FICO

Scoring Solutions

Understanding FICO® Scores

What consumers need to know about the most widely used scores



Booklet

FICO® SCORE

The score lenders use.®

Every year, lenders access billions of FICO® Scores to help them understand people's credit risk and make better-informed lending decisions. By providing lenders with a fast, reliable, and objective measure of credit risk, FICO Scores have made the lending process faster and fairer — helping millions of people get access to credit.

Your FICO® Scores are a vital part of your credit health. They can influence your credit and loan approvals, as well as the terms and interest rates for which you qualify. Because FICO Scores are the credit scores most widely used in lending decisions, viewing your FICO Scores can help you get a better understanding of how lenders evaluate your credit risk when you apply for a loan or other form of credit.

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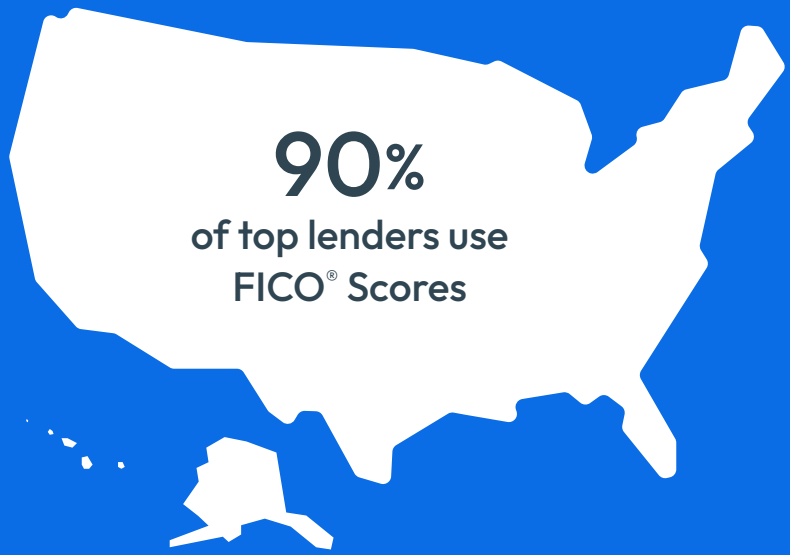
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Part One

What are FICO® Scores?





FICO® Scores are used by 90% of top US lenders

If you've ever applied for a credit card, car loan, mortgage, or other type of credit, there's a very good chance your lender used your FICO® Scores to help them decide **a)** whether to approve you, and **b)** the terms and interest rates for which you qualify. That's because **FICO Scores are used by 90% of top US lenders**.

Each of your FICO® Scores (you have more than one) is a three-digit number summarizing your credit risk — that is, how likely you are to pay back your credit obligations as agreed. Your FICO Scores are based on the data in your credit reports at the three major credit bureaus — Experian, TransUnion, and Equifax.

Lenders use FICO® Scores to help them quickly, consistently, and objectively evaluate potential borrowers' credit risk, which makes the lending process faster and fairer.



The higher your FICO® Scores, the better

FICO® Scores generally range from 300 to 850, though industry-specific FICO Scores have a slightly broader 250 to 900 score range (more on the different FICO Score versions on page 8). Higher FICO Scores demonstrate lower credit risk, and lower FICO Scores demonstrate higher credit risk.

What's considered a "good" FICO® Score varies by lender. For example, one lender may offer its lowest interest rates to people with FICO Scores above 730, while another lender only offers its lowest interest rates to people with FICO Scores above 760.



On average, 50% of the scorable US population scores 740 or greater.[1]

Here's a chart that breaks down the ranges of FICO® Scores found across the US consumer population. Again, each lender has its own credit risk standards, but this chart will give you a sense of what a FICO Score in a particular range means.

FICO® Score	Rating	What FICO® Scores in this range mean
800+	Exceptional	• Well above the average score of US consumers • Demonstrates to lenders you are an exceptional borrower
740–799	Very Good	• Above the average of US consumers • Demonstrates to lenders you are a very dependable borrower
670–739	Good	• Relatively near the average of US consumers • Most lenders consider this a good score
580–669	Fair	• Below the average score of US consumers • Many lenders will approve loans with this score
< 580	Poor	• Well below the average score of US consumers • Demonstrates to lenders that you are a risky borrower

[1] Based on FICO® Score 8 analysis

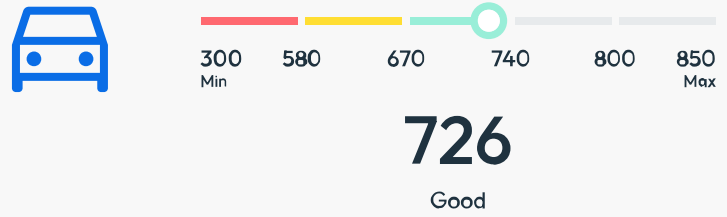
You have more than one FICO® Score.

