



YOUR CREDIT

and Why it Matters.

Your Credit And Why It Matters

from Quizzle

CREDIT HISTORY AND CREDIT SCORE.....	1
WHO CARES ABOUT YOUR CREDIT.....	2
WHAT GOES INTO YOUR CREDIT SCORE.....	4
KEEP UP WITH YOUR CREDIT.....	5
IMPROVE YOUR CREDIT SCORE.....	6

 [Get My Free Credit Report](#)



Do you have a good reputation? Most people would say that they want others to think well of them. Whether it's your boss, your significant other, or your friends, chances are you want your reputation to be a good one.

Your financial reputation is also important. The way financial service providers view you can have a significant impact on your situation. Your credit report and credit score, together, represent your financial reputation. If you want a good financial reputation, you have to build good credit.

Credit History and Credit Score

Your credit history, or credit report, is a record of all of your borrowing habits.

When you borrow money, the lender reports your account to one or all of the three major credit reporting agencies, Experian, Equifax, and TransUnion.

The credit reporting agencies keep track of how much you have borrowed, along with information about whether or not you pay on time and in full. If you have a credit card, the credit reporting agencies keep track of your balance, so that it is easy to see whether or not you are maxing out your credit line.

Other information that might appear in your credit report includes your name, address, birthdate, employer information, Social Security number, types of credit you have, bankruptcy and foreclosure information, any legal judgments against you, and liens. If a non-credit account, such as the money you owe a landlord or utility company, has been turned over to collections, it can appear on your credit history as well.

Your credit history details your interactions with credit and related products, providing others a look at your situation, and an ability to make judgment calls about whether or not you are likely to repay a loan.

A credit score is a three-digit summary of the information in your credit report.

All of the information in your credit report can be represented numerically. That late payment on your car loan has a number attached, as does the fact that you are using 85 percent of your available credit on a credit card.

Those numbers are then entered into a mathematical formula. The algorithm takes the variables found in your credit history and analyzes them, coming up with a final number that represents you to those who want to know what kind of risk you represent.



Understanding what is in your credit report is important because it's that information that is used to determine your credit score – and your credit score can be one of the most influential aspects of your financial life.

Who Cares About Your Credit?

To grasp how important your credit can be, you need to understand who is looking at it. Some of those interested in your financial reputation include:

- **Lenders:** Most people realize that lenders are interested in your credit situation. If your credit report and your credit score reflect responsible credit habits, lenders are more likely to feel comfortable about lending you money. The better your credit, the better their confidence that you will repay the loan. If your credit isn't very good, a lender might be willing to take a chance on you, but you will have to pay a higher interest rate in order to help offset the lender's risk.
- **Insurance companies:** While some states ban insurance companies from using your credit to influence premiums, there are states that allow the practice. This means that poor credit can mean a higher insurance premium. It can cost you money every single month.
- **Telecom service providers:** Many cell phone providers, Internet providers, and

cable/satellite companies check your credit prior to approving you for services. While you aren't borrowing, many of these service providers are interested in your ability to make payments. You might be required to pay for services a month ahead, or pay a higher financing fee (if you are using a payment plan to buy a phone) if you have poor credit.

- **Landlords:** Some landlords check your credit before approving you for housing. Even if you are approved with poor credit, you might be required to pay a higher security deposit before you are approved.
- **Employers:** It's important to note that employers cannot check your credit score when making hiring decisions. They can, however, have a look at your credit report. The credit reporting agencies are supposed to provide a special version for employers - one that doesn't include a score. However, some issues are apparent on even this sanitized version of your credit history. If an employer thinks that your money problems will compromise your ability to do the job, or turn you into a security risk, you might not be hired.

As you can see, your credit isn't just about trying to get a loan.

Others are interested in your credit situation, since it is viewed as an overall indication of your level of financial responsibility.

It's also worth noting that many service providers that offer payment plans check your credit. If you have a major car repair bill, you might ask for a payment plan. Instead of setting up the installments for you, the mechanic might have you fill out the paperwork for a loan. You are issued a credit card in the amount that you owe for the work, and repay the issuer, rather than paying the car repair shop. This is also becoming a popular way for health care service providers, especially dentists and Lasik providers, to allow patients to pay for treatments not covered

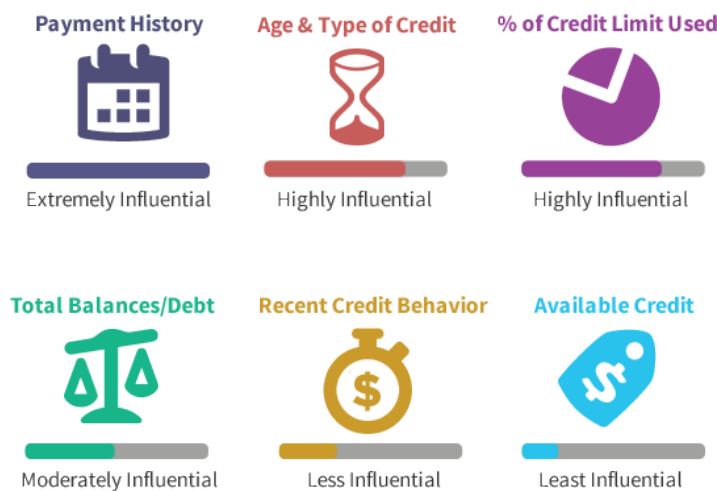
by insurance. As with any payment plan related to borrowing, your credit sets the repayment terms, including how much you are charged in interest.

