



UNDERSTANDING YOUR FICO® CREDIT SCORE

Your credit score is a number based on the information in your credit file that shows how likely you are to pay a loan back on time – the higher your credit score, the less risk you represent. The credit score that lenders use is called a FICO® score. Your FICO® score helps a lender determine whether you qualify for a loan and what interest rate you'll pay.

What makes up your credit score?

- 35%** Based on payment history (i.e. on time pays or delinquencies). More weight is placed on current pay history.
- 30%** Capacity. Capacity is king!
- 15%** Length of credit history.
- 10%** Accumulation of debt in the last 12 - 18 months. Number of credit inquiries and opening dates can affect your score.
- 10%** Mix of credit. Installment debt raises your credit score and revolving credit lowers it. The more finance company loans you have, the lower the score.

What doesn't affect your credit score?

- Debt ratio
- Income
- Length of residence
- Length of employment

Approximate credit weight for each year

- 40%** Current to 12 months
- 30%** 13 - 24 months
- 20%** 25 - 36 months
- 10%** 37+ months

What actions will hurt your credit score?

- Missing payments (regardless of the dollar amount). It will take 24 months to restore credit with one late payment.
- Maxing out your credit cards.
- Closing credit cards out. This lowers available capacity.
- Shopping for credit excessively.
- Opening up numerous trades in a short time period.
- Having more revolving loans in relation to installment loans.
- **Borrowing from finance companies (i.e. "payday lenders")**.

What actions will improve your credit score?

- Pay down credit cards.
- Do not close credit card accounts because capacity will decrease.
- Always make payments on time. Older late payments will become less significant with time.
- Slow down on opening new accounts.
- Acquire a solid credit history with years of experience.
- Move revolving debt to installment debt.



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