

## FICO® SCORES AND FACTORS THAT MAKE UP YOUR FICO® CREDIT SCORE

### What is a FICO® Score?

A FICO® Score is a number that companies granting credit use to assess an applicant's risk. The higher the FICO® score, the lower the risk. FICO® is short for Fair, Isaac and Company, which develops the mathematical formulas used to produce these scores. From the interest rate and features you are offered on a credit card to your ability to qualify for a mortgage, your FICO® score plays a large part in the bank's decision making process. A good score can have banks competing for your business when you apply for a loan. A bad score may mean that you won't qua\* for your auto, mortgage or credit card – or if you do, you may only be offered high rates which will cost you extra money each month.

### What Factors Make Up Your FICO® Credit Score?

Your score is based on a compilation of many bits of information. No one piece of information or factor alone will determine your score. The importance of any factor depends on the overall information in your credit report. That's why it's important to retain good overall credit history or make repairs when needed.

#### Payment History

- Account payment information on specific types of accounts
- Presence of adverse public records such as bankruptcy, suits, liens, etc, collection items, and/or delinquency
- Level of delinquency
- Amount past due on delinquent accounts or collection items
- Lapsed time of past due items, adverse public records, or collection items
- Number of past due items on file
- Number of accounts paid as agreed

#### Amounts Owed

- Amount owed on accounts. Sometimes specific types of accounts or type of balance.
- Number of accounts with balances
- Proportion of credit lines used (balances to total credit limits)
- Proportion of installment loan amounts still owing

#### Length of Credit History

- Time since accounts opened and by specific type of account
- Time since account activity

#### New Credit

- Number of recently opened accounts, and proportion of accounts that are recently opened, by type of account and recent credit inquiries.
- Time since recent account openings), *by* type of account and time since credit inquiry(s)
- Re-establishment of positive credit history following past payment problems

#### Types of Credit Used

- Number of various types of accounts (credit cards, retail accounts, installment loans, mortgage, consumer finance accounts, etc.)

## 5 TIPS ON HOW TO REPAIR AND IMPROVE YOUR FICO® SCORE

The best advice for rebuilding credit is to manage it responsibly over time. If you haven't done that, then you need to repair your credit history before you see credit score improvement. Use these tips to assist with the credit repair process.

### 1. Check Your Credit Report

Begin at the beginning, your credit report if you haven't already, request a free copy of your credit report from a reputable company. It's best to use a company that checks all three major credit bureaus.

#### **Equifax**

P.O. Box 7404256  
Atlanta, GA 30374  
www.equifax.com

#### **Experian**

P.O. Box 2002  
Allen, TX 75013  
www.experian.com

#### **TransUnion**

P.O. Box 390  
Springfield, PA 19064  
www.transunion.com

If you find errors on any of your reports, dispute them with the credit bureau and reporting agency. Examples of what to look for:

- Make sure that there are no late payments incorrectly listed for any of your accounts
- Verify amounts owed for each of your open accounts is correct.

### 2. Pay Your Bills On Time

Making your bill and credit payments on time is one of the biggest contributing factors to your credit score. In day to day life we could all use reminders. Here are some ways to set up reliable reminders and schedules for important payments:

- Some banks offer payment reminders through their online banking portals that can send you an email or text message reminding you when a payment is due.
- Enroll in automatic payments through your credit card and loan providers to have payments automatically debited from your bank account.

### 3. Control Year Spending - Make a budget and stick to it

Credit cards have made it very easy for one to live beyond their means. It can become easy to lose control of your spending by pulling out your credit card every time you make a purchase, resulting in an overwhelming debt. If you're overspending, create and stick to a monthly budget to help you identify where you can cut back. Prioritize the bills that need to get paid and allocate money for the right time of the month to make sure they get paid on time. If you need help getting organized, you may want to consider online banking option. There are also many other online budget tools available through banks for your personal use.

### 4. Reducing the Amount of Debt You Owe

This will obviously take time and is easier said than done. Use the following advice to work on this:

- Stop using your credit cards! Learn to say "no" when you don't have available cash.
- Make as tight a budget as you can and stick to it.
- Use your credit report - make a list of all of your accounts and then go online or check recent statements to determine how much you owe on each account and what interest rate they are charging you. Come up with a payment plan that puts most of your available budget for debt payments towards the highest interest cards first, while maintaining minimum payments on your other accounts.
- Talk to your creditors. They may be willing to reduce your payments or your interest rate. It's worth a try.
- Pay more than your minimum payments. Even a little more each month can help reduce debt faster.
- Increase your income. Get a part-time job, hold a yard sale and consider what you can do to come up with more money to pay off your debt.

### 5. Start Fresh

After your debts are paid off you'll need to start building a new and better credit history. Only take on small amounts of debt that you can pay off every month and make a plan that correlates with your budget for making that happen. Over time, the record of those on-time payments will provide proof of your new credit habits, therefore improving your credit score.