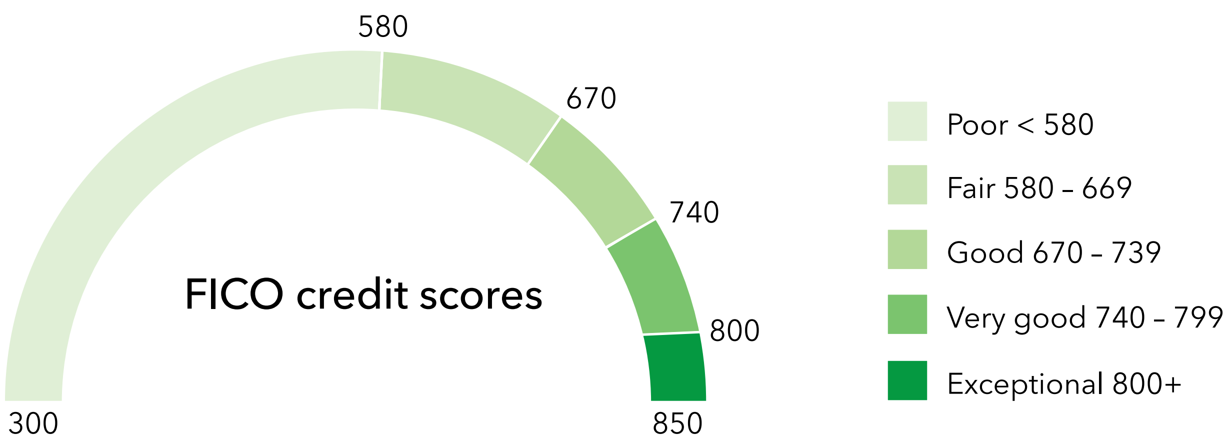
Credit scores: Exploring one example

Credit scores provide a way for lenders to predict how likely a person is to pay back a loan on time.

FICO stands for Fair Isaac Corporation, a company that provides lenders with formulas to figure out credit scores. FICO is one of the most common credit score models that lenders use. Most credit scores range from 300 to 850. Usually a high credit score makes it easier to qualify for a loan and may result in a better interest rate.

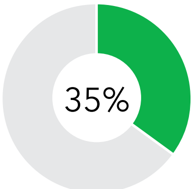


How credit scores are calculated

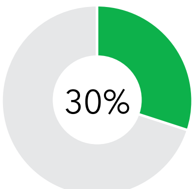
Credit scores are based on the information in a person's credit report. The way you use and repay debt affects your credit score. Paying loans on time and staying well below your credit limit helps you get and keep good credit.

FICO model

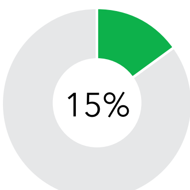
FICO (calculated using scoring models designed by Fair Isaac Corporation) is one of the most commonly used credit scores. Take a look at all the things that go into determining a person's credit score:



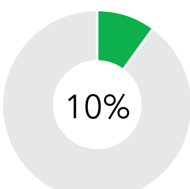
Payment history
Whether a person is paying bills on time and as agreed.



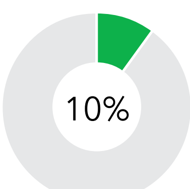
Total debt, balances, and utilization
Total owed and available credit remaining.



Length of credit history
How long a person has had an account or loan.



New credit
All new loans or accounts and all creditor credit report requests.



Types of credit used
All credit cards (revolving credit) and loans (installment credit).