

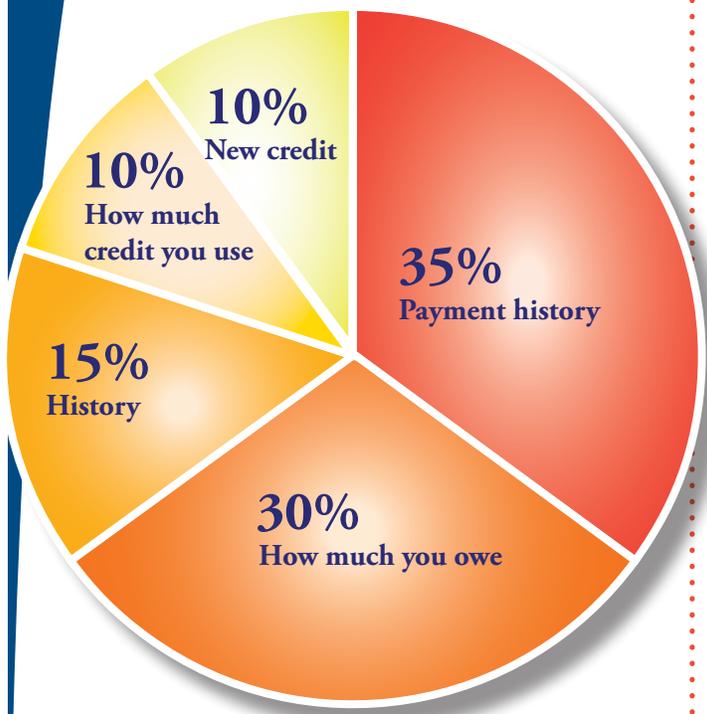


Your Credit Score

Your credit history follows you for a lifetime, so keep a clean slate; know your numbers.

✓ What makes a credit score?

- 35% = Payment history (Do you pay on time?)
- 30% = How much you owe (outstanding balance)
- 15% = Length of history (Had the cards long?)
- 10% = Utilization (How much credit do you use?)
- 10% = New credit or applications made



If you want to improve your credit score:

- pay your bills on time
- pay off credit card balances
- don't max out the cards

When you look for a mortgage, negotiate a car loan, or apply for a new credit card, your credit score will impact whether you succeed and the interest rate you get. That's not all. Employers and landlords look at your credit history to determine how responsible you are, utility companies check credit to set deposit charges, and insurance companies to figure your policy rates. It pays to understand your credit scores and watch your credit history, so you can get a loan when you need it. Keep a great score to save thousands of dollars in interest.

Here are five important things to know:

1. What is a credit score?

A credit score is a rating designed to help lenders assess whether you are a good credit risk. Three national credit reporting agencies—Equifax, Experian, TransUnion—track your credit use and provide a history and score to any lender who inquires about you. (Most common is the FICO score, however, credit bureaus also have their own Vantage Score system as well.) Lenders or creditors purchase your credit score. FICO scores range from 300-850, with anything over 720 generally considered very good. Scores under 640 are considered high risk and likely lead to higher interest rates or credit denial.

2. How is a score calculated?

If you have a loan or credit card, you have a credit history and a file. It will show how you pay bills, where you've lived and if you have been arrested, sued, or have blemishes like bankruptcy, avoidance of child support, or judgments against you.

Each credit bureau analyzes your credit history to determine a score, so you can have a different score from each bureau. A score is comprised of five parts. See chart at left.

3. How can you get a great credit score?

- Most importantly, make sure all bills are paid in full and on time. If you miss a payment, get current and stay current; the most recent 24 months carry the most weight.
- Never max out credit cards, and stay at least 50% below a card's limit.

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Resources for Credit Report Issues

- Central Iowa Saves/ISED, 515-283-0940
- Federal Reserve, www.federalreserve.gov/creditcard
- Credit reports, www.annualcreditreport.com, 877-322-8228
- Consumer Credit of Des Moines, 800-955-5765
- Federal Trade Commission, www.ftc.gov/credit, 877-FTC-HELP (877-382-4357)
- www.EveryoneCanSave.org

- Applying for new cards lowers a score, but it's attractive to get a store's card to save 15-20%.
- Keep older accounts because the longer the history, the better your score. Plus closing them impacts the percentage of your credit limit over the next several months.
- A blend of credit types can help your score—credit cards, installment loans (mortgage and auto) and a personal line of credit.

4. What really hurts your score?

- Late or missed payments and high credit balances lower your score. This blemish can be short term if you make up the payments and decrease your balances.
- Debt settlements and bankruptcies damage your credit, both immediately and for the future. The Federal Trade Commission's Fair Credit Reporting Act says most negative entries can stay on your record for up to 7 years, and bankruptcy filings can be reported up to 10 years.



5. Can you check your own credit?

Yes, and you should look at your reports on a regular basis to check for errors and avoid identity theft. For information on reporting errors, go to www.ftc.gov/bcp/edu/pubs/consumer/credit/cre03.shtm.

Get a free copy of your credit reports annually (from all three agencies) at www.annualcreditreport.com or call 877-322-8228. Reports are free, but you must pay to actually get the score. Purchase your score for minimal cost from Equifax, www.equifax.com, 800-685-1111; Experian, www.experian.com, 866-200-6020; or TransUnion, www.transunion.com, 800-888-4213.

And don't forget...

If you are denied credit, you are entitled to order your credit report free.

Learning to use credit wisely is a lifetime skill.

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