

Understanding Your FICO® Score



Complements of BRT Financial

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Your FICO® Score — A Vital Part of Your Credit Health

When you're applying for credit—whether it's a credit card, a car loan, a personal loan or a mortgage—lenders want to know your credit risk level. To help them understand your credit risk, most lenders will look at your FICO® score, the credit score created by Fair Isaac Corporation which is available from all three major credit reporting agencies.

WHAT IS A CREDIT SCORE?

A credit score is a number lenders use to help them decide: "If I give this person a loan or credit card, how likely is it that I will get paid back on time?" A score is an estimate of your credit risk based on a snapshot of your credit report at a particular point in time.

The most widely used credit scores are FICO scores. Lenders use FICO scores to help them make billions of credit decisions every year. Fair Isaac develops FICO scores based solely on information in consumer credit reports maintained at the credit reporting agencies. This booklet can help you improve your credit health by helping you understand how credit scoring works.

Your credit score influences the credit that's available to you, and the terms (interest rate, etc.) that lenders offer you. It's a vital part of your credit health.

Understanding your FICO score can help you manage your credit health. By knowing how your credit risk is evaluated, you can take actions that will lower your credit risk—and thus raise your credit score—over time. A better FICO score means better financial options for you.

More information on FICO scores and credit scoring can be found online at www.myFICO.com.

WHAT IS YOUR FICO® SCORE?

Once you know how scoring works, you may want to take the next step by finding out what your FICO score is today, and what steps you could take to improve it.

You can get your FICO score through Fair Isaac's myFICO® website. When you order your score through www.myFICO.com, you also get the credit report your FICO score is based on, and specific tips on how to improve your score.

You can check your FICO score online at www.myFICO.com. For information, see page 17.



How FICO® Scores Help You



DOES MY FICO SCORE ALONE DETERMINE WHETHER I GET CREDIT?

No. Most lenders use a number of facts to make credit decisions, including your FICO score. Lenders look at information such as the amount of debt you can reasonably handle given your income, your employment history, and your credit history. Based on their perception of this information, as well as their specific underwriting policies, lenders may extend credit to you although your FICO score is low, or decline your request for credit although your FICO score is high.

FICO scores give lenders a fast, objective measurement of your credit risk. Before the use of scoring, the credit granting process could be slow, inconsistent and unfairly biased. Credit scores—especially FICO scores, the most widely used credit scores—have made big improvements in the credit process. Because of FICO scores:

■ **People can get loans faster.** FICO scores can be delivered almost instantaneously, helping lenders speed up loan approvals. This means that when you apply for credit, you'll get an answer more quickly. Today many credit decisions can be made within minutes—or online, within seconds. Even a mortgage application can be approved in hours instead of weeks for borrowers who score above a lender's "score cutoff." FICO scores also allow retail stores, internet sites and other lenders to make "instant credit" decisions.

■ **Credit decisions are fairer.** Using FICO scores, lenders can focus only on the facts related to credit risk, rather than their personal opinions or biases. Factors like your gender, race, religion, nationality and marital status are not considered by FICO scores. So when a lender makes a credit decision based at least partly on your FICO score, you can be sure that the lender's evaluation of your credit history is fair and objective.

■ **Older credit problems count for less.** If you have had poor credit performance in the past, FICO scores don't let that haunt you forever. The impact of past credit problems on your FICO score fades as time passes and as recent good payment patterns show up on your credit report. And FICO scores weigh any credit problems against the positive information that says you're managing your credit well.

■ **More credit is available.** Lenders who use FICO scores can make more credit available to you or offer better terms because your FICO score gives them more precise information on which to base credit decisions. It allows lenders to identify individuals who are likely to perform well in the future, even though their credit report shows past problems. Even if your FICO score is lower than a lender's cutoff for "automatic approval," you may still benefit from your lender's use of FICO scores. Many lenders offer a choice of credit products geared to different risk levels. Most have their own separate guidelines, so if you are turned down by one lender, another may approve your loan. The use of FICO scores gives lenders the confidence to offer credit to more people, because they have a better understanding of the risk they are taking on. And this gives you more options when you apply for credit.

