

# Credit Score & Enhancement



# What is a CREDIT SCORE?

A credit score is a number that gives lenders a snapshot of your credit worthiness at a particular point in time.

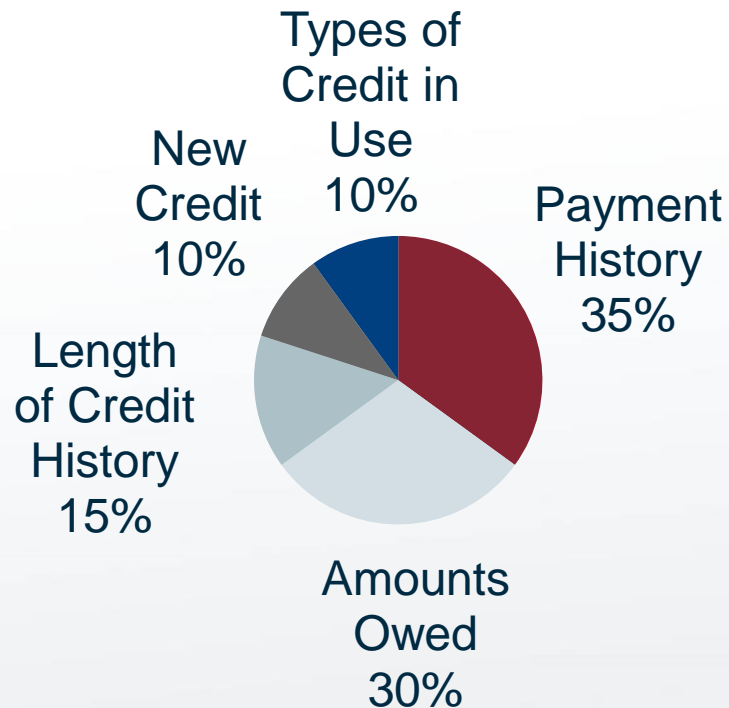
Lenders use credit scores to help them decide:

- Whether to extend credit to someone
- How likely it would be that the loan will be paid back on time

# Your Credit Score...

- Influences the credit that is available to you and the terms (interest rate, etc.) that lenders offer you.
- Can help you to take actions that will lower your credit risk and thus raise your score over time.

# What a credit score considers:



- ❖ Payment History 35%
- ❖ Amounts Owed 30%
- ❖ Length of Credit History 15%
- ❖ New Credit 10%
- ❖ Types of Credit in Use 10% (installment vs. revolving)

# Payment History 35%

35% of your credit score is based on not missing a payment.

- For every 30 days past due the score will decrease by approximately 60 points.
- Pay your bills on time. The longer you pay your bills on time, the better score you will have.
- If you have missed payments, get current and stay current

# Amounts Owed 30%

30% of your credit score is based on your balance versus your limits. Maxing out your limit will decrease your score by approximately 20 points.\*

- ✓ Keep balances low on credit cards and other revolving credit
- ✓ Don't close unused credit cards as a short term strategy to raise your score
- ✓ Don't open a number of new credit cards that you don't need, just to increase your available credit

*\*On a brighter note as soon as you bring the balance to under 50% or ½ of the limit you will get the points back.*

# 30% of your score also takes into account...

- The amount owed on all accounts
- Whether you are showing a balance on certain types of accounts
- How many accounts have balances
- How much total credit line is being used
- The balances on installment loan accounts compared to the original loan amounts

# Length of Credit History 15%

15% of the credit score takes into account the age of your oldest credit line or credit card and the average age of all your accounts.

- Your score also considers how long it has been since you used certain accounts.
- New accounts lower your average account age, which affects your score if you don't have a lot of other active credit
- Keep your oldest credit card open and active by using it at least once each year.



# New Credit History 10%

Your credit score takes into account...

- How many new accounts you have with less than a 12 month activity history
  - How long it has been since you opened a new account
  - How many recent requests for credit you have made
  - Length of time since credit report inquiries were made by lenders
- ✓ Do your rate shopping for an auto or mortgage loan within a 14 day period.

# Types of Credit Used 10%

10% of your credit score is based on having two types of credit accounts\*

REVOLVING ACCOUNTS = Major credit cards, retail store cards, lines of credit, over draft accounts

INSTALLMENT LOANS = Real estate, auto, student, personal, debt consolidation and time share.

\*Note: It is not necessary to have one of each of these types of credit cards or loans.

