

CREDIT SCORES AND CREDIT HISTORY

In order to calculate a credit score, a credit file must contain at least one account that has been open for six months or greater and at least one account that has been updated in the last six months.

Scores are based on five main categories of information.

- 1) Payment History** – Your payment history comprises 35% of your credit score. Your payment history takes into account the following: payments on revolving, installment, and open accounts, public record and collections items, details on delinquencies such as how late they were, how much was owed, how recently they occurred, and how many there are. Your credit history also takes into consideration how many accounts have always been paid on time.
- 2) Amounts Owed** – The amount that you owe or your current debt comprises 30% of your credit score and takes into consideration the total amount you owe on all of your credit accounts, the amount owed on specific types of accounts, how many of your accounts have balances, how many are revolving balances, how much of your debt is installment debt and what is the relationship to your original installment balances.
- 3) Length of Credit History** – Your length of credit history comprises 15% of your score. What is the age of your oldest account and the average age of all accounts. How long have your accounts been open? How long since there has been activity on certain accounts?
- 4) New Credit** – Your new credit comprises 10% of your score. How many new accounts do you have and what type of account are they? How long since you opened a new account? How many and how long ago since you made credit inquiries? This component takes into consideration whether you have recent good credit that followed past payment problems.
- 5) Types of Credit in Use** – Types of credit comprises 10% of your overall score. What kinds of accounts do you have in your file and how many of each type of account?

The importance of any factor depends on the overall information on file — the credit reporting agencies consider both positive and negative information. The timing of negative information is important. A recent 30-day delinquency can lower a score more than a charge-off two years ago.

A score is a snapshot of an individual's credit risk at a particular point in time.



www.sprucemortgage.com

346 Shelburne Road • Burlington, VT 05401
TEL 802.863.8816 • FAX 802.863.8817

550 Hinesburg Road • So. Burlington, VT 05403
TEL 802.846.7899 • FAX 802.846.7836