■ **Credit rates are lower overall.** With more credit available, you may pay less. Automated credit processes, including credit scoring, make the credit granting process more efficient and less costly for lenders, who in turn have passed savings on to their customers. And by controlling credit losses by using FICO scores, lenders can make rates lower overall. Mortgage rates are lower in the United States than in Europe, for example, in part because of the information—including FICO scores—available to lenders here.

HOW FAST DOES MY FICO SCORE CHANGE?

Your FICO score can change whenever your credit report changes. But your score probably won't change a lot from one month to the next. In a given three-month time period, only about one in four people has a 20-point change in their FICO score.

While a bankruptcy or late payments can lower your FICO score fast, improving your FICO score takes time. That's why it's a good idea to check your FICO score 6–12 months before applying for a big loan, so you have time to take action if needed. If you are actively working to improve your FICO score, you'd want to check it quarterly or even monthly to review changes.



HOW CAN MISTAKES GET ON MY CREDIT REPORT?

If your credit report contains errors, it is often because the report is incomplete, or contains information about someone else. This typically happens because:

■ **You applied for credit under different names**

(Mary Jones, Mary Jones-Smith, etc.).

■ **Someone made a clerical error in reading or entering name or address information from a handwritten application.**

■ **You gave an inaccurate Social Security number, or the number was misread by the lender.**

■ **Loan or credit card information was inadvertently applied to the wrong account.**

You can also buy your report and dispute any errors by contacting the credit reporting agencies directly:

■ Equifax: (800) 685-1111, www.equifax.com

■ Experian (formerly TRW): (888) 397-3742, www.experian.com

■ TransUnion: (800) 888-4213, www.transunion.com

Your Credit Report— The Basis of Your FICO® Score

Credit reporting agencies maintain files on millions of borrowers. Lenders making credit decisions buy credit reports on their prospects, applicants and customers from the credit reporting agencies.

Your report details your credit history as it has been reported to the credit reporting agency by lenders who have extended credit to you. Your credit report lists what types of credit you use, the length of time your accounts have been open, and whether you've paid your bills on time. It tells lenders how much credit you've used and whether you're seeking new sources of credit. It gives lenders a broader view of your credit history than do other data sources, such as a bank's own customer data.

Your credit report contains many pieces of information that reveal many aspects of your borrowing activities. The ability to quickly, fairly and consistently consider all this information, including the relationships between different types of information, is what makes credit scoring so useful.

CHECK YOUR CREDIT REPORT

You should review your credit report from each credit reporting agency at least once a year and especially before making a large purchase, such as a house or car. By September 1, 2005, people in all 50 states will have the right to obtain one free copy of their credit report a year from each of the three major credit reporting agencies. For more information, contact the Annual Credit Report Request Service at:

P.O. Box 105281
Atlanta, GA 30348-5281
1 877 FACT ACT (1 877 322 8228)
www.annualcreditreport.com

You can buy additional copies of your credit reports from www.myFICO.com.

If you find an error, the credit reporting agency must investigate and respond to you within 30 days. If you are in the process of applying for a loan, immediately notify your lender of any incorrect information in your report.

WHAT'S IN YOUR CREDIT REPORT?

Although each credit reporting agency formats and reports this information differently, all credit reports contain basically the same categories of information.

Credit Bureau Report

1 Personal Information

Name	John Smith
Date of Birth	May 1, 1970
Social Security Number	123-45-6789
Current Address	6100 Fifth Avenue Dayton, OH 45439

2 Accounts Summary

Acct. Type	Company	Account No.	Balance	Neg. Items
Installment	Ford Mot.	BFM915X	\$23,000	No
Revolving	Citicorp	427188888	\$325	No

3 Inquiries

Date	Company requesting your credit record
1/4/2005	Main Street Bank
9/21/2004	XKK Cellular Phone Service

4 Negative Items

Acct. Type	Company	Status	Delinquency	Neg. Descrip.
Installment	Ford	Pays as agreed	30 days past due	No

1. PERSONAL INFORMATION.

Your name, address, Social Security number, date of birth and employment information are used to identify you. These factors are not used in credit bureau scoring. Updates to this information come from information you supply to lenders.

2. ACCOUNTS. These are your credit accounts. Lenders report on each account you have established with them. They report the type of account (bankcard, auto loan, mortgage, etc.), the date you opened the account, your credit limit or loan amount, the account balance and your payment history.

