

# A Crash Course On Credit Scores

Contributed by Brian Daniel  
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{bot\_wrgoogle} If the numbers I've mentioned don't make any sense to you or you have no idea what they mean, don't fret—I'll explain. Credit scores range from 300 to 850. All three of the credit bureaus—Equifax, Experian, and Transunion—offer FICO credit scores using a complex mathematical formula developed by Fair, Isaac and Company, but they each give the scores a different name: At Equifax, the FICO is known as the Beacon credit score; at TransUnion, it's called Empirica; and at Experian, it's called the Experian/Fair, Isaac Risk Model. All these scores are determined by several factors: the number and type of accounts you have, your bill-paying history, late payments, collections, outstanding debt, and the age of your accounts. The credit scoring system for each of the bureaus awards points for each "factor" and the total number—your credit score—is an indicator of how likely you are to repay a loan.

Here are a few quick tips to help improve your credit scores:

- Pay your bills on time, especially your mortgage payment.
- Try to keep your outstanding debt low; don't max out your credit cards.
- Generally, the longer the credit history, the better the score.
- Don't apply for too many credit cards or accounts at one time.
- Try not to have too many credit cards, having two to three is ideal.

If your credit scores are above 750 you have excellent credit and will be able to get the best interest rates and terms available. As your credit scores drop, the interest rate you'll receive for a home loan will rise: this is known as tiered pricing. The more of a risk the lender takes on you, the higher your interest rate will be. In addition, all lenders have their own break points between tiers. What this means is that one lender may raise the interest rate if a score drops below 700, while another lender won't give a higher rate until the score drops below 690. In summation, you should do everything in your power to maintain good credit scores, and be sure to shop around and do your homework when looking for a home loan because all lenders are not created equal, and not all lenders look at credit scores equally. Knowing that you have good credit scores is a start. Knowing what kinds of interest rates you can get with your credit scores is the next step.

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