

1-2-3 Banking

Strong beginnings to a healthy financial future

Your Credit Score and the role it plays

Do you know your credit score? Do you know what your credit score means? What makes up a credit score?

There are over 600 risk factors that are included when calculating a credit score. These risk factors fall into five main categories: payment history, which makes up about 35% of your credit score; how much you owe, which makes up 30% of your score; how long you've had credit, which makes up 15% of your score; last application for credit which makes up 10% of your score; and types of credit, which makes up 10% of your credit score.

You may be wondering how your score rates among the rest of the nation. The average credit score in the United States is currently at an all-time high of 695. Though different scoring models exist, which cause this figure to fluctuate by a few points, most fall between 660 to 720. Listed below are credit score ranges:

CREDIT SCORE RANGES

EXCELLENT 750+

ABOVE AVERAGE 720-749

AVERAGE 660-719

BELOW AVERAGE 620-659

SUBPAR BELOW 620

Credit scores impact more than just getting a loan at your local bank. Credit scores are used as tools for businesses to determine the likelihood of you paying your debt back to them. Credit scores are taken into consideration when getting insurance, entering into contracts with cell phone companies and utility companies, and even when applying for jobs. Your credit score can influence the interest rate you will pay on your next loan, your insurance premiums, and the amount of your next utility deposit. Credit scores are being utilized in a variety of ways making it more important that you check your credit report on a regular basis.

Good news! You are entitled to a free credit report annually from each of the three credit reporting agencies: Experian, Equifax and Trans Union. It is recommended that you check your credit report annually. Checking your credit report can help detect fraud and ensure accurate information is being reported. Your free credit report can be obtained from www.annualcreditreport.com.

Building good credit is one of the most important things you can do for yourself financially. Remember you can contact us anytime you have questions or want more information. Enjoy the journey!