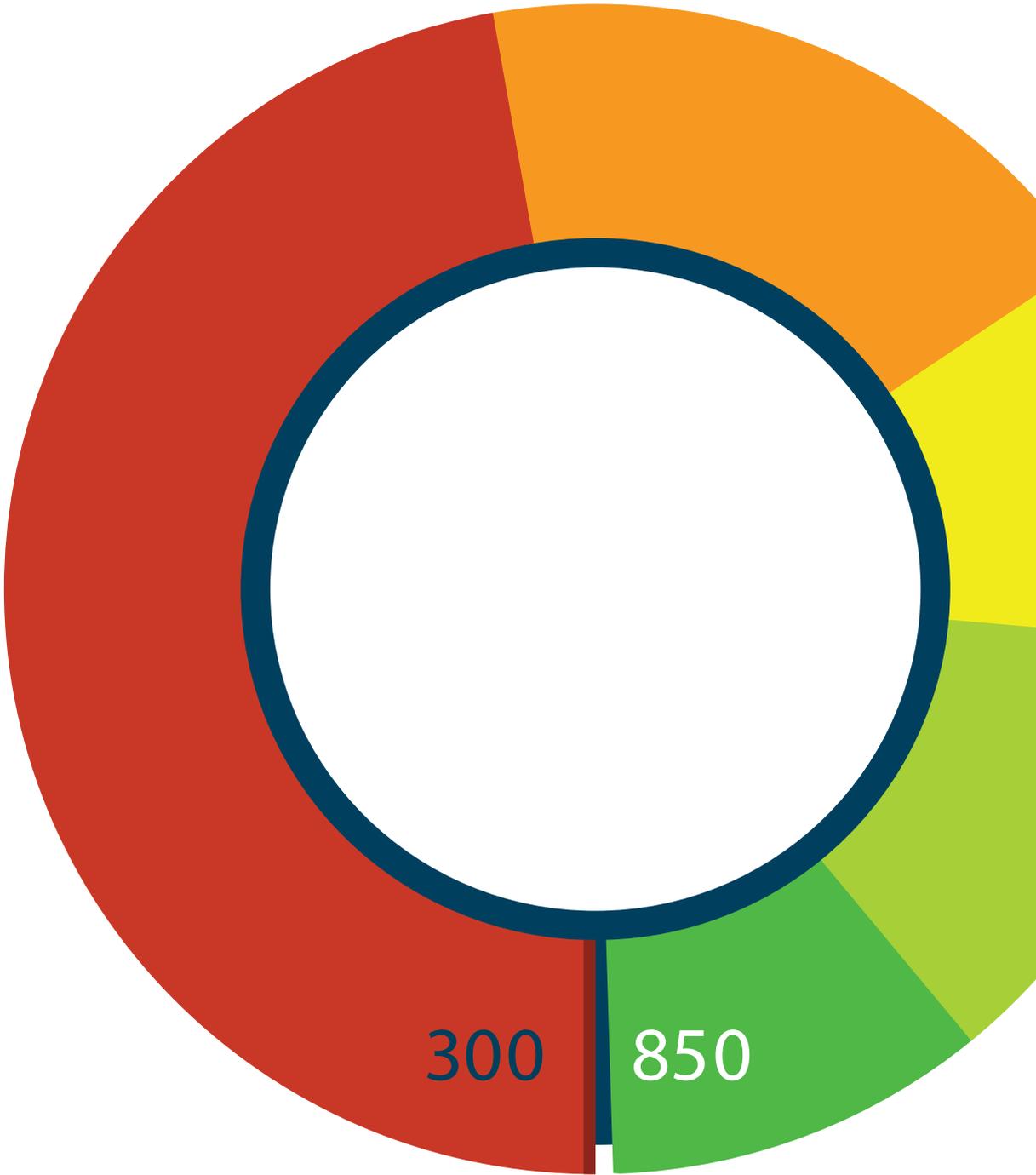


Understanding FICO[®] SCORES

What you need to know about the most widely used credit scores



FICO[®] SCORE
The score lenders use.[™]

FICO® Scores are the most widely used credit scores—according to a recent CEB TowerGroup analyst report, FICO® Scores are used in over 90% of U.S. lending decisions.¹ Every year, lenders access billions of FICO® Scores to help them understand people’s credit risk and make better-informed lending decisions. By providing lenders with a fast, reliable and objective measure of credit risk, FICO® Scores have made the lending process faster and fairer—helping millions of people get access to the credit they deserve.

Your FICO® Scores are a vital part of your credit health. They can influence your credit and loan approvals and what terms and interest rates you qualify for. Because FICO® Scores are the credit scores most widely used in lending decisions, viewing your FICO® Scores can help you get a better understanding of how lenders will evaluate your credit risk when you apply for a loan or credit.