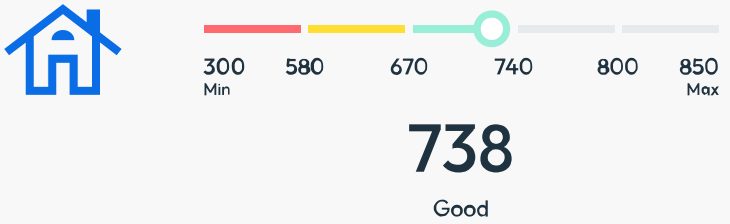
To keep up with consumer trends and the evolving needs of lenders, FICO periodically updates its scoring models. As a result, there are multiple FICO® Score versions — base FICO Scores (and their updates) and industry-specific FICO Scores (and their updates).

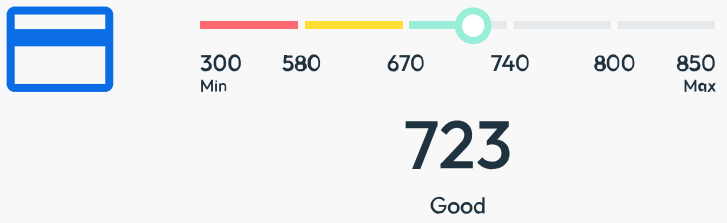
FICO® Scores range from 300 to 850, while industry-specific FICO Scores have a slightly wider 250 to 900 score range.

Different lenders use different versions of FICO® Scores when evaluating your credit. Auto lenders, for instance, often use FICO® Auto Scores, an industry-specific version that has been tailored to predict auto loan risk. Credit card issuers use FICO® Bankcard Scores or base FICO Scores.

It's likely that your different FICO® Score versions won't all be the same. But since all FICO Scores share a similar foundation, more often than not your FICO Scores will be relatively close. For example, if you have a high FICO® Score 10There's a good chance you'll also have a high FICO® Bankcard Score 10 and a high FICO® Auto Score 10 (two industry-specific FICO Score versions).







You can view the right FICO® Score for the type of credit you're seeking.

Between all three credit bureaus, there are many versions of FICO® Scores that are commonly used by lenders. You can use the chart as a guideline for which score version is most relevant for the type of credit or loan you're seeking. Credit bureaus determine which version of the FICO Score to offer lenders, and lenders determine when they migrate to updated versions.

> **The introduction of broad-based credit scores by FICO more than 35 years ago has transformed economic growth in the US and globally — making access to credit more efficient and objective while protecting financial stability.**

Experian	Equifax	TransUnion
Most widely used versions		
FICO® Score 9 FICO® Score 8	FICO® Score 9 FICO® Score 8	FICO® Score 9 FICO® Score 8
Versions used in auto lending		
FICO® Auto Score 9 FICO® Auto Score 8 FICO® Auto Score 2	FICO® Auto Score 9 FICO® Auto Score 8 FICO® Auto Score 5	FICO® Auto Score 9 FICO® Auto Score 8 FICO® Auto Score 4
Versions often used in credit card decisioning		
FICO® Bankcard Score 9 FICO® Bankcard Score 8 FICO® Bankcard Score 2 FICO® Score 3	FICO® Bankcard Score 9 FICO® Bankcard Score 8 FICO® Bankcard Score 5	FICO® Bankcard Score 9 FICO® Bankcard Score 8 FICO® Bankcard Score 4
Versions used in mortgage lending		
FICO® Score 2 FICO® Score 10T	FICO® Score 5 FICO® Score 10T	FICO® Score 4 FICO® Score 10T
Newest versions		
FICO® Score 10 FICO® Auto Score 10 FICO® Bankcard Score 10 FICO® Score 10T	FICO® Score 10 FICO® Auto Score 10 FICO® Bankcard Score 10 FICO® Score 10T	FICO® Score 10 FICO® Auto Score 10 FICO® Bankcard Score 10 FICO® Score 10T

FICO® Score 10 suite, the most powerful FICO® Scores yet

FICO® Score 10 suite reflects the evolving credit landscape and consumer behavior. It yields more predictive insight than previous versions to assist lenders in making more informed credit-granting decisions. This can help ensure you get access to the credit you need.

