Your guide to key credit terms

Knowing how to read your credit report can help you take steps to manage it. Here's a look at some terms that may come up as you view your credit report—and how they affect your credit history.

1 FICO score

The FICO score is a credit scoring model used by the three national credit bureaus: Experian, Equifax and TransUnion. The score shows lenders how you've handled credit. Typically, a high FICO score (above 730) may get you more favorable interest rates on loans.

2 Credit history

This is a record of how you've repaid your credit obligations, including loans, credit cards and some bills. The length of your credit history makes up 15 percent of your FICO score. So if you handle credit responsibly for 10 years, you might appear more desirable to lenders than if you have had credit only for a year.

3 Creditworthiness

Before extending credit, lenders and credit card issuers assess your creditworthiness—essentially your ability to repay your loan obligations. This is based on a number of factors, including the availability of your assets and your credit history, and could affect whether you receive credit or not.

4 Revolving credit

This type of loan or debt doesn't require you to make a certain number of fixed payments. Instead, you can repay the debt over time, or pay it back all at once and take out more money as it becomes available. Credit cards are the most common of example of revolving credit.

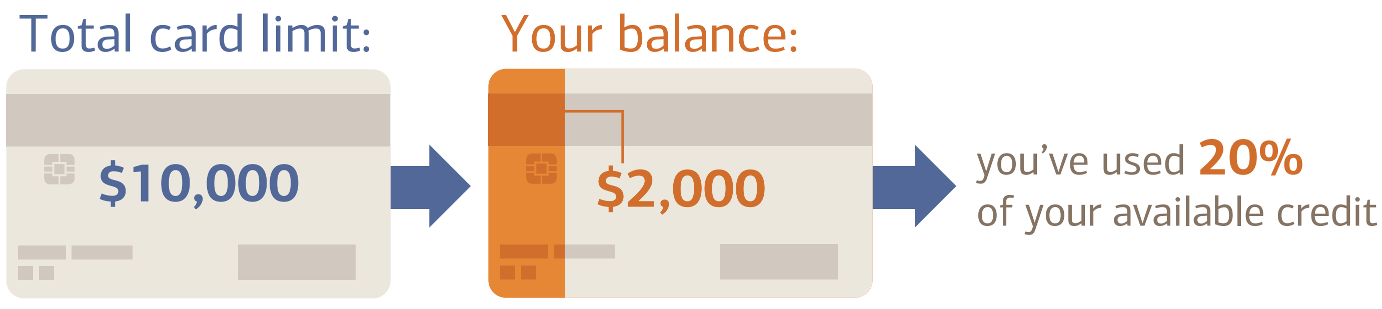
5 Installment loan

A type of loan that's repaid over time with a set number of scheduled payments. The term could be anywhere from a few months to many years. A mortgage is a common example.

6 Credit utilization

Your credit utilization refers to the amount of available credit you're using. Ideally, lenders want to see borrowers using less than 30 percent of their available credit to ensure that they're not maxed out. For instance, if you have several credit cards with total available credit of $10,000, and you have a balance of $2,000, you're using 20 percent of your available credit.

Understanding available credit



7 Good standing

A credit card in good standing is one in which the minimum payment is paid on time or under 30 days late. Timeliness of payments makes up about a third of your FICO score, so lenders want to see that your accounts are in good standing.

8 Hard inquiry

A hard inquiry occurs when a lender or credit card issuer contacts a credit bureau to check your report with the intent of extending credit to you. Hard inquiries might lower your credit score by a few points, so it's best not to have too many hard inquiries all at once. (An exception would be inquiries from mortgage lenders or auto lenders; those typically count as a single inquiry if they occur within the same 30-day window.)

9 Soft inquiry

This occurs when a person or company (such as a potential employer) checks your credit. Soft inquiries are only seen by the person making the inquiry and do not impact your credit score. Checking your own credit is considered a soft inquiry.

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