



FINANCE AND ADMINISTRATION CABINET
KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY

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Money Tip for Students, June 2022

Students should learn about credit scores

FRANKFORT, Ky. (June 2, 2022)—Being familiar with how credit scores work is important information for students, 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,” said Gov. Andy Beshear. “You want to build a good credit score so you can tap into resources to buy a car or house, or if you have another expensive need. A good credit score can open doors, but a bad one can make all transactions or loans more difficult and expensive. That’s why it’s important to learn how credit scores work and how they can affect your lifestyle.”

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 loans, mortgages, credit cards, etc. Having a lot of credit cards can hurt your score, especially if you’re near your borrowing limit.
- **15 percent is based on the length of time you have had credit.** The longer you have been borrowing and making payments on time, the better your score.

- **10 percent is based on new credit.** Opening several new accounts will have a negative effect on your score. Also, the more inquiries you have on your credit report in a year, the lower your score will be.
- **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 state agency that administers Kentucky's grant and scholarship programs, including the Kentucky Educational Excellence Scholarship (KEES). The agency also provides free copies of "It's Money, Baby," a guide to financial literacy, to Kentucky schools and residents upon request to publications@kheaa.com.

In addition, KHEAA administers the KY Saves 529 program, which allows families to save for college. For more information about KY Saves 529, visit kysaves.com.

KHEAA also disburses private Advantage Education Loans for its sister agency, KHESLC. For more information about Advantage Education Loans, visit advantageeducationloan.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.