

# Score Up! Your Credit Journey Starts Here



## What is a credit score?

A credit score is a three-digit number that tells banks and lenders how likely you are to repay debt. Think of it as a financial report card. Credit scores typically range from 300 to 850 in the United States, with higher scores indicating better creditworthiness. How creditworthy are you? What does your credit history currently look like?

## How is a credit score calculated?

According to FICO (Fair Isaac Corporation), there are five things that impact a credit score.

1. **Payment history (35%)** - This looks at your payment history. How many payments have you missed? Have collections contacted you? Have you filed for bankruptcy?
2. **Accounts owed (30%)** - Credit bureaus do not like it when someone using too much of their credit, or not enough. If you are using the majority of your credit limit on an account(s), bureaus might ding you because they think you are “in over your head.”
3. **Length of credit history (15%)** - Bureaus look at how long that you have had your accounts. This category is made up of how long those accounts have been established, how old they are, and how much time has passed since you have used them.
4. **New credit (10%)** - Bureaus look at this because they want to know how many new accounts you have opened recently. If you don't have a long history with credit, they will see this a a negative thing and ding your score!
5. **Credit mix (10%)** - Bureaus look at what kinds of debt that you have, such as personal loans, credit cards, mortgages, etc. They actually don't care what kinds of debt that you have, they just like to know this information.

Unfortunately, credit scores don't take into account if you are good at balancing a checkbook, keeping a budget, or investing in mutual funds. It only monitors how good you are at borrowing money and paying it back over the course of your life. If you are lucky enough to have a credit score above 800, creditors may treat you like you are famous! But there is a catch... Your “superior” score in no way, shape of form indicates that you are actually good at handling money. Remember, it just means that you are good at borrowing lots of money and paying it back on time!



## How can I check my credit score?

- AnnualCreditReport.com
- Experian.com
- Equifax.com
- TransUnion.com

## Can my score be different across the different bureaus?

Yes, they could be! There are three main credit bureaus used by the vast majority of lenders to determine your creditworthiness. They are Experian, Equifax, and TransUnion. All three companies use the same type of information to generate your credit score (see five listed items above). If they all use the same information, then why might my credit score differ across each one you ask? There are a few reasons.

- Your credit card issuer does not report to all credit bureaus
- You are looking at different types of credit scores (FICO and VantageScore)
  - VantageScore is based on similar factors to FICO, but with a couple differences. It assigns different weights to each category and it specifically categories “balances” and “available credit” separately.
- Credit bureaus examine different credit reports

## How can I improve my credit score?

There are a few ways that you can improve your score the traditional way. Credit bureaus like to see the following:

- Paying your bills on time
- Paying off debt
- Carrying a balance that is less than your credit limit
- Disputing inaccuracies

## Why is obtaining your credit score important?

- **Knowing Where You Stand:** Your credit score gives you a clear picture of your financial health. It tells you how likely you are to be approved for loans or credit cards and what kind of interest rates you might get. By knowing your score, you can understand your financial strengths and areas where you might need to improve.
- **Detecting Errors:** Sometimes, mistakes can happen on your credit report that negatively impact your credit score. By checking your credit score regularly, you can catch any errors or inaccuracies and dispute them with the credit bureaus. Fixing these errors can help improve your score and prevent problems when you apply for credit in the future.
- **Monitoring Progress:** If you're working on improving your credit score, regularly checking it allows you to see how your efforts are paying off. You can track your progress over time and adjust your financial habits accordingly.
- **Preparing for Major Financial Decisions:** Whether you're planning to buy a car, rent an apartment, or apply for a mortgage, knowing your credit score ahead of time allows you to take steps to improve it if necessary. A higher credit score can help you qualify for better loan terms and save money in the long run.

Overall, obtaining your credit score empowers you to make informed financial decisions and take control of your financial future.

## For more information:

- Consumer Financial Bureau - Credit reports and scores
  - <https://www.consumerfinance.gov/consumer-tools/credit-reports-and-scores/>
- Federal Trade Commission Consumer Advice - Free Credit Reports
  - <https://consumer.ftc.gov/articles/free-credit-reports>
- USAGov - Learn about your credit report and how to get a copy
  - <https://www.usa.gov/credit-reports>
- Equifax - Your Credit, Your Identity
  - <https://www.equifax.com/>
- Federal Deposit Insurance Corporation (FDIC) - Credit Reports and Credit Scores
  - <https://www.fdic.gov/resources/consumers/consumer-news/2021-08.html>

