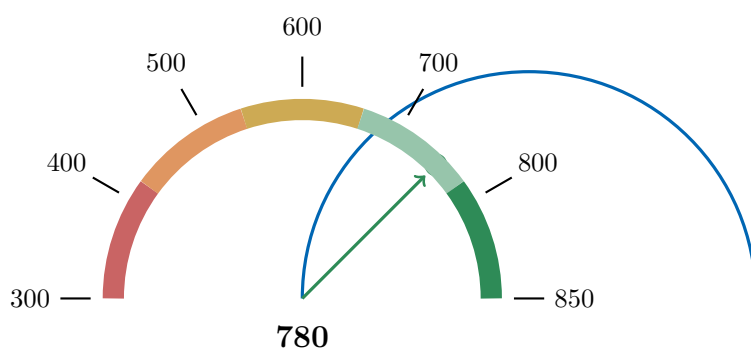


# Credit Scoring 101

## A Beginner's Guide



*A simplified introduction based on the Credit Scoring Primer*

Credit Rebels Archive

<https://acelogic.github.io/CreditRebelsArchive/>

Last Updated: 2026

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## 1 What is a Credit Score?

A credit score is a number (300-850) that predicts how likely you are to pay back borrowed money. **Higher = better.**

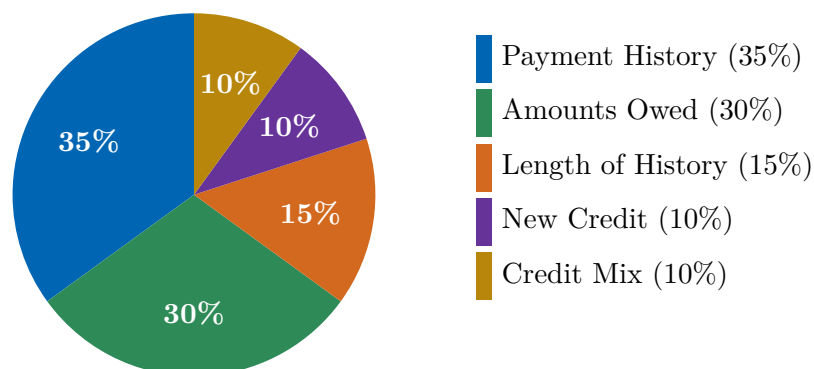


### Key Point

**Why it matters:** Lenders use your score to decide whether to approve you and what interest rate to charge. A higher score = better rates = less money paid in interest over the life of a loan.

## 2 The 5 Things That Affect Your Score

Think of your score like a pie with 5 slices:



### 2.1 Payment History (35%) – THE BIG ONE

**What it is:** Whether you pay your bills on time.

#### Warning

- One late payment can drop your score **50-100+ points**
- The more recent the late, the worse the damage
- After 7 years, most negative items fall off

#### Pro Tip

**What to do:** Pay at least the minimum on everything, every month, on time. Set up autopay if needed!

## 2.2 How Much You Owe (30%)

**What it is:** How much of your available credit you're using (called "utilization").

### Magic Number

Keep your credit card balances below **9.5%** of your limits.

Even better: below **4.5%** for maximum points on some scorecards.

**Example:**

- You have a card with a \$1,000 limit
- Keep your balance below \$95 when the statement closes
- Even better: below \$45 (4.5%) for maximum points

### Warning

[title=The "All Zero" Trap] If ALL your cards report \$0 balance, you actually **LOSE 10-25 points!** Keep a small balance (\$5-20) on ONE card.

## 2.3 How Long You've Had Credit (15%)

**What it is:** The age of your credit accounts.

**Key points:**

- Older accounts = better
- Don't close old cards, even if you don't use them
- Opening new accounts lowers your average age

### Magic Number

**Important thresholds:**

- **36 months (3 years):** You move to a "mature" scorecard
- **90 months (7.5 years):** Believed to be near maximum benefit

## 2.4 New Credit (10%)

**What it is:** Recent applications for credit.

**Key points:**

- Each application creates a "hard inquiry"
- Inquiries hurt your score for 12 months
- They fall off your report after 24-26 months
- Multiple inquiries for the same loan type within 14-45 days count as one

**Key Point**

[title=The Chase 5/24 Rule] Chase will deny most credit cards if you've opened 5+ cards (any bank) in the last 24 months.

