FICO™

Frequently Asked Questions about the FICO® Score

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About the FICO® Score

What is a credit score?

A credit score is a number that summarizes your credit risk. The score is based on a snapshot of your credit file at one of the three major consumer reporting agencies (CRAs)—Equifax, Experian and TransUnion—at a particular point in time, and helps lenders evaluate your credit risk. Your credit score influences the credit that's available to you and the terms, such as interest rate, that lenders offer you.

What is the FICO® Score?

The credit score most widely used in lending decisions is the FICO® Score, the credit score created by Fair Isaac Corporation (FICO). Lenders can request the FICO® Score from all three major consumer reporting agencies (CRAs). Lenders use the FICO® Score to help them make billions of credit decisions every year. FICO develops the FICO® Score based solely on information in consumer credit files maintained at the CRAs. Understanding your FICO® Score can help you better understand your credit risk and allow you to effectively manage your financial health. A good FICO® Score means better financial options for you.

What is a good FICO® Score?

The point above which a lender would accept a new application for credit, but below which, the credit application would be denied, is known as the "score cutoff". Since the score cutoff varies by lender, it's hard to say what a good FICO® Score is outside the context of a particular lending decision. For example, one auto lender may offer lower interest rates to people with a FICO® Score above, say, 680; another lender may use 720, and so on. Your lender may be able to give you guidance on their criteria for a given credit product.

The chart below provides a breakdown of FICO® Score ranges found across the U.S. consumer population. It provides general guidance on what a particular FICO® Score represents. Again, each lender has its own credit risk standards.

FICO® Score	What it Means
800 or Higher	• The FICO® Score is in the top 20% of U.S. consumers • Demonstrates to lenders that the consumer is an exceptional borrower
740 to 799	• The FICO® Score is in the top 40% of U.S. consumers • Demonstrates to lenders that the consumer is a very dependable borrower
670 to 739	• The FICO® Score is near the average score of U.S. consumers • Most lenders consider this a good score
580 to 669	• The FICO® Score is below the average score of U.S. consumers • Some lenders will approve loans with this score
Lower than 580	• The FICO® Score is in the lowest 20% of U.S. consumers • Demonstrates to lenders that this consumer is a very risky borrower.

What is the lowest and highest possible FICO® Score?

The classic FICO® Score which is in use today by the vast majority of lenders fall within the 300-850 score range. This score range was introduced to establish an easy-to-understand, common frame of reference for lenders and consumers. Industry-specific FICO® Scores, such as those for auto lending or credit card lending, were developed to accommodate the unique characteristics of their respective industry and range from 250-900. Some lenders also use FICO® Score NG, which ranges from 150-950.

Is the FICO® Score the only risk score?

No. While the FICO® Score is the most commonly used credit risk score by lenders in the US, lenders may use other scores to evaluate your credit risk. These include:

- **FICO Application risk scores.** Many lenders use scoring systems that include a FICO® Score but also consider information from your credit application.
- **FICO Customer risk scores.** A lender may use these scores to make credit decisions on its current customers. Also called "behavior scores," these scores generally consider a FICO® Score along with information on how you have paid that lender in the past.
- **Other credit scores.** These scores may evaluate your credit file(s) differently than the FICO® Score, and in some cases a higher score may mean more risk, not less risk as with the FICO® Score. The FICO® Score is the score most lenders use when making credit decisions.

Why is my score at each of the three CRAs different?

In general, when people talk about "your credit score," they're talking about your FICO® Score. But in fact, your FICO® Score is calculated separately by each of the three consumer reporting agencies (CRAs)—using a formula that FICO has developed. It's normal to have a slightly different FICO® Score from those agencies for any of the following reasons:

- Your FICO® Score is based on the credit information in your credit file at a particular CRA at the time your score is calculated. The information in your credit files is supplied by lenders, collection agencies and court records. Some of these sources may provide your information to just one or two of the CRAs, not all three. Differences in the underlying credit data will often result in differences in your FICO® Score.

  You may have applied for credit under different names (for example, Robert Jones versus Bob Jones) or a maiden name, which may cause fragmented or incomplete files at the CRAs. In rare situations, this can result in your credit files not having certain account information, or including information that should be on someone else's credit files. This is one reason why it is important for you to review your credit files at least annually.

- Lenders may report your credit information to one credit reporting agency today, and to another credit reporting agency tomorrow. This can result in one agency having more up-to-date information which in turn can cause differences in your FICO® Score from both agencies.

- The CRAs may record the same information in slightly different ways which can affect your FICO® Score.

