

# What You Need to Know About Your Credit Score

It's the key to many of life's major purchases.

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## 1. LEARN THE COMBINATION.

The three-digit number that is your credit score predicts how likely you are to repay a loan, based on information in your credit report. The two major criteria, which account for up to two-thirds of your score, are your payment history and your outstanding debt. You should pay at least the minimum amount due each month—on time. The amount of debt relative to your credit limit is your credit utilization; it's best to keep it below 25%. How long you've had credit counts, too, and authorized-user accounts can help you build credit even if you're not the one paying the bills. (FICO reversed an earlier decision to drop authorized-user accounts.) Among other factors affecting your score are the number of inquiries on your account and your mix of credit.

## 2. ALL CREDIT SCORES ARE NOT CREATED EQUAL.

The FICO score, which ranges from 300 to 850, is the only one you need to know. It's the basis for at least 75% of

mortgage decisions, and 90% of the largest banks rely on it. The credit-monitoring bureaus have created others, such as the VantageScore, but few lenders use them.

## 3. ONE SCORE, THREE VERSIONS.

You actually have three FICO scores, one with each of the major credit bureaus: Equifax, Experian and TransUnion. Lenders often contract exclusively with one bureau, which in turn will give them a price break when they buy scores. Ask your lender which bureau it uses—you could get a leg up. Mortgage lenders are the exception: They obtain all three scores and have to resolve the differences among them. The crudest method, says Craig Watts, public affairs director for FICO, is for a lender to kick out the top and bottom scores and consider only the middle number.

**4. HOW TO GET A TWO-FER.** The cheapest way to get your FICO score is to order one along with your request for

a free annual credit report from Equifax (go to [www.annualcreditreport.com](http://www.annualcreditreport.com)); it'll cost you \$8. Your FICO score and credit report from Equifax and TransUnion are available at [myFICO.com](http://myFICO.com), but you'll pay \$15.95 each. Of the three bureaus, Equifax is the only one that will sell you a credit report and FICO score from its main Web site (\$15.95). For TransUnion FICO scores, go to [www.transunioncs.com](http://www.transunioncs.com) (\$14.95). As of mid February, Experian had stopped selling FICO credit scores to consumers.

## 5. GARBAGE IN, GARBAGE OUT.

The credit bureaus are obligated to report correctly only what lenders report to them. So if an error affecting your score originates with your lender, complaining to the credit bureau

probably won't help and could be a waste of time—the bureaus typically have 30 to 45 days to respond to a complaint. If you think a mistake has been made, contact your lender immediately. And keep an eye on your credit report. An annual checkup using your free credit report should suffice, unless you're shopping for a large loan.

## 6. YOU CAN SCORE TOO HIGH.

A score of 820 to 830 could make you seem unprofitable, says John Ulzheimer, president of consumer education at Credit.com. "Culprits" are usually at least in their forties, with long credit histories and little or no outstanding debt. You won't be turned down, but you may not receive new offers. "The sweet spot is 750 to 800," says Ulzheimer. ■

