



Simplify PlusAI

ACADEMIA • FINANCIAL RESOURCE SERIES

KNOWLEDGE BUILDS OPPORTUNITY

What a Credit Score Really Means

How lenders see risk — and what that can cost you.

CREDIT REPORT

Your Credit Factors

- Payment History
- Amounts Owed
- Length of Credit History
- New Credit
- Credit Mix

Your Credit Score

785
EXCELLENT

Account Summary

Total Accounts:	12
Open Accounts:	11
Credit Utilization:	7%
Payment History:	100%



THREE PEOPLE. THREE VERY DIFFERENT BORROWING WORLDS.

The score is not wealth. It is a lender-facing estimate of credit risk.



SAME SCORING SCALE. VERY DIFFERENT OUTCOMES.



450

HIGH RISK



Approvals harder



Rates usually worse



Less room for error

HIGHER RISK OF DEFAULT IN LENDER MODELS



685

GOOD



Broadly usable credit



Terms can still improve



Behavior matters

SOLID OPTIONS, WITH ROOM TO GROW



815

EXCEPTIONAL



Low observed risk



Strong approval position



Best pricing tier often available

LOWER RISK. MORE OPTIONS. POTENTIALLY LOWER RATES.

FICO 8 BASE SCORE RANGE

Scores range from 300 to 850. Higher scores generally indicate lower risk.



300 ————— HIGHER RISK ————— LOWER RISK ————— 850



WHAT IT IS



A prediction based on credit-report data



A tool lenders use to estimate repayment risk



One input in approvals and pricing



WHAT IT IS NOT



Not a wealth or income score



Not one universal number – models can differ



Not proof that debt is affordable



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FICO'S FIVE MAJOR SCORE CATEGORIES

Different factors matter by different amounts. Focus here for the biggest impact.



FOCUS
ON WHAT
MOVES THE NEEDLE.

35%



PAYMENT HISTORY

Pay on time. Recent, severe, or repeated late payments hurt most.



Biggest impact
on your score.

30%



AMOUNTS OWED

Utilization, balances, and how many accounts carry balances.



Keep balances low
relative to your limits.

15%



LENGTH OF HISTORY

Older, seasoned accounts generally help.



Time works in
your favor.

10%



NEW CREDIT

Hard inquiries and recently opened accounts can add pressure.



Apply only
when needed.

10%



CREDIT MIX

Variety helps a little — never borrow just to create mix.



A small boost —
focus on the bigger
factors first.



THE FASTEST WAYS TO CREATE TROUBLE

These common mistakes can quickly lower your score and be expensive to fix.



LATE PAYMENT

A reported 30-day late can remain for years.



MAXED CARDS

High utilization can hurt even when you pay on time.



APPLICATION SPREE

Credit-card applications do not get rate-shopping treatment.



COLLECTION / CHARGE-OFF

Severe derogatories can damage access and pricing.



CLOSE LIMIT CARELESSLY

Closing a card can raise utilization by shrinking available credit.



RATE SHOPPING HAS LIMITS

Mortgage/auto/student-loan inquiries can receive grouping treatment. Credit-card applications usually are not.

HARD vs. SOFT PULL



HARD
Application-related;
can affect score.



SOFT
Your own check /
account review;
no score hit.

Sources: FICO, CFPB, Experian. For educational purposes only.



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Utilization: The Hidden Pressure Gauge

How much of your revolving limit are you using?



EXAMPLE: ONE CARD WITH A \$5,000 LIMIT

Same limit. Very different risk signal.



SAME CARD.
SAME LIMIT.
A COMPLETELY
DIFFERENT STORY.

7%
UTILIZATION



\$350
OF \$5,000

**HIGH-SCORE
BENCHMARK**

- ✓ Very low risk signal
- ✓ Matches 800-850 consumer average (~7%)
- ✓ Plenty of headroom

30%
UTILIZATION



\$1,500
OF \$5,000

CAUTION LINE

- ! Useful warning line (not a cliff)
- ! Still a reasonable range
- ! Consider paying down if possible

50%
UTILIZATION



\$2,500
OF \$5,000

HEAVY USE

- ! Higher risk signal
- ! May start to impact scores
- ! Less room for unexpected charges

75%
UTILIZATION



\$3,750
OF \$5,000

SERIOUS WARNING

- ! High risk signal
- ! More likely to hurt your score
- ! Limited flexibility if you need credit

95%
UTILIZATION



\$4,750
OF \$5,000

NEAR MAXED

- ✗ Very high risk signal
- ✗ Likely to significantly hurt your score
- ✗ Little to no headroom



THE RULE TO REMEMBER

Lower utilization is generally better. 30% is a useful warning line - not a magical FICO cliff. Consumers in the 800-850 range averaged about 7% utilization in June 2026.



INDIVIDUAL CARD MATTERS

High utilization on a single card can hurt your score, even if your total utilization is low.



TOTAL UTILIZATION MATTERS

Lenders also look at your overall revolving utilization across all cards.



REPORTING DATE MATTERS

Your balance on the statement date is what's reported to credit bureaus.



