Strong. Stable. Focused on *you.*

Understanding Your Credit Score

As you pursue your financial goals, make sure you're not overlooking another important aspect of your financial picture: your credit score. Your credit score - commonly referred to as FICO score - is used by lenders to assess your riskiness as a borrower and reflect how likely you are to repay your debt. FICO is an acronym for the Fair Isaac Corporation, the company that developed the FICO score. Your score will determine not only your ability to get credit, but how much it will cost you to do so. Borrowers with high credit scores are more likely to get the best rates on mortgages, credit cards, auto loans and other loans. FICO scores are calculated based on information in your credit report (as provided by the three major credit reporting agencies – Equifax, Experian, and TransUnion) and can range from 300 to 850. A credit score above 690 is typically viewed favorably by lenders, with 720 and up considered "excellent."

How Is Your Credit Score Calculated?

Your credit score is determined by five major categories, each with varying degrees of importance:

1. Payment history (35%) – Bankruptcy, collections and delinquencies all negatively factor into your FICO score. Delinquencies will be reflected on your credit report for seven years.
2. Amount owed and amount of available credit (30%) – Your debt as a percentage of your credit limits is another determining factor. Taking on large amounts of debt from many sources can adversely affect your score.
3. Length of credit history (15%) – Maintaining a good credit history over a long period of time can help boost your score. Work to build a long track record of consistently paying your bills.
4. New credit (10%) – Your score takes a hit every time you apply for new credit. If you do this frequently, your score can be damaged. Credit inquiries will appear on your credit report for two years.
5. Credit mix (10%) – Maintaining a mix of credit accounts, such as revolving credit (credit cards) and installment credit (mortgages, car loans, etc.) is preferable.

Boosting Your Score

Now that you're familiar with how your FICO score is calculated, you can begin addressing any problem areas in order to help improve it. Your credit score changes when new information is reported by your creditors and will improve over time as you manage your credit responsibly. If you're saddled with a bad credit score, unfortunately, there's no quick fix. Successfully building your credit history takes time, but it can be done with a little focus, dedication and planning.

Tips for Improving Your Credit Score:

- Making your payments on time is crucial. Delinquent payments and collections can really hurt your score.
- Keep balances low on credit cards. Ideally, you will want to use 10% or less of your available credit in order to maximize your score.
- Pay off debt rather than moving it between credit cards. The most effective way to improve your score in this area is to pay down revolving credit.
- Apply for and open new credit accounts only when you need them.
- Check your credit report regularly for accuracy and contact the creditor and credit reporting agency to correct any errors.
- If you have missed payments, get current and stay current. The longer you pay your bills on time, the better your score will be.

Your Credit Score Is Non-Discriminatory

It’s important to note that your FICO score is based solely on the information contained in your credit report. It does not consider factors such as your age, race, gender, religion, income, marital status or employment.

Reviewing Your Credit Report

To get a more complete idea of your credit picture, order a free copy of your credit report through www.annualcreditreport.com. This report won't contain your credit score, although you will have the option of paying a fee to receive it. Even if you've made a habit of paying your bills on time, it's beneficial to annually review your credit report for inaccuracies. Should you discover any inaccuracies, you can dispute them with your creditors.

For a free copy of your credit report, visit: www.annualcreditreport.com
Call: (877) 322-8228
Or write to:
Annual Credit Report Request Services
P.O. Box 105281
Atlanta, Georgia 30348-5281

Credit Score Myths

MYTH: "Missing a payment won't hurt my score too much."
FACT: Missing one mortgage payment can potentially lower your credit score by as much as 100 points!

MYTH: "Bad credit won't hurt my job search."
FACT: It's common practice for employers to review candidates' credit scores when evaluating new hires.

MYTH: "I was a victim of identity theft, and that ruined my credit score."
FACT: If you are a victim of identity theft, report it to the authorities immediately. Then contact the credit reporting agencies to ensure your credit report is accurate and limit additional credit being issued under your name fraudulently. Dealing with identity theft can be a headache, but once it's resolved, your credit score should not be impacted.

MYTH: "Paying my bills on time for a few months isn't going to boost my score enough to qualify for a mortgage."
FACT: Depending on what your score was prior to working diligently to boost them, six months to a year of positive credit can go a long way in improving your score.

MYTH: "Closing credit card accounts is good for my credit."
FACT: Closing an account causes your overall credit utilization rate to increase and can possibly cause your credit score to decrease.

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