

# THE FICO<sup>®</sup> FORMULA

300 850

## How FICO<sup>®</sup> Scores are Calculated

**35%**

### PAYMENT HISTORY

- > Has credit been paid on time in the past?
- > Overall 'good picture' outweighs a few late payments.
- > Public records & collection items can have a big negative impact.

**15%**

### LENGTH OF CREDIT

- > Longer credit history is generally beneficial.
- > Age of oldest, newest & average account are considered.
- > How long have specific accounts been established & used?



**30%**

### AMOUNT OWED

- > Owing money doesn't necessarily mean high-risk.
- > Close to 'maxed out' on available credit could be a sign of being overextended.
- > The number of accounts with balances matters.
- > Low usage of revolving debt often benefits credit score vs. no usage.

**20%**

### IN USE & NEW CREDIT

#### IN USE

- > Usually not a key factor; more important with shorter credit histories.
- > A mix of different types of credit accounts can help scores.

#### NEW CREDIT

- > Opening several accounts in a short period of time represents greater risk.
- > Inquiries have a small impact on scores; many types of inquiries are ignored.
- > FICO scores allow for 'rate shopping.'

## What is NOT part of the FICO Formula?



Age, race, color, religion, national origin, sex & marital status



Where you live



Salary, occupation, employer, date employed or employment history



Your interest rate



Any info not found in your credit report



Items reported as child/family support obligations



Participation in credit counseling of any kind



Certain types of inquiries (requests for your credit report)

