

## How the FICO<sup>®</sup> Score Counts Inquiries

FICO score counts inquiries—requests a lender makes for your credit report or score when you apply for credit. FICO scores consider inquiries very carefully, as not all inquiries are related to credit risk. There are three important facts about inquiries to note here:

■ **Inquiries usually have a small impact.** For most people, one additional credit inquiry will take less than five points off their FICO score. However, inquiries can have a greater impact if you have few accounts or a short credit history. Large numbers of inquiries also mean greater risk: People with six inquiries or more on their credit reports can be up to eight times more likely to declare bankruptcy than people with no inquiries on their reports.

■ **Many kinds of inquiries are ignored completely.** Your FICO score does not count an inquiry when you order your credit report or credit score from a credit reporting agency or [www.myFICO.com](http://www.myFICO.com). Also, the FICO score does not count inquiries a lender has made for your credit report or score in order to make you a “pre-approved” credit offer, or to review your account with them, even though you may see these inquiries on your credit report. Inquiries that are marked as coming from employers are not counted either.

■ **The score allows for “rate shopping.”** If you’re looking for a mortgage or an auto loan, you may want to check with several lenders to find the best rate. This can cause multiple lenders to request your credit report, even though you’re only looking for one loan. To compensate for this, FICO scores distinguish between a search for a single loan and a search for many new credit lines, in part by the length of time over which inquiries occur. When you need an auto or home loan, you can avoid lowering your FICO score by doing your rate shopping within a short period of time, such as 14 days.

### SHOULD I CLOSE OLD ACCOUNTS TO RAISE MY SCORE?

**No.** In fact, it might lower your FICO score. First of all, any late payments associated with old accounts won’t disappear from your credit report if you close the account. Second, long established accounts show you have a longer history of managing credit, which is a good thing. And third, having available credit that you don’t use does not lower your FICO score. You may have reasons other than your FICO score to shut down old credit card accounts that you don’t use. But don’t do it just to get a better score.

## Five parts to your FICO® credit scores

As a rule, credit scores analyze the credit-related information on your credit report. How they do this varies. Since FICO scores are frequently used, here is how these scores assess what is on your credit report.

### 1. Your payment history—about 35% of a FICO score

Have you paid your credit accounts on time? Late payments, bankruptcies and other negative items can hurt your credit score. But a solid record of on-time payments helps your score.

### 2. How much you owe—about 30% of a FICO score

FICO scores look at the amounts you owe on all your accounts, the number of accounts with balances, and how much of your available credit you are using. The more you owe compared to your credit limit, the lower your score will be.

### 3. Length of credit history—about 15% of a FICO score

A longer credit history will increase your score. However, you can get a high score with a short credit history if the rest of your credit report shows responsible credit management.

### 4. New credit—about 10% of a FICO score

If you have recently applied for or opened new credit accounts, your credit score will weigh this fact against the rest of your credit history. FICO scores distinguish between a search for a single loan and a search for many new credit lines, in part by the length of time over which inquiries occur. If you need a loan, do your rate shopping within a focused period of time, such as 30 days, to avoid lowering your FICO score.

### 5. Other factors—about

#### 10% of a FICO score

Several minor factors also can influence your score. For example, having a mix of credit types on your credit report—credit cards, installment loans such as a mortgage or auto loan, and personal lines of credit—is normal for people with longer credit histories and can add slightly to their scores.

#### What's NOT in your scores

By law, credit scores may not consider your race, color, religion, national origin, sex and marital status, and whether you receive public assistance or exercise any consumer right under the federal Equal Credit Opportunity Act or the Fair Credit Reporting Act.

## What is a good score?

When lenders talk about “your score,” they usually mean the FICO® score developed by Fair Isaac Corporation. It is today's most commonly used scoring system. FICO scores range from 300–850, and most people score in the 600s and 700s (higher FICO scores are better). Lenders buy your FICO score from three national credit reporting agencies (also called credit bureaus): Equifax, Experian and TransUnion.

In the eyes of most lenders, FICO credit scores above 700 are very good and a sign of good financial health. FICO scores below 600 indicate high risk to lenders and could lead lenders to charge you much higher rates or turn down your credit application.

## Not just one score

There are many types of credit scores. They are developed by independent companies, credit reporting agencies, and even some lenders. As a rule, the higher the score, the better.

