


THIS SECTION: BORROWING MONEY

THIS LESSON...

# YOUR CREDIT SCORE



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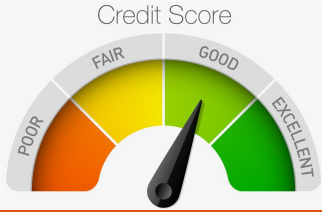
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**Credit Scores**

- Huge impact on many things
  - ~ Banks
  - ~ Lenders
  - ~ Credit Card Companies
  - ~ Landlords
  - ~ Even employers
- Important to understand
  - ~ What it is
  - ~ How it works



Credit Score

POOR FAIR GOOD EXCELLENT



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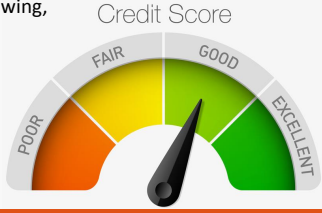
**Credit Scores**

What Is It?

- ~ 3 digit rating
- ~ Based on history of borrowing, paying back and overall financial health


Good habits = Higher Score

Poor habits = Lower Score



Credit Score

POOR FAIR GOOD EXCELLENT



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**Credit Scores**

Who Determines It?

- ~ Credit Bureaus
- ~ Only purpose is to compile data
- ~ From many sources
- ~ Build a profile of you and your history
- ~ Similar systems and methods
- ~ Exact formulas vary and are SECRET



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**Credit Scores**





Who Determines It?

In US, three different bureaus

- ~ Equifax
- ~ Experian
- ~ TransUnion

Track separately so some variances

3 bureaus ensure there's nothing majorly different between them

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**Credit Scores**

Components of your score

Payment History – 35%

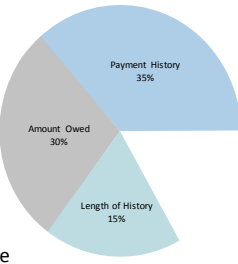

- ~ On time payments?
- ~ At least the minimum?

Amount Owed – 30%

- ~ Actual amount owed
- ~ Percentage of available credit

Length of credit history – 15%

- ~ Longer user of credit = higher score

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**Credit Scores**

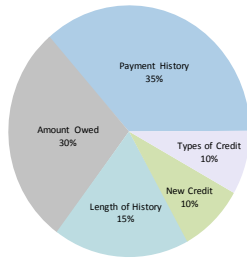
Components of your score

New Credit Issued – 10%

- ~ Apply lowers your score
- ~ Whether you get it or not
- ~ Applies to ALLS type of credit

Types of Credit – 10%

- ~ Variety is better
- ~ Shows ability to handle various responsibilities



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**CREDIT SCORES**

What The Numbers Mean...

- ~ How each level effects you
- ~ Remember... Every lender uses their own guidelines to evaluate how to handle your score
- ~ The following ranges are for illustration purposes only
- ~ Will vary from lender to lender...



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**CREDIT SCORES**

What The Numbers Mean...

Less than 580 – Bad

- ~ Consider getting help to rebuild credit history

Bad  
Below 580



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**CREDIT SCORES**

What The Numbers Mean...

580 to 639 – Poor

- Usually several accounts in collection
- May no longer be paying back debt
- May be in bankruptcy
- May not qualify for loans

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**CREDIT SCORES**

What The Numbers Mean...

640 to 699 – Fair

- Late payments, high balances or negative info?
- Possible to secure a loan
- But rates/terms are not good

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**CREDIT SCORES**

What The Numbers Mean...

700 to 750 – Good

- Solid history with perhaps a missed payment or two
- Or shorter history
- Most will qualify

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**CREDIT SCORES**

What The Numbers Mean...

751 and up – Very Good

- ~ Almost all will qualify
- ~ Good terms & rates

Very Good 751 and Up	Good 700 to 750	Fair 640 to 699	Poor 580 to 639	Bad Below 580
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**CREDIT SCORES**

What Are YOUR Numbers?

Several Ways to Find out...

- ~ Fair Credit Reporting Act (FCRA)
- ~ Receive one free credit report per year  
*(Does not effect your score)*
- ~ So you can review and monitor
- ~ [www.AnnualCreditReport.com](http://www.AnnualCreditReport.com)

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**CREDIT SCORES**

What Are YOUR Numbers?

Several Ways to Find out...

- ~ Fair Credit Reporting Act (FCRA)
- ~ Organizations and companies that can help you monitor
- ~ Some charge but many don't
- ~ Such as [www.CreditKarma.com](http://www.CreditKarma.com)

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**PROJECT**

Find out what your credit score is

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**COMING UP NEXT...**

The actual loan process

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