

Credit Scores -101

For Students



What is a credit score?

A credit score is a number (between 0 and 1,200) generated by a credit bureau. Your score reflects your borrowing history and if you pay your bills on time – which helps lenders determine how likely you are to repay any credit.

The higher your score the better your credit rating is. If you have a low credit score, it can lead to companies being unwilling to offer you credit or charging you a higher interest rate.

There are several free tools that you can use to check your credit score. By understanding your score and what is impacting it, you can work to improve it.

Understanding your credit score

In Australia, there are three major credit bureaus – Equifax, Experian and illion. Each bureau uses a different scale, so keep in mind that the below information is a guide only.

Your credit score is determined by how you pay your bills, so if you fail to pay or often pay late, your score can go down. People with higher credit scores tend to pay their bills on time.

Does everyone have a credit score?

If you have ever had a credit card, utility account or similar, you will have a credit score. People under 18 are the most likely not to have a credit score.

Tier	Score
Excellent	800-1,200
Very good	700-840
Good	625-755
Average/fair	506-665
Below average	0-505



How do I improve my credit score?

There are several ways to improve your score:

- ✔ **Check out your full credit history** – remember there are several free tools to help you with this.
- ✔ **Pay your bills on time** – we all know how easy it is to forget sometimes, especially when life is busy. Try setting up automatic transfers or direct debit, that way you don't have to think about it.
- ✔ **Budget** – try to save for things rather than using credit to get it.
- ✔ **Chop up unnecessary credit** – lenders get nervous when you have too many lines of credit. By reducing this, you might increase your credit score over time.

What is the difference between a credit score and credit report?

A credit score helps lenders know how “credit-worthy” you are and how likely you are to pay on time.

A credit report is a full history of credit enquires, bill payments, defaults, court judgements and how much credit you have elsewhere.

How do I obtain a copy of my personal credit report?

There are free online tools – try looking up illion, Experian and Equifax. You will need to verify your identity so make sure you have the information handy and provide accurate details.

If you prefer paper copies, bureaus can send you one in the post. Check out their website on how to do this and the information you will need to supply.

What should I do if I find something on my credit report that looks incorrect?

Reach out to the credit provider (like your bank, utility provider etc.) or the credit reporting body (Equifax, Experian or illion). They will be able to investigate the information and if they agree that it is incorrect, they can have information removed or amended.

Why do companies have all this information about me?

When you apply for credit, companies want to know that you are likely to pay your bills on time, so when you have a good credit score it helps you and the business offering credit to you to assess your “worthiness” fairly.

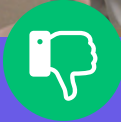
Credit agencies (Equifax, Experian or illion) collect this information to help lenders make better informed decisions.

Will checking my credit score change it?

Using free personal credit check tools (like illion) has no impact on your credit score.

Who can see my credit information?

If you are applying for credit, the lender (your bank, utility company, etc.) will get your permission to access your credit history – make sure you always read the information supplied to you.



Zero score

If you've got a zero, there's something negative on your file, such as a payment default. You might have a court judgment or bankruptcy. But you don't need something that drastic to push your score down – even late payments look bad to companies you want to get credit from. You probably have a few credit enquiries on your file, which means you've applied for credit and may have been declined.

As you build up a good credit history your score will change to reflect this. Unfortunately, there's no magic bullet and you will need to work at this over the next two years or more.



**Good:
500 – 699**

A score like this means there's probably not much information available about your credit history, which probably means there's nothing significantly negative.

It could also mean that your good history with your current credit provider is not yet being reported (credit reporting bureaus don't yet have all the information from all credit providers).

Your score could also be impacted by your age or where you live - your credit score is generally higher the older you get.



**A low score:
1 – 299**

If you're here, you probably have payment defaults or other negative data on your file.

If you don't have defaults or other negative data such as a bankruptcy, then you may have a poor payment history (for example, late payments). You could also have a high number of credit enquiries, especially recent ones and for small amounts. This likely means you've applied for credit and may have been declined.



**Great:
700-799**

If this is you, you're probably paying your bills on time, but you might have a number of credit enquiries or applications for loans against your name. You might also be new to credit, which means your credit history might not be long enough to put you in the 'excellent' category.



**Room for improvement:
300 – 499**

If your score is between 300 and 499, it still needs improving, but you probably won't have anything negative (defaults, late payments, judgments) on your file.

It could be that you are in the younger age bracket, which lenders see as a bit riskier, and you may have recently applied for one or more smaller credit facilities or to credit providers that offer services to higher risk customers.



**Excellent:
800-1000**

Scoring in this range will often be associated with being in the older age groups, having been fairly disciplined with your credit applications, having a mortgage and/or an investment property.

Constantly and consistently making payments on or ahead of time throughout your credit history has a big impact on your score as well.

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Have more questions?

Please contact us at support@ZeeFi.io
or call us on 1800 324 909. Visit us at www.ZeeFi.io