WHAT IS A CREDIT SCORE?

When you're applying for credit—whether it's a credit card, car loan, personal loan or mortgage, lenders will want to know your credit risk level. To understand your credit risk, most lenders look at your credit score. Your credit score influences the credit that is available to you, and terms (interest rate, etc.) that lenders offer to you. It's a vital part of your credit health. By knowing how your credit risk is evaluated, you can take actions that will lower your credit risk - raising your score - over time. A better score means better financial options for you.

A credit score is a number lenders use to help them decide: "If I give this person a loan or credit card, how likely is it that I will get paid back on time?" A score is an estimate of your credit risk based on a snapshot of your credit report at a particular point in time.

The most widely used credit scores are FICO scores. Lenders use FICO scores to help them make billions of credit decisions every year. Fair Isaac develops FICO scores based solely on information in consumer credit reports maintained at the credit reporting agencies. WyHy Credit Union did not develop the score on your account, but uses the score for lending decisions.

CHECK YOUR CREDIT REPORT

You should review your credit report from each credit reporting agency at least once a year, especially before making a large purchase - like a house or car. To request a copy, contact the credit reporting agencies directly:

EQUIFAX
800.685.1111
www.equifax.com

EXPERIAN
888.397.3742
www.experian.com

TRANSUNION
800.888.4213
www.transunion.com

If you find an error, the credit reporting agency must investigate and respond to you within 30 days. If you are in the process of applying for a loan, immediately notify your lender of any incorrect information in your report.

WHO SHOULD I CONTACT IF I HAVE QUESTIONS?

As always at WyHy Federal Credit Union, we are committed to member service. We know how important your financial health is to you, and want to help keep your credit in good standing. Feel free to call our Service Center at 800.442.2392, visit us online at www.WyHy.org, or stop by your nearest service center with any questions you may have.

YOUR CREDIT SCORE

Understanding how your credit is evaluated.

WYHY
FEDERAL CREDIT UNION
Your Road to Smart Banking

800.442.2392
www.WyHy.org

35% PAYMENT HISTORY | 30% AMOUNTS OWED | 15% CREDIT AGE | 10% INQUIRIES | 10% CREDIT MIX

5 FACTORS IN YOUR SCORE

1. PAYMENT HISTORY: The first thing any lender would want to know is whether you have paid past credit accounts on time.

2. AMOUNTS OWED: Having credit accounts and owing money on them does not mean you are a high-risk borrower with a low score. However, owing a great deal of money on many accounts can indicate that a person is over-extended, and is more likely to make some payments late - or not at all.

3. LENGTH OF CREDIT HISTORY: In general, having a longer credit history will increase your score. However, even people who have not been using credit long may get high scores, depending on how the rest of the credit report looks.

4. CREDIT INQUIRIES & NEW ACCOUNTS: Research shows that opening several accounts in a short period of time does present a greater risk - especially for people who do not have a long established credit history.

5. TYPES OF CREDIT IN USE: Is it a “healthy” mix? The score will 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.

SCORES ARE ALWAYS CHANGING

A higher number typically indicates a lower risk. It is generated through statistical models using elements from your credit report; however your score is not physically stored on the credit file. Rather it is usually generated at the time a lender requests your credit report, and is then included as part of the report. Your credit score is a fluid number, and it changes as the elements in your credit report change. For example, payment updates or a new account could cause your score to fluctuate.

Your credit score varies depending on the information being used. Generally, credit scores are affected by elements in your credit report, such as:

- NUMBER OF LATE PAYMENTS
- DELINQUENCY OF LATE PAYMENTS
- TYPE, NUMBER & AGE OF ACCOUNTS
- TOTAL DEBT
- RECENT INQUIRIES

Credit bureau-based scores, like those generated by Experian, cannot use demographics prohibited under the Equal Credit Opportunity Act - such as race, religion, national origin, gender, age, marital status, receipt of public assistance or exercise of rights under the Consumer Credit Protection Act.

THE BASIS OF YOUR SCORE

Credit reporting agencies maintain files on millions of borrowers. Lenders making credit decisions buy credit reports on their prospects, applicants and customers from the credit reporting agencies.

Your report details your credit history as it has been reported to the credit reporting agency by lenders who have extended credit to you. Your credit report lists what types of credit you use, the length of time your accounts have been open and whether you’ve paid your bill on time. It tells lenders how much credit you’ve used and whether you’re seeking new sources of credit. It gives lenders a broader view of your credit history than do other data sources, such as a bank’s own customer data. Your credit report reveals many aspects of your borrowing activities. All pieces of information should be considered in relationship to other pieces of information. The ability to quickly, fairly and consistently consider all of this information is what makes credit scoring so useful.

HOW CAN I IMPROVE MY SCORE?

Paying your bills on time is the single most important contributor to a good credit score. Even if the debt you owe is a small amount, it is crucial that you make your payments on time. In addition you should minimize outstanding debt, avoid overextending yourself and applying for credit needlessly. Applications for credit show up as inquiries on your credit report, indicating to lenders that you may be taking on new debt. Use the credit you already have to prove your ongoing ability to manage credit responsibly. If you do have negative information on your credit report, such as late payments, a bankruptcy, public record item or too many inquiries, your best strategy is to pay your bills and wait. Time is often your best ally in improving credit.