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Are small differences between credit scores normal?

PRNewswire/ -- If you regularly check your credit scores you might check them from different sources at the same time and see you have different scores. You also might notice that scores fluctuate from one month to the next—or even from one day to the next

It's not a mistake. In fact, once you understand how FICO® Scores are calculated, you may realize that it's common (and even expected) to have different FICO Scores. What follows is some insight on small differences between credit scores, from myFICO.

For more loan and credit education, visit myFICO's blog at https://www.myfico.com/credit-education/blog

What Determines a FICO Score?

FICO® Scores depend entirely on the information in one of your credit reports from a major credit bureau—Equifax, Experian or TransUnion. The score is based on the information contained in one of your credit reports at the specific moment the score is requested. If the underlying data has changed by the next time the score is requested, the score may change as well.

Make Sure You're Making an Apples-to-Apples Comparison

One reason you may be seeing different outcomes is that you're actually checking different credit scores, or credit scores based on different underlying data. There are a couple of common ways this can happen—especially if you're checking your credit from different sources, such as a bank, credit card issuer and free credit monitoring services:

• The FICO® Scores are based on different credit reports. Your credit reports likely aren't identical, which can lead to differences in the resulting scores. Additionally, the FICO scoring systems at each bureau are slightly different.

• You're receiving different versions of the FICO Score. Even if the same credit report is being scored, the results could be different depending on the FICO Score version.

• It's not a FICO Score. Are you sure you got a FICO Score and not a different credit score brand? If the score you get isn't a FICO Score, the other scoring models may use a different approach that results in different scores.

• The credit reports were pulled at different times. Credit monitoring services might not request a brand-new credit report each time you check your credit. As a result, the services may be showing you FICO Scores based on different credit reports from different points in time.

To help you know what credit scores you're looking at, be sure to understand which credit bureau it is being sourced from, the date on which it was generated, the score brand and the version of the score.

What Can Lead to Changes in a FICO® Score Over Time?

If you're monitoring the same FICO® Score version based on credit reports from the same bureau, several items could lead to a small change:

• Your credit report is aging over time and that can impact your length of credit history which may cause the score to change.

• With passage of time, certain items can fall off the credit report, such as late payments getting purged at the 7-year mark or inquiries aging past the 1-year mark – which may cause a change in score.

• Newly reported balances can impact characteristics that evaluate your outstanding balances and use of your available credit – thus potentially impacting the score.

• Any new credit seeking activity (inquiries and newly opened accounts) can also result in a score change.

Closing or paying off an account may impact the score.

FICO® Scores use complex algorithms to score credit reports, which can often lead to minor changes over time and may even lead to unexpected changes. Sometimes you may be able to identify a single event that's the primary reason for a change—such as a late payment hurting your credit. But, even then, the extent of the impact will depend on your entire credit file.

Check Multiple FICO® Scores at Once

Knowing your FICO® Scores is a good way to understand where you stand when you want to apply for credit. While many services let you monitor one or two of your scores at a time, you might not know exactly which credit report or score a creditor will use.

The myFICO plans give you up to 28 FICO Scores at once. And you can choose to check your scores based on a single credit report, like Experian, or get your FICO® Scores based on credit reports from all three bureaus.

About myFICO

myFICO makes it easy to understand your credit with FICO® Scores, credit reports and alerts from all 3 bureaus. myFICO is the consumer division of FICO– get your FICO Scores from the people that make the FICO Scores. For more information, visit https://www.myfico.com.

Is student loan forgiveness tax-free?

PRNewswire/ -- There's been a lot of discussion lately about student loan forgiveness. One popular resolution, for example, calls for President Biden to use executive action to cancel up to $50,000 of student debt for all U.S. student loan borrowers.

It's still unclear how the Biden Administration will respond to the pressures to introduce a new student loan cancellation policy. But whether borrowers receive a loan discharge through new legislation or through an existing program, here's what to consider with how the forgiveness could impact tax liability, from myFICO.

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Receiving $50,000 of student loan cancellation might sound wonderful on the surface. But if those forgiven dollars are considered taxable income by the federal government, you could find that you suddenly owe an extra $10,000 or more (depending on your tax bracket) to the IRS on your next tax return.

Whether or not student loan forgiveness is tax-free usually depends on the type of forgiveness that you receive. But recent legislation from Congress has temporarily expanded the availability of tax-free student loan forgiveness. Here's what you need to know.

What Types of Student Loan Forgiveness Are Always Tax-Free?

The IRS says that, as a general rule, if debts are: "Canceled, forgiven, or discharged for less than the amount you must pay, the amount of the canceled debt is taxable and you must report the canceled debt on your tax return for the year the cancellation occurs."

But there have always been exceptions to this rule, especially when it comes to forgiveness for student loans. For example, 26 U.S. Code § 108 states that when students attend programs that "encourages its students to serve in occupations with unmet needs or in areas with unmet needs," their student loans can be discharged tax-free.

This means that most occupation-specific student loan forgiveness programs are federally tax-exempt. This would include the Public Service Loan Forgiveness Program (PSLF) program, the Teacher Loan Forgiveness Program, and Perkins Loan Cancellation.

Profession-specific student loan cancellation isn't the only type of forgiveness that's automatically excluded from income on federal tax returns. Other notable exceptions include closed school discharges, false certification discharges, and unpaid refund discharges.

When Can Student Loan Forgiveness Be Considered Taxable Income?

The most notable type of federal student loan cancellation that could be taxable is forgiveness that's received at the end of an income-driven repayment (IDR) plan. Currently, there are four IDR plans:

• Pay As You Earn (PAYE)
• Revised Pay As You Earn (REPAYE)
• Income-Based Repayment (IBR)
• Income-Contingent Repayment (ICR)

Depending on the IDR plan they join, borrowers will receive forgiveness on any remaining balance after 20 to 25 years. If a borrower's income was relatively low during that 20- to 25-year repayment period, the amount left over to be forgiven could be substantial.