nearly doubled over the last decade.

In addition, homeownership is a primary method for building wealth. Equity in one's home also can help finance a child's education and contributes to retirement savings.

One way to encourage more homeownership is teaching customers about the basics of managing credit. This can better prepare borrowers for the loan application process and enable them to be more successful in becoming and staying homeowners. While many banks support and participate in consumer education programs (including seminars and individual counseling), more can be done to help consumers encounter fewer roadblocks in the qualification process.

By reaching out specifically to minorities, banks can help correct misunderstandings they may have about the homebuying process that can inhibit their pursuit of homeownership. For example, according to a Fannie Mae study, 73 percent of the general public know that you do not need to have a perfect credit rating to qualify for a mortgage, compared to 57 percent of African-Americans, 64 percent of English Hispanics, and only 22 percent of Spanish Hispanics (those who read or speak Spanish most frequently at home). The same study found that African-Americans are more likely to expect to encounter discrimination in the homebuying process. Such perceptions represent significant barriers to homeownership — barriers the banking industry is committed to removing.

Key HMDA Dates

Data collected under the Home Mortgage Disclosure Act (HMDA) are used to determine whether lending institutions are meeting the housing credit needs of their communities, to help public officials target community development investment, and to help regulators enforce fair lending laws. Revisions to HMDA that took affect Jan. 1, 2004, were fairly extensive. Below is an abbreviated timeline of how the 30-year-old law has evolved. For a more extensive history, visit www.ffiec.gov.

1975

Congress enacts HMDA, which covers — at the time — only depository institutions and their majority-owned subsidiaries.

1980

HMDA's first set of amendments are enacted requiring certain lenders to compile information based on Metropolitan Statistical Area (MSA). Additionally, the Federal Financial Institutions Examination Council is directed to produce tables for each MSA that aggregate the lending activity of institutions by various categories of census tracts, grouped according to location; age of housing stock; income level and racial characteristics.

1988

HMDA is expanded to non-majority-owned savings and loan service corporations, mortgage banking subsidiaries of bank holding companies, and mortgage banking subsidiaries of savings and loan holding companies.

1989

HMDA amendments expand the coverage to include mortgage lenders not affiliated with depository institutions or holding companies. Lenders are required to report the race, gender and income of applicants and are permitted to explain the basis for their lending decisions.

2003

Lenders are required to ask applicants their race or national origin and gender in applications taken over the phone.

2004

The asset exemption for depository institutions is raised to $34 million for data collection in 2005. The asset threshold for non-depository institutions for the 2005 collection remains unchanged at $10 million or less. Revisions are also made that:

- Add a dollar-volume test to the existing percentage-based coverage test for non-depository institutions;

- Require lenders to report information related to loan pricing. For loans where the annual percentage rate (APR) is higher — by a specified amount — than comparable Treasury securities, lenders must report the rate spread between the APR and the Treasury rate. Lenders also must report whether a loan is subject to the requirements of the Home Ownership and Equity Protection Act;
- Require lenders to report whether the loan is secured by a first or second lien;
- Require lenders to report whether an application or loan involves a manufactured home;
- Change the definition of preapproval, refinancing, and home improvement loan to promote consistency; and
- Make technical changes, such as revising categories of ethnicity and race, and reorganizing the regulation.

Key HMDA Terms

Action Taken Date: The settlement or closing date for originations. For applications that did not result in an origination, the date when the action was taken or when the notice was sent to the applicant is entered. For an application that was expressly withdrawn by the applicant, either the date shown on the applicant's letter or the date the lender received the letter or notice is reported. For loans that an institution purchased, the date of purchase is entered.

Action Taken Type: The disposition of the loan/application.

Activity Year: The year for which the HMDA data are being collected.

