

# Understanding the crossroads that lead to the credit score.



## WHAT MAKES UP THE SCORE?

- 35% = Based on payment history (i.e. on-time pays or delinquencies)
  - More weight on current pay history (reference right side of sheet)
- 30% = Capacity (current balances vs. amount available on credit lines)
- 15% = Length of credit
- 10% = Accumulation of debt in the last 12-18 months
  - Number of inquiries
  - Opening new accounts
- 10% = Mix of credit
  - Installment (raises) vs. revolving (lowers)
  - Finance company loans lower the score

## WHAT ACTIONS WILL HURT THE SCORE?

- Missing payments (regardless of \$ amounts. It will take 24 months to restore credit with one late pay)
- Credit cards at capacity (i.e. maxing out credit cards)
- 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 to 12 months
- 30% = 13-24 months
- 20% = 25-36 months
- 10% = 37+ months

## HOW TO IMPROVE THE SCORE?

- Moving revolving debt to installment debt
- Pay down credit cards
- Be careful about closing credit cards (Closing credit cards may decrease your capacity as well as overall length you have had credit.)
- 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

## ASCENTRA CREDIT SCORING RATINGS

Credit Score	Credit Rating
680 and higher	A
640 – 679	B
600 – 639	C
550 – 599	D
549 and below	E