What you should know about new and traditional Credit scores

For years, three companies – Experian, Equifax and TransUnion – have collected and provided credit information for millions of U.S. consumers. In the last few years, these companies have founded a new company, VantageScore Solutions, that provides an alternative credit-scoring tool.

These new measures are proving to be especially useful for the millennial generation. Among millennials, 67 percent do not have a credit card – the basis for most traditional credit scores.

Most existing credit tools use a scale from 300 to 850 to measure a person's likelihood of repaying a debt. In general, lenders consider a score over 750 to be excellent. A score below 640 often is deemed "subprime." This means lenders believe it is less likely that you will to be able to repay a debt. If a person with a lower credit score does obtain credit, he or she will probably pay a higher interest rate.

These multiple credit scoring methodologies mean that achieving a "good credit score" has different meaning, depending on which tool a bank or lender uses. Here is what you need to know about the array of credit scoring systems in use now.

1. Understand what counts. Traditional credit scoring does not consider rent and utility payments. These traditionally calculated scores, called FICO scores, are derived from the Fair Isaac Corporation (FICO) scoring formula. They are based on how you have handled an auto loan, mortgage, credit card, student loan or other consumer finance instrument. FICO scores also require at least six months' credit history. VantageScore, on the other hand, can provide a score for someone who has just one month of credit history. A new tool called FICO XD, developed with credit bureau Equifax, provides a second option for people with little to no credit history. FICO XD adds cell phone and cable account information to provide a credit score for more individuals.

2. Some newer tools throw out the old model. Numerous online and alternative lenders are developing their own ways to evaluate creditworthiness. These companies may use supplemental information to decide to whom to lend. They may consider employment history, rent payments or cash flow in addition to a FICO score – or instead of a FICOscore. Even FICO has changed its methods in recent years. Historically, unpaid medical bills have been a leading cause of financial problems and bankruptcy filings. In 2014, the FICO 9 scoring tool changed the way it handles medical debt. Medical debt now causes less damage to a credit score than other consumer debt does.

3. Certain factors are universal. On-time payments are the single best way to boost your credit score. In fact, paying on time makes up 35 percent of a FICO score. Paying bills in full is another good way to keep a credit score healthy. Some new tools, such as TransUnion's CreditVision Link, even look at whether you pay the minimum or a larger payment, and whether your payments are increasing or decreasing over time.

4. Mistakes tend to linger. A delinquent (unpaid) account, an account closed for mismanagement, or a bankruptcy judgment can stay on your financial record for seven years. Those repaying student loans are in danger of damaging their credit by skipping any loan payments. One in four student-loan borrowers is behind on payments, and 8 million people are in default on student loans (defined as not having made a payment in 270 days or more).

5. Your credit score is yours, even if you are married. Individuals have their own credit reports and credit score numbers, even if they are married. However, your partner's credit usage can affect your credit score if you are joint signers on a credit card or loan. This especially can have an impact in the event of a divorce. After a divorce, it is important to close joint accounts and re-open individual accounts in your name only.

If you are preparing to make a major purchase – such as a home or vehicle – that will require a loan, check your credit scores from all three bureaus, and your VantageScore, before you start the process. If your score is borderline, you might consider waiting a few months before applying for a loan. During this time, pay all bills on time and pay down credit cards to boost your score and qualify for the lowest in