# [The Surprising Truth About Your Credit Score](http://blog.smartdollar.com/blog/2015/5/28/the-surprising-truth-about-your-credit-score)

The infamous FICO score. It’s the number that’s associated with every credit report. We all know about it—most people have one—but do any of us know what a person’s credit score really means?

Contrary to popular belief, your credit score is not an indicator of winning financially. It’s simply a number that tells you whether you are good at borrowing money and paying it back.That’s it.

**Your FICO score is determined by five different factors:**

* 35% of your score is based on your debt history.
* 30% is based on your debt level.
* 15% is based on the length of time you've been in debt.
* 10% is based on new debt
* 10% is based on type of debt

Your credit score doesn’t factor in your income, savings accounts or net worth—all it does it look at your debt and debt history.

The only way to have a good credit score is to go into debt, stay in debt, and continually pay your accounts perfectly—without adding too much debt or paying too much off. In other words, to maintain good credit, you need to stay in debt for as long as you can. Nobody wants that.

Now, if you are paying off old debt and not opening any new debt, then you’ll eventually reach the point of being debt-free. At first, you’ll pay off credit cards, car and student loans and things like that. Then, one sweet day, you’ll finally knock off that mortgage.

Once you are out of debt and enjoying life without any payments, your credit score will become “indeterminable.” By this point in your life, you haven’t taken out a loan in years, you’ve saved a ton of money, and you’re paying cash for everything. So **you don’t need a credit score since you don’t plan on using credit!**

### Getting a Mortgage Without a Credit Score

How can you get a mortgage without a credit score in the first place? Isn’t the FICO score your key to the world of mortgages and homeownership?

Actually, no, it isn’t. **You *can* get a mortgage without a credit score.** How so? Manual underwriting.

Not every lender is going to do manual underwriting, which is when they look at factors like your income and not just your credit score.

This doesn’t mean that just anyone can walk into a bank or mortgage lender and walk out with a home loan using manual underwriting; **there are some requirements** you’ve got to live up to. The four most important requirements are:

* Put at least 20% down on your home.
* Choose a 15-year, fixed-rate conventional mortgage.
* Have a strong employment history and personal income to support the loan.

Demonstrate 4–6 trade lines that span 18–24 months. Trade lines are just regularly recurring expenses such as rent, electric bills, water bills, cell phones, etc.

Also, your old credit history has to be in good shape. Even if you have a zero score, the old history is still there and impacts the loan decision.

### You Can Live Without It

Now, don’t go out and destroy your credit score. That’s not what we’re saying. But we will tell you not to bow at the altar of the Great FICO. In other words, **don’t worship your credit score**—because you can live without it.

**Dump debt, save money, and pay cash**. Do that and you will be well on your way toward building wealth—not your credit score. And what’s actually more important?