

SMALL FARMS RESEARCH CENTER FACTSHEET

COLLEGE OF AGRICULTURAL, LIFE AND NATURAL SCIENCES



United States Department of Agriculture

National Institute of Food and Agriculture

NIFA



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Office of Advocacy and Outreach (OAO)

What Is a Bad Credit Score?



Most people have a gut feeling about their credit – it’s either great, good or bad. But what is a bad credit score really?

First, it’s important to understand that there are many different credit scoring models out there and each may use a different scale – or numbers – to convey information. For example, all FICO score range between 300 and 850 with 300 being the lowest (or worst) possible score, while 850 is the highest (or best) possible score.

The range for VantageScore credit scores has traditionally been between 501 and 990, with the higher number representing the strongest score. But the newer version, VantageScore 3.0, has a range of 300 to 850.

The companies that develop credit scores – FICO and VantageScore, for example – do not decide which credit scores are “good” or “bad.” Nor do the credit reporting agencies that supply the credit reports that are used to create credit scores. Instead, it’s up to individual lenders and insurance companies who use these scores to decide which scores demonstrate an acceptable level of risk.



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They use them in a variety of ways, too:

- Determine the interest rate they will charge for a loan, or in the case of an insurance company, the discount they may offer on an insurance policy.
- Decide whether to extend credit, how much credit to approve, whether to increase (or lower) a customer's credit limit, or even to close a risky account.
- In a way, then, there is no such thing as a "bad credit score," since the number itself doesn't mean anything until a lender decides how to use it.
- In other words, a credit score is only bad when it keeps you from whatever you are trying to accomplish, whether that is to refinance a loan, borrow at a low interest rate, or get the best deal on your auto insurance.
- But in the real world, there are some assumptions that can be made about credit scores that fall into different ranges. When you are reviewing a credit score where the range runs from 300 – 850, you can generally assume the following:

Excellent Credit: 781 – 850

Good Credit: 661-780

Fair Credit: 601-660

Poor Credit: 501-600

Bad Credit: below 500



Reference

Detweiler, Gerri. What Is a Bad Credit Score? <http://www.credit.com>. January 29, 2015



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