

# CREDIT SCORE

# Myths & Facts

## MYTHS

- **Closing an account will improve the score:**

No. Closing the account can lower the score. One of the factors used in determining credit scores is the comparison of the balance on the account to the credit limit. Closing the account will indicate that the total balance to credit limit is higher and lower the score.

- **Maxed out credit limits improve the credit score:**

No. Reaching or exceeding the limit on the credit line will affect the utilization ratio and may be an indication of financial hardship or struggling.

- **Freezing credit improves the credit score:**

No. Freezing the credit does not affect the credit score. It restricts unwanted credit from being opened.

- **Paying off a derogatory debt, lien, or judgment removes it from the report:**

No. Even if you pay the debt off, it will show as "paid" for 7-10 years after it is paid off.

- **Every credit check/inquiry reduces credit score:**

Not always. There are two types of credit checks. The "hard pull" and the "soft pull". Hard pulls are usually made by financial institutions, lenders, credit card companies, etc. and can affect the credit score. Soft pulls are usually made for background checks, such as employers, and do not affect the credit score.

## FACTS

- **Paying off accounts will improve the credit score:**

Yes. Paying off or paying down credit balances affects the credit utilization and in turn can improve the credit score.

- **Checking credit reports regularly will not hurt the credit score:**

Utilizing a "soft pull" credit score service will allow the consumer to have an accurate idea of their credit score and be aware of any changes to credit immediately.

- **Three major credit bureaus have different information:**

Yes. Equifax, Experian, and Transunion are repositories that capture, update and store credit histories. Most of the information is similar, but there are differences. One bureau may have unique information captured on a consumer that is not being captured by the other two, or the same data element may be stored or displayed differently by the bureaus.

- **There are 5 core factors that impact a credit score:**

35% Payment history; 30% Credit Utilization; 15% Length of Credit History; 10% Diversification (mix) of Credit, and 10% Inquiries and New Credit.



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