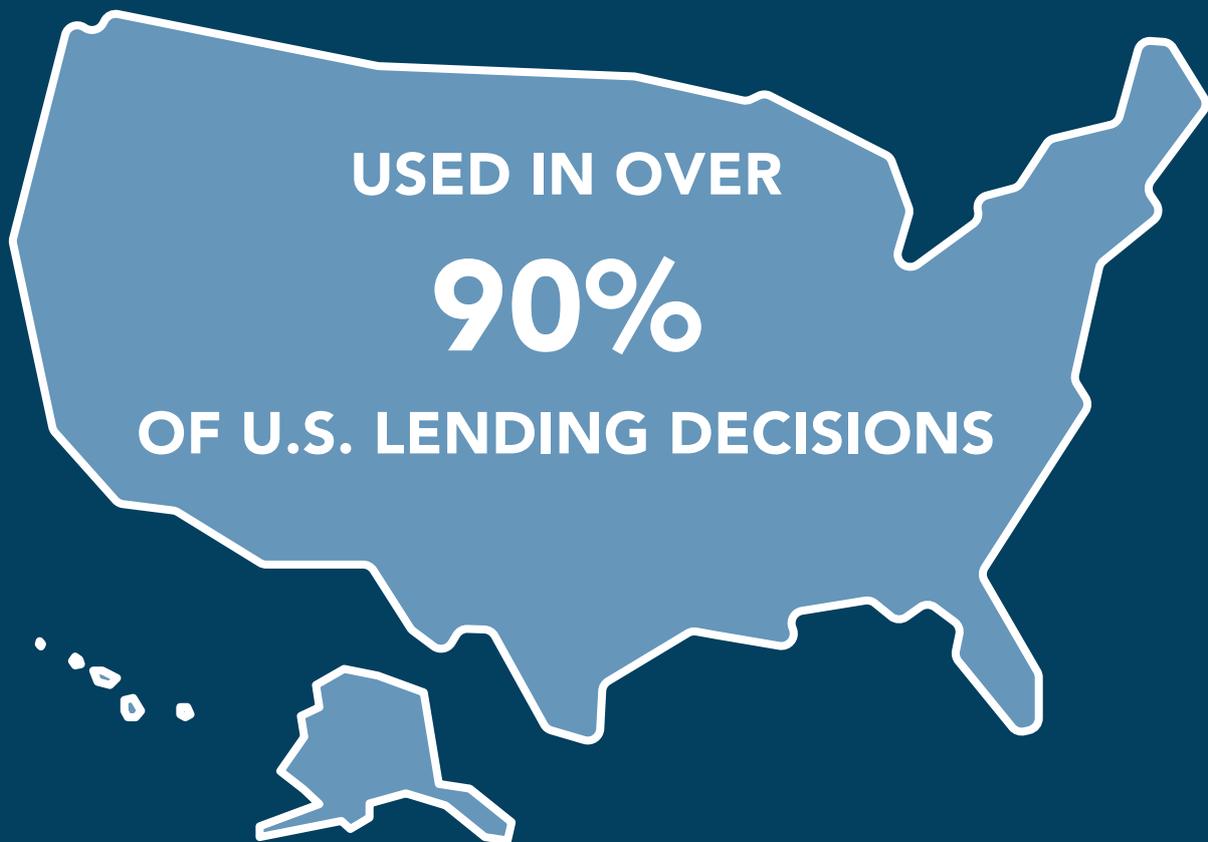
1. CEB TowerGroup. (May 2015). *Analyst report*. © 2015 The Corporate Executive Board Company. All rights reserved.

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Part One

What are FICO[®] Scores?



FICO® Scores are the most widely used credit scores.

If you've ever applied for a credit card, car loan, mortgage or other type of credit, there's a very good chance your lender used your FICO® Scores to help them decide **a)** whether to approve you, and **b)** what terms and interest rates you qualify for. That's because FICO® Scores are used in over 90% of U.S. lending decisions.

FICO® SCORE
The score lenders use.™

720

Each of your FICO® Scores (you have more than one) is a three-digit number summarizing your credit risk—that is, how likely you are to pay back your credit obligations as agreed. Your FICO® Scores are based on the data on your credit reports at the three major credit bureaus—Experian, TransUnion and Equifax.

