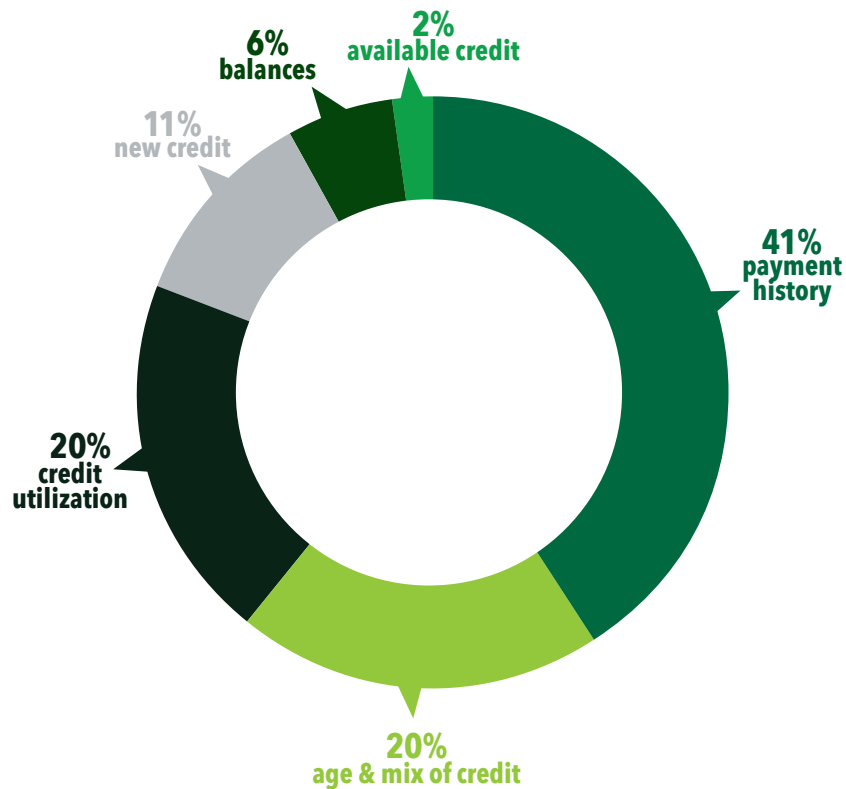


# VANTAGESCORE 4.0 CREDIT SCORE INFORMATION

## VantageScore 4.0 Credit Score Factors



### Payment History (41%)

Always try to pay bills on time because late payments are very damaging to the score. It's worse for your score the further behind a bill becomes and when you have multiple accounts past due. Recent late payments will have the most impact, so get accounts current as soon as possible to begin rebuilding the score.

### Age and Mix of Credit (20%)

Credit accounts that have been open for years help the score because they demonstrate a longer history of how you manage money. With VantageScore, this factor includes your average, oldest, and youngest account age. Mix of credit is defined as having a variety of open, on-time accounts which can also benefit your score, showing diversity in credit management. This would include revolving accounts, like credit cards and lines of credit, and installment accounts, like mortgages, auto loans, student loans, and personal loans.

### Credit Utilization (20%)

Strive to keep revolving account balances (credit cards and lines of credit) under 30% of the individual credit limits to avoid a negative impact to the score. If possible, pay the balances to \$0 every month. Using a higher

portion of your available credit suggests overextension and lenders might view this as an increased default risk. This factor also looks at your balances on installment loans, but revolving credit plays a bigger role.

### New Credit (11%)

Every time you apply to borrow money, whether or not you're approved, a hard inquiry is documented on your credit report. Applying for several loans or credit cards in a short period of time will negatively impact the score. Only apply for new accounts when needed. Credit scoring models recognize that people often compare options when applying for new credit. The VantageScore treats all hard inquiries within a 14-day window as one single inquiry.

### Balances (6%)

Having high overall balances on your credit and loan accounts can negatively impact the score. Pay down debt balances whenever possible.

### Available Credit (2%)

Having more available credit on your revolving credit accounts can help your score slightly.

## Range

VANTAGESCORE	
CATEGORY	CREDIT SCORE
Excellent	720-850
Very Good	689-719
Good	658-688
Average	627-657
Below Average	300-626

## Frequently Asked Questions:

### Q: Where can I check my three full credit reports?

**A:** Use [www.annualcreditreport.com](http://www.annualcreditreport.com) to get the reports for free.

### Q: Will medical debt impact my VantageScore?

**A:** The VantageScore 4.0 credit scoring model excludes medical debt and medical collections in the calculation of the scores.

### Q: How does VantageScore handle multiple credit application inquiries?

**A:** VantageScore encourages you to shop around for your loans and obtain the lowest interest rates and best terms. Credit inquiries within a 14-day period are counted as a single inquiry.

### Q: How is a credit score determined?

**A:** Financial history: late payments, collections, repossessions, defaults, foreclosures, settlements, and bankruptcies reflect negatively on your score. If you have a history of responsibly managing your financial obligations and if any negative credit information is older or less severe, your score will be higher.

Debt: The type of debt you carry also affects the calculation of your credit score. Demonstrating that you can handle a range of different types of debt can raise your score. The two most common types of debt are revolving debt and installment debt.

1. Revolving debt lets you borrow against a set credit limit, pay the balance, and then borrow up to the credit limit again. Credit cards and home equity lines of credit are examples of revolving debt. If credit balances are high in relationship to credit limits, credit scores may be lower.

2. Installment debt requires a fixed payment for a set number of months until the debt is refinanced or paid off. Auto loans, mortgages, student loans, and personal loans are examples of installment debt and are factored into your credit score.

### Q: I always pay my bills on time. Why isn't my score higher?

**A:** Having a good payment history recorded on your credit file demonstrates that you pay bills on time, but there are many other factors that impact your score. Total credit usage, balance amounts, and credit availability all demonstrate your capacity to handle unexpected events without default and are influential to your score. Credit mix demonstrates you can handle many different account types and is also considered highly influential.

### Q: Will my VantageScore improve if I cancel my credit cards?

**A:** The impact varies depending on what is in your credit files. From a cash flow perspective, consider any annual fees, interest rates, and your ability to manage multiple cards. However, credit utilization, the relationship between credit balances and credit limits, is an important factor in the score calculation. A ratio of over 30% is likely to have a negative effect. Closing a card will decrease your overall available credit limits, which negatively impacts your score if you do not proportionately reduce your debt. Also, if it is an older credit card that's closed, your age of credit can be shortened which could lower the score as well.

## Have more questions?

Reach out to EMUCU's Financial Wellness team at [education@umcu.org](mailto:education@umcu.org)