- **Each credit reporting agency calculates your score** and each score may be different because the credit history each agency has about you may be different. Lenders may make a credit card or auto loan decision based on a single agency's score, although others such as mortgage lenders often will look at all three scores.
- **Your credit score changes** when your information changes at that credit reporting agency. This is good news! It means you can improve a poor score over time by improving how you handle credit.
- **Many insurance companies use something similar** when setting your insurance rates, called a “credit-based insurance score.” You may be able to improve your insurance score by improving how you handle credit, which in turn may lower your premium payments on auto or homeowners insurance.
- **Some credit scores offered to consumers are just estimates** and are different from the credit risk scores lenders actually use, although they may appear similar. Consumer reporting agencies and other companies sometimes use an estimated score to illustrate a consumer's general level of credit risk. How might you tell whether a score is estimated? Ask the company if the score is used by most lenders. If it isn't, it is likely to be an estimated score.



### DOES MY FICO SCORE ALONE DETERMINE WHETHER I GET CREDIT?

**No.** Most lenders use a number of facts to make credit decisions, including your FICO score. Lenders look at information such as the amount of debt you can reasonably handle given your income, your employment history, and your credit history. Based on their perception of this information, as well as their specific underwriting policies, lenders may extend credit to you although your FICO score is low, or decline your request for credit although your FICO score is high.

## How FICO® Scores Help You

**FICO scores give lenders a fast, objective measurement of your credit risk.** Before the use of scoring, the credit granting process could be slow, inconsistent and unfairly biased. Credit scores—especially FICO scores, the most widely used credit scores—have made big improvements in the credit process. Because of FICO scores:

■ **People can get loans faster.** FICO scores can be delivered almost instantaneously, helping lenders speed up loan approvals. This means that when you apply for credit, you'll get an answer more quickly. Today many credit decisions can be made within minutes—or online, within seconds. Even a mortgage application can be approved in hours instead of weeks for borrowers who score above a lender's "score cutoff." FICO scores also allow retail stores, internet sites and other lenders to make "instant credit" decisions.

■ **Credit decisions are fairer.** Using FICO scores, lenders can focus only on the facts related to credit risk, rather than their personal opinions or biases. Factors like your gender, race, religion, nationality and marital status are not considered by FICO scores. So when a lender makes a credit decision based at least partly on your FICO score, you can be sure that the lender's evaluation of your credit history is fair and objective.

■ **Older credit problems count for less.** If you have had poor credit performance in the past, FICO scores don't let that haunt you forever. The impact of past credit problems on your FICO score fades as time passes and as recent good payment patterns show up on your credit report. And FICO scores weigh any credit problems against the positive information that says you're managing your credit well.

■ **More credit is available.** Lenders who use FICO scores can make more credit available to you or offer better terms because your FICO score gives them more precise information on which to base credit decisions. It allows lenders to identify individuals who are likely to perform well in the future, even though their credit report shows past problems. Even if your FICO score is lower than a lender's cutoff for "automatic approval," you may still benefit from your lender's use of FICO scores. Many lenders offer a choice of credit products geared to different risk levels. Most have their own separate guidelines, so if you are turned down by one lender, another may approve your loan. The use of FICO scores gives lenders the confidence to offer credit to more people, because they have a better understanding of the risk they are taking on. And this gives you more options when you apply for credit.

■ **Credit rates are lower overall.** With more credit available, you may pay less. Automated credit processes, including credit scoring, make the credit granting process more efficient and less costly for lenders, who in turn have passed savings on to their customers. And by controlling credit losses by using FICO scores, lenders can make rates lower overall. Mortgage rates are lower in the United States than in Europe, for example, in part because of the information—including FICO scores—available to lenders here.

### HOW FAST DOES MY FICO SCORE CHANGE?

Your FICO score can change whenever your credit report changes. But your score probably won't change a lot from one month to the next. In a given three-month time period, only about one in four people has a 20-point change in their FICO score.

While a bankruptcy or late payments can lower your FICO score fast, improving your FICO score takes time. That's why it's a good idea to check your FICO score 6–12 months before applying for a big loan, so you have time to take action if needed. If you are actively working to improve your FICO score, you'd want to check it quarterly or even monthly to review changes.



