



What is a Credit Score?

Understanding Your Credit

A credit score is a number that a potential lender will use to determine whether they should lend a potential borrower money, how much, and at what interest rate. When a consumer applies for credit—whether for a credit card, mortgage, or an auto loan—lenders want to know what risk they would take by loaning money. So, they turn to a credit score, a number that summarizes credit risk based on a snapshot of a credit report at a particular point in time.

The credit score model was created by the Fair Isaac Corporation, known as FICO. Other credit-scoring systems do exist, but the FICO score is used by approximately 90% of lenders. FICO® Scores are calculated from a variety of information and is represented by a number that typically falls between 300-850, which indicates a consumer's creditworthiness. The higher the score, the better the borrower looks to potential vendors because it indicates a higher probability that they will repay loans in a timely manner.



Five Key Ingredients of Your FICO® Credit Score

FICO® Scores are calculated from a variety of information, but there are five main categories of information they consider:

Payment history | 35% -

Pay your debts on time. This is the most important factor in your credit score.

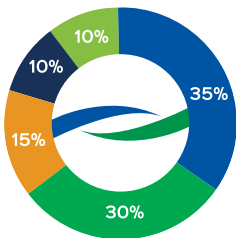
Amount of debt | 30% -

Avoid using a lot of your available credit, as it might signal to lenders that you are a higher risk of defaulting.

Length of credit history | 15% - Generally, a longer credit history will increase your score.

New credit | 10% - Avoid opening several new credit accounts in a short amount of time, as it indicates greater credit risk.

Credit mix | 10% - It is helpful to have different types of credit, like a credit card, auto loan, mortgage loan, etc.



Improving Your Score

Improving your credit will take time. With patience and commitment, it can be done.

1. Get your current report

Request a free credit report from [annualcreditreport.com](https://www.annualcreditreport.com) to know where you currently stand.

2. Reduce the amount of debt you owe

Work with a *WEST*consin Financial Services Specialist to identify what debt you can consolidate and pay down.

3. Start practicing new credit habits

Managing credit card use and opening new accounts only when needed can help maintain or even improve a credit score.