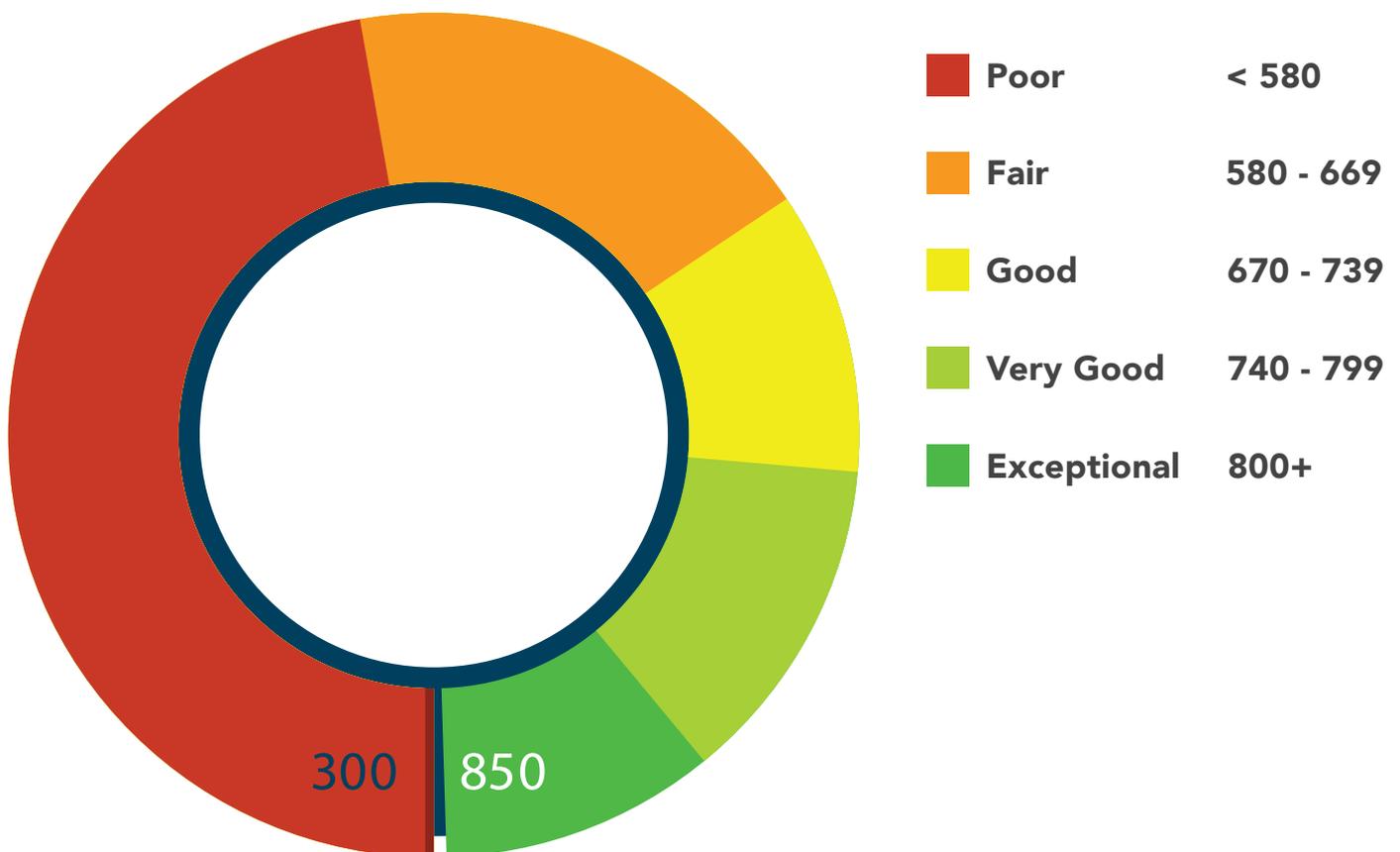
Lenders use FICO® Scores to help them quickly, consistently and objectively evaluate potential borrowers' credit risk, which makes the lending process faster and fairer for people like you.

“FICO® Scores are used in over 90% of U.S. lending decisions”

The higher your FICO® Scores, the better.

FICO® Scores generally range from 300 to 850, though industry-specific FICO® Scores have a slightly broader 250 – 900 score range (more on the different FICO® Score versions on page 6). Higher FICO® Scores demonstrate lower credit risk, and lower FICO® Scores demonstrate higher credit risk.

What's considered a "good" FICO® Score varies by lender. For example, one lender may offer its lowest interest rates to people with FICO® Scores above 730, while another lender only offers its lowest interest rates to people with FICO® Scores above 760.



The national average FICO® Score is 695.

Here's a chart that breaks down the ranges of FICO® Scores found across the U.S. consumer population. Again, each lender has its own credit risk standards, but this chart will give you a sense of what a FICO® Score in a particular range means.

FICO® Score	Rating	What FICO® Scores in this range mean
800+	Exceptional	<ul style="list-style-type: none">• Well above the average score of U.S. consumers• Demonstrates to lenders you are an exceptional borrower
740 - 799	Very Good	<ul style="list-style-type: none">• Above the average of U.S. consumers• Demonstrates to lenders you are a very dependable borrower
670 - 739	Good	<ul style="list-style-type: none">• Near or slightly above the average of U.S. consumers• Most lenders consider this a good score
580 - 669	Fair	<ul style="list-style-type: none">• Below the average score of U.S. consumers• Though many lenders will approve loans with this score
< 580	Poor	<ul style="list-style-type: none">• Well below the average score of U.S. consumers• Demonstrates to lenders that you are a risky borrower

You have more than one FICO® Score.

To keep up with consumer trends and the evolving needs of lenders, FICO periodically updates its scoring models. As a result, there are multiple FICO® Score versions—base FICO® Scores (and their updates) and industry-specific FICO® Scores (and their updates).

Base FICO® Scores range from 300 – 850, while industry-specific FICO® Scores have a slightly wider 250 – 900 score range.



