

# Credit Score for Students

*Credit Score: Your Adult GPA*



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# Credit Score: Think of it as your Adult GPA

The simplest way to understand your credit score is to think of it as your adult GPA. Basically, having a great credit score is the equivalent to being an A student.

	<b>A+</b>	<b>A</b>	<b>B+</b>	<b>B</b>	<b>C+</b>	<b>C</b>	<b>D</b>	<b>F</b>	<b>No Grade</b>
<b>Credit Score Key</b>	<b>850-800</b>	<b>799-750</b>	<b>749-700</b>	<b>699-650</b>	<b>649-600</b>	<b>599-550</b>	<b>549-500</b>	<b>499-350</b>	<b>Cannot Score</b>

Or, for people at the other end of the spectrum, having a low credit score is much like being a C or D student. If you just think about your credit score in terms of the letter grade system, the comparisons are easy.

# Credit Score: Think of it as your Adult GPA

High School students work hard to maintain a high GPA, as it will help determine scholarships they can receive and what schools they can attend. College students who maintain high GPAs enhance their resumes, making them look more attractive to employers. The same attention needs to be paid to a credit score to ensure that you can afford to live the lifestyle you desire.



**APPROVED**  
**MORTGAGE**  
**APPLICATION**

Your credit score is the single most important number that everyone should pay attention to, because it will follow you wherever you go. A high credit score shows that you pay your bills on time and therefore are a low-risk borrower. This can result in being approved for lower interest rates, which will save you lots of money long-term.

# How are Credit Scores like GPAs?

A credit score is similar to a GPA in that both are cumulative numbers that represent your performance in a particular area of your life.

- Both provide an assessment of how well a person has performed over time in terms of managing his or her academics and finances.
- Both are based on a set of criteria that are used to determine an individual's overall performance.
  - A GPA is a measure of your academic performance, while a credit score is a measure of your financial performance.
- Both are used to evaluate a person's abilities and predict future performance.

# How are Credit Scores like GPAs?

- Both serve as standardized measures to gauge past performance.
  - Both are calculated using an algorithm that takes into account your performance over time.
- Both can affect your future opportunities.
  - For example, a low GPA can make it harder to get into college, while a low credit score can make it harder to get a loan or an apartment.
- Both can be affected by a number of factors, such as the courses you take, how well you manage your money or how well you pay your bills.
- Both can change over time, as you learn from your mistakes and improve your performance.

# GPA vs. Credit Score

Just like your GPA, your credit score is a cumulative number that represents what you have done, only it exists in the world of credit instead of academics. The same way schools use your GPA to forecast academic success, your credit score is a predictor of how likely you are to be financially responsible and repay a loan.

GPA	Credit Score
GPA stands for grade point average, which is a numerical representation of a student's academic progress.	A credit score is a number that represents a rating of how likely you are to repay a loan and make the payments on time.
It's calculated by dividing the total number of grade points earned by the total number of letter-graded units taken. Each grade is assigned a grade point value, and the grade points are multiplied by the credit hours for each course.	It's calculated using information in your credit report, like your history of repaying money you borrowed, the types of loans you've had, how long you have had a particular line of credit or loan, and how much total debt you owe.
They're used to determine a student's academic standing, such as whether they're on the Dean's list, at risk of academic probation or suspension, or eligible for graduation honors.	They're used to determine a consumer's creditworthiness, such as whether they are approved for a loan, what interest rate they are charged, and how much they can borrow.
GPA's are also important when applying for scholarships, joining clubs, and participating in extracurricular activities.	Credit scores are also important when applying for employment, insurance, or renting an apartment.

# GPA Calculation

Grade Point Average (GPA) is calculated by following these steps

- Determine the grade value: For each course, assign a grade value based on the letter grade received. For example, A = 4, B = 3, C = 2, and D = 1.
- Calculate grade points: Multiply the grade value by the number of credit hours for the course. For example, if you received a B in a 3-credit course, your grade points would be 9.
- Total grade points: Add up all the grade points earned for each course.
- Calculate GPA: Divide the total grade points by the total number of credits attempted.

