

UNDERSTANDING YOUR

# CREDIT SCORE

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WHAT'S THE BIG DEAL?

**WHAT MAKES UP YOUR CREDIT SCORE?**

WHAT'S THE NEXT STEP?

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SO WHAT'S THE

# BIG DEAL?

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A credit score not only influences your homebuying potential, but is essential for obtaining several services and big ticket items. "90 of the top 100 largest U.S. financial institutions use the FICO score to make consumer credit decisions," states MyFico.com.

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# YOUR FICO SCORE IS REVIEWED BY MOST OF THE FOLLOWING ENTITIES:

- + EMPLOYERS
- + MORTGAGE LENDERS
- + LANDLORDS
- + INSURANCE COMPANIES
- + CELL PHONE COMPANIES
- + UTILITY COMPANIES
- + CREDIT CARD COMPANIES
- + CABLE & INTERNET COMPANIES

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So, monitoring and improving your credit score is not only responsible, **but necessary** for many everyday essentials and lifetime luxuries.

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WHAT MAKES UP

# YOUR SCORE?

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When you're applying for a mortgage, your credit score is a major factor in determining your interest rate and approval for the loan. Typically, the higher your credit score, the better your chances for approval and securing a lower rate. But, just how exactly is your score determined?

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MOST COMPANIES USE A FICO CREDIT SCORE THAT IS COMPRISED OF FIVE ELEMENTS.

## **YOUR PAYMENT HISTORY – 35%**

Late payments affect your score negatively. Be sure to pay all of your credit accounts on time.

## **HOW MUCH YOU OWE – 30%**

Your score is influenced by how much you owe on all of your accounts, the number of accounts with balances and how much of your available credit you are currently using. The more you owe in comparison to your credit limit, the lower your score will be.

## **LENGTH OF CREDIT HISTORY – 15%**

While a short credit history may not necessarily negatively impact your score if the rest of your credit report shows responsible credit management, a longer history may increase your score.

## NEW CREDIT – 10%

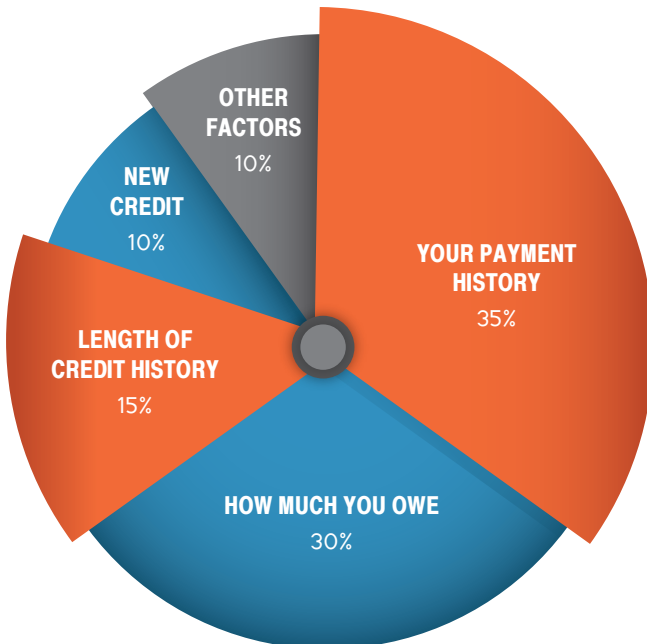
Be cautious of credit inquiries. Any time there is an inquiry into your credit, it affects your score negatively. Mortgage inquiries are the only exception; while shopping for a mortgage loan, you may have as many inquiries as you like within 30 days, and they will count as one.

## OTHER FACTORS – 10%

A number of other smaller factors influence your score. For example, having a variety of credit types on your report, such as credit cards, mortgage loans, auto loans or personal lines of credit, can be indicative of a long credit history and lead to a slightly higher score.

## SO, WHAT'S A GOOD SCORE?

FICO scores range from 300 to 850, with higher numbers being better. While a score of 700 is considered a good indicator of financial health, there are mortgage programs available to qualified borrowers with lower credit score requirements.



# SO WHAT'S THE NEXT STEP?

## 1. OBTAIN A CREDIT REPORT

This is a free service available to you each year, so take advantage. Visit [www.AnnualCreditReport.com](http://www.AnnualCreditReport.com) and request your free copy from all three credit reporting companies.

- **EQUIFAX** – [www.Equifax.com](http://www.Equifax.com)
- **EXPERIAN** – [www.Experian.com](http://www.Experian.com)
- **TRANSUNION** – [www.TransUnion.com](http://www.TransUnion.com)

Beware of other companies that charge fees for credit reports, because they are often not as accurate as the three mentioned above.



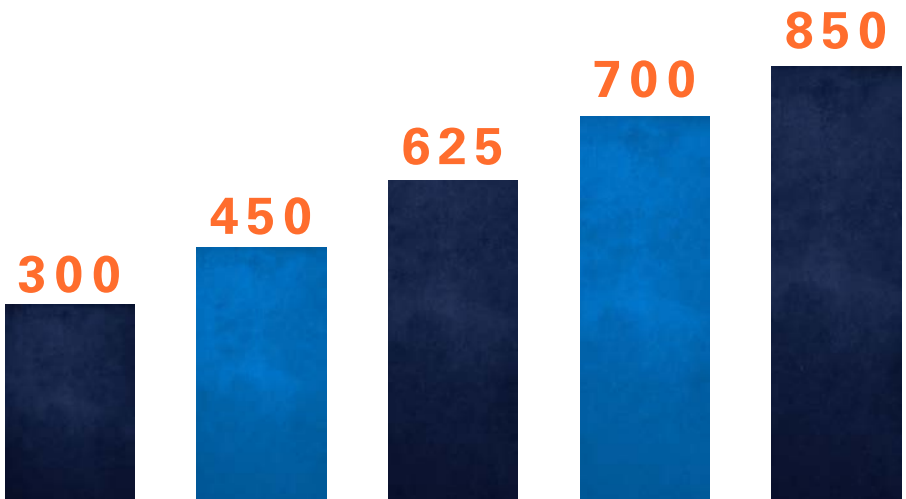
## 2. CHECK FOR MISTAKES

There is no charge for checking into existing errors, so make sure there are no inaccuracies listed on your report. It is your responsibility to notify the credit bureau of any mistakes, which should be cleared up within 30 days of the report date.

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If you need to boost your score, here are a few tips that could make a difference to your score. While these are general tips, be sure to check with your lender before paying off large accounts and moving your money around for closing costs and the down payment.

- **MANAGE YOUR CREDIT CARD** – Keep balances to less than 30 percent of your limit.
- **CORRECT CREDIT LIMITS** – It's important for your credit card company(s) to report your correct limit to the major credit bureaus; your report could suffer if it shows you're over the reported limit, when the limit is actually higher.
- **GET CREDIT WHERE CREDIT IS DUE** – Be sure your report shows all of your credit accounts, especially the healthy ones.





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