Why is my FICO® Score different than other scores I've seen?	There are many different credit scores available to consumers and lenders. The FICO® Score is the credit score used by most lenders, but different lenders (such as auto lenders and credit card lenders) may use different versions of the FICO® Score. In addition, your FICO® Score is based on credit file data from a particular consumer reporting agency, so differences in your credit files may create differences in your FICO® Score. The FICO® Score that is being made available to you through this program is the specific score that we use to manage your account. When reviewing a score, take note of the date, bureau credit file source, score type, and range for that particular score.
Why does my FICO® Score fluctuate/ change?	There are many reasons why your score may change. Your FICO® Score is calculated each time it is requested, taking into consideration the information that is in your credit file from a particular consumer reporting agency at that time. So, as the information in your credit file at that bureau changes, your FICO® Score can also change. Review your key score factors, which explain what factors from your credit report most affected a score. Comparing key score factors from the two different time periods can help identify causes for a change in a FICO® Score. Keep in mind that certain events such as late payments or bankruptcy can lower your FICO® Score quickly.
What are the minimum require-ments to produce a FICO® Score?	There's really not much to it; in order for a FICO® Score to be calculated, a credit file must contain these minimum requirements: • At least one account that has been open for six months or more • At least one undisputed account that has been reported to the credit reporting agency within the past six months • No indication of deceased on the credit file (Please note: if you share an account with another person and the other account holder is reported deceased, it is important to check your credit file to make sure you are not impacted) Minimum scoring criteria may be satisfied by a single trade line, provided the trade line does not contain disputed information or any indication on the credit file that the subject is deceased. This means that if you dispute all of your trade lines, a FICO® Score will not be able to be calculated. *Note: These minimum requirements vary slightly for the FICO® Score NG.*
What are Key Score Factors?	When a lender receives your FICO® Score, "key score factors" are also delivered, which are the top factors that affect the score. Addressing some or all of these key score factors can help you improve your financial health over time. Having a good FICO® Score can put you in a better position to qualify for credit or better terms in the future.
Who or what is FICO?	Founded in 1956, Fair Isaac Corporation (FICO) uses advanced math and analytics to help businesses make smarter decisions. One of FICO's inventions is the FICO® Score, which is the most widely used credit score in lending decisions. It is important to note that while FICO works with the consumer reporting agencies (CRAs) to provide your FICO® Score, it does not have access to or store any of your personal data or determine the accuracy of the information in your credit file.

Access to Credit

Does my FICO® Score alone determine whether I get credit?

No. Most lenders use a number of factors to make credit decisions, including your FICO® Score. Lenders may look at information such as the amount of debt you can reasonably handle given your income, your employment history, and your credit history. Based on their review of this information, as well as their specific underwriting policies, lenders may extend credit to you even with a low FICO® Score, or decline your request for credit even with a high FICO® Score.

How is a credit history established?

There are a few ways to establish a credit history, including the following.

- Apply for and open a new credit card. A person with no or little credit history may not get very good terms on this credit card—such as a high annual percentage rate (APR). However, by charging small amounts and paying off the balance each month, you won't be paying interest each month so the high APR won't hurt your financial position.
- Open a secured credit card. Those unable to get approved for a traditional credit card may open a secured credit card to build credit history, provided the card issuer reports secured cards to the consumer reporting agency. This type of card requires a deposit of money with the credit card company. Charges can then be made on the secured card, typically up to the amount deposited.

With both traditional and secured credit cards, it is important to keep balances low, pay off balances each month and never miss a payment. This will help develop positive financial health.

How can I responsibly manage my financial health?

The best advice is to manage your financial responsibilities over time. Your FICO® Score reflects credit payment patterns over time with more of an emphasis on recently reported information than older information. Below are some general tips to follow for improving your financial health:

- Focus on the key score factors we provided with your FICO® Score. These represent the main areas of credit practices that you should address to responsibly manage your financial health.
- Apply for and open new credit accounts only as needed. Generally, opening accounts solely for a better credit picture probably won't impact a FICO® Score and, in some instances, may even lower the score.
- Pay off your bills on time. Collections and delinquent payments, even if only a few days late, can have a major negative impact on your FICO® Score.
- If you have missed payments, get current and stay current. The longer you pay your bills on time after being late, the better your financial health. Older credit problems have less impact on your FICO® Score than recent ones, so poor credit performance won't haunt you forever. The impact of past credit problems on your FICO® Score fades as time passes and as recent good payment patterns show up on your credit file. And your FICO® Score weighs any credit problems against the positive

information that indicates that you're managing your financial health well.

