

Be Credit Smart

What's a credit score (a.k.a. FICO) and how do you get one?

A credit score is a three digit number representing a summary of your credit report. Your score can affect whether or not you are approved for a loan and what interest rate you pay. It's made up of your payment history, capacity, length, accumulation, and mix of credit and debt.

Here's how each is weighted and exactly what each of these means:

- 35% Payment History** (on-time payments or delinquencies, more weight on your current payment history)
- 30% Capacity** (amount owed on revolving debts such as credit cards)
- 15% Length** (length of new credit and total credit history)
- 10% Accumulation** (trade line open dates and the number of inquiries on a credit report)
- 10% Mix of Credit and Debt** (percent of revolving credit like a credit card, versus installment credit like a car loan which has a specific pay-off date and then you're done)

Note: Installment debt versus revolving debt may help raise your score; whereas "too much" revolving debt in relation to your available lines of credit can lower your score.

Range of Credit Scores	
A	680 +
B	640-679
C	600-639
D	550-599
E	549 and below

Every score fits into a Credit Score category with "A" being excellent credit, and "E" being credit with opportunity to improve. Once you know what goes into your score, you can always work to improve it if needed. It is not a set number. If your financial habits change, so too will your score.



There are some actions that can hurt your score and others that can help.

Recognize actions that hurt your score:

- ▶ Missing payments (regardless of dollar amounts, it can take 24 months to restore credit with one late payment)
- ▶ Credit cards at capacity (i.e. maxing out credit cards)
- ▶ Shopping for credit excessively (multiple inquiries on the credit report)
- ▶ Opening up numerous trade lines in a short time frame (escalating debt)
- ▶ Having more revolving debts in relation to installment debts
- ▶ Closing credit cards out (this will lower available capacity)

Take steps to boost your score:

- ▶ Pay down credit cards
- ▶ Do not close credit cards because capacity will decrease
- ▶ Refinance revolving debt into installment debt
- ▶ Continue to make payments on time (older late pays will become less significant with time)
- ▶ Slow down on opening new accounts
- ▶ Show good credit habits over an extended period of time

Loan Amount	Term	Score	Rate	Payment	Total of Payments	Interest Paid	Additional Costs
\$20,000	60 mos.	"A" 680+	2.39%	\$354.01	\$21,240.49	\$1,240.49	\$0.00
\$20,000	60 mos.	"B" 640-679	3.39%	\$362.90	\$21,773.65	\$1,773.65	\$533.16
\$20,000	60 mos.	"C" 600-639	7.39%	\$399.82	\$23,989.04	\$3,989.04	\$2,748.55
\$20,000	60 mos.	"D" 550-559	11.39%	\$438.93	\$26,335.01	\$6,335.01	\$5,094.52
\$20,000	60 mos.	"E" 549 and below	15.39%	\$480.16	\$28,808.90	\$8,808.90	\$7,568.41

Sample rate chart for a general idea of overall savings

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