Understanding Your Credit Score

Video Overview
https://youtu.be/PmJUsGNQmF8

Credit Scores Vs. Credit Report

Your credit report is a snapshot of your current credit accounts and their overall status. The various categories of information contained in your credit report is "weighted" to determine your credit score. So, think of your credit score as your overall credit "grade" that creditors and lenders use to determine whether or not to extend you credit and how much interest to charge you. That's why it's so important to make sure the information contained in your credit report is accurate. To check reports, you can get one free report per year from all three credit bureaus at www.annualcreditreport.com.

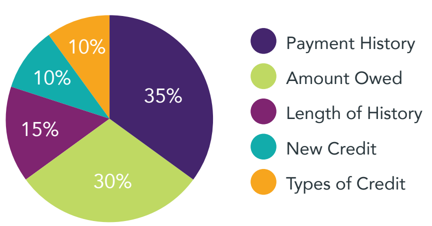
Credit Report

- Is a record of your credit history
- There are three (3) national reporting agencies. TransUnion, Equifax, and Experian.
- Each report can differ because there is no requirement to report accounts to each agency.

Credit Score

- A credit score is a calculation made by a reporting bureau based on your credit history.
- VantageScore and FICO are two different scoring systems.
- A credit score is dependent on a credit report.

How a FICO Credit Score is Calculated



FICO doesn't release their specific formula for calculating a person's credit score. They do release the weight of each factor and how it contributes to a credit score. Payment history at 35% is the largest factor for a person's score. Next, is the amount owed at 30%.15% is the length of history. 10% is new credit, and lastly weighting in also at 10% is types of credit used.

What Your Credit Score Means

Both FICO and VantageScore use a scale of 300-to-850. So what is a good credit score to have? Generally, you want to aim for a score above 670. With a lower score, it will make financing a car, home, or other lines of credit more difficult. The aim of a credit score is to measure how likely a person is to fall at least 90 days behind on a payment in the next 2 years. So when financing a creditor may view someone below 670 as having a higher risk of default.

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Factors Affecting Your Credit Score

- Payment history for credit cards and loans. Includes the number of late payments and how severe.
- Credit Utilization rate. Try to keep this below 30%.
- Type of credit
- Age and number of credit accounts
- The total debt amount (including secured and unsecured)
- Number of new credit accounts recently opened
- Amount of inquiries for your credit report

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5 Tips for Repairing Credit

1. Pay all your bills on time, not just loans or credit. Utilities, rent, and phone bills are other accounts that could also impact your score.
2. Keep low balances on credit cards and other revolving credit. Try to keep utilization below 30% and not max out any cards.
3. Apply for new credit accounts, only as needed. Every hard credit pull can affect your credit.
4. Don't close unused credit cards. If they don't have an annual fee. It can keep help to keep cards open and add wiggle room to your credit utilization ratio.
5. Dispute any inaccuracies on your credit report. Check your credit reports for any errors. Information with the bureaus can be disputed online, by phone, or by mail.

4 Tips for Rebuilding Credit

1. Get a secured credit card. You deposit money upfront as collateral but then the card works the same as any other card.
2. Apply for a credit-builder loan. This kind of loan is typically only offered at credit unions or community banks that you must be a member of. A credit-builder loan holds the amount borrowed in a bank account until paid in full. Once paid in full you receive the money. The payments still help rebuild your credit.
3. Request being an authorized user on a credit card. This one has some risk because you aren't managing the account so it's best to do so with someone you have a close relationship with.
4. Find a co-signer. Again this is someone you are close to who is willing to cosign on a card. Remember this can affect their credit too. For instance, if you're late on a payment the co-signer's score could drop too.