Credit Score

Secrets Revealed

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This Complementary Special Report
was prepared by:

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The Secrets Behind Your Credit Scores

Your life is your credit. And your Credit Score is the key to everything. As important as credit scores are, almost nobody understands HOW the credit scoring system truly works.

You are about to learn the secrets to unlock the potential of your credit scores. Use this information along with legal credit repair to insure you have the excellent credit which is key to a financially healthy life.

The Different Credit Score Models…

There are hundreds of different credit scoring models. Most of the commonly used models come from a company named Fair Isaac.

This company does statistical calculations of risk and summarizes it in a numerical value, i.e. credit score. Basically, Fair Isaac creates scoring models which gauge a consumer's risk.

To be more specific, their calculations are designed to gauge a consumer's risk of going <u>90 days late on an account in the next 2 years.</u>

Fair Isaac then sells their scoring models to the credit bureaus Trans Union, Equifax, and Experian. They also sell hundreds of other specialized scoring models to other industries.
There are Mortgage Industry and Auto Industry Option scoring models, credit card models, banking industry models, global models, and hundreds more.

Many industries want their own specific models. This is why if you apply for a car loan or mortgage, they will always pull different credit scores than you will pull on your own.

For example, the Auto Industry Option scoring model rates 6 specific auto history accounts types heavier than all other accounts. These variables are known by Fair Isaac as"scorecards".
So if you have had repossession or a late payment on a car loan, this will have a much greater effect on the Auto Industry scoring option than it would on a Mortgage Industry score or a score you can pull for yourself.

Credit card models will rate credit card late payments heavier than other models will. Each industry specific model will be impacted more if accounts are paid late or defaulted on within that specific industry.

There are also general models like Classic FICO and FICO 08 which are the models you can go online and pull your own score for. The credit bureaus even have their own score named Vantage Score.

All together, hundreds of different scoring models are used. But, the underlying scoring calculations are the same just modified slightly for each industry.

The Credit Score Breakdown…

Payment History - 35%

Your payment history is the largest aspect of your credit score, as you might expect.
In total, your pay history accounts for **35% of your total score.**

This aspect of your total score calculation is based on your prior payment history with your creditors. Late payments, defaulted accounts, bankruptcies, and all other *NEGATIVE* information on your credit report have the greatest effect.

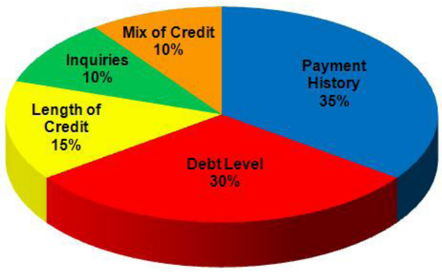
The more recent the late payment, the greater the damage is to your credit score. If you go late on your mortgage this month, the Mortgage Industry Option scoring model could drop your scores over 120 points.

That is with only 1 30 day late payment!

REMEMBER, the scoring model is based on your potential to go 90 days late on an account within the next 2 years. **ANY** recent late payments are a **BIG** reflection that you will default, and your credit score plummets as a result.

Your creditor cannot report you late unless you are 30 days late. **BUT**, they will claim they need 10 days to process your payment also. So don't think just because you mailed your payment on the 25th day that they will not report you late.

All together, your entire history of payment counts for 35% of your total scores. The more positive accounts you have and the less negative means a **MUCH** higher credit score.



Percentage of High - Credit Used - 30%

The second largest factor in your credit scores is the amount you owe in relation to your high credit limits.

If you are carrying high credit card balances, you can actually hurt your credit scores almost as much as paying the account late every month.

This aspect of your credit score has several different factors. The first factor is your relation of balances you owe on all of your accounts in relation to the high credit limits on those accounts.

Once again, this takes into consideration balances on **ALL** of your accounts combined. Your credit score also takes into account balances in relation to high credit limits on your individual accounts also.

For example, you will be scored higher if you owe 30% or less on your credit card accounts. This means if you have a high credit limit of $1,000 you will have a higher score if you maintain a balance of $300 or less. For revolving accounts such as credit cards, you want to keep the smallest balances while still keeping a balance. Don't pay the account to 0, and not use it. If you stop using the account, your credit score is not increasing.

Pay it as close to 1% as you can, but make sure you keep your balances below 30%.
Your scores will also be lower due to higher balances on installment loans, car loans, mortgages, and other non revolving accounts. This is why your credit scores will **ALWAYS** be immediately lower if you open any of these accounts new.

A new car loan for example, will lower your scores once it goes on your report. How much lower depends on your spread of other accounts.

As your loans and mortgages are paid down over time, your scores will steadily increase. This is why one of the **BEST** things you can do for your credit is open accounts, and pay them as agreed.

Don't pay those accounts to 0 too quick as you won't be getting credit for that account if you have no balance and no payments due.

Your score will be affected by now many open accounts have balances, how much of your total credit lines are being used, and how much of a balance you have on installment loans, like car loans.

You can directly improve your credit scores by maintaining lower balances on your accounts or spreading balances over several different accounts.

Length of Credit History - 15%

Your"time in the bureau"accounts for 15% of your credit score. The older you are, and the longer you have had credit accounts for, the higher the score.

This is why it is near impossible to get to an 800 score at a young age.

As you have more accounts throughout your life and your history grows over time, your scores will naturally increase due to this factor.

Being added as an authorized user to an account with a long pay history is another pay to increase your scores. **BUT**, be careful how you do this.

As our client we show you a little more about how to do this legally and for maximum credit score increase.

Accumulation of new debt - 10%

This aspect of your credit score is comprised of how much new debt you are applying for.

It takes into consideration how many accounts you currently have open, how long it has been since you opened a new account, and how many requests you have for new credit within a 12 month time period.

If you go out today and apply for credit, that creditor requests information from the credit bureaus. This counts as an inquiry on your report. If you have a lot of inquiries in a short period of time, your scores will be impacted.

If you apply for a mortgage today, your scores might drop 1 point. But, if you apply for a car, a mortgage, and a few credit cards this week, your scores could drop significantly.

The same applies if you have 12 car dealers pull your credit, **OR** if 1 dealer has 12 banks pull your credit. A lot of credit pulls in a short period of time will have a great impact on your scores.

Don't apply for too much new credit in a short period. And don't let a lot of different creditors pull your report while applying for big purchases.

Healthy mix of credit accounts - 10%

Your credit scores take into account the "mix" of credit items you have on your report.

This part of your credit score is affected by what kinds of accounts you have and how many of each.

The bureaus will score you higher if you have an open mortgage, 3 credit cards, 1 auto loan, and a small amount of other open accounts.

If you have a ton of credit cards, your scores will be lowered. If you have several mortgages, your scores will be lower. Any, "unhealthy" account mixes lower your scores.

The preferred number of credit cards is 3. This means you will actually have a higher credit score if you have 3 open credit cards than if you have more or less than 3 open.

BUT, don't run out and cancel your cards just yet. **REMEMBER**, 30% of your score is comprised of your balances in relation to your high credit limit. So keep your cards open, but focus on having 3 **LARGE** balance cards for maximum impact.

Maintain a healthy mix of accounts and this aspect of your credit score will be golden.

There is obviously a lot involved in the calculation of your credit scores. The underlying principal is the same.

If you have accounts that report to the credit bureaus and you pay those accounts on time, you will have a good score of 700 or higher.