The FICO® Score 10 suite, which includes FICO® Score 10 and FICO® Score 10T, features several meaningful differences that enhance its predictive power regardless of shifts in economic conditions. Both scores continue to consider the five main predictive categories that make up a FICO Score, with FICO Score 10T incorporating trended data, reflecting FICO's practice of continual innovation to address market and data evolutions.

FICO® Score 10T has been approved by the Federal Housing Finance Agency (FHFA) for use in mortgage lending by Fannie Mae and Freddie Mac, the two government sponsored enterprises that guarantee conforming mortgages made in the US.

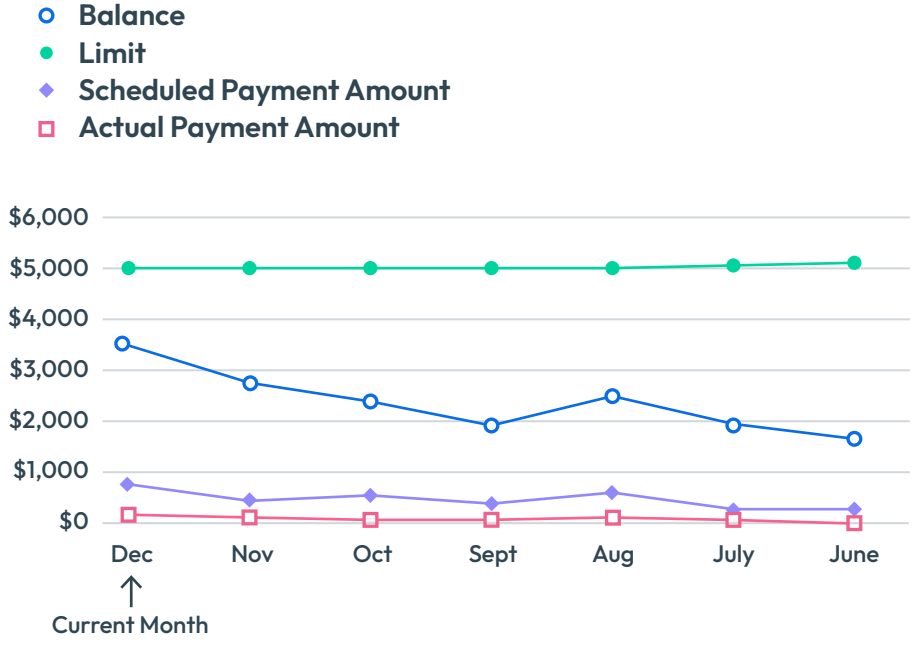
What is trended data?

FICO® Score 10T incorporates trended credit bureau data, which considers a historical view of data such as account balances for the previous 24+ months, giving lenders more insight into how consumers are managing their credit. Trended data reported on a credit card includes your balances, minimum payment requirements, and the amounts you paid on your most recent credit card statements. Often referenced as time-series data, trended data provides a deeper picture of your financial situation.

This enables a credit scoring model to evaluate patterns in the trended information that predicts future credit risk not found within a point-in-time display of that same data. Factors such as reducing, maintaining, or increasing your balances over time are considered by FICO® Score 10T because they can help predict credit risk.

Trended data is information gathered over time versus at a single point in time, providing a deeper picture of financial situations.

Credit Card Example



Part Two

How your FICO® Scores are calculated





FICO® Scores are calculated from the credit data in your credit reports.

There are three major US credit bureaus: Experian, TransUnion, and Equifax. The credit bureaus maintain records of your credit data (and other identifying information about you, such as your name, date of birth, address, etc.). These are your credit reports.

When you get a new loan or credit card, make or miss a payment, etc., your lenders often report this information to the credit bureaus. Since it's up to your lenders what information they report to the credit bureaus, and which credit bureaus they report to, it's not uncommon for your credit reports to be slightly different at each bureau. And since FICO® Scores are calculated from the credit data in your credit reports, it's also common for FICO Scores at each credit bureau to be slightly different.

