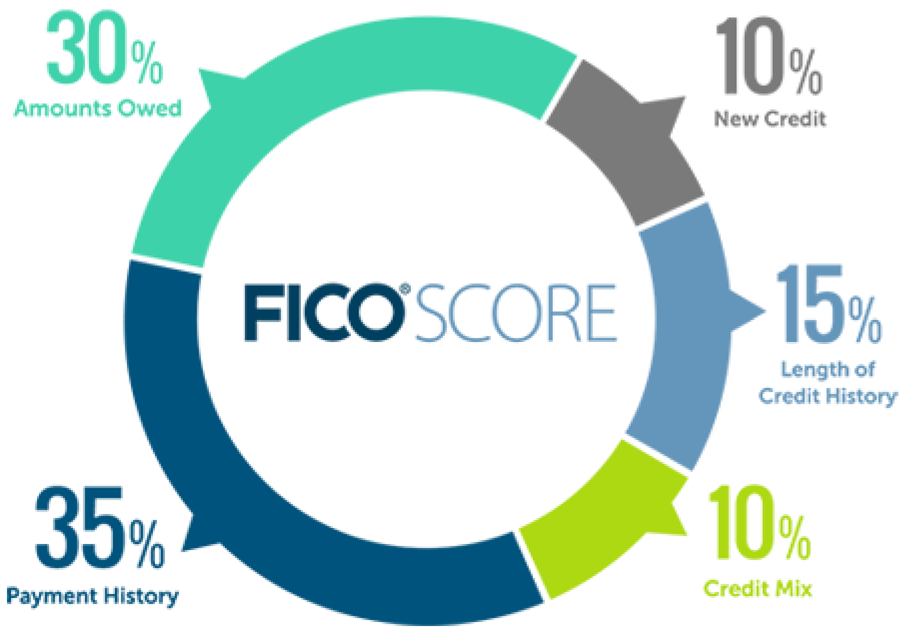
How are FICO® Scores calculated?

FICO® Scores are calculated using many different pieces of credit data in your credit report. This data is grouped into five categories: payment history (35%), amounts owed (30%), length of credit history (15%), new credit (10%) and credit mix (10%).



The percentages in the chart reflect how important each of the categories is in determining how your FICO® Scores are calculated. These percentages are based on the importance of the five categories for the general population. The importance of these categories may vary from one person to another-we'll cover that in the next section.

Your FICO® Scores consider both positive and negative information in your credit report. Late payments will lower your FICO Scores, but establishing or re-establishing a good track record of making payments on time will raise your credit score.

The importance of credit categories varies by person

Your FICO® Scores are unique, just like you. They are calculated based on the five categories referenced above, but for some people, the importance of these categories can be different. For example, people who have not been using credit long will be factored differently than those with a longer credit history.

In addition, as the information in your credit report changes, so does the evaluation of these factors in determining your FICO® Scores.

Your credit report and FICO® Scores evolve frequently. So, it's not possible to measure the exact impact of a single factor in how your FICO score is calculated without looking at your entire report. Even the levels of importance shown in the FICO Scores chart above are for the general population and may be different for different credit profiles.

Your FICO® Scores only look at information in your credit report

Your credit score is calculated only from the information in your credit report. However, lenders may look at many things when making a credit decision, such as your income, how long you have worked at your present job, and the kind of credit you are requesting.

Payment history (35%)

The first thing any lender wants to know is whether you've paid past credit accounts on time. This helps a lender figure out the amount of risk it will take on when extending credit. This is one of the most important factors in a FICO® Score.

Be sure to keep your accounts in good standing to build a healthy history.

Amounts owed (30%)

Having credit accounts and owing money on them does not necessarily mean you are a high-risk borrower with a low FICO® Score. However, if you are using a lot of your available credit, this may indicate that you are overextended-and banks can interpret this to mean that you are at a higher risk of defaulting.

Length of credit history (15%)

In general, a longer credit history will increase your FICO® Scores. However, even people who haven't been using credit long may have high FICO Scores, depending on how the rest of their credit report looks.

Your FICO® Scores take into account:

- how long your credit accounts have been established, including the age of your oldest account, the age of your newest account and an average age of all your accounts
- how long specific credit accounts have been established
- how long it has been since you used certain accounts

Credit mix (10%)

FICO® Scores will consider your mix of credit cards, retail accounts, installment loans, finance company accounts and mortgage loans. Don't worry, it's not necessary to have one of each.

New credit (10%)

Research shows that opening several credit accounts in a short period of time represents a greater risk-especially for people who don't have a long credit history. If you can avoid it, try not to open too many accounts too rapidly.

Credit Score Ranges

Exceptional Score: 800 to 850

FICO® Scores ranging from 800 to 850 are considered exceptional. People with scores in this range typically experience easy approval processes when applying for new credit, and they are likely to be offered the best available lending terms, including the lowest interest rates and fees.

Very good: 740 to 799

FICO® Scores in the 740 to 799 range are deemed very good. Individuals with scores in this range may qualify for better interest rates from lenders.

Good: 670 to 739

FICO® Scores in the range of 670 to 739 are rated good. This range includes the average U.S. credit score, and lenders view consumers with scores in this range as "acceptable" borrowers. People with scores in this range are likely to qualify for a broad array of loans and credit cards but are likely to be charged interest rates somewhat higher than the best available.

Fair: 580 to 669

FICO® Scores that range from 580 to 669 are considered fair. Lenders may disqualify individuals with these scores if they apply for mainstream loans. Consumers with scores in this range may be considered subprime borrowers, eligible only for loans with interest rates significantly higher than the best available.

Poor: 300 to 579

FICO® Scores that range from 300 to 579 are categorized as poor. Many lenders decline credit applications from people with scores in this range, which could be a result of bankruptcy or other major credit problems. Credit card applicants with scores in this range may only qualify for secured cards that require placing a cash deposit equal to the card's spending limit. Utilities may require customers with scores in this range to put down sizable security deposits.

Information obtained from myfico.com and Experian.com