



What is a FICO Score?

When you apply for credit, your credit score helps lenders estimate your likelihood of making payments reliably and on time. Fair Isaac Corporation develops the most widely used credit bureau scores. These are known as FICO® scores. The higher your score, the more likely you are to be approved for better interest rates, higher credit limits and more types of credit than you would be with a low score.

A credit score attempts to condense a borrower's credit history into a single number. Credit scores analyze a borrower's credit history considering numerous factors such as:

- Late payments
- The amount of time credit has been established
- The amount of credit used versus the amount of credit available
- Length of time at present residence
- Employment history
- Negative credit information such as bankruptcies, charge-offs, collections, etc.

There are really three FICO scores computed by data provided by each of the three bureaus—Experian, Trans Union and Equifax. Some lenders use one of these three scores, while other lenders may use the middle score.

How can I increase my score? While it is difficult to increase your score over the short run, here are some tips to increase your score over a period of time.

- Pay your bills on time. Late payments and collections can have a serious impact on your score.
- Do not apply for credit frequently. Having a large number of inquiries on your credit report can worsen your score.
- Reduce your credit-card balances. If you are "maxed" out on your credit cards, this will affect your credit score negatively.
- If you have limited credit, obtain additional credit. Not having sufficient credit can negatively impact your score.

What if there is an error on my credit report? If you see an error on your report, report it to the credit bureau. The three major bureaus in the U.S., Equifax (1-800-685-1111), Trans Union (1-800-916-8800) and Experian (1-888-397-3742) all have procedures for correcting information promptly. Alternatively, your mortgage company may help you correct this problem as well.

REALTORS® are the committed experts in their field. Look for the "R" logo when you are ready to trust someone with your most valuable financial investment.



Information furnished by the Montgomery County Association of REALTORS®.