3. INQUIRIES. When you apply for a loan, you authorize your lender to ask for a copy of your credit report. This is how inquiries appear on your credit report. The inquiries section contains a list of lenders who accessed your credit report within the last two years. The report you see lists "voluntary" inquiries, spurred by your own requests for credit, and may also list "involuntary" inquiries, such as when lenders order your report before making you a preapproved credit offer in the mail. See page 15 for more information on inquiries.

4. NEGATIVE ITEMS. Lenders report delinquency information when you have missed a payment. Credit reporting agencies also collect information on overdue debt from collection agencies, and public record information from state and county courts. Public record information includes: bankruptcies, foreclosures, tax liens, garnishments, legal suits and judgments.

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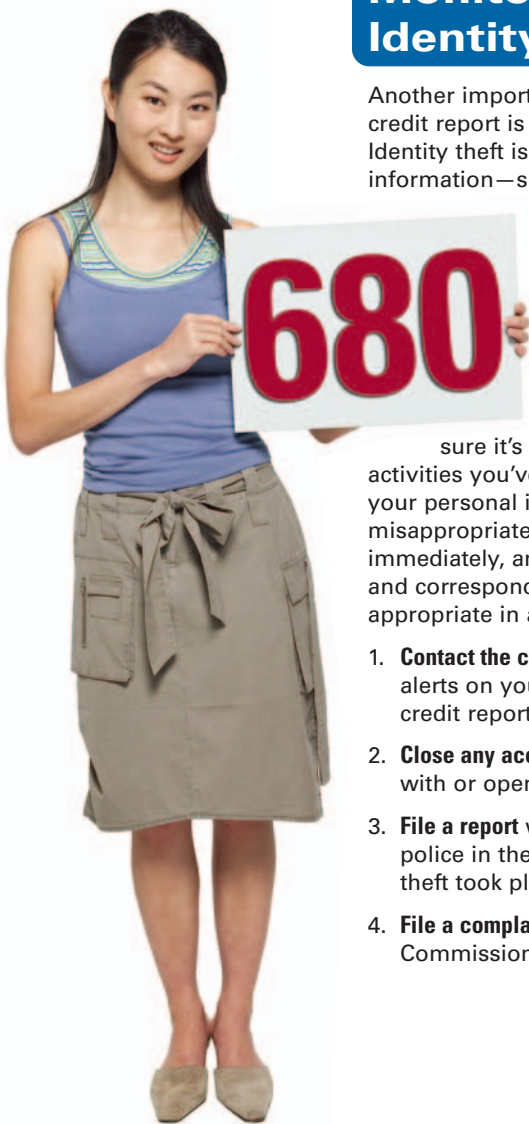
Monitor for Identity Theft

Another important reason to regularly check your credit report is for an early detection of identity theft. Identity theft is when someone uses your personal information—such as your name, Social Security number, credit card number or other identifying information—without your permission to make purchases, open accounts, take-out loans, buy cars and even get new jobs.

By regularly checking your credit report from each of the credit reporting agencies, you can make

sure it's accurate and includes only those activities you've authorized. If you suspect that your personal information has been hijacked and misappropriated to commit fraud or theft, take action immediately, and keep a record of your conversations and correspondence. These four basic actions are appropriate in almost every case.

1. **Contact the credit reporting agencies** to place fraud alerts on your credit reports and to review your credit reports.
2. **Close any accounts** that have been tampered with or opened fraudulently.
3. **File a report** with your local police or the police in the community where the identity theft took place.
4. **File a complaint** with the Federal Trade Commission.



How FICO® Scores Work

Along with the credit report, lenders can also buy a FICO score based on the information in the report. That FICO score is calculated by a mathematical equation that evaluates many types of information from your credit report at that agency. By comparing this information to the patterns in hundreds of thousands of past credit reports, the FICO score identifies your level of future credit risk.

In order for a FICO score to be calculated on your credit report, the report must contain enough information—and enough recent information—on which to base a score. Generally, that means you must have at least one account that has been open for six months or longer, and at least one account that has been reported to the credit reporting agency within the last six months.

