Tips for Understanding Your Financial Credit History

The way you've handled your finances in the past can affect the things you want do in the future. You'll need to allow access to your report whenever you want to:

- Take out a loan or apply for a credit card
- Rent or buy a home
- Apply for a job
- Get insurance
- Purchase cars, large appliances, or even cell phones

Know your credit report.
Your credit report or credit history is a report on your financial life. The three major credit bureaus (also called credit reporting agencies) collect information from public records and from companies that you do business with.

They use that information to create a record that includes:

- Personal information to identify you, including name, current and previous addresses, and Social Security number.
- A list of your credit accounts, including reports from lenders on their history with you.
- Public record information and information from collection agencies, including delinquent accounts, bankruptcies, foreclosures, lawsuits, wage attachments, liens and judgments.
- Credit inquiries — a list of everyone who has asked to see your report in the past two years.

How your credit score will benefit you.
When you apply for any form of credit, lenders want to know: will this loan be repaid? Your credit score assigns a grade to your credit history and expresses your creditworthiness as a single number. Higher credit scores mean you're less of a risk to a lender, which means you are more likely to be able to borrow larger amounts, at better interest rates.

The most commonly used credit scores are provided by Fair Isaac Corporation and are known as FICO® scores. They can range from 300 (the worst) to 850 (the best). Lenders differ, but a good score is usually considered to be 700 or above.

Different factors from your credit report have more effect on your score. The key factors include*:

- **Payment history (35%).** On-time payments on all your accounts help you get a higher score. The score is lowered for late payments, delinquent or over the limit accounts, bankruptcies, and liens.
- **Total amount you owe (30%).** This includes the ratio of what you owe to the amount of your available credit. Maxing out your credit lines can lower your score, but so can having too much available credit. Try to avoid using more than 50% of your available credit, and ask your credit issuer to reduce credit lines that you're not using.

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- **Length of credit history (15%).** This shows how long you have been using credit and how you have managed your finances in the past.
- **New credit accounts and inquiries (10%).** This includes accounts you've opened recently, and recent inquiries from companies you have applied to for credit. Applying for a lot of credit can lower your score.
- **Types of credit in use (10%).** Your credit accounts, including credit cards, installment loans, mortgages, and other credit.

Because each credit bureau may have slightly different information, you may actually have three different scores, but they usually are fairly close.

Make sure your credit score is accurate.
A good credit report can be helpful as you work to achieve your financial goals so be sure yours is correct. Experts recommend that you review your credit report once a year to be sure there are no mistakes. You can get one free report a year from each of the three major credit bureaus by visiting **www.annualcreditreport.com** or by calling **1.877.322.8228**.

If you find any errors, report them to the credit bureaus — and to the originating company — to have them corrected. If you think fraud or identity theft has occurred, contact the credit bureaus immediately.

How you can boost your score.
The best thing you can do to keep your credit score in good standing is to pay your bills on time, and limit your debt payments to less than 20% of your income. The important thing to remember is that both your credit report and your credit score are all about how you manage money. Good financial management can help boost your score.

** Source: Fair Isaac Corporation, www.myfico.com.*

How Your Credit Score is Determined*