



FINANCE AND ADMINISTRATION CABINET
KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY

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Money Tip for Students, November 2020

Students should learn about credit scores

Students should be familiar with credit scores, according to the Kentucky Higher Education Assistance Authority (KHEAA).

Your credit score is a three-digit number that has a long-lasting effect on your buying power.

“It’s important for young people to learn about financial concepts like credit scores early, before they make major financial decisions as adults,” said Gov. Andy Beshear. “A good credit score can open doors, but a bad one can make all transactions or loans more difficult and expensive. That’s why I’m fighting for better job and educational opportunities for all of our Kentucky students so they can start their adult lives on solid financial footing.”

Although there are several scoring methods, the most widely accepted one comes from FICO. Your FICO score ranges from 300 to 850. These items make up your FICO score:

- **35 percent is based on your payment history.** Early payments will have a higher number than on-time payments, which will have a higher score than late payments.
- **30 percent is based on outstanding debt.** This outstanding debt is how much you owe on car loans, mortgages, credit cards, etc. The number of credit cards you have and if those cards are near the maximum borrowing limit will hurt your score.
- **15 percent is based on the length of time you have had credit.** The longer you have been borrowing money and paying it back in a timely manner, the better your score.

- **10 percent is based on new credit.** If you have opened several new accounts, that will have a negative effect on your score. Also, the more inquiries on your credit report in a year, the lower your score.
- **10 percent is based on the types of credit you currently have.** It helps to have a mix of loan types. If you have a credit card, an installment loan will even out the credit.

KHEAA is the agency that administers the state's grant and scholarship programs, including the Kentucky Educational Excellence Scholarship (KEES). The agency also provides financial literacy videos at itsmoney.kheaa.com and free copies of "It's Money, Baby," a guide to financial literacy, to Kentucky schools and residents upon request at publications@kheaa.com.

Many of KHEAA's student aid programs are funded by Kentucky Lottery receipts.

For more information about Kentucky scholarships and grants, visit kheaa.com; write to KHEAA, P.O. Box 798, Frankfort, KY 40602; or call 800-928-8926, ext. 6-7214.