- If you are having trouble making ends meet, contact your creditors or see a legitimate credit counselor to see if they can help. If you can begin to manage your financial health and pay on time, your financial picture should improve over time. And seeking assistance from a credit counseling service will not hurt your FICO® Score.
- Keep balances low on credit cards and other "revolving credit". High outstanding credit card debt can negatively impact your FICO® Score.
- Pay off debt rather than move it around from one credit card to another. The most effective way to improve financial health in this area is by paying down total revolving (credit card) debt.
- Credit history can be re-established after problems in the past, such as a bankruptcy, by opening new accounts responsibly and paying them on time.
- Rather than purposely paying off and closing credit cards, manage credit cards responsibly by keeping balances well under the credit limit. In general, having credit cards and installment loans (and making timely payments) will positively impact your financial health. People with no credit cards, for example, tend to be higher risk than people who have managed credit cards responsibly.
- Do your rate shopping for a loan within a focused period of time. Too many "inquiries"—the number of requests from a lender for your credit reports when you apply for loans—can negatively affect a FICO® Score. However, the FICO® Score treats multiple inquiries from auto, mortgage, or student loan lenders within a short period of time as a single inquiry because when purchasing a house or a car it is customary to shop for the best rate, resulting in more inquiries.
- Don't close unused credit cards as a short-term strategy to help your FICO® Score. This approach could backfire and actually lower your FICO® Score.
- If you have been using credit for only a short time, don't open a lot of new accounts too quickly, as rapid account build-up can lower your score.

How long will negative information remain on my credit file?

It depends on the type of negative information. Here's the basic breakdown of how long different types of negative information will remain on your credit file:

- Late payments: 7 years
- Bankruptcies: 7 years for a completed Chapter 13, and 10 years for Chapters 7 and 11
- Foreclosures: 7 years
- Collections: Generally, about 7 years, depending on the age of the debt being collected
- Public Record: Generally 7 years, although unpaid tax liens can remain indefinitely

Keep in mind: For all of these negative items, the older they are the less impact they will have on your FICO® Score. For example, a collection that is 5 years old will hurt much less than a collection that is 5 months old.

Does my FICO® Score change that much over time?

It's important to note that your FICO® Score is calculated each time it's requested; either by you or a lender. And each time it's calculated, it's taking into consideration the information that is in your credit file at a particular consumer reporting agency at that time. So, as the information in your credit file changes, your FICO® Score can also change.

How much your FICO® Score changes from time to time is driven by a variety of factors such as:

- Your current credit profile—how you have managed your financial health to date will affect how a particular action may impact your score. For example, new information in your credit file, such as opening a new credit account, is more likely to have a larger impact for someone with a limited credit history as compared to someone with a very full credit history.
- The change being reported—the "degree" of change being reported will have an impact. For example, if someone who usually pays bills on-time continues to do so (a positive action) then there will likely be only a small impact on his or her FICO® Score one month later. On the other hand, if this same person files for bankruptcy or misses a payment, then there will most likely be a substantial impact on their score one month later.
- How quickly information is updated—there is sometimes a lag between when you perform an action (like paying off your credit card balance in full) and when it is reported by the creditor to the consumer reporting agencies. It's only when the consumer reporting agency has the updated information that your action will have an effect on your FICO® Score.

Keep in mind: Small changes in a score can be important to obtain a certain FICO® Score level or to reach a certain lender's FICO® Score "cutoff" (the point above which a lender would accept a new application for credit, but below which, the credit application would be denied).

What if I'm turned down for credit?	If you have been turned down for credit, the Equal Credit Opportunity Act (ECOA) gives you the right to obtain the reasons why within 30 days. You are also entitled to a free copy of your credit reports within 60 days, which you can request from each of the consumer reporting agencies. If your FICO® Score was a primary part of the lender's decision, the lender may use the key score factors or reason codes to explain why you didn't qualify for the credit.
How do I get my free credit report?	You can get one credit report from each of the three major consumer reporting agencies once every 12 months.
Can I transfer my credit files from another country to the US consumer reporting agencies?	Credit files and credit histories do not transfer from country to country. There are legal, technical and contractual barriers that prevent a person from transferring their credit files or history to a different country. Unfortunately, this often means that a new immigrant to the US will need to establish a new credit history.
Why did my lender lower my credit limit?	Some banks are lowering credit lines and closing credit card or revolving accounts that have had little or no recent activity. These actions can hurt your score if they result in higher credit utilization (proportion of balance to credit limit); therefore, you're going to want to preserve your credit lines by keeping your credit card accounts open and using them frequently—while, at the same time, maintaining low balances.

Credit Card Impacts to Score

Should I take advantage of promotional credit card offers?

Generally, it's not good to accept promotional credit card offers just because you are being offered them. Opening new accounts can indicate increased risk to lenders and can hurt your FICO® Score. Every individual's situation is unique, but as a general rule, you should only apply for credit when you need it, or if you are new to credit and want to establish credit history.

Will closing a credit card account impact my FICO® Score?

Yes, but not in the way you might expect. We never recommend closing a credit card for the sole purpose of helping your financial health.

This may sound a bit counter-intuitive; after all, cleaning up your credit profile by getting rid of old or unused credit cards sounds like a good idea – and it may be from an overall financial health management perspective. If you are tempted to charge more than you should just because you have more credit available, then getting rid of that temptation by closing some credit cards might be your best course of action.

However, your FICO® Score takes into consideration something called a "credit utilization ratio". This ratio or proportion basically looks at your total used credit in relation to your total available credit; the higher this ratio is, the more it can negatively affect your FICO® Score. This is because, in general, people with higher credit utilization ratios are more likely to default on loans. So, by closing an old or unused card, you are essentially wiping away some of your available credit and thereby increasing your credit utilization ratio.

