

## **Credit Score**

### **What is a Credit Score?**

A credit score is a three-digit number calculated to indicate your creditworthiness. The higher the score, the more creditworthy you are to a lender. A credit score is calculated from the information in your credit report and considers your on-time payments, the length of your payment history, your mix of different types of credit accounts, and other such factors. It is important to know that your score does not take your age, income, employment, marital status, or your bank account balances into account.

You can learn more about credit scores and scoring models from the Consumer Financial Consumer Financial Protection Bureau website: <https://www.consumerfinance.gov/ask-cfpb/what-is-a-credit-score-en-315/>

### **What is VantageScore®?**

VantageScore® was founded by the 3 leading credit reporting agencies - Experian, Equifax, and TransUnion. This credit score model was developed by a representative team of statisticians, analysts, and credit data experts from each of the credit reporting companies, and is used by hundreds of institutions, including credit unions, banks, credit card issuers, and mortgage lenders.

The VantageScore® 3.0, the score that is shown in SavvyMoney, is a newer and more popular version of VantageScore®. It is calculated on a scale of 300-850, with 300 being the lowest and 850 the highest score.

### **What Does a "Good" Credit Score Mean to Me?**

A good score may mean you have easier access to more credit and lower interest rates. The consumer benefits of a good credit score go beyond the obvious. For example, underwriting processes that use credit scores allow consumers to obtain credit much more quickly than in the past.

### **What Factors Influence My Credit Score?**

Five major categories make up a credit score:

- **40% Payment History**  
Essentially, lenders want to know whether you're good about paying your loans on time.
- **23% Credit Usage**  
Credit usage, also known as credit utilization, is the ratio between the total credit used and your total credit limit on your revolving accounts. It is best to keep your credit usage below 30%.
- **21% Credit Age**  
The average of your oldest open credit accounts to your newest open credit accounts determines your credit age. In general, the longer your credit history the better, particularly accounts with a good payment history and no late payments.

- **11% Credit Mix**

It's important to have a mix of different types of credit like revolving credit and installment loans. Your score will likely be higher if you have a good payment history with both, installment loans, like student loans and mortgages, and revolving credit, like credit cards.

- **5% Inquiries**

Any time you apply for a credit card, or a lender checks your credit for a loan, it's known as an inquiry. Hard inquiries show on your credit report when your credit is pulled by a lender for a car loan, mortgage, or credit card. However, soft inquiries don't show on your credit report and occur when you check your credit, or a lender pre-approves you for an offer.

Applying for several credit cards or opening multiple credit accounts in a short period creates hard inquiries and could signal an increased credit risk to a lender.

## **How Can I See What's in My Credit Report?**

Not sure about what's in your credit report? Click over to "Credit Report" to review all your accounts, payments, and more. You can also receive a free Credit Report from each of the credit reporting companies - Equifax, Experian, and TransUnion once a year.

## **How Do I Correct My Credit Report if I Think There's an Error?**

Given this incredible volume of data provided by lenders to the agencies, there are times when the information reported about your credit activities may be inaccurate.

If you find information that you believe is not correct on your credit report, contact the company that issued the account or the credit reporting company that issued the report. You can dispute any inaccuracies found on your TransUnion credit report by navigating to the bottom of the SavvyMoney Credit Report and clicking "dispute".

For more information visit: <http://www.consumerfinance.gov/askcfpb/313/what-should-i-look-for-in-my-credit-report-what-are-a-few-of-the-common-credit-report-errors.htm>

## **What is a Credit Freeze?**

A credit freeze, also known as a security freeze, is a free way to restrict access to your credit report.

Adding a freeze means no one, not even you, can open a new credit account while the freeze is in place. You can, however, temporarily remove this freeze at any time if you want to apply for new credit.

It is important to note that a credit freeze does not affect your credit score. While the freeze is in place, you will still be able to apply for a job, rent an apartment, purchase insurance, and receive pre-screened offers.

## **How to Place a Credit Freeze?**

To place a credit freeze on your credit profile, you must contact each of the three major credit bureaus:

- TransUnion - Phone: (888) 909-8872 / Web: <https://www.transunion.com/credit-freeze>

- Equifax - Phone: (888) 298-0045 / Web: <https://www.equifax.com/personal/credit-report-services/credit-freeze>
- Experian - Phone: (888) 397-3742 / Web: <https://www.experian.com/freeze>

### **How to Unfreeze Your Credit Profile?**

You must contact the three major credit bureaus to unfreeze your credit profile. Each bureau has a different process, but each will initially provide you with a PIN to unfreeze your profile.

## **Building Credit**

### **How Do I Improve My Credit Score?**

There are several ways to improve your credit score. However, it's much more important to focus on improving what's in your credit report rather than over your credit score. Here are some quick tips to help:

- **Pay Your Bills on Time, Every Month.** Payment history is the largest factor in your credit score.
- **Apply for Credit Only When You Need It.** Try not to open too many accounts too frequently. These frequent inquiries can ding your credit.
- **Keep Your Outstanding Balances Low.** Keep balances below 30 percent of the credit limit on each of your revolving accounts.
- **Reduce Your Total Debt.** It is not necessarily bad to have debt as long as it's manageable. Too much debt at high interest rates can get out of hand if a financial emergency comes up. Consider paying down some of your outstanding loans.
- **Build Up Credit History.** Maintaining a timely payment history for a mix of accounts (e.g. credit cards, auto, mortgage) over a long period can improve your score.

### **Should I Carry a Balance on My Credit Cards Each Month or Pay the Cards in Full Each Month?**

Since the single most important factor in credit score is payment history, using credit and paying off your balances on time will have the greatest impact on your score. Carrying a balance every month may incur interest charges, so if you can, pay off the cards in full and on time.

The best way to build a solid credit score is to manage all your accounts properly. Best practices include paying all your credit obligations on time every month, applying for credit only when needed, and keeping balances on credit cards as low as you possibly can if you cannot pay them in full each month.

### **If I Close My Credit Card Accounts, Will That Improve My Score?**

When you close a credit card account, you lose the value of that card's credit limit in the credit usage calculation. The credit limit is an important component when determining a consumer's balance to credit limit or the "credit usage" ratio. This ratio rewards consumers who have low credit card balances relative to their credit limits.



If you close credit cards, especially those with large credit limits, you will likely cause your credit usage ratio to go up (if you carry balances). This can cause your score to go down considerably.

Additionally, if you close credit card accounts the credit bureaus will eventually remove them from your credit reports. Even though it can take years for an account to be removed from your credit reports, once it is gone you will get no credit for your responsible management of that account.

### **Does Shopping for a Loan Hurt my VantageScore®?**

Consumers are encouraged to shop for the best loan rates and conditions. Accordingly, the VantageScore® model does not penalize multiple inquiries made within a short period. When several inquiries are made within a shortened timeframe, it is assumed that the consumer is shopping around for a rate and not opening multiple lines of credit.

The VantageScore® model uses a 14-day rolling window in which all credit inquiries within that window are considered one inquiry regardless of the type of account. So regardless of whether the credit inquiry is made in response to a mortgage, auto, or bank credit card application, it will be counted only once during that 14-day window.