

Why Scores Matter

Credit scores affect whether you can get credit and what you pay for credit cards, auto loans, mortgages and other kinds of credit. For most kinds of credit scores, higher scores mean you are more likely to be approved and pay a lower interest rate on new credit.

Lenders look at your scores all the time. They look at your scores when deciding, for example, whether to change your interest rate or credit limit on a credit card, or whether to send you an offer through the mail. Having good credit scores makes your financial dealings a lot easier and can save you money in lower interest rates. That's why they are a vital part of your financial health.



Tips

When you get your credit scores, make sure you also learn the highest and lowest scores possible, as well as the most important factors that influenced your scores. These factors can give you an idea of how you can improve your scores.

Getting your own credit scores or credit reports won't affect your scores, as long as you order them from one of the following sources:

Equifax

Web: www.equifax.com
Phone: 1-800-685-1111

Experian

Web: www.experian.com
Phone: 1-866-200-6020

TransUnion

Web: www.transunion.com
Phone: 1-800-888-4213

Review your credit reports for accuracy. Mistakes and omissions on your credit reports will probably affect your credit scores. If you spot an error, contact the credit reporting agency and the creditor whose information is wrong.

If you have questions or problems with your credit scores, contact the company that provided them to you.

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Credit Scores

Explained



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The Five Factors of your Credit Score

1 Your Payment History
Late payments and negative items hurt your score. Maintaining a record of on-time payments helps your score.

2 How much you owe
How much of your available credit are you using? The more you owe compared to your limit, the lower your score is.

3 Length of credit history
Longer credit history increases your score. A short history can bring a high score if your report shows responsible credit management.

4 New credit
Credit scores weigh new accounts with the rest of your credit history. If you do any rate shopping, keep it within a focused period of time, 30 days, and avoid lowering your score unnecessarily.

5 Types of credit
It's better to have a mix of credit types, installment loans like a mortgage or auto loan, credit cards and for people with longer histories, personal lines of credit.

Types of Credit Scores

Each credit reporting agency calculates your score and each score may be different because the credit history each agency has about you may be different. Lenders may make a credit card or auto loan decision based on a single agency's score, although others, such as mortgage lenders often will look at all three scores.

Your credit score changes when your information changes at that credit reporting agency. This means you can improve a poor score over time by improving how you handle credit

Many insurance companies use something similar when setting your insurance rates, called a "credit-based insurance score". You may be able to improve your insurance score by improving how you handle credit, which in turn may lower your premium payments on auto or homeowners insurance.

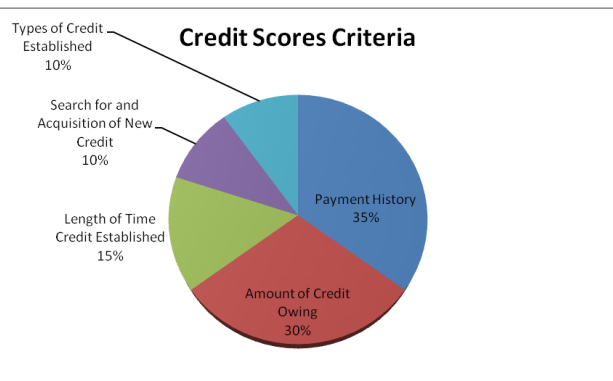
Some credit scores offered to consumers are just estimates and are different from the credit risk scores used by lenders. Consumer reporting agencies and other companies sometimes use an estimated score to illustrate a consumer's general level of credit risk.

How to Boost Your Credit Score

Your credit scores change when new information is reported by your creditors. So your scores will improve over time when you manage your credit responsibly.

Some General ways to improve your credit scores:

- ✔ Pay your bills on time. Delinquent payments and collections can really hurt scores.
- ✔ Keep balances low on credit cards. High debt levels hurt your score.
- ✔ Pay off debt rather than moving it between credit cards. The most effective way to improve your score in this area is to pay down your revolving credit.
- ✔ Apply for and open new credit accounts only when you need them.
- ✔ Check your credit report regularly for accuracy and contact the creditor and credit reporting agency to correct any errors.
- ✔ If you have missed payments, get current and stay current. The longer you pay your bills on time, the better your score.



Your Score is usually developed by the Fair Isaac Corporation and is the most common system used today.

FICO scores range from 350-850 with most people's score in the 600s and 700s.

Higher FICO scores are better.