

# Know Your Credit Score

**Credit scores were a well-kept secret for many years. That has changed as a result of recent initiatives by the Consumer Financial Protection Bureau and Fair Isaac Corporation (FICO), which provides the most commonly used credit scores based on its proprietary software.**

By April 2016, more than 150 million consumer credit-card and loan accounts included free access to the FICO® scores used to manage those accounts.<sup>1</sup> This is an important benefit. Your score can influence loan approval and terms for a variety of financial transactions, not only for major purchases such as a home or an auto loan but also for the interest rate and limits on a credit card, the cost of insurance premiums, and approval on a home rental. It might even affect a job application.

## Anatomy of a Number

FICO credit scores are based on these five weighted components.



## Three Key Digits

The FICO score is a three-digit number ranging from 300 to 850. The score is derived from a formula using five weighted components (see chart). Different versions of this score are available to lenders, and the score you see on your account may not be the same score that another lender would use. But it should be a good guideline.

Here are some tips that might be helpful if you want to improve your score or maintain a current high score:

- Use at least one major credit card regularly and pay your accounts on time. Setting up automatic payments could help avoid missed payments.
- If you miss a payment, contact the lender and bring the account up-to-date as soon as possible.
- Keep balances low on credit cards and other revolving debt. Don't "max out" your available credit.
- Don't open or close multiple accounts within a short period of time. Use older credit cards occasionally to keep them active. Only open accounts you need.
- Monitor your credit report regularly.

You can order a free credit report annually from each of the three major consumer reporting agencies at [annualcreditreport.com](http://annualcreditreport.com) or by calling (877) 322-8228. If you find incorrect information, contact the reporting agency in writing, provide copies of any corroborating documents, and ask for an investigation. For more information, visit [consumer.ftc.gov/articles/0155-free-credit-reports](http://consumer.ftc.gov/articles/0155-free-credit-reports).

1) Fair Isaac Corporation, 2016

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