

Credit Scoring Primer

Version 2.0



In memoriam

Birdman, Birdman7, MFBirdman7

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Credit Rebels

The most accurate and comprehensive publication on FICO® scoring available today

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1. Introduction

Welcome to the best-kept secret in the credit-scoring world! If you are in-the-know, welcome back! If this is your first encounter, well brace yourself and pack a lunch! This is Version 2.0 of the already-famous Credit Scoring Primer!

FICO® algorithms play a major role in the credit world. One of their many variants of scoring algorithms is sure to play a part in your next credit attempt, so the knowledge of how to maximize that score is invaluable when seeking/using credit.

Key Point

This document represents the most accurate and comprehensive publication on FICO® scoring available today. It's lengthy, detailed, and complex—but if you're committed and determined, it will be one of the most enlightening journeys you have ever taken.

Please keep in mind the Credit Scoring Primer is composed with a very knowledgeable, technical audience in mind. If you feel overwhelmed, take it one section at a time and read each section repeatedly until you internalize it.

2. Quick Reference: FICO Score 8 Optimal Attributes

Table 1: FICO® Score 8 Select Optimal Characteristic Attributes

Characteristic	Optimal Attribute
Payment History	100%, Zero baddies. Penalty fully removed after 7 years. 60D late or worse = dirty scorecard.
Aggregate Utilization	<9.5% (or <4.5% for both individual and aggregate revolving on some scorecards)
Retail Utilization	\$0
Accounts with Balance (AWB)	<20% AWB recommended. Metric weighted less in Score 8.
Bankcards with Balance (BWB)	The lower, the better (under study)
Revolving Balance	<\$1000 for 8/9; Never \$0 (All Zero loss of 10–25 points)
AoOA (Oldest Account)	Not a scoring factor. Segmentation factor: 36 months for 8/9
AoORA (Oldest Revolver)	Scoring factor. 20 years reported to max.
AAoA (Avg Age of Accounts)	Max award believed by 90 months
AAoRA (Avg Age Revolvers)	9 years reported to max
AoYA (Youngest Account)	Awards at multiples of 3 months possibly
AoYRA (Youngest Revolver)	Segmentation factor at 12 months ; 10–20 points
Inquiries (Last 12 Months)	Zero . Penalty removed at 365 days.
Total Accounts/Mix	Not a scoring factor. 4 TLs for Thick. Include 1 loan for diversity.
Number of Bankcards	Optimal unknown. 5–7? Loss for <3.

3. Background

3.1 Origins of This Document

MWGardener19 had the idea for a Score 8 Master Thread. He produced an intro and a small Reddit post—“FICO® reverse engineered”—by u/rtanaka6 who had composed it from years of reading myFICO forums. It had many inaccuracies and so much was missing. Birdman went crazy correcting, adding, and expanding, and this is where it ended up: a new creation, the Credit Scoring Primer.

3.2 Brief History of FICO

- Fair Isaac and Company (FICO®) states **Score 8** is the most widely used credit scoring system
- Score 8 is one of many models: Score 2, 3, 4, 8, 9; Bankcard 2, 3, 4, 5, 8, 9; Auto Score 2, 4, 5, 8, 9

- FICO® began creating systems over 60 years ago (1956)
- The modern FICO® scoring system is about 30 years old (1989)
- FICO® is a large, global, publicly owned company with over 4000 employees
- 88% of \$1 billion revenue comes from banking/insurance customers

3.3 What We Know About FICO Scoring

🔑 Key Point

- We have come to know **GENERALLY** how FICO® scoring works
- We have come to know **A LOT** about how certain aspects of scoring works
- We have come to know that we do **NOT** know **EXACTLY** how all of FICO® scoring works

FICO®'s approach to performing credit scoring is proprietary. The underlying math considers Lorenz curves, Gini coefficients, normalized log Bernoulli Likelihood, multicollinearity testing, and other higher mathematics.

3.4 FICO Score 8 Ratings

Table 2: FICO® Score 8 Rating Categories

Rating	Score Range	Indicator
Exceptional	800 – 850	★★★★★
Very Good	740 – 799	★★★★★
Good	670 – 739	★★★
Fair	580 – 669	★★
Poor	300 – 579	★

3.5 The Five Scoring Categories

Table 3: Scoring Categories and Typical Weightings

#	Category	Weight	Points
1	Payment History	35%	192.5
2	Amount of Debt	30%	165
3	Length of History	15%	82.5
4	New Credit	10%	55
5	Credit Mix	10%	55

4. Scorecard Basics

Definition

Characteristics are metrics within each category. FICO® calls each metric a “characteristic” and the corresponding value is called an “attribute.”