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Interest: What 22.15% APR Actually Looks Like

The bank shows a rate. You live the dollars.

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FEDERAL RESERVE BENCHMARK - ACCOUNTS ACTUALLY ASSESSED INTEREST

22.15% APR

September 2026

This is the average interest rate actually assessed on credit card accounts, according to the Federal Reserve.



A higher rate means your balance grows faster — even if you only make minimum payments.



\$5,000 BALANCE

Here's what 22.15% APR looks like in real dollars.

≈ \$92

interest in the first month

before fees, new purchases, or exact daily timing

THE SAME \$5,000 DEBT - DIFFERENT PAYOFF SPEED

A lower monthly payment can feel easier, but it usually means more interest and a higher total cost.

36 MONTH PLAN

Higher payment. Less interest. Paid off sooner.

\$191/mo

estimated monthly payment



\$1,888

interest paid



\$6,888

Total repaid ≈ \$6,888



3 YEARS
TO BE DEBT FREE



Less interest.
Builds progress faster.

60 MONTH PLAN

Lower payment. More interest. Takes longer.

\$139/mo

estimated monthly payment



\$3,311

interest paid



\$8,311

Total repaid ≈ \$8,311



5 YEARS
TO BE DEBT FREE



More interest.
Costs you more over time.

THE BOTTOM LINE



Same \$5,000 debt balance.



Different payment plan.



\$1,423 more

in interest with the 60-month plan.



THE PUNCHLINE

Lower payment ≠ cheaper debt.

Time feeds interest.

The longer it takes, the more you pay.



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The Traps That Make Debt More Expensive

Promotions, store cards and minimum-payment thinking.



STORE CARD SHOCK

That discount can be costly.

32.66%

AVG. APR

Top-retailer private-label cards average 32.66% APR (Dec. 2024). A small checkout discount can quickly turn into expensive debt.

**THE DISCOUNT IS TEMPORARY.
THE INTEREST CAN LAST.**



BALANCE TRANSFER REALITY

A lower rate can still come with a cost.

4.3%

AVG. FEE

\$5,000 transfer → about \$215 fee

New starting balance ≈ \$5,215

Then the promo clock starts.

**A LOWER RATE HELPS —
JUST REMEMBER THE UPFRONT COST.**

FOUR TRAPS TO UNDERSTAND BEFORE YOU SIGN



0% PROMO ≠ FREE FOREVER

If the balance survives the promo period, the remaining debt can move to the regular APR.

**THEN THE CLOCK RUNS OUT.
THEN THE REGULAR RATE APPLIES.**



DEFERRED INTEREST IS DIFFERENT

Some offers can charge accumulated interest retroactively if the promo balance is not fully paid.

**IT CAN FEEL LIKE 0% —
UNTIL IT ISN'T.**



CASH ADVANCES START FAST

Cash advances often begin accruing interest immediately and may add fees.

QUICK CASH COMES AT A HIGHER COST.



MINIMUM PAYMENT ≠ PROGRESS

Staying current protects payment history. It does not mean the debt is disappearing quickly.

**YOU STAY CURRENT —
BUT INTEREST OFTEN KEEPS GROWING.**



BEST DEFENSE:

Keep the grace period and pay the statement balance in full when you can.

Interest is the price of time. The longer high-rate debt stays alive, the more of your future cash flow it consumes.

Sources: CFPB 2025 card-market report; CFPB retail-card spotlight; Federal Reserve; URS Research Base 1.1.



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Build Strong Credit. Protect Your Cash Flow.

The goal is not a perfect score. The goal is control.



THE 7 HABITS

Simple habits make a big difference. Focus on what you can control.

1



Pay on time — every time.

On-time payments build trust and lower risk.

2



Keep revolving balances low.

Lower utilization can help your score.

3



Apply for new credit selectively.

Too many applications in a short time can hurt.

4



Let good accounts age.

A longer history can be a positive factor.

5



Check all three credit reports.

Look for errors and make sure information is current.

6



Understand APR, fees and promo terms.

Know the true cost before you borrow.

7



Borrow for a reason — not to chase a score.

Use credit to support your goals, not just your score.



DEBT-TO-INCOME (DTI): AFFORDABILITY, NOT SCORE

Monthly debt payments ÷ gross monthly income.

DTI shows how much of your income goes toward debt. Lower is generally safer.

≤35%

STRONGER

More flexibility. Often viewed favorably by lenders.

36–43%

LENDER-SENSITIVE

May limit options. Lenders look more closely.

44–49%

HIGH

Increased risk. Fewer options and higher rates are more likely.

50%+

VERY HIGH

Significantly higher risk. May be difficult to get approved.

These are planning bands, not universal approval rules. DTI does not directly create a FICO score.



A GREAT SCORE CAN STILL HIDE TOO MUCH DEBT

SCORE

≈ repayment-risk signal

DEBT-TO-INCOME (DTI)

≈ ability to carry monthly debt payments

CASH FLOW

≈ whether your real life can absorb the debt



BEFORE OPENING A CARD, ASK:

What is the APR? Annual fee? Grace period? Limit? Promo expiration?
What happens if I carry a balance?