

Improve Your Credit Score: Key Terms

Amounts owed: the part of your credit score that measures how much debt and available credit you're using. It's the second-most important part of your FICO score.

Auto-pay: a bill-paying system where money is taken out of your account automatically to pay your bills on time

Credit: an agreement where a lender loans you money and you agree to pay them back

Credit bureaus: organizations that collect and store information about your financial history to generate credit reports

Credit limit: the most you can charge on a credit card or account at one time

Credit mix: the part of your credit score that measures how many different types of credit you're using. It makes up 10% of your score.

Credit report: a record of all the times you've borrowed and repaid money in the past

Credit score: a 3-digit number that scores how likely you are to pay back a loan or credit

Credit scoring companies: organizations that use information about your borrowing and repayment history to calculate your credit score

Credit utilization ratio: a number that compares the amount of credit you have available with the amount you're actually using

FICO: a data analytics company that's known for calculating credit scores

FICO Score: the most commonly used credit score

Hard inquiry: when a lender or other organization asks to look at your credit history. Hard inquiries show up on your credit report and impact your credit score.

Installment credit: a type of loan that you make regularly scheduled payments on (like making monthly payments on a car loan)

Length of credit history: the part of your credit score that measures how long you've had accounts open and have been using credit. It makes up 15% of your FICO score.

New credit: the part of your credit score that measures how many hard inquiries and new credit you've opened recently. It makes up 10% of your FICO score.

Payment history: the part of your credit score that measures how reliably you've repaid debts in the past. Payment history is the most important part of your FICO score.

Pre-approval: when a lender looks at your financial info to decide whether you're likely to be approved for a loan before you officially apply

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Revolving credit: a type of credit account that doesn't close once you repay what you've borrowed - you can keep borrowing from it up to a certain limit and keep making payments over and over again (ex. credit cards)

Soft inquiry: when a lender or other organization takes a quick look at your credit report and score. Soft inquiries don't show up on your credit report, and they don't impact your credit score.

VantageScore: the second most commonly used credit score