

# Credit Score Repair Tips

## How FICO® Scores and Debt Affect Your Big Picture



### What is a FICO® Score?

A FICO score is a number that companies granting credit use to assess an applicant's risk. The higher the FICO score, the lower the risk. FICO is short for Fair, Isaac and Company, which develops the mathematical formulas used to produce these scores. From the interest rate and features you are offered on a credit card to your ability to qualify for a mortgage, your FICO score plays a large part in the bank's decision-making process. A good score can have banks competing for your business when you apply for a loan. A bad score may mean that you won't qualify for your auto loan, mortgage or credit card – or if you do, you may only be offered high rates, which will cost you extra money each month.

### What Factors Make Up Your FICO® Credit Score?

Your score is based on a compilation of many bits of information. No one piece of information or factor alone will determine your score. The importance of any factor depends on the overall information in your credit report. That's why it's important to retain good overall credit history and make repairs when needed.

#### 1. Payment History

- Payment information on specific types of accounts
- Presence of adverse public records such as bankruptcy, lawsuits, liens, collection items and/or delinquency
- Level of delinquency
- Amount past due on delinquent items
- Lapsed time of past due items, adverse public records, or collection items
- Number of past due items on file
- Number of accounts paid as agreed

#### 2. Amounts Owed

- Amount owed on accounts – sometimes specific types of accounts or type of balance
- Number of accounts with balances
- Proportion of credit lines used (percentage of total credit limits)
- Proportion of installment loan amounts still owed

#### 3. Length Of Credit History

- Age of open accounts by specific type of account
- Time since account activity

#### 4. New Credit

- Number and proportion of accounts that are recently opened – by type of account and recent credit inquiries
- Time since recent account opening(s), by type of account, and time since credit inquiry(s)
- Re-establishment of positive credit history following past payment problems

#### 5. Types Of Credit Used

- Number of various types of accounts (credit cards, retail accounts, installment loans, mortgage, consumer finance accounts, etc.)