## **Understanding Your Credit Report**

BANK OF AMERICA CONSUMER TOOLKIT

## **SCORE**

While you are legally entitled to a free copy of your credit report, it will still cost you about \$15 to find out your actual score. You can contact each of the three credit reporting agencies – Experian, TransUnion, and Equifax – or visit <a href="https://www.myfico.com">www.myfico.com</a> to purchase your score from any of the bureaus.

## WHAT DOES YOUR SCORE MEAN?

You already know that when it comes to credit scores, higher is better. But do you know the factors that go into calculating it?

Your credit score is the result of a complicated formula developed by the Fair Isaac Corporation, and is also know as a FICO score. The national median FICO score is 723. If your credit score is higher, it is an indicator that you are less risky to a lender than about half of the population with a credit file.

Your credit score is based on five factors (in order of importance):

- Payment history this component indicates your habit of paying bills on time. It also weighs delinquency, bankruptcy, and liens.
- Outstanding debt calculated as a ratio of your available credit compared to the amount you owe. Debt should not exceed 20% of your income.
- Credit history this factor reflects the length of time you have had a credit file, as well as time since the last activity on each account
- New accounts the number of accounts you have recently opened and inquiries to your report by creditors
- Types of credit the total number of credit card, mortgage, installment loans, and other accounts you have in use

You can receive a free credit report each year from each reporting agency. Visit www.annualcreditreport.com to request yours.

You need to know what is on your credit report so you can identify any problems or errors and take action to correct them. Contact the creditor immediately if you feel something on your report is not accurate.