Different lenders use different versions of FICO® Scores when evaluating your credit. Auto lenders, for instance, often use FICO® Auto Scores, an industry-specific FICO® Score version that's been tailored to their needs. Most credit card issuers, on the other hand, use FICO® Bankcard Scores or FICO® Score 8.

“Different lenders use different versions of FICO® Scores”

It's likely that your different FICO® Score versions won't all be the same. But since all FICO® Scores share a similar foundation, more often than not your FICO® Scores will be relatively close. For example, if you have a high FICO® Score 8 (a base FICO® Score version), there's a good chance you'll also have a high FICO® Bankcard Score 8 and a high FICO® Auto Score 8 (two industry-specific FICO® Score versions).

You can view the right FICO® Score for the type of credit you're seeking.

Between all three bureaus, there are 28 FICO® Scores that are commonly used by lenders. You can use the chart below as a guideline for which score version is most relevant for the type of credit or loan you're seeking.

Experian	Equifax	TransUnion
Most widely used version		
FICO® Score 8	FICO® Score 8	FICO® Score 8
Versions used in auto lending		
FICO® Auto Score 8	FICO® Auto Score 8	FICO® Auto Score 8
FICO® Auto Score 2	FICO® Auto Score 5	FICO® Auto Score 4
Versions used in credit card decisioning		
FICO® Bankcard Score 8	FICO® Bankcard Score 8	FICO® Bankcard Score 8
FICO® Score 3		
FICO® Bankcard Score 2	FICO® Bankcard Score 5	FICO® Bankcard Score 4
Versions used in mortgage lending		
FICO® Score 2	FICO® Score 5	FICO® Score 4

FICO® Score 9 is the newest FICO® Score version

FICO recently released FICO® Score 9—the most predictive FICO® Score yet. It's the result of over 25 years of developing FICO® Scores, and it's designed to make lending even faster and fairer for consumers like you. Many lenders have already started using FICO® Score 9, and many are in the process of upgrading to it.

Experian	Equifax	TransUnion
Newly released version		
FICO® Score 9	FICO® Score 9	FICO® Score 9
FICO® Auto Score 9	FICO® Auto Score 9	FICO® Auto Score 9
FICO® Bankcard Score 9	FICO® Bankcard Score 9	FICO® Bankcard Score 9

Here's what's new with FICO® Score 9.



FICO® Score 9 doesn't consider paid third-party collections. If you've paid off a third-party collection—no matter how large or small the amount—it won't have a negative impact on your FICO® Score 9.



FICO® Score 9 treats unpaid medical collections differently than other types of unpaid collections. If you have unpaid medical collections on your credit reports, it'll have less of a negative impact on your FICO® Score 9.



Rental history, when it's reported, factors into FICO® Score 9. By taking a more comprehensive view of your credit history, FICO® Score 9 evaluates your creditworthiness even more fairly.

Part Two

How your FICO® Scores are calculated

724

Equifax



705

Experian



712

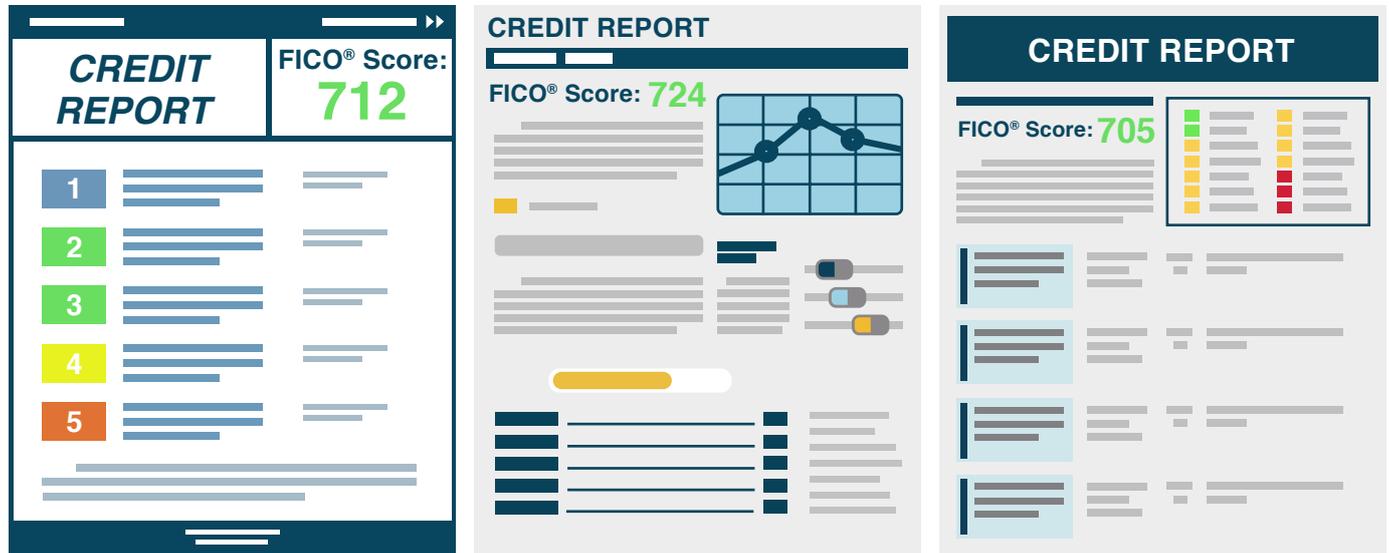
TransUnion



Your FICO® Scores are calculated from the credit data on your credit reports.

