

Justine PETERSEN  
Building Assets. Changing Lives

*Understanding Credit Scores*

*Justine PETERSEN*

*Credit Building Training*

justine PETERSEN  
BUILDING ASSETS. CHANGING LIVES.

## Know the Score

There are 1000's of credit scores!!!

Why: Lenders use different scores designed to measure risk for different types of lending -- including mortgage, auto, and personal finance loans.

# Know the Score

## Non lenders may use a credit scores calculated for other purposes

- **Insurance companies** may use credit scores not only to predict the likelihood of payment, but also to assess a consumer's risk of being in an accident and/or filing a complaint;
- **Hospitals** may use scores to assess capacity to pay medical expenses and debt;
- **Telecoms companies** may review scores to determine whether or not to require a consumer to make a down payment in order to establish an account;
- **Landlords** may use scores to determine whether or not a consumer qualifies for rental housing; and
- **Banks** may use scores to determine an applicant's eligibility for a checking or savings account.

# Types of Scores

- The 2 main types of scores are:
  1. Fair Isaac Company (FICO)
    - Ranges from 300-850
  2. VantageScore: 2 models
    - Vantage 2.0 = 501-990
    - Vantage 3.0 = 300-850

# Know the Score

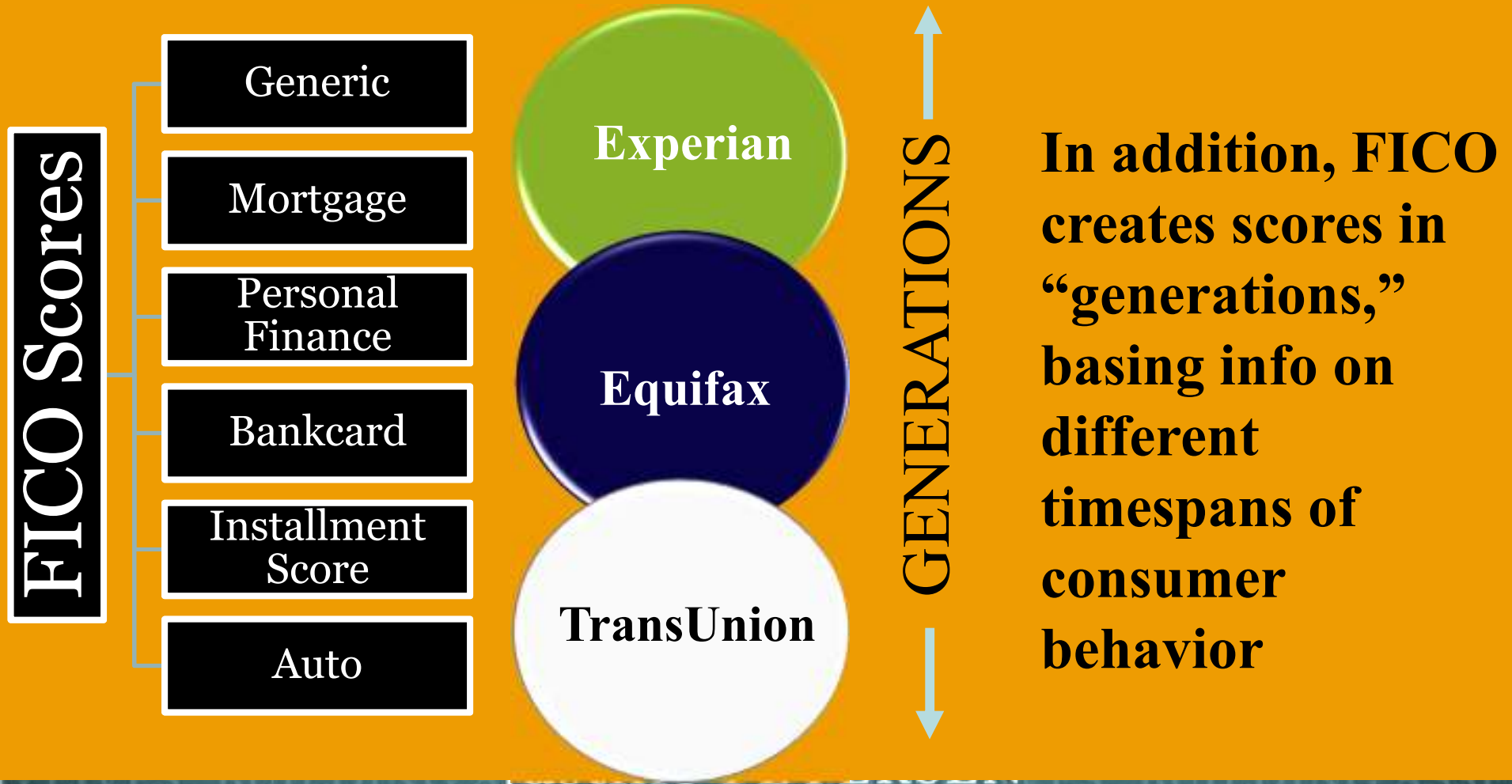
## FICO Score

- Even within the FICO score there are different scores.
  - This includes a generic, mortgage, personal finance, bankcard, installment, and auto scoring model.
  - Your FICO scores can be different if you apply for a mortgage vs an auto loan even within the same credit bureau.
- Each credit bureau has uses a different model as well (FICO Risk Score (v4) vs Beacon vs FICO Risk Score, Classic)