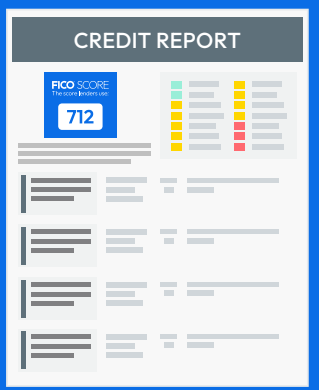
It's common for FICO® Scores at each credit bureau to be slightly different.



Equifax

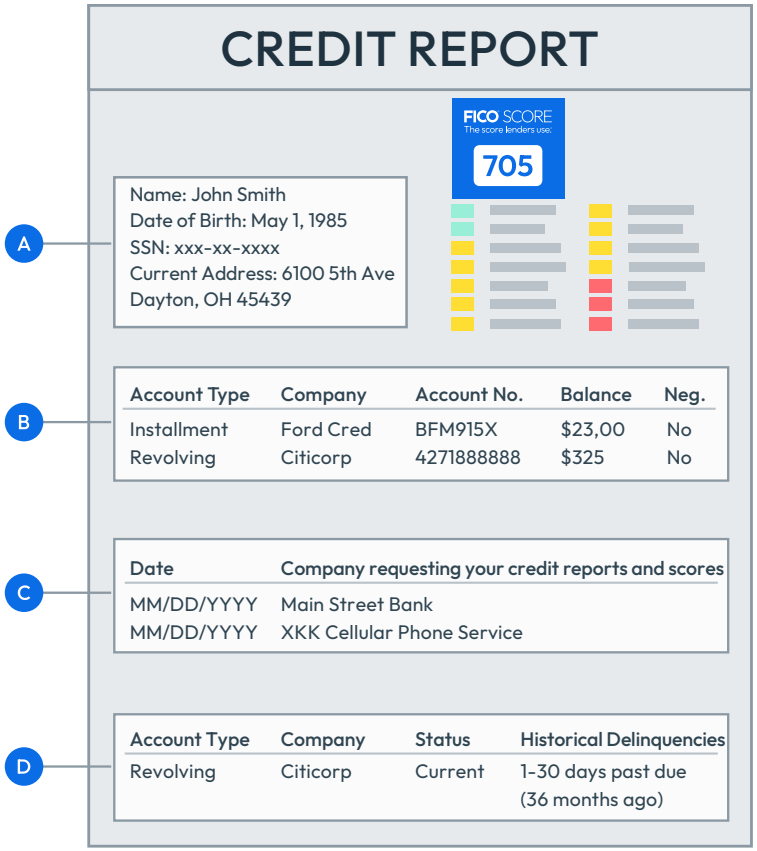


Experian



TransUnion

All credit reports contain basically the same categories of information.



A Personal Information

Your name, address, Social Security number, date of birth, and employment information. FICO® Scores don't consider this type of information.

B Accounts

Your credit accounts, organized by account type (bankcard, auto loan, mortgage, etc.), date opened, credit limit or loan amount, account balance, and payment history.

C Inquiries

Requests for your credit report within the last two years (FICO® Scores only consider inquiries from the past year). There are two types of inquiries — "hard" inquiries and "soft" inquiries — and FICO Scores only consider hard inquiries.

A hard inquiry occurs when a lender or other third party checks your credit report or score when you apply for credit with them. Hard inquiries are considered by FICO® Scores, but their impact is usually relatively small.

A soft inquiry typically occurs when your credit reports and scores are pulled without you applying for credit (like when a credit card issuer sends you a preapproved credit card offer), or when you pull your own credit reports or FICO® Scores. Soft inquiries don't affect your FICO Scores.

D Negative Items

Delinquency information from missed payments that have been reported by lenders. Also includes information on overdue debt from collections agencies, and public record information (bankruptcies) from federal, state, and county courts.

As the information in your credit reports changes, so do your FICO® Scores.

FICO® Scores are calculated each time they are requested, and they change as your credit report data is updated with new information. So as your credit history evolves and lenders report your credit activity to the bureaus, the information in your credit reports will change. And your FICO Scores — each time they're requested — will reflect those changes.

Check out the graphic for a summary of how it all works.

