



## Creditsplaining 123s

Your FICO® Score seems to be everywhere these days, which is great. “Knowledge is power”, so it’s nice to know where you stand. If you’re someone that sees your FICO® Score and thinks, “yep – that accurately reflects my credit behavior,” there probably won’t be much for you here. For the rest of us, that are more like, “what!?!?”, let’s soldier on.

First, you’re here. You’re reading a blog in hopes of better understanding your credit/finances/FICO® Score?! ...or maybe you don’t know why you’re here. But you are, and that my friends, is the first step.

Step Two, knowing things - Vol.1 The Basics:

Credit Account – Includes Credit Card, Auto Loan/Lease, Mortgage, Student/Personal Loan, Checking/Savings Accounts w/Overdraft Protection but doesn’t include Debit accounts for example.

Credit Bureau (Equifax, Experian, TransUnion) – They collect information about your payment history from companies to include on your credit report.

Credit Report – Includes:

- Identifying information like - Name, Address & SSN
  - Credit Accounts aka Trade Lines – And all their Deets!
    - o Credit Limit/Loan Amount
    - o Account Balance
    - o Payments
    - o Late Payments
    - o Missed Payments
    - o Opened/Closed Date(s)
  - Inquiries – If you apply for a new credit account, it’s reported as an “Inquiry”. If you just look at your score – that doesn’t count against you.
  - Other Late or Missed Payments, Collections, and Bankruptcies – Your typical bills (think - utility, cable, mobile, rent), don’t report account information to the credit bureaus unless there has been a payment issue.
- \*\*Not Included - Income, race, gender, age – it’s none of their business.

FICO® Scores – Are used to help assess how likely you are to repay your debts, on the basis of data from your credit report. The data is grouped into 5 categories and weighted by relative importance. Spoiler alert: paying your bills and not maxing out cards are key to healthy credit.

1. 35% - Payment history: Have all your payments been made on time?
2. 30% - Amounts owed: How much of your credit are you using?
3. 15% - Length of credit history: How long have you had credit for?
4. 10% - New credit: How many credit inquiries do you have? How many new accounts have you opened recently?
5. 10% - Credit mix: What types of credit accounts do you have? Installment? Mortgage?

FICO® Scores are used by over 90% of lenders to make credit decisions. Since your credit card companies are most likely judging your FICO® Score, you should keep an eye on it too.

Step Three, go check your FICO® Score! Then check it again whenever your bank or credit card company updates it. It’s your information and it’s important, so you should know it.

Until next time!

By FICO® Score Open Access team

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