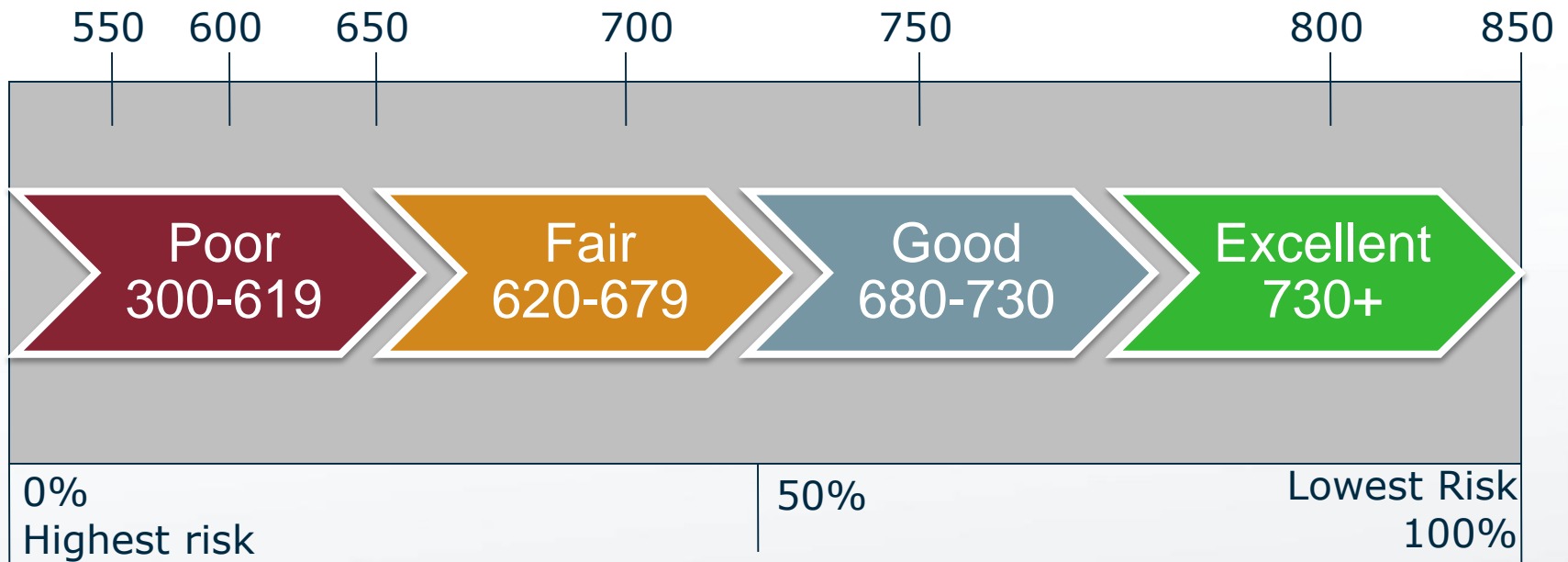
# Tips for raising your score

- ✓ Re-establish your credit history if you have had problems
- ✓ When you check your own credit report it will not affect your credit score. Get in the habit of monitoring your own credit report annually
- ✓ Apply for and open accounts only as needed
- ✓ Have credit cards and manage them responsibly

# What is a good FICO score?

Since there is no one “score cutoff” used by all lenders, it’s hard to say what a “good” score is outside the context of a particular lending decision. For example, one auto lender may offer lower interest rates to people with FICO scores above say, 680 and another lender may use 720.

# FICO Score Range



**Your score can range between 300 to 850**

# Improving your FICO score can help you...

- ✓ Obtain employment
- ✓ Rent an apartment or purchase a home
- ✓ Set up utilities
- ✓ Borrow money
- ✓ Get better credit offers
- ✓ Lower your interest rate
- ✓ Speed up credit approvals

# Get a copy of your credit report

REQUEST ALL THREE CREDIT REPORTS at :

[www.annualcreditreport.com](http://www.annualcreditreport.com)

or call 1-877-322-8228

EXPERIAN ([www.experian.com](http://www.experian.com))

TRANS UNION ([www.transunion.com](http://www.transunion.com))

EQUIFAX ([www.econsumer.equifax.com/eisc](http://www.econsumer.equifax.com/eisc))

# Monitor your credit score

Obtain your credit score at no cost by going to:  
[www.creditkarma.com](http://www.creditkarma.com)



**Thank you.**

**belong to something better<sup>®</sup>**