

FICO SCORES

Understanding the crossroads that lead to explaining the score.

What makes up the score?

35% based on payment history

- 1) i.e. on time pays or delinquencies
- 2) More weight on current payment history

30% Capacity...it is the king

15% Length of credit

10% Accumulation of debt within the last 12-18 months

- 1) Number of inquiries
- 2) Opening dates

10% mix of types of credit

- 1) Installment (raises score) vs Revolving (lowers score) number of finance Co. loans, the more the lower the score

What actions will hurt the score?

- A) Missing payments...It will take 24 months to restore credit with one late payment
- B) Credit cards at capacity...at their limits
- C) Closing out credit cards...It lowers available capacity
- D) Shopping for credit excessively
- E) Opening up numerous trades in a short period
- F) Having more revolving loans in relation to installment loans
- G) Borrowing from Finance Companies

What doesn't affect your score

- A) Debt ratio
- B) Income
- C) Length of residence
- D) Length of employment

Approximate credit weight for each year

- A) 40%—current – 12 months
- B) 30%— 13-24 months
- C) 20%—25-36 months
- D) 10%—37+ months

How to improve your score

- A) Pay down on credit card balances
- B) Do not close credit cards because capacity will decrease
- C) Continue to make payments on time, older payments will become less significant with time
- D) Slow down on opening new accounts
- E) Acquire a solid credit history with years of experience
- F) Move revolving debt to installment debt