What Goes Into a Credit Score?

Your credit score helps lenders—from credit card providers to car dealership—decide whether or not they're willing to loan you money. But where does your credit score come from? And how is it calculated?

Your score is figured by three separate credit agencies: Experian, Equifax, and TransUnion. Your scores are usually a little bit different from one agency to another, but they should be similar. Scores (also known as FICO scores) are based on several factors:

Percentages are for illustrative purposes only and may vary slightly for each credit bureau.

[35%] Payment History
Have you paid existing bills on time? How late were your payments? Do you have, or have you had, accounts in collections?

[30%] Total Debt
How much do you currently owe? What percentage of your available credit lines are you actually borrowing right now? Aim to use less than 1/3 of the total credit available to you. For instance:

- 2 credit cards
- Combined limit = $10,000
- Your goal debt < $3,300

[15%] Length of Your Credit History
How long have you been using credit? What's your oldest individual account? Your score will continue to improve as you make on-time payments over the course of months and years.

[10%] New Credit
Have you opened several new credit accounts, all within the last few months? Having multiple new accounts can be a sign of cash flow problems—and this can lower your score.

[10%] Types of Credit
Lenders like to see you using a variety of credit types. But it takes a while to build up from a single credit card, to obtaining car loans, mortgages, or other types of credit. So take your time, and don't focus on this element too much.

QUESTIONS?
Contact us at 1-855-347-4864 to speak with a Money Management Advisor today.

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