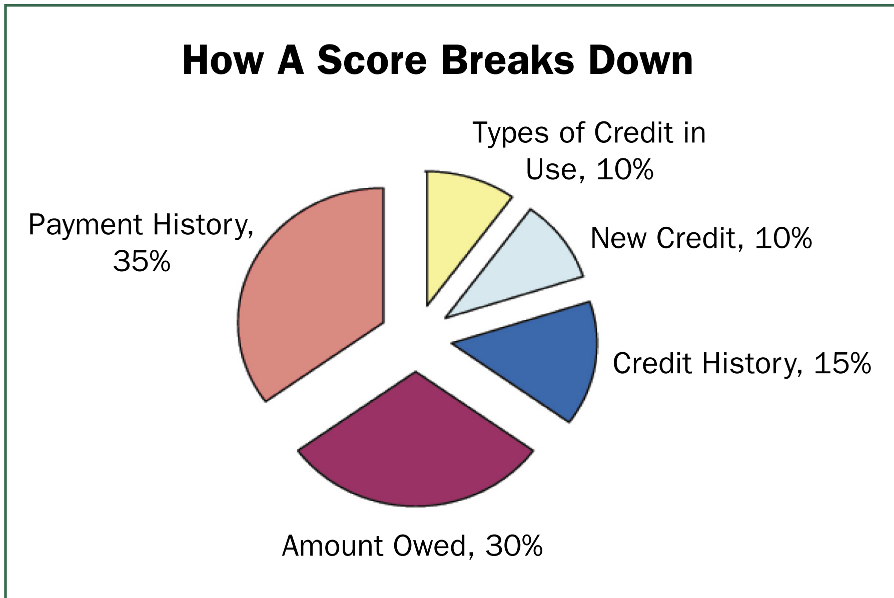
# What is my credit score?

A credit score is a number lenders use to help them decide – "If I give this person a loan or credit card, will I get paid back on time?" It is a key factor in determining your interest rate, and is one of several pieces of information that auto, mortgage, credit card and other lenders use when evaluating your application for credit.

There are different types of credit scores. Credit bureau scores are based solely on information in consumer credit reports. Other types of scores may also include information from credit applications or bank files. A credit score is calculated by a computer in your financial institution or at one of the national credit bureaus when a lender requests it.




A credit score is a snapshot of your credit risk at a particular point in time. Only information that is proven to be predictive of future credit performance is used. Your credit score is based on information in your credit report such as:

- **Payment history** - current and historical delinquencies
- **Amounts owed** - outstanding debt balances, both in terms of dollars owed and percent of available credit
- **Length of credit history**
- **Pursuit of new credit** - generally called inquiries
- **Types of credit in use**

Your credit score is not based on factors prohibited under the Equal Credit Opportunity Act (ECOA) including: race, age, gender, religion, national origin and marital status. Other factors excluded are income, employment and where you live.

## What is a good score?

The most common model for credit scoring is the FICO score. FICO scores range from 300 to 850 with the higher the score, the lower the risk of default. There is no legal requirement for a lender to reveal a credit score to an applicant. But if an application is denied, the lender must reveal the reason(s) for the denial.

A "good" score is a number that matches the level of risk a lender is willing to accept for a particular loan or credit card. For example, a score of 750 may qualify you for a gold credit card, whereas a score of 675 may indicate you're a better match for a standard card. Scoring systems have varying numeric scales. A score of 675 could indicate high risk in one system and low risk in another. A good score varies from lender to lender.

While you can improve your future score, it is unlikely that any single action you take will have a large impact on your score immediately. That's because your score reflects your credit patterns over time.

## How Can I Improve My Score?

Scores reflect credit payments over time with more emphasis on recent information. Here are some ways to improve a score:

### Payment History

- Pay your bills on time
- If you have missed payments, get current and stay current
- 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
- If you are having trouble making ends meet, contact your creditors or see a certified credit counselor

### Amounts Owed

- Keep balances low on credit cards and other "revolving credit"
- Pay off debt rather than moving it around
- Don't close unused credit cards as a short-term strategy to raise your score
- Don't open a number of new credit cards that you don't need, just to increase your available credit

### Length of Credit History

- If you have been managing credit for a short time, don't open a lot of new accounts too rapidly

### Scoring Facts and Fallacies

**FALLACY:** With credit scoring, computers are making lending decisions.

**FACT:** Computers don't make lending decisions, lenders do. Computers analyze credit information to produce a score, but individual lenders decide what scores are acceptable for different loans or credit cards.

**FALLACY:** A poor score will haunt me forever.

**FACT:** Just the opposite is true. A score is a "snapshot" of your risk at a particular point in time. It changes as new information is added to your bank and credit bureau files. Scores change gradually as you change the way you handle credit.

**FALLACY:** My score will drop if I apply for new credit.

**FACT:** Probably not much. If you apply for several credit cards within a short period of time, multiple inquiries will appear on your report. Looking for new credit can equate with higher risk, but most credit scores are not affected by multiple inquiries from auto or mortgage lenders within a short period of time.

### Pursuit of New Credit

- Do your rate shopping for an auto or mortgage loan within a focused period of time
- Re-establish your credit history if you have had problems
- Note that it's OK to request and check your own credit report and your own FICO score

### Types of Credit in Use

- Apply for and open new credit accounts only as needed
- Note that closing an account doesn't make it go away

Your credit snapshot will improve over time if you make changes in the way you handle credit now. Make sure the information in your credit report is correct, too. If you find errors, contact the credit bureaus and your lender.

Understanding your credit report will be vital in establishing and maintaining excellent financial health and well-being.

As a member of First Energy Family Credit Union, you can take advantage of free credit report reviews through the *Accel* program, a **free** financial education and counseling program. To use this service, simply call 1-877-33ACCEL (332-2235) or visit them on the web at www.accelservices.org.

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