



Understanding Your Credit Score

What Credit Scoring Means for You

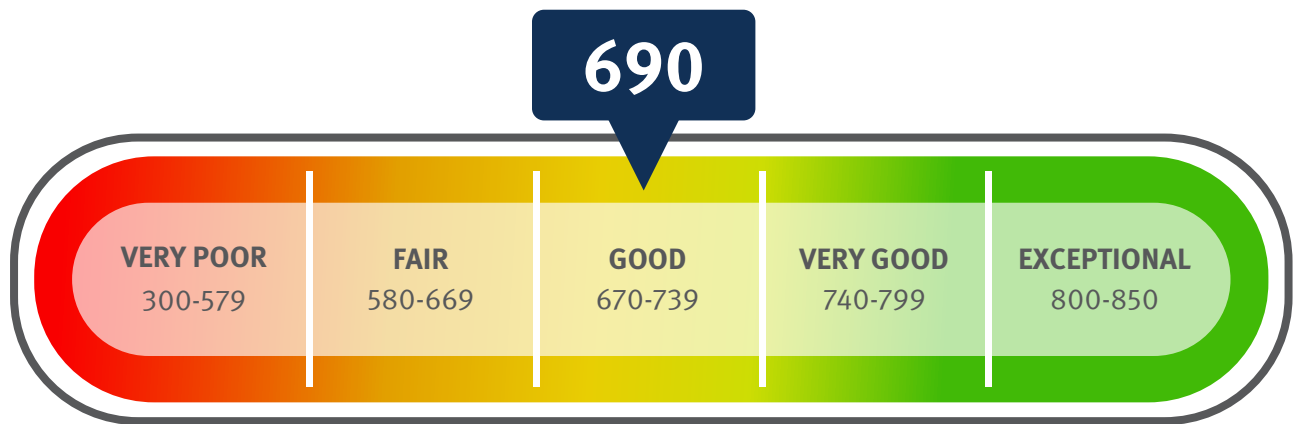
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Understanding Your Credit Score

What Is Your Credit Score?

As you pursue homeownership and other financial goals, make sure you're not overlooking an important aspect of your financial picture: your credit score. Your credit score – commonly referred to as a FICO score – is used by lenders to assess your riskiness as a borrower and reflect how likely you are to repay your debt (FICO is an acronym for the Fair Isaac Corporation, the company that developed the FICO score).



Your score will determine not only your ability to get credit, but how much it will cost you to do so – borrowers with high credit scores are more likely to get the best rates on mortgages, credit cards, auto loans, and other loans. FICO scores are calculated based on information in your credit report (*as provided by the three major credit reporting agencies – **Equifax, Experian, and TransUnion***) and can range from 300 to 850. A credit score above 690 is typically viewed favorably by lenders.

Understanding Your Credit Score

Your Credit Score is Non-Discriminatory

It's important to note that your FICO score is based solely on the information contained in your credit report. It does not consider factors such as your age, race, gender, religion, income, marital status, or employment.

Credit Myths & Facts



Mortgage Payments

Myth: “Missing a payment won’t hurt my credit score too much.”

Fact: Missing one mortgage payment can potentially lower your score by as much as 100 points!



Job Hunting

Myth: “Bad credit won’t hurt my job search.”

Fact: It’s common practice for employers to review candidates’ credit report when evaluating new hires.



Identity Theft

Myth: “I was a victim of identity theft, and that ruined my credit score.”

Fact: If you are a victim of identity theft, report it to the authorities immediately. Then contact the credit reporting agencies to ensure your credit report is accurate and limit additional credit being issued under your name fraudulently. Dealing with identity theft can be a headache, but once it’s resolved, your credit score should not be impacted.



Bill Payment

Myth: “Paying my bills on time for a few months isn’t going to boost my score enough to qualify for a mortgage.”

Fact: Depending on what your score was prior to working diligently to boost them, six months to a year of positive credit can go a long way in improving your score.

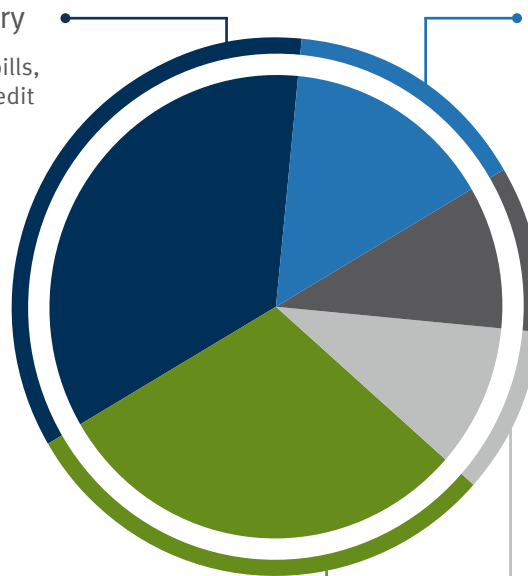
Understanding Your Credit Score

How are Scores Calculated?

Your credit score is determined by five major categories, each with varying degrees of importance.

35% Payment History

- ↑ On-time payment of bills, responsible use of credit
- ↓ Late payments, bankruptcies, or other derogatory credit



15% Length of Credit History

- ↑ Long-term responsible use of credit, credit lines open for years
- ↓ No credit history, recent new credit accounts

10% Credit Mix

- ↑ Stable lifestyle accounts like mortgage, auto loans, and mix of credit types
- ↓ Non-reputable sources of credit
Using credit to fund a lifestyle

30% Amount Owed & Amount of Available Credit

- ↑ Low balances on credit cards, utilizing a low percentage of credit available
- ↓ Maxing out credit cards, high loan-to-value ratios on mortgage

10% New Credit

- ↑ Shop for credit within a 30-day period, keep long-term accounts active
- ↓ Adding more credit cards or other revolving debt

Understanding Your Credit Score

Boosting Your Credit Score

Now that you're familiar with how your FICO score is calculated, you can begin addressing any problem areas in order to help improve it. Your credit score will improve over time as you manage your credit responsibly. Successfully building your credit history takes time, but it can be done with a little focus, dedication, and planning.

Reviewing Your Credit Report

To get a more complete idea of your credit picture, order a free copy of your credit report through **www.annualcreditreport.com**. This report won't contain your credit score, although you will have the option of paying a fee to receive it. Even if you've made a habit of paying your bills on time, it's beneficial to annually review your credit report for inaccuracies. Should you discover any inaccuracies, you can dispute them with your creditors.



For a free copy of your credit report, visit:

www.annualcreditreport.com

Call: (877) 322-8228

Or write to:

Annual Credit Report Request Services

P.O. Box 105281

Atlanta, Georgia 30348-5281

Improving Your Credit Score

- Making your payments on time is crucial. Delinquent payments and collections can really hurt your score.
- Keep balances low on credit cards. Ideally, you will want to use 30% or less of your available credit. In order to maximize your score, pay the balance in full when your account statement arrives.
- Pay off debt rather than moving it between credit cards. The most effective way to improve your score in this area is to pay down revolving credit.
- Apply for and open new credit accounts only when you need them.
- Check your credit report regularly for accuracy and contact the creditor and credit reporting agency to correct any errors.
- If you have missed payments, get current and stay current. The longer you pay your bills on time, the better your score will be.

Stifel Bank & Trust can help with your home purchase or refinance today!

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