Even if you don't think that your credit matters because you won't borrow, the reality - whether you think it's fair or not - is that there are a number of people interested in your financial reputation, and you never know when your credit will suddenly become relevant to the financial transaction at hand.

What Goes Into Your Credit Score?

We've already discussed the fact that the information in your credit report influences your credit score. However, each piece of information affects your score differently. When that information is fed into the credit scoring algorithm, it is weighted.

The scale for VantageScore® 3.0 is 300-850. Your score is calculated from information in your credit file. That information is divided into categories, but not every category carries the same weight. The categories are: payment history, age and type of credit, percentage of credit limit used, total balances/debt, recent credit behavior, and available credit. In general, here's the relative weight of how each category influences your VantageScore credit score.



The VantageScore credit score was launched as a joint effort by the three major credit reporting companies (Equifax, Experian and TransUnion). Today, the VantageScore credit score is used by thousands of lenders, including the nation's largest banks, in their credit card, auto lending and mortgage businesses. In fact, the top five mortgage lenders in the nation use this model.

Understanding what is used to determine your score is important if you want to make good decisions about your credit and your finances.

However, it's important to understand that not every credit score is the same. There are different scoring models that emphasize information differently, and some lenders and financial service providers have their own variations. Overall, though, any credit scoring model can give you a general idea of where you stand, and what you can expect when you apply for a loan.

Keep Up With Your Credit

It's a good idea to check your credit regularly so that you have an idea of where you stand and what to expect. Your credit history can be a good way to track your financial progress, and avoid unpleasant surprises when you apply for major financing, such as a mortgage.

The good news is that it's fairly easy to keep up with your credit. First of all, federal law entitles you to a free report from each of the major credit reporting agencies once every 12 months. You can go to www.AnnualCreditReport.com to get your free credit report.

Getting your hands on a free credit score is a little more difficult, since it doesn't have the same requirement under the law. However, if you are turned down for credit, or if you are charged a higher insurance premium or interest rate than is ideal, you are entitled to a free credit report and credit score from the agency that

provided the information used by the financial services provider. You have to submit your request, in writing, within 60 days.

Some credit card issuers are beginning to offer free credit scores to account holders, and it's possible to get a version of your credit score and report from a number of different consumer credit sites. Quizzle is one of those consumer credit sites. You can use Quizzle to track a version of your credit score, and get access to your full Equifax credit report for free. Quizzle doesn't require you to enter credit card information when you sign up, so you know it's truly free.

Improve Your Credit Score

Now that you know where you stand, you can begin the process of improving your credit. The first step is to make sure that all of the information in your credit report is correct. According to a [study from the Federal Trade Commission](#), 25 percent of consumers have errors on their credit reports that might affect their credit scores. It's possible for credit reporting agencies to make mistakes, and there is a chance that a mistake could result in a lower credit score – and cost you money.

Check through your credit report and identify errors. In some cases, an error, especially if it's an account that you know you didn't open, can be a sign that your identity has been stolen. If this is the case, you need to take steps to put an alert on your credit report, and work to have the account removed. The credit bureau can help you understand the process.

In the case of an error, such as a misreported payment or some other problem, you can dispute it with the credit reporting agency. By law, the agency is required to investigate credible disputes and make changes to your report in a timely manner. Realize, though, that accurate information, no matter how negative it is, won't be removed from your credit history. Only inaccurate information has to be removed.



Once you have squared away the information in your credit report, you can make changes in your own financial behaviors in an attempt to improve your score. The best thing you can do is make all of your payments on time and in full. After that, your best move is to reduce your debt load. Keeping your credit utilization low may help your credit score. (It's better for your pocketbook if you pay off your credit cards each month.)

Next, evaluate your credit card accounts. Don't close an account that you have had for a long period of time, since that can reduce your average account age and slightly bring down your credit score. If you are on the edge of a credit scoring range, closing a long-standing account can bump you down into a lower range.

You should also pay attention to the types of accounts you have. A mix of revolving accounts and installment accounts is ideal.

Also, watch out for loans that are considered to have a low degree of reputability. Payday loans and car title loans can negatively affect your score.

Don't forget to be careful of when you apply for credit. Credit reporting agencies take into account "clusters" of inquiries. If you are shopping for a car loan or a mortgage loan, all of your inquiries in a two-week period are usually considered one inquiry. However, if you apply for several credit cards within a short period of time, that can be a red flag that negatively affects your credit. If you have poor credit, one of the fastest ways to start the recovery process is to get a secured credit card. With a secured card, you can reestablish your financial reputation by making regular, on time payments. If you are consistent in making your payments, you can usually convert your secured card to an unsecured card, which has a better effect on your credit.

The best thing you can do for your credit is to follow good financial habits. Live within your means, and avoid borrowing more than you can repay. Buy homes and cars with modest payments so that you don't end up over your head. If you use credit cards, only buy what you have the money for, and then pay off the balance before interest has a chance to accrue.

**IF YOU ARE CAREFUL WITH YOUR MONEY,
AND DEVELOP GOOD HABITS YOUR FINANCIAL
REPUTATION WILL BE ONE THAT CAN SAVE YOU**
thousands of dollars over your lifetime.



Get My Free Credit Report

Quizzle.com
Free Credit Report *and* Score