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CREDIT SCORE SECRETS REVEALED

# CREDIT SCORE SECRETS REVEALED



HOW TO OBTAIN AN 800 CREDIT SCORE

**THIS COMPLEMENTARY  
SPECIAL REPORT  
WAS PREPARED FOR YOU  
BY:**



# THE SECRETS BEHIND YOUR CREDIT SCORES

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Your life is your credit. Your Credit Score is the key to everything...your home, car, utilities, insurance premiums, employment. Unfortunately, almost nobody understands HOW the credit scoring system truly works.

You are about to learn the secrets to unlock the potential of your credit scores. Determine your own personal goals. For example, if you have a score in the 500s, getting into the 600 club is a great goal. If you are in the 600s, getting into the 700s is excellent. If you are shooting to get into the 1% of society in the 800 club, follow the tips throughout each section and you will be well on your way.



## The Different Credit Score Models...

There are hundreds of different credit scoring models. Most of the commonly used models come from a company named Fair Isaac. This company does statistical calculations of risk and summarizes it in a numerical value, i.e. credit score. Basically, Fair Isaac creates scoring models which gauge a consumer's risk.

To be more specific, their calculations are designed to gauge a consumer's risk of going 90 days late on an account in the next 2 years. Fair Isaac then sells their scoring models to the credit bureaus including but not limited

to TransUnion, Equifax and Experian. They also sell hundreds of other specialized scoring models to other industries. For example, the Mortgage Industry uses the FICO 08 model.

Many industries want their own specific models. This is why if you apply for a car loan or mortgage, they will always pull different credit scores than you will pull on your own. The Auto Industry scoring model rates 6 specific auto history account types heavier than all other accounts. These variables are known by Fair Isaac as “scorecards”. So if you have had a repossession or a late payment on a car loan, this will have a much greater effect on the Auto Industry option than it would on a Mortgage Industry score or a score you can pull for yourself. Credit card models will rate credit card late payments heavier than other models will. Each industry specific model will be impacted more if accounts are paid late or defaulted on within that specific industry.

There are also general models like Classic FICO and FICO 08 which are the models you can go online and pull your own score for at [www.myfico.com](http://www.myfico.com). The credit bureaus even have their own score named Vantage Score. FICO 08 is the most widely used model today.

This explains why if you have applied for a home or car, the score the lender may quote is different from the score you pulled from a credit monitoring service like Credit Karma or Credit Sesame. Those entities use the Vantage Scoring model; therefore, they are most beneficial for getting credit alerts only. Today, you will learn tips to get to the coveted 800 FICO score that is used 90% of the time by lenders.

## The Credit Score Breakdown

### Payment History - 35%

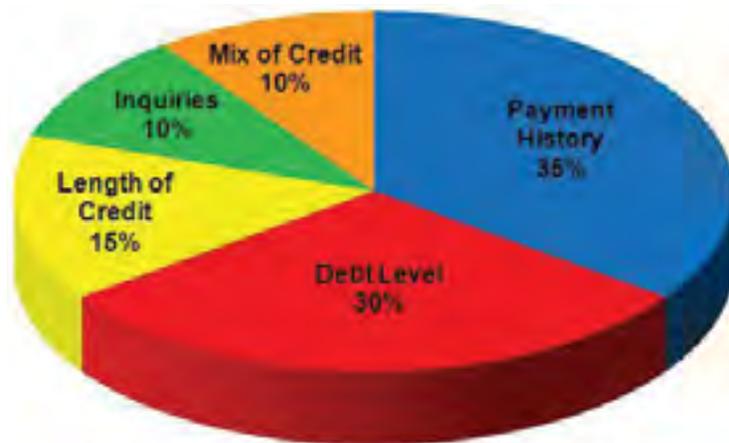
Your payment history is the largest aspect of your credit score, as you might expect. In total, your payment history accounts for 35% of your total score. Think of your credit score as a grade breakdown like when you were in high school. 35% of your 100% “grade” is making payments on time.

This aspect of your total score calculation is based on your prior payment history with your creditors. Late payments, defaulted accounts, bankruptcies, and all other payment related *NEGATIVE* information on your

credit report have the **greatest** effect.

