News Release

For Publication: Thursday, May 28, 2015
From: Lynn Little, Extension Educator, Family and Consumer Sciences
       University of Maryland Extension

Do You Know Your Credit Score?

Credit can be a successful finance management tool. Using credit allows you flexibility in managing your spending plan to purchase goods and services when you need them, not when you have the cash on hand to pay for them.

Your credit score, calculated using the FICO (Fair Isaac and Company) formula analyzes your credit history based on five categories: payment history, amount you owe, length of your credit history, new credit and your credit mix. You will likely have different credit scores from each of the three major credit bureaus (Equifax, Experian and TransUnion), as the information varies from one credit bureau to another. For more information on credit scores visit www.myfico.com.

Payment history, 35% of your score, comes from your credit account payments with most recent payments counting more than older payments. If you have consistently paid your bills on time your score will be higher.

Amount you owe is 30% of your score. This is based on your current debt load and how much you owe on all of your accounts. Getting credit only when you need it and keeping it below your credit limits leads to higher scores.

Length of your credit history, based on how long you have used credit, is 15% of your score.

Ten percent of your score is based on new credit accounts, including recent credit inquiries. Don’t get a credit card just for the 10 percent discount on the day you open the account. Having access to lots of credit, even if you don’t use it, lowers your credit score. If you don’t want to receive unsolicited credit offers, call 1-888-567-8688 (OPT-OUT) and your name will be removed from all three credit bureaus for possible solicitation purposes.

The University of Maryland Extension programs are open to any person and will not discriminate against anyone because of race, age, sex, color, sexual orientation, physical or mental disability, religion, ancestry, national origin, marital status, genetic information, political affiliation, and gender identity or expression.
The final 10% of your credit score is based on the mix of credit accounts you have, such as revolving and installment credit.

Age, race, address, marital status, income and employment don’t affect your score.

Assess your credit status. Request a copy of your credit reports. Under federal law, consumers are entitled to receive a free copy of their credit report once a year from each of the three major credit bureaus: Experian, Equifax and Trans Union. See www.annualcreditreport.com for details. Credit reports do not include a credit score.

Obtain your credit score. Credit scores are three digit numbers that range from 300 (worst) through 850 (best). Credit scores are available online for a fee from www.myfico.com. If you have paid a loan application fee that includes a credit check you may be able to obtain your credit score at no charge.

Credit scoring helps lenders make objective decisions and determine the amount of risk associate with lending to you as a borrower. Your credit score is a snapshot of your credit history at a particular point in time. Paying bills on time and not being financially overextended are the two best ways to raise your credit score.

University of Maryland Extension (UME) provides educational programs and problem-solving assistance related to agriculture, natural resources, nutrition, finance, 4-H, and youth development. Contact your Garrett County office of UME at 301-334-6960 or visit us at www.garrett.umd.edu