



## About Credit Scores

A credit score is a three-digit number that's a shorthand way to express the raw data in your credit report.

Your credit score can affect your ability to get loans, including car loans and home mortgages. Future jobs and insurance premiums can also be impacted by your credit score.

The three major credit bureaus in the United States, Experian, Equifax, and TransUnion, each calculate consumer credit scores. They provide the scores to consumers for small fee, usually ranging from five to seven dollars. Because their calculation models differ somewhat, a consumer's score may vary depending on which bureau does the calculation. One common method used to calculate credit scores is called FICO, which is an abbreviation for the company that developed the model: Fair Isaac and Company.

When you apply for credit, most lenders run, or "pull," your credit report, and may obtain a credit bureau score. Scoring systems were designed to help lenders speed up their loan review process and accurately determine their risk in lending to you. Scoring systems have been used since the 1950s by retail merchants, credit card companies, insurance companies, and banks for consumer lending. For the past several years, credit scoring has also been used by mortgage lenders.

Lenders use the results of the credit bureau score to determine specific reasons for approving or not approving your loan. The scoring process only considers the information in your credit file; it does not consider your income, savings, or the amount of your down payment for a mortgage. When your credit report prints in your lender's office, your credit bureau score is displayed. Your score can be anywhere between the high 300 and the mid-800's. Research studies by lenders have shown that borrowers with scores above 680 are more likely to make their payments on time. Borrowers with scores below 600 are more likely to be higher risk.

Points are awarded or deducted based on factors such as how long you have had credit cards, whether you make your payments on time, and if your credit balances are near maximum. Some of the things that affect your credit score are:

- Delinquencies (failure to make loan payments on time)
- Too many accounts opened within the last 12 months
- Short credit history
- Balances on revolving credit near the maximum limits
- Information about you in public records, such as tax liens, judgments, or bankruptcies
- No recent credit card balances
- Too many recent credit inquiries
- Too few revolving accounts
- Too many revolving accounts

## About Credit Scores (continued)

**For a higher credit score:**

- Pay your bills on time
- Keep credit balances low
- Apply for and open new accounts only as needed

Since length of credit history is a factor in your score, if you're closing credit card accounts, keep the card you've had the longest. If you have a credit card you're not using, check your account occasionally to make sure there is no fraudulent activity. Use your card at least once every six months or so. Otherwise, it will be listed on your report as inactive and won't be factored into your credit score.

We invite you to contact Wells Fargo for further information and assistance. Visit our Web site at [wellsfargo.com](http://wellsfargo.com) or any Wells Fargo store