There are three major U.S. credit bureaus: Experian, TransUnion and Equifax. The credit bureaus maintain records of your credit data (and other identifying information about you, such as your name, date of birth, where you live, etc.). These are your credit reports.

When you get a new loan or credit card, make or miss a payment, etc., your lenders often report this information to the credit bureaus. Since it's up to your lenders what information they report to the credit bureaus, and which credit bureaus they report to, it's not uncommon for your credit reports to be slightly different at each bureau. And since your FICO® Scores are calculated from the credit data on your credit reports, it's also common for your FICO® Scores at each credit bureau to be slightly different.



“It’s also common for your FICO® Scores at each credit bureau to be slightly different.”

All credit reports contain basically the same categories of information.

Personal Information **A**

Your name, address, Social Security number, date of birth and employment information. FICO® Scores don't consider this type of information.

Accounts **B**

Your credit accounts, organized by account type (bankcard, auto loan, mortgage, etc.), date opened, credit limit or loan amount, account balance and payment history.

Inquiries **C**

Requests for your credit report within the last two years (FICO® Scores only consider inquiries from the past year). There are two types of inquiries—"hard" inquiries and "soft" inquiries—and FICO® Scores only consider hard inquiries.

A hard inquiry occurs when a lender or other third party checks your credit report or score when you apply for credit with them. Hard inquiries are considered by FICO® Scores, but their impact is usually relatively small.

A soft inquiry typically occurs when your credit reports and scores are pulled without you applying for credit (like when a credit card issuer sends you a pre-approved credit card offer), or when you pull your own credit reports or FICO® Scores. Soft inquiries don't affect your FICO® Scores.

Negative Items **D**

Delinquency information from missed payments that have been reported by lenders. Also includes information on overdue debt from collections agencies, and public record information (bankruptcies, foreclosures, tax liens, etc.) from federal, state and county courts.

CREDIT REPORT

FICO® Score: **705**

A

Name: John Smith

Date of Birth: May 1, 1985

SSN: xxx-xx-xxxx

Current Address: 6100 5th Ave
Dayton, OH 45439



B

Account Type	Company	Account No.	Balance	Neg.
Installment	Ford Cred	BFM915X	\$23,000	No
Revolving	Citicorp	4271888888	\$325	No

C

Date	Company requesting your credit reports and scores
MM/DD/YYYY	Main Street Bank
MM/DD/YYYY	XKK Cellular Phone Service

D

Account Type	Company	Status	Historical Delinquencies
Revolving	Citicorp	Current	1 – 30 days past due (36 months ago)

As the information on your credit reports changes, so do your FICO® Scores.

FICO® Scores are calculated each time they are requested, and they change as your credit report data is updated with new information. So as your credit history evolves and lenders report your credit activity to the bureaus, the information on your credit reports will change. And your FICO® Scores—each time they’re requested—will reflect those changes.

Check out the graphic below for a summary of how it all works.

