

Your Credit Score



Like your social security number, your credit score will follow you throughout your life. It will determine whether or not you can get a credit card or a loan and what interest rate you'll be charged.

The chart on the right explains where your credit score comes from.

Here are two real-life examples of how your credit score can affect the interest rate you are charged. And keep in mind that low credit scores mean you won't get the loan from your bank and you will have to go to a very expensive credit source such as a finance company or sub-prime mortgage lender.

1. Tanya wants to buy a late model used car and she needs to borrow \$8,000 to make the purchase. The rate her bank will charge depends on her FICO credit score as well as the term of the loan. The table below lists her bank's monthly payments for the loan based on four different terms and three categories of FICO scores. Complete the table.

Term In months	(FICO) 720 +	Total of Payments	(FICO) 690-719	Total of Payments	(FICO) 670-689	Total of Payments
24	\$356.38	\$8,553.12*	\$358.19	_____	\$360.00	_____
36	246.11	_____	247.94	_____	249.77	_____
48	193.44	_____	195.31	_____	197.19	_____
60	161.26	_____	163.18	_____	165.10	_____

* \$356.38 x 24 = \$8,553.12

2. Based on your table, how much would Tanya save by having the best credit score and the shortest loan term compared to the worst credit score and the longest term?

\$ _____

3. Alex and Karen Robertson want to buy their first home. They hope to borrow \$100,000 with a fixed-rate mortgage. The rate their bank will charge depends on their FICO credit scores and the term of the loan. The table lists the monthly mortgage payments based on three different terms and three categories of FICO scores. Complete the table.

Term In Years	(FICO) 720 +	Total of Payments	(FICO) 690-719	Total of Payments	(FICO) 670-689	Total of Payments
10	\$1,060.66	\$127,279.20*	\$1,072.42	_____	\$1,084.77	_____
20	687.89	_____	701.51	_____	715.85	_____
30	574.71	_____	590.58	_____	606.64	_____

* 10 x 12 = 120 \$1,060.66 x 120 = \$127,279.20

4. Assuming they use a 30-year mortgage, how much will Alex and Karen save by having a credit score of 740 rather than 680?

\$ _____

Name: Period: Date:

What is a credit bureau?
A credit bureau is a business that collects credit, employment and personal information about individuals and sells that information to creditors.

What are the three major credit bureaus?
TransUnion, Experian and Equifax

What is a credit score?
It is a number calculated by inputting your credit bureau information into either software leased from the Fair Isaac Corporation (the FICO Score) or from inputting that information into software developed jointly by the three major credit bureaus (The VantageScore). The VantageScore was introduced in 2006 to compete with the FICO Score.

What is a good or bad credit score?

VantageScore uses this range:
901-990 = A (Best)
801-900 = B
701-800 = C
601-700 = D
501-600 = F (Worst)

FICO uses this range:
751-850 = Excellent
700-750 = Very Good
680-699 = Good
620-679 = Okay
580-619 = Borderline Risk
500-580 = Bad
Under 500 = Very Bad