

Credit Scores— A vital part of your financial wellness



Understanding your FICO® Score

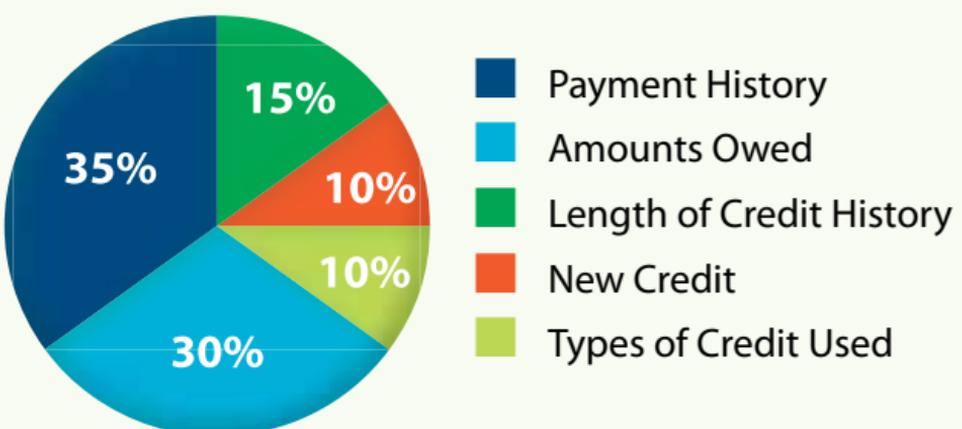
Your credit report reflects all of your credit activity over time. It tells what money you owe and to whom. It cites every time you were on time or late with a payment and for how long, and shows cases where you walked out on your debts.

The collected information in your report is the source of your credit score, a three-digit number that lenders use to decide whether or not to offer you credit and at what price. The higher your credit score, the better your chances are of getting a loan with an attractive interest rate. So when it comes to getting a good loan, it's important that your credit report—the basis for your credit score—is accurate, complete and in the best shape possible.

What's in your credit score

A credit score is a number calculated by a credit bureau, a lender or another company for use in making a decision on a loan application or other product or service. Many lenders use a system developed the Fair Isaac Corporation called FICO® Scores. Think of credit scoring as a point system based on your credit history, designed to help predict how likely you are to repay a loan or make payments on time. Everyone with a credit record also has a credit score.

While the exact recipe of the credit score is a tightly guarded trade secret, there are some general guidelines that comprise the final numbers. Listed below are the financial behaviors and related factors that each contributes to an overall credit score; along with the weighted percentages:



Five parts to your FICO® Score

As a rule, credit scores analyze the credit-related information on your credit report. How they do this varies. Since FICO® Scores are frequently used, here is how these scores assess what is on your credit report.

1. Payment History—approx. 35% of your score

Have you paid your bills on time? Late payments, bankruptcies and other negative items can hurt your score. A solid record of on-time payments helps your score.

2. Amount Owed—approx. 30% of your score

FICO® Scores look at the amounts you owe on all of your accounts, the number of accounts with balances and how much of your available credit you are using. The more you owe compared to your credit limit, the lower your score will be.

3. Length of Credit History—approx. 15% of your score

A longer credit history will increase your score. However, you can get a high credit score with a short credit history if the rest of your credit report shows responsible credit management.

4. New Credit—approx. 10% of your score

If you have recently applied for or opened new credit accounts, your credit score will weigh this fact against the rest of your credit history. When you apply for credit and a lender checks your credit history, your score may drop a little, usually by less than five points. If you need a loan, do your rate shopping within a focused period of time, such as 30 days, to avoid lowering your score.

5. Other Factors—approx. 10% of your score

Several minor factors can influence your score. For example, having a mix of credit types on your credit report—credit cards, mortgage or personal loans and lines of credit—is normal for people with longer credit histories and can slightly add to their scores.

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