It's a bit tricky, so here's an example:

Say you have three credit cards.

- Credit card 1 has a $500 balance and a $2,000 credit limit.
- Credit card 2 is an unused card with a zero balance and a $3,000 limit.
- Credit card 3 has a $1,500 balance and a $1,500 limit.

In this scenario your credit utilization ratio looks like this:

Total balances = $2,000 ($500 + $0 + $1,500)
Total available credit = $6,500 ($2,000 + $3,000 + $1,500)
Credit utilization ratio = 30% (2,000 divided by 6,500)

Now, if you decide to close credit card 2 because it's an old card that you never use, your credit utilization ratio looks like this:

Total balances = $2,000 ($500 + $1,500)
Total available credit = $3,500 ($2,000 + $1,500)
Credit utilization ratio = 57% (2,000 divided by 3,500)

You can see that your utilization ratio rose from 30% to 57% by closing the unused credit card.

What's the best way to manage my growing credit card debt?

There are a number of different things to consider when managing credit card debt. We'll touch on a few of the key things of which to be aware.

Avoid a single credit card

If you only have one credit card available and you're coming close to maxing out that card, you might consider applying for another card. Having only a single credit card can be risky. If an emergency like an unexpected hospital stay hits, do you have a way to pay for it? You should always try to keep an unused, available amount of credit for an emergency.

Another reason to consider opening an additional card has to do with what's called credit utilization. Utilization measures how much of your credit you are using in relation to your total available credit. If you have one credit card with $500 charged to it and a credit limit of $1,000, then your utilization is 50%. There's no ideal utilization to shoot for, because as with most things, it depends on everything else on your file. But as a general rule, you want to try to keep your utilization on any one card, and across all of your credit cards, below 50% to avoid the risk of hurting your FICO® Score. Research has shown that people who max out a single credit card are more likely to miss future payments, and therefore the FICO® Score considers people using more of their available credit more risky than people who are using very little of their available credit.

Avoid a large number of credit cards

At the other end of the spectrum, maintaining a large number of credit cards can complicate your financial health management. The more cards you have, the more likely it is that you will simply miss seeing a bill and making a payment. Paying your bills on time, even if it is the minimum amount required, is one of the most important things you can do to avoid damaging your credit. Make sure you are comfortable managing the number of cards you have and your total minimum payment obligation so you can remain current.

If you have a lot of cards and it feels unmanageable, one instinct may be to close those cards so you don't have to worry about them. Do what you need to in order to remove the temptation to use it, but generally we recommend that you keep the account open with no balance. Closing an account reduces the amount of available credit you have, and as a result your credit utilization will go up.

Don't forget about APRs

In addition to the number of cards, their limits and the amount you use them, it's also important to consider the annual percentage rate (APR) of each card you are using. APRs are not currently reported by credit card companies to the consumer reporting agencies (CRAs), and therefore they are not explicitly considered when computing your FICO® Score. However, you should definitely know the APR of all your cards so you can add debt, if necessary, to a low APR card and pay it off from a high APR card.

After you've paid off cards with higher APRs, you devote less money towards interest and have more money available to pay down your other balances.

Mortgage Impacts to Scores

Are the alternatives to fore-closure any better as far as my FICO® Score is concerned?

The common alternatives to foreclosure, such as short sales, and deeds-in-lieu of foreclosure, are all "not paid as agreed" accounts, and considered the same by your FICO® Score. This is not to say that these may not be better options for you from a financial perspective; it's just that they will be considered no better or worse than foreclosure for your FICO® Score.

If you are considering bankruptcy as an alternative to foreclosure, that may have a greater impact to your FICO® Score. While a foreclosure is a single account that you default on, declaring bankruptcy has the opportunity to affect multiple accounts and therefore has potential to have a greater negative impact on your FICO® Score.

Indicators of a loan modification within a federal government plan do not currently have a negative impact on a FICO® Score, although factors such as delinquencies will have a negative impact on a FICO® Score.

How does a mortgage modification affect the borrower's FICO® Score?

FICO® Scores are calculated from the information in consumer credit files. Whether a loan modification affects the borrower's FICO® Score depends on whether and how the lender reports the event to the consumer reporting agencies, as well as on the person's overall credit profile. If a lender indicates to a consumer reporting agency that the consumer has not made payments on a mortgage as originally agreed, that information in the consumer's credit files *could* cause the consumer's FICO® Score to decrease or it could have little to no impact on a FICO® Score.

Will contacting my mortgage servicer affect my FICO® Score?

Simply contacting your servicer with questions has no effect on your FICO® Score. If your servicer needs to check your credit, they must get your permission first. A credit check could result in an inquiry in your credit file, which can have a small impact on your score.