You	Lenders	Credit Bureaus	FICO
• Apply to lenders for new credit and loans • Pay your bills on time; avoid bankruptcy and collections • Utilize your available credit • Access your own FICO® Scores and credit reports	• Grant new credit and loans to you • Report your credit activity and payment history to the credit bureaus • Access your credit reports and FICO® Scores from the credit bureaus to evaluate your credit risk • Provide consumers free access to the same FICO® Scores they use in lending decisions, through the FICO® Score Open Access program	• Create and update your credit report with public record and lender-provided information • Generate FICO® Scores based on data from your credit reports • Make your credit reports and FICO® Scores available to lenders	• Creates FICO® Score algorithms used by credit bureaus to generate FICO Scores, the independent standard in credit scoring • Educates and consults with lenders, regulators, consumers, and other entities regarding FICO® Scores • Enables consumers like you to access your FICO® Scores through myFICO.com, FICO® Score Open Access, and other authorized distributors

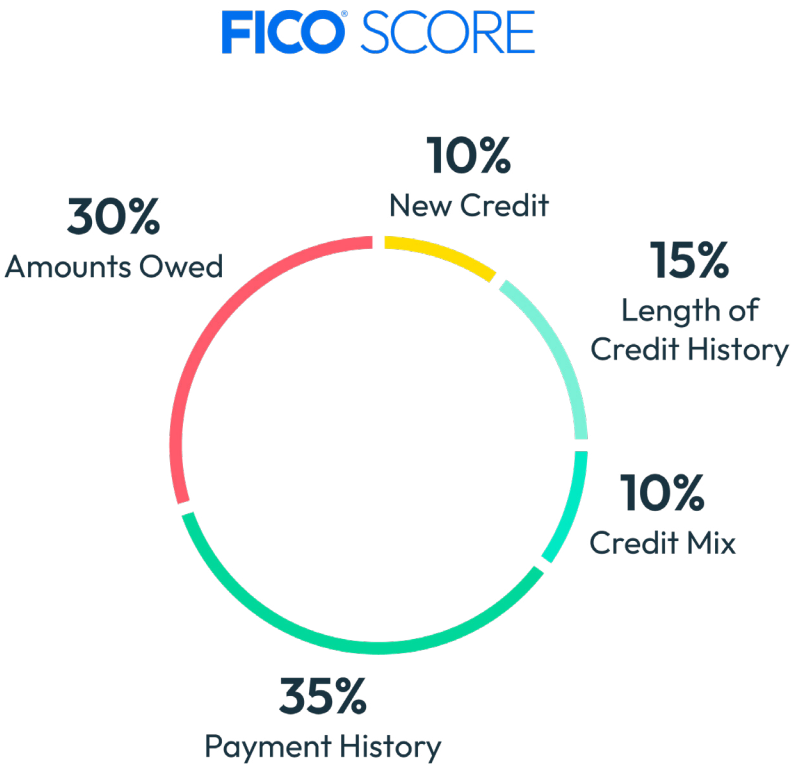
There are 5 key ingredients that your FICO® Scores consider.

FICO® Scores are calculated from many different pieces of credit data on your credit reports, but there are 5 main categories of information they consider.

- **Payment history**
- **Amounts owed**
- **Length of credit history**
- **New credit**
- **Credit mix**

The chart on the right shows the relative importance of each category.

Keep in mind that the importance of any one ingredient depends on the information in your entire credit report. Credit mix, for instance, only makes up 10% of a FICO® Score, but it'll be a more important FICO Score factor if there isn't a lot of other information in your credit report.



Payment history — 35% of a FICO® Score.

How you've paid your bills in the past — whether you've paid on time or late, or missed payments — is a very important FICO® Score factor. The more severe, recent, and frequent the late payment information, the greater the impact on a FICO Score.

FICO® Scores consider payment history from:

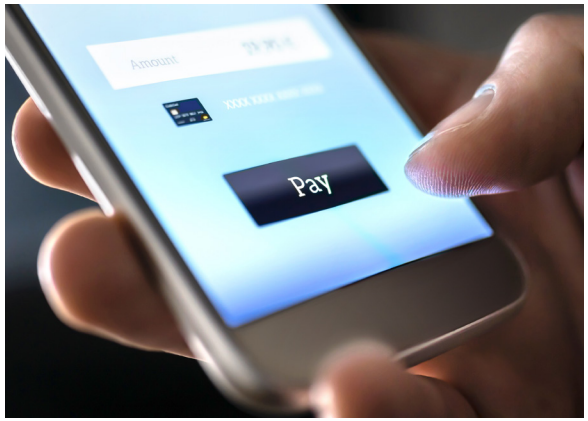
Different types of accounts

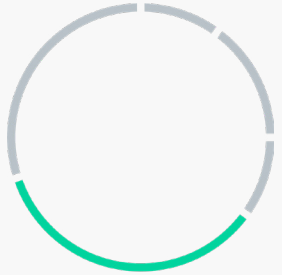
- Credit cards (e.g., Visa, Mastercard, American Express, and Discover)
- Retail accounts (e.g., store credit cards)
- Installment loans (e.g., a car loan)
- Finance company accounts
- Mortgage loans

Public record (bankruptcy) and collection items

Details on late or missed payments

- How late were they?
- How recently did they occur?
- How many are there?
- How much was owed?





