Basic facts about FICO® Scores

When you apply for credit — such as a credit card, auto loan, or mortgage — the lender will check your credit report from one or more of the three major consumer reporting agencies (Equifax, Experian, and TransUnion). In addition to your credit report(s), they will most likely use a credit score, such as a FICO® Score, in their evaluation of risk before deciding whether to approve your loan. There is more than one type of credit score, but FICO Scores are used in 90% US of lending decisions, making FICO Scores the most widely used credit scores.

The basics of FICO® Scores

A FICO® Score is a three-digit number calculated from the credit information on your credit report at a consumer reporting agency (CRA) at a particular point in time — a snapshot. It summarizes information in your credit report into a single number that lenders can use to assess your credit risk quickly, consistently, objectively, and fairly. It helps you obtain credit based on your actual borrowing and repayment history, without consideration of prohibited types of information such as race, color, religion, national origin, gender, or marital status.

FICO® Scores most often fall within a 300–850 score range. Higher FICO Scores are considered lower risk, and lower FICO Scores indicate higher risk. There is no single "minimum FICO Score" used by all lenders to qualify you for a loan, but in general higher FICO Scores can put you in a better position to qualify for credit or better terms.

When a lender receives your FICO® Score, the lender also receives key "score factors." These key score factors are the top factors, or reasons, why you received that particular score.

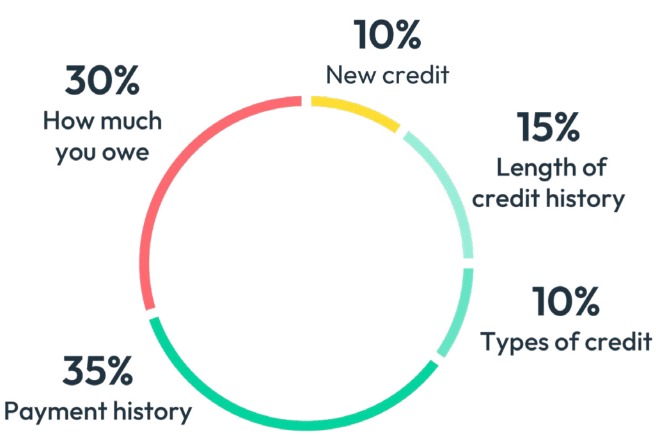
Fact Sheet

Five parts to FICO® Scores

FICO® Scores take into consideration five main categories of information in a credit report. The chart below shows the relative importance of each category to FICO Scores.

- **Payment history — approximately 35% of a FICO® Score**
  Have you paid your credit accounts on time? Missed and late payments, bankruptcies, collections, and other negative items are important to FICO® Scores.
- **How much you owe — approximately 30% of a FICO® Score**
  FICO® Scores consider the amounts you owe on all your accounts, the number of accounts with balances, and how much of your available credit you are using.
- **Length of credit history — approximately 15% of a FICO® Score**
  In general, a longer credit history will increase a FICO® Score, all else being equal. However, even people who have not been using credit long can get a good FICO Score, depending on what their credit report says about their payment history and amounts owed.
- **New credit — approximately 10% of a FICO® Score**
  FICO's research shows that opening several credit accounts in a short period of time represents greater risk – especially for people who do not have a long credit history.
- **Types of credit — approximately 10% of a FICO® Score**
  FICO® Scores consider your mix of credit cards, retail accounts, installment loans, finance company accounts, and mortgage loans. It is not necessary to have one of each, and it is not a good idea to open a credit account you don't intend to use.

FICO® Score ingredients



How FICO® Scores work

When lenders order your credit report at the CRAs, they can also buy a FICO® Score that is based on the information in the report. That FICO Score is calculated by a mathematical equation that evaluates many types of information in your credit report at that agency at the time the request is made.

By comparing this information to patterns in millions of past credit reports, the FICO® Score estimates your level of future credit risk. Lenders then use your credit report, your FICO Score, and other information to evaluate your risk of making loan repayments.

Because FICO® Scores are generated from the information in your credit report at each of the CRAs, the scores are able to quickly, fairly, and consistently assess your credit risk. Thus, as a snapshot of the information in your credit report, the FICO Scores only change when your credit report does. And verifying the information in your credit report periodically enables you to correct errors if there are any.

MYTH: A poor FICO® Score will haunt me forever.
Truth: Just the opposite is true. FICO® Scores are indicators of a consumer's risk at a particular point in time. Your FICO Scores change as new information is added to your credit report and as historical information ages; your FICO Scores change gradually as you change the way you handle credit. For example, past credit problems impact your FICO Scores less as time passes. Lenders request a current FICO Score when you submit a credit application, so they have the most recent information available.

How will enrolling in a credit counseling program affect my FICO® Score?

Using a credit or financial counseling service has neither a positive nor negative impact on your FICO® Scores. However, the actions you take based on recommendations of a credit or financial counselor may impact your score.