### HOW CAN MISTAKES GET ON MY CREDIT REPORT?

If your credit report contains errors, it is often because the report is incomplete, or contains information about someone else. This typically happens because:

- **You applied for credit under different names**  
(Mary Jones, Mary Jones-Smith, etc.).
- **Someone made a clerical error in reading or entering name or address information from a handwritten application.**
- **You gave an inaccurate Social Security number, or the number was misread by the lender.**
- **Loan or credit card information was inadvertently applied to the wrong account.**

You can also buy your report and dispute any errors by contacting the credit reporting agencies directly:

■ **Equifax:** (800) 685-1111,  
[www.equifax.com](http://www.equifax.com)

■ **Experian (formerly TRW):**  
(888) 397-3742,  
[www.experian.com](http://www.experian.com)

■ **TransUnion:**  
(800) 888-4213,  
[www.transunion.com](http://www.transunion.com)

## Your Credit Report — The Basis of Your FICO® Score

Credit reporting agencies maintain files on millions of borrowers. Lenders making credit decisions buy credit reports on their prospects, applicants and customers from the credit reporting agencies.

Your report details your credit history as it has been reported to the credit reporting agency by lenders who have extended credit to you. Your credit report lists what types of credit you use, the length of time your accounts have been open, and whether you've paid your bills on time. It tells lenders how much credit you've used and whether you're seeking new sources of credit. It gives lenders a broader view of your credit history than do other data sources, such as a bank's own customer data.

Your credit report contains many pieces of information that reveal many aspects of your borrowing activities. The ability to quickly, fairly and consistently consider all this information, including the relationships between different types of information, is what makes credit scoring so useful.

### CHECK YOUR CREDIT REPORT

You should review your credit report from each credit reporting agency at least once a year and especially before making a large purchase, such as a house or car. By September 1, 2005, people in all 50 states will have the right to obtain one free copy of their credit report a year from each of the three major credit reporting agencies. For more information, contact the Annual Credit Report Request Service at:

P.O. Box 105281  
Atlanta, GA 30348-5281  
1 877 FACT ACT (1 877 322 8228)  
[www.annualcreditreport.com](http://www.annualcreditreport.com)

You can buy additional copies of your credit reports from [www.myFICO.com](http://www.myFICO.com).

If you find an error, the credit reporting agency must investigate and respond to you within 30 days. If you are in the process of applying for a loan, immediately notify your lender of any incorrect information in your report.

## ARE FICO SCORES THE ONLY CREDIT RISK SCORES?

**No.** While FICO scores are the most commonly used credit risk scores in the US, lenders may use other scores to evaluate your credit risk. These include:

### ■ Application risk scores.

Many lenders use scoring systems that include the FICO score but also consider information from your credit application.

### ■ Customer risk scores.

A lender may use these scores to make credit decisions on its current customers. Also called "behavior scores," these scores generally consider the FICO score along with information on how you have paid that lender in the past.

■ **Other credit scores.** These scores may evaluate your credit report differently than FICO scores, and in some cases a higher score may mean more risk, not less risk as with FICO scores. When purchasing a credit score for yourself, make sure to get the FICO score, as this is the score most lenders use when making credit decisions.

## YOU HAVE THREE FICO SCORES

In general, when people talk about "your score," they're talking about your current FICO score. But in fact there are three different FICO scores developed by Fair Isaac—one at each of the three main US credit reporting agencies. And these scores have different names.

Credit Reporting Agency	FICO Score Name
Equifax	BEACON®
Experian	Experian/Fair Isaac Risk Model
TransUnion	FICO® Risk Score, Classic

The FICO scores from all three credit reporting agencies are widely used by lenders. The FICO score from each credit reporting agency considers only the data in your credit report at that agency. Fair Isaac develops all three FICO scores using the same methods and rigorous testing. These FICO scores provide the most accurate picture of credit risk possible using credit report data.

## WILL YOUR SCORES BE DIFFERENT?

FICO scores range from 300 to 850. Fair Isaac makes the scores as consistent as possible between the three credit reporting agencies. If your information was exactly identical at all three credit reporting agencies, your scores might still differ because the models for the three credit reporting agencies are developed separately. However, all three scores would be within a few points of each other.

