

Do you understand your FICO score?

By Dr. Jennifer Baxt, DMFT, NCC, DCC

Nothing has a bigger effect on whether or not you can get a loan, how much interest you pay and how credit will affect your life, than the FICO score. Fair Isaac Credit Organization (FICO) is the leading credit report company in the United States, and the number they assign your credit dictates your future.

The scores range between 300 and 850. The lower the number you have, the worse your credit is. If you have a score of 300, your credit is classified as completely abysmal. There is no way you can get any type of credit, and even if you somehow did, your interest rate would be so high you could never afford to pay it back.

However, on the flip side if you have a credit score of 850, then you would have no problem at all getting credit. Your credit rating would allow you to have a lower interest rate, easier terms for your loan and you will have to put up much less collateral.

The reason that FICO is used so extensively is that it uses a system that takes into consideration much of your credit history so that companies can quickly and easily see where you lie compared with everyone else. If you have a score of 700, then you are just above average and companies will be more inclined to giving you credit. However, if you have a score of 500, then you are 150 points below the average and you will be unlikely to get the loan, or the loan terms that you had been hoping for.

Understanding how your FICO score is determined will give you a much better chance of repairing your credit. FICO places 30 percent of an emphasis on the amount of money you owe. This also takes into account your outstanding debt, including your mortgage, credit cards and auto loans. The length of your credit history has a 15 percent stake on your FICO report. The longer you have been using credit, the better the FICO score will be.

Ten percent of the value of your FICO score is put on the loans you have had and the mix of your credit. If you have had car loans, credit cards and mortgages, then your credit score will be better. Another ten percent of the score looks at whether or not you have sought credit in the past year. The more credit you try and get, the lower your score will be. Lastly, a full 35 percent of your credit score will be based on your payment history. This is why it is so important to pay your bills. If you don't pay your bills, then you will have a lower credit score.

Your credit score has a huge affect on what kind of credit you can get. If your credit score is low, below 600, then your chances with the loan will be smaller. However, if the score is over 700, you will be able to get any loan you want.

With that being said, it is so important to understand and recognize your FICO score and keep working on improving it by making smart financial decisions with your credit.

Jennifer Baxt, works with people who are having trouble with their credit and want to improve their score. We offer solutions to credit problems by removing negative items from credit reports. You can visit our website <http://www.creditrepairbydrjen.com> for more information.