Your Credit Risk Score

Provided by the credit scoring experts at Fair, Isaac and Company

Your credit risk score is a number used by lenders that provides a snapshot of your credit risk picture at a particular point in time. It helps the lender decide: “If I give this person a loan or credit card, how likely is it that I’ll get paid back on time?” The higher your score, the lower your risk to the lender, and the better your loan terms are likely to be.

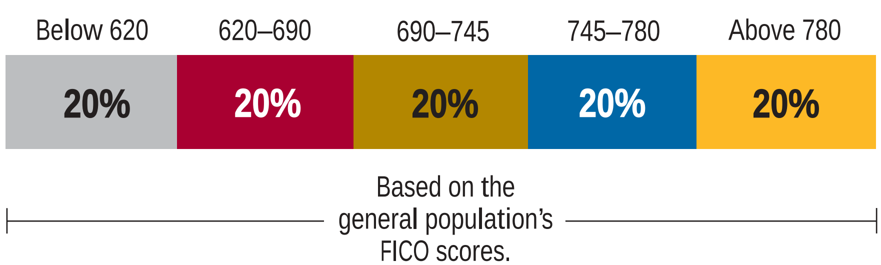
Fair, Isaac and Company developed the credit score that is most commonly used in connection with lending transactions. The FICO score is calculated by each of the three major credit reporting agencies—Equifax, Experian or TransUnion—from a mathematical equation that evaluates many types of information from your credit report. The resulting score gives lenders a quick, objective measurement of an applicant’s credit risk.

FICO scores were only recently made available to consumers, and they have become an essential part of personal credit management. When you purchase a FICO score from myFICO, you also receive an explanation of your score, what it means to a lender, ways to improve your score, and a full credit report from Equifax—one of the three major US credit reporting agencies.

Because lenders use FICO scores to approve loans, set credit limits and assign interest rates, knowing your credit score and how to improve it gives you a powerful tool for financial health.

How do people score?

The chart below shows how FICO scores are distributed in the general US population. FICO scores range from 300 to 850.



What is a good FICO score to get?

Since there is no one “minimum score” accepted by all lenders, it is hard to say what a good score is outside of the context of a particular lending decision. For example, a FICO score of 750 may qualify you for a platinum credit card, whereas a score of 675 may indicate that you are a better match for a standard care. Your lender may be able to give you guidance on what you need to qualify for a given credit product. However, at myFICO you can now see what interest rates lenders typically offer consumers based on specific FICO score ranges.

Your Credit Risk Score (continued)

How credit scoring has helped consumers

Before the use of scoring, the credit granting process could be slow, inconsistent and unfairly biased. Credit scores have made big improvements in the credit process by giving lenders a fast, objective measure of your credit risk. Because of credit scores, consumers can:

- **Get credit faster.** FICO scores can be delivered almost instantaneously, helping lenders reduce the time needed for credit approvals. Many credit decisions can be made within minutes. A mortgage application or a small business loan, which might otherwise take weeks, can be approved in hours. Scoring also allows retail stores, Internet sites and other lenders to make on-the-spot credit decisions
- **Be treated fairly.** Using credit scoring, lenders focus only on the facts related to credit risk, rather than subjective factors. Factors such as gender, race, religion, nationality and marital status are not considered by credit scoring.
- **Have more credit available.** Because FICO scores give a more precise assessment of credit risk, lenders have the confidence to make more credit available. Scoring helps lenders identify people who are likely to be good customers, even though their credit history may show problems.
- **Receive lower interest rates.** The FICO score has helped lenders reduce the number of “bad” loans in their portfolio—loans on which borrowers miss payments or default on the loan altogether. Reducing the number of bad loans saves the lender money, savings they can then pass on to consumers in the form of lower interest rates.

For more information, visit *www.myfico.com.*