

# UNDERSTANDING CREDIT SCORES

Directions:

1. Cut the cards apart.
2. Place each card in the “Positive Impact” or “Negative Impact” spaces on the chart.

1  Paid bills on time, every time	2  Opened a few credit accounts and never used them	3  Have a credit card with a high limit and low balance
4  Have a long credit history	5  Using 10% of available credit	6  Have a broad mix of different credit types
7 Using a credit card for regular expenses, paying it off immediately each time	8  Checked credit report and had incorrect credit removed	9  Skipped a payment and then made it up the next month

10  Paid bills on time once	11  Opened a few credit accounts and used them all to the max	12  Have a credit card with high limit and high balance
13  Have no credit history	14  Using 60% of available credit	15  Use a single line of credit for all your needs
16  Use a credit card for a big impulse purchase	17  Had many credit checks performed by lenders	18  Finally paid off a big outstanding balance
19  Have a credit card with low limit and low balance	20  Using 30% of available balance	21  Opened a few credit accounts and used them sparingly

22	23	24
Paid bills late, once	Closed a credit card account to begin paying it off	Have a credit card with a high interest rate and unused rewards
25	26	27
Declared bankruptcy five years ago	Using 90% of available credit	Opened many credit accounts in a short time
28	29	30
Used a credit card to pay off another credit card	Using 70% of available credit	Made a budget that treats your available credit as income
31	32	33
Have a credit card with low limit and high balance	Using 50% of available credit	Opened a few credit accounts and built up a high balance on each

Positive Impact	Negative Impact

## CARD POSITIVE OR NEGATIVE REASON

### Answer Key

1	Positive	Regular on-time bill payment will raise your credit score more than any other action
2	Negative	While having a good amount of available credit helps with your utilization ratio, zero use is seen to indicate higher future risk
3	Positive	Having a low utilization ratio is a plus, especially when it is maintained with constant use
4	Positive	A long credit history is a plus, assuming it isn't a history of late or missed payments
5	Positive	Using less than 30% of total available credit helps your score
6	Positive	A mix of credit types helps your score—just don't lose track
7	Positive	Constant use of a card, while paying the balance in full and on time, will build up good credit
8	Positive	Incorrect info can hurt your credit score, so get rid of it
9	Negative	Even when paid eventually, skipped and late payments hurt your credit score
10	Positive	Paying bills on time only helps your credit score if you do it consistently
11	Negative	Many accounts with high utilization will hurt your credit score and can create compounding trouble with repayment
12	Negative	Too much credit utilization will hurt your credit score
13	Negative	Having no credit history means you have zero average credit length and haven't built up good credit through good behavior
14	Negative	Using more than 30% of total available credit hurts your score
15	Negative	A variety of credit helps your score more than using a single source
16	Negative	Using credit for items you can't normally afford can hurt your score through high utilization and late or missed payments
17	Negative	Too many 'hard inquiry' credit checks will negatively impact your credit score
18	Positive	Lower utilization rate and more money free for future expenses will help your credit score
19	Negative	Low balance with a low limit can still create a high utilization ratio
20	Positive	30% or less is a good ratio, but any more and you may hurt your credit score
21	Positive	Low credit use and developing credit history will help your credit score
22	Negative	Late payments are never good, but the overall trend is much more important
23	Negative	Reduces overall available credit, which influences utilization ratio; however, it can help you get back in control of credit use
24	Negative	Higher interest rates are only worth it if you don't carry a balance, and use the card rewards
25	Negative	Bankruptcy hurts your credit score for 7 to 10 years
26	Negative	Using more than 30% of total available credit hurts your score
27	Negative	Shortens average credit length and adds hard inquiries
28	Positive	Paying a balance in full is good for your score, especially if the new credit card has a lower interest rate
29	Negative	Using more than 30% of total available credit hurts your score
30	Negative	This is a recipe for late or missed payments—only use credit that you have the funds to pay back promptly
31	Negative	Too much credit utilization will hurt your credit score
32	Negative	Using more than 30% of total available credit hurts your score
33	Negative	Too much credit utilization will hurt your credit score—many accounts will be even harder to keep under control