Financial Education

Credit score basics

What is credit?

Throughout your life, it's important to maintain good credit. Credit is the amount of money that lenders will let you borrow. Lenders want to ensure you can make payments on what you borrow. To do this, they check your credit score to determine how much they'll lend you. The higher your credit score, the lower the risk you pose to lenders.

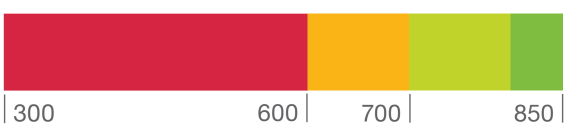
Why is credit important?

Credit scores are provided to lenders by one of three credit bureaus: Equifax, Experian or TransUnion. Your score helps lenders (landlords, utility companies, businesses, etc.) decide whether to approve you for a loan or credit card. The information used to calculate your score is compiled in your credit report, a document summarizing your financial history. While many of your financial activities stay on your credit report for years, your credit score can change based on your everyday financial activity.

Did you know? You can sign up to view your credit score for free. View anytime in the mobile app and online banking. Visit usbank.com/freecreditscore for more information.

Understanding credit score ranges

Scores range from 300 to 850, with higher scores representing more creditworthiness.



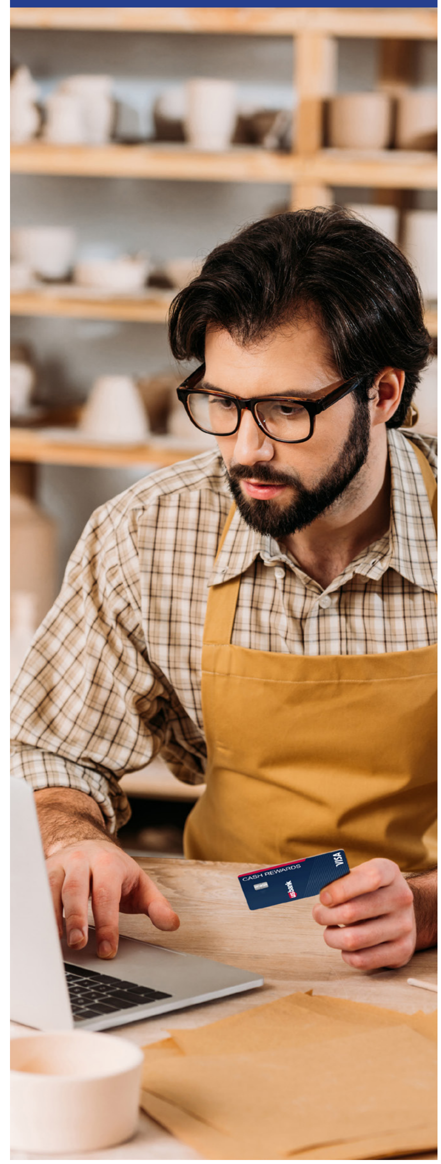
- **300-600:** Poor
- **600-700:** Fair to Good
- **700-800:** Good to Very Good
- **800-850:** Exceptional

Applying for credit? Things you should know:

Regular source of income: Creditors want to know that you can pay back a loan, so it's important to have a steady source of income when applying for credit. Some creditors may ask for proof of employment.

Credit check: Check your credit score with one of the three major credit reporting agencies to have an idea where you stand. The free VantageScore® credit score is for educational purposes only and is not used by U.S. Bank to make credit decisions.

Co-signer: You may need a co-signer if you don't have a credit history. A co-signer is someone who is willing to accept responsibility for your debt if you aren't able to pay it back.



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Age requirement: You must be 18 years old to apply for a credit card. Minors should ask a responsible adult to review options with a banker.

Information you'll need to supply on your application:

- Social Security number
- Permanent home address
- Employment history

Important factors influencing your credit score:

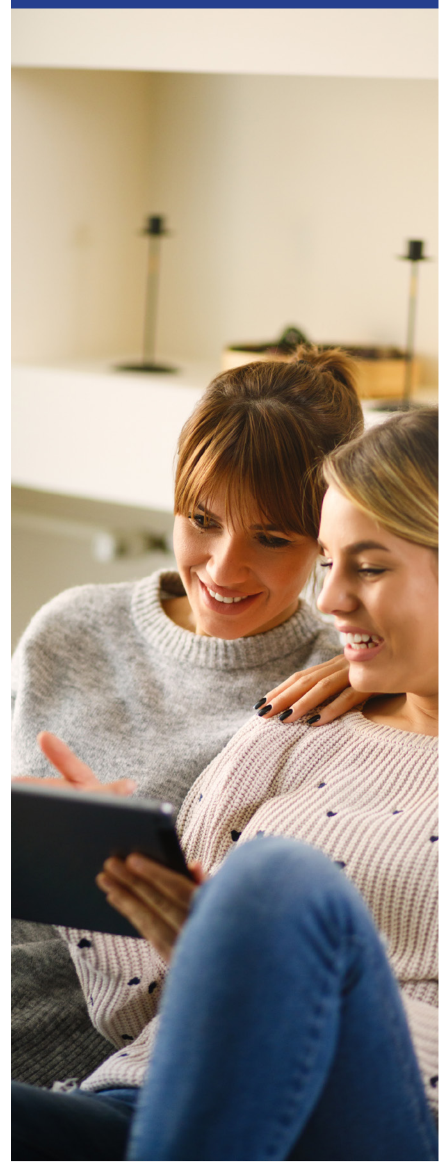
Payment history (35%): How promptly you pay your bills is a strong indicator of your ability to repay debt and has the largest effect on your credit score.

What you owe (30%): Your debt balance and the ratio of debt to your credit limit heavily influence your score. Borrowing only what you can afford to repay is a good rule to follow when managing your debt.

Length of credit history (15%): A longer credit history shows a positive pattern of borrowing and repaying loans.

Types of credit (10%): A car loan, credit cards or a mortgage can impact your credit score positively. Repaying a debt according to the terms of a loan tells lenders that you have credit history. The more types of credit and loans you paid on time, the better.

New credit accounts (10%): Opening multiple credit accounts in a short period of time could suggest financial problems to lenders and can have a negative impact on your credit score.



How to improve your credit score:

Your credit score is fluid and can positively change by establishing good habits. Taking action now can help improve your score.

- **Always pay monthly bills on time.** Late payments on your credit report can slow down your ability to improve your score.
- **Try to pay more than the minimum.** Making more than the minimum payment can show lenders you plan to repay your loans.
- **Avoid opening multiple accounts at once.** Opening new accounts can negatively affect your score.
- **Monitor your credit regularly.** Your credit score is not affected when you check it. Review your report for errors and fraud regularly.

Visit usbank.com/financialiq to learn more about applying for credit and improving your credit score.

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