

## CREDIT SCORES

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Move over Social Security Number. A three digit credit bureau score now defines our lives. This number can determine whether a landlord will rent to us, a mobile phone company will sell to us, an insurance company will insure us or an employer will hire us. It determines who will lend to us and how much they will charge.

FICO scores are the credit scores most lenders use to determine your credit risk. These scores are produced from software developed by Fair Isaac and Company. You have three FICO scores, one from each of the three credit bureaus: Experian, TransUnion and Equifax. Credit scores range from 300 – 850 and the higher your score, the better.

You can only have a credit score if you've established credit and having no credit can often be as detrimental as having a low credit score. Lenders rely on your past credit history to predict the likelihood that you will make future payments on a timely basis. To calculate a FICO score, you need at least one account which has been open for a minimum of six months and at least one account that has been updated in the past six months.

The formula behind the FICO calculation is proprietary information and owned by Fair Isaac. Each score is based upon the information the credit bureau keeps on file about you, and each score will change as that information changes.

The following tips are offered to improve a low credit score or retain a high score:

- Pay your bills on time.

- Clear up past-due accounts as soon as possible.

- Monitor your credit report. Remove errors.

- Keep revolving account balances low. Do not get close to your entire credit limit.

- Do not close out old and unused accounts rapidly because it will increase your debt to credit limit for remaining accounts and negatively impact your score.

- Do not open several new accounts within a short period of time.

- If you are shopping for the best interest rate for a car loan or mortgage, do so within a week or two. Lenders will pull your credit report to determine your rate.

- Multiple pulls for the same purchase will have a greater negative impact if spread over several weeks or months.

- If you have no credit, open a credit card with a company that does not charge an annual fee. Charge what you can afford and pay the charge off as soon as you get the bill. Repeat.