<i>Course</i>	<i>Final Grade</i>	<i>Point Value</i>	<i>Credits</i>	<i>Points Earned</i>
English I	B+	3.3	x 3 =	9.9
Precalculus	A	4.0	x 4 =	16.0
Introduction to Business	WU	0.0	x 3 =	0.0
Art Survey I	A-	3.7	x 2 =	7.4
Fundamentals of Speech	B	3.0	x 3 =	9.0
Health Education	F	0.0	x 2 =	0.0
Total Points			17.0	42.3

$$\text{GPA} = \frac{\text{Points Earned}}{\text{Credits Attempted}} = \frac{42.3}{17.0} = 2.49$$

# Credit Score Calculation

FICO Scores are calculated using many different pieces of credit data in your credit report. This data is grouped into five categories:

- 35 percent is based on payment history;
- 30 percent is outstanding debt and how much credit is already available, even if you haven't used it;
- 15 percent is based on the length of time a consumer has had credit;
- 10 percent is based on the amount of inquiries into a report; and
- 10 percent is based on current types of credit

John Doe  
123 Home Address  
City, State 00000

Please address all future correspondence to the address on the right:

Credit Reporting Office  
Business Address  
City, State 00000

Date: 03/04/06  
Social Security Number: 123-45-6789  
Date of Birth: 04/19/57

## CREDIT HISTORY

Company Name	Account Number	Whose Account	Date Opened	Months Reviewed	Date of Last Activity	High Credit	Terms	Items as of Date Reported Balance Past Due Status	Date Reported
Store Card	1125151	J	05/96	66	12/03	3500	0	0 R	02/04
Your Bank	2953900	I	11/96	48	11/03	9388	48M	0 I	12/03
Master	3554112 51511	A	06/97	24	10/02	200		0 Closed Account	12/03
XYZ Bank	5422977	I	05/05	12	01/06	5000	340	3000 680 R60	

J = joint; I = individual; A = authorized user

O = open; R = revolving; I = installment

## PRIOR PAYING HISTORY

>> 30 days(03) 60 days(04) 90+ days(01) 08/02-30 02/02-60 10/01-90

## COLLECTION ACCOUNTS

>> Collection Reported 06/00; Assigned 09/99 to PRO COLL; Client – ABC Hospital, Amount \$978; Stat Unpaid–06/00; Balance–\$978 06/00; Date of Last Activity 09/99; Individual; Account Number 787652JC <<<

Collection Agency Telephone Number

PRO COLL (800) 555-1234

# Credit Score Calculation

Your credit scores are unique. They are calculated based on the five categories referenced above, but for some people, the importance of these categories can be different. For example, scores for people who have not been using credit long will be calculated differently than those with a longer credit history.

## Payment History (35%)

- Payment information on credit cards, retail accounts, installment loans, mortgages and other types of accounts
- How overdue delinquent payments are today or may have become in the past
- The amount of money still owed on delinquent accounts or collection items
- The number of past due items on a credit report
- Bankruptcy public records
- The amount of time that's passed since delinquencies, bankruptcy public records or collection items were introduced
- The number of accounts that are being paid as agreed

Factor	Characteristics	Attributes	Points
Payment History	No. of months since last adverse comment	No record	95-105
		0-4 months	15-25
		4-8 months	25-35
		8-12 months	40-45
		12-23 months	55-60
		24+ months	70-80
	How late was the payment made	No delay	85-95
		0-30 days	70-80
		30-60 days	55-60
		60-90 days	30-40
		90+ days	35-35
		Not paid	25-30
Any ongoing cases (Bankruptcy)	Yes	20-25	
	No	75-85	

# Credit Score Calculation

## Amounts Owed (30%)

- Amount owing on accounts
- Amount owing on specific types of accounts
- Lack of a specific type of balance, in some cases
- Number of accounts with balances
- Proportion of credit lines used (proportion of balances to total credit limits on certain types of revolving accounts)
- Proportion of installment loan amounts still owing (proportion of balance to original loan amount on certain types of installment loans)

Factor	Characteristics	Attributes	Points
Debt Burden	Average utilization	No record	55-65
		ZERO	75-85
		1-9%	185-210
		10-19%	165-175
		20-29%	145-155
		30-49%	115-125
		50-79%	95-105
		80+	65-75

## Length of Credit History (15%)

- Time since accounts opened
- Time since accounts opened, by specific type of account
- Time since account activity

Factor	Characteristics	Attributes	Points
Length of Credit History	No. of months	<12 months	90-100
		12- 23 months	105-115
		24-35 months	120-130
		36-47 months	150-155
		48-59 months	160-165
		60+ months	165-180

# Credit Score Calculation

## New Credit (10%)

- Number of recently opened accounts, and proportion of accounts that are recently opened, by type of account
- Number of recent credit inquiries
- Time since recent account opening(s), by type of account
- Time since credit inquiry(s)
- Re-establishment of positive credit history following past payment problems

## Types of Credit Used (10%)

- Number of (presence, prevalence, and recent information on) various types of accounts (credit cards, retail accounts, installment loans, mortgage, consumer finance accounts, etc.)

