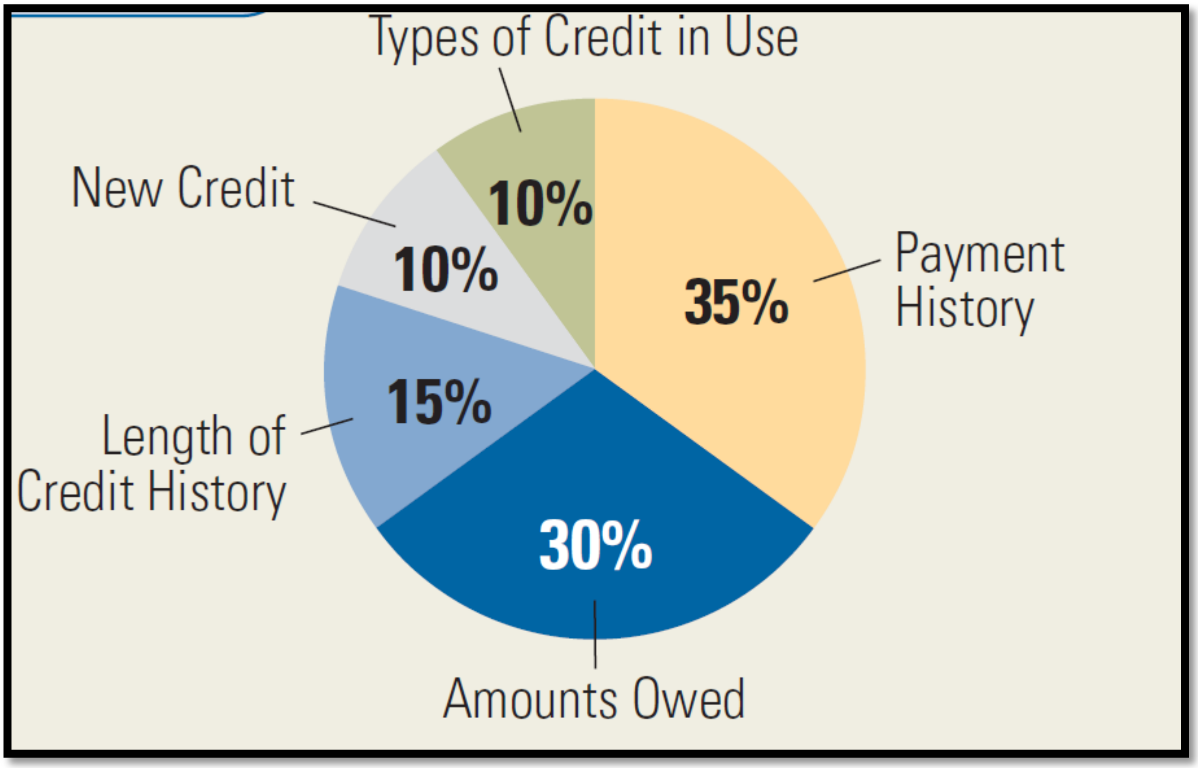
# How Credit Work's

**How Is My FICO© Score Calculated?**




**Payment History** - 35 % of your FICO® score is based on Payment History. This is the most important factor of the FICO® scoring system. A good track record on most of your credit accounts will increase your score. Frequent and consistent late payments will negatively impact your score (immediately in most cases). The following items are computed:

- Credit Card Payments (Visa, Master Card, AMEX, etc)
- Retail Store Cards (Department Stores with "in-house" financing)
- Public Records and Collection Items (Bankruptcy, Liens, Judgments)

**Amount Owed/Capacity**- 30% of your FICO® score is based on Capacity. Having a balance is not a bad thing, but maintaining a balance of more than 50% will affect your score in a negative way (per FICO® scoring guidelines).

*Note: Jackson Premier Services, LLC advises clients to keep their capacity levels at 35% or lower.*

Individual Credit Capacity Example

| **Account** | **Limit** | **Balance** | **Capacity** | **Impact** |
|---|---|---|---|---|
| Visa | $1,000 | $300 | 30% | **Positive** |
| Capital One | $5000 | $3000 | 60% | **Negative** |

This concept also works combining your total amount of credit accounts. If you have a total of 10 credit accounts, and 3 carry balances, your combined capacity is 30%. If you have 5 credit accounts, and 3 carry balances, your combined capacity is 60%

Combined Credit Capacity Example

| **Accounts** | **Cards With Balances** | **Capacity** | **Impact** |
|---|---|---|---|
| 10 | 3 | 30% | **Positive** |
| 5 | 3 | 60% | **Negative** |

**Length of Credit History** – 15% of your score is accounted by the length of your credit history. In general, a longer credit history will increase your FICO® score. The scoring system weighs the following as it relates to Length of Credit History:

- Average Age: How long your credit accounts have been established (collectively)
- How long individual credit accounts have been established
- How long it’s been since you’ve used certain accounts

New accounts will lower your average account age, which will impact your score. This causes a greater impact if you don’t have a lot of credit information.

**New Credit** – 10% of your FICO© score is based on this category. Opening several accounts in a short period of time presents a greater risk, especially for people who do not have a long established credit history. The following factors are considered:

- How many new accounts you have
- How long it has been since you've opened a new account
- How many recent request for credit you've made
- Length of time since credit report inquiries were made by lenders
- Whether your recent credit history is positive, following past payment problems

**Types of Credit in Use-** 10% of your FICO® score is based on this category. Calculations consider your mix of credit cards, retail accounts, installment loans, finance company accounts, and mortgage loans. It is not necessary to have one of each, and it is not a good idea to open credit accounts you don't intend to use. The following is taken into account:

- What kind of credit accounts you have (Revolving or Installment Loans)
- How many of each account type

**Tips to Raising and Maintaining your Credit Scores**

- Check your credit report Frequently (subscribe to credit monitoring)
- Pay Bills On Time
- Negotiate Late Payments for removal of negative Information
- Avoid Maxing Out Cards
- Transfer Balances to level Capacities if needed (Pay off Balance ASAP)
- Don't Close Unused Accounts
- The "Average Age" of your accounts will impact your score
- Don't open new accounts you don't need

**Myths of Credit**

- Lenders must report accurate information
- Paying off credit cards every month will give me a higher credit score
- Paying off a credit card with a high balance will have a larger affect on my credit score
- Having a large salary constitutes having good credit
- Closing accounts will raise my credit score
- Paying Utility Bills on time (electric, gas, telephones) will build my credit