

score number reflects your credit risk level, with a higher number indicating lower risk. It is generated through statistical models using elements from your credit report.

A higher credit score (700+) will get you the best deals on big purchases. For example, your credit report and credit score impact the deals and interest rates you will receive when you buy a home, finance a car, rent an apartment, apply for a job, buy insurance, purchase a cell phone, or open a new credit card.

The best way to have “healthy” credit is to have a few credit cards and loans that you pay on time every month. Making late payments or maxing out credit limits can negatively impact your credit report and credit score and make it difficult to apply for a loan or make a big purchase.⁷⁵ Being on top of your bill payments, including credit card payments, can be an empowering financial practice.

Your credit score depends on the information in your credit reports. Your score is not physically stored as part of your credit history on the credit file. Rather, it is typically generated at the time a lender requests your credit report, and is then included with the report that will be viewed by the creditor.

Your credit score changes as the elements in your credit report change. For example, payment updates or a new account can cause your score to fluctuate. Additionally, many different credit scores are used in the financial services industry, and your score may be different from lender to lender or loan type to loan type (car loan vs. mortgage loan). It all depends on the type of credit scoring model that is used.

You can create an account with Credit Karma on their website or app to access your credit score for free anytime, anywhere. Visit <https://www.creditkarma.com/free-credit-score> to learn more.

FAQs about Credit Scores⁷⁶

Why are credit scores used?

Before credit scores, lenders looked over each applicant’s credit report to determine whether to grant credit. In this system, a lender might deny credit based on a subjective judgment that a consumer already held too much debt, or had too many recent late payments. Not only was this

⁷⁵ Natalie Issa. “How do Credit Scores Work?” *Credit.com*, April 18, 2019. <https://www.credit.com/credit-reports/how-credit-works/>

⁷⁶ Original material from Peerlink National Technical Assistance Center.