

How credit scores work

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Your credit score (usually 300 to 850) predicts whether you'll repay on time, and landlords, insurers and lenders use it. FICO weighs payment history about 35%, amounts owed 30%, length of history 15%, new credit 10% and mix 10%. So: never pay late (autopay the minimum), keep card balances under 30% of the limit, pay in full, and apply only for credit you need. No history yet? A secured card or credit-builder loan reported to all three bureaus starts one; debit cards, prepaid cards and payday loans don't.

WHAT TO KNOW

- 1 Know what it is.** A credit score is a prediction of how likely you are to pay a loan back on time, calculated from your credit reports. Companies use it to decide on credit cards, car loans and mortgages, and also for tenant screening and insurance. It also sets the interest rate and credit limit you get. Most scores range from 300 to 850, and higher is better.
- 2 Payment history counts most.** FICO weighs it at about 35% of your score, and the CFPB says most scores treat it as the number one factor. Autopay at least the minimum on every account so a busy week never turns into a late payment. If you've missed payments, get current and stay current.
- 3 How much you owe comes next, about 30%.** Scoring models look at how close you are to being maxed out. Experts advise using no more than 30% of your total limit. On a card with a \$500 limit, that means a balance of \$150 or less.
- 4 Length of history is about 15%.** The longer your record of paying as agreed, the more lenders have to go on. Closing old cards and moving balances onto one card can hurt, because it raises the share of your limit you're using.
- 5 New credit (10%) and credit mix (10%) are smaller.** Applying for a lot of credit in a short time can make lenders think you're having money trouble. Apply only for what you need.
- 6 You don't need to carry a balance or owe interest to build a score.** Paying the full balance each month gets you the best scores and keeps interest at zero.
- 7 Check your free score.** Many card companies and lenders show your score on your statement or online account. Nonprofit credit counselors and HUD-approved housing counselors can often give you a free report and score and go over them with you.

Watch out You never need to pay a company to see your reports or to dispute an error. Checking your own report doesn't hurt your score. And no one can remove accurate negative information for a fee.

DAD NOTE *On time, every time, and keep the balance low. Those two are about two-thirds of the score.*

Full lesson: aptkeys.com/money/credit-reports-and-scores/how-credit-scores-work/

Checked October 2, 2026. Sources: myFICO; Consumer Financial Protection Bureau.