- **Segmentation Factors:** Determine which scorecard you’re assigned to
- **Scoring Factors:** Directly affect your score; weighting varies by scorecard

4.1 Score 8 Scorecards Overview

Score 8 has **12 scorecards**: 8 clean and 4 dirty scorecards.

Table 4: Scorecard Segmentation Factors

Profile Type	Segmentation Factors
Clean Profiles	Thick/Thin (number of accounts) Mature/Young (age of oldest account) No New Revolver/New Revolver (recency)
Dirty Profiles	PR/No PR (severity) Recent/Mature (recency)

4.2 Scorecard Segmentation Diagram

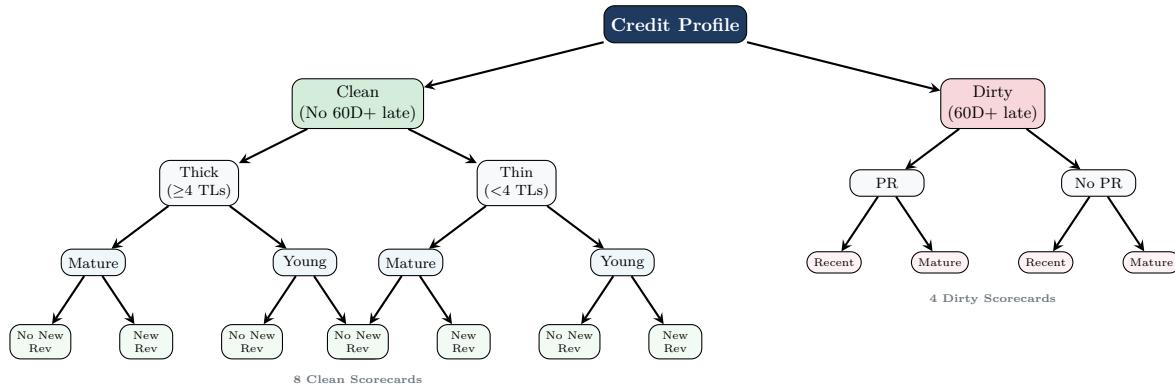


Figure 1: Score 8 Scorecard Segmentation Tree (12 Total Scorecards)

⚠ Warning

Scorecard Reassignment (Rebucketing): When you change scorecards, your score can boost or drop significantly. Moving to a “higher” scorecard often means a score *drop* because you’re now compared to a subpopulation with better credit profiles. Most experience a significant drop at 3 years AoOA when reassigned to a mature scorecard.

5. Payment History Category (Clean/Dirty)

35% of Score ≈ 192.5 Points

5.1 Seven Components of Payment History

1. **Payment information** on all tradelines (credit cards, retail accounts, installment loans, mortgages)
2. **Severity:** How overdue delinquent payments are/were
3. **Amount** of money still owed on delinquent accounts or collection items
4. **Frequency:** Number of past due items on credit report
5. **Recency:** Time passed since delinquencies, adverse public records, or collections
6. **Number** of accounts being paid as agreed
7. **Adverse public records** (bankruptcies, etc.)

5.2 Derogatory Categories

✖ Avoid

This is the most important category. There can be **no derogatories** on your file for maximum scoring. The algorithm looks for:

- Delinquencies (30, 60, 90, 120 days late)
- Charge-offs (CO)
- Collections
- Bankruptcy
- Foreclosures
- Repossessions
- Tax liens
- Consumer Finance Accounts (CFAs)

🔑 Key Point

A **60-day late** is considered a major derogatory and will segment you into a **dirty scorecard for 7 years** on Score 8.

5.3 Collections and Debt Validation

☰ Definition

Collection Authority (CA): If you fail to pay a debt after charge-off, it could be assigned or sold to a CA. This creates a separate tradeline that causes additional penalty and scorecard reassignment to a PR card.

