**Credit Score Breakdown**

Think of your credit score like you would a grade in school. A teacher calculates grades by taking scores from tests, homework, attendance and anything else they want to use, weighting each one according to importance in order to come up with a final single number (or letter) score. Your credit score is calculated in a very similar manner. Instead of using the scores from pop quizzes and reports you wrote, it uses the information in your credit report.

The number itself can range from **300 to 900**. The formula for exactly how the score is calculated is proprietary information and owned by Fair Isaac. Here, however, is an approximate breakdown of how it is determined:

* **35 percent** of the score is based on your payment history. This makes sense since one of the primary reasons a lender wants to see the score is to find out if (and how timely) you pay your bills. The score is affected by how many bills have been paid late, how many were sent out for collection, any [bankruptcies](http://www.howstuffworks.com/question714.htm), etc. *When* these things happened also comes into play. The more recent, the worse it will be for your overall score.
* **30 percent** of the score is based on outstanding debt. How much do you owe on car or home loans? How many [credit cards](http://www.howstuffworks.com/credit-card.htm) do you have that are at their credit limits? The more cards you have at their limits, the lower your score will be. The rule of thumb is to keep your card balances at 25% or less of their limits.
* **15 percent** of the score is based on the length of time you've had credit. The longer you've had established credit, the better it is for your overall credit score. Why? Because more information about your past payment history gives a more accurate prediction of your future actions.
* **10 percent** of the score is based on the number of inquiries on your report. If you've applied for a lot of credit cards or loans, you will have a lot of inquiries on your credit report. These are bad for your score because they indicate that you may be in some kind of financial trouble or may be taking on a lot of debt (even if you haven't used the cards or gotten the loans). The more recent these inquiries are, the worse for your credit score. FICO scores only count inquiries from the past year.
* **10 percent** of the score is based on the types of credit you currently have. The number of loans and available credit from credit cards you have makes a difference. There is no magic number or combination of types of accounts that you shouldn't have. These actually come more into play if there isn't as much other information on your credit report on which to base the score.

This information is **compared** to the credit performance of other consumers with similar histories and profiles.