

# Understanding FICO scores

Everence Federal Credit Union

## What makes up the score?

- 35 percent = based on payment history (i.e. on-time pays or delinquencies)
  - More weight on current pay history (see below)
- 30 percent = capacity (capacity is **king**)
- 15 percent = length of credit
- 10 percent = accumulation of debt in the last 12-18 months
  - Number of inquiries and opening dates
- 10 percent = mix of credit
  - Installment (raises) vs. revolving (lowers)
  - Number of finance company loans; the more the lower the score

## What action will hurt the score?

- Missing payments (regardless of dollar amount; it will take 24 months to restore credit with one late payment)
- Credit cards at capacity (i.e., maxing out credit cards)
- Closing credit cards (this lowers available capacity)
- Shopping for credit excessively
- Opening up numerous trades in short time period
- Having more revolving loans in relation to installment loans
- Borrowing from finance companies

## What doesn't affect the score?

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

## Approximate credit weight for each year?

- 40 percent = current to 12 months
- 30 percent = 13-24 months
- 20 percent = 25-36 months
- 10 percent = 37+ months

## How to improve the score?

- Pay down on credit cards
- Do not close credit cards because capacity will decrease
- Continue to make payments on time (older late payments 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

**(800) 451-5719**

**[www.everence.com](http://www.everence.com)**



**Everence**