



## FORT SILL LEGAL ASSISTANCE

# Credit Score Factors



### 5 Factors Affecting Your Credit Score

1. Payment History

This is the most important component of your credit score because it evaluates whether lenders can trust you to repay their money on time. This component of your score considers: a) whether you pay your bills on time for *each and every account on your credit report*, b) any late payments and their time of delinquency (30 days, 60, 90+), c) any accounts forwarded to collections, and d) any charge-offs (an uncollectible debt written off by the collection firm), judgments, foreclosures, or bankruptcies against you.

2. Amount Owed

The next most important element of your credit score is the amount you owe. This takes into account not only the total amount owed, but also how much of your available credit you have used and the total owed on specific types of accounts such as mortgages or auto loans. In both of these areas, less is better. Owing a little bit can be better than owing nothing because lenders want to see you are responsible with your finances and pay back your debts.

3. Length of Credit History

Your credit score will also account for the amount of time you have used credit. A long history is helpful, but a short history is perfectly fine if you make your payments on time and do not owe too much.

4. New Credit

Your credit score will be helped by new account openings, but be cautious with how many you open over a short period of time. Lenders will assume you are a greater credit risk if you open several accounts in a short time because it implies cash flow problems. To build your credit, open up several lines over time.

5. Types of Credit

A mix of different types of credit on your credit report will have a positive impact on your credit score. The overall impact is small, so do not be concerned with having one of each type or opening new accounts just to increase your diversity, but keep in mind having retail store accounts as well as credit cards could increase your score.

### 7 Factors NOT Affecting Your Credit Score

1. Income

The credit reporting agencies (CRAs) do *not* use your W-2 earnings to calculate your credit score. Be careful not to confuse CRAs with lenders; lenders may look at your income as part of their overall evaluation of your creditworthiness, but income is *not* used in determining your credit score.

2. Assets

A portfolio with investment accounts and real estate holdings may impress a lender, but it is not factored into your credit score. In fact, credit bureaus do not have access to

information about your personal assets. However, do not ignore your portfolio entirely because lenders often consider this information.

3. Interest Rates

Although there is an obvious correlation between your credit score and interest rates on *future* loans, your credit score does not reflect the interest rates on *past* loans. Essentially, your interest rates affect you moving forward with a loan, but not looking backward.

4. Credit Counseling

Many consumers struggling with their finances suffer an irrational fear that credit counseling will negatively impact their credit score. This is *not true*. Working with credit counselors can provide you the tools to repair and protect your credit score.

5. Checking your Credit Score

Another myth of credit scoring is that checking your score will count against your score. Once again, this is simply not true. Excessive inquiries by *lenders or creditors* into your account could negatively affect your score because it shows you are seeking additional credit. But your score will *not* be affected by your own requests to monitor your credit.

6. Marital Status

Getting married or divorced obviously impacts your finances, but it will not affect your credit score in any way. Once you are married, however, make sure any joint accounts are taken care of, because both parties will be equally liable for the entire debt.

7. Demographics

Various surveys and case studies show certain demographics generally hold higher credit scores. Credit bureaus do *not* use these statistics in determining your credit score. In fact, fair lending laws prohibit the use of this data in calculating credit scores or making lending decisions.

Honorable Mentions: The following factors also do *not* impact your credit score: age, child support/alimony payments, utility/rent/cell phone payments, and bank overdrafts.

Resources: Consumer Financial Protection Bureau (<http://consumerfinance.gov/>)  
myFICO (Consumer Division of FICO) (<http://www.myfico.com/CreditEducation/WhatsInYourScore.aspx>)  
AboutMoney (<http://credit.about.com/od/creditreportscoreing/tp/things-that-dont-affect-credit-score.htm>)

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If you have questions concerning the information in this fact sheet, please call the Legal Assistance Office at (580) 442-5058 or (580) 442-5059. Our hours of operation are Monday, Tuesday, Wednesday and Friday, 0900 – 1600, and Thursdays 1300-1600. The Fort Sill Legal Assistance Office is located on the 4th floor of Building 4700 (Welcome Center) on Mow-Way Road.