

# 3 Credit Secrets

## 5 Elements of the FICO Model

### 5 Elements of FICO Model Descriptions:

1. **Payment History** (35 percent of score):  
A record of whether you pay your bills on time. This shows willingness and an ability to pay.

Tip: *The fewer the late payments the better.*

2. **Credit Use aka Utilization Ratio** (30 percent of score):  
The total amount of credit you have available that you are using. The ideal utilization ratio is 30%. For example: On a credit limit of \$1,000.00, the balance should not exceed \$300.00.

Tip: *Higher balances equate to potentially not being able to pay.*

3. **Length of Credit History** (15 percent of score):  
The average age of accounts as well as how long has it been since those accounts were used.

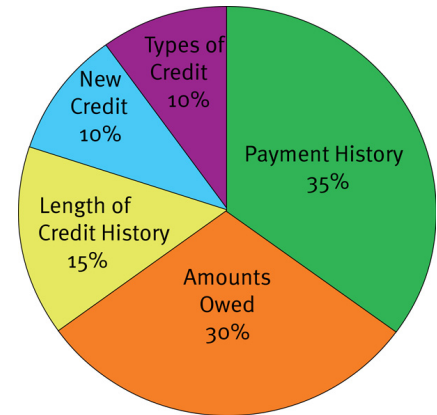
Tip: *The longer (age) the accounts have been open, the better the score.*

4. **The Types of Credit Used** (10 percent of score):  
A mixture of different types of credit: revolving and installment. Lenders like to know if you can handle the responsibility of managing different types of accounts.

Tip: *Finance company accounts score lower than bank or department store accounts.*

5. **Opening New Accounts** (10 percent of score):  
*Aka Inquiries* – How often you apply for and open new accounts. Opening a bunch at once will hurt your score as much as 5 to 10 points per inquiry.

Tip: *Multiple inquiries are a risk if several cards are applied for when other accounts are close to being maxed out.*



### Credit Score Range - How the bureaus and creditors view you as a borrower:

Below 500 = Not even considered

500-559 = Very Risky/ Need to work on improving credit score

560-619 = Risky/ Will experience trouble in getting a loan

620-674 = Subprime/ May qualify, but will pay higher interest rates

675-699 = Average/ Usually qualifies for most loans

700-719 = Very Good/ Favorable financing terms

720-850 = Excellent/ Best financing terms - the goal is to be in the 720+ Club

### **3 Credit Secrets: Initial Steps to Establishing Credit Worthiness**

- 1) OPT Out of Promotions – This keeps credit bureaus from selling your personal information including your: name, SSN, D.O.B, gender, age, address, phone number, credit score, income, debt, and property information to companies that offer pre-approved credit. Select the Electronic Opt-Out for five years. See instructions:
  - Go to --> <https://www.optoutprescreen.com/?rf=t>
  - Click the '*Click Here to Opt-in or Opt-out*' button at the bottom of the page to begin.
  - On the following page, select: '*Permanent Opt-Out by mail*'.
  - Next, select the '*SUBMIT*' button at the bottom of the page.
  - On the following page, complete all required fields, then select the '*CONFIRM*' button at the bottom of the page.
- 2) Order a free copy of your Credit Report from the three major credit bureaus (Experian, TransUnion, Equifax): [www.annualcreditreport.com](http://www.annualcreditreport.com). Be sure to keep track of the report, file, and confirmation numbers associated with each bureau. You will need these numbers to access your reports online.
- 3) Once you have the numbers, go to each of the bureau's websites (see below) and update your personal information by removing any name variations and old addresses that are associated with negative accounts. Only keep one main address on file.
  - experian.com
  - equifax.com
  - transunion.com

**\*\***You have the right to have accurate reporting on your credit file according to the Fair Credit Reporting Act (FCRA). Be sure to review each account listed for complete accuracy that may include: Name, address, account number, balance, credit limit, payment status, and dates. By law you can dispute any inaccuracies by writing to the credit bureaus as often as necessary. The credit bureaus are allowed 30 days to verify the accounts, and if they are unverifiable they must be removed. Submitting any proof of your claim increases deletion of unverifiable and inaccurate reporting.

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**Tags:** 3 secrets, how to update name variations with the credit bureaus, credit repair tips, how to update addresses with the credit bureaus, credit bureaus, credit report updates, how to update credit report, how to opt out of credit bureaus, credit repair algorithm, how is my credit score determined, credit ranges, fcra, establishing credit worthiness,

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