

Credit Reporting What Do They Know About You?

Key Factors of Your Credit Score

1. **How you pay your bills** (35 percent of the score): The most important factor is how you have paid your bills in the past, placing the most emphasis on recent activity. Paying all your bills on time is good. Paying them late on a consistent basis is bad. Having accounts that were sent to collections is worse. Declaring bankruptcy is the worst.
2. **Amount of money you owe and the amount of available credit** (30 percent): The second most important area is your outstanding debt-how much money you owe on credit cards, car loans mortgages, mortgages, home equity lines, and so on. Also considered is the total amount of credit you have available. If you have ten credit cards, each with a \$10,000 credit limit, that is \$100,000 of available credit. Statistically, people who have a lot of credit available tend to use it, which makes them less attractive credit risks. "Carrying a lot of debt doesn't necessarily mean you'll have a lower score," Watts says. "It doesn't hurt as much as carrying close to the maximum. People who consistently max out their balances are perceived as riskier. People who never use their credit don't have a track history. People with the highest scores use credit sparingly and keep their balances low. "
3. **Length of credit history** (15 percent): The third factor is the length of your credit history. The longer you have had credit -particularly if it is with the same credit issuers-the more points you get.
4. **Mix of credit** (10 percent): The best scores will have a mix of both revolving credit, such as credit cards, and installment credit, such as mortgages and car loans. "Statistically, consumers with a richer variety of experiences are better credit risks," Watts says. "They know how to handle money."
5. **New credit applications** (10 percent): The final category is your interest in new credit-how many credit applications you are filling out. The model compensates for people who are rate shopping for the best mortgage or car loan rates. The only time shopping really hurts your score, Watts says, is when you have previous recent credit stumbles, such as late payments or bills sent to collections.
6. According to Fair Isaac, a credit scoring developer, 40 percent of the public will have a FICO score over 749. The recently enacted Fair and Accurate Credit Transactions Act provides consumers the right to request one free credit report through the website www.annualcreditreport.com, which contains scores and reports from each of the following three major credit report agencies:
 - Equifax-<http://www.equifax.com>
 - Experian-<http://www.experian.com>
 - Trans Union Corporation-<http://www.transunion.com>