5.3.1 Debt Validation (DV) Process

1. Upon “initial communication,” a CA must notify you in writing within 5 days of your DV rights (Dunning Notice)
2. You have **30 days** to request DV
3. Send via **CMRRR** (Certified Mail Return Receipt Requested)
4. Until CA responds, they are under a “cease contact bar”

⚠ Warning

A DV does **NOT** force a CA to delete. It simply imposes a “cease contact bar” until they respond. Don’t assume you have the upper hand if they don’t respond.

5.3.2 Pay for Delete (PFD)

If the debt is *sold* to a CA, you must negotiate with the CA. Request a **PFD** (Pay for Delete)—paying in return for deletion. This is against CRA policy but some CAs will accommodate.

🔑 Key Point

For collections, FICO® only considers:

1. Has a collection appeared on your credit report?
2. When was it reported?

Whether it’s *paid* is not a scoring consideration until Version 9!

5.4 Derogatory Aging**5.4.1 Scoring Impact Over Time**

Delinquency penalties are believed to reduce at:

- **6 months**
- **12 months**
- **18 months**
- **2 years** (scorecard reassignment)

All baddies affect score for **7 years**.

☰ Definition

TPOD (Total Period of Delinquency): The score loss appears tied to TPOD, which runs from DOFD (Date of First Delinquency) until last update (if unpaid) or until paid.

⚠ Warning

TPOD Catchup Penalty: If an unpaid charge-off hasn’t been updated regularly, then gets updated later (e.g., when you pay it), the algorithm realizes TPOD has increased and you may see a score *drop*.

5.4.2 Credit Report Removal Quick Reference

Table 5: FCRA §605(a) Removal Timeframes

Section	Item	Removal Period
§605(a)(1)	Bankruptcy	10 years from order/adjudication
§605(a)(3)	Paid Tax Liens	7 years from payment
§605(a)(4)	Charge-offs and Collections	7.5 years from DOFD (5 years in NY)
§605(a)(5)	Other negative information	7 years

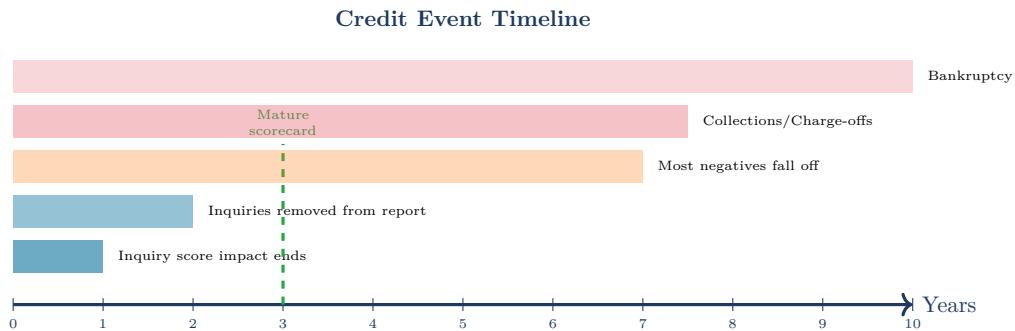


Figure 2: Timeline of Score Impact and Report Removal

5.5 Number of Accounts Paid as Agreed

✓ Optimal Value

A variety of at least **6 positive accounts**, actively reporting paid as agreed, seems to be the minimum without a loss.

6. Amount of Debt Category

$$30\% \text{ of Score} \approx 165 \text{ Points}$$

6.1 Utilization

Utilization metrics are **scoring factors**.

6.1.1 Revolving Utilization

Table 6: Revolving Utilization Thresholds

Type	Thresholds	Optimal
Aggregate Revolving	5%, 10%, 30%, 50%, 70%, 90%, 100%	<9.5%
Individual Revolving	30%, 50%, 70%, 90%, 100%	<30%