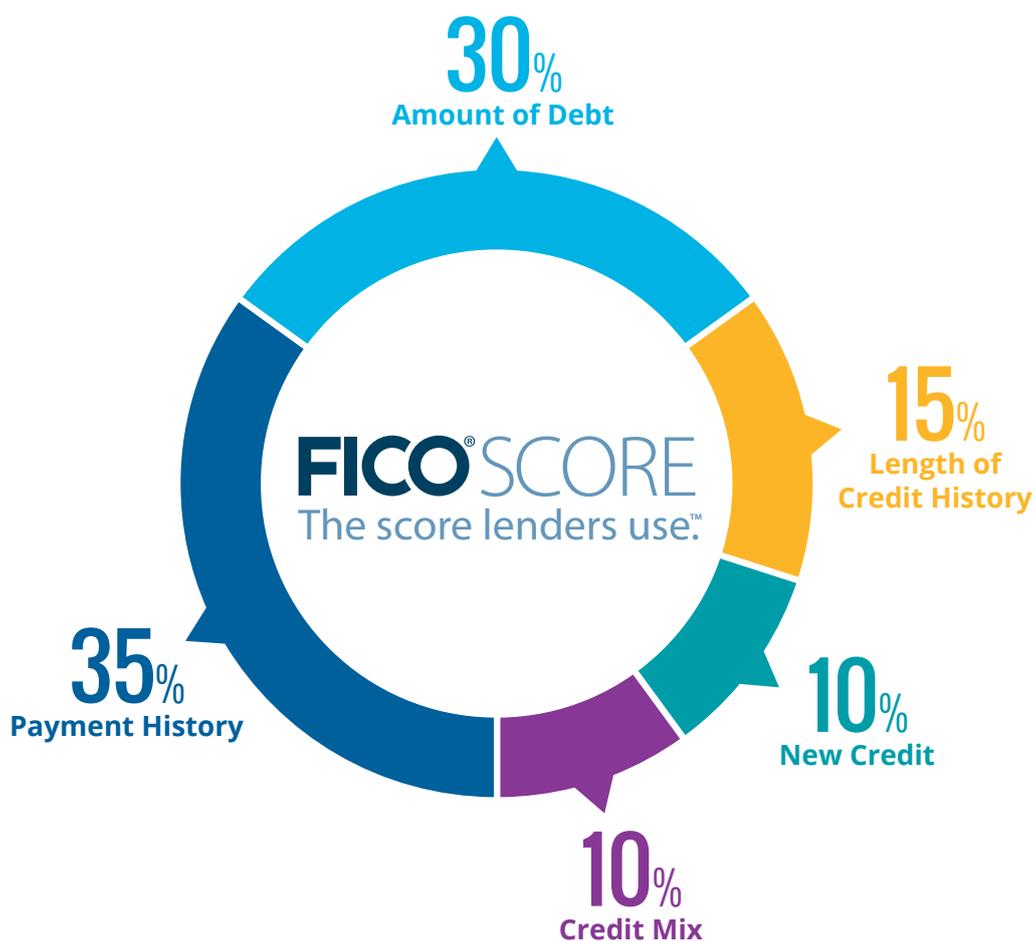
 YOU	 LENDERS	 CREDIT BUREAUS	 FICO®
<ul style="list-style-type: none"> • Apply to lenders for new credit and loans • Pay your bills on time; avoid bankruptcy, tax liens and collections • Utilize your available credit • Access your own FICO® Scores and credit reports 	<ul style="list-style-type: none"> • Grant new credit and loans to you • Report your credit activity and payment history to the credit bureaus • Access your credit reports and FICO® Scores from the credit bureaus to evaluate your credit risk • Provide consumers like you free access to the same FICO® Scores they use in lending decisions, through the FICO® Score Open Access program 	<ul style="list-style-type: none"> • Create and update your credit report with public record and lender-provided information • Generate FICO® Scores based on data from your credit reports • Make your credit reports and FICO® Scores available to lenders 	<ul style="list-style-type: none"> • Creates FICO® Score algorithms—used to generate FICO® Scores—and provides them to the credit bureaus • Educates and consults with lenders, regulators, consumers and other entities regarding FICO® Scores • Enables consumers like you to access your FICO® Scores through myFICO.com, FICO® Score Open Access and other authorized distributors

There are 5 key ingredients that your FICO® Scores consider.

FICO® Scores are calculated from many different pieces of credit data on your credit reports, but there are 5 main categories of information they consider.

- **Payment History**
- **Amount of Debt**
- **Length of Credit History**
- **New Credit**
- **Credit Mix**

The chart below shows the relative importance of each category.



Keep in mind that the importance of any one ingredient depends on the information on your entire credit report. Credit Mix, for instance, only makes up 10% of a FICO® Score, but it'll be a more important FICO® Score factor if there isn't a lot of other information on your credit report.

Payment History—35% of a FICO® Score.

How you've paid your bills in the past—whether you've paid on time or late, or missed payments—is a very important FICO® Score factor. The more severe, recent and frequent the late payment information, the greater the impact on a FICO® Score.



FICO® Scores consider payment history from:

Different types of accounts

- Credit cards (e.g., Visa, MasterCard, American Express, and Discover)
- Retail accounts (e.g., store credit cards)
- Installment loans (e.g., a car loan)
- Finance company accounts
- Mortgage loans

Public record and collection items

- Bankruptcies
- Foreclosures
- Suits
- Wage attachments
- Liens and judgments

Details on late or missed payments

- How late were they?
- How recently did they occur?
- How many are there?
- How much was owed?

FICO® High Achievers share some common characteristics. Here are a few related to Payment History:

- About 96% have no missed payments at all
- Only about 1% have a collection listed on their credit report
- Virtually none have a public record listed on their credit report

Amount of Debt—30% of a FICO® Score.

The amount of credit you're using and how much debt you owe are important FICO® Score factors. The total balance owed, how many accounts have balances and how much of your available credit you're using are some of the specific factors FICO® Scores consider.



FICO® Scores consider:

Total amount owed across all accounts

Generally, your total balance on your last credit statement shows up in your credit report.

Amount owed on specific types of accounts

Such as a revolving or installment account. This is in addition to your overall amount owed.

The number of accounts with a balance

Too many accounts with a balance could indicate a higher risk of over-extension.

Credit utilization ratio on revolving accounts

Credit utilization—how much of your available credit you're using—is an important factor. If you're close to maxing out your accounts, you might have trouble making payments in the future.

Remaining amount owed on installment loans

If you borrowed \$10,000 to buy a car and you've paid back \$2,000, you still owe 80% of the original loan. Paying down installment loans indicates that you're able to manage and repay debt.

