Before the invention of CREDIT SCORES

The world was a very different place. Shoulder pads were considered fashionable, and it was entirely up to individual lenders to make judgment calls on whether or not to approve loans. That was kind of unfair, so a standardized scoring system was introduced to help lenders determine your creditworthiness. Since each credit bureau uses its own formula, your FICO score can vary, depending on which bureau supplies the info.

Making payments on time boosts your score. Opening new credit cards (even retail credit cards) has a short-term negative effect on your score. A longer history of good credit habits raises your score.

You are entitled to one free credit report per year from each of the major credit bureaus. Visit annualcreditreport.com to get started. Space out your credit report requests so you can check on your credit throughout the year. Still curious about your score? You can access your FICO score for an additional fee ($15 to $25), or get a free estimate of your credit score through creditkarma.com. Just be aware that Credit Karma does not use the FICO formula. It is an estimate and it does come pretty close, but it won’t be exact.

Your credit report does not list your actual credit score, but it is still helpful—especially if you understand how a credit score is calculated.

A mix of revolving credit (credit cards) and installment loans (mortgages, car loans) boosts your score. The less you use of your total available credit each month, the better. Your score can suffer if you get close to maxing out all your credit, even if you’re making payments on time!

The FICO® model is used to generate your credit score, based on information from your credit report. The FICO score is the most widely used credit score model in North America. It was first introduced in 1989 by Fair, Isaac and Company, now Fair Isaac Corporation (FICO). Most credit scores are between 350 and 800.

HOW DO I KEEP TRACK OF IT?

HOW IS IT CALCULATED?

HOW DOES IT AFFECT ME?

WHAT IS A CREDIT SCORE?

WHAT DO I NEED TO KNOW?

WHAT IS MY CREDIT HISTORY?

WHAT IS A CREDIT CARD?

WHAT IS A CREDIT REPORT?

WHAT IS A CREDIT UNION?

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