35%
Payment History

FICO high achievers share some common characteristics. Here are a few related to payment history:

- About 98% have no missed payments at all
- Virtually none have a collection listed on their credit report
- Virtually none have a public record listed on their credit report

Amounts owed — 30% of a FICO® Score.

The amount of credit you're using and how much debt you owe are important FICO® Score factors. The total balance owed, how many accounts have balances, and how much of your available credit you're using are some of the specific factors FICO Scores consider.

FICO® Scores consider:

Total amount owed across all accounts

Generally, your total balance on your last credit statement shows up in your credit report.

Amount owed on specific types of accounts

Such as a revolving or installment account. This is in addition to your overall amount owed.

The number of accounts with a balance

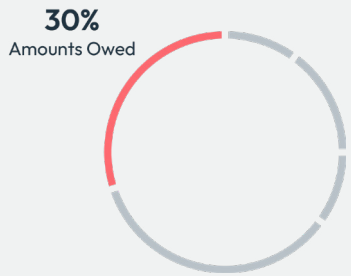
Too many accounts with a balance could indicate a higher risk of over-extension.

Credit utilization ratio on revolving accounts

Credit utilization — how much of your available credit you're using — is an important factor. If you're close to maxing out your accounts, you might have trouble making payments in the future.

Remaining amount owed on installment loans

As installment loan balances decrease, they have less impact on a FICO® Score. Having a low installment loan balance to loan amount ratio is considered slightly less risky than having a 0% installment loan ratio.



FICO high achiever characteristics related to amounts owed:

- Average revolving credit utilization ratio is less than 7%
- Have an average of 3 accounts carrying a balance
- Most owe less than $2,500 on revolving accounts (e.g., credit cards)

Length of credit history — 15% of a FICO® Score.

FICO® Scores take into account how long your credit accounts have been established, including the age of your oldest account, the average age of all your accounts and the age of specific types of accounts.

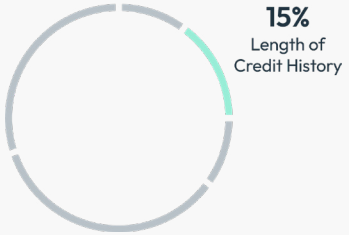
FICO® Scores consider:

The age of your oldest account

Your average account age

The age of specific types of accounts (credit cards, auto loans, etc.)





FICO High Achiever characteristics related to length of credit history:

- Most have an average age of accounts of 9 or more years
- Age of oldest account is 25 years, on average

New credit — 10% of a FICO® Score.

FICO® Scores take into account several factors when considering your amount of new credit, including how many new accounts you've recently opened and whether you've been rate shopping for a single loan or applying for multiple new credit lines. Opening several new credit accounts in a short period of time indicates greater credit risk.

FICO® Scores consider:

How many recent requests for credit you've made

Credit requests will prompt inquiries, which remain on your credit report for two years. FICO® Scores, however, only consider inquiries from the past 12 months.

How long it has been since you opened a new account

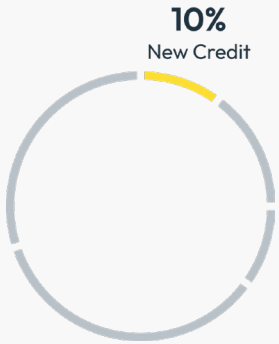
This is the age of your most recently opened account. Your FICO Scores may consider the time that has passed since you opened a new credit account for specific types of accounts.

The number of new accounts

How many of your accounts are new accounts, and what types of accounts are they?

Whether or not you're rate shopping for a single loan

FICO® Scores consider inquiries triggered by loan applications that commonly involve rate shopping — such as a mortgage, car loan, or student loan — as a single inquiry, if they all fall under a typical shopping period (a 14-day span for older FICO Score versions, and a 45-day span for newer versions).



