Your Credit Score Helps Determine What You'll Pay For Credit And Insurance

(NAPS)—Ever wonder how a lender decides whether to grant you credit? Creditors use credit scoring systems to determine if you'd be a good risk for credit cards, auto loans, mortgages and insurance. A higher credit score means you are likely to be a good risk, which, in turn, means you will be more likely to get credit or insurance—or pay less for it.

The Federal Trade Commission (FTC), the nation's consumer protection agency, wants you to know how credit scoring works.

What Is Credit Scoring?

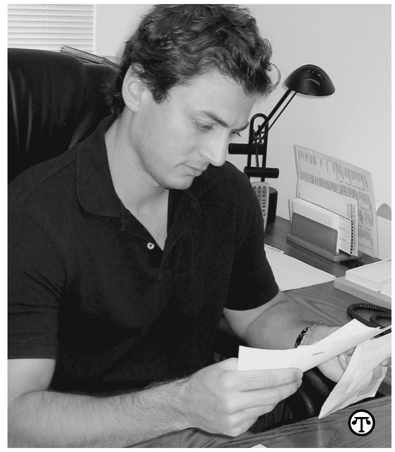
Credit scoring is a system creditors use to help determine whether to give you credit. It also may be used to help decide the terms you are offered or the rate you will pay for the loan.

Information about you and your credit experiences, like your bill-paying history, the number and type of accounts you have, whether you pay your bills by the date they're due, collection actions, outstanding debt and the age of your accounts, is collected from your credit report. Using a statistical program, creditors compare this information to the loan repayment history of consumers with similar profiles.

What Can You Do To Improve Your Score?

Credit scoring systems are complex and vary among creditors or insurance companies and for different types of credit or insurance. If one factor changes, your score may change; but improvement generally depends on how that factor relates to others the system considers.

Nevertheless, scoring models usually consider the following types of information in your credit report to compute your credit score:



Properly designed, credit scoring systems enable faster, more accurate and more impartial decisions.

- Have you paid your bills on time? You can count on payment history to be a significant factor.
- Are you maxed out? Many scoring systems evaluate the amount of debt you have compared to your credit limits.
- How long have you had credit? Generally, scoring systems consider the length of your credit track record.
- Have you applied for new credit lately? Many scoring systems consider whether you have applied for credit recently by looking at "inquiries" on your credit report. Applying for too many new accounts in the recent past could have a negative effect on your score.
- How many credit accounts do you have and what kinds of accounts are they? Although it is generally considered a plus to have established credit accounts, too many credit card accounts may have a negative effect on your score.

To learn more, visit www.ftc.gov or call toll free (877) FTC-HELP.

Did You Know

Creditors use credit scoring systems to determine if you'd be a good risk for credit cards, auto loans, mortgages and insurance. A higher credit score means you are likely less of a risk. To learn more, visit www.ftc.gov.

Creditors use credit scoring systems to determine if you'd be a good risk for credit cards, auto loans, mortgages and insurance. /// Your Credit Score Helps Determine What You'll Pay For Credit And Insurance