Any action after that may also impact your FICO® Score—for example, if you pursue refinancing or loan modifications.

How does refinancing affect my FICO® Score?

Refinancing and loan modifications can affect your FICO® Score in a few areas. How much these affect the score depends on whether it's reported to the consumer reporting agencies as the same loan with changes or as an entirely new loan.

If a refinanced loan or modified loan is reported as the same loan with changes, three pieces of information associated with the loan modification may affect your score: the credit inquiry, changes to the loan balance, and changes to the terms of that loan. Overall, the impact of these changes on your FICO® Score should be minimal.

If a refinanced loan or modified loan is reported as a "new" loan, your score could still be affected by the inquiry, balance, and terms of the loan—along with the additional impact of a new "open date." A new or recent open date typically indicates that it is a new credit obligation and, as a result, can impact the score more than if the terms of the existing loan are simply changed.

How do loan modifications affect my FICO® Score?

Your servicer will likely use your FICO® Score, along with other factors, to help determine the new terms of your loan, such as your mortgage rate. In general, your FICO® Score plays a key role any time you apply for new credit or change the terms of a loan. That's why staying credit savvy and maintaining a good credit rating remains so important.

How long will a foreclosure affect my FICO® Score?

A foreclosure remains in your credit files for seven years, but its impact to your FICO® Score will lessen over time. While a foreclosure is considered a very negative event by your FICO® Score, it's a common misconception that it will ruin your score for a very long time. In fact, if all other credit obligations remain in good standing, your FICO® Score can begin to rebound in as little as two years. The important thing to keep in mind is that a foreclosure is a single negative item, and if you keep this item isolated, it will be much less damaging to your FICO® Score than if you had a foreclosure in addition to defaulting on other credit obligations.

Student Loan Impacts to Score

How does the FICO® Score consider student loan shopping?

The growth of the student loan industry has increased public interest in how lenders assess the credit risk of young college-bound adults. Both large and small lenders often use the FICO® Score to help them underwrite student loans. How the FICO credit scoring formulas treat credit inquiries depends on the way in which those inquiries are reported by lenders to each of the three consumer reporting agencies. If the inquiries are reported by the lender in a manner that indicates rate shopping for a single loan (such as a mortgage, auto, or student loan), the FICO scoring formulas typically reflect that in its calculation of your score. In general, student loan shopping inquiries made during a focused time period will have little to no impact on your score. In the rare instance in which a credit inquiry related to a student loan is not coded so that it receives our special rate-shopping inquiry logic, that inquiry typically would decrease a FICO® Score by only a few points.

What's the best advice for people shopping for student loans to minimize the impact to their FICO® Score?

Doing a little homework first is always a good idea no matter what type of credit you're seeking. As you're shopping for the best student loan rate, the lenders you approach may request your credit reports or FICO® Score to check your credit standing. You can generally avoid having those inquiries affect your score if you finish your rate shopping in a reasonable amount of time. That's easier if you first do your homework ahead of time and decide which companies to get quotes from. Then try to finish your rate shopping and finalize your loan within 45 days. Not only will loan rates be easier to compare when the quotes come only a few days apart, but you also will minimize any impact to your FICO® Score.

Bankruptcy and Public Record Impacts to Score

What are the different categories of late payments and do they affect my FICO® Score?

FICO® Scores consider late payments in these general areas; how **recent** the late payments are, how **severe** the late payments are, and how **frequently** the late payments occur. So this means that a recent late payment could be more damaging to your FICO® Score than a number of late payments that happened a long time ago.

You may have noticed on your credit reports that late payments are listed by how late the payments are. Typically, creditors report late payments in one of these categories: 30-days late, 60-days late, 90-days late, 120-days late, 150-days late, or charge off (written off as a loss because of severe delinquency). Of course a 90-day late is worse than a 30-day late, but the important thing to understand is that you can recover from a late payment prior to charge-off by getting and staying current with your payments. If, however, you continue not to pay your debt and your creditor either charges it off or sends it to a collection agency, it is considered a significant event with regard to your score and will likely have a severe negative impact.

It's important to always stay on top of all of your bills; history of payments is the largest factor in your FICO® Score. There may be circumstances which cause you to be unable to keep current with your bills—maybe an unexpected medical emergency or losing your job. Before being late for any payment, we recommend that you reach out to your creditor; the creditor may be willing to work something out with you that you both can live with. If your creditors won't work with you, try to avoid having your account going so delinquent that the creditor sells your account to a collection agency or it becomes a judgment. Again, late payments hurt, but you can get current with them by paying them off—**you can never again get that account current once it becomes a judgment or is turned over to a collection agency**.

How does the FICO® Score consider a bankruptcy, and how can I minimize any negative effects?

