



“serving those who serve us”

Monthly Newsletter

A Poor Score Can Cost You More!

There are important numbers in our lives that most of us know -- Social Security numbers, blood pressure readings, various PIN numbers. But perhaps the most important number that directly affects our creditworthiness remains a mystery for most of us.

Your FICO score is the dominant factor in determining:

1. Whether you'll be approved for credit for mortgages, car loans or credit cards
2. What interest rate you'll be assessed on those loans
3. The cost of your homeowners and car insurance
4. In some cases, whether you'll get that job offer you've been hoping for

Named after the Fair Isaac Corporation, the firm that developed the scoring model used by the three major credit bureaus – Equifax, Experian and Trans Union—your FICO score can range from 300 to 900. The score is based on five critical factors:

1. Your payment history (35%) Late payments, delinquencies, paying only the monthly minimums and bankruptcies will severely drag down your score in this category.
2. Your outstanding debt (30%) This includes what you owe on credit cards and installment loans. Someone who uses a high amount of available credit will be considered a greater risk than someone who uses only a fraction of available credit and promptly pays off the debt.
3. How long you've had credit (15%) If you've had credit and succeeded in meeting your payment obligations for a number of years, you'll do well in this category.
4. Recent applications for credit (10%) Opening up more lines of credit will hurt you in this category because it appears that you intend to extend your debt load in the near future. So think twice about applying for store-issued cards, even if the store offers a discount on your purchases that day. In the long run, you could be hurting your FICO score.
5. Types of credit you frequently use (10%) In this category, paying down a mortgage or car loan is a positive, while paying off an installment loan is less positive.

You can improve your FICO score by ordering a copy of your credit report and examining it carefully. It's up to you to correct any significant errors. Thanks to changes in federal law, you can now obtain one cost-free copy of your credit report annually. You may order your report online at www.annualcreditreport.com or toll-free at (877) 322-8228.

And if you require some guidance in improving your personal budget and managing your debt, your Employee Assistance Program will welcome your call at (800) 225-2527 or (800) 252-4555.

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