

Empowerment through Financial Education

A Program of the Southeastern Credit Union Foundation

Credit Score Basics

A credit score is a three-digit number that represents the creditworthiness of an individual based on factors from their financial history used as a measure of financial trust and are used by lenders to determine things such as whether you qualify for a loan, the interest rate you will be charged, and the maximum amount you may be loaned. The higher your score, the more financial options will generally be available to you.

Hot Tip!

You are entitled to receive a free copy of your credit report once every 12 months.

Order yours online from annualcreditreport.com or call 1-877-322-8228. You will need to verify your identity with your name, birth date, address, and Social Security number.

Credit Score:

Your credit scores are different from your credit reports, but they're closely related. Most credit scores range from 300 to 850, and where your score falls in this range helps lenders determine how likely you are to pay back your loans. In the U.S., most credit scores are created either by FICO or Vantage Score Solutions.

Factors that Determine a Credit Score

- **Payment history:** the most influential factor in determining both your VantageScore and FICO credit scores. Making a late payment or missing a payment could have a negative impact on your credit.
- **Amount owed and percentage of available credit:** This refers to the money you owe your lenders and the percentage of available credit that you're using. People who are using less of their available credit are seen as lower risks.
- **Length of Credit History:** History is the amount of time you've been using credit. Someone who has a long credit history is seen as being less risky than someone who has only recently begun using credit.
- **Types of Credit:** People with a mix of credit types may have a higher score than those with only one type.
- **Recent credit behavior and inquiries:** Any hard inquiries, which happens when you apply for a credit card, loan, rental home, and more, impact your credit score temporarily. People who apply for a lot of credit all at once may be seen as higher risks.

7 Actions to Improve Your Credit Score

1. Always pay your bills on time.
2. Pay at least the minimum due.
3. Don't use up all your credit.
4. Pay off your credit card balance.
5. Put due dates on your calendar.
6. Set up automatic payments.
7. Build your credit history.

More Tools and Resources:

Check out this [credit score simulator](#) from Credit Karma. The Credit Score Simulator can help answer some of your credit "What Ifs." See how your credit choices might affect your score.

To find more Empowerment through Financial Education topics go to <https://lscu.coop/foundation/financial-programs.php>
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