ABOUT FICO SCORES

Credit scores are often called “FICO scores” because most credit scores used in the US and Canada are produced from software developed by Fair Isaac Corporation (FICO). FICO scores are provided to lenders by the three major credit reporting agencies: Equifax, Experian and TransUnion.

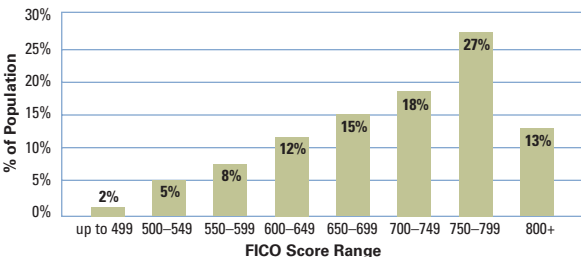
FICO scores provide the best guide to future risk based solely on credit report data. The higher the score, the lower the risk. But no score says whether a specific individual will be a “good” or “bad” customer. And while many lenders use FICO scores to help them make lending decisions, each lender has its own strategy, including the level of risk it finds acceptable for a given credit product. There is no single “cutoff score” used by all lenders.

ARE FICO SCORES UNFAIR TO MINORITIES?

No. FICO scores do not consider your gender, race, nationality or marital status. In fact, the Equal Credit Opportunity Act prohibits lenders from considering this type of information when issuing credit.

Independent research has shown that credit scoring is not unfair to minorities or people with little credit history. Scoring has proven to be an accurate and consistent measure of repayment for all people who have some credit history. In other words, at a given score, non-minority and minority applicants are equally likely to pay as agreed.

National Distribution of FICO Scores



ARE FICO SCORES THE ONLY CREDIT RISK SCORES?

No. While FICO scores are the most commonly used credit risk scores in the US, lenders may use other scores to evaluate your credit risk. These include:

■ **Application risk scores.**

Many lenders use scoring systems that include the FICO score but also consider information from your credit application.

■ **Customer risk scores.**

A lender may use these scores to make credit decisions on its current customers. Also called “behavior scores,” these scores generally consider the FICO score along with information on how you have paid that lender in the past.

■ **Other credit scores.**

These scores may evaluate your credit report differently than FICO scores, and in some cases a higher score may mean more risk, not less risk as with FICO scores. When purchasing a credit score for yourself, make sure to get the FICO score, as this is the score most lenders use when making credit decisions.

YOU HAVE THREE FICO SCORES

In general, when people talk about “your score,” they’re talking about your current FICO score. But in fact there are three different FICO scores developed by Fair Isaac—one at each of the three main US credit reporting agencies. And these scores have different names.

Credit Reporting Agency	FICO Score Name
Equifax	BEACON®
Experian	Experian/Fair Isaac Risk Model
TransUnion	FICO® Risk Score, Classic

The FICO scores from all three credit reporting agencies are widely used by lenders. The FICO score from each credit reporting agency considers only the data in your credit report at that agency. Fair Isaac develops all three FICO scores using the same methods and rigorous testing. These FICO scores provide the most accurate picture of credit risk possible using credit report data.

WILL YOUR SCORES BE DIFFERENT?

FICO scores range from 300 to 850. Fair Isaac makes the scores as consistent as possible between the three credit reporting agencies. If your information was exactly identical at all three credit reporting agencies, your scores might still differ because the models for the three credit reporting agencies are developed separately. However, all three scores would be within a few points of each other.

Some people will find that their scores at the different bureaus will vary by more than a few points. The differences in scores can be caused by a couple of different factors:

1. The way lenders and other businesses report information to the credit reporting agencies sometimes results in different information being in your credit report at the three agencies.
2. The agencies may also record the same information in different ways. Even small differences in the information at the three credit reporting agencies can affect your scores.

Since lenders may review your score and credit report from any of the three credit reporting agencies, it’s a good idea to check your credit report from all three and make sure they’re all accurate.

What a FICO Score Considers

Listed on the next few pages are the five main categories of information that FICO scores evaluate, along with their general level of importance.

