

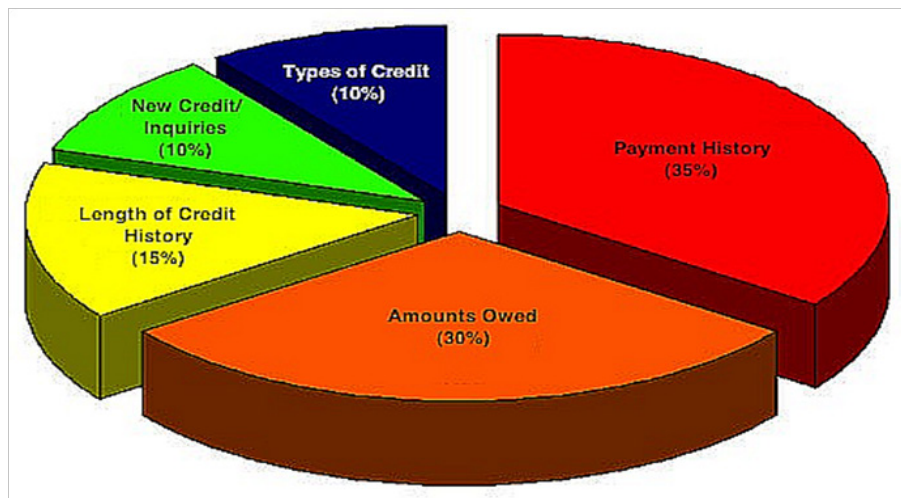
## Module 7 - Credit reporting

## HANDOUT 7-5

### Credit scores

A credit score is a score between 300 and 900 that credit bureaus use to rate the information in your credit report. Credit bureaus use a mathematical formula based on many factors to arrive at your credit score.

There are 5 main factors used to arrive at your credit score. They do not all have equal weight. Some count for more than others do.



#### Payment history (35%)

This factor carries the most weight. Lenders are most concerned with your past borrowing and whether you repay your debts on time. Paying bills late or having unpaid accounts sent to collections will lower your score.

#### Amounts owed (30%)

This factor compares the amount of debt you have to the amount of credit available to you. The closer you are to your credit limit, the more it affects your score.

#### Length of credit history (15%)

This factor looks at how long you have been using credit. It can help your credit score if you keep accounts open that you've had for a long time.

#### New credit & inquiries (10%)

Every time you apply for new credit, it is recorded as an 'inquiry' on your report. If there are a lot of inquiries on your report, it can lower your score. Lenders may wonder why you are applying for so much credit at once.

## Module 7 - Credit reporting

## HANDOUT 7-5, continued

### Types of credit (10%)

Having different types of credit can improve your score. It shows you know how to manage different forms of credit, such as credit cards, lines of credit, car loans, and student loans.

### Other factors that affect your score

- If you have had accounts turned over to collections, it can lower your score a lot
- If you have filed for bankruptcy, it can lower your score a lot.

### Factors that do not affect your score

- Inquiries that you make into your own credit report will not affect your score
- Mortgage information may appear in your credit report, but it is not used to calculate your credit score.