

# YOUR FICO SCORE

Your FICO score is an evolving number that changes from day-to-day. Your FICO score is calculated using information in your credit report – nothing else. That means it looks at your PII (personally identifiable information), credit accounts, credit inquiries, and public record and collections information. It does not look at your age, gender, race, income, job title, where you live, or interest rates charged to your various debts.



## **35% Payment History** – what makes up your credit history:

- Payment information on credit cards, retail cards, installment loans, mortgages, and other types of accounts
- How long overdue delinquent payments are today or may have become in the past
- Amount of money still owed on delinquent accounts or collection items
- Number of past due items and adverse public records (i.e., bankruptcies)
- How long it has been since delinquent/collection items or adverse public records first showed up on your report
- Number of accounts that are being paid as agreed

## **30% Amounts Owed** – Factors looked at under amounts owed:

- Amount owed on all accounts
- Amount owed on different types of accounts (credit cards vs installment loans)
- How many of your accounts have balances
- Credit utilization ratio on revolving accounts
  - $\text{Credit utilization} = \frac{\text{Total Debt}}{\text{Total Available Credit}}$
- Balance on installment loans compared to the original loan amount

## **15% Length of Credit History**

- Age of your oldest account, your newest account, and an average age of all accounts
- How long specific credit accounts have been open
- How long since the account has been used

**10% Credit Mix** – Ideally, your credit report shows a history with both revolving accounts AND installment accounts. Since this is only 10%, you don't necessarily want to run out and get new debt just to have both types of credit appear on your report.

## **10% New Credit** – Three things play into the new credit category:

- Don't open new accounts too quickly because this impacts the average age of your accounts which has a bigger impact on your score
- The number of recent inquiries (it's OK for you to check your own credit report)
- The length of time since you opened a new account

# HOW TO PAY DOWN DEBT

Paying off debt can be overwhelming. But it doesn't have to be. The right repayment method will give you a clear, easy-to-understand path to becoming debt-free. There are two popular methods folks use to become debt free: debt avalanche and debt snowball.

## DEBT AVALANCHE



## DEBT SNOWBALL

The debt avalanche, also known as debt stacking, is when you pay off your debts in order from the highest interest rate to the lowest, regardless of balance.

### What is the Avalanche Method?

1. Pay debts in order of interest rate
2. Start with the highest interest rate
3. Focus on paying off one balance at a time in order of interest rate while still paying the minimum balance on all other debts.



**Pro:** The fastest way to eliminate debt and save on interest payments.

**Con:** It may take years to eliminate your largest debt while smaller bills keep coming in.

**Best For:** Those with a lot of credit card or other high-interest debt.



With the debt snowball method, you pay off debt in order of smallest balance to largest, regardless of interest rate. You make minimum payments on everything but the smallest debt and attack that one with a vengeance. When that bill is paid, you move to the next smallest and repeat until you plow through all your debt.

### What is the Snowball Method?

1. Pay debts in order of balance amount
2. Start with the smallest balance
3. If debts have the same balance, put the debt with the higher interest rate first
4. Focus on paying off one balance at a time, in order of smallest to largest, while still making minimum payments on other debts.



**Pro:** An immediate sense of accomplishment for a job well done for managing small bills that come in more frequently

**Con:** It may take longer if your largest debt is your credit card.

**Best For:** Anyone who feels overwhelmed by the number of individual debts they have.