

Credit Scores: FICO®

FICO® (Fair Isaac Corporation)

Credit Scores are Vital to Your Financial Health

When lenders talk about “your score,” they usually mean the FICO® score developed by Fair Isaac Corporation. A credit score is a number that helps lenders and others predict how likely you are to make your credit payments on time. If you are planning to purchase a home, or refinance the one you are in, a high credit score is crucial if you are to be granted a loan. FICO® scores are generated by computer programs licensed by Fair Isaac and housed at Equifax, Experian and TransUnion. Individuals’ full electronic credit files are run through the software and evaluated for risk patterns by statistical models.

What is a good score?

FICO® scores range from 300-850, and most people score in the 600s and 700s (higher FICO® scores are better). Lenders buy your FICO® score from three national credit reporting agencies (also called credit bureaus): Equifax, Experian and TransUnion. In the eyes of most lenders, FICO® credit scores above 700 are a sign of good financial health. FICO® scores below 600 indicate risk to lenders and could lead lenders to charge you higher rates or turn down your credit application.

Consider a couple who is looking to buy their first house

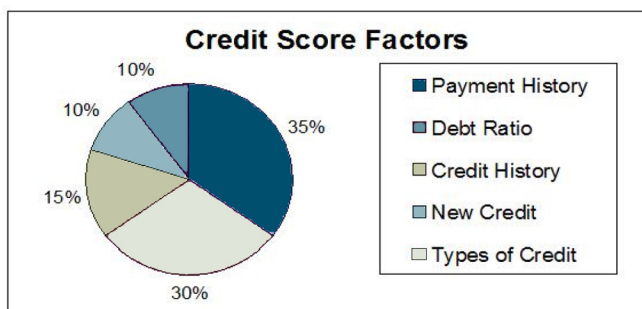
Let’s say they want a 30-year mortgage loan and their FICO® credit scores are 720.

They could qualify for a mortgage with a low 5.5 percent interest rate.*

But if their scores are 580, they probably would pay 8.5 percent* or more -- that’s at least 3 full percentage points more in interest.

On a \$100,000 mortgage loan, that 3 point difference will cost them \$2,400 dollars a year, adding up to \$72,000 dollars more over the loan’s 30-year lifetime.

Your credit score does matter. *Interest rates are examples only and may differ.



How to improve your credit score

1. Pay your bills on time.
2. Keep balances low on credit cards.
3. Pay off debt rather than moving it between credit cards.
4. Apply for and open new credit accounts only when you need them.
5. Check your credit report regularly for accuracy.
6. If you have missed payments, get current and stay current.

You should review your credit report from each credit reporting agency once a year and especially before making a large purchase, like a house. To request a copy (charges may apply), contact:

- Equifax: (800) 685.1111, www.equifax.com
- Experian (formerly TRW): (888) 397.3742, www.experian.com
Also by Experian: www.freecreditreport.com
- TransUnion: (800) 916.8800, www.transunion.com



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