

### ***What is credit?***

Credit is the ability to borrow money or access goods or services with the understanding that you'll pay later.

### ***What is a credit score?***

A credit score is a numeric value of a consumer's creditworthiness. Credit scores can range from 300 to 850 and there are many factors that determine consumers scores.

### ***Why does my credit score matter?***

Lenders use credit scores as a measurement of risk. The higher the credit score, the less risk to the lender. Borrowers with higher credit scores will likely have a lower interest rate on their loan and may not need to make a larger down payment to offset the higher risk. Lower interest rates can also lead to a lower monthly payment on your loan. Having a lower credit score can potentially make a borrower ineligible for a loan, so it is important to boost your score wherever possible.

### ***Why do you need good credit?***

Having good credit can help you save thousands of dollars over your lifetime by having a lower interest rate on your loans. However, your credit score is used for more than just taking out loans or opening credit cards. Landlords may check your credit history before renting to you. Insurance companies can check your credit before issuing you a homeowner and/or auto policy. Future employers may run a credit check before they offer you a job.

### ***How are credit scores established?***

- Payment history – This is the biggest factor in your credit score. Creditors are looking to see how likely you are to pay back your loan and if they see that you have 100% on-time payments, your credit score will be higher.
- Credit Used – How much available credit do you have? If you max out your credit cards this might be a sign that you are overextended and will decrease your credit score. It is important to keep your credit use to less than 30% of what you have available.
- Length of Credit History – The total amount of history you have. Typically, you will not receive an "Excellent" rating in this area until you have at least 25 years of credit. Therefore, it is important to start your credit history early.
- Recent Inquiries – Having a couple inquiries in a year is normal. Too many inquiries may show signs that someone is financially overextended.
- New Accounts – This is similar to recent inquiries. Too many in a short period of time may signal trouble. Consumers should only open new accounts when necessary.

### ***Do you always need to keep a balance on your credit card to keep earning credit?***

No, this is a common myth. Having a credit card open is what is earning you the credit. You can make a few purchases a year to keep the card active and then pay it off right away. That is the best way to keep your credit history going.

### *Tips & Tricks about Credit Score*

- Monitor your credit history for fraud. Under U.S. law you are entitled to one free credit report annually from each of the three major credit bureaus. To order this report visit [www.annualcreditreport.com](http://www.annualcreditreport.com) or call toll-free 1-877-322-8228
  - Equifax, Experian, and TransUnion are the three major credit bureaus. You can request a report from all 3 at one time or you can spread your requests over the year. Many people run a credit report once every four months and use a different credit bureau each time.
- Always pay your bill on time! If you cannot make the entire payment on a credit card, make the minimum payment but make sure it is by the due date. On-time payments is the biggest factor in your credit score. Utilize auto payments to make sure that minimum payment is being made.
- Avoid letting anything go to collections. If you have a bill that you have a hard time paying, contact the company and set up a payment plan. Most companies are willing to work with you to set up payment plans instead of sending unpaid bills to collections.
- If you are concerned about identity theft, you can put a freeze on your credit. You do this by contacting the three major credit bureaus (Equifax, Experian, and TransUnion) and requesting a freeze be placed on your credit. This makes it more difficult for a fraudster to open accounts in your name or with your Social Security Number. Credit freezes can always be lifted by contacting the credit bureaus.