Within these categories is a complete list of the information that goes into a FICO score. Please note that:

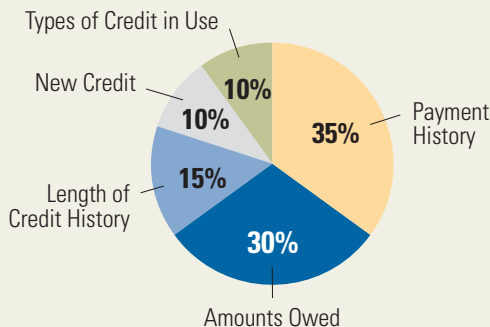
- ▶ **A FICO score takes into consideration all these categories of information, not just one or two.** No one piece of information or factor alone will determine your FICO score.
- ▶ **The importance of any factor depends on the overall information in your credit report.** For some people, a given factor may be more important than for someone else with a different credit history. In addition, as the information in your credit report changes, so does the importance of any factor in determining your FICO score.

Therefore, it's impossible to measure the exact impact of a single factor without looking at your entire report—even the levels of importance shown in the diagram below are for the general population, and will be different for different credit profiles.

- ▶ **Your FICO score looks only at information in your credit report.** Lenders often look at other information when making a credit decision, however, including your income, how long you have worked at your present job and what type of credit you are requesting.
- ▶ **Your FICO score considers both positive and negative information in your credit report.** Late payments will lower your FICO score, but establishing or re-establishing a good track record of making payments on time will raise your score.

How a FICO Score Breaks Down

These percentages are based on the importance of the five categories for the general population. For particular groups—for example, people who have not been using credit long—the relative importance of these categories may be different.



GETTING A BETTER SCORE

The next few pages give some tips for getting a better FICO score. It's important to note that raising your FICO score is a bit like getting in shape: It takes time and there is no quick fix. In fact, quick-fix efforts can backfire. The best advice is to manage credit responsibly over time. For information on how to monitor your FICO score's progress, see page 17.

▶▶ FICO TIPS

■ Pay your bills on time.

Delinquent payments and collections can have a major negative impact on your FICO score.

■ If you have missed payments, get current and stay current.

The longer you pay your bills on time, the better your FICO score.

■ Be aware that paying off a collection account, or closing an account on which you previously missed a payment, will not remove it from your credit report.

Your FICO score will still consider this information, because it reflects your past credit pattern.

■ If you are having trouble making ends meet, contact your creditors or see a legitimate credit counselor.

This won't improve your FICO score immediately, but if you can begin to manage your credit and pay on time, your score will get better over time. And seeking assistance from a credit counseling service will not hurt your FICO score.

■ Avoid credit repair agencies that charge a fee to improve your FICO score by removing negative, but accurate, information from your credit report.

No one can force credit bureaus or lenders to remove accurate information from a credit report. Credit repair companies often take your money without delivering what they promise.

1. Payment History

What is your track record?

Approximately 35% of your FICO score is based on this category.

The first thing any lender would want to know is whether you have paid past credit accounts on time. This is also one of the most important factors in a credit score.

Late payments are not an automatic “score-killer.” An overall good credit picture can outweigh one or two instances of, say, late credit card payments. But having no late payments in your credit report doesn't mean you will get a “perfect score.” Some 60%–65% of credit reports show no late payments at all. Your payment history is just one piece of information used in calculating your FICO score. Your FICO score takes into account:

▶ Payment information on many types of accounts.

These will include credit cards (such as Visa, MasterCard, American Express and Discover), retail accounts (credit from stores where you do business, such as department store credit cards), installment loans (loans where you make regular payments, such as car loans), finance company accounts and mortgage loans.

▶ Public record and collection items—reports of events such as bankruptcies, foreclosures, suits, wage attachments, liens and judgments.

These are considered quite serious, although older items and items with small amounts will count less than more recent items or those with larger amounts. Bankruptcies will stay on your credit report for 7–10 years, depending on the type.

▶ Details on late or missed payments (“delinquencies”) and public record and collection items.

The FICO score considers how late they were, how much was owed, how recently they occurred and how many there are. A 60-day late payment is not as significant as a 90-day late payment, in and of itself. But recency and frequency count too. A 60-day late payment made just a month ago will affect a score more than a 90-day late payment from five years ago.

▶ How many accounts show no late payments.

A good track record on most of your credit accounts will increase your FICO score.

2. Amounts Owed

How much is too much?

Approximately 30% of your FICO score is based on this category.