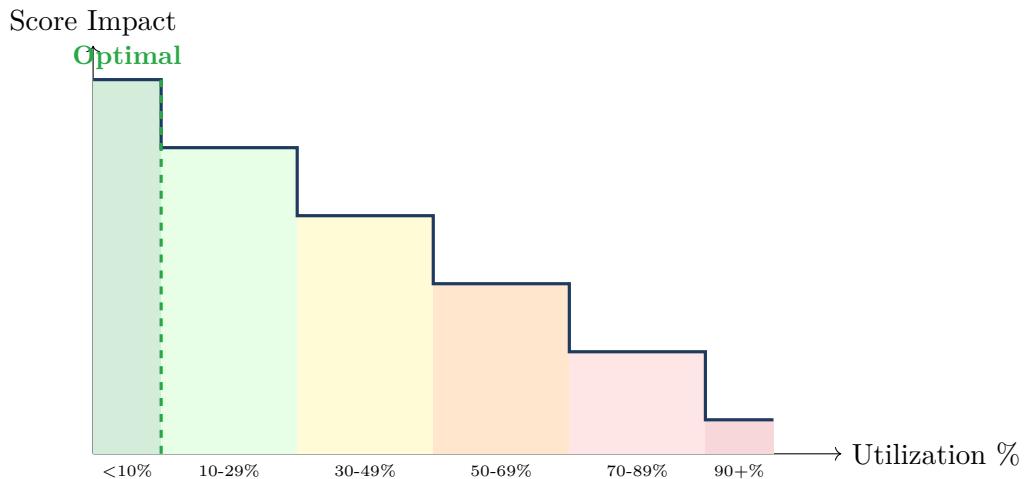


Figure 3: Aggregate Revolving Utilization Impact on Score

6.1.2 Loan Utilization

Optimal Value

The largest threshold (biggest point award) comes when Balance/Limit is **<9.5%**. This strategy is worth **15–35 points**.

Strategy: Get a long-term loan, pay it down to <9.5%, and do a small amount of auto-pay for activity. Requires a FI that doesn't advance the maturity date.

6.2 Number of Accounts with Balance / AZEO

The number of accounts reporting a balance impacts score **independent of utilization**.

Definition

AZEO (All Zero Except One): A strategy where only one national bankcard reports a small balance. This guarantees you're below the lowest threshold for the AWB metric.

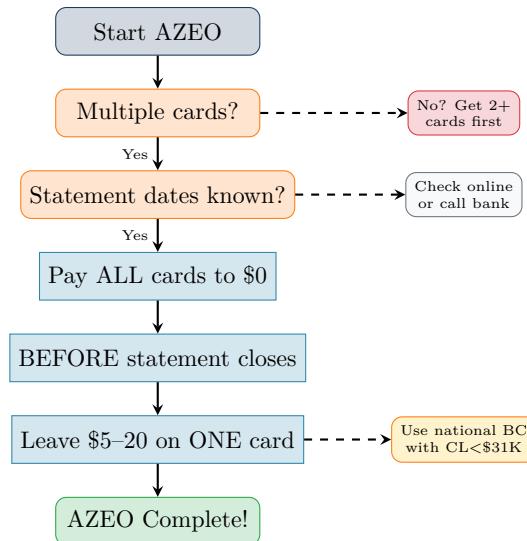


Figure 4: AZEO Strategy Decision Flowchart

✓ Optimal Value

Recommended AZEO Setup:

- Small balance (<4.5% of CL) on **one national bankcard**
- Credit limit of **\$30,000 or less** (mortgage scores exclude higher CLs)
- Balance of **\$5–\$20**
- **Avoid:** Retail cards, credit union cards, charge cards

⚠ Warning

Chase users: Be careful if you pay to \$0—Chase automatically off-cycle updates \$0 balances, which can cause an unintentional All Zero loss.

6.3 All Zero Point Loss

✗ Avoid

When **all revolvers report \$0 balance** (All Zero), there is a loss of approximately **10–20 points**.

Additionally, if you have AU cards that are not discounted and they all report \$0, there is a **separate, independent** AU All Zero point loss.

6.3.1 AU Discount Test

You can test whether AU cards are being discounted by the anti-abuse algorithm:

1. Have all AU accounts report \$0
2. If you experience a loss → AU cards are counting
3. When an AU reports a balance and points return → confirmed counting
4. If no change → AU cards are discounted for Scores 8/9

Note: AU cards always count for mortgage scores (anti-abuse algorithm didn't exist then).

6.4 Revolving Balance Metrics

🔑 Key Point

Score is influenced by the **aggregate balances** on revolvers, independent of utilization.

ABORT (Average Balance on Revolving TLs): An average balance under \$100 but above \$0 appears optimal.

7. Credit History Length (Mature/Young)

15% of Score ≈ 82.5 Points

🔑 Key Point

Aging-related point changes occur on the **first of the month**. No matter what day an account was opened, it's considered opened the first day of that month.