**This means = OVER 50 different types of FICO Credit Scores**

# Know the Score

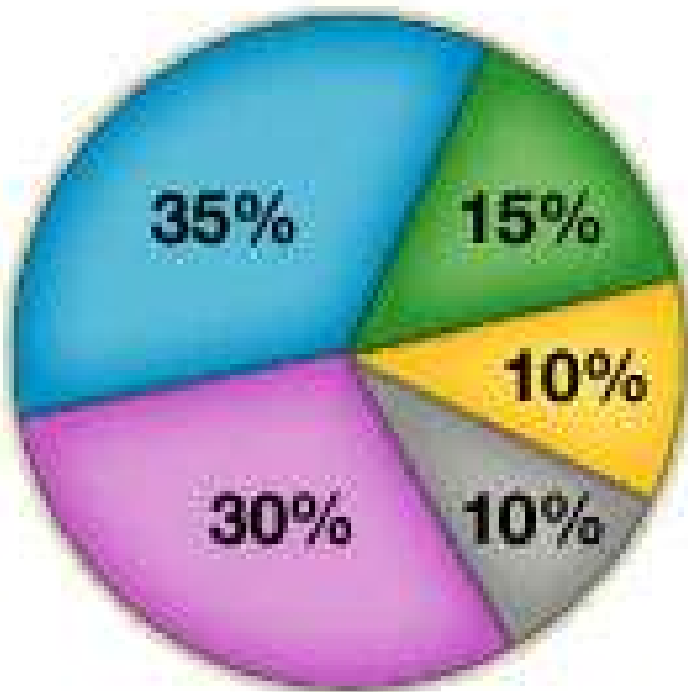
## FICO Score








**In addition, FICO creates scores in “generations,” basing info on different timespans of consumer behavior**

# Know the Score

## What's in your FICO® scores?



-  Payment history
-  Amounts owed
-  Length of credit history
-  New credit
-  Types of credit used

justine PETERSEN  
BUILDING ASSETS. CHANGING LIVES.

# Know the Score

- 35% Payment History: most important part is your payment history on active lines of credit. But this would also include collections, public records, etc...
- 30% Amount owed: Most important when credit building is keeping the balance on credit cards under 30% of the credit limit.
- 15%: Length of credit history
- 10%: New Credit
- 10%: Types of credit used



# Know the Score

<b>Current FICO score</b>	<b>680</b>		<b>780</b>	
<b>Score after one of these is added to credit report:</b>		<b>Score Drop</b>		<b>Score Drop</b>
<b>Maxing out a credit card</b>	650-670	10-30	735-755	25-45
<b>A 30-day delinquency</b>	600-620	60-100	670-690	90-110
<b>Settling a credit card debt</b>	615-635	45-65	655-675	105-125
<b>Foreclosure</b>	575-595	85-105	620-640	140-160
<b>Bankruptcy</b>	530-550	130-150	540-560	220-240


  
**justine PETERSEN**  
 BUILDING ASSETS. CHANGING LIVES.

# Know the Score Vantage Score

## Who uses VantageScore?



Financial institutions



Credit card issuers



Auto lenders



Mortgage lenders

### ...Creditors



### Consumers...

Annualcreditreport.com,  
Credit Sesame, Freecreditreport.com, Credit Karma, etc.

justine PETERSEN  
BUILDING ASSETS. CHANGING LIVES.