FICO® High Achiever characteristics related to Amount of Debt:

- Average revolving credit utilization ratio is less than 6%
- Have an average of 3 accounts carrying a balance
- Most owe less than \$3,000 on revolving accounts (e.g., credit cards)

Length of Credit History—15% of a FICO® Score.

FICO® Scores take into account how long your credit accounts have been established, including the age of your oldest account, the average age of all your accounts and the age of specific types of accounts.



FICO® Scores consider:

The age of your oldest account

Your average account age

The age of specific types of accounts (credit cards, auto loans, etc.)

FICO® High Achiever characteristics related to Length of Credit History:

- Most have an average age of accounts of 11 or more years
- Age of oldest account is 25 years, on average

New Credit—10% of a FICO® Score.

FICO® Scores take into account several factors when considering your amount of new credit, including how many new accounts you've recently opened and whether you've been rate shopping for a single loan or applying for multiple new credit lines. Opening several new credit accounts in a short period of time indicates greater credit risk.



FICO® Scores consider:

The number of new accounts

How many of your accounts are new accounts, and what types of accounts are they?

How long it's been since you opened a new account

How many recent requests for credit you've made

Credit requests will prompt inquiries, which remain on your credit report for two years. FICO® Scores, however, only consider inquiries from the past 12 months.

Whether or not you're rate shopping for a single loan

FICO® Scores consider inquiries triggered by loan applications that commonly involve rate shopping—such as a mortgage, car loan or student loan—as a single inquiry, if they all fall under a typical shopping period (a 14-day span for older FICO® Score versions, and a 45-day span for newer versions).

FICO® High Achiever characteristics related to New Credit:

- Opened most recent account an average of 2 years and 5 months ago
- Less than 35% applied for new credit once or more in the past year

Credit Mix—10% of a FICO® Score.

FICO® Scores consider the different types of credit accounts being used or reported, including credit cards, retail accounts, installment loans and mortgage loans. Credit mix will be more important if your credit report doesn't have a lot of other information to base a FICO® Score on.



Different kinds of credit accounts

Your FICO® Scores will consider your overall credit picture when determining the impact of Credit Mix on your scores.

Part Three

Why your FICO® Scores matter



Mortgage



Credit Card

FICO® SCORE

Auto Loan



Student Loan



Every day, thousands of lenders use FICO® Scores to help them make lending decisions.

Your FICO® Scores are a vital part of your financial health. When you apply for credit—whether it’s a credit card, a car loan, a personal loan or a mortgage—lenders want to know your credit risk to help them make a good decision. Your FICO® Scores may influence whether or not you’re approved for credit, but they can also impact the terms and rates of the credit you are approved for.

Simply put, FICO® Scores help consumers like you obtain credit more quickly and fairly.

10 Billion

FICO® Scores are purchased every year

27 Million

FICO® Scores are purchased every day

FICO® Scores have been an industry standard for over **25 years**

You don't necessarily need high FICO® Scores to get approved for credit.

FICO® Scores allow lenders to more accurately evaluate potential borrowers' credit risk. This means that instead of being limited to strictly yes/no credit decisions, lenders can offer different rates to different borrowers. Even if you're a high-risk borrower with low FICO® Scores, lenders can decide to extend you credit you're more likely to be able to manage, at a higher interest rate.

“Instead of being limited to strictly yes/no credit decisions, lenders can offer different rates to different borrowers”

Here are some other ways FICO® Scores can help you.

They can help you get credit and loans faster. Because FICO® Scores provide a fast, objective measure of your credit risk, they allow lenders to speed up credit and loan approvals. This means when you apply for credit, you'll get an answer faster.

They make credit decisions fairer. FICO® Scores help remove personal opinion and bias from the credit process. When a lender sees your FICO® Scores, they are getting a scientific and objective evaluation of your credit history. FICO® Scores don't consider your gender, race, religion, nationality or marital status.

They let you put past credit problems behind you. FICO® Scores take into account recent payment patterns, so it's never too late to reestablish healthy credit management habits.

But higher FICO® Scores can help save you money.

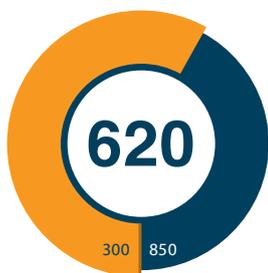
Higher FICO® Scores can help you qualify for better interest rates—generally, the higher your scores, the lower your interest rate and payments. The difference between a 620 FICO® Score and a 760 FICO® Score, for example, can be tens of thousands of dollars over the life of a loan.

Say two different people—one with a 620 FICO® Score, the other with a 760 FICO® Score—are borrowing \$280,000 on a 30-year fixed-rate mortgage. Here's how their payments would break down.

30-year fixed-rate mortgage

\$280,000 loan principal

620 FICO® Score



760 FICO® Score



5.08% APR

3.49% APR

\$1,517 monthly payment

\$1,256 monthly payment

\$266,055 total interest paid

\$172,131 total interest paid

In this scenario, with a 760 FICO® Score you'd pay \$261 less every month and save \$93,960 over the life of the loan.

You don't need a large income to have high FICO® Scores.

