



OUTSMARTING DEBT

Your credit score, explained

Your credit score is one of the most common ratings used to determine your creditworthiness. Let's break down how it's typically calculated.

The highlights

- Having a good credit score can be a major benefit in life, especially when it comes to big financial events like buying a home or a car.
- There are several different credit scoring models and companies, but they often use similar factors to determine your score and creditworthiness, like your payment history.
- Certain factors, like your age or where you live, don't impact your credit score at all.

Think of your credit score like a passport for your financial life—it helps you make financial moves like buying a car or a home, or like [paying for college](#) with student loans. With a higher credit score, these big financial moves may come easier and cost you less because you'll be able to qualify for better loans with lower interest rates. A strong credit score can help give you [financial confidence](#)—and peace of mind of knowing that you're more likely to have access to financing options.

Your credit score is generally based on your credit habits and history. There are two main companies that review your credit history and provide a score to lenders for their consideration: FICO and VantageScore. FICO is used by 90% of lenders and is the one most people are familiar with ¹ VantageScore is primarily used by credit monitoring services. While both credit scoring models use slightly different factors to determine your score, they both try to predict the same thing: your creditworthiness.

Here are the factors that influence your credit score.

Whether you consider your FICO score or VantageScore as a measurement of your financial health, you should know what factors influence those numbers. For FICO, there are five main factors that impact your score.¹

1. **Payment history is 35%:** Making consistent, on-time payments is a critical factor in determining your creditworthiness and makes up 35% of your FICO score. A missed payment can stay on your credit report for seven years. Set up automatic payments or due date reminders to help you stay on track.
2. **Amounts owed is 30%:** The more you owe, the more it can affect your credit score. Reducing your outstanding debt is an important way to improve your score. Keep your credit utilization (the amount of available credit you're using) low by not overusing or maxing out your credit cards. A good rule of thumb is to keep your credit utilization ratio under 30%. This means if you have a credit card limit of \$1,000, keep your balance under \$300 to stay in range.
3. **Age of accounts is 15%:** Lenders look at the average age of all your accounts combined. The longer you successfully maintain an account, the more it helps.
4. **New credit applications is 10%:** When a lender or retailer checks your credit, it triggers what's known as a hard inquiry. Hard inquiries can temporarily drop your score when applying for loans because they can be a signal that you're trying to take out too much credit. Space out new credit applications to help avoid negative consequences.
5. **Types of credit used is 10%:** Lenders like to know you can handle different types of credit. Clients can build credit through the responsible use of student loans, a mortgage, auto loans, and credit cards. Using just one type of credit or not having any history limits your score.

By comparison, VantageScore doesn't use percentages and instead evaluates creditworthiness based on six categories:³

- Payment history (extremely influential)
- Credit utilization (highly influential)
- Credit history and mix of accounts (highly influential)
- Balances (moderately influential)
- Recent credit behavior (less influential)
- Available credit (less influential)



What's a good FICO credit score?²



FICO credit scores

Know which factors don’t impact your credit score.

There are some factors that don’t impact your credit score at all. These include:

- age
- where you live
- marital status
- salary
- time at your job
- spending with a debit card⁴

Check your credit report regularly.

If you need to improve or repair your credit score, your first step should be to check your credit report for errors. Once a year, you can go to annualcreditreport.com and request a free copy of your credit report from each of the three main credit bureaus—Experian, Equifax, and TransUnion. If you find errors, dispute them directly with the relevant credit bureau. Then, get to work on boosting your score by practicing good credit habits.

If you’re a Truist customer enrolled in the [Experian CreditCenter](#), you’ll get free access to your Experian VantageScore credit score. Check with your other bank(s) to see which type of credit score monitoring they offer.

Next steps

- Check your credit scores to see where you stand.
- Request your credit report and correct errors.
- [See how to easily avoid common credit score mistakes](#) and make improvements where necessary.

Related resources

Outsmarting debt

5 common credit mistakes you can easily avoid to boost your score

Chances are, we’ve all made at least one of these credit mistakes—and that’s OK. Here’s what to know for a stellar score.

Article9 minutes

Outsmarting debt

Everything you need to know about debt consolidation

Here are the benefits of debt consolidation and how to tell if it’s the right way for you to reduce financial stress.

Take control of your finances.

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¹ ["What's in my FICO Scores?"](#) MyFICO, accessed September 9, 2024.
² ["What is a FICO Score?"](#) MyFICO, accessed August 26, 2024.
³ ["Are Scores from FICO and VantageScore Different?"](#) Equifax, accessed December 9, 2024.
⁴ ["7 Things That Won't Hurt Your Credit Scores,"](#) Equifax, accessed August 26, 2024.

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New York City residents: Translation or other language access services may be available. When calling our office regarding collection activity, if you speak a language other than English and need verbal translation services, be sure to inform the representative. A description and translation of commonly-used debt collection terms is available in multiple languages at <http://www.nyc.gov/dca>.

Borrowers with Limited English Proficiency (LEP) needing information can use the following resources:

The Consumer Finance Protection Bureau (CFPB) also provides additional resources for homeowners seeking payment assistance in select languages at: <https://www.consumerfinance.gov/housing/housing-insecurity/help-for-homeowners/>

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