



Credit Score Demystified

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What is the FICO Score?

- Fair Isaac Corporation (FICO) Score is used by lenders to assess how likely borrowers are to pay their credit obligations as agreed.
- The FICO scoring range is between 300 and 850, where a score greater than 750 is considered excellent.

How is the FICO score calculated?

- The exact formula is not disclosed, but the factors and their associated weights are below:
 - 35% of the FICO score is based on payment history
 - 30% of the FICO score is based on amount owed
 - 15% of the FICO score is based on length of history
 - 10% of the FICO score is based on new credit
 - 10% of the FICO score is based on types of credit used (i.e. home mortgage, student loans, credit card, vehicle loan, etc.)

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- As you can see from the weights/factors above, 100% of the FICO score is based on DEBT!
 - Factors NOT considered in FICO score:
 - Income/Salary
 - Savings
 - Net Worth
 - Investments
 - Retirement Savings
 - Marital Status



Data Sources:

- <http://www.fico.com/en/products/fico-score#overview>