Cassie's Rule of 3: Convert age to months. If divisible by 3, that metric may be suspect for a score change.

7.1 AoOA and AAoA

7.1.1 AoOA – Age of Oldest Account

☰ Definition

AoOA is a **segmentation factor**, NOT a scoring factor. It determines scorecard assignment.

Score 8 threshold: **3 years (36 months)**

The reassignment to mature typically has a **20 point loss**.

⚠ Warning

If you see a point *gain* at a suspicious AoOA threshold, it's probably from **AoORA** (Age of Oldest Revolving Account) because for most people, their oldest account IS a revolver, so AoOA = AoORA.

7.1.2 AAoA – Average Age of Accounts

- **Scoring factor** (directly affects score)
- Awards appear greater on young scorecards
- Awards at multiples of **6 months**
- **3–15 point** annual increase
- Maximum award believed by **90 months**

7.2 Revolving Account Age Metrics

Table 7: Revolving Account Age Metrics

Metric	Description	Max
AoORA	Age of Oldest Revolving Account (scoring factor)	20 years
AAoRA	Average Age of Revolving Accounts (scoring factor)	9 years
AoORBC	Age of Oldest Revolving Bankcard	Under study
AAoRBC	Average Age of Revolving Bankcards	Under study

7.3 AoYA – Age of Youngest Account

🔑 Key Point

AoYA is a **scoring factor** for Score 8/9. It directly gives/takes points and appears to award at months divisible by 3.

Note: AoYA does NOT discriminate against loans (unlike AoYRA).

8. New Credit Category (No New Revolver/New Revolver)

10% of Score ≈ 55 Points

8.1 AoYRA – Age of Youngest Revolving Account

☰ Definition

AoYRA is a **segmentation factor** for clean profiles on Score 8/9.

Threshold: 12 months

- 0 revolvers <12 months old → “No New Revolver” scorecard
- Any revolver <12 months old → “New Revolver” scorecard
- Difference: typically **10–20 points**

⚠ Warning

Loans are NOT included in AoYRA. A new loan won’t trigger new revolver scorecard reassignment.

8.2 Inquiries

Table 8: Hard Inquiry Impact

Factor	Details
Point Impact	0–20 points each (typically <5 on mature/thick profiles)
Binning	Inquiries may be “binned” (1st costs points, 2nd may not, etc.)
Saturation	9th or 10th inquiry = no further penalty
Recovery	Points return at 365 days
Report Removal	24–26 months

8.2.1 Buffering and De-duplication

 Key Point

Buffering: FICO® ignores installment hard pulls from the preceding **30 days**.

De-duplication: Installment HPs of the same type within **45 days** (14 days for EX2) count as 1 for scoring. This allows rate-shopping.

Note: De-duplication does NOT combine across types (mortgage + auto = 2 inquiries).

8.3 Spree Penalty

The “Too many accounts recently opened” reason code suggests a potential penalty for opening multiple accounts in quick succession. Details are not fully known.

 Key Point

Recommendation: Get what you need in **12-month cycles**. If you’re going to open multiple cards, do it before the first one reports, then wait 12 months for:

- New revolver penalty to reset
- Hard pulls to become unscorable
- New revolvers to age
- Potential spree penalty to reset

9. Credit Mix Category

10% of Score ≈ 55 Points

9.1 Number of Accounts (Thick/Thin)

 Definition

Number of accounts is a **segmentation factor**.

Thick profile: **4+ tradelines** (confirmed for Version 9)

9.2 Mix Diversity

FICO® recognizes 5 account types:

Table 9: Credit Mix Account Types

#	Type	Includes	Impact
i	Revolving	CCs, LOCs, HELOCs, Open-ended, Charge cards	Positive
ii	Non-Mortgage Loans	Auto, personal, student, recreational, SSLs	Positive
iii	Mortgage Loans	Home mortgages	Positive
iv	Retail Accounts	Store cards	Neutral
v	Consumer Finance (CFAs)	Finance company loans	Negative

✓ Optimal Value

For diversity bonus: Have at least one account from category (i) **AND** at least one from category (ii) or (iii).

⚠ Warning

CFAs (Consumer Finance Accounts) are NEGATIVE. If an institution has “finance” or “financial” in the name, it may be classified as a CFA.

9.3 Number of Bankcards

🔑 Key Point

Number of bankcards is a **scoring factor**.