What FICO® Scores do not take into account

FICO® Scores consider a wide range of information on your credit report. However, they do NOT consider:

- Your race, color, religion, national origin, sex, and marital status. US law prohibits credit scoring from considering these facts, or considering any receipt of public assistance, or the exercise of any consumer right under the Consumer Credit Protection Act.
- Your age.
- Your salary, occupation, title, employer, date employed, or employment history.
- Where you live.
- Any interest rate being charged on a particular credit card or other account.
- Any items reported as child/family support obligations.
- Certain types of soft inquiries (requests for your credit report or score by you, or by any other authorized entity).
- Any information not found in your credit report.

What lenders look at when considering you for credit

Each lender has its own process and policies for making decisions when reviewing a credit application. Most lenders use FICO® Scores along with additional information, either from one or more of your credit reports or from supplemental information provided by an applicant, such as income. When evaluating credit risk, the items that lenders generally pay the most attention to are:

- Your FICO® Score
- Your payment history — if bills are paid on time
- Your current debt — amount you owe on accounts
- Whether you have had any collection accounts
- Public records, such as bankruptcies
- Types of financing you have successfully managed
- Length of your credit history — how long you've had credit
- Recent activity, including new accounts and credit inquiries
- Your income — to determine your ability to make required payments

Based on this information, lenders decide whether to approve or decline your credit application. If they approve it, they will set your credit terms, such as interest rate, credit limit, and down payment requirement.

In addition to lending decisions, FICO® Scores may be used by others to evaluate your ability to pay them back. Want to rent an apartment? FICO Scores may be considered with your apartment application. FICO Scores may also be considered when utility providers determine what size deposit you will have to pay for telephone, electricity or natural gas service. FICO Scores matter.

FICO's research shows that people with high FICO® Scores tend to:

- Make all payments on time each month
- Keep credit card balances low
- Apply for new credit only when needed
- Establish a long credit history

MYTH: FICO® Scores are unfair to minorities

Truth: FICO® Scores consider only credit-related information. Factors like gender, race, nationality, and marital status are not included. In fact, the Equal Credit Opportunity Act (ECOA) prohibits lenders from considering this type of information when issuing credit. Independent research has been done to make sure that FICO Scores are not unfair to minorities or people with little credit history. FICO Scores have proven to be an accurate and consistent measure of repayment risk for all people who have some credit history.

What is a good FICO® Score?

The definition of a good FICO® Score is up to the lender. So it's hard to say what a good FICO Score is outside the context of a particular lending decision. For example, one auto lender may offer lower interest rates to people with FICO Scores above, say, 680; another lender may use 720, and so on. Your lender may be able to give you guidance on their criteria for a given credit product.

Rather than making strictly "yes-no" credit decisions and offering "one-size-fits-all" credit products, lenders can use FICO® Scores to approve consumers who might have been declined credit in the past by offering modified credit terms. Lenders are even able to provide higher-risk borrowers with credit that they are more likely to be able to manage.

The chart on the following page provides a breakdown of ranges for FICO® Scores found across the US consumer population. It provides general guidance on what a particular FICO Score represents. Again, each lender has its own credit risk standards.

Score range	What FICO® Scores in this range mean
800 or higher	• Well above the average score of US consumers • Demonstrates to lenders that the consumer is an exceptional borrower
740 to 799	• Above the average of US consumers • Demonstrates to lenders that the consumer is a very dependable borrower
670 to 739	• Near or slightly above the average of US consumers • Most lenders consider this a good score
580 to 669	• Below the average of US consumers • Some lenders will approve loans with this score
Lower than 580	• Well below the average of US consumers • Demonstrates to lenders that the consumer is a risky borrower

Why are my scores sometimes different?

FICO® Scores are calculated separately by each of the three consumer reporting agencies using a formula that FICO has developed. It's normal for your FICO Scores from each of the CRAs to be different from each other for any of the following reasons:

- Your FICO® Score is based on the credit information in your credit file at a particular CRA at the time your score is calculated. The information in your credit files is supplied by lenders, collection agencies, and court records. Name changes can cause incomplete records, as can incorrect information. This is why it is important for you to review your credit files at least annually.
- Lenders may report your credit information to one credit reporting agency today, and to another credit reporting agency tomorrow. This can result in one agency having more up-to-date information, which in turn can cause different CRAs to generate different scores. Also, the CRAs may record the same information in slightly different ways, which can affect your FICO® Scores.
- Different lenders (such as auto lenders and credit card lenders) may use different versions of FICO® Scores, so when reviewing a score, take note of the date, CRA used, score type, and range for that particular score.

Who is FICO?

Founded in 1956, Fair Isaac Corporation (FICO) uses advanced math and analytics to help businesses make smarter decisions. FICO invented FICO® Scores, which are the most widely used credit scores in lending decisions in the US. It is important to note that while FICO works with the CRAs to provide your FICO Scores, it does not have access to or store any of your personal data or determine the accuracy of the information in your credit file.

Learn more about FICO® Scores by visiting

ficoscore.com/education.

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