Understanding What We Use to Evaluate Your Loan Request: Your FICO® Score

When you apply for credit – whether for a credit card, a car loan, or a mortgage – lenders want to know what risk they'd take by loaning money to you. FICO® scores are the credit scores most lenders, including the Loyola Credit Union, use to determine your credit risk. Here is a brief overview to help you understand what makes up the score.

What makes up the score?

- 35% = based on payment history (i.e. on- time pays or delinquencies)
  - more weight on current pay history
- 30% = capacity (capacity is King)
- 15% = length of credit
- 10% = accumulation of debit in the last 12-18 months
  - number of inquires
  - opening dates of each account
- 10% = mix of credit
  - installment (raises) vs. revolving (lowers)
  - number of finance company loans the more, the lower the score

What actions will hurt the score?

- Missing payments **(regardless of $ amounts…It will take 24 months to restore credit with one late pay)**
- Credit Cards at capacity (i.e. maxing out credit cards)
- Closing credit cards out (this lowers available capacity)
- Shopping for credit excessively
- Opening up numerous trades in a short period
- Having more revolving loans in relation to installment loans
- Borrowing from finance companies

What doesn't affect the score?

- Debit ratio
- Income
- Length of residence
- Length of employment

Approximate Credit Weight for each year

- 40% = current to 12 months
- 30% = 13-24- months
- 20% = 25-36- months
- 10% = 37+ months

How can you improve your score?

- Pay down on credit cards-highest interest rates first
- Do not close credit cards because capacity will decrease
- Continue to make payments on time (older late pays will come less significant with time)
- Slow down on opening new accounts
- Acquire a solid credit history with years of experience
- Moving revolving debit to installment debit