

# CREDIT SCORE SECRETS

- Credit scores range from less than 580 to 850



- Credit bureaus do not provide scores; they are only databases.
  - Experian
  - Equifax
  - Transunion
- Credit reporting companies provide credit scores.
  - E.g., FICO scores = 54 different Algorithms; 8 of those are approved for use with mortgages

## FICO Score Calculation: 5 Key Factors

FICO Component	Percentage Weight	Strategy for Success
Payment History	35%	PAY ON TIME.
Debts Owed (Utilization)	30%	Keep usage low—use 10–30% of available credit.
Length of Credit History	15%	NEVER CLOSE ANY ACCOUNTS.
Types of Credit	10%	Aim for a balanced mix.
New Credit	10%	Avoid opening too many accounts at once.

- Types of Credit
  - Revolving credit: Line of Credit (LOC), Home Equity Line of Credit (HELOC), Credit cards
  - Installment loans: auto loan or mortgage (1st, 2nd, etc)
    - Most AmEx cards report as an installment loan rather than revolving
  - Revolving to installment should be one to one ratio.
    - eg If you have one car payment and a mortgage, a 1:1 ratio would have you at 2 credit cards
- Credit Cards
  - Keep your balance between 10 and 30% of available credit.
  - A \$0 balance can hurt your score.
  - Using over 50% of available credit limit will decrease your score
  - Pay attention to terms and conditions on credit cards; they can increase or decrease your available credit any time.

## Applying for a Mortgage?

- “Hard pulls” (when someone pulls your credit score) are 5 to 15 point decrease to your score
  - Negatively impacts your score for 4 to 6 months; stays on your report for two years.
  - **Shopping windows:** shop the same industry (auto or mortgage) for 10 business days (2 weeks) and it only counts as one hard pull.
- A mortgage application will trigger TONS of spam calls. Do these 2 things to avoid this:
  - Opt Out of “prescreens” at: [optoutprescreen.com](http://optoutprescreen.com). Near the bottom of the page, click on the button to opt out. On the next page, choose the electronic opt out option. On the next page, enter all of the requested information and then CONFIRM.
  - Add yourself to the “do not call list” at: [donotcall.gov](http://donotcall.gov)

## Collections?

- Never pay a collection because \$0 balance versus \$any balance impacts your credit the same
  - Only pay if a collector is threatening a judgment
- Paying a collection resets the statute of limitations.
- Medical collections
  - As of July 2022, less than \$500 medical bill cannot report to bureaus;
  - Go dispute these if you have any
  - Medical collections are easy disputes because of HIPAA



- Credit karma
  - Consumer facing, Clickbait, severely inflated scores
  - Good for seeing inquiries and negative items
- Experian boost is a scam – they want you to connect your bank account to prove you’re paying utilities, but no one cares if you’re paying utilities. Do not give them your bank info 0 they have data breaches all the time
- Credit repair companies
  - Charging upfront is illegal, so are contracts.
  - Credit repair typically just sends a one sentence dispute letter over and over; it doesn’t work.



- UCA does investigations; proving the credit reporting agency is in violation of the Fair Credit Reporting Act.
  - Collectors have to verify over 1000 things or they have to delete the item.
- UCA has an attorney on staff to negotiate settlements.
- UCA clients have an average of a 30 to 50 point increase per month
- The typical time frame UCA works with clients before completing the work is 4-6 months.

Call with questions or to sign up for help with your credit. My referrals receive an enrollment fee discount!

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