Having credit accounts and owing money on them does not mean you are a high-risk borrower with a low FICO score. However, when a high percentage of a person's available credit has already been used, this can indicate that a person is overextended, and is more likely to make some payments late or not at all. Part of the science of scoring is determining how much is too much for a given credit profile. Your FICO score takes into account:

- ▶ **The amount owed on all accounts.** Note that even if you pay off your credit cards in full every month, your credit report may show a balance on those cards. The total balance on your last statement is generally the amount that will show in your credit report.
- ▶ **The amount owed on all accounts, and on different types of accounts.** In addition to the overall amount you owe, your FICO score considers the amount you owe on specific types of accounts, such as credit cards and installment loans.
- ▶ **Whether you are showing a balance on certain types of accounts.** In some cases, having a very small balance without missing a payment shows that you have managed credit responsibly, and may be slightly better than carrying no balance at all. On the other hand, closing unused credit accounts that show zero balances and that are in good standing will not raise your FICO score.
- ▶ **How many accounts have balances.** A large number can indicate higher risk of over-extension.
- ▶ **How much of the total credit line is being used on credit cards and other "revolving credit" accounts.** Someone closer to "maxing out" on many credit cards may have trouble making payments in the future.
- ▶ **How much of installment loan accounts is still owed, compared with the original loan amounts.** For example, if you borrowed \$10,000 to buy a car and you have paid back \$2,000, you owe (with interest) more than 80% of the original loan. Paying down installment loans is a good sign that you are able and willing to manage and repay debt.

▶▶ FICO TIPS

■ **Keep balances low on credit cards and other "revolving credit."** High outstanding debt can affect your FICO score.

■ **Pay off debt rather than moving it around.**

The most effective way to improve your FICO score in this area is by paying down your revolving credit.

■ **Don't close unused credit cards as a short-term strategy to raise your FICO score.** Owing the same amount but having fewer open accounts may lower your FICO score.

■ **Don't open a number of new credit cards that you don't need, just to increase your available credit.** This approach could backfire and actually lower your FICO score.

▶▶ FICO TIPS

■ **If you have been managing credit for a short time, don't open a lot of new accounts too rapidly.** New accounts will lower your average account age, which will have a larger effect on your FICO score if you don't have a lot of other credit information. Even if you have used credit for a long time, opening a new account can still lower your FICO score.

3. Length of Credit History

How established is yours?

Approximately 15% of your FICO score is based on this category.

In general, a longer credit history will increase your FICO score. However, even people who have not been using credit long may get high FICO scores, depending on how the rest of the credit report looks. Your FICO score takes into account:

- ▶ **How long your credit accounts have been established, in general.** Your FICO score considers the age of your oldest account, the age of your newest account and an average age of all your accounts.
- ▶ **How long specific credit accounts have been established.**
- ▶ **How long it has been since you used certain accounts.**

What FICO scores ignore

FICO scores consider a wide range of information on your credit report, as shown on pages 9–14. However, they do not consider:

- **Your race, color, religion, national origin, sex and marital status.** US law prohibits credit scoring from considering these facts, as well as any receipt of public assistance, or the exercise of any consumer right under the Consumer Credit Protection Act.
- **Your age.** Other types of scores may consider your age, but FICO scores don't.
- **Your salary, occupation, title, employer, date employed or employment history.** Lenders may consider this information, however.
- **Where you live.**
- **Any interest rate being charged on a particular credit card or other account.**
- **Any items reported as child/family support obligations or rental agreements.**
- **Certain types of inquiries (requests for your credit report or score).** Your FICO score does not count any inquiries you initiate, any inquiries from employers, or any inquiries lenders make without your knowledge. For details, see page 15.
- **Any information not found in your credit report.**
- **Any information that is not proven to be predictive of future credit performance.**

4. New Credit

Are you taking on more debt?

Approximately 10% of your FICO score is based on this category.

People tend to have more credit today and to shop for credit—via the internet and other channels—more frequently than ever. FICO scores reflect this reality. However, research shows that opening several credit accounts in a short period of time does represent greater risk—especially for people who do not have a long established credit history.

