



Wells Fargo At WorkSM

Understanding your credit score

In today's environment, understanding and managing your credit is as important as ever. Your credit history can affect many parts of your life. Lenders, potential employers, and landlords — just to name a few — can all legally access your credit history and often do. Knowing the basics around your credit profile can be a big benefit.

Understanding your credit score

Before you make a credit-based purchase such as a home or automobile or apply for credit, you will want to understand how lenders use credit scores to determine your creditworthiness.

What is a credit score?

A credit score — also known as a credit rating — is a numeric value based on the information contained in your credit report. That score (usually between 300 and 850) tells the lender the level of future risk associated with your repayment of credit. The higher the score, the lower the risk.

Many lenders use credit scores to help them make their lending decisions, including whether to lend, and the interest rate or fees to charge. Lenders generally set a minimum credit score or “cutoff” below which they will not lend. There are many additional factors that lenders use to determine what credit they will offer, and each lender's criteria may be different.

What's in a credit score?

A credit score gives lenders insight into how you have managed your finances. Some of the information used to determine a credit score may include:

- Payment history — Your on-time and late payments for credit cards, loans, mortgages, car payments, and retail accounts. Additionally, creditors will look to see if you have any bankruptcies or unpaid debts.
- Amounts owed — Amount you owe on all of your credit accounts compared to the amount of credit available to you.
- Length of credit history — How long your accounts have been opened and activity on open accounts.
- New credit — New accounts and new inquiries added to your credit report.
- Types of credit used — Having a good mix of credit cards, loans, and retail accounts included in your credit history.

How to check your credit report

Lenders use information in your credit report as part of making credit decisions, and credit scores are calculated based on what is in your credit file as well. You should review your credit report at least once a year to check for errors or any indication of fraud, and also before making a big purchase like a house or a car. This reduces the chance of any surprises when you apply for credit, but also helps you manage your credit going forward.

- Consumers are entitled to get one free credit report annually from the three credit reporting agencies: Equifax, Experian, and TransUnion. This report can be obtained through www.annualcreditreport.com. Note, this free report is intended to help you check your credit file for accuracy and may not include a score.
- To get credit reports more often than once each year, or to get a version that includes a score, you can order these reports for a fee. They can be purchased directly from the three major credit reporting agencies (www.equifax.com, www.experian.com, www.transunion.com) or through any number of commercially available credit monitoring services.

Together we'll go far

