

State Department Federal Credit Union

Topics of Interest

Your Credit Score

Your credit score is one of several factors lenders use when evaluating your application for credit. It is a number guide representative of the risk determined by your credit history. Only information in your consumer credit report that is proven to be predictive of future credit performance is used to determine your score.

There are five main categories of credit information used to determine your score.

1. Bankruptcies and collection accounts are major factors in lowering your credit score. Even late payments can have a significant impact – particularly if the lateness was frequent, recent, or severe.
2. The amount of outstanding debt has less of an impact on your credit score than missing payments or other negative activity, but still plays a significant role. Carrying large balances, particularly if those balances are close to the credit limit, can lower your score.
3. Long relationships with creditors have a more positive effect on your credit score than newer relationships.
4. Different types of credit impact your score differently. For example, a mortgage will likely affect your score more so than a department store card.
5. Frequent credit applications resulting in many inquiries on your report can lower your score. However, it only makes sense that when shopping for a house or car, you might shop around a lot of lenders to get the best rate. Because that can result in a lot of inquiries in a short period of time, generally all mortgage inquiries or auto loan inquiries within a fourteen-day period will be considered just one inquiry for scoring purposes.

Your credit score changes as your credit activity changes. It reflects payment patterns with greater emphasis on recent activity. By paying bills on time, keeping balances low, particularly in relation to the account limit, and only applying for and opening new accounts as needed, you can improve your score over time.

As a credit union member, you have access to BALANCE, a financial fitness program dedicated to helping you achieve your goals. For more information, call them toll free at 888-456-2227 or visit <http://www.balancepro.net/sdfcu>.