

# Understanding Your FICO Score



## Removing Some of the Mystery about Credit Scores

**Fair, Isaac Co.**, the major provider of credit scoring systems to Lenders, has revealed how it determines credit scores, also known as FICO scores. Many Lenders use these scores to predict how likely a Borrower is to repay a loan.

There are five main factors that influence your FICO score:

### ▶ Payment History

1

▶ Payment history accounts for about 35 percent of your score. Paying your bills on time is the best way for you to receive a high FICO score.

### ▶ Your Current Debt

2

▶ About 30 percent of your score is determined by how much you currently owe. If you owe a lot of money in relation to your available credit limits, you may appear to be over extended. The key to keep balances low on unsecured debt such as credit cards. Even closing unused accounts may not improve your score.

### ▶ How Long You've had Credit

3

▶ The longer you've had credit and handled it responsibly, the better your FICO score will be. The length of your credit history accounts for 15 percent of your score.

### ▶ Applications for New Credit

4

▶ Applying for several credit accounts in a short period of time could indicate that you may soon be over extended and may lower your score. This is about 10 percent of your score.

### ▶ Your Credit Mix

5

▶ The final 10 percent of your score is determined by the kinds of credit accounts you have – credit cards, retail accounts, installment loans, finance company loans and mortgage loans and how many of each.

There are other elements, mostly subcategories of the items listed above, that go into your score, including your occupations, time at present job, time at your current address, home ownership, and much more. For more information or to obtain a copy of your FICO score, visit [www.myfico.com](http://www.myfico.com).