
What Determines My FICO Credit Score?

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Reader Question: "I am confused by all of the different things that influence my credit score. What are the biggest factors that I should be concerned with? Is there a credit score chart with these items?"

There are many credit scoring charts available online, and we even have one of our own. Specifically, the chart below show the factors that determine your FICO score. There are different scoring models in use today, but FICO (short for Fair Isaac Corporation) is the one most commonly used by mortgage lenders. Let's start with the chart itself. Here's our version:

What makes up a FICO credit score?

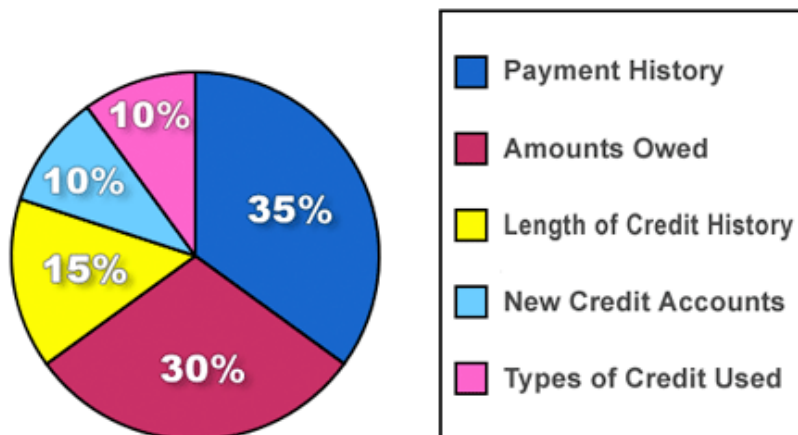


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Payment History = 35% -- How have you paid your bills over the years? Have you missed payments in the past? Have you had any credit accounts sent to collection? The largest chunk of the FICO chart (35%) comprises this type of information. You can optimize this scoring factor by paying all of your bills on time. This includes car loans, credit card bills, student loans, medical bills ... everything.

Amounts Owed = 30% -- This scoring item compares your available credit limit to the amount you are currently using, across all of your credit lines. The term "utilization ratio" is often used to describe this comparison. For example, if you have a credit card with a limit of \$10,000 and your balance is \$9,200, then your utilization ratio is very high. You are nearly maxed out. This has a negative impact on your score, and you can also see that it's a sizable chunk of the FICO credit score chart shown above. You can optimize this scoring factor by paying down your balances.

Length of Credit History = 15% -- This element of the scoring chart refers to the length of time you have been using some form of credit. For example, if you got your first credit card when you were 18 years old, that's probably going to be the start date of your history. Keep this in mind if you ever decide to close any of your old accounts. Doing this can actually shorten your credit history, which usually hurts your overall score. Most experts recommend keeping your oldest accounts open, even if you pay the balances down. This is the third largest slice of the FICO chart above, so it's important to understand.

New Credit Accounts = 10% -- This factor takes into account your most recent credit activity (new accounts that have been opened, recent credit inquiries, etc.). Also, if you have maintained a positive history recently by paying bills on time and such, it will be reflected in this "new" category as well. This is one of the smaller pieces of the scoring chart, but still worth considering.

Types / Mix of Credit = 10% -- This refers to the different types of credit you are using. Generally speaking, having a good mix of accounts (credit cards, mortgages and other types of financing) can help improve your score.

By understanding the chart above, as well as the individual components within it, you'll be better able to (A) maintain a good FICO credit score and (B) improve it if necessary. For example, we often get emails from people wanting to know how to raise their scores fast, and our response is usually the same -- focus on the first two items listed above. Combined, they account for more than half of the scoring model.

About the Consumer Credit Blog

The Consumer Credit Help blog gives consumers a place to go for straight answers to tough credit questions. It is a free service offered by the publishers of the Home Buying Institute. To learn more about the Consumer Credit Help blog, please visit www.HomeBuyingInstitute.com/help.

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