Agency Code: Code to identify the supervisory agency of the HMDA reporting institution. The codes for each agency are:

1 Office of the Comptroller of the Currency (OCC)
2 Federal Reserve System (FRS)
3 Federal Deposit Insurance Corporation (FDIC)
4 Office of Thrift Supervision (OTS)
5 National Credit Union Administration (NCUA)
7 Department of Housing and Urban Development (HUD)

Applicant Race: Race or national origin of the applicant. This is reported for originated loans and for loan applications that do not result in an origination. Institutions may, but are not required to, report these data for purchased loans. "Not applicable" should be used for loans/applications to businesses.

Applicant Sex: Gender of the applicant. This is reported for originated loans and for loan applications that do not result in an origination. Institutions may, but are not required to, report these data for loans that you purchase. "Not applicable" should be used for loans/applications to businesses.

Application Received Date: The date the application was received or the date shown on the application form. For purchased loans, "NA" for not applicable is reported.

Census Tract: A Census Tract identifies a small, relatively permanent statistical subdivision of a county. Census Tract numbers range from 0001.00 to 9989.00 and are unique within a county. There is a census tract for every area of the United States.

CoApplicant Race: Race or national origin of the CoApplicant. This is reported for originated loans and for loan applications that do not result in an origination. Institutions may, but are not required to, report these data for loans that you purchase. If there is no CoApplicant, the numerical code for not applicable is reported. Not applicable may also be used for loans/applications to businesses.

CoApplicant Sex: Gender of the CoApplicant. This is reported for originated loans and for loan applications that do not result in an origination. If there is no CoApplicant, the numerical code for not applicable is reported in that field. Institutions may, but are not required to, report these data for purchased loans. Not applicable may also be used for loans/applications to businesses.

County Code: A three-digit FIPS (Federal Information Processing Standards) code that identifies the county where the property is located.

Dwelling: Dwelling means any residential structure whether or not attached to real property, including condominium and cooperative units and mobile or manufactured homes. It refers to both one-to-four-family and multifamily structures. Recreational vehicles such as boats or campers are not dwellings under HMDA.

Geocode: Geocode refers to the combination of MA/state/county/census tract reported for a HMDA loan.

Gross Annual Income: The income reported is the total gross annual income an institution relied upon in making the credit decision. “NA” is used when an institution does not take the applicant’s income into account, if the loan/application is for a multifamily dwelling, or if an institution chooses not to collect this information for a purchased loan. “NA” is also used for loans to an institution’s employees to protect their privacy, as well as for loans to businesses.

Home Improvement Loan: A home improvement loan, as classified by the reporting institution, is a loan that will be used for repairing, rehabilitating, remodeling, or improving a dwelling or the real property on which it is located. Home improvement loans include secured and unsecured loans, and refinancings of home improvement loans.

Home Purchase Loan: A home purchase loan is any loan secured by and made for the purpose of purchasing a dwelling.

Loan Application Number: A unique identifier (up to 25 characters long) that can be used to retrieve the particular loan/application to which the entry relates. It is recommended that institutions do not use applicants’ names or social security numbers to ensure the privacy of the applicant or borrower.

Loan Application Register (LAR): A financial institution submits its HMDA data using the loan application register. The FFIEC uses information provided on the loan/application registers to produce HMDA disclosure statements for each reporting institution, as well as aggregate tables for all covered lenders in each metropolitan area (MA).

Loan Purpose: Indicates whether the purpose of the loan or application was for home purchase, home improvement, or refinancing.

Loan Type: Indicates whether the loan granted, applied for, or purchased was conventional, government-guaranteed, or government-insured.

Metropolitan Area (MA): An area that contains a city with a population of at least 50,000, or contains an urbanized area with a population of 50,000 or more and has a total metropolitan population of at least 100,000 (75,000 in New England). This is a four-digit code defined by the Office of Management and Budget. Those properties located outside of an MA should be coded as “NA” for not applicable.

Occupancy: Indicates whether the property to which the loan application relates will be the borrower’s principal dwelling. For multifamily dwellings (housing five or more families) and any dwellings located outside MAs or in MAs where an institution does not have a home or branch offices, an institution may either enter the code for not applicable or the code for the actual occupancy status.