- Loss for **<3 bankcards**
- Optimal believed to be **5–7**
- Probably no benefit beyond 10

9.4 Revolver:Loan Ratio

At EQ8, this is a scoring factor. Believed optimal ratio: **3:1 or 4:1**

9.5 Author's Recommendations

✓ Optimal Value

For reaching your best Score 8 scores:

- At least **5 revolvers** (minimum 3 being bankcards)
- **1 loan** with B/L <9.5%
- **No inquiries** in last 12 months
- **No new accounts** in last 12 months
- Practice **AZEO**

10. Disputes

⚠ Warning

Do not dispute frivolous issues—it may cause more harm than good. Always try to informally resolve with the creditor first.

10.1 Direct Disputes

Contact the creditor (furnisher) directly per FCRA. Sometimes this corrects matters without involving CRAs.

✗ Avoid

If you've done a CRA dispute first, do NOT mention that in a direct dispute—the creditor may summarily dismiss it.

10.2 CRA Disputes

1. File dispute with any/all CRAs
2. CRA must “reinvestigate” within **30 days**
3. If you submit additional info, they get **+15 days**
4. If they can’t verify, they must **remove** the item
5. If they refuse, file complaint with **CFPB** or initiate civil action

🔑 Key Point

Best Practice: Handwrite your dispute, include supporting documentation, and mail **CML-RRR**. Computerized/typed disputes often get auto-processed, which is not to your benefit.

10.3 Method of Verification (MOV) Request

If a CRA dispute is denied, you can request how they verified the disputed information. This helps if you need to challenge the “reasonableness” of their investigation in court.

11. Locking, Freezing, and Fraud Alerts

11.1 Freezing

- **Free** by law
- No hard pulls possible while frozen
- New accounts CAN still be added (but unlikely without HP)
- Subject to legislative protections

11.2 Locking

- CRA-created alternative
- No better than freezing
- NOT subject to legislative protections
- Most CRAs now offer free (except Experian)

11.3 Fraud Alerts

Lenders must verify your identity via the phone number on your credit report before extending credit.

⚠ Warning

If you don’t have a phone number on your report, you’ll get a hard pull for nothing. Don’t place a fraud alert without a current number on file.

11.4 Identity Theft Exclusion

If an account appears due to identity theft, file a police report. The CRAs are required to exclude it from your reports—no creditor contact needed.

12. Mortgage Scores

Mortgage scores (EX2, TU4, EQ5) react very differently than Score 8/9.

Table 10: Mortgage Score Versions

Bureau	Version	Base Year
Experian	EX2	1998
TransUnion	TU4	2004
Equifax	EQ5	2004

12.1 Key Differences from Score 8

Table 11: Score 8 vs Mortgage Scores Comparison

Factor	Score 8	Mortgage (2/4/5)
Primary debt factor	Utilization	AWB (Accounts w/ Balance)
AU cards	May be discounted	Always count full
Mature threshold	36 months (3 yr)	24 months (2 yr)
New account threshold	12 months	18 months
Segments on	Revellers only	Any account type
High CL exclusion	No	Yes (>\$31-35K)
Inquiry buffer	30 days	30 days
Inquiry de-dup window	45 days	14 days (EX2) / 45 days

12.2 Credit Limit Exclusions

Table 12: Mortgage Score CL Exclusion Thresholds

Score	Exclusion Threshold
EX2	>\$31,000 (exact: between \$31K-\$34.9K)
TU4	$\geq \$35,000$
EQ5	$\geq \$35,000$

⚠ Warning

Cards with CLs above these thresholds are excluded from revolving utilization. This can cause unintentional All Zero loss if your only balance is on a high-CL card.

✓ Optimal Value

Best Mortgage Score Strategy:

- AZEO on a **primary bankcard** with **CL <\$31,000**
- Balance **under \$100**
- No new accounts in last **18 months**
- No hard inquiries in last **365 days**

13. FICO Score 9

Version 9 was built as an improvement on Version 8.