Multiple credit requests also represent greater credit risk. However, FICO scores do a good job of distinguishing between a search for many new credit accounts and rate shopping for one new account. Your FICO score takes into account:

- ▶ **How many new accounts you have.** Your FICO score looks at how many new accounts you have by type of account (for example, how many newly opened credit cards you have). It also may look at how many of your accounts are new accounts.
- ▶ **How long it has been since you opened a new account.** Your FICO score may consider this information for specific types of accounts.
- ▶ **How many recent requests for credit you have made, as indicated by inquiries to the credit reporting agencies.** Inquiries remain on your credit report for two years, although FICO scores only consider inquiries from the last 12 months. FICO scores have been carefully designed to count only those inquiries that truly impact credit risk—see page 15 for details.
- ▶ **Length of time since credit report inquiries were made by lenders.**
- ▶ **Whether you have a good recent credit history, following past payment problems.** Re-establishing credit and making payments on time after a period of late payment behavior will help to raise a FICO score over time.

▶▶ FICO TIPS

■ Do your rate shopping for a given auto or mortgage loan within a short period of time.

FICO scores distinguish between a search for a single loan and a search for many new credit lines, in part by the length of time over which inquiries occur.

■ Be careful about opening new accounts that you don't need.

Opening new accounts can lower your FICO score in the short term. Beware of discounts or low interest rates being offered to entice you to open a new charge account that you don't need.

■ Re-establish your credit history if you have had problems.

Opening new accounts responsibly and paying them off on time will raise your FICO score in the long term.

■ Note that it's OK to request and check your own credit report and your own FICO score.

This won't affect your FICO score, as long as you order your credit report directly from the credit reporting agency or through an organization authorized to provide credit reports to consumers, like www.myFICO.com.

For more information, see page 15.

►► FICO TIPS

■ **Apply for and open new credit accounts only as needed.** Don't open accounts just to have a better credit mix—it probably won't raise your FICO score.

■ **Have credit cards—but manage them responsibly.** In general, having credit cards and installment loans (and making timely payments) will raise your FICO score. People with no credit cards, for example, tend to be higher risk than people who have managed credit cards responsibly.

■ **Note that closing an account doesn't make it go away.** A closed account will still show up on your credit report, and will be considered by your FICO score.

5. Types of Credit in Use

Is it a “healthy” mix?

Approximately 10% of your FICO score is based on this category.

The score will consider your mix of credit cards, retail accounts, installment loans, finance company accounts and mortgage loans. It is not necessary to have one of each, and it is not a good idea to open credit accounts you don't intend to use. The credit mix usually won't be a key factor in determining your FICO score—but it will be more important if your credit report does not have a lot of other information on which to base a score. Your FICO score takes into account:

- ▶ **What kinds of credit accounts you have.** Do you have experience with both revolving and installment type accounts, or has your credit experience been limited to only one type?
- ▶ **How many of each.** Your FICO score also looks at the total number of accounts you have. For different credit profiles, how many is too many will vary depending on your overall credit picture.



How the FICO® Score Counts Inquiries

As explained in the last section, a search for new credit can mean greater credit risk. This is why the FICO score counts inquiries—requests a lender makes for your credit report or score when you apply for credit. FICO scores consider inquiries very carefully, as not all inquiries are related to credit risk. There are three important facts about inquiries to note here:

■ **Inquiries usually have a small impact.** For most people, one additional credit inquiry will take less than five points off their FICO score. However, inquiries can have a greater impact if you have few accounts or a short credit history. Large numbers of inquiries also mean greater risk: People with six inquiries or more on their credit reports can be up to eight times more likely to declare bankruptcy than people with no inquiries on their reports.

■ **Many kinds of inquiries are ignored completely.** Your FICO score does not count an inquiry when you order your credit report or credit score from a credit reporting agency or www.myFICO.com. Also, the FICO score does not count inquiries a lender has made for your credit report or score in order to make you a “pre-approved” credit offer, or to review your account with them, even though you may see these inquiries on your credit report. Inquiries that are marked as coming from employers are not counted either.

■ **The score allows for “rate shopping.”** If you’re looking for a mortgage or an auto loan, you may want to check with several lenders to find the best rate. This can cause multiple lenders to request your credit report, even though you’re only looking for one loan. To compensate for this, FICO scores distinguish between a search for a single loan and a search for many new credit lines, in part by the length of time over which inquiries occur. When you need an auto or home loan, you can avoid lowering your FICO score by doing your rate shopping within a short period of time, such as 14 days.