Quality Edits: These edits verify the reasonableness of data. The letter “Q” precedes the error numbers. A loan field marked by a quality edit must be confirmed for its correctness before the HMDA data can be exported to the regulator.

Reasons for Denial: These optional fields identify why an application was not approved. As many as three reasons may be reported.

Refinancing: Refinancing means a loan transaction in which the existing obligation, involving either a home purchase or a home improvement loan, is satisfied and replaced by a new obligation.

Respondent ID: A 10-digit number used to identify a HMDA reporting institution. The number is assigned by each regulatory agency and is unique to each institution. The criteria for assigning IDs by each agency are as follows:

FDIC	Certificate Number
FRS	NIC Number
HUD	Tax Identification Number
NCUA	Charter Number
OCC	Charter Number
OTS	Docket Number

Respondent Name: The name of the HMDA reporting institution.

State Code: A two-digit FIPS (Federal Information Processing Standards) code that identifies the state where the property is located.

Syntactical Edits: These edits verify the integrity of the data. Syntactical edits indicate that a part of the data is in error and must be revised. The letter "S" precedes the error numbers. Syntactical edits must be corrected before the HMDA data can be exported to the regulator.

Transmittal Sheet (TS): The transmittal sheet is submitted with a bank's data. The transmittal sheet includes the following information: reporter's HMDA ID, regulatory agency, reporter's tax ID, number of loans submitted, HMDA activity year, name of reporting institution, address, contact name, telephone number, and fax number.

Type of Purchaser: This identifies the type of purchaser of all loans sold within a calendar year. If the loan was NOT sold or originated in the calendar year, then the Type of Purchaser code will indicate that the loan was not originated or was not sold in the CY HMDA.

Validity Edits: These edits verify the accuracy of the data. Validity edits indicate that a part of the data is in error and must be revised. The letter "V" precedes the error numbers. Validity edits must be corrected before the HMDA data can be exported to your regulator.

Source: Federal Financial Institutions Examination Council. This glossary can be found at www.ffiec.gov/hmda/glossary.htm

Housing Price Trends: 25 Most Expensive Markets

Today's dramatically increasing housing prices have made it more difficult for some to buy a home. According to the U.S. Census Bureau, the median family income is $52,000. To put this in perspective, as a general rule of thumb, individuals can qualify for a mortgage three times their income. That means a family with an income of $52,000 would qualify for a $156,000 mortgage. Therefore, a family living in San Francisco would need to be making more than $200,000 just to afford the median house, and in Washington, D.C., a family needs to be making approximately $89,000 to afford the median house. For more information on what annual income is needed to afford a median priced home, check out the Center for Housing Policy's Paycheck to Paycheck database at www.centerforhousingpolicy.org/p2p.

Metro Area	State	2004 Median Price	One Year (2003-2004)	Three Years (2001-2004)	Five Years (1999-2004)
San Francisco	CA	$629,005	8.1%	15.9%	56.3%
San Jose	CA	$584,493	5.6%	7.1%	50.0%
Santa Cruz-Watsonville	CA	$572,654	10.0%	21.3%	68.5%
Santa Barbara-Santa Maria-Lompoc	CA	$509,740	15.0%	47.9%	85.9%
Orange County	CA	$508,040	28.2%	102.2%	183.0%
Salinas	CA	$472,408	17.4%	38.2%	100.2%
Oakland	CA	$454,504	10.8%	26.6%	75.6%
Honolulu	HI	$444,260	14.2%	34.1%	44.8%
Santa Rosa	CA	$437,766	11.4%	28.0%	81.0%
Ventura	CA	$435,954	19.3%	54.6%	88.0%
San Luis Obispo-Atascadero-Paso Robles	CA	$419,866	16.0%	49.0%	99.6%
San Diego	CA	$417,070	18.4%	54.7%	98.6%
Boston	MA	$355,431	8.3%	29.6%	65.4%
New York	NY	$355,042	10.1%	32.7%	62.9%
Nassau County	NY	$352,903	11.0%	41.7%	78.9%
Bergen County	NJ	$352,314	11.4%	34.6%	59.7%
Newburgh	NY-PA	$348,049	21.2%	90.2%	157.0%
Los Angeles	CA	$346,756	18.7%	49.1%	72.0%
Vallejo-Fairfield-Napa	CA	$336,704	14.9%	42.1%	94.9%
Barnstable	MA	$331,021	15.4%	52.1%	106.4%
Yolo	CA	$311,155	16.4%	52.8%	97.6%
Boulder-Longmont	CO	$306,153	1.3%	7.8%	38.2%
Newark	NJ	$305,298	11.0%	33.6%	57.0%
Sacramento	CA	$287,410	17.0%	47.6%	89.7%
Washington	DC	$286,033	13.5%	39.6%	66.5%

