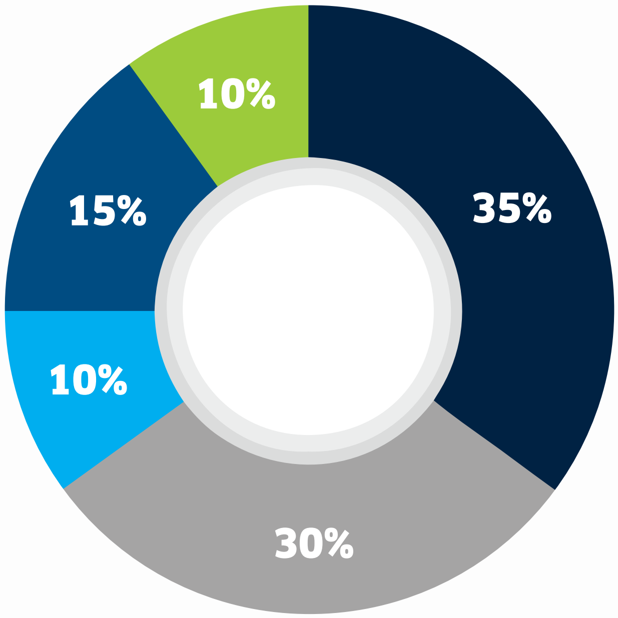
Understanding FICO Scores

- FICO scores are your credit rating | Most lenders base approval on them
- They range from 300-850, higher is better | Higher scores mean lower interest rates
- FICO scores are calculated based on your rating in five general categories.



- **Payment History**
- **Amount Owed**
- **New Credit**
- **Length of Credit History**
- **Types of Credit**

- 35% = based on payment history (on-time payments or delinquencies) more weight on current pay history
- 30% = capacity (available credit amount) (balances vs. limits)
- 15% = length of credit
- 10% = accumulation of debt in the last 12-18 months | # of inquires | Opening dates
- 10% = mix of credit | Installment (raises) vs. revolving (lowers) | # of finance company loans the lower the score (payday loan places)

SIMPLICITY
CREDIT UNION

What actions will hurt my score?

- Missing payments (regardless of $ amounts…It takes 24 months to restore credit after one late payment)
- Credit cards at capacity (maxed out credit cards)
- Closing credit cards out (this lowers available capacity and eliminates the history)
- Shopping for credit excessively
- Opening up numerous trades in a short time period
- Having more revolving loans in relation to installment loans
- Borrowing from finance companies (check n go, title loan places, security finance)
- Transferring Balances

What doesn't affect the score?

- Debt ratio
- Income
- Length of residence
- Length of employment
- Criminal Record or Personal Information

Approximate credit weight for each year.

- 40% = current to 12 months
- 30% = 13-24 months
- 20% = 25-36 months
- 10% = 37+ months

How to improve your score?

- Pay down on credit cards
- Do not close credit cards because capacity will decrease
- Continue to make payments on time (older late pays will become less significant with time)
- Slow down on opening new accounts
- Acquire a solid credit history with years of experience

Why are credit scores important?

- Obtaining additional credit at preferred rates
- Better Insurance rates
- Employment opportunities

For more info visit: www.fico.com