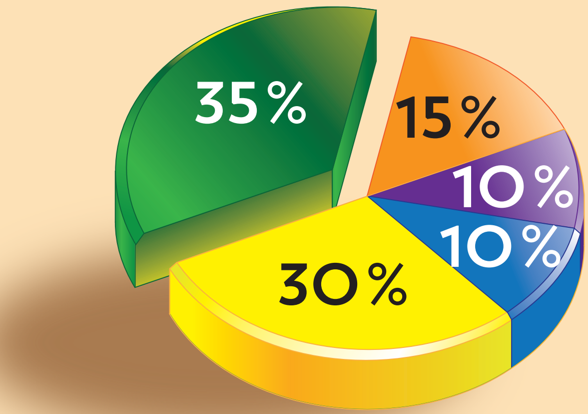
FICO SCORES

UNDERSTANDING THE CROSSROADS THAT LEAD TO EXPLAINING THE SCORE



- PAYMENT HISTORY
- AMOUNTS OWED
- LENGTH OF CREDIT HISTORY
- NEW CREDIT
- TYPES OF CREDIT USED

WHAT MAKES UP THE SCORE?

35% is based on payment history
(i.e. on-time pays or delinquencies)
30% is capacity
15% is length of credit
10% is accumulation of debt in the last 12-18 months
– # of inquiries
– Opening dates
10% is mix of credit
– Installments-raises credit score. This is a secured loan with a fixed payment (example: secured loan, auto loan) vs. revolving-lowers credit score (for example: credit cards).
– Finance company loans- the more you have, the lower the score.

WHAT DOESN'T AFFECT THE SCORE?

– Debt ratio
– Income
– Length of residence
– Length of employment

WHAT ACTIONS WILL HURT THE SCORE?

– Missing payments (regardless of $ amounts...It will take 24 months to restore credit with one late pay)
– Credit cards at capacity (i.e. maxing out credit cards)
– Closing credit cards out (this lowers available capacity)
– Shopping for credit excessively
– Opening up numerous trades in a short time period
– Having more revolving loans in relation to installment loans
– Borrowing from finance companies

HOW TO IMPROVE THE SCORES

– Pay down on credit cards
– Do not close all credit cards because capacity will decrease
– Continue to make payments on time (older late pays will become less significant with time)
– Slow down on opening new accounts
– Acquire a solid credit history with years of experience
– Moving revolving debt to installment debt

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