# Know the Score

## Vantage Score

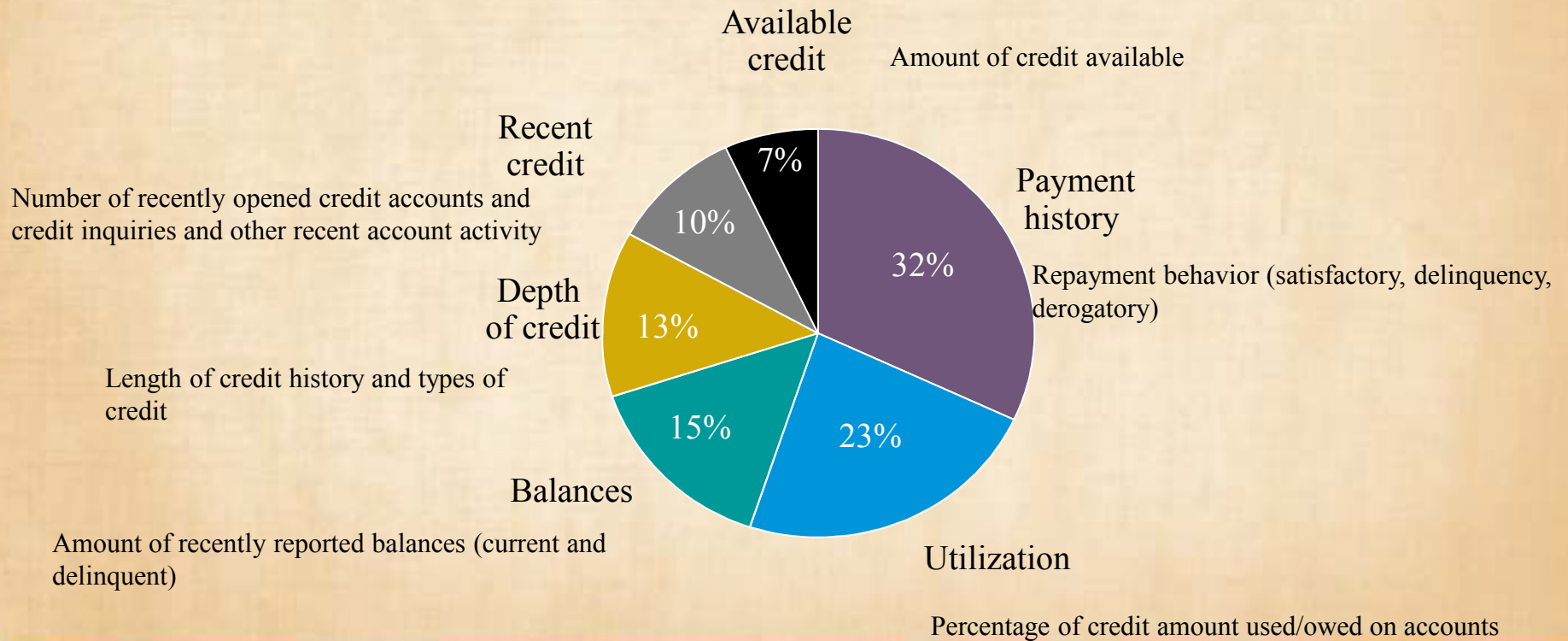
While many lenders are “using the VantageScore” many are not using it for **underwriting** purposes .

FICO is still the king when it comes to the scoring model used for credit approvals.

# Know the Score

## Vantage Score

### VantageScore: 501 – 990 (A-F)



# Know the Score

## Vantage Score

Grade	Vantage Score 2.0	Vantage Score 3.0	Meaning...
A	901-990	817-850	Super Prime; Best rates and terms
B	801-900	727-817	Prime Plus; Good rates and terms
C	701-800	636-726	Prime; Reasonable rates and terms
D	601-700	546-635	Non-Prime; Less favorable rates and terms
F	501-600	300-545	High Risk; usually no credit offers

# For more information on Credit Scores

- FICO's website:  
<http://www.myfico.com/>
- Vantage Score website:  
<http://your.vantagescore.com/>