

Breakdown of a CREDIT SCORE

- IT'S A -
MONEY THING[®]

Before the invention of CREDIT SCORES

The world was a very different place. Shoulder pads were considered fashionable, and it was entirely up to individual lenders to make judgment calls on whether or not to approve loans.

That was kind of unfair, so a standardized scoring system was introduced to help lenders determine your creditworthiness.

WHAT IS A CREDIT SCORE?

A credit score is a number used by financial institutions and credit card companies to determine risk level when issuing you a loan or a credit card.



WHY DO I HAVE MORE THAN ONE?

EQUIFAX[®] TRANSUNION[®] EXPERIAN[®]

The FICO[®] Score model is used to generate your credit score, based on information from your credit report.



Since each credit bureau uses its own formula, your FICO Score can vary, depending on which bureau supplies the info.



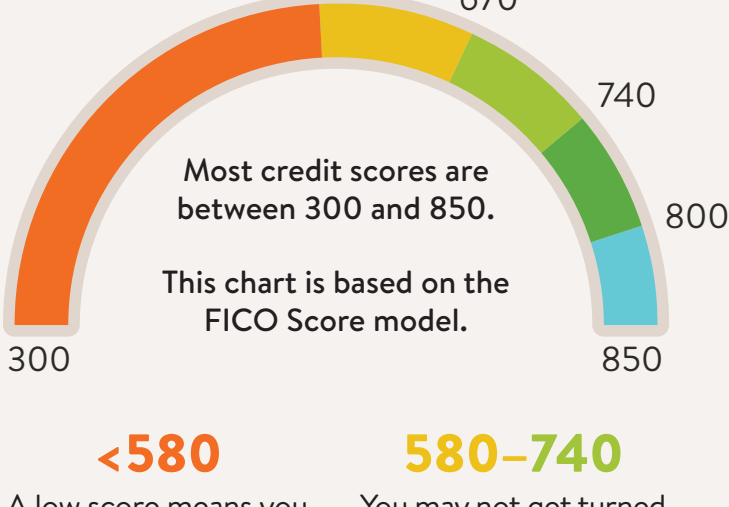
DID YOU KNOW?

The FICO Score is the most widely used credit score model in North America. It was first introduced in 1989 by Fair, Isaac and Company, now Fair Isaac Corporation (FICO).

Fair Isaac Corporation

FICO

WHAT DOES MY SCORE MEAN?



POOR
FAIR
GOOD
VERY GOOD
EXCEPTIONAL

<580

A low score means you could be denied a loan or credit card.

580-740

You may not get turned down for a loan, but you will likely be charged a higher interest rate.

740+

You're in good shape. This is where you want your credit score to be.

WHY DOES IT MATTER?

Today, credit scores can affect a lot more than just loans:



Renting an Apartment



Student Loans



Car Payments



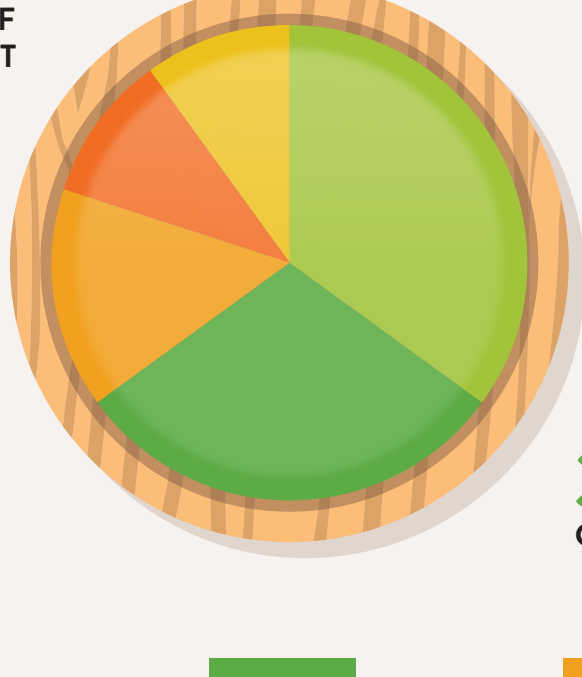
Job Applications

HOW IS IT CALCULATED?

10%
MIX OF CREDIT

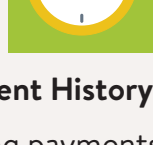
10%
NEW CREDIT

15%
LENGTH OF CREDIT



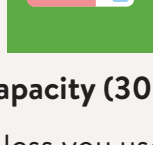
35%
PAYMENT HISTORY

30%
CAPACITY



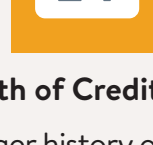
Payment History (35%)

Making payments on time boosts your score.



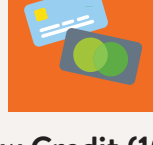
Capacity (30%)

The less you use of your total available credit each month, the better.



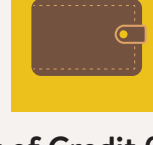
Length of Credit (15%)

A longer history of good credit habits raises your score.



New Credit (10%)

Opening new credit cards (even retail credit cards) has a short-term negative effect on your score.



Mix of Credit (10%)

A mix of revolving credit (credit cards) and installment loans (mortgages, car loans) boosts your score.

HOW DO I KEEP TRACK OF IT?



You are entitled to one free credit report per year from each of the major credit bureaus.

Visit annualcreditreport.com to get started.



SUMMER



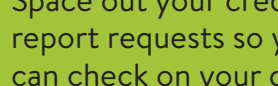
WINTER

Space out your credit report requests so you can check on your credit throughout the year.

Use your report to check on your:

- Account openings
- Account closings
- Repayment history
- Mix of credit

And other information that could be influencing your score.



Your credit report does not list your actual credit score, but it is still helpful—especially if you understand how a credit score is calculated.

Still curious about your score? You can access your FICO score for an additional fee (\$15 to \$25), or get a free estimate of your credit score through creditkarma.com.

Just be aware that Credit Karma does not use the FICO Score formula. It is an estimate and it does come pretty close, but it won't be exact.



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CREDIT UNION
hzc.u.org/trainingground

Sources: FICO, Forbes, FTC Guide to Credit Scores

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