

# FICO SCORES

## *Understanding the crossroads*

### *That lead to explaining the score.*

#### ***What makes up the score?***

- 35% = based on payment history (i.e. on-time pays or delinquencies)  
More weight on current pay history
- 30% = capacity (capacity is king)
- 15% = length of credit
- 10% = accumulation of debit in the last 12-18 months  
# of inquiries  
opening dates
- 10% = mix of credit  
installment (raises) vs revolving (lowers)  
# of finance company loans, the lower the score

#### ***What actions will hurt the score?***

- Missing payments (regardless of the \$ amounts...It will take 24 mos to restore credit with one late pay)
- Credit cards at capacity (i.e. maxing out credit cards)
- Closing credit cards out (this lowers available capacity)
- Shopping for credit excessively
- Opening up numerous trades in a short time period
- Having more revolving loans in relation to installment loans
- Borrowing from finance companies

#### ***What doesn't affect the score?***

- Debt ratio
- Income
- Length of residence
- Length of employment

### ***Approximate Credit Weight for each year***

- 40% = current 12 months
- 30% = 13-24 months
- 20% = 25-36 months
- 10% = 37 + months

### ***How to improve the score***

- Pay down on credit cards
- Do not close credit cards because capacity will decrease
- Continue to make payments on time  
(older late pays will become less significant with time)
- Slow down on opening new accounts
- Acquire a solid credit history with years of experience
- Moving revolving debt to installment debt