

# ESTABLISHING AND MANAGING YOUR CREDIT HISTORY/SCORE

## Defining Your Credit Score

Understanding how credit scores and credit reports work can help you achieve your financial goals, such as buying a home, leasing a car, or paying off debt. A good credit score is a powerful and essential tool in your financial future, empowering you with more financial options.

- Financial institutions will use your credit score to decide if you're eligible for a loan or a credit card and set your interest rate.
- Landlords may use your credit score to determine whether or not to rent a property to you.
- In many states, an insurance company may use your credit score to determine insurance coverage and calculate your premium.
- Other service providers, like cell phone and utilities companies, may use your credit scores to screen you for payment ability and cost of service.
- A potential employer might check your credit to get insight into a potential hire. (Note: they don't look at your actual credit score, but instead see a modified version of your credit report.)

**Not having a strong credit history or a good credit score can create obstacles for you and end up causing you to pay more money in the price you pay for loans, credit cards, and other services.**

## Terminology:

**Credit** – The ability to borrow money, access goods or services with the understanding that you'll pay later.

**Credit Score/Rating** – A number ranging from 300-850 that depicts a person's creditworthiness. Financial institutions and other companies use a Credit Score/Rating to evaluate the probability that an individual will repay loans in a timely manner.

**Credit Report** – A record of your debt that includes your history of borrowing and repayments. Compiled by three independent credit bureaus:

- Experian
- TransUnion
- Equifax



<b>EXCELLENT</b>	<b>800-850</b>	Higher scores will save you money. The higher the score the lower the interest rate you will pay
<b>VERY GOOD</b>	<b>740-799</b>	This is a very strong score and you shouldn't have any problems getting good rates.
<b>GOOD</b>	<b>670-739</b>	This is a good range to be at, but you won't get the very best rates.
<b>FAIR</b>	<b>580-669</b>	Improve your score by paying your bills on time and keeping your balances low.
<b>POOR</b>	<b>300-579</b>	Financial institutions consider you a greater risk. You may not be approved for a loan at all.

## There are five major factors that are considered when developing your credit score.

**Payment History** – Is the most important factor in credit scoring. Even one missed payment can have a negative impact on your score. Overdue bills or late payments will lower your credit rating.

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**Amount Owed** – Having high balances or too much debt can heavily affect your credit score. You should keep your credit card balance at 30% or less, meaning only charge up to 30% of any card's available limit.

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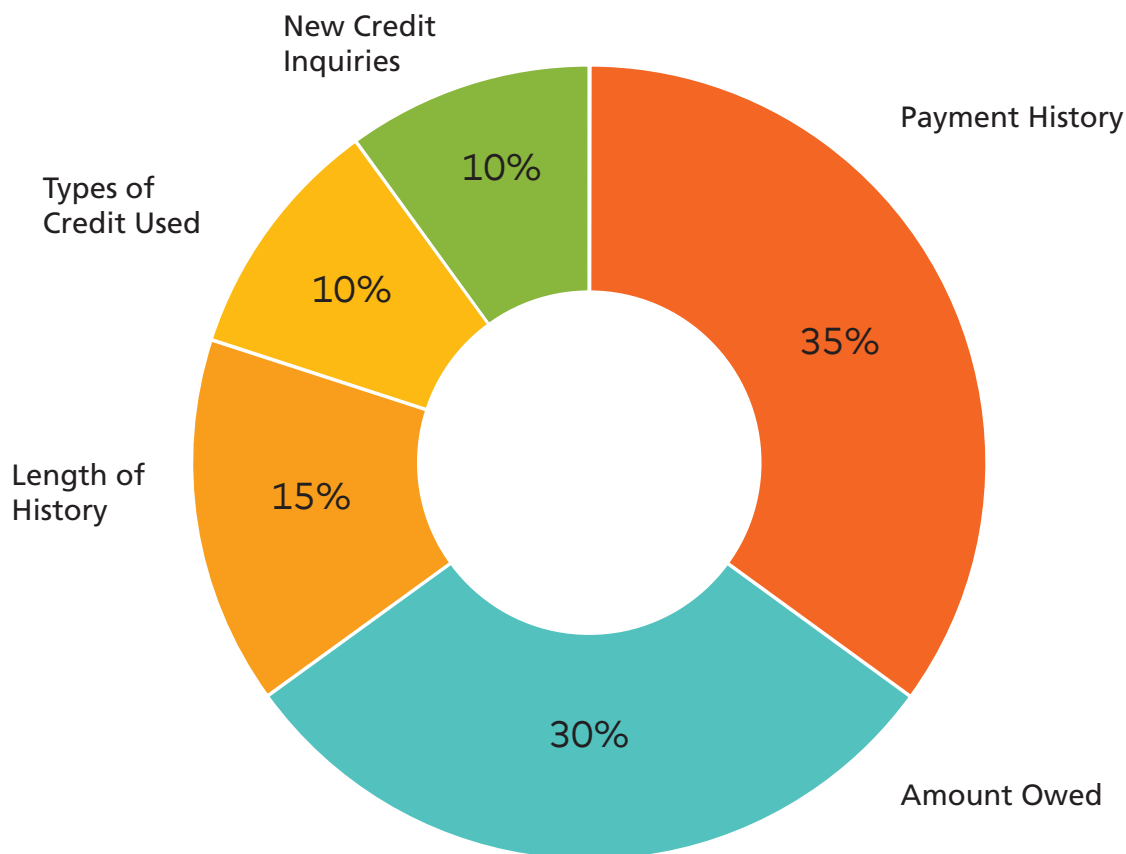
**Length of Credit History** – The longer you've had a credit line or product is better for your overall credit score because it shows that you have experience handling credit. Opening new accounts or closing existing accounts can lower your average credit age.

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**Types of Credit Used** – Having a diverse portfolio of credit accounts, for example a car loan, credit card, student loan, mortgage or other credit products, serves as indication of how well you manage a wide range of credit products. However, not having multiple types of credit, won't destroy your score.

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**New Credit Inquiries** – Keep your credit applications to a minimum. One or two inquiries in 12 months won't hurt much, but several inquiries, in a short period of time can hurt your score. (Note: checking your own credit report will result in a "soft" inquiry, which does not affect your credit score.)



### About Master Your Card

Master Your Card is a community empowerment education program sponsored by Mastercard, that works with committed partners nationwide to bring information about the benefits of electronic payments technology for underserved communities to build brighter financial futures. The program has facilitated presentations and workshops in numerous cities around the country, provided financial education to tens of thousands of students and reached millions through partners' initiatives and education materials.