

CHANGING THE SCORE

The way you manage your finances and use credit (both positively and negatively) can impact your FICO® Scores. But how your FICO® Scores change can vary widely depending on your credit profile and how you have used and managed your credit previously.

Here's how five people with different FICO® Scores would see their scores impacted by a range of credit events:



RACHEL

A 43-year-old teacher who owns her home



SOPHIA

A 26-year-old nurse who rents her home and has had a 30 day late payment in the last year and a charge-off in the past 2 years



MIKE

A 51-year-old lawyer with 18 credit accounts who owns his home



DAVID

A 22-year-old sales associate with 2 credit accounts who lives with his parents



MARIA

A 40-year-old software engineer who owns her home and has never missed a payment

Credit utilization	22%	67%	51%	26%	12%
Revolving balances	\$20,500	\$5,760	\$14,000	\$250	\$6,500
Credit history	25 years	8 years	30 years	2 years	19 years
Recent inquiries	None	None	2	None	2
Delinquencies	None	2	None	None	None

Current FICO® Score 9:

736

607

669

710

793

Credit Action

Miss a payment by 30 days	685 - 705	570 - 590	625 - 645	645 - 665	710 - 730
Miss a payment by 90 days	655 - 675	560 - 580	590 - 610	530 - 550	660 - 680
Reduce revolving account balances by 25%	750 - 770	615 - 635	705 - 725	710 - 730	795 - 815
Take out a new \$5,000 personal loan	710 - 730	590 - 610	655 - 675	675 - 695	770 - 790
Max out credit cards	650 - 670	560 - 580	640 - 660	615 - 635	665 - 685

Note that age, occupation and housing status do not factor into a FICO® Score.

THREE THINGS TO KNOW

1

Your payment history has the biggest impact on your score

Not surprisingly, missing a payment has a substantial impact on a FICO® Score. All five individuals see a substantial loss of points when they fall 30 days behind on a payment, and lose even more points when it hits 90 days past due.

What may be surprising is that the degree of point drop differs. Mike and David would lose more points for the same missteps as Sophia. That's because Sophia's lower score of 607 already reflects her riskier past behavior of missed payments. So, the addition of one more indicator of increased risk on her credit report is not quite as significant to her score as it is for Mike and David – who have no reported previous history of delinquency.

The impact is even greater for David, who has just two credit accounts and only two years of credit history reported. Since David has fewer accounts paid as agreed and a short credit history, he does not have as much positive information on his credit report to “soften” the negative impact of missed payments.

2

Your amount of debt matters too

Your balances and utilization (how much of your available credit is being used) are also heavily weighted in the score. Maria, Rachel and David see large score drops when they max out their credit cards – especially Maria, whose starting credit utilization percentage is relatively low. Mike and Sophia's scores decrease as well, but less so since they already have medium to high revolving utilization percentages and that risk is already factored into their starting score.

Paying down debt is an opportunity to increase the score and all five individuals could see gains of additional points by reducing their revolving balances by 25%. Mike has the most to gain from this action given his higher starting credit utilization percentage, and lack of late payments.

3

Securing new credit can lower your score in the short term

Opening up a new credit account may affect your score as it usually results in an inquiry posting, a newly opened credit account being reported (impacting your average length of credit history), as well as potentially affecting your credit mix.

This action had the biggest impact on David, as he is bringing on a new credit obligation to an already thin and young credit profile. As David and the other individuals demonstrate over time that they can successfully manage the new credit account, the impact of opening the new account will decrease.

Are you like any one of these profiles? Take a look at your own credit report/scores and compare it to these profiles, you might be able to learn what to expect if you happen to encounter one of these credit events.

Remember

The best ways to keep your FICO® Scores healthy are:



Pay your bills on time



Keep credit card balances low



Apply for credit only when you need it