Factor	Characteristics	Attributes	Points
Recent Searches for Credit	No . of inquiries in last 6 month	ZERO	120-130
		1	105-115
		2	95-105
		3	80-90
		4	65-75
		5+	45-50

Factor	Characteristics	Attributes	Points
Types of Credit	Number of different credits	ZERO	50-55
		1	65-70
		2	75-85
		3	90-100
		4	105-115
		5+	120-135

# Why is a Good GPA Important?

A good GPA is important for many reasons, including:

- **College admissions:** A strong GPA in high school can help students get into competitive colleges.
- **Scholarships and financial aid:** A good GPA can help students qualify for scholarships and financial aid. For example, the Federal Application for Free Student Aid (FAFSA) requires a minimum GPA of 2.0 to remain eligible for financial assistance.
- **Enrollment:** Colleges and universities typically require a minimum GPA for students to maintain enrollment.
- **Honors programs and internships:** A good GPA can help students get into honors programs and internships.
- **Graduate school:** A good GPA is important for students who want to apply to graduate school. Most graduate schools have a minimum GPA requirement, and top-ranked programs may require a GPA of 3.5 or higher.
- **Job applications:** A good GPA can be included on a resume when applying for jobs.

# Why is a Good GPA Important?

Sample TOPS award amount and requirements:

<b>If your GPA is</b>	<b>Your award is</b>	<b>Annual tuition is ...</b>	<b>And the total amount you will pay is ...</b>
3.50 +	\$8,263	\$11,954	\$3,691 / \$14,764
3.25 +	\$7,863	\$11,954	\$4,091 / \$16,364
2.50 +	\$7,463	\$11,954	\$4,491 / \$17,964
< 2.50	\$0	\$11,954	\$11,954 / \$47,816

# Why is a Good Credit Score Important?

A good credit score is important for many reasons, including:

- **Significant Savings on Interest:** Borrowers with the highest credit scores generally have access to the lowest interest rates available on mortgages and auto loans, and a lower rate can translate to big savings.
- **Better Terms and Access to Loan Products:** Lenders commonly use credit score "cut-offs" as preliminary eligibility screens when deciding what type of loan they will offer you—if they'll offer any loan at all.
- **Access to the Best Credit Card Rewards:** Like mortgage and auto lenders, credit card issuers use credit score cut-offs in decisions about which cards you qualify for. To a far greater extent than other lenders, card issuers also use credit scores to promote their products.
- **Insurance Discounts:** Car insurance companies in many states use specialized credit-based insurance scores to help decide whom they'll cover and what premium they'll charge a given policyholder.

# Why is a Good Credit Score Important?

A good credit score is important for many reasons, including (cont'd):

- **More Housing Options:** Many landlords and property management companies check potential tenants' credit scores to gauge their level of financial responsibility. A low score could prevent your application from being approved or cause you to be charged a higher security deposit on a rental house or apartment.
- **Security Deposit Waivers on Utilities:** Utilities including internet providers, cable companies and satellite dish companies may review your credit reports and scores in order to assess their risk in taking you on as a customer. If you lack a strong credit history, they may require a significant security deposit before starting service or lending you equipment such as routers, dishes or cable boxes.

# Why is a Good Credit Score Important?

Here is a hypothetical example of the money a higher credit score range might save you on a \$300,000 mortgage (30-year, fixed-rate).

<b>If your Credit Score is</b>	<b>Your interest rate is</b>	<b>Your monthly payment will be ...</b>	<b>Total interest (over 30 years) ...</b>
760-850	2.343%	\$1,161	\$117,967
700-759	2.565%	\$1,196	\$130,389
680-699	2.742%	\$1,223	\$140,443
660-679	2.956%	\$1,258	\$152,773
640-659	3.386%	\$1,328	\$178,122
620-639	3.932%	\$1,421	\$211,384

# What is a Good GPA / Credit Score?

LETTER GRADE	GPA	NUMERICAL GRADE	CREDIT SCORE RANGE GRADE
A+	4.0	97–100	800 +
A	4.0	94–96	760 – 799
A-	3.7	90–93	720 – 759
B+	3.3	87–89	700 – 719
B	3.0	84–86	680 – 699
B-	2.7	80–83	660 – 679
C+	2.3	77–79	650 – 659
C	2.0	74–76	640 – 649
C-	1.7	70–73	630 – 639
D+	1.3	67–69	620 – 629
D	1.0	64–66	610 – 619
D-	0.7	60–63	600 – 609
F	0.0	0–59	300 -599

