



Can You Guess Your Credit Score?

Your credit score is an extremely important and valuable asset. It can be used to determine everything from your rates on a home loan to whether or not you are accepted for an apartment rental or an employment opportunity. Obviously it would be smart to find out what your score is and to what you can do to keep it as high as possible. While the only way to truly know your credit score is to obtain a copy from one of the major credit reporting agencies, knowing the basics about credit and evaluating your credit past can help you know whether your score is in good shape or whether it needs some work.

First, a credit score is a three-digit number between 300 and 850; the higher the number the better. A higher number reflects more financial responsibility on your part. It is calculated based on how often you make credit payments on time, how much debt you carry relative to your credit limit, the length of your credit history, the types of credit you hold, and the numbers of inquiries on your record. The first three categories are the easiest to evaluate on your own.

Credit Payment History

Ask yourself 'When did I last miss a loan or credit card payment?' If you have never missed a payment, you are doing great. If it has been several years since you last missed a payment, its effect has probably been decreased on your credit score. If however you have missed payments within the past year, your score is still probably suffering from it and it is time to get back on track by making all your payments on time!

Also ask 'How many of my loans and/or credit cards are currently past due?' Zero is obviously the best answer, but if you have more than two current delinquencies, take action now before you do further damage to your score. A 60-day delinquency or a 90-day delinquency is much worse for your score than a 30-day late payment is.

Your Debt-to-Limit Ratio

Ask yourself 'How many of my loans or credit cards currently have a balance? If you have 0-4 with a balance you are doing okay, but if you have 9 or more, you are in trouble! The follow-up question is 'What is my total credit and loan balance, excluding mortgage debt?' If you only have mortgage debt or if your balance is less than \$500, you are doing excellent. If you have \$20,000 or more charged to various cards and loans, it is time to take action to reduce that debt. If you are somewhere in the middle, there is still room for improvement.

Perhaps the most important question here though is 'What percent of my total credit limit does my credit card debt represent?' The best answer is to have a very low percentage, like below 30 percent of your limit. Anything higher than that can be dangerous for your score and it is time to start paying down your balances.

Length of Your Credit History

Ask yourself 'How long ago did I get my first credit card? How long ago did I get my first loan?' The longer the better, in this case. And definitely don't expect to be considered for any major loans, like a mortgage home loan if your credit history is younger than six months old. You



should try to have at least a couple years of credit behind you before you make a serious credit obligation.

Hopefully these questions have given you some good food for thought in terms of your credit score. Now you probably know some things you can do to improve your standings!

