



## UNDERSTANDING YOUR FICO® CREDIT SCORE

Your credit score is a number based on the information in your credit file that shows how likely you are to pay a loan back on time - the higher your credit score, the less risk you represent. The credit score that lenders use is called a FICO® score. Your FICO® score helps a lender determine whether you qualify for a loan and what interest rate you'll pay.

### What makes up your credit score?

- 35%** Based on payment history, i.e. on-time pays or delinquencies. More weight is placed on current pay history.
- 30%** Capacity. Capacity is king!
- 15%** Length of credit
- 10%** Accumulation of debt in the last 12-18 months. Number of credit inquiries and opening dates can affect your score.
- 10%** Mix of credit. Installment debt raises your credit score and revolving credit lowers it. The more finance company loans you have, the lower the score.

### What actions will hurt your credit score?

- Missing payments (regardless of the dollar amount. It will take 24 months to restore credit with one late payment.)
- Maxing out your credit cards.
- Closing credit cards out. This lowers available capacity.
- Shopping for credit excessively.
- Opening up numerous trades in a short time period.
- Having more revolving loans in relation to installment loans.
- Borrowing from finance companies.



### What doesn't affect your credit score?

- Debt ratio
- Income
- Length of residence
- Length of employment

### Approximate Credit Weight for Each Year

- 40%** Current to 12 months
- 30%** 13-24 months
- 20%** 25-36 months
- 10%** 37+ months

### How Can You Improve Your Credit Score?

- Pay down credit cards
- Do not close credit card accounts because capacity will decrease
- Always make payments on time. Older late pays will become less significant with time.
- Slow down on opening new accounts
- Acquire a solid credit history with years of experience
- Move revolving debt to installment debt.

**YOU WANT THE HOUSE.  
WE WANT TO HELP.  
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