

**Video Overview**  
<https://youtu.be/PmJUsGNQmF8>



## Understanding Your Credit Score

### Credit Scores Vs. Credit Report

Your credit report is a snapshot of your current credit accounts and their overall status. The various categories of information contained in your credit report is “weighted” to determine your credit score. So, think of your credit score as your overall credit “grade” that creditors and lenders use to determine whether or not to extend you credit and how much interest to charge you. That’s why it’s so important to make sure the information contained in your credit report is accurate. To check reports, you can get one free report per year from all three credit bureaus at [www.annualcreditreport.com](http://www.annualcreditreport.com).

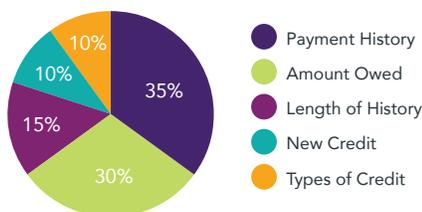
#### Credit Report

- Is a record of your credit history
- There are three (3) national reporting agencies. TransUnion, Equifax, and Experian.
- Each report can differ because there is no requirement to report accounts to each agency.

#### Credit Score

- A credit score is a calculation made by a reporting bureau based on your credit history.
- VantageScore and FICO are two different scoring systems.
- A credit score is dependent on a credit report.

### How a FICO Credit Score is Calculated



FICO doesn’t release their specific formula for calculating a person’s credit score. They do release the weight of each factor and how it contributes to a credit score. Payment history at 35% is the largest factor for a person’s score. Next, is the amount owed at 30%. 15% is the length of history. 10% is new credit, and lastly weighting in also at 10% is types of credit used.

### What Your Credit Score Means

Both FICO and VantageScore use a scale of 300-to-850. So what is a good credit score to have? Generally, you want to aim for a score above 670. With a lower score, it will make financing a car, home, or other lines of credit more difficult. The aim of a credit score is to measure how likely a person is to fall at least 90 days behind on a payment in the next 2 years. So when financing a creditor may view someone below 670 as having a higher risk of default.



### Factors Affecting Your Credit Score

- Payment history for credit cards and loans. Includes the number of late payments and how severe.
- Credit Utilization rate. Try to keep this below 30%.
- Type of credit
- Age and number of credit accounts
- The total debt amount (including secured and unsecured)
- Number of new credit accounts recently opened
- Amount of inquiries for your credit report