CREDIT SCORE
Facts and Myths

FACTS

- **SPECIFIC FACTORS AFFECT A CREDIT SCORE.**

  Fact. FICO® Scores (the most widely used scoring) are calculated using many different pieces of credit data in your credit report. This data is grouped into five categories: payment history (35%), amounts owed (30%), length of credit history (15%), new credit (10%) and credit mix (10%).

- **PAYING OFF ACCOUNTS WILL IMPROVE A CREDIT SCORE.**

  Fact. Amounts owed on credit and loan accounts determines 30% of a FICO® Score, so paying off accounts or very low can boost your score. However, closing accounts may decrease your score if your credit mix isn't diverse enough.

- **CHECKING YOUR CREDIT REPORTS WILL NOT DECREASE YOUR CREDIT SCORE.**

  Fact. Checking your own credit is considered a "soft" inquiry and will not hurt your score. A background check is also soft inquiry, so don't worry if a new employer asks to do a credit check.

- **THE THREE LEADING CREDIT BUREAUS HAVE YOUR CREDIT REPORTS.**

  Fact. Amounts owed on credit and loan accounts determines 30% of a FICO® Score, so paying off accounts or very low can boost your score. However, closing accounts may decrease your score if your credit mix isn't diverse enough.

MYTHS

- **CLOSING A CREDIT LINE OR DEBT ACCOUNT WILL INCREASE YOUR SCORE.**

  Myth. The truth is, closing a credit line or account can decrease the score. This is because FICO® Scores (the score most used for credit checks) are calculated using many different pieces of credit data in your credit report that count toward your score, including length of credit history (15%) and "credit mix" (10%). Closing accounts reduces these percentages.

- **MAXING-OUT CREDIT CARDS IMPROVES YOUR CREDIT SCORE.**

  Myth. Amounts owed counts for 30% of a FICO® score, so you shouldn't max-out your credit cards or loans. Doing so can decrease your credit score. Lenders look at maxed-out credit as a risk factor for defaulting on debt repayment.

- **FREEZING CREDIT WILL INCREASE YOUR CREDIT SCORE.**

  Myth. A credit freeze (also called a "security freeze") has no effect on your credit score. Putting a freeze on your credit is a security measure that prevents creditors from accessing your credit reports or opening new credit. You may do a credit freeze if your credit cards are lost or stolen or you've become a victim of identity theft.

- **PAYING OFF PAST-DUE ACCOUNTS REMOVES THEM FROM YOUR CREDIT REPORT.**

  Myth. All past-due debt collection will stay on a credit report for up to 10 years, even if it's been paid. This is called "derogatory" debt and includes medical debt, late payments, liens and foreclosures, and it can significantly reduce your credit score.

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