

What Factors Determine Your FICO® Score

Provided by the credit scoring experts at Fair, Isaac and Company

When applying for credit, everyone wants to be thought of as a good credit risk. But what is a good risk? Most lenders use FICO® credit risk scores to obtain a fast, objective measure of your credit risk. By understanding the factors that can help or hurt your score, you'll have a better understanding of how lenders see you and how you can improve your credit standing.

The five factors that determine your FICO score are:

1. Payment History (approximately 35% of your score)

The factor that has the biggest impact on your score is whether you have paid past credit accounts on time. However, an overall good credit picture can outweigh a few late payments, and late payments will continue to have less impact over time.

2. Amounts Owed (approximately 30%)

Having credit accounts and owing money doesn't mean you are a high-risk borrower. But owing a lot of money on numerous accounts can suggest that you are overextended and more likely to make some payments late or not at all. Part of the science of scoring is determining how much debt is too much for a given credit profile.

3. Length of Credit History (approximately 15%)

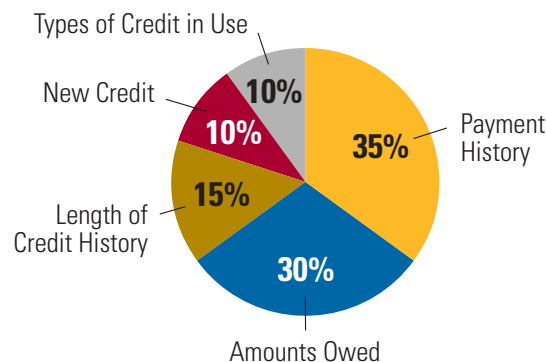
In general, a longer credit history will increase your FICO score. Lenders want to see that you can responsibly manage your available credit over time. However, even people who have not been using credit very long may get high scores, depending on how the rest of their credit report looks.

4. New Credit (approximately 10%)

People today tend to have more credit and to shop for credit more frequently. But opening several credit accounts in a short period of time can represent greater risk—especially for people with short credit histories. Requests for new credit can also represent greater risk. However, FICO scores are able to distinguish between a search for many new credit accounts and rate shopping. FICO scores generally do not associate shopping for the best rate on a loan with higher risk.

5. Types of Credit in Use (approximately 10%)

Your FICO score will reflect your mix of credit cards, retail accounts, installment loans, finance company accounts and mortgage loans. While a healthy mix will improve your score, it is not necessary to have one of each, and it is not a good idea to open credit accounts you don't intend to use. The credit mix usually won't be a key factor in determining your score—but it will be more important if your credit report doesn't have much other information on which to base a score.



What Factors Determine Your FICO® Score (continued)

Interpreting Your Score

When you or a lender receives your FICO score, up to four “score reasons” accompany the score. This helps to explain the top reasons why your score was not higher. These reasons are more useful than the score itself in helping you determine how you might improve your score over time, and whether your credit report might contain errors. However, if you already have a high score (for example, in the mid-700s or higher) some of the reasons may not be very helpful, as they may reference the factors that have the least impact on your score, such as: length of credit history, new credit and types of credit in use.

Here are the top 10 most frequently given score reasons. Note that the specific wording given by your lender may be different from the reasons shown in this list.

- Serious delinquency.
- Serious delinquency, and public record or collection filed.
- Derogatory public record or collection filed.
- Time since delinquency is too recent or unknown.
- Level of delinquency on accounts.
- Number of accounts with delinquency.
- Amount owed on accounts.
- Proportion of balances to credit limits on revolving accounts is too high.
- Length of time accounts have been established.
- Too many accounts with balances.

While there are no quick fixes for raising your score, by applying this information over time, you can improve your score and your financial outlook. For specific tips on raising your score, see the article *Ten Ways to Improve Your FICO Score*.

For more information visit www.myFICO.com/homebuyer.