

MANAGING YOUR MONEY

Knowing Your Credit Score Can Help Save Money And Aggravation

(NAPSA)—Quick...what's your credit score? If you don't know, you're not alone. Two-thirds of all Americans don't have a clue, either.

That's an astounding percentage, since a consumer's credit score influences many aspects of his or her financial world.

When people talk about "your credit score," they're usually talking about your current FICO® score. FICO is an acronym for Fair Isaac Corporation—the inventor of the credit score, a three-digit number generally ranging from 300 to 850. The higher the number the better.

The fact is that a large number of American consumers continue to face the challenge of understanding basic personal finances. The inability of many people to make decisions about their personal finances remains a serious issue.

To improve consumer access to credit information, Congress enacted legislation called the Fair and Accurate Credit Transactions (FACT) Act. It gives you the right to receive a free credit report from the three major credit bureaus once a year.

The reality, however, is that seeing your credit report is only one part of the credit equation and does not provide a complete picture. You also need to see and understand your FICO credit score—which is designed to provide lenders with an idea of how likely you will be able to pay back a loan or line of credit. The higher the score, the more likely it is you



will be approved for a loan and the less you'll likely have to pay in interest or finance charges.

For example, according to figures from Fair Isaac, people with a FICO score of 760 can get a \$300,000, 30-year fixed mortgage with an APR of 5.78 percent and a monthly payment of \$1,756. But, with a FICO score of between 500 and 579, the same \$300,000 loan would have an APR of about 9.46 percent, which means a monthly payment of \$2,521—more than a 40 percent increase. In many instances, people with low FICO scores have blemishes on their credit report that may preclude their being offered credit at all. You can view Fair Isaac's calculators at www.myFICO.com.

At the Web site, you can see how certain financial decisions can make a difference to your score. Other calculators show how interest rate changes can affect your card balances or how much you could save by consolidating your credit cards on to a lower-rate card.

It's important to remember that a credit score adjusts with changes in your credit history and profile. Your score can rise when you take positive steps, such as making a series of on-time payments or paying off a balance. It can fall with negative actions such as missing payments or defaulting on a loan.

Your FICO score is not affected directly by your income. Income may well be part of a lender's assessment, but it's not used in the FICO score calculation.

"Payment history, credit usage, how long you handle credit and the type of credit you have all affect your credit score. If there is one thing that all consumers can do to improve their credit score it is to make payments on time," said Dave Tomlinson, senior vice president of Marketing, Washington Mutual (which now goes by WaMu) Card Services.

Getting access to credit scores traditionally costs about 10 dollars but may be worth the investment. Tomlinson notes that WaMu provides its credit cardholders with free monthly online access to their FICO scores—which can save you money and is a great tool to have quickly available at your convenience.

"Consumers have the power," said Tomlinson, "to avoid the traps that can damage their credit profiles and credit scores. They just have to take advantage of resources that can teach them how to flex their financial muscles."