



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.

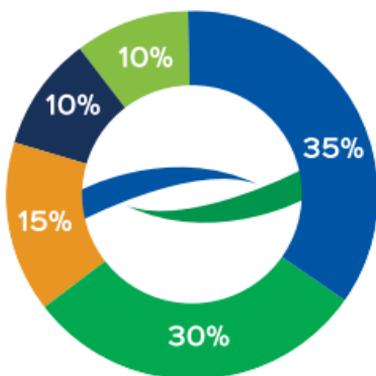
Amount of debt | 30% -

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 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.