SHOULD I CLOSE OLD ACCOUNTS TO RAISE MY SCORE?

No. In fact, it might lower your FICO score. First of all, any late payments associated with old accounts won’t disappear from your credit report if you close the account. Second, long established accounts show you have a longer history of managing credit, which is a good thing. And third, having available credit that you don’t use does not lower your FICO score. You may have reasons other than your FICO score to shut down old credit card accounts that you don’t use. But don’t do it just to get a better score.

WHAT IF I'M TURNED DOWN FOR CREDIT?

If you have been turned down for credit, the Equal Credit Opportunity Act (ECOA) gives you the right to obtain the reasons why within 30 days. You are also entitled to a free copy of your credit bureau report within 60 days, which you can request from the credit reporting agencies. If your FICO score was a primary part of the lender's decision, the lender will use the score reasons (see right) to explain why you didn't qualify for the credit. To get more specific information on what your score is and how you can improve it, go to www.myFICO.com.



Interpreting Your FICO® Score

When a lender receives your FICO score, up to five “score reasons” are also delivered.

These are the top reasons why your FICO score was not higher. If the lender rejects your request for credit, and your FICO score was part of the reason, these score reasons can help the lender tell you why your score wasn't higher.

These score reasons can be more useful than your FICO score itself in helping you determine whether your credit report might contain errors, and how you might improve your credit health. However, if you already have a high FICO score (for example, in the mid-700s or higher) some of the reasons may not be very helpful because they may be only marginal factors related to the last three categories described previously (length of credit history, new credit and types of credit in use).

To see your FICO score and reason codes with a detailed explanation on how you can improve the score over time, visit www.myFICO.com.

Checking Your FICO® Score

Because lenders check your FICO score, it makes sense to see how lenders see you. It's easy to check your own FICO score and find out specific steps you can take to improve it.

To start, you can order your FICO score through online services developed by Fair Isaac, in partnership with credit reporting agencies. These score delivery services give you all the information you need to understand your FICO score, the information it's based on, and steps you can take to improve your credit health. You can access these services at www.myFICO.com.

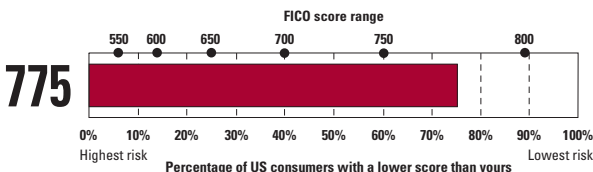
An important time to check your FICO score is six months or so before you plan to make a major purchase, such as a car or home. This will give you time to verify the information on your credit report, correct errors if there are any, and improve your FICO score if necessary. In general, any time you are applying for credit, taking out a new loan or changing your credit mix is a good time to check your FICO score.

MANAGE YOUR CREDIT HEALTH

Improving your FICO score can help you:

- *Get better credit offers*
- *Lower your interest rates*
- *Speed up credit approvals*

The payoff from a better FICO score can be big. For example, with a 30-year fixed mortgage of \$150,000, you could save approximately \$131,000 over the life of the loan—or \$365 on each monthly payment—by first improving your FICO score from a 550 to a 720.



WHAT IS A GOOD FICO SCORE?

Since there's no one "score cutoff" used by all lenders, it's hard to say what a good FICO score is outside the context of a particular lending decision. For example, one auto lender may offer lower interest rates to people with FICO scores above, say, 680; another lender may use 720, and so on. Your lender may be able to give you guidance on their criteria for a given credit product.

BEFORE YOU BUY YOUR SCORE

Make sure you buy the FICO score. Some businesses will sell or give you credit scores that are not FICO scores and may not be used to make lending decisions. These services may also give you credit management advice that does not apply to FICO scores and could actually hurt your credit standing with lenders. The advice in this booklet and on www.myFICO.com applies to FICO scores only. FICO scores are the scores most lenders use, so your FICO score is the score to know.

Check your score and learn more about scoring at www.myFICO.com

Your Credit Profile

The myFICO® website can help you understand how lenders view your credit risk picture.