

All About Credit Scores

By Credit.com

Anyone who has ever applied for a credit card, loan, or cell phone has dealt with their [credit score](#). This illusive three-digit number impacts the rates and terms you'll receive on everything from a mortgage to car insurance. Understanding and managing your credit scores can help you save thousands of dollars on life's big purchases. Here's what you need to know about credit scores:

The basics

A credit score is a numerical evaluation of your credit history used by businesses to quickly find out if you pose a risk to the company as a borrower. Credit scores are calculated using complex mathematical formulas that look at your most current payment history, debts, credit history, inquiries, and other elements of your credit report. You have three credit scores, one each based upon your credit reports from Equifax, Experian, and TransUnion. You can view a sample TransUnion credit score online by clicking [here](#).

The numbers

Credit scores usually range from 300-850, with 680 or higher considered to be "good." Good credit scores help you get the best deals and lowest rates on major purchases. Your credit score may fluctuate each time something changes on your credit report.

The models

There are thousands of slightly different credit scoring formulas (including FICO, Beacon and Empirca scores) used by bankers, lenders, creditors, insurers, and retailers. Each score can vary somewhat in how it evaluates your credit data. It's normal for your credit score to go up or down about 40 points depending on which scoring model and credit report data is used.

The system

Your credit score improves if you:

- Pay your bills on time
- Have at least 3-6 open and active credit accounts
- Have 1-2 loans
- Keep your credit card balances low
- Have a stable record of credit use
- Keep your accounts open for a long time
- Avoid too many applications for new credit

Alternately, your credit score will decrease if you: pay your bills late, have too many or not enough accounts, max out your credit cards, haven't had credit very long or apply for too many new accounts.

The myth

Checking your own credit report does not cause your credit score to decrease, contrary to popular rumor. You can check your credit reports as often as you would like without harming your credit score. Only when you apply for new credit or loans does a "hard inquiry" cause about a 5 point drop in your score.

Now that you know all about credit scores, it's time to see where you stand. [Check your credit reports and credit scores](#). You can also read more about credit scores and how to keep your credit healthy in our learning center.