Credit Score FAQ

What is a credit score?
A credit score is a sum used by lenders as an indicator of how likely you are to repay your loans. Your credit score is generated by a mathematical formula utilizing the data from your credit profile. Lenders have been using credit scores as part of the lending decision for over than 20 years.

What factors influence my credit score?
Various factors determine your credit score, including the following:
Payment History
Outstanding debt
Length of credit history
Severity and frequency of derogatory credit information such as bankruptcies, charge-offs, and collections
The amount of credit used compared to the credit available

How does my credit score affect me?
Your credit score is an important indicator of your financial health. Lenders use your credit score to determine: Whether or not you are a good candidate for a loan. What type of interest rate you will pay.

While your credit score is a key determinant of your creditworthiness, lenders also examine the information on your credit report and your loan application. Regularly checking your credit profile enables you to:
Be informed of the most up-to-date information in your credit history
Correct any inaccuracies, to make sure that your credit data is a true depiction of your credit record and increasing your chances of receiving credit under the best possible terms

What is a "good" credit score?
There are several types of credit scores available. Typically, the higher the score, the better. Each lender decides what credit score range it considers to be a good credit risk or a poor credit risk. For this reason, the lender is the best source to explain what your credit score means in relation to the final credit decision. After all, they determine the criteria used to extend credit. The credit score is only one component of information evaluated by lenders.

What is credit scoring?
Credit scoring is a method used by lenders to help decide whether or not you are a good candidate for a loan.

Lenders employ a credit scoring system to determine your credit score. This system will:
Compare information in your credit report to the performance of consumers who have similar credit characteristics. Examine many credit characteristics including your payment history, the number and kind of accounts you have, the number and frequency of late payments, and any collections or bankruptcies.

Generally speaking, positive credit characteristics make your score higher and help you to qualify for better loans. Negative characteristics make your score lower and may interfere with your ability to qualify for the best loan terms.

How is a credit scoring model developed?
A lender creates a credit scoring model by using several criteria:
Selecting a large sampling of customers. Analyzing the data in their credit reports to determine which factors relate to creditworthiness. Assigning a degree of importance to each of the factors, based on how accurate a predictor it is in determining who will repay their loan on time.