

# CREDIT SCORES 101

What companies use my credit score and how:

**BANKS** - to determine if you qualify for a loan and what interest rate you will qualify for; the better your credit score, the less interest you will pay over time.

*Examples:*

- ★ *Someone with a lower credit score could pay \$65,000 MORE on a \$200,000 mortgage by the end of the loan*
- ★ *Someone with a lower credit score could pay \$5,100 MORE on a \$30,000, 5-year auto loan*

**INSURANCE COMPANIES** - to determine your auto & home insurance premiums

**LANDLORDS** - to determine if you qualify to rent from them

**CELL PHONE COMPANIES** - to decide your plan rate

**UTILITY COMPANIES** - to determine if a deposit is needed before turning on new service

**EMPLOYERS** - to determine how a potential candidate handles responsibility; some jobs require a good credit history to qualify; about 1/3 of all companies do credit checks for some candidates (employers can't see your credit score, but can see your credit history)

*Overall, you will end up paying more money if you have a lower credit score on all of the above (or not qualifying for something at all).*

## What is considered a good credit score?

Excellent = 800 - 850

Very Good = 740 - 799

Good = 670 - 739

Fair = 580 - 669

Poor = 0 - 579



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## Factors that affect your credit score:

**PAYMENT HISTORY** (35% of your score) - this is as simple as whether or not you pay your bills on time; one late payment can negatively affect your score.

**AMOUNT OWED** (30% of your score) - this accounts for the total debt you are using (your balances) compared to the total amount you could spend (your limit); you want the total that you owe to be less than 30% of the total of your credit limits.

*Example: If you have only one credit card with a limit of \$1,000, you want your balance to be less than \$300 at all times.*

**CREDIT HISTORY LENGTH** (15% of your score) - sometimes increasing your credit score just takes patience; if you have more recently established credit, you just need to be patient and follow the other factors.

**CREDIT MIX** (10% of your score) - this makes up the different kinds of credit you have; if you only have credit cards, that likely won't help your score; if you have a credit card and a car loan, that helps to increase your score, so diversify if you can.

**NEW CREDIT** (10% of your score) - this encompasses the number of credit accounts you have recently opened/hard inquiries; multiple credit cards opened in a short period of time will more negatively affect your credit score than other types of credit.

*Did you know that everyone is entitled to receive a FREE credit report every year? Visit [www.annualcreditreport.com](http://www.annualcreditreport.com) to get yours today! You will be able to see your full credit history from Experian, Equifax and TransUnion. And make sure to check for any errors, as they do happen!*



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