A bankruptcy is considered a very negative event by the FICO® Score. How much of an impact it will have on your score will depend on your entire credit profile. For example, someone that had spotless credit and a very high FICO® Score could expect a huge drop in their score. On the other hand, someone with many negative items already listed in their credit files might only see a modest drop in their score; that's because their lower score is already reflective of their higher risk level. Another thing to note is that the more accounts included in the bankruptcy filing, the more of an impact on your FICO® Score.

While it may take up to ten years for a bankruptcy to fall off of your file, the impact of the bankruptcy will lessen over time.

If you file for bankruptcy, here are some things you should do to make sure your creditors are accurately reporting the bankruptcy filing:

- Check your credit files to ensure that accounts that were not part of the bankruptcy filing are not being reported with a bankruptcy status.
- Make sure your bankruptcy is removed as soon as it is eligible to be "purged" from your credit file.

After a bankruptcy has been filed, the sooner you begin retaining or re-establishing credit in good standing, the better. A good practice is to obtain a secured credit card and continually make all of your payments on time. As time passes and the impact of the bankruptcy lessens, you might apply for a traditional credit card and also continually make all of your payments on time.

While there are many things to consider when filing for bankruptcy, understand that the bankruptcy will impact your FICO® Score for as long as it is listed on your credit file.

What are the different types of bankruptcy and how is each considered by my FICO® Score?

A bankruptcy is considered a very negative event by the FICO® Score regardless of the type. As long as the bankruptcy is listed on your credit file, it will be factored into your score. However, as time passes, the negative impact of the bankruptcy will lessen. Typically, here is how long you can expect bankruptcies to remain on your credit files (from the date filed):

- Chapter 11 and 7 bankruptcies up to 10 years.
- Completed Chapter 13 bankruptcies up to 7 years.

Keep in mind that these dates refer to the public record item associated with filing for bankruptcy. All of the individual accounts included in the bankruptcy should be removed from your credit files after 7 years.

How do public records and judgments affect my FICO® Score?

Public records and your FICO® Score

Public records are legal documents created and maintained by Federal and local governments, which are usually accessible to the public. Some public records, such as divorces, are not considered by the FICO® Score, but adverse public records, which include bankruptcies, judgments and tax liens, are considered by the FICO® Score. FICO® Scores can be affected by the mere presence of an adverse public record, whether paid or not.

Adverse public records will have less effect on your FICO® Score as time passes, but they can remain in your credit files for up to ten years based on what type of public record it is. Judgments specifically remain in your credit files for seven years from the date filed.

A judgment in your credit file

Judgments will almost always have a negative effect. Before letting a bill or credit obligation get to the courthouse, see if there is an alternative that might work. Reach out to the person to whom or company to which you owe money and see if some sort of arrangement can be worked out. If you are dealing with a collection agency or other company, they may be willing to work out a settlement with you that is equitable as it's almost always more efficient for them to work with you directly than through the courts.

Credit missteps – how their effects on the FICO® Score vary

You may run into financial difficulties that impact your FICO® Score. Some difficulties may change your score by a small amount, while others can drop your score significantly. What your score was before the difficulty appeared in your credit files also can make a difference.

Here is a comparison of the impact that credit problems can have on the FICO® Score of two different people: Alex and Benecia. Note that their initial FICO® Scores are 100 points apart.

First, let's give you a general snapshot of Alex's and Benecia's credit profiles:

Alex has a FICO® Score of 680 and:	Benecia has a FICO® Score of 780 and:
Has six credit accounts, including several active credit cards, an active auto loan, a mortgage, and a student loan	Has ten credit accounts, including several active credit cards, an active auto loan, a mortgage and a student loan
An eight-year credit history	A fifteen-year credit history
Moderate utilization on his credit card accounts (his balances are 40-50% of his limits)	Low utilization on her credit card accounts (her balances are 15-25% of her limits)
Two reported delinquencies: a 90-day delinquency two years ago on a credit card account, and an isolated 30-day delinquency on his auto loan a year ago	Never has missed a payment on any credit obligation
Has no accounts in collections and no adverse public records on file	Has no accounts in collections and no adverse public records on file

Now let's take a look at how different credit missteps impact their FICO® Score:

	Alex	**Benecia**
Current FICO® Score	680	780
Score after one of these credit missteps is added to each credit file:		
Maxing out (charging up to the limit) a credit card	650-670	735-755
A 30-day delinquency	600-620	670-690
Settling a credit card debt for less than owed	615-635	655-675
Foreclosure	575-595	620-640
Bankruptcy	530-550	540-560

As you can see, maxing out (charging up to the limit) a credit card has the smallest impact of these credit missteps. Declaring bankruptcy has the biggest impact to their scores. For someone like Benecia with a high FICO® Score of 780, declaring bankruptcy could lower her score by as much as 240 points. That's because the FICO® Score generally gives the most weight to payment history. Bankruptcy is included in one's payment history. Also, a bankruptcy often involves more than one credit account, compared with a foreclosure which often involves just a single account.