13.1 What's New in Score 9

- **Paid collections** are now ignored (in addition to nuisance collections <\$100)
- **Medical collections** weighted less
- More recent dataset used
- **13th scorecard** added for high revolving utilization
- Confirmed **4 accounts** = thick profile

🔑 Key Point

Segmentation points are the same as Version 8:

- 60-day+ late → dirty card
- 3 years → mature
- 4 accounts → thick
- 12 months AoYRA → no-new scorecard

14. Reason Codes/Statements

Reason codes are generated by the FICO® algorithm alongside your score. They provide insight into:

- Why your score is what it is
- Why your score changed
- How to improve your score

⚠ Warning

Some CMSs (including MyFICO) change the text of reason statements. MyFICO calls theirs “Score Factors.” This can cause confusion when trying to match to the official code tables.

🔑 Key Point

Using Reason Codes: Not all negative reason codes exist in every scorecard. This is one clue to determine which scorecard you’re in.

15. Notes and Acknowledgments

A very special thanks to **Cassie**, Technical Advisor, for assistance with technical issues, tables, images, research, attribution, links, presentation, and encouragement.

The information in this document represents the best knowledge we have, but errors may exist. There is quite a bit we still don't know and probably never will.

If you find errors, think something should be added, or want proper attribution for discoveries, please reach out to the Credit Rebels community.

"Don't just use, contribute."

Quick Reference Card

FICO Score 8 Cheat Sheet

✓ Optimal Targets

Utilization (Aggregate)	<9.5% (some scorecards: <4.5%)
Utilization (Individual)	<30% per card
Revolving Balance	\$5–\$20 on ONE card (never \$0 on all)
Retail Utilization	\$0
Inquiries	0 (impact removed at 12 months)
Number of Bankcards	5–7 (loss for <3)
Mix	5+ revolvers (3+ bankcards) + 1 loan

⌚ Key Thresholds

AoOA (Mature Scorecard)	36 months (3 years)
AoYRA (No New Revolver)	12 months (10–20 pts)
AAoA (Max Benefit)	90 months (7.5 years)
Inquiry Score Recovery	365 days
Inquiry Report Removal	24–26 months
Negative Item Fall-off	7 years from DOFD
Bankruptcy Fall-off	10 years

✗ Avoid These

All Zero	Lose 10–20 points if all revolvers report \$0
60+ Day Late	Moves you to dirty scorecard for 7 years
Consumer Finance Accounts	Negative factor—avoid “finance” lenders
Too Many Applications	Spree penalty for rapid account opening
Closing Old Cards	Hurts AAoA and total credit limit
High Individual Util	>30% on any single card

💡 Pro Tips

- **AZEO:** Pay all cards to \$0, leave \$5–20 on ONE national bankcard
- **Statement Date:** Pay BEFORE statement closes, not due date
- **Cassie’s Rule of 3:** Age metrics often trigger at months divisible by 3
- **Gardening:** Stop applying for 6–12 months to maximize gains
- **Mortgage Prep:** Use card with CL <\$31K for AZEO balance

Payment History	Amounts Owed	Length	New Credit	Mix
35%	30%	15%	10%	10%

Glossary of Abbreviations

Abbreviation	Meaning
AAoA	Average Age of Accounts
AAoRA	Average Age of Revolving Accounts
ABORT	Average Balance on Revolving Tradelines
AoOA	Age of Oldest Account
AoORA	Age of Oldest Revolving Account
AoYA	Age of Youngest Account
AoYRA	Age of Youngest Revolving Account
AU	Authorized User
AWB	Accounts with Balance
AZ	All Zero
AZEO	All Zero Except One
BC	Bankcard
B/L	Balance to Limit (ratio)
BK	Bankruptcy
BWB	Bankcards with Balance
CA	Collection Agency/Authority
CFA	Consumer Finance Account
CL	Credit Limit
CMRRR	Certified Mail Return Receipt Requested
CO	Charge-off
CR	Credit Report
CRA	Credit Reporting Agency
DOFD	Date of First Delinquency
DV	Debt Validation
EQ	Equifax
EX	Experian
FCRA	Fair Credit Reporting Act
FI	Financial Institution
GST	Goodwill Saturation Technique
HELOC	Home Equity Line of Credit
HP	Hard Pull
OC	Original Creditor
OE	Open-ended (account)
PFD	Pay for Delete
PLOC	Personal Line of Credit
PR	Public Record
SOL	Statute of Limitations
SP	Soft Pull
SSL	Share Secured Loan
TCL	Total Credit Limit
TL	Tradeline
TPOD	Total Period of Delinquency
TU	TransUnion