**2.5 Credit Mix (10%)**

**What it is:** The variety of credit types you have.

**Good to have a mix of:**

- Credit cards (revolving credit)
- Auto loan, mortgage, student loans (installment loans)

**Pro Tip**

**Ideal ratio:** About 3-4 credit cards to 1 loan.

**3 Quick Wins to Improve Your Score****1. Pay Down Cards**

Get below 9.5% util

**2. AZEO Strategy**

All Zero Except One

**3. Keep Old Cards**

Don't close them

**4. Authorized User**

Piggyback on good history

**5. Stop Applying**

"Garden" for 6-12 months

**3.1 1. Pay Down Credit Cards**

Get all cards below 9.5% utilization. This can boost your score in just one billing cycle.

**3.2 2. AZEO Strategy (All Zero Except One)**

- Pay all cards to \$0 before their statement dates
- Leave a small balance (\$5-50) on ONE card
- This gives you low utilization without the All-Zero penalty

**3.3 3. Don't Close Old Cards**

Even if you don't use a card, keeping it open helps your:

- Average age of accounts
- Total available credit (lowers utilization)

### 3.4 4. Become an Authorized User

Ask a family member with a long-standing, well-managed credit card to add you as an authorized user. Their good history can boost your score.

### 3.5 5. Stop Applying for Credit

Every application hurts your score. If you're trying to improve, stop applying for 6-12 months ("gardening").

## 4 Common Myths Debunked

#### title

**Truth:** Checking your own score is a "soft inquiry" and has NO effect.

#### title

**Truth:** You don't. Pay your full balance each month. Just make sure the statement shows a small balance before you pay it.

#### title

**Truth:** It usually hurts. It reduces your available credit and can lower your average account age.

#### title

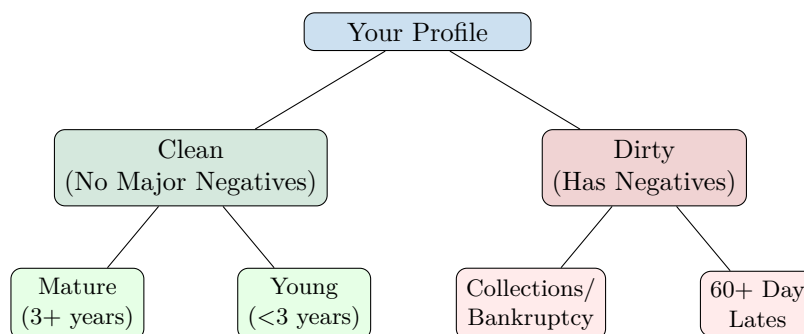
**Truth:** Income is NOT part of your credit score. Lenders consider it separately.

#### title

**Truth:** There are many different scoring models. FICO® 8 is the most common, but mortgages use FICO® 2/4/5.

## 5 The Scorecards System

FICO® doesn't score everyone the same way. You're placed on one of 12 "scorecards" based on your profile:



### Key Point

**Why this matters:** When you cross a threshold (like hitting 3 years), you change scorecards. This can cause a **temporary score drop** even though it's actually progress!

## 6 Fixing Negative Items

### 6.1 For Accurate Negative Items (you really were late):

1. **Wait it out** – Impact decreases over time
2. **Goodwill letter** – Ask the creditor nicely to remove it
3. **Use the Saturation Technique** – Send letters to multiple addresses

### 6.2 For Inaccurate Items (errors on your report):

1. **Dispute with the bureau** (Equifax, Experian, TransUnion)
2. Provide documentation
3. They have 30 days to investigate

## 7 Your Action Plan

1. Get free credit reports at [AnnualCreditReport.com](https://AnnualCreditReport.com)

2. Check for errors and dispute inaccuracies

3. Pay down cards to below 9.5% utilization

4. Set up autopay for at least minimum payments

5. Stop applying for new credit for a while

6. Use the toolkit to track your progress

## 8 Glossary

Term	Meaning
<b>AAoA</b>	Average Age of Accounts
<b>AoOA</b>	Age of Oldest Account
<b>AoYA</b>	Age of Youngest Account
<b>AZEO</b>	All Zero Except One (strategy)
<b>Utilization</b>	Balance $\div$ Credit Limit (as percentage)
<b>Hard Inquiry</b>	Credit check when you apply for credit
<b>Soft Inquiry</b>	Credit check that doesn't affect score
<b>Scorecard</b>	The algorithm group you're assigned to
<b>Gardening</b>	Period of not applying for new credit

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*For the full technical details, see the complete*

**[Credit Scoring Primer v2.0](#)**