

# Understanding Credit Scores

## ***WHAT MAKES UP THE SCORE?***

35% = Late Payments, Collections, Bankruptcies

30% = Outstanding Debt

15% = Length of credit history

10% = Inquiries in last 12 months

10% = mix of credit

installment (raises) vs. revolving (lowers)

# of finance company loans: the more,  
the lower the score

## ***APPROXIMATE CREDIT WEIGHT FOR EACH YEAR OF RECENT HISTORY***

40% = Current to 12 months

30% = 13-24 months

20% = 25-36 months

10% = 37 + months

## ***WHAT ACTIONS WILL HURT THE SCORE?***

Missing payments (regardless of \$ amounts - it will  
take 24mo to restore credit with one late pay)

Credit cards at capacity (i.e. maxing out credit  
cards) – keep them below 50% of limit, and  
preferably below 30% of the limit!

**Closing credit cards out** (this shortens credit  
history!) - so don't CLOSE out credit cards when  
you pay them off! That's probably different than  
you've been told in the past.

Shopping for credit excessively

Opening up numerous trades in a short time  
period

Having more revolving loans in relation to  
installment loans

Borrowing from finance companies

ANY activity on collections (don't pay on  
collections, it will hurt the credit score in the short  
term)

## ***HOW TO IMPROVE THE SCORE!!!***

Pay down on credit cards (below 30% of balance)

**Do not close credit cards** (length of credit  
history will be shortened, which will hurt score)

Continue to make payments on time (older late  
pays will become less significant with time)

Slow down on opening new accounts

Acquire a solid credit history with years of  
experience

Moving revolving debt to installment debt

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