FICO high achiever characteristics related to new credit:

- Opened most recent account an average of 2 years and 7 months ago
- Less than 30% applied for new credit once or more in the past year

Credit mix — 10% of a FICO® Score.

FICO® Scores consider the different types of credit accounts being used or reported, including credit cards, retail accounts, installment loans, and mortgage loans. Credit mix will be more important if your credit report doesn't have a lot of other information to base a FICO Score on.

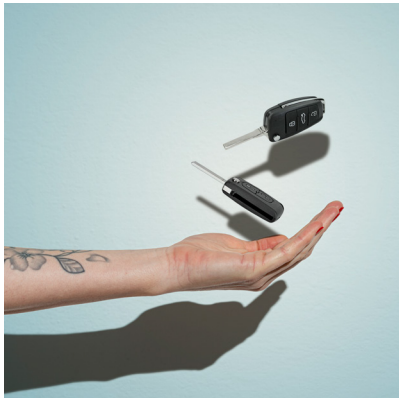


Different kinds of credit accounts

Your FICO® Scores will consider your overall credit picture when determining the impact of credit mix on your scores.









Part Three

Why FICO® Scores matter





Every day, thousands of lenders use FICO® Scores to help them make lending decisions.

FICO® Scores are a vital part of your financial health. When you apply for credit — whether it's a credit card, a car loan, a personal loan or a mortgage — lenders want to know your credit risk to help them make a good decision. Your FICO Scores may influence whether or not you're approved for credit, but they can also impact the terms and rates of the credit for which you are approved.

Simply put, FICO® Scores help consumers obtain credit more quickly and fairly.

FICO's data scientists calculate that more than 232 million US consumers can be scored by the FICO® Score suite. That is 90% of the credit-eligible US population.[2]

FICO® Scores have been an industry standard for more than 30 years

10 billion
FICO® Scores are purchased every year



[2] https://www.fico.com/en/newsroom/90-credit-eligible-us-population-can-be-scored-fico-score-suite

You don’t necessarily need high FICO® Scores to get approved for credit.

FICO® Scores allow lenders to more accurately evaluate potential borrowers’ credit risk. This means that instead of being limited to strictly yes/no credit decisions, lenders can offer different rates to different borrowers. Even if you’re a high-risk borrower with low FICO Scores, lenders can decide to extend you credit that you’re more likely to be able to manage.

Here are some other ways FICO® Scores can help you.

Instead of being limited to strictly yes/no credit decisions, lenders can offer different rates to different borrowers.



They can help you get credit and loans faster.

Because FICO® Scores provide a fast, objective measure of your credit risk, they allow lenders to speed up credit and loan approvals. This means when you apply for credit, you’ll get an answer faster.



They make credit decisions fairer.

FICO® Scores help remove personal opinion and bias from the credit process. When a lender sees your FICO Scores, they are getting a scientific and objective evaluation of your credit history. FICO Scores don’t consider your gender, race, religion, nationality, or marital status.



They let you put past credit problems behind you.

FICO® Scores take into account recent payment patterns, so it’s never too late to reestablish healthy credit management habits.

But higher FICO® Scores can help save you money.

Higher FICO® Scores can help you qualify for better interest rates — generally, the higher your scores, the lower your interest rate and payments. The difference between a 620 FICO Score and a 760 FICO Score, for example, can be tens of thousands of dollars over the life of a loan.

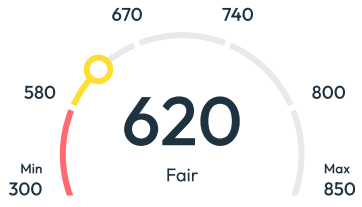
Say two different people — one with a 620 FICO® Score, the other with a 760 FICO Score — are borrowing $300,000 on a 30-year fixed-rate mortgage. Here's how their payments would break down.

In this scenario, with a 760 FICO® Score you'd pay $318 less every month and save $114,628 over the life of the loan.

30-year fixed-rate mortgage

$300,000 loan principal

620 FICO® Score



7.67% APR

$2,133	monthly payment
$467,987	total interest paid

760 FICO® Score



6.08% APR

$1,815	monthly payment
$353,359	total interest paid

You don’t need a large income to have high FICO® Scores.

While your FICO® Scores consider a wide range of information on your credit reports, they don’t consider your income, age, education, employment history, gender, zip code, marital status, or race. Any information not found in your credit reports, or any information not proven to be predictive of future credit performance, is also not considered by your FICO Scores.

