

Credit Score Questions and Answers



Pre-reading

Questions:

- What do you know about credit scores?
- What would you like to know?

Definitions:

- Credit – a way of buying something at the present time and paying for it at a later date
- Rhetoric – grandiose, persuasive use of language
- Mortgage – an agreement by which someone borrows money to buy a house

Reading

20 James, a 32 year old single parent, has a good job as a manager of a video store. He has
39 been living in a small apartment for the past three years. He desires a bigger living space with a
52 nice yard for his children. James wants a home to call his own.

52 James knows that home ownership means securing a loan, and a loan means credit. He
67 often hears the words credit score and credit report on the radio and TV. He has also seen credit
86 related articles in newspapers and magazines.

92 James is confused by all the credit rhetoric. What exactly is a credit score? What does it
109 mean? Does everyone have one? Where can you get one?

119 A credit score is a calculation based on information from your credit report. It is used to
136 **assess** your credit worthiness based on your credit history and current credit amounts. The better
151 your credit history, the higher your credit score. Creditors, especially in the mortgage industry,
165 frequently use credit scores to determine whether or not to offer a person credit.

179 Credit scores, often referred to as FICO scores, range from 375 to 900 points. If your FICO
196 score is high, you are a better credit risk. Mortgage lenders usually look for borrowers with a credit
214 score above 650.

217 Many factors affect a person's credit score. The two most important factors are payment
231 history and outstanding debt. In fact, these two factors account for 65% of a person's credit score.
248 James' FICO score will be high if he has consistently paid his bills on time. That means paying at
267 least the "minimum payment due" (although paying more is a good idea) before the due date every
284 month. His FICO score will be high if he does not have much debt.

298 Credit history and the pursuit of new credit are two other factors that affect credit scores.
314 People who wisely use the same credit card for a long period of time are a better risk than those
334 who open and close credit card accounts often. Opening a charge account at numerous stores in
350 order to save 10% on a purchase is not wise; too many **inquiries** for new accounts can negatively
368 affect your credit score.

372 James was anxious to get his credit score. He logged on to the www.annualcreditreport.com
386 website to retrieve his free credit report. For a fee, he was also able to get his credit score.

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Level 6.5

Understanding

1. What credit score do lenders like to see in order to loan you money? _____

2. What type of lenders often use credit scores? _____

3. How could someone improve a low credit score? (List at least two ideas) _____

4. What is another name for credit scores? _____

5. What does the word **assess** mean in this reading? _____

6. Why are credit scores used? _____

7. Where did Allan find his credit score? _____

8. What does the word **inquiry** mean in this reading? _____

Writing

Option A: Write a summary of the reading.

Option B: Write about your use of credit and/or your experience with creditors.
