

## **Understanding Your Credit Score**

Welcome to the first installment of “Understanding Your Credit Score,” a weekly series designed to teach you the importance of this powerful three-digit number. From buying a home to landing a new job, your credit score impacts many facets of your life. Because of this, we would like to help you, our members, know what it takes to achieve and maintain the highest credit score possible.

### **What is a credit score?**

According to bankrate.com, your credit score is a number generated by a mathematical algorithm -- a formula -- based on information in your credit report, compared to information on tens of millions of other people. The resulting number is a highly accurate prediction of how likely you are to pay your bills.

The most widely used credit score is the FICO score, named for Fair, Isaac and Co. Inc., which developed the scoring system with the three principal credit reporting agencies: Equifax, Experian and TransUnion. The scale runs from 300 to 850. The vast majority of people have scores between 600 and 800. You want to aim for a score of 720 or higher to obtain a low interest rate. If your score is less than about 620, you may find it difficult to secure financing, and you will probably pay a higher interest rate.

### **Maintaining a High Score**

A high credit score can save you thousands of dollars in interest on a mortgage, auto loan or credit card, and even get you a better rate when purchasing car insurance.

But that’s not all. Your number was probably checked if you rented an apartment, got dental work, bought mobile phone service, applied for a job that involved handling money or even needed to get utilities connected. If you have a credit card, the issuer is likely to look at your credit score to decide whether to increase your credit line -- or charge you a higher interest rate. Essentially, maintaining a high credit score makes life much easier in the long run, and helps save your hard-earned money.

### **The Pitfalls of a Low Credit Score**

The credit score is the single largest component banks, credit unions and other lending institutions look at when extending credit. If you apply for a home loan, credit card or auto loan, your application will not get very far if you have a low score.

Other than loan issues, if you have a low score most likely you will pay more for health insurance, pay a higher deposit on an apartment, have a high interest rate on an auto loan, and an even higher rate on a mortgage. If you want to save yourself thousands of dollars, now is the time to think about ways to raise your score.

### **Follow our Weekly Series**

Check back every Monday for a new article on “Understanding Your Credit Score.” We’ll delve

into the five basic factors that make up your score, let you know how you can raise your score, how much a higher score can save you in terms of loans and interest, let you in on what hurts your credit score, and much more.

This series is an essential read not only if you are planning to buy a house or car, but if you are paying for college, renting an apartment, applying for a credit card, or even switching insurance companies.

Plus, if you have any questions, ask us on [facebook](#) or [twitter](#). We'd love to hear from you!