While your FICO® Scores consider a wide range of information on your credit reports, they don't consider your income, age, education, employment history, gender, zip code, marital status or race. Any information not found on your credit reports, or any information not proven to be predictive of future credit performance, is also not considered by your FICO® Scores.

Here are some other FICO® Score myths—debunked.

"All credit scores are the same."

Not all credit scores are FICO® Scores. Because FICO® Scores are the most widely used credit scores—used in over 90% of lending decisions—they give you a more accurate look at how lenders will evaluate your credit risk when you apply for credit or a loan.

"A poor FICO® Score will stay low forever."

FICO® Scores are based on a snapshot of credit behavior. As your credit behavior changes, so will your FICO® Scores. Healthy credit behaviors will cause FICO® Scores to improve over time.

"Checking my own FICO® Scores will lower them."

Checking your own FICO® Scores is considered a soft inquiry, which never affects your FICO® Scores.

"My FICO® Scores aren't important."

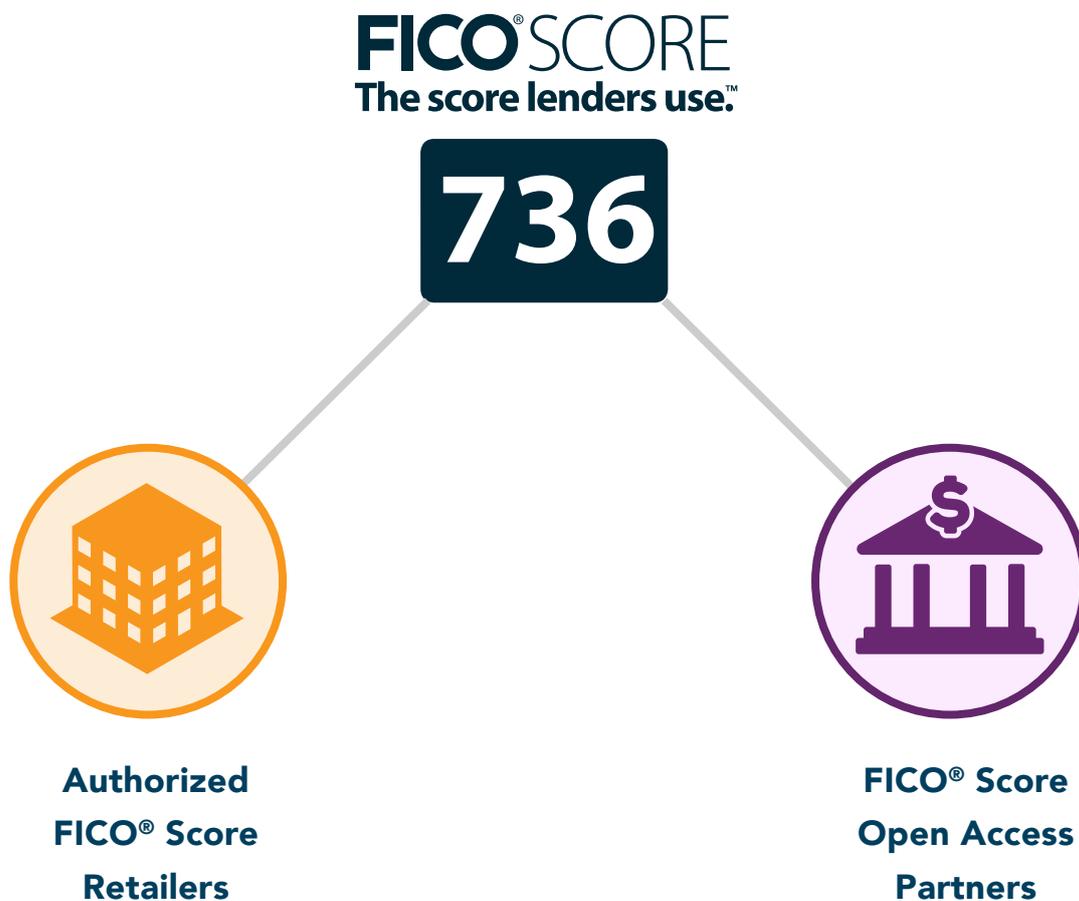
Your FICO® Scores affect the credit that's available to you—they can influence how much credit and what terms (interest rate, etc.) lenders will offer you. Higher FICO® Scores can save you thousands on a car loan or mortgage and give you access to the best credit cards, higher credit limits and more.

Getting access to your FICO® Scores is easy.

Because FICO® Scores are the most widely used credit scores, viewing your FICO® Scores gives you a more accurate look at how lenders will evaluate your credit risk when you apply for a loan or credit.

FICO makes it easy to access your own scores. You can view your FICO® Scores on myFICO.com, from an authorized FICO® Score Retailer or through a lender participating in the FICO® Score Open Access program.

To learn more about FICO® Scores and how they are an important part of your financial health, and to find out how you can access your FICO® Scores, visit FICOScore.com.



FICO[®] SCORE
The score lenders use.[™]



850



FICO[™]

myFICO.com | FICOScore.com

*my***FICO**[™]