The more recent the late payment, the greater the damage is to your credit score. If you go late on your mortgage this month, the Mortgage Industry scoring model could drop your scores over 120 points. That is with only one 30 day late payment! Yikes! **Tip to get to an 800 FICO score: Make all payments on time. You can still achieve an 800 credit score if you have had a late payment but it has to be greater than 4 years old. Call ahead to make arrangements if you know you will be late on payments. Often times, lenders will extend the due date or work with you.**

**REMEMBER**, the scoring model is based on your potential to go 90 days late on an account within the next 2 years. **ANY** recent late payments are a **BIG** reflection that you will default, and your credit score plummets as a result. Your creditor cannot report you late unless you are 30 days late **BUT** they will claim they need 10 days to process your payment also. So don't think just because you mailed your payment on the 25th day that they will not report you late.



### **Percentage of High - Credit Used - 30%**

The second largest factor in your credit scores is your credit utilization. Lenders want to know how much credit do you have available. If you have very low balances on your revolving credit (credit cards), that says to them that you are not strapped for cash. You appear to be less of a risk.



If you are carrying high credit card balances, you actually hurt your credit scores almost as much as paying the account late every month. 30% of your credit score grade is your available credit. Thus far payment history and how much of your available credit you use accounts for 65% of your “grade”.

This aspect of your credit score has several different factors. The first factor is the balance you owe on all of your accounts in relation to the credit limit on those accounts. It takes into consideration balances on **ALL** of your accounts combined. So if you have two credit cards, the credit bureaus will score you based on how close you are to the limits. Let’s say on credit card A you have a \$1000 credit limit and your balance is \$500. Divide \$500 by \$1000 and you get 50% utilization on credit card A. On credit card B you have a \$1000 credit limit and your balance is \$700. Divide \$700 by \$1000 which equals 70% utilization. You want to utilize less than 30% of your available credit total AND individually. The TOTAL average in our example is 60% credit card utilization across the board. That hurts your score. You are 30% above the threshold of 30% utilization.

In this example, your goal would be to pay both credit cards to less than 30% to optimize your score. That means both cards would need to be at a \$300 balance or less. The lower your total balances, the higher your credit score. **Tip to get to an 800 FICO credit score: FICO will score you at the highest level for this portion of your score if you maintain credit card utilization under 7%. 7% is the magic number on each individual card.** In our example above, that would mean you would want to keep

**your balance on both credit card A and B below \$70 a month.**

Many people believe it is best to pay off the credit card and cut it up. For revolving accounts such as credit cards, you want to keep the smallest balances while still keeping a balance. Don't pay the account to \$ 0 and not use it. If you stop using the account, your credit score is not increasing. The credit bureaus actually score you higher when you actively use your revolving credit and maintain a balance below 7%. One way to do this is to use the card for gas or groceries and pay it down to 1-7% each month. You can use another card for bills, etc. This keeps your credit score thriving.

**Tip to get an 800 FICO credit score: The credit bureau increases your FICO credit score when you have 3 revolving credit accounts (credit cards) that you actively use and keep to 7% or below. Three (3) is the magic number, not one...not two. Tres!**

**Here's a secret: Call your credit card companies and note the date they report to the bureaus. This date will typically be different than your due date. Your due date is based on the date you open the account, not the date they report. Make sure to take your balances down to the lowest you can before the reporting date each month and you will be golden! Ask for a supervisor if the first customer service representative does not know. This is information they must give you.**

**Tip to get an 800 FICO credit score: When considering your individual balances, we now know to keep your 3 credit cards between 1-7% each to optimize your score. Here's a caveat: Consider the overall total outstanding balance as well to get to the 800s. Keep the TOTAL of your balances across those 3 credit cards under \$2500. This amount does not include your mortgage or car loan. This only pertains to revolving credit like credit cards and open accounts (i.e. American Express).\*This is an additional aspect of the 800 score algorithm.**

Your scores will also be lower due to higher balances on installment loans, car loans, mortgages and other non-revolving accounts. This is why your credit scores will **ALWAYS** be immediately lower if you open a new installment loan account.

