

- Build a long history of on-time payments.
- Don't max out your credit lines. It's better to use part of your available credit on a few accounts than all of your available credit on just one account.
 - Keep card balances low, and pay off debt rather than moving it between cards.
- Don't open or close accounts as a strategy to raise your score. Or, if you have more open credit accounts than you want, close the newest ones and keep longstanding ones open.
 - When loan shopping, submit applications in a limited time. If you're shopping for a car loan, say, and visit five dealers in three weeks, those five inquiries will count as one inquiry to a potential lender (looking at your report).
- Check your credit reports, for free, (see each year of the year) through annualcreditreport.com, and contact the creditor and the credit bureau to correct any errors.

you a grade of C, which can be risky. Remember that a number is only significant within the range of its particular scoring model.

Useful resources

National Foundation for Credit Counseling (NFCC)

nfcc.org

Fair Isaac Corp. Web site offers a consumer education section with FAQs about credit scores, explanation of scoring, and related topics

fairisaac.com.

Experian experian.com

Equifax equifax.com

TransUnion transunion.com

SAMPLE

Why should you know your credit score?

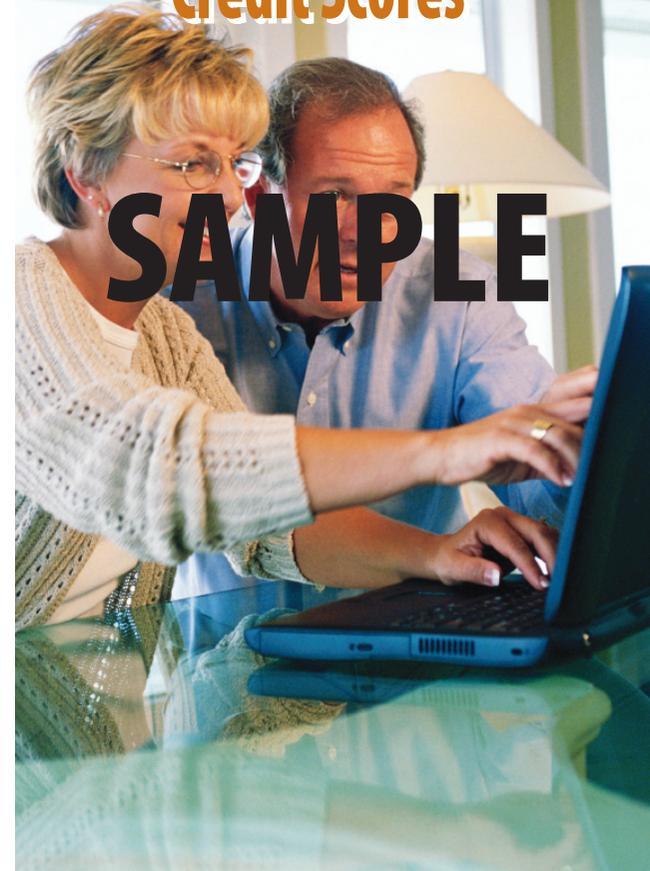
"We hear so many stories about consumers still being steered toward predatory lenders, even though their score is good enough for a regular, lower-interest loan or credit product," says Linda Sherry, Consumer Action's director of national priorities (consumer-action.org), a San Francisco-based national nonprofit consumer education and advocacy organization.

In order to understand your credit score, Sherry says, you have to know two things: what credit scoring model you've purchased, and how you rank on that scale. For instance, a FICO score of 750, on a scale of 300 to 850, indicates low credit risk, but the same score on the VantageScore scale earns



cuna.org
To order: 800-356-8010, ext. 4157
 Stock No. 23557-PRO
 © 2008 Credit Union National Association Inc.,
 the trade association for credit unions in the U.S.

Keeping Score: Facts About Credit Scores



SAMPLE

Who's keeping score? The credit industry is. Every time you apply for a new credit card, a mortgage, perhaps even an insurance policy or a job, your credit can be under scrutiny.

What is a credit score?

Your credit score—that three-digit number that summarizes your credit history—is in many cases the most influential factor in a lender's decision to grant you credit and at what rate. The higher the score, the less you'll pay for the use of someone else's money. While lenders are the primary users of credit scores, some employers, landlords, and insurance companies also use them to make a decision.

As the person in your credit file changes, so will your credit score. "If you use your credit card, pay your mortgage, or pay the auto loan company, each of those events is going to change the information in your credit file," says Craig Watts, consumer affairs manager for Fair Isaac & Co. (FICO), a company in San Rafael, Calif., that creates credit scores.

Know your score

Most consumers believe lenders only use one credit score, Watts says. While it's true that most lenders use FICO scores, there are literally hundreds of different kinds of credit scores in use today.

Here are some scoring methods:

• FICO Score

The most widely used credit scoring model is FICO, and scores from all three major credit bureaus (Equifax, Experian, TransUnion) are available at myFICO.com for \$15.95 each. You can obtain one free

credit report annually from each of these bureaus through annualcreditreport.com, which can be helpful in monitoring and correcting errors in your credit history.

If you buy your FICO score from more than one credit bureau, you might see a different number on each one. This occurs because not all creditors report to all three bureaus.

• VantageScore

The three major credit bureaus also jointly developed a scoring system, launched in 2006, called VantageScoreSM. Although this system doesn't eliminate inconsistent credit file data among the bureaus, it does provide a uniform scoring formula. The VantageScore scale ranges from 501 to 990 and parallels a grading system of A to F.

The credit reporting bureaus claim market demand triggered the development of VantageScore and that it allows to reflect credit changes. Consumer credit bureaus also assist consumers with limited credit history.

• Alternative credit scores

In addition to selling the FICO or VantageScore, credit reporting agencies, other credit score developers, and lenders may promote their own scores. For example, TransUnion offers consumers its TransRisk credit report and score for \$14.95 (truecredit.com). These tend to vary widely from source to source because, in addition to differences in the underlying data, each provider also uses a different scoring formula and scale.

To aid those without traditional credit history, such as new college grads or recently divorced or widowed women, the popularity of alternative credit bureaus

What factors affect my credit score?

While each company uses a slightly different breakdown, it is important to understand the general factors that affect your credit.

- *Payment history.* This is perhaps the most important factor. Have you had an account sent to collections? How many times have you been late?
- *Total debt.* How much overall debt do you have? How many credit cards have balances on them? How close are you to your limits?
- *Length of credit history.* Is the person an emerging consumer or someone who has paid bills on time for 10 years?
- *New Credit.* Are you aggressively seeking credit? A flurry of activity and inquiries on your credit reports does not bode well.
- *Credit mix.* Do you have a variety of credit: bank card (Visa/MasterCard), store cards, gas cards?

SAMPLE

is mounting. Companies like Pay Rent, Build Credit (PRBC), and LexisNexis gather data conventional data collectors don't consider—such as cell-phone bills, rent payments, and other pieces of consumers' financial lives—to develop a credit score for those who don't qualify for typical lending standards.

Fair Isaac also offers a score based on similar data for those with thin credit histories—FICO Expansion score.

How can I improve my credit score?

Although it may not be easy to drastically alter your score in a short period, you can improve it over time: