

What's A Good Credit Score?



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What is considered to be a good credit score?

One of the biggest-and most intimidating-mysteries of applying for a loan is that elusive credit score. Where does it come from, how is it calculated and what is its meaning?

Credit scores are based on your personal information and financial decisions you've made over the past years. A score is calculated based on many such factors, like whether or not you have had any late payments, collection notices or actions, outstanding debts and so on. The number of accounts you have open, how long you've had the accounts open and the number of credit applications you've made in recent months also gets tossed into the mix. The result is a "**credit score**," a fairly standardized means of determine your credit worthiness, or how likely you are to repay a debt.

Weighing the Scales

Credit score ranges are rather straightforward and applies to most lending programs. The higher the score, the better your credit rating-and the higher your credit worthiness. The scale runs from 300 on the low end to 850 on the high end with the median score in the U.S. falling right around 720.

Part of the mystery behind credit scores is that there is no one particular scale for determining whether or not a credit score is "good." However many financial experts agree that there are some basic guidelines. Generally speaking, credit scores of 800 and above are nearly perfect and most scores of 720 or higher will garner the best mortgage rates and lending options. Credit scores between 750 and 800 are considered to be *excellent*; credit scores from 720 and 750 are *good to excellent*; those ranging from 690 to 720 are considered *good*; and borrowers with credit scores ranging from 620 and 690 are *fair* credit risks. A credit score below 620 is considered *poor*.

Ways to Boost a Credit Score

If you don't have a **good credit score**, there are ways in which you can work toward improving it. For starters, make sure to pay all of your bills on time. Avoid collections, missed payments and late charges if at all possible. Make sure to steer clear of your max credit line. Keeping your debt too close to the maximum limit will raise red flags. Also, if you're planning on buying a home or another large purchase that requires a credit check, don't open or apply for any new credit accounts within 90 days of the purchase. New accounts and inquiries into your credit knock your score down even further.

The simple answer on how to get a good credit score is to avoid taking on any additional debt, paying the debt you do have on time and working on lowering your debt to maximum credit amount ratio.

What's My Credit Score?

Curious what your credit score is? The results are available to you through several web sites, or through one of the three major credit scoring institutions: Equifax, Experian and TransUnion. Consumers are also entitled to a free annual credit report; Visit their respective websites for more information.

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