THE FICO FORMULA:
UNDERSTANDING YOUR CREDIT
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The FICO Formula: Understanding Your Credit

**HOW FICO SCORES ARE CALCULATED**

- **35%** Payment History
- **15%** Length of Credit
- **30%** Amount Owed
- **20%** In-Use & New Credit

**THINGS TO CONSIDER**

- The weight of each category varies from person to person.
- The weight of each category depends on many individual factors.
- The FICO formula can change as a person’s credit report changes.

Source: myfico.com/crediteducation
WHAT IS NOT PART OF THE FICO FORMULA

- Race, color, religion, national origin, sex or marital status
- Age
- Salary, occupation, title, employer, date employed or employment history
- Where you live
- Interest rates on credit cards or other accounts
- Child and/or family support obligations
- Certain types of inquiries (credit report requests)
- Any information not found in your credit report
- Any information on your credit report that isn’t proven to be predictive of future credit performance
- Whether or not you are participating in a credit counseling

Source: myfico.com/crediteducation
The FICO Formula: Understanding Your Credit

**THINGS TO CONSIDER**

1. **PAYMENT HISTORY – 35%**
   - Whether credit obligations have been paid on time in the past
   - Overall “good picture” outweighs a few late payments
   - Public records and collection items can have a big negative impact

2. **LENGTH OF CREDIT – 15%**

3. **AMOUNT OWED – 30%**

4. **IN-USE & NEW CREDIT – 20%**

Source: myfico.com/crediteducation
AMOUNTS OWED – 30%

- PAYMENT HISTORY: 35%
- LENGTH OF CREDIT: 15%
- IN-USE & NEW CREDIT: 20%
- AMOUNT OWED: 30%

THINGS TO CONSIDER

- Owing money doesn’t necessarily mean you’re high-risk
- Being close to the “maxed out” limit on your credit or credit cards can be concerning
- The number of accounts with balances matters
- Low usage of revolving debt often benefits credit score vs. no usage

Source: myfico.com/crediteducation
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**IN-USE & NEW CREDIT – 20%**

- **35%** Payment History
- **15%** Length of Credit
- **20%** In-Use Credit
- **30%** Amount Owed

**THINGS TO CONSIDER**

**IN-USE CREDIT**

- Usually not a key factor
- More important with short credit histories
- A mix of different types of credit accounts can help scores

Source: myfico.com/crediteducation
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IN-USE & NEW CREDIT – 20%

THINGS TO CONSIDER

NEW CREDIT

- Opening several new 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”

Source: myfico.com/crediteducation
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LENGTH OF CREDIT HISTORY – 15%

THINGS TO CONSIDER

- Longer credit history is generally beneficial
- Age of the oldest, newest and average account are considered
- How long have specific accounts been established? (credit card, mortgage, car loans)
- How long since certain accounts have been used? (credit card, merchant, line of credit)

Source: myfico.com/crediteducation

apmortgage.com
Now that you know your score, and what factors are included, it's important to understand what the score means. Typically a score over 780 is considered excellent, while a score under 660 is considered at least somewhat challenged. We have loan programs for nearly every category of score so don’t despair! By working with a loan advisor you can work on raising your score with some changes to how you’re spending your money – or take a look at the programs that are available to you now.
As a company, we embrace the concept of homeownership with enthusiasm and optimism for housing in America. Every employee at American Pacific Mortgage takes personal ownership in Creating Experiences That Matter™ for our customers and consumers. Every transaction represents a family, a home, and a life decision – we understand and value that our participation is a privilege and that our job is to delight everyone involved in the loan process.

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