High scores can fall farther. Notice that Benecia would lose more points for each misstep than would Alex, even though her FICO® Score starts out 100 points higher. That's because Alex's lower score of 680 already reflects his riskier past behavior. So the addition of one more indicator of increased risk on his credit file is not quite as significant to his score as it is for Benecia.

Settling a credit card debt is the third credit problem listed. It means that the lender agrees to accept less than the amount owed on the account. A settled account indicates a higher level of risk and typically happens only when an account is overdue. So in Benecia's case, to help make the debt settlement plausible we also added a 30-day delinquency to her credit file. Her new FICO® Score reflects both changes. Alex's credit file already included a recent delinquency.

Are you more like Alex or Benecia? Many different combinations of information in a credit file can produce a FICO® Score of 680 or 780. Depending on what's on your own credit files, your experience may vary from that of Alex or Benecia. By taking a look at your own credit files and comparing it to the profile of Alex and Benecia, you might be able to learn what to expect if you happen to encounter a credit misstep.

General Impacts to Score

What are inquiries and how do they affect my FICO® Score?

Credit inquiries are requests by a “legitimate business” to check your credit.

Credit inquiries are classified as either “hard inquiries” or “soft inquiries”—only hard inquiries have an effect on the FICO® Score.

Soft inquiries are all credit inquiries where your credit is NOT being reviewed by a prospective lender. The FICO® Score does not take into account any involuntary (soft) inquiries made by businesses with which you did not apply for credit, inquiries from employers, or your own requests to see your credit file. Soft inquiries also include inquiries from businesses checking your credit to offer you goods or services (such as promotional offers by credit card companies) and credit checks from businesses with which you already have a credit account. If you are receiving your FICO® Score for free from a business with which you already have a credit account, like us, there is no additional inquiry made on your credit report.

The FICO® Score takes into account only voluntary (hard) inquiries that result from your application for credit. Hard inquiries include credit checks when you’ve applied for an auto loan, mortgage, credit card or other types of loans. Each of these types of credit checks count as a single inquiry. One exception occurs when you are “rate shopping”. That’s a smart thing to do, and your FICO® Score considers all inquiries within a reasonable shopping period for an auto, student loan or mortgage as a single inquiry.

The relative information with a hard inquiry that can be factored into FICO® Scores include:

- Number of recently opened accounts, and proportion of accounts that are recently opened, by type of account.
- Number of recent credit inquiries.
- Time since recent account opening(s), by type of account.
- Time since credit inquiry(ies).

For many people, one additional hard credit inquiry (voluntary and initiated by an application for credit) may not affect their FICO® Score at all. For others, one additional inquiry would take less than 5 points off their FICO® Score.

Inquiries can have a greater impact, however, if you have few accounts or a short credit history. Large numbers of inquiries also mean greater risk: people with six inquiries or more in their credit files are eight times more likely to declare bankruptcy than people with no inquiries in their files.

Does applying for many new credit accounts hurt my FICO® Score more than applying for just a single new account?

The short answer is yes, applying for many new accounts often hurts your FICO® Score more than applying for a single new account. There is no magic number of applications to which you should limit yourself, but in general, the fewer the better. In fact, our research has shown that people who apply for credit multiple times within a short time period tend to over-extend themselves and are more likely to default at some point.

Applying for a single new credit card may have a small impact to a FICO® Score, but if you apply for several credit cards, that can have a much greater effect on your FICO® Score. The general idea to keep in mind is that rate shopping for home or auto loans will have less of an impact to your FICO® Score than comparison shopping for credit cards or other types of credit accounts. A better practice when determining the best credit card is to read about the features of each card and then only apply for the one that has the features you want from your new card.

Is there a best way to go about applying for new credit to minimize the effect to my FICO® Score?

First off, don't agonize over this too much; applying for new credit only accounts for about 10% of your FICO® Score, so the impact is relatively modest. Exactly how much applying for new credit affects you depends on your overall credit profile and what else is already in your credit file. For example, applying for new credit can have a greater impact on your FICO® Score if you only have a few accounts or a short credit history.

That said, there are definitely a few things to be aware of depending on the type of credit you are applying for. When you apply for credit, a credit check or "inquiry" can be requested to check your credit standing. Let's take a look at the common inquiries you might find in your credit file.

Credit Cards

When it comes to credit cards, always ask yourself "Why am I getting this card?" If your answer is need-based, such as needing credit for increasing expenses or wanting a lower interest rate to reduce monthly payments, then these may be perfectly legitimate reasons to open a new card. However, if you want a new card because it has a pretty logo or it's from your alma mater, then you might want to think twice. We recommend you only apply for new credit cards that you really need. When deciding if you need an additional card, it's also important to be aware of what's called credit utilization.

After asking yourself "why you need more credit", then ask yourself "How much more credit do I need?" If you only need a small amount to pay additional bills for a few months, try contacting your existing credit card companies to get your credit limits raised first. Why is this a better option? While a request for an increased limit may count as an inquiry just like opening a new card would, it won't reduce the average age of your credit accounts, which is also important to your FICO® Score.

