What is Credit Score Calculation?

Worksheet

Credit score = 35% payment history + 30% credit utilization + 15% history length + 10% recent inquiries + 10% credit mix. Scores above 750 are considered excellent.

$$\text{Score} = (0.35 \times H) + (0.30 \times U) + (0.15 \times L) + (0.10 \times I) + (0.1$$

Score = Credit score (300–850 points)
H = Payment history weight (35%)
U = Credit utilization weight (30%)
L = History length weight (15%)
I = Recent inquiries weight (10%)
M = Credit mix weight (10%)

Questions

1. Which factor has the highest impact on credit score?

A) Credit utilization (30%)
B) Payment history (35%)
C) History length (15%)
D) Credit mix (10%)

2. You use 60% of your credit limit. How does that affect score?

A) Positive — using credit is good
B) Neutral — no effect
C) Negative — high utilization lowers score
D) Depends on payment history only

3. How much does a hard inquiry typically lower your score?

A) Nothing
B) 5–10 points
C) 50+ points
D) Depends on the lender

4. Credit score range is...

A) 0–100
B) 0–800
C) 300–850
D) 100–1000

5. You have perfect payment history (100), use 20% of credit (80 score), 8-year history (85 score), 1 recent inquiry (70 score), and 4 card types (90 score). What's your credit score contribution?

6. You have a late payment (H=60), high utilization at 70% (U=30), new account (L=30), 3 recent inquiries (I=50), and limited mix (M=40). Calculate impact.

7. Your payment history is solid (85), you use 30% of credit (75 score), history of 5 years (70 score), no recent inquiries (95 score), and 3 types of credit (80 score). Score?

8. Define: What is a credit score?

9. Define: What is the most important factor in credit score?

10. Define: What is credit utilization and how does it affect score?

Answer Key

1. B) Payment history (35%) — Payment history is 35%, the largest weight — lenders prioritize consistent on-time payments.

2. C) Negative — high utilization lowers score — High utilization signals financial strain; staying under 30% is ideal for optimal scores.

3. B) 5–10 points — Hard inquiries have a small, temporary impact; multiple inquiries in short time have bigger impact.

4. C) 300–850 — FICO credit scores range from 300 (worst) to 850 (best).

5. H = 100, U = 80, L = 85, I = 70, M = 90 Score = (0.35×100) + (0.30×80) + (0.15×85) + (0.10×70) + (0.10×90) = 35 + 24 + 12.75 + 7 + 9 = 87.75 → maps to ~750+ range (excellent)

6. H = 60, U = 30, L = 30, I = 50, M = 40 Score = (0.35×60) + (0.30×30) + (0.15×30) + (0.10×50) + (0.10×40) = 21 + 9 + 4.5 + 5 + 4 = 43.5 → maps to ~600 range (fair, problematic)

7. H = 85, U = 75, L = 70, I = 95, M = 80 Score = (0.35×85) + (0.30×75) + (0.15×70) + (0.10×95) + (0.10×80) = 29.75 + 22.5 + 10.5 + 9.5 + 8 = 80.25 → maps to ~720 range (good)

8. A 300–850 point rating of your creditworthiness based on payment history, credit usage, and other factors.

9. Payment history (35%) — lenders prioritize on-time payments above all else.

10. The % of available credit you use. Lower utilization (under 30%) is better and increases your score.