Here are some other FICO® Score myths — debunked.

“All credit scores are the same.”

Not all credit scores are FICO® Scores. FICO Scores give you a more accurate look at how lenders will likely evaluate your credit risk when you apply for credit, because they are used by 90% of top lenders.

“Checking my own FICO Scores will lower them.”

Checking your own FICO® Scores is considered a soft inquiry, which never affects your FICO Scores.

“A poor FICO Score will stay low forever.”

FICO® Scores are based on a snapshot of credit behavior. As your credit behavior changes, so will your FICO Scores. Healthy credit behaviors will cause FICO Scores to improve over time.

“My FICO Scores aren’t important.”

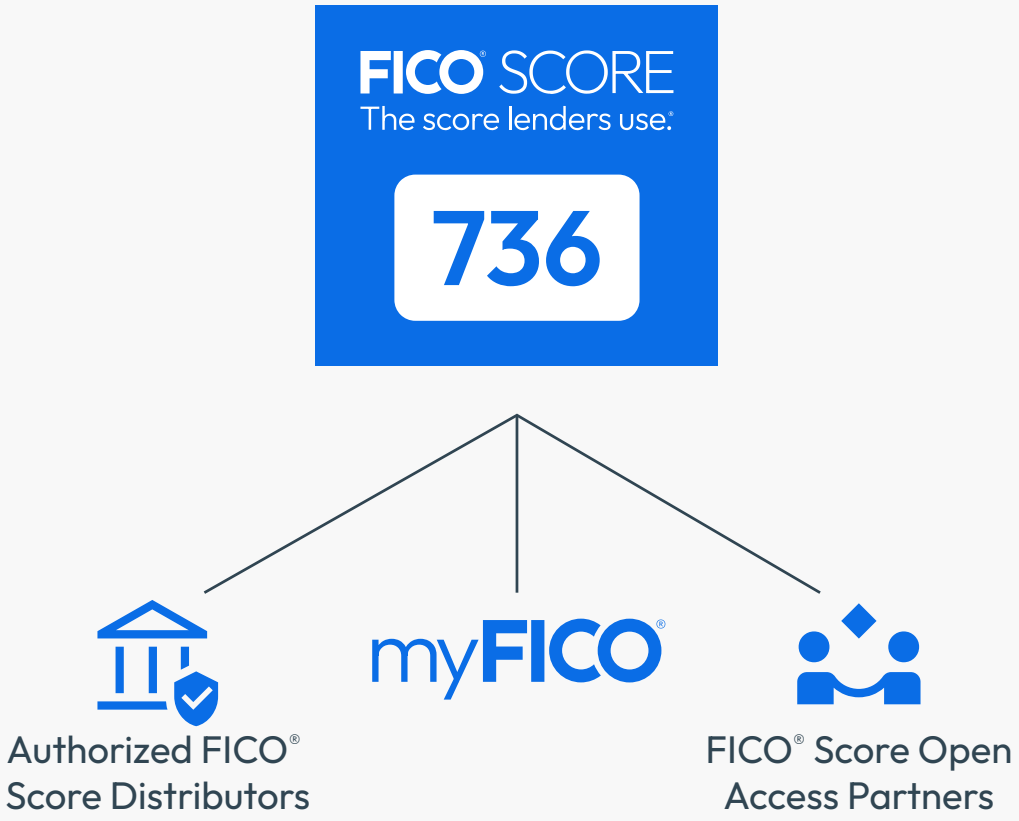
Your FICO® Scores affect the credit that’s available to you — they can influence how much credit and what terms (interest rate, etc.) lenders will offer you. Higher FICO Scores can save you thousands on a car loan or mortgage and give you access to the best credit cards, higher credit limits, and more.

Getting access to your FICO® Scores is easy.

Viewing your FICO® Scores gives you a more accurate look at how lenders may evaluate your credit risk when you apply for a loan or credit.

FICO makes it easy to access your own scores. You can view your FICO® Scores on myFICO.com, from an authorized FICO Score distributor, or through a lender participating in the FICO® Score Open Access program.

To learn more about FICO® Scores and how they are an important part of your financial health, and to find out how you can access your FICO Scores, visit myfico.com and FICOScore.com.



Learn more

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FICO® SCORE
The score lenders use.®

FICOScore.com

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