

FREQUENTLY ASKED QUESTIONS ABOUT CONSUMER CREDIT SCORES

1. *What is a credit score?*

A credit score is a three digit number (calculated from your credit history) and is one factor used by lenders to determine your creditworthiness – your probability of default if granted a credit facility. Your score can affect whether or not you are approved as well as what interest rate you are charged.

2. *Why do I need to get a credit score?*

To get a credit score you have to borrow or regularize all your past outstanding loan accounts. Your payment history is a record of how well you pay back loans. Creditors prefer clients who pay their bills on time and in full each month.

- a. If you are **late on a payment**, or more than one, new creditors may be concerned if you will be late on their payments.
- b. If **you skip a payment**, creditors might ask themselves if you will take their loan payments seriously.
- c. If you **default on a loan** by missing several payments, creditors may wonder if you will default on a new loan, too.

3. *I have never borrowed yet I don't have a credit score?*

Not rate (no score) implies that the level of your risk is undetermined. You have to borrow to get a credit score. No score means that you haven't been tested with credit and therefore we can't ascertain how you will pay if granted.

4. *Why does my score reduce after paying/ closing a loan?*

This is a common trend that the score may reduce once you close your loan. Credit utilization is a factor in determining your credit score and therefore full payment impacts on your credit utilization negatively hence the decrease of the credit score.

However, the drop is usually small and temporary. If there are no other negative issues in your credit history, your scores will likely come back up after a month or two, after your credit history stabilizes.

5. *Why do I have a low score yet I don't have any account in default?*

Low score implies that you have relatively high probability of default if granted a normal loan. This may result due to short repayment period of the account in view. The nature of the loan and the days in arrears have an influence in your credit score.

6. *I have been having a credit score before but it has suddenly disappeared?*

Keeping away from credit has a negative impact on your credit score. You have been having score because your loan accounts were less than two years since they were last updated. Any of loans accounts that are more than two years (since they were last updated in the bureau) aren't considered in credit scorecard.

7. *What variables are considered when calculating my credit score?*

Your payment history is the most important aspect of your credit score, because it shows how you've managed your finances, including any late payments. Your credit history is important, as it demonstrates how long you've been managing your accounts, when your last payments were made, and any recent charges.

8. *What can I do to improve my credit score?*

A good credit score is likened to a good credit reputation. To improve your credit score, it is advisable that you develop a good repayment culture by borrowing wisely and repaying promptly. Taking control of your credit utilization and number of credit enquiries by your lenders is also important too.

9. *My lenders continually checks on my credit report. What impact does it have on my credit score?*

One of the factors considered in the calculation of a credit score is the hard enquiry (enquiry by lenders especially for the purposes of credit application). Hard enquiries have a negative impact on your credit score. Therefore avoid multiple checks by your lenders on your credit score.

10. *Does checking my personal credit report have an impact on my credit score?*

Checking your credit report does not impact in any way on your credit score. This is because it is treated as a soft enquiry that isn't factored in the scorecard calculation. Checking your credit report allows you to verify whether all the information is accurate and upto date.

11. My bank pulled my credit report and told me that I am risky and therefore they cannot lend to me.

Every credit score has some level of risk associated with it. The higher the score, the lower the risk of default. Below is how to establish the credit risk associated with your credit score.

BAND
The scores are grouped into bands of similar risk using a minimum and maximum score per band.

Band	Min score	Max score	Description
AA	698	999	Low Risk
BB	690	697	Low Risk
CC	675	689	Low-Medium Risk
DD	661	674	Low-Medium Risk
EE	645	660	Medium Risk
FF	623	644	Medium Risk
GG	594	622	Medium-High Risk
HH	551	593	Medium-High Risk
II	490	550	High Risk
JJ	1	489	High Risk

12. One of my lenders declined my loan application due to a low score of 560 HH and that they don't take any score below 593HH. Later I applied for a similar loan in another bank and was accepted. Why?

Every lender has its own risk appetite- meaning the amount of credit risk that they can take up. This is usually implemented by setting a cut off point in the score below which the lender cannot take. This means that your first lender had set a cut off at 593HH whereas your last lender had set its cut off below that.

13. Last month I had a score but now I don't have a credit score on my credit report. Why and where has my score disappeared to yet I have loan accounts indicated on my credit report?

When calculating the credit score, we use a 24 months observation window from the last date of payment. Meaning that any account beyond the 24 months window isn't considered when arriving at the score. This implies that the last time you had the score, your last loan account was on the 24th month since its last date of payment.

Incase of further questions, do not hesitate to drop us an email via: info@transunion.com