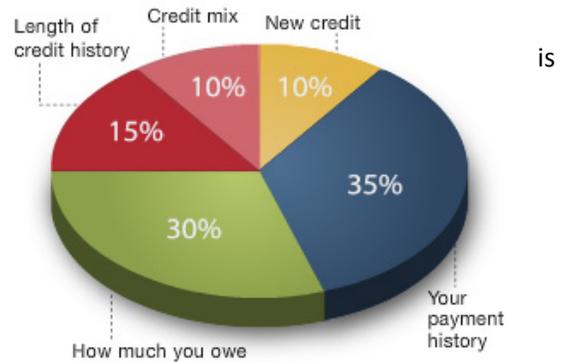


CALCULATE: FICO Credit Scores

As a reminder, this pie chart below describes how your credit score calculated using 5 different components of your credit history. FICO offers this [credit score estimator](#), which we'll use for the activity below.

You've been assigned to be the credit counselor for Sam and Jenna, whose profiles follow. You'll use the FICO estimator to make your life easier.



SAM SPENDTHRIFT is a college junior. He couldn't wait until he turned 21, so he could apply for a few credit cards. Here are some details about his profile:

- He currently has 3 credit cards (Question #1)
- He got his first credit card less than 3 months ago (#1)
- He got his first student loan 3 years ago (#2)
- He has applied for 5 credit cards in the last year (and had 3 applications accepted). (#3)
- He has opened a new credit card within the last three months (#4)
- All of his 3 credit cards currently has a balance, as he has had trouble paying off his card each month (#5)
- He has \$4,000 currently outstanding on all his credit cards (#6)
- He missed a payment in the last three months when he forgot to notify the card company that he had recently moved out of his apartment. He is 30 days behind on making a payment (#7).
- He has two cards currently past due and owes \$3,000 combined on those two cards (#8).
- His credit card balances of \$4,000 are about 80% of his overall limits of \$5,000 (#9).
- He has never gone through a bankruptcy or other proceeding (#10).

1. What is Sam's estimated credit score? Using the credit score calculator **Sam's credit score is between 520-570**
2. What does Sam's score say about his creditworthiness? Looking at the "How Credit Scores are Calculated" have students identify why **Sam's score is low – answer – short length of credit history, high credit mix (includes loans and credit cards, new credit, percent of what he owes on cards and that he missed payments.**
3. As his credit counselor, what recommendations would you make to Sam to improve his credit score? **Answer will vary but can include improving any of the 5 factors, consolidate credit cards and make the one payment on time. Paying off debt and not incurring any new debt until his balances are paid off.**

JESSICA CREDITSMART is a college senior. Her parents gave her a credit card when she turned 17 by making her an authorized user on their credit card. As an authorized user on their account, she benefitted from her parent's diligent credit card habits. She also has a few student loans in college that she will start repaying after she graduates. Here are some details about her for the profile:

- She currently has 1 credit card (Question #1)
- She got this first credit card more than 15 years ago (this is a great credit score hack; she benefits from the fact that her parents had this credit card for 15 years (#1))
- She got her first student loan 3 years ago (#2)
- She has received one student loan in the last year (#3)
- She got that student loan over six months ago (#4)
- Only her three student loans carry a balance, since she and her parents always bill the credit card bill off in full every month (#5)
- She has \$15,000 currently outstanding on her student loans (#6)
- She (and her parents) have never missed a payment (#7).
- None of her loans or credit cards are past due (and her parents are always on time with their credit card) (#8).
- Since she and her parents pay off the bill every month, she has \$0 balance (#9).
- She has never gone through a bankruptcy or other negative proceeding (#10).

4. What is Jessica's estimated credit score? Jessica's credit score is 750-800

5. What does Jessica's score say about her creditworthiness? Jessica is credit smart, she has credit but keeps the balances paid off and does not miss a payment or is ever late on a payment, she also got credit a long time ago and does not have any new loans or credit cards.

6. As her credit counselor, what recommendations would you make to Jessica to improve her credit score? Answer will vary but can include improving any of the 5 factors, continue to pay on students loans without missing a payment and keep the credit card that she received over 15 years ago.

JENNA DEBTFREE is also a college junior. She has always been very cautious with money and thinks her friends with credit cards are crazy. She pays only with cash and debit cards and while she knows she can handle credit cards given her frugal ways, she doesn't want to ask her parents to sign off on a credit card for her, as she doesn't turn 21 for a few more months.

- She currently has no credit cards (Question #1)
- She has no loans outstanding (Question #2)

7. What is Jenna's estimated credit score? Jenna's credit score is zero, in order to get your FICO® Credit Score Estimate you must have at least one account which has been open for six months or more. This requirement is designed to ensure that there is sufficient recent information to provide a robust and accurate credit estimate.

8. What does Jenna's score say about her creditworthiness? Answers will vary but it would help Jenna to have one credit card that she uses and pays off using the cash that she has, she would probably need her parents to help her due to the fact she is under 21.

9. As her credit counselor, what recommendations would you make to Jenna to improve her credit score? Answer will vary but can include improving any of the 5 factors, she would need to participate in credit to receive a credit score.