Some people will find that their scores at the different bureaus will vary by more than a few points. The differences in scores can be caused by a couple of different factors:

1. The way lenders and other businesses report information to the credit reporting agencies sometimes results in different information being in your credit report at the three agencies.
2. The agencies may also record the same information in different ways. Even small differences in the information at the three credit reporting agencies can affect your scores.

Since lenders may review your score and credit report from any of the three credit reporting agencies, it's a good idea to check your credit report from all three and make sure they're all accurate.



## What a FICO Score Considers

**Listed on the next few pages are the five main categories of information that FICO scores evaluate, along with their general level of importance.**

Within these categories is a complete list of the information that goes into a FICO score. Please note that:

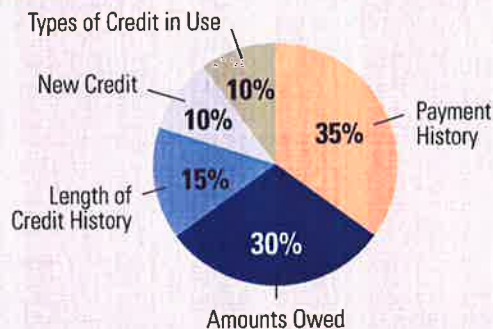
- ▶ **A FICO score takes into consideration all these categories of information, not just one or two.** No one piece of information or factor alone will determine your FICO score.
- ▶ **The importance of any factor depends on the overall information in your credit report.** For some people, a given factor may be more important than for someone else with a different credit history. In addition, as the information in your credit report changes, so does the importance of any factor in determining your FICO score.

Therefore, it's impossible to measure the exact impact of a single factor without looking at your entire report—even the levels of importance shown in the diagram below are for the general population, and will be different for different credit profiles.

- ▶ **Your FICO score looks only at information in your credit report.** Lenders often look at other information when making a credit decision, however, including your income, how long you have worked at your present job and what type of credit you are requesting.
- ▶ **Your FICO score considers both positive and negative information in your credit report.** Late payments will lower your FICO score, but establishing or re-establishing a good track record of making payments on time will raise your score.

### How a FICO Score Breaks Down

These percentages are based on the importance of the five categories for the general population. For particular groups—for example, people who have not been using credit long—the relative importance of these categories may be different.



## GETTING A BETTER SCORE

The next few pages give some tips for getting a better FICO score. It's important to note that raising your FICO score is a bit like getting in shape: It takes time and there is no quick fix. In fact, quick-fix efforts can backfire. The best advice is to manage credit responsibly over time. For information on how to monitor your FICO score's progress, see page 17.

## ►► FICO TIPS

### ■ Pay your bills on time.

Delinquent payments and collections can have a major negative impact on your FICO score.

■ **If you have missed payments, get current and stay current.** The longer you pay your bills on time, the better your FICO score.

■ **Be aware that paying off a collection account, or closing an account on which you previously missed a payment, will not remove it from your credit report.** Your FICO score will still consider this information, because it reflects your past credit pattern.

■ **If you are having trouble making ends meet, contact your creditors or see a legitimate credit counselor.** This won't improve your FICO score immediately, but if you can begin to manage your credit and pay on time, your score will get better over time. And seeking assistance from a credit counseling service will not hurt your FICO score.

■ **Avoid credit repair agencies that charge a fee to improve your FICO score by removing negative, but accurate, information from your credit report.** No one can force credit bureaus or lenders to remove accurate information from a credit report. Credit repair companies often take your money without delivering what they promise.

## 1. Payment History

### What is your track record?

Approximately 35% of your FICO score is based on this category.

The first thing any lender would want to know is whether you have paid past credit accounts on time. This is also one of the most important factors in a credit score.

Late payments are not an automatic "score-killer." An overall good credit picture can outweigh one or two instances of, say, late credit card payments. But having no late payments in your credit report doesn't mean you will get a "perfect score." Some 60%–65% of credit reports show no late payments at all. Your payment history is just one piece of information used in calculating your FICO score. Your FICO score takes into account:

- **Payment information on many types of accounts.** These will include credit cards (such as Visa, MasterCard, American Express and Discover), retail accounts (credit from stores where you do business, such as department store credit cards), installment loans (loans where you make regular payments, such as car loans), finance company accounts and mortgage loans.
- **Public record and collection items—reports of events such as bankruptcies, foreclosures, suits, wage attachments, liens and judgments.** These are considered quite serious, although older items and items with small amounts will count less than more recent items or those with larger amounts. Bankruptcies will stay on your credit report for 7–10 years, depending on the type.
- **Details on late or missed payments ("delinquencies") and public record and collection items.** The FICO score considers how late they were, how much was owed, how recently they occurred and how many there are. A 60-day late payment is not as significant as a 90-day late payment, in and of itself. But recency and frequency count too. A 60-day late payment made just a month ago will affect a score more than a 90-day late payment from five years ago.
- **How many accounts show no late payments.** A good track record on most of your credit accounts will increase your FICO score.