# How to Improve your GPA

Succeeding academically takes dedication and effort, especially when you want to raise your grades and improve your GPA. Whether your goal is to earn a 4.0 or simply improve a grade for a single class, there are several ways you can succeed:

- **Attend classes regularly.**
- **Try to stay ahead of your coursework** by attending class and paying attention to lectures.
- **Set specific and measurable goals** for yourself, and use a GPA calculator to assess your current academic standing.
- **Join a study group.** Study groups can help you stay accountable and organized, and you can talk about what you've learned.
- **Improve note-taking.** Taking notes can help you learn and gain knowledge, and there's a correlation between note-taking and GPA.
- **Avoid unnecessary classes.** Avoid taking classes you don't need and consider your workload when choosing electives.

# How to Improve your GPA

- **Work with high-GPA peers.** Working with peers who have high GPAs can help you improve your own GPA.
- **Consider your AP or honors classes.** If you're taking any AP or honors courses, think about your current performance.
- **Turn all your assignments in on time.** Whether it's homework, a project, a take-home quiz or other class assignment, it's important to avoid late work as much as possible.
- **Take a break from extracurricular activities.** Cut back on some of the extracurricular activities you take part in, especially if you feel overwhelmed with a full schedule or your extracurricular don't add to your coursework, grades or GPA.
- **Stay after school to work with your teachers or a tutor.** If you need extra assistance with your coursework, consider working with a tutor.
- **Use outside resources to help you.** Take advantage of your library, online resources and extra study materials from your teachers.

# How to Improve your Credit Score

The good news is that your credit scores are not a fixed number. With time and responsible financial choices, credit scores can be improved. Just keep in mind that this process takes time. This is especially true if you haven't kept the best credit habits in the past. The factors that go into your score point out reliable ways you can build up your score:

- **Check your credit report regularly.** You can easily get a free credit report each year from the three credit reporting agencies—Experian, Equifax, and TransUnion. Just go to [AnnualCreditReport.com](https://www.annualcreditreport.com). This report shows your payment history, loans, current debt (including credit card balances), bankruptcy history, and lawsuit records.
- **Dispute any credit report errors you find.** Once you have your credit report, review it carefully. Make sure all the debts listed are yours and that balances you've paid off are reported accurately. Don't hesitate to dispute anything you think is incorrect.
- **Pay bills on time.** Late payments or missing payments can lower your score more than any other factor. Making regular, on-time payments is one of the best ways to bring it back up. Make On-Time Payments.

# How to Improve your Credit Score

- **Keep your balances and overall credit card debt low.** Ideally, the amount you borrow should be less than 30% of your available credit limit. This is called your credit utilization rate.
- **Use a combination of credit types.** Your credit mix matters. In addition to credit cards, having other types of credit such as student loans, a car loan, or a mortgage can improve your score. But avoid opening new accounts just to help your credit score.
- **Become an Authorized User.** If a relative or friend has a credit card account with a high credit limit and a good history of on-time payments, ask to be added as an authorized user.
- **Pay down revolving account balances.** If you have one or more high credit card balances, make paying them off a priority.
- **Ask for higher credit limits.** When your credit limit increases while your balance stays the same, it immediately lowers your overall credit utilization, which can improve your credit.
- **Consider a secured credit card.** As you're working your way to better credit, a secured credit card may be helpful. You can make purchases with it, just like a traditional credit card. But it requires you to put money down as a security deposit to open the account.

# How to Improve your Credit Score

- **Keep older credit cards open** to protect the average age of your accounts and consider having a mix of credit cards and installment loans.
- **Space out credit applications** over time rather than submitting many in a short period. Typically, lenders will initiate a "hard pull" on your credit when you apply, which temporarily dings your score. Too many applications too close together can cause more serious damage.
- **Sign up for free credit monitoring.** Keeping a close eye on your credit is essential. Signing up for credit monitoring can help alert you to important changes in your credit, so that you can check for suspicious activity.



# Your Credit Score is your Adult GPA

Even though education remains a vital factor in securing a life filled with options, there's another measure that's equally crucial: your credit score. Your credit score represents your adult GPA. A bad score is like a heavy piece of luggage that weighs you down, keeping a slew of opportunities out of reach. If by chance you're able to engage in major financial transactions or high-ticket purchases, expect to be slammed with obscene interest rates and unnecessary fees, become prey to predatory lending, or have to use cash as collateral.

Bottom line, both your GPA and credit score are important for different reasons, but both are indicators of performance and can impact your future.



*The Future is Bright*

# Questions & Answers

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