



YOUR HOME LOAN SURGEONS  
THE GOLDBERG TEAM

## **Caring For Your Credit**

Your credit score is a number between 300 and 850, and the higher your score, the better you look to lenders. Whether you're looking to buy a car, secure a mortgage, or finance a large purchase, your credit score plays a crucial role in determining your creditworthiness. In short, it helps lenders assess the risk involved in lending you money.

There are three main credit reporting companies (CRCs) that compile credit scores: Equifax, Experian, and TransUnion. Each of these agencies generates a FICO® Score, VantageScore®, or another type of score, depending on the scoring system the lender uses.\*

Typically, the scores from the three CRCs aren't exactly the same, so lenders usually consider the mid-range score. While other factors will also be reviewed, your credit score is a significant determinant of your ability to secure a home loan.

Here are the five factors that make up your credit score, based on the FICO scoring model:

### **1. Payment History (35% of your score)**

- This is the most significant factor and tracks whether you make payments on time. It includes information from credit card accounts, retail store accounts, installment loans, finance companies, and mortgage loans. Late payments, collections, and bankruptcies negatively impact this portion of your score.

### **2. Amounts Owed (30% of your score)**

- This factor examines the total amount of money you owe. For credit cards, it looks at the ratio of the credit you're using compared to the credit available. It also considers installment loans, such as car loans, and how much you currently owe relative to the original loan amount.

### **3. Length of Credit History (15% of your score)**

- This aspect considers how long you've had specific credit accounts and the average age of all your accounts. Keeping older credit cards open can help improve this portion of your score.



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- **Types of Credit in Use** (10% of your score)
  - This factor looks at the mix of credit you're using and how you manage them. If you're just starting to establish credit, it's wise to open one account and manage it well before adding more credit lines.
- **New Credit** (10% of your score)
  - This part of your score reflects how many new credit lines you've opened and the number of hard inquiries made. Hard inquiries occur when you apply for new credit, such as a credit card, auto loan, or mortgage, and too many in a short time can lower your score. Soft inquiries, like when you check your own credit or an employer does a background check, do not affect your score.

Many companies advertise credit repair services and free credit reports. However, AnnualCreditReport.com, created by Experian, Equifax, and TransUnion, is recommended by the Federal Trade Commission (FTC). It entitles you to a free credit report from each CRC once every 12 months.

For the best results, order all three credit reports simultaneously—ideally six months before applying for a home loan—and review them carefully. Remember, the higher your credit score, the better your terms when applying for a mortgage.