## 2. Amounts Owed

### How much is too much?

Approximately 30% of your FICO score is based on this category.

Having credit accounts and owing money on them does not mean you are a high-risk borrower with a low FICO score. However, when a high percentage of a person's available credit has already been used, this can indicate that a person is overextended, and is more likely to make some payments late or not at all. Part of the science of scoring is determining how much is too much for a given credit profile. Your FICO score takes into account:

- ▶ **The amount owed on all accounts.** Note that even if you pay off your credit cards in full every month, your credit report may show a balance on those cards. The total balance on your last statement is generally the amount that will show in your credit report.
- ▶ **The amount owed on all accounts, and on different types of accounts.** In addition to the overall amount you owe, your FICO score considers the amount you owe on specific types of accounts, such as credit cards and installment loans.
- ▶ **Whether you are showing a balance on certain types of accounts.** In some cases, having a very small balance without missing a payment shows that you have managed credit responsibly, and may be slightly better than carrying no balance at all. On the other hand, closing unused credit accounts that show zero balances and that are in good standing will not raise your FICO score.
- ▶ **How many accounts have balances.** A large number can indicate higher risk of over-extension.
- ▶ **How much of the total credit line is being used on credit cards and other "revolving credit" accounts.** Someone closer to "maxing out" on many credit cards may have trouble making payments in the future.
- ▶ **How much of installment loan accounts is still owed, compared with the original loan amounts.** For example, if you borrowed \$10,000 to buy a car and you have paid back \$2,000, you owe (with interest) more than 80% of the original loan. Paying down installment loans is a good sign that you are able and willing to manage and repay debt.

### ▶▶ FICO TIPS

■ **Keep balances low on credit cards and other "revolving credit."** High outstanding debt can affect your FICO score.

■ **Pay off debt rather than moving it around.** The most effective way to improve your FICO score in this area is by paying down your revolving credit.

■ **Don't close unused credit cards as a short-term strategy to raise your FICO score.** Owing the same amount but having fewer open accounts may lower your FICO 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 FICO score.

### ▶▶ FICO TIPS

■ **If you have been managing credit for a short time, don't open a lot of new accounts too rapidly.** New accounts will lower your average account age, which will have a larger effect on your FICO score if you don't have a lot of other credit information. Even if you have used credit for a long time, opening a new account can still lower your FICO score.

## 3. Length of Credit History

### How established is yours?

Approximately 15% of your FICO score is based on this category.

In general, a longer credit history will increase your FICO score. However, even people who have not been using credit long may get high FICO scores, depending on how the rest of the credit report looks. Your FICO score takes into account:

- ▶ **How long your credit accounts have been established, in general.** Your FICO score considers the age of your oldest account, the age of your newest account and an average age of all your accounts.
- ▶ **How long specific credit accounts have been established.**
- ▶ **How long it has been since you used certain accounts.**

## What FICO scores ignore

FICO scores consider a wide range of information on your credit report, as shown on pages 9–14. However, they do not consider:

- **Your race, color, religion, national origin, sex and marital status.** US law prohibits credit scoring from considering these facts, as well as any receipt of public assistance, or the exercise of any consumer right under the Consumer Credit Protection Act.
- **Your age.** Other types of scores may consider your age, but FICO scores don't.
- **Your salary, occupation, title, employer, date employed or employment history.** Lenders may consider this information, however.
- **Where you live.**
- **Any interest rate being charged on a particular credit card or other account.**
- **Any items reported as child/family support obligations or rental agreements.**
- **Certain types of inquiries (requests for your credit report or score).** Your FICO score does not count any inquiries you initiate, any inquiries from employers, or any inquiries lenders make without your knowledge. For details, see page 15.
- **Any information not found in your credit report.**
- **Any information that is not proven to be predictive of future credit performance.**

## 4. New Credit

### Are you taking on more debt?

Approximately 10% of your FICO score is based on this category.

