



Always Ready To Serve Since 1956

P.O. Box 1337 :: Portsmouth, VA 23705 | 757.397.1234 :: Toll-Free 800.659.1850 :: Fax 757.393.9447 :: www.guardianfcu.org

Your Credit Score

An Important Number

Your credit score is three-digit number credit bureaus develop by evaluating the information in your credit file. Along with your credit history, it has an impact on whether or not you are approved for a mortgage, car loan or credit card and what interest rate you'll pay.

Lending Industry Standard

A borrower's credit score has been proven to be the best predictor of the borrower's repayment performance. The three major credit bureaus generally use a formula developed by the Fair Isaac Corporation (FICO) to analyze the credit information they have on file for you. Your FICO score is what most lenders use to determine the interest rate you'll be offered. Borrowers with high credit scores are usually offered lower interest rates, while those with lower scores may still get credit but will have a higher interest rate.

Figuring Your Score

The three major credit reporting agencies may each assign you a different *score*, based on the specific information each has on file. But they follow a similar method to come up with that number. Which can range from 300 to 850. The median score in the United States is 723.

Knowing your FICO score and understanding how it is calculated can help you improve your credit profile and thus affect what you pay for financing. The mathematical formula relies heavily on the following five categories. (The percentage by each indicates how much that category rating counts toward your total score.)

1. Payment History (35%)

You will lose more points for recent late payments. A 60-days-late payment a month ago hurts your score more than a 90-days-late payment five years

ago. Bankruptcies, foreclosures or other debt-collection actions will also significantly lower your *score*. *Fortunately, a recent history of timely payments can help offset past delinquencies.*

2. Amounts Owed (30%)

Limiting the total amount of debt you take on-through lines of credit, credit cards and/or installment loans-is crucial. Credit grantors like to see that you use your accounts regularly but without nearing your credit limit. You'll lose points for being close to your maximum charge limit on any single card, exceeding your credit limit or using nearly all available credit on several accounts. Creditors will see this as a sign you might have trouble making future payments.

3. Length of Credit History (15%)

In general, the longer your credit history, the higher your score. One of the factors that scoring considers is the average age of all your accounts combined. Evaluate unused and idle accounts, and close those that may be charging unnecessary fees, but don't close older; inactive accounts with zero balances that are in good standing. They can actually contribute to your score by lengthening your credit history and will stay on your report indefinitely. Records of closed accounts are deleted within 10 years.

4. New Credit (10%)

Opening several new accounts over a short period of time can cost you points. Even applying for multiple credit cards, regardless of whether they're approved, can hurt. There are exceptions for auto and mortgage loan requests. All inquiries for those types of credit within a few weeks' period are classified as one inquiry because it is understood that you are "shopping" for the best interest rate.



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5. Types of Credit (10%)

Having different types of credit—installment loans, charge cards or lines of credit—is viewed positively because it demonstrates you can handle various types of payment obligations. This factor may be given more weight when you are first establishing a credit history because you have little other information to be scored.

Getting Copies of Your Credit Report and Score

All consumers are entitled to a *free* copy of their credit report annually from the three major credit reporting agencies, Equifax, Experian and TransUnion. You are also entitled to a free report if you are turned down for credit.

Your credit reports summarize the information that each bureau has on file for you. Hence, as the information may vary, so may your scores.

Your credit score does not come with your credit report. You must request it and it will generally cost \$20 or less. Credit scores are free, however, for mortgage applicants,

You can request copies of your credit report www.annualcreditreport.com, which provides links to all three credit bureaus, or by calling 1-877-322-8228.

Checking Your Credit Bureau Report for Errors Checking your report gives you the chance to correct inaccurate or incomplete information that can negatively impact your credit score. It can also alert you to signs of identity theft, such as fraudulent accounts opened in your name.

If you discover an error, file a dispute with the credit bureau either online or by calling the phone number listed on the report. You can also write to them at the addresses below. The bureau has 30 days to investigate and must delete the item if the lender doesn't respond in that time. If the credit grantor insists the information is accurate, you're entitled to have your explanation added to your report.

Equifax (equifax.com)

PO Box 740341
Atlanta, GA 30374
800-685-1111

Experian (experian.com)

PO Box 2002
Allen, TX 75013-0949
888-397-3742

TransUnion (transunion.com)

Consumer Disclosure Center
PO Box 1000
Chester, PA 19022
866-887-2673

For assistance with reading & understanding your credit report call our Financial Counselor @ 757 397-1234 or 1- 800 -659-1850, ext 126.