A new car loan will lower your scores once it goes on your report. How much lower depends on your spread of other accounts. As your loans and

mortgages are paid down over time, your scores will steadily increase. This is why one of the **BEST** things you can do for your credit is open accounts and pay them as agreed. Don't pay those accounts to \$0 too quick as you won't be getting credit for that account if you have no balance and no payments due.

Your score will be affected by how many open accounts have balances, how much of your total credit lines are being used, and how much of a balance you have on installment loans, like car loans.

You can directly improve your credit scores by maintaining lower balances on your accounts or spreading balances over several different accounts.

## **Length of Credit History - 15%**

Your "time in the bureau" accounts is 15% of your credit score. The older your positive accounts are, the higher your score. That is why it is near impossible to get to an 800 score at a young age.

As you have more accounts throughout your life and your history grows over time, your scores will naturally increase due to this factor. **PSA: We encourage you to send any young people you may know to our website and share this information. We are passionate about spreading this information to young people to help them create a solid financial foundation from day one. Who uses Algebra? Teach them financial literacy!**

If you are younger and have less history, do not fret. Stay the course. You can still get an 85% or B+ on your credit score if you get all of your points in the other areas. **Tip to get an 800 FICO credit score: The average age of all of your accounts must be 9 years old or more. Old closed accounts that are positive count towards this average. Keep them on your report. Another secret aspect of this portion of your score is if you have used at least 12 good revolving accounts over the course of your lifetime.**

## Accumulation of new debt - 10%



This aspect of your credit score is comprised of how much new debt you are applying to get. It takes into consideration how many accounts you currently have open, how long it has been since you opened a new account and how many requests you have for new credit within a **12 month time period**.

If you go out today and apply for credit, that creditor requests information from the credit bureaus. This counts as an inquiry on your report. If you have a lot of inquiries in a short period of time, your scores will be impacted negatively 3-5 points per inquiry.

**Tip to get an 800 FICO credit score: The individuals that have not opened a new account in 2.5 years hit the 800 credit score when aligned with the other aspects of your score.**

By all means, get what you need but keep this information in mind. If you apply for a mortgage today, your scores might drop 1 point. But, if you apply for a car, a mortgage, and a few credit cards this week, your scores could drop significantly. The same applies if you have 12 car dealers pull your credit, OR if 1 dealer has 12 banks pull your credit. A lot of credit pulls in a short period of time will have a great impact on your scores. Try not to apply for too much new credit in a short period and don't let a lot of different creditors pull your report while applying for big purchases. **PSA: When you have a great credit score, go to your local bank or credit union**

to make big purchases. Your interest rate will be significantly lower than at any dealership or 3rd party lender. Additionally, they will not “shop” for rates with multiple financial institutions dropping your score more than 1-2 points each hit.

## Healthy mix of credit accounts - 10%

Your credit scores take into account the “mix” of credit items you have on your report. This part of your credit score is affected by what kinds of accounts you have and how many of each type. **Tip to get an 800 FICO credit score:** The bureaus will score you higher if you have an open mortgage, 3 credit cards, 1 auto loan and a small amount of other open accounts (i.e. American Express). If you have a ton of credit cards, your scores will be lowered. If you have several mortgages, your scores will be lower. Any “unhealthy” account mixes lower your scores. **BUT**, don’t run out and cancel your cards just yet. **REMEMBER**, 30% of your score is comprised of your balances in relation to your high credit limit. Keeping cards you already have paid down to \$0 counts towards total credit available to you and looks good. So keep your cards open, but focus on using 3 **LARGE** balance cards for maximum impact. Maintain a healthy mix of accounts and this aspect of your credit score will be golden.



NOTE: If you have negative or derogatory items on your credit report like collections, charge offs, bankruptcies, etc, you will want to clean up your credit while you use the information above. This two pronged approach is your path to your best financial life.

You now are empowered with the **secrets** to getting the score of your dreams. If you need help learning how to clean up your own credit, visit our website.

Visit [www.winnieinvestmentsllc.com](http://www.winnieinvestmentsllc.com) for resources to help you achieve your financial goals...

