



**Northeast
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Want to get a handle on your credit? Well, first you'll have to learn what factors impact your credit score. Unfortunately, there are a number of myths that can cause your brain to spin like the Tasmanian Devil from information overload.

Here are some common credit score myths:

1. My employment history will make or break my credit

Your employment history has nothing to do with your credit score, but some lenders may review it to determine if you are stable enough to repay a loan. Frequent job changes or layoffs may indicate otherwise.

2. The more money I make or save, the higher my credit score will be

It's not what you make, but how you spend it. And how much money you have in savings has nothing to do with FICO's credit scoring equation. However, some lenders may consider these factors to determine the likelihood that you will default on a loan.

3. Poor credit will keep me from getting a loan

This is false because there are a lot of greedy lenders who will be willing to lend you money — at a very high interest rate.

4. Bad credit never goes away

With sound debt-management practices, the negative marks will eventually vanish. Late payments, bankruptcies, foreclosures and collections typically remain on your credit report for seven years. (The exceptions are Chapter 7 bankruptcies and tax liens, which remain for 10 years and indefinitely, respectively.)

And even before they drop from your credit reports, their impact diminishes over time.

5. All credit scores are created equal

Each of the three major credit bureaus produces a FICO score based on the information it has about your credit history. "That FICO score is calculated by a mathematical equation that evaluates many types of information from your credit report," myFICO says. Some things are known about how that works, but the specifics are a well-kept secret.

The credit bureaus also produce other types of credit scores, although FICO scores are the ones most widely used by lenders. MyFICO notes that "it's important to understand that not every credit score you can buy online is a true FICO score."

And, not every FICO score you buy is the one your lender will see.

6. Having too many credit cards will wreck my credit

While excessive credit card applications in a short window of time can create issues, having a variety of magic plastic in your wallet won't necessarily hurt your credit score.

However, it becomes a problem when the balances spiral out of control and your debt-to-available-credit ratio skyrockets.

7. Pulling my credit will lower my credit score

The only inquiries that impact your credit score are those that are made to obtain credit.

8. Where I live has an impact on my credit score

This couldn't be further from the truth, unless of course you can't afford to pay the mortgage or rent where you reside.

If you're interested in a comprehensive list of what's not included in your credit score, check out this myFICO post.

How your FICO score is calculated

Now that you have a better understanding of the factors that have no bearing on your FICO credit score, let's take a look at what does:

- ☐ Payment history – 35 percent of your credit score is determined by whether or not you make timely payments.
- ☐ Amounts owed – 30 percent of your credit score is based on your debt.
- ☐ Length of credit history – 15 percent is based on how long each of your credit accounts has been in existence. In the case of your FICO score, old age isn't always a bad thing.
- ☐ Types of credit in use – 10 percent is based on the types of credit accounts you have open. These include credit cards, installment loans, mortgage loans and auto loans.
- ☐ New credit – 10 percent is determined by the amount of inquiries recently submitted for new credit. Try to keep this number as low as possible or your credit score could take a dip.

Find your score

You can visit AnnualCreditReport.com to pull a free copy of your three credit reports. But to view your FICO scores, you'll likely have to cough up some cash. An alternative is sites like Credit.com and Credit Karma, which provide non-FICO scores free.

And if you've recently been denied credit or gotten an unfavorable interest rate, you're also legally entitled to a free credit score. Some financial institutions also provide them to customers.

Does your credit score need a boost?

Start by examining your credit reports for errors. If you notice any, use this template provided by the Federal Trade Commission and follow the corresponding instructions to get the dispute process started.

Spare yourself headaches by staying away from companies claiming to have some sort of magic wand that can repair your credit in a flash.

The next step is to establish a realistic budget and debt-management plan that will force you to get a handle on your spending and reduce those outstanding balances.

www.annualcreditreport.com