If getting the limit raised on an existing card isn't an option, then try to apply for the fewest number of credit cards so that the combined credit limit meets your needs. If you think you need an extra $5,000, try to get one card with a $5,000 limit rather than two cards each with a $2,500 limit. When applying for new credit cards, each application is counted separately as an individual inquiry in your credit file, and the more inquiries you have, the more that could hurt your FICO® Score. Historically, **people with six inquiries or more in their credit files are eight times more likely to declare bankruptcy than people**

with no inquiries in their files. So having more inquiries makes you look more risky to potential lenders.

Home, Auto, and Student Loans

Rate shopping for a home, car or student loan is a smart practice, so the FICO® Score won't penalize you for doing this. As you're rate shopping, multiple lenders may request your credit files to check your credit. But the FICO® Score de-duplicates these and considers inquiries within a reasonable shopping period for an auto, student loan or mortgage each as a single inquiry. So, do your homework ahead of time, decide on the companies to get quotes from, and try to do all the rate shopping and get the loan within 45 days. Not only will the rates be easier to compare when the quotes are closer together, but it will have no immediate impact to your FICO® Score.

Given rate shopping for home, auto and student loans has no immediate impact, why do you even see an inquiry in your credit files? While these types of inquiries may appear in your files, the FICO® Score counts all those inquiries that fall in a typical shopping period as just one inquiry. So, again, try to do your rate shopping within a matter of weeks as opposed to a matter of months to limit the longer-term impact as well.

Is the FICO® Score unfair to minorities?

No. The FICO® Score does not consider your gender, race, nationality or marital status. In fact, the Equal Credit Opportunity Act prohibits lenders from considering this type of information when issuing credit. Independent research has shown that FICO® Scores are not unfair to minorities or people with little credit history. FICO® Scores have proven to be an accurate and consistent measure of repayment for all people who have some credit history. In other words, at a given FICO® Score, non-minority and minority applicants are equally likely to pay as agreed.

How is the FICO® Score calculated for married couples?

Married couples don't have joint FICO® Scores, they each have individual scores. The difference is that when you are single you usually only need to worry about your credit habits and credit profile. However, when you become married your spouse's credit habits and credit profile have an impact on yours. For example, if you have a credit card in both of your names and it doesn't get paid on time, that can affect both of your FICO® Scores—and not in a good way.

Will spending less and saving more impact my FICO® Score?

While putting more money towards savings is usually a good idea, it's not necessarily going to impact your FICO® Score. The FICO® Score does not consider the amount of disposable cash (savings accounts, certificates of deposit or cash in your cookie jar) you have at any given time. Therefore, the amount of money you keep in savings doesn't impact your FICO® Score.

As far as spending less, that could have an effect on your FICO® Score. If you typically use your credit cards for purchases and you don't always pay off the balance on those credit cards, then you may notice an impact in your FICO® Score by curbing your spending habits. Your FICO® Score factors in the balance on your revolving credit accounts (for example, credit cards). It's a good idea to keep the balances on your credit cards low and pay them off each month. By limiting your spending, you may accomplish both!

If lenders have different lending requirements, how can I know if I qualify for affordable financing?

The surest way to get the most up-to-date and accurate information is to contact your lender for their FICO® Score requirements before shopping for credit. It's also a good idea to check your current FICO® Score so you'll know exactly where you stand in the eyes of these potential lenders.

Can accounts that aren't in my credit files affect my FICO® Score?

Though your FICO® Score captures a pretty accurate picture of your credit history, not every account is recorded. Your good history of rental and utilities payments may not listed in your credit file. Even though your landlord, the cable and cell phone providers are pleased with your timely payments, this positive information may not be reported to the consumer reporting agencies. That being said, there are a couple important reasons why you should continue to always pay these bills on time:

- **Reported delinquencies:**
  Even though your good payment history isn't reported, if you go late on these bills, your landlord or utility department has the right to report your bills as delinquent to the consumer reporting agencies. If the bill continues to go unpaid, a judgment could be obtained against you in small claims court, and/or your account could be turned over to a collection agency. Any of these blemishes to your credit files can be as harmful to your FICO® Score as the more commonly reported items such as late payments on loans or credit cards.

- **Future referrals:**
  The next time you need to move, your potential landlord is likely going to require a copy of your FICO® Score and credit report. In addition, he/she may want to contact your current landlord to check if you paid your rent on time. Even if you have a high FICO® Score, a potential landlord could choose another candidate if your current landlord reports that the rent is paid late or incomplete. As with any account, it's wise to pay on time and avoid burning your bridges. You may need them to put in a good word for you in the future.

As always, the best advice is to not take on more than you can handle and pay your bills on time. If that isn't possible, look to others for support. Before going late on any obligation, call the landlord or your utility company and tell them of your situation—they may be willing to work something out until you get on your feet again.