

Credit Scores & Credit Cards Cheat Sheet

Abstract: This cheat sheet summarizes the key terms and concepts from Module 5: Credit Scores & Credit Cards. It aims to provide learners with a clear understanding of credit scores, how credit cards impact these scores, and strategies for building and maintaining strong credit.

5.1 – What is a Credit Score?

- **Credit Score:** A numerical representation of a person's creditworthiness, which lenders use to evaluate the risk of lending money.
- **Importance:** Affects loan approvals, interest rates, and rental applications.
- **Credit Score Ranges:**
 - Poor: 300-579
 - Fair: 580-669
 - Good: 670-739
 - Very Good: 740-799
 - Excellent: 800-850

Five Key Factors Influencing Your Score:

1. **Payment History (35%):** Timely payments are crucial for a good score.
2. **Credit Utilization (30%):** Aim to keep balances below 30% of your credit limit.
3. **Credit History Length (15%):** Longer credit histories positively impact your score.
4. **Credit Mix (10%):** A diverse range of credit accounts (credit cards, loans) is beneficial.
5. **New Credit Inquiries (10%):** Limit new applications to avoid score drops.

5.2 – How Credit Cards Affect Your Credit Score

Positive Impacts:

- **Building Credit History:** Keeping accounts open contributes positively.
- **On-Time Payments:** Regular, timely payments enhance scores.
- **Low Credit Utilization:** Keeping usage below 30% is ideal.

Negative Impacts:

- **Missing Payments:** Can lead to significant score drops.
- **Maxing Out Credit Cards:** High utilization negatively affects scores.
- **Closing Old Cards:** Reduces credit history length.
- **Multiple Applications:** Too many hard inquiries can lower your score.

5.3 – Building and Improving Credit with Credit Cards

For Beginners:

- **Secured Credit Card:** A good starting point for building credit.
- **Keep Balances Low:** Always aim to pay on time.

For Those Rebuilding Credit:

- **Request Credit Limit Increase:** Helps lower utilization ratio.
- **Credit-Builder Loans:** Useful for improving credit history.

Other Tips:

- **Avoid Closing Oldest Card:** Maintain your credit history.
- **Monitor Credit Score Monthly:** Use free tools like Borrowell or Credit Karma.