People tend to have more credit today and to shop for credit—via the internet and other channels—more frequently than ever. FICO scores reflect this reality. However, research shows that opening several credit accounts in a short period of time does represent greater risk—especially for people who do not have a long established credit history.

Multiple credit requests also represent greater credit risk. However, FICO scores do a good job of distinguishing between a search for many new credit accounts and rate shopping for one new account. Your FICO score takes into account:

- ▶ **How many new accounts you have.** Your FICO score looks at how many new accounts you have by type of account (for example, how many newly opened credit cards you have). It also may look at how many of your accounts are new accounts.
- ▶ **How long it has been since you opened a new account.** Your FICO score may consider this information for specific types of accounts.
- ▶ **How many recent requests for credit you have made, as indicated by inquiries to the credit reporting agencies.** Inquiries remain on your credit report for two years, although FICO scores only consider inquiries from the last 12 months. FICO scores have been carefully designed to count only those inquiries that truly impact credit risk—see page 15 for details.
- ▶ **Length of time since credit report inquiries were made by lenders.**
- ▶ **Whether you have a good recent credit history, following past payment problems.** Re-establishing credit and making payments on time after a period of late payment behavior will help to raise a FICO score over time.

## ▶▶ FICO TIPS

### ■ Do your rate shopping for a given auto or mortgage loan within a short period of time.

FICO scores distinguish between a search for a single loan and a search for many new credit lines, in part by the length of time over which inquiries occur.

### ■ Be careful about opening new accounts that you don't need.

Opening new accounts can lower your FICO score in the short term. Beware of discounts or low interest rates being offered to entice you to open a new charge account that you don't need.

### ■ Re-establish your credit history if you have had problems.

Opening new accounts responsibly and paying them off on time will raise your FICO score in the long term.

### ■ Note that it's OK to request and check your own credit report and your own FICO score.

This won't affect your FICO score, as long as you order your credit report directly from the credit reporting agency or through an organization authorized to provide credit reports to consumers, like [www.myFICO.com](http://www.myFICO.com).

For more information, see page 15.

installment loan

720

debt

680

60

mortgage rate

## YOUR CREDIT SCORES



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### Credit scores are vital to your financial health

A credit score is a number that helps lenders and others predict how likely you are to make your credit payments on time. Each score is based on the information in your credit report.

#### Why do your scores matter?

Credit scores affect whether you can get credit and what you pay for credit cards, auto loans, mortgages and other kinds of credit. For most kinds of credit scores, higher scores mean you are more likely to be approved and pay a lower interest rate on new credit.

Want to rent an apartment? Without good scores, your apartment application may be turned down by the landlord. Your scores also may determine how big a deposit you will have to pay for telephone, electricity or natural gas service.

Lenders look at your scores all the time. They look at your scores when deciding, for example, whether to change your interest rate or credit limit on a credit card, or whether to send you an offer through the mail. Having good credit scores makes your financial dealings a lot easier and can save you money in lower interest rates. That's why they are a vital part of your financial health.

#### Consider a couple who is looking to buy their first house.

Let's say they want a 30-year mortgage loan and their FICO® credit scores are **720**. They could qualify for a mortgage with a low 5.5 percent interest rate.\* But if their scores are **580**, they probably would pay 8.5 percent\* or more—that's at least 3 full percentage points more in interest. On a \$100,000 mortgage loan, that 3 point difference will cost them \$2,400 dollars a year, adding up to \$72,000 dollars more over the loan's 30-year lifetime. **Your credit scores do matter.**

\* Interest rates are subject to change.  
These rates were offered by lenders in 2005.



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### 2. How much you owe—about 30% of a FICO score

FICO scores look at the amounts you owe on all your accounts, the number of accounts with balances, and how much of your available credit you are using. The more you owe compared to your credit limit, the lower your score will be.

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A longer credit history will increase your score. However, you can get a high score with a short credit history if the rest of your credit report shows responsible credit management.

