

What is a FICO score?

Many mortgage lenders, including the University Preferred Lender, use FICO® scores to assist in evaluating mortgage loan applications. What is a FICO® score?

The FICO® score is a numeric snapshot of your credit risk picture at a particular point in time. The score is taken from an analysis of your credit bureau report. It does not consider your gender, race, nationality or marital status. It was developed by the Fair, Isaac Company to assist lenders in evaluating how likely you are to repay your loan in a timely manner. The company uses a proprietary formula to compare your credit history with a nationwide database of millions of borrowers. The result is a score from between 300-850® with 700 or higher being generally considered a “good” credit risk.

As a general rule, your FICO® score is composed of five factors from your credit report:

1. Payment history
2. Amounts owed
3. Length of payment history
4. New credit
5. Types of credit in use

Your **payment history** is your track record. Obviously, this includes how often you have made your past payments on time. Other components of this factor include any public record collection items (bankruptcy, foreclosure, etc.) and the number of accounts with no late payments. As past behavior has historically been a good indicator of future behavior, this factor usually receives the largest weight in calculating your FICO® score: 35 percent.

Another large factor, 30 percent, is the **total amount you owe** on all accounts in comparison to the number of accounts you owe money on. Also considered are the types of accounts you owe on (credit card, installment loan, mortgage), the number of accounts with zero balances and the amount still owed on installment loans in comparison to the original loan amount.

How long your accounts have been established, both as an overall figure and average of all your accounts, is a factor representing 15 percent of your score. This area also considers how long since certain accounts were used.

The amount of **new credit** you may have is about 10 percent of your score. This includes the number of new accounts you have, recent requests for credit, any possible “rebuilding” of your credit and the length of time since you opened any new accounts.

Finally, the FICO® score considers the **type of credit in use**. The amount of each type of account you have open is the remaining 10 percent used in determining your score.

You may obtain a copy of the credit report produced at the time of your loan application. If you would like a current copy of your FICO® score, including personalized analysis of the factors used to determine your score, go to www.myfico.com. There is a fee for this service.