

What Is My Credit Score and What Does My Credit Score Mean?

When lenders are considering your application, they will get a copy of your credit report. This report gives all the details about your financial history, payment records, total debt, and any bankruptcies.

The information on this report is used to create your credit score or FICO score, a numerical rating of your creditworthiness. Credit scores range from 300 to 900, with most people falling somewhere between 600 and 700.

The higher your credit score, the more appealing you are to a lender, and the more likely they will offer you good rates and loan terms. Factors affecting your credit score include the number and frequencies of your delinquencies, how long you've had credit, and how close you are to your credit limits.

If you know you will be applying for a mortgage in the near future, it is wise to request a copy of your own credit report in order to look at it before the lenders do.

It's estimated that almost 80% of credit reports contain errors, so this gives you a chance to correct them before you apply for a loan, as well as take basic steps to improve your credit score.

You should look for credit cards you don't use anymore and close those accounts. Resolve any outstanding accounts, verify all listed account numbers to make sure they are yours, and check your loan balances and late payments. You may be required to explain these to lenders.

To improve your credit score, pay all of your bills on time and reduce the amount of credit you have outstanding.