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- **Your credit score changes** when your information changes at that credit reporting agency. This is good news! It means you can improve a poor score over time by improving how you handle credit.
- **Many insurance companies use something similar** when setting your insurance rates, called a “credit-based insurance score.” You may be able to improve your insurance score by improving how you handle credit, which in turn may lower your premium payments on auto or homeowners insurance.
- **Some credit scores offered to consumers are just estimates** and are different from the credit risk scores lenders actually use, although they may appear similar. Consumer reporting agencies and other companies sometimes use an estimated score to illustrate a consumer's general level of credit risk. How might you tell whether a score is estimated? Ask the company if the score is used by most lenders. If it isn't, it is likely to be an estimated score.



## Learn your scores soon

It's now easy to get your credit scores to check your financial health. Different sources provide credit scores to consumers via the internet, telephone or U.S. Mail. For most scores, you will need to pay a small amount. You also will be asked to prove your identity to make sure your financial information isn't given to the wrong person.

### Improving your credit scores can help you:

- Lower your interest rates
- Speed up credit approvals
- Reduce deposits required by utilities
- Get approved for apartments
- Get better credit card, auto loan and mortgage offers

## Here are recommended places where you can get your credit scores

Source	Cost	Description	Score range
<b>ANNUAL CREDIT REPORT SERVICE</b> Congress recently established this outlet to make it easier for consumers to get their credit reports and credit scores from the three national credit reporting agencies. <b>Web:</b> <a href="http://www.annualcreditreport.com">www.annualcreditreport.com</a> <b>Phone:</b> 1 877 322 8228 <b>U.S. Mail:</b> Annual Credit Report Request Service P. O. Box 105281 Atlanta, GA 30348-5281	The price for credit scores is being determined by the Federal Trade Commission.  One free credit report per year from each credit reporting agency.	Each credit reporting agency offers a different type of credit score to consumers.	FICO score via Equifax: 300–850 Experian score: 330–830 TransUnion score: 150–934
<b>MYFICO.COM</b> This is the consumer internet site of Fair Isaac Corporation which developed the FICO score. <b>Web:</b> <a href="http://www.myfico.com">www.myfico.com</a> <b>Phone:</b> 1 800 342 6726	\$14.95 for one FICO score and credit report. \$44.85 for all three FICO scores and credit reports from the three credit reporting agencies (2005 pricing).	This score is most often used by lenders. It lets you see how prospective lenders would evaluate your credit history.	FICO score from Equifax, Experian and/or TransUnion: 300–850
<b>INDIVIDUAL CREDIT REPORTING AGENCIES:</b> ■ Equifax <b>Web:</b> <a href="http://www.equifax.com">www.equifax.com</a> <b>Phone:</b> 1 800 685 1111 ■ Experian <b>Web:</b> <a href="http://www.experian.com">www.experian.com</a> <b>Phone:</b> 1 866 200 6020 ■ TransUnion <b>Web:</b> <a href="http://www.transunion.com">www.transunion.com</a> <b>Phone:</b> 1 800 888 4213	Prices for credit scores with credit reports vary from \$14.95 to \$34.95 (2005 pricing).	Each credit reporting agency offers a different type of credit score to consumers.	FICO score via Equifax: 300–850 Experian score: 330–830 TransUnion score: 150–934
<b>MORTGAGE LENDERS</b>	Credit score is free when applying for a mortgage or home equity loan.	This score will likely be the actual score used to evaluate your application. Ask your lender to be sure.	FICO score from Equifax, Experian and/or TransUnion: 300–850

