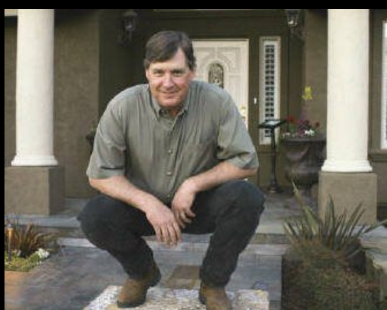
scottabell
SUCCESS THROUGH EFFORT

Among his peers and clients, Scott Abell has become known as the problem solver, a mentor. His ability to envision solid, innovative solutions, combined with an intense inner drive to make success happen is a powerful combination you need when it's time to make your move.



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Credit Scores

What are credit scores, and how are they determined?

A credit score is simply a number based on information in your credit history. It is meant to show the likelihood that a borrower will default on a loan. Most common in the United States is the FICO credit score. FICO is the acronym for the company that developed the credit score model, Fair Isaac Corporation. The exact formula for calculating a credit score is secret. However, here are the factors considered and the approximate weighting of each:

> **Payment History (35%)** - Late payments will reduce your score.
> **How much you owe overall and in relation to your credit limits (30%)** - Being nearly "maxed out" will lower your score.
> **Length of credit history (15%)** - Longer is better.
> **Recent credit checks (10%)** - when a lender checks your credit history, your credit score may drop slightly. shopping for a better interest rate from several firms in a short period is not supposed to lower your credit score.
> **Other Factors (10%)** - For example, a mix of credit (credit cards, mortgage & auto loans, personal lines of credit) can increase your credit score slightly.

To maximize your credit score, focus on the first two items. Make sure you pay your bills on time and consider *not* canceling a bank or high credit limit credit card even if you do not plan to use it.

Fair Isaac does not calculate anyone's credit score. They simply sell their algorithm to credit bureaus, those firms that collect credit information. There are three primary credit bureaus: Equifax, Experian and TransUnion. The information obtained by these three bureaus is not identical, therefore the FICO credit score provided by each will differ slightly.

FICO scores range from 300 to 850, but are not evenly distributed throughout the range. Early in 2009, as the nation's recession took hold and prior to the run of foreclosures, the median credit score was about 725. This means that about half of all people had a credit score greater than 725, while half had a credit score below 725. A higher score is better. Each credit granting institution must decide if an applicant's credit score is acceptable.

All three credit bureaus sell personal credit information to credit card companies and others. Credit card companies often send letters of "pre-approved" credit, based on credit information they have obtained about you. These solicitations can be dramatically reduced by indicating you do not want your credit information sold to credit card companies. You can do this by calling 1-888-OPT-OUT (1-888-567-8688). To find out more in depth information about credit scores go to www.myfico.com.

Why does it matter?

Banks, and others who grant credit, usually consider more than just your credit score. For example, they may also consider your current income and the stability of your employment. A low score may prevent you form getting credit; or if you are given a loan, it will most likely be at a higher interest rate. A higher interest rate on a home mortgage, auto loan or credit card can make a big difference in your monthly payment.
Your credit score affects more than just interest rates. How much you pay for auto and homeowners' insurance will likely be influenced by your credit score. The lower your score, the more you may pay for insurance, and vice versa. Why? Insurance companies have found that those with lower scores tend to have more claims, and they base their rates accordingly.