Source: www.kiplinger.com/tools/houseprices

Housing Price Trends: 25 Least Expensive Markets

Even the median price of homes in the least expensive markets has grown about 20 percent over the last five years.

Metro Area	State	2004 Median Price	One Year (2003-2004)	Three Years (2001-2004)	Five Years (1999-2004)
Mcallen—Edinburg—Mission	TX	$61,885	3.4%	12.3%	20.0%
Brownsville—Harlingen—San Benito	TX	$63,194	1.8%	10.3%	18.6%
Pine Bluff	AR	$68,275	4.7%	12.3%	16.9%
Enid	OK	$69,991	5.3%	14.4%	15.5%
Wichita Falls	TX	$71,518	4.8%	12.1%	18.8%
Abilene	TX	$72,618	6.8%	12.3%	18.7%
Beaumont—Port Arthur	TX	$72,892	4.0%	11.8%	19.5%
San Angelo	TX	$76,293	2.4%	9.5%	18.2%
Jamestown	NY	$78,407	2.9%	11.8%	19.0%
Johnstown	PA	$78,563	3.6%	14.0%	27.3%
Texarkana	TX	$80,515	8.6%	17.8%	28.9%
Sherman—Denison	TX	$81,207	2.4%	8.9%	25.1%
Elmira	NY	$81,433	6.2%	12.0%	26.6%
Decatur	IL	$81,748	4.1%	10.3%	19.5%
Lubbock	TX	$81,811	3.8%	13.4%	20.1%
El Paso	TX	$82,305	3.4%	12.0%	17.6%
Waco	TX	$82,447	4.8%	14.1%	23.8%
Fort Smith	AR-OK	$83,125	4.6%	10.6%	21.1%
Wheeling	WV	$83,197	8.1%	17.3%	28.2%
Steubenville—Weirton	OH	$83,288	6.5%	17.9%	32.7%
Joplin	MO	$84,368	4.0%	13.0%	24.5%
Corpus Christi	TX	$84,380	5.3%	15.3%	21.9%
Lawton	OK	$85,512	6.0%	14.1%	18.4%
Longview—Marshall	TX	$85,981	6.1%	14.3%	20.9%
Gadsden	AL	$87,226	4.2%	15.2%	26.4%

Source: www.kiplinger.com/tools/houseprices

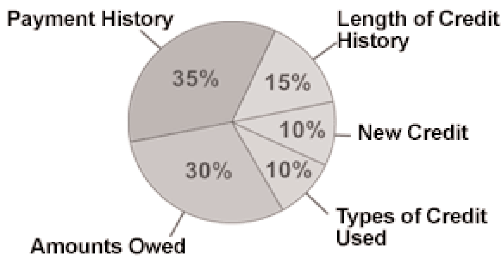
Fact Sheet: Credit Reports and Credit Scores

Credit reports and scores help lenders adequately assess the risks involved in lending to any particular borrower. They are proven indicators of how well a borrower is likely to manage his or her debt. Because they are accessible and reliable, scores and reports help lenders make fast loan decisions; they also help determine the rates and terms of loans that are made. Following are facts about both credit scores and credit reports and what consumers can do to make both work to their advantage when applying for a loan:

A credit score offers an objective measurement of a borrower's ability to manage debt.

