

What is Bad Credit?

BAD CREDIT

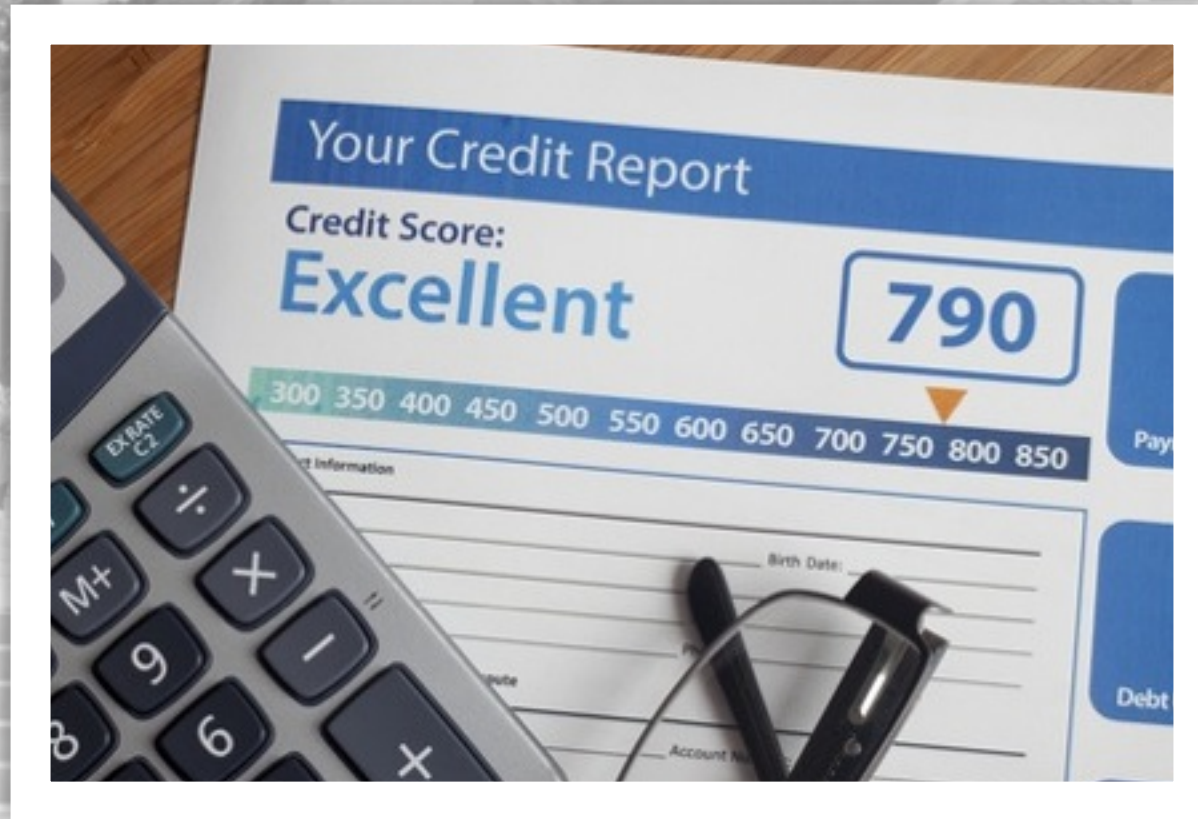
Definition

- Bad credit describes an individual's credit history when it indicates that the borrower has a high credit risk
- Creditors who lend money to an individual with bad credit face a greater risk of that individual missing payments or defaulting than creditors who lend to individuals with good credit

Credit Score

- A credit score is a number that rates your credit risk, at one point in time
- Having a high score can benefit you in many ways, including making it easier for you to obtain a loan, rent an apartment, and lower your insurance rate
- The information in your credit report is used to calculate your credit score

Sample Report



Credit Scores Indicating Bad Credit

- Fair Isaac Corporation (FICO) calculates credit scores
- Using information from the three credit reporting agencies, Experian, TransUnion and Equifax, FICO weighs various information in strategic ways to calculate the score
- FICO ranges scores range from 300 to 850
- Scores at or below 579 have bad credit
- Scores between 580 and 669 are labeled as fair

Improving Credit Score

- Keep balances low on credit cards
- Pay off debt rather than moving it around
- Do not close unused credit cards as a short-term strategy to raise your scores
- Do not open a number of new credit cards that you do not need
- Patience is a virtue to get to your dream home



GOOD CREDIT

BAD CREDIT

What is a typical credit profile?