

## ***CREDIT SCORES – What yours means and why they are important***

Credit scoring is pervasive through-out our society. So, it is vital for veterans and military personnel to be fully informed about credit scores.

### ***What are credit scores?***

The three major credit bureaus (Equifax, Experian and Transunion), prepare personal financial reports for all individuals who are financially engaged in our society. These reports compile all reported credit information and then establish a credit ranking for you.

### ***What is the credit score ranking chart?***

Excellent credit:	750 – 850
Good credit:	700 – 749
Fair credit:	650 – 699
Poor credit:	600 – 649
Bad credit:	Below 600

Generally speaking, you want to have a credit score of at least 700.

### ***Who uses credit scores?***

- Mortgage companies – for when you apply for a home mortgage or home equity loan.
- Banks – for when you apply for a business loan or commercial financing.
- Automotive dealers – for when you apply for a car loan.
- Credit card companies such as VISA, Amex, Discover, etc.
- Charge card companies such as retail stores, etc.
- Employers – your credit history could be a factor in a job offer.

Good credit scores increase the likelihood of: getting your credit applications approved, lower interest rates, better credit terms and potentially even a job.

### ***How do I achieve a good credit score?***

- First of all, you need to borrow money!! If you are just starting out, one great first step is to obtain a cash secured credit card. For example, for a \$1,000 cash collateralized deposit with a bank, they could give you a credit card with a \$1,000 limit.
- Once you become established over time, the following factors come into play:
- Payment History (35%). Make ALL payments on time! Set up all payments on auto debit.
- Credit Utilization (30%). Keep usage of your credit line between 10 – 30 percent.
- Length of Credit History (15%). Keep credits accounts for the long haul. No churning of debt with repeated closings and openings.
- Mix of accounts (10%). Better to have a mix of home mortgage, credit cards, car loans, etc., than just one type of debt.
- New Credit Inquiries (10%). Keep your + other's search of your credit report to a minimum. More searches can lower your credit rating.

***Your overall Debt- to – Income ratio. Keep your total monthly debt repayments below 30% of your total monthly income. VERY IMPORTANT.***