Understanding Your Credit Score Information

Credit score information allows lenders to gauge a credit applicant if he or she is worth the risk of availing credit. After all, credit institutions are into a business and would want to profit from their investments in terms of lending their money resources. It is just fair that they try to lend it to people who are responsible enough to pay them back later on.

Lenders and credit institutions try to assess each credit application by looking at the applicant's credit score information. Through it, these institutions will be able to determine if an applicant is worth the risk. The credit score is obtained from information that is based on past credit activities of the applicant as well as other related information. All these can be found on the applicant's credit report.

A credit score is calculated base don the various information contained in the credit report. Different factors come into play when a credit score is calculated. A designed formula is used by credit reporting agencies to come up with the credit score. The formula takes into account the information from the credit report, both the good and the bad entries to come up with the appropriate score.

In order for this score to be calculated, the credit report must at least have one account for at least six months as well as one that has been updated for the same period. This will ensure that there is enough recent information in the credit report from which to base their calculations.

Payment history accounts for about 35 percent of the credit score. This includes on time payments as well as delinquent one which is considered when calculating the credit score. Public records that find its way into the credit report such as delinquency payments, bankruptcies, lawsuits, etc. may also be considered when computing for your credit score.

It seems like new information is discovered about something every day. And the topic of Credit Score is no exception. Keep reading to get more fresh news about Credit Score.

The amount of credit that you have availed in the past accounts for about 30 percent of the credit score. Not only is the total amount looked upon but also the amount borrowed from different accounts. The balances on certain accounts may also affect the credit score. Maintaining a small balance for example, will have a positive effect on the credit report and may help keep your credit score up.

The length of your credit history accounts for 15 percent of your credit score. Your oldest account and the average age of your other accounts are taken into consideration when computing for your credit score. Also being considered is the length of time that has passed since you have used certain accounts.

The number of new credits availed account for about 10 percent of your credit score. This includes the length of time that has passed since you have opened a new account. Also considered for this is the number of credit requests that you have made in a one year period. Credit report inquiries from lenders are also taken into account when computing for your credit score.

The types of credit that you have availed accounts for 10 percent of the credit score information that goes into the calculation of the credit reporting agencies. Revolving credit in terms of credit card debts as well as installment credit in terms of personal loans and mortgages are taken into account when calculating for your credit score.

The formulas used are proprietary tools used by the different credit reporting agencies in calculating for your credit score. But more or less, this is how the information in the credit report is used to come up with a viable credit score to assess your credit risk.

About the Author
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