

Credit Score

Credit Score

- Excellent
- Average
- Poor

**WHAT YOU
NEED TO
KNOW!**

So, What is a Credit Score?



- It's a measurement of credit worthiness
- It's based on Information on your credit report



So, What is a Credit Score?



- A CREDIT REPORT tracks your credit activity
- Many creditors look at the score & not the report



Credit Bureaus



Equifax



- Experian



Transunion



FICO SCORE



Runs 300-850

Each has its
own score

Creditors can
pull one or all
three reports

FICO Score



FICO Score



Payment History 35%

- On-time payments help, late payments hurt
- Accounts in collections hurt significantly

Amount Owed 30%

- Hurts to have balance close to credit limit

FICO Score



Length of
Credit
History 15%

- Longer history improves credit score

New Credit
10%

- Number of new accounts
- Inquiries

Types of credit
used 10%

- A variety of credit is good

What Does Not Affect Your Credit Score



- Debt Ratio
- Income
- Length of Residence
- Length of Employment

The High cost of a low credit score



Declined loans

- More difficult to get approved for a loan

High interest rates

- The lower your score the higher the interest

Large down payment

- Creditors may ask for a higher down payment or collateral

It can ADD up!



Amount Borrowed for a vacation	5,000 balance	5,000 balance	5,000 balance
Interest Rate	10.9%	9.9%	18.9%
Monthly Payment	\$100.00	\$150.00	\$100.00
How long to pay off? How much will interest be?	68months \$1718.30	40 months \$881.53	100 months \$4986.56

Improve your FICO score



Always pay on time

- Pay down existing debt

Diversify your credit

- Review your credit report for errors

Improve your FICO Score



Keep your oldest accounts

- Limit balance transfers

Avoid excess credit card applications

- Be patient

Credit Weight



40%

- Current to 12 months

30%

- 13-24 months

20%

- 25-36 months

10%

- 37+ months

How to get Started



- Ways to establish or re-establish credit
- So, If you've never had credit or you've had credit troubles in the past...
 - Start with requesting a small amount
 - Share secured loan
 - Keep your balance low
 - ALWAYS PAY ON TIME!

There is always a way OUT!



- Don't be discouraged
- Come up with a plan and stick to it!
- Your credit score CAN increase in time