- A borrower's credit history is summarized by a credit score. Credit scores to help lenders evaluate a consumer's credit worthiness.

- Credit scores are calculated from a consumer's payment history, length of credit history, new credit, types of credit used, and amounts owed (see chart). The combination of each of these areas is what makes up the overall score, which ranges from 300-850.



Source: www.myfico.com

- The score is an objective measurement of credit risk based on information in your credit reports, so it's important for consumers to review those reports at least annually to check for errors.

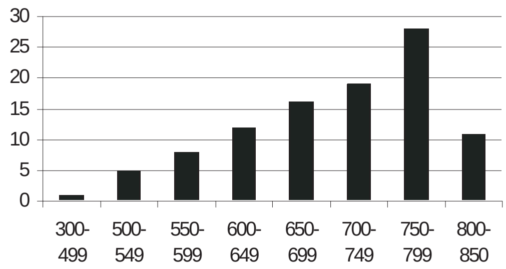
- Credit scoring enables lenders to assess factors that affect credit risk. Other factors — like your gender, race, religion, nationality and marital status — are not considered by credit scoring.

The majority of the population has a favorable credit score.

- A high credit score indicates strong creditworthiness, and that qualifies you for better interest rates on your loans — whether they are mortgage loans or credit card loans.

- With income and debt equal among borrowers, those with scores below 620 are viewed as a higher risk and generally ineligible for prime loans unless they make significant down payments.

Credit Ranges Held by Percent of U.S. Population



Source: www.myfico.com

Fact Sheet

- The impact of a credit score on a borrower's interest rate can be significant. For instance, a borrower with a score of 760 could pay two percentage points less in interest on a mortgage than someone with a score of 620. Lower interest rates also mean lower monthly payments.

Consumers should review their credit report annually to look for inaccuracies, fraud or mistaken identities.

- A credit report is an account from one of three independent agencies that verifies current employment and income, and provides information on debts and liabilities. Although each agency formats the information differently, all credit reports contain the consumer's social security number, date of birth and employment information.

- If an error is found, the credit reporting agency must investigate and respond within 30 days. Errors should be reported directly to the credit reporting agency:

Equifax	1-800-685-1111	www.equifax.com
Experian	1-800-397-3742	www.experian.com
TransUnion	1-800-888-4213	www.transunion.com

- The Federal Trade Commission recently enacted a rule allowing consumers to obtain a free credit report from each credit reporting agency annually. The program is being rolled out in phases:

  Dec. 1, 2004 — Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming

  March 1, 2005 — Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin

  June 1, 2005 — Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, Oklahoma, South Carolina, Tennessee, Texas

  Sept. 1, 2005 — Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, Vermont, Virginia, West Virginia, Washington, DC

- To get their free annual credit report, consumers must go through the Federal Trade Commission's (FTC) Web site at www.annualcreditreport.com, call 1-877-322-8228 or write: Annual Credit Report Request Service, PO Box 105281, Atlanta, GA, 30348-5281.

- Consumers can request a copy of their credit report directly from each credit reporting agency, however fees will be charged. Free reports are only available through the FTC.

Consumers can improve their credit records and credit scores by following these tips:

- Always pay your creditors on time — a positive payment history is one of the most important factors lenders evaluate when you apply for a loan.
- Keep balances low on credit cards and other "revolving credit." High outstanding debt can affect a score.
- If you have missed payments, get current and stay current. The longer you pay your bills on time, the better your score.
- Don't open a number of new credit cards that you don't need, just to increase your available credit. This approach could backfire and actually lower your credit score.
- Don't be afraid of credit cards. Fair Isaac Co., a company that calculates credit scores, says that having credit cards and installment loans (and making timely payments) will raise your score. Someone with no credit cards tends to be a higher risk than someone who has managed credit cards responsibly.