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Credit is a cornerstone of financial life in the United States. Yet when you're new to it, your credit score may seem like a daunting subject. No one just automatically knows how credit scores work. A credit score is a numerical expression of a borrower's credit history and potentially indicates the likelihood that he or she will pay their debts in a timely manner. We could also describe it as a risk score.

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The higher the score generally, the lower the risk for the bank or lender. This means you're more likely to get approved when applying for a credit card or loan. Lenders also use credit scores to help determine interest rates and credit limits. If you're starting from scratch, your first step is to establish your credit history. This means opening an account or getting added to an account often a loan or credit card that's reported to at least one of the credit bureaus equifax, experian or TransUnion.

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When building credit history, having at least two or three open accounts is typically needed to generate a score. Factors to consider in building high scores are payment history, amounts owed, length of credit history, new accounts opened and types of credit used. Most important of these are payment history, so be sure to always make payments on time and amounts owed, the lower the better. At Texas firm credit, we know you're more than just a credit score. That's why we also use other factors to determine credit worthiness.

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For smaller loans, we use another scoring model called an Agfast score, which is unique to farm credit. For our larger loans, we also look at capital and solvency ratios such as current ratio and owners equity. We'll consider available income versus debt requirements to help determine repayment ability. Last but certainly not least is collateral to secure the loan. Because we're more holistic in our approach to Texas firm credit, you can feel confident knowing we see more than a credit score.

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Overall, credit management has a lot to do with intention, knowing what helps and what hurts your score. While there are many intricacies to credit, you don't need to know all the ins and outs to build excellent credit. Start by opening accounts, paying your bills on time and limiting your credit card usage. And over time you can get there. And if you ever need someone to talk, we're only a phone call away.