## Want Examples?

### Meet Vera, a single mother

Behavior or action	Change in score	Vera's current FICO score
<b>March 2004</b> Vera and husband Dave have been married for 10 years. They have one daughter April, age 4. Financially they are making payments on time for two car loans, one mortgage and four credit cards which have low balances. But sadly, their marriage has deteriorated and they agree to divorce. In the settlement Vera retains custody of April. Dave takes one of the cars and responsibility for its loan. He also takes two of their four credit cards, and agrees to pay 50 percent of the monthly mortgage payments.	---	780
<b>May 2004</b> Dave struggles financially following the divorce and runs up his two credit cards to nearly their limit. Vera doesn't realize her name is still on the card accounts Dave is using.	-80	700
<b>July 2004</b> Dave continues to struggle and misses payments on both cards. Both cards still are nearly maxed out.	-100	600
<b>August 2004</b> Vera gets a call from her bank about the missed payments. Once she understands what has happened, she contacts Dave and asks him to roll over the balances on both cards to a new card that he opens in his name only, which he does. Paying off the two accounts improves her score.	+80	680
<b>February 2005</b> Vera continues to manage her money carefully, paying her bills on time and keeping her two card balances low. Meanwhile the two missed payments get older on her credit file and have less impact to her score. Dave lands a better job and makes his part of the mortgage payments on time.	+40	720
<b>March 2005</b> Vera's car breaks down. Since she relies on it to get to work and to take April to preschool, she has no choice but to have it repaired. To pay the garage she maxes out one of her credit cards.	-80	640
<b>April 2005</b> Since Vera needs a reliable car, she asks her bank about auto loan rates. They tell her that her credit score is too low to qualify her for their best rate. Since money is tight, she waits to buy a car.	---	640
<b>July 2005</b> Vera has steadily paid down her high credit card balance and monitored her score. When her score has improved, Vera applies and is approved for an excellent rate on an auto loan. She buys a used car and feels good about how she has managed her credit.	+40	680

## Now meet Don and Doris

Behavior or action	Change in score	Don's current FICO score
<b>March 2004</b> Don and Doris* are married and in their 50s. They have twin sons who graduated from college a year ago, have good jobs and live in different states. Don and Doris have been managing their money carefully for 30 years. They are making payments on a mortgage, three credit cards with large balances, and a \$50,000 bank loan that paid for their sons' college tuition. Now that their sons are on their own financially, Don and Doris focus on paying down their credit card balances by making larger monthly payments and using their cards sparingly.	---	690
<b>March 2005</b> After a year of steady payments, their credit card balances are significantly lower. They continue to manage their credit well and haven't opened any new accounts.	+50	740
<b>June 2005</b> The couple decides to go on an extended vacation, taking leaves of absence from their jobs so they can tour the U.S. in a motor home. They buy their motor home with help from a new bank loan at a favorable rate, thanks to their good credit scores. But opening the new loan lowers their scores a bit. Since their plans will keep them on the road for three months, they put one of their sons in charge of paying their monthly bills.	-20	720
<b>September 2005</b> They have a wonderful vacation. When they return, they find they had neglected to tell their son about the bank loan. He didn't open the invoices they received from the bank thinking they were monthly account statements. Now their bank loan payment is 60 days late.	-75	645
<b>October 2005</b> Doris calls the bank, explains the mix-up and sends in the overdue payments immediately. A couple of weeks later their bank conveys their new account information to the credit reporting agencies, where it is available to influence their credit scores.	+20	665
<b>April 2006</b> After six more months of on-time payments, their credit scores have steadily improved. Although the late payment will remain on their credit reports for seven years, it will impact their scores less as time passes. Don and Doris are on track once again to regain their good FICO credit scores in the 700s.	+30	695

\* Don and Doris have separate FICO scores, but in this example, their scores would rise and fall together.

## Helpful tips



When you get your credit scores, make sure you also learn the highest and lowest scores possible, as well as the most important factors that influenced your scores. These factors can give you an idea of how you can improve your scores.



Getting your own credit scores or credit reports won't affect your scores, as long as you order them from one of the sources we list here.



Review your credit reports for accuracy. Mistakes and omissions on your credit reports probably will affect your credit scores. If you spot an error, contact the credit reporting agency and the creditor whose information is wrong.



If you have questions or problems with your credit scores, contact the company that provided them to you.

## Boosting your scores

Your credit scores change when new information is reported by your creditors. So your scores will improve over time when you manage your credit responsibly.

Here are some general ways to improve your credit scores:

- **Pay your bills on time.** Delinquent payments and collections can really hurt your score.
- **Keep balances low on credit cards.** High debt levels can hurt your score.
- **Pay off debt rather than moving it between credit cards.** The most effective way to improve your score in this area is to pay down your revolving credit.
- **Apply for and open new credit accounts only when you need them.**
- **Check your credit report regularly for accuracy** and contact the creditor and credit reporting agency to correct any errors.
- **If you have missed payments, get current and stay current.** The longer you pay your bills on time, the better your score.

installment loan

720

debt

680

60

mortgage rate

# YOUR CREDIT SCORES



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