



General Credit Score FAQ

Credit Score Questions:

What is a Credit Score?

A credit score is a three-digit number calculated to indicate your creditworthiness. The higher the score, the more creditworthy you are to a lender. A credit score is calculated from the information in your credit report and considers your on-time payments, the length of your payment history, your mix of different types of credit accounts, and other factors.

What is VantageScore®?

VantageScore® was founded by the 3 leading credit reporting agencies – Experian, Equifax, and TransUnion. The VantageScore® 3.0, the score that is shown in SavvyMoney, is a newer and more popular version of VantageScore®. It is calculated on a scale of 300-850, with 300 being the lowest and 850 the highest score.

What Factors Influence My Credit Score?

Five major categories make up a credit score:

40% Payment History

23% Credit Usage, also known as credit utilization or the ratio between the total credit used and your total credit limit on your revolving accounts. It is best to keep your credit usage below 30%.

21% Credit Age - The average of your oldest open credit accounts to your newest open credit accounts determines your credit age. In general, the longer your credit history the better, particularly accounts with a good payment history and no late payments.

11% Credit Mix - It's important to have a mix of different types of credit, like revolving credit and installment loans.

Credit Report Questions:

What is a Credit Report?

Credit reports are composed of the credit-related data a credit reporting company has gathered about consumers from different sources. Credit reports include records of mortgage payments, credit card balances, credit card payments, auto loan payments, and credit inquiries. It may also include accounts that have gone into collections, public records, and other information from government sources.

Credit reports include the following about your debt accounts:

- A list of creditors that have extended credit or loans.
- Total loan amounts and credit card limits.
- Payment amount and history on all loans and credit lines.

Credit reports may also include:

- Inquiries, each time your credit report was pulled by a lender in the past 2 years.
- Your current and/or former address(es)
- Your current and/or former employers
- Other details of public record

You can obtain a free copy of your credit reports at <https://www.annualcreditreport.com> or by calling 1-877-322-8228.

How Can I See What's in My Credit Report?

Once you are logged into SavvyMoney. Click the "Credit Score and Report" tab, then hit "Credit Report" to review all your accounts, payments, and more. You can also receive a free Credit Report from each of the credit reporting companies – Equifax, Experian, and TransUnion once a year.

How Do I Correct My Credit Report if I Think There's an Error?

Given this incredible volume of data provided by lenders to the agencies, there are times when the information reported about your credit activities may be inaccurate. If you find information that you believe is not correct on your credit report, contact the company that issued the account or the credit reporting company that issued the report. You can dispute any inaccuracies found on your TransUnion credit report by navigating to the bottom of the SavvyMoney Credit Report and clicking "dispute".

Credit Score – Lending Questions:

Do Only Banks and Lenders Use Credit Scores?

Any institution that lends money – credit unions, banks, credit card companies, financing companies, mortgage lenders, and others – can use a credit score to help them assess whether you meet their lending criteria. These institutions use your credit score along with other relevant information provided by you, such as income, work status, and down payment amount. In general, higher scores allow access to more credit at competitive rates. Insurance carriers can also use credit scores to help assess risk and to accurately price homeowners and automobile insurance policies.

Is Credit Score the Only Thing Used by Lenders for Loan Approval?

No, a credit score is just one part of several factors lenders use in their lending criteria. Other lending criteria considered may include:

- Loan-to-Value Ratio
- Income
- Current employment and work history

Building Credit: How Do I Improve My Credit Score?

There are several ways to improve your credit score. However, it's much more important to focus on improving what's in your credit report rather than over your credit score. Here are some quick tips to help:

- **Pay Your Bills on Time, Every Month.** Payment history is the largest factor in your credit score.

- **Apply for Credit Only When You Need It.** Try not to open too many accounts too frequently. These frequent inquiries can ding your credit.
- **Keep Your Outstanding Balances Low.** Keep balances below 30% of the credit limit on each of your revolving accounts.
- **Reduce Your Total Debt.** Too much debt at high interest rates can get out of hand if a financial emergency comes up. Consider paying down some of your outstanding loans.
- **Build Up Credit History.** Maintaining a timely payment history for a mix of accounts (e.g. credit cards, auto, mortgage) over a long period can improve your score.

If I Close My Credit Card Accounts, Will That Improve My Score?

When you close a credit card account, you lose the value of that card's credit limit in the credit usage calculation. The credit limit is an important component when determining a consumer's balance to credit limit or the "credit usage" ratio. This ratio rewards consumers who have low credit card balances relative to their credit limits.

If you close credit cards, especially those with large credit limits, you will likely cause your credit usage ratio to go up (if you carry balances). This can cause your score to go down considerably.

Additionally, if you close credit card accounts the credit bureaus will eventually remove them from your credit reports. Even though it can take years for an account to be removed from your credit reports, once it is gone you will get no credit for your responsible management of that account.

Will My Credit Score Be Higher the More Loans I Have?

The quantity of loans is not as important in credit scoring as the quality of how well those accounts are managed. In other words, your score is more positively impacted by keeping loans in good standing without missing payments.

If I Have a Credit Balance on My Cards, Will My VantageScore® Improve?

Credit balance does not positively or negatively impact credit score.

If I Don't Have a Long Credit History, Can I Still Get a VantageScore®?

One of the differentiating factors of the VantageScore® models is the ability to calculate scores for more consumers, which includes those who are new to the credit market, infrequent credit users, or those who have two or fewer credit accounts.

The VantageScore® models are more likely to provide a score for consumers who are very new to credit and have less than 6 months of history. They also score those with activity up to two years ago on at least one of the accounts in their file.