

Understanding Your Credit Score



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Lenders use your credit score, also called a FICO score, to evaluate the risk involved in providing a loan or credit card to you. A low credit score can also impact your ability to buy insurance, rent an apartment, get a job and more. Your credit score is part of your credit report, which lists all types of credit accounts you have ever had and your payment history on each one.

What is in your credit report?

- Identifying information
 - * Birth Date, Social Security Number
- Name, Address, City, State, Place of Employment
- Credit history
- Public Record Information
 - * Unpaid taxes, liens, judgements
- Inquiries
 - * Applications for credit
- Basic credit information from financial institutions and other type of creditors
 - * Type of credit
 - * Source of credit
 - * Dates accounts opened or closed
 - * Other account activity
 - * Amount you currently owe
 - * Credit score

How does credit scoring work?

- A numeric score is assigned based on certain factors
- This score represents the level of risk associated with the loan
- This is just a tool to assist lenders and others in making good credit decisions

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Factors in Credit Scoring

- Past pay history
- Number of open accounts
- Number of paid off accounts
- Length of time in credit file
- Balances on credit cards
- Type of accounts
- Collections (paid or unpaid)
- Lawsuits or garnishments
- Bankruptcy
- Number of credit inquiries (when companies check your credit report to determine whether to offer you a credit)
- Charge offs (previous credit accounts you did not repay)
- Number of recently opened accounts

What do credit score numbers mean?

850—721	A+	Outstanding
720—700	A	Excellent
699—680	A-	Good
679—620	B	Fair
619—600	B-	Credit with blemishes
599—580	C	Credit history with outstanding collections and/or judgements
579—550	D	Credit history with severe collections, judgements and/or bankruptcy
549—300	F	Same as above

Higher scores indicate less risk in providing credit to you.

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How can a score be improved?

- Understand what factors affect a credit score
- Limit your credit card use
- Pay all payments on, or before schedule (35% of your credit score)
- Only allow someone to review your credit file if you are applying for a loan
- Take care of medical or other collections before they are reported to the credit bureau
- Be responsible with credit. Avoid same as cash credit offers or discounts for applying or using department store credit cards.
- Don't go too long without an open account with a balance. Empty credit bureau files can cause scores to drop.
- Avoid cosigning for anyone. If you do, follow up each month to make sure payments are being made on time.
- Check your credit report annually to ensure the information is accurate. You are entitled to one free credit report per year from each major consumer reporting agency—Experian, TransUnion and Equifax—under the federal Fair Credit Reporting Act. To order your free reports, go to the official site www.annualcreditreport.com or call 877-322-8228. You can also order a copy at Annual Credit Report Request, P.O. Box 10581, Atlanta, GA 30348-5281.
- Avoid companies that ask you to pay for a copy of your credit reports.