

Credit Scores



A credit score can be a strong indicator of your financial well-being. Equifax, Experian and TransUnion are the primary credit bureaus and assign scores ranging from 300 (high risk) to 850 (low risk). The bureaus determine scores based on a group of factors which reflect your spending habits.

Never underestimate the importance of credit scores. Once you are spending money with

plastic and paying bills regularly, you begin your history. This record of how often you borrow, how quickly you repay and how much you owe can follow you throughout your life.

Credit Score Checklist

- Make sure you know where you stand and address the blemishes on your credit reports.
- You can obtain a copy of your credit report for free once every year from each of the credit bureaus.

Building a high credit score can help you get approval for low-interest loans, credit cards, mortgages, and car payments. When you are looking to move into an apartment or get a new job, your credit history may be a deciding factor.

On the other hand, making late payments on bills, missing payments, piling on debts and regularly maxing out your credit card can result in seriously lowering your credit score. Just as an excellent score can give you access to loans, jobs and more, a low credit score can prevent you from being able to borrow more, pay low interest rates and even get certain jobs.

Using Credit Responsibly

Using credit cards is a way of life for most Americans. For some, it's a tool for building credit and borrowing money for major purchases. For other, it's a constantly refilling debt relied on for nearly every purchase.

How many credit cards do you have? Experian's annual State of Credit Report, issued in September 2021, shows consumers have an average of three credit cards.

Learning how to use these tools wisely has a major impact on your future, as potential employers may review your credit history and credit scores can be used to qualify you for better interest rates when it comes to loans, mortgages and applying for more credit.

Choosing the Right Card

Many credit cards require you meet a minimum credit score for approval. The higher your score, the more perks you will qualify for, like low interest rates and a high credit limit. If you are a student you may qualify for special rates. Decide before you apply for a card what your plan for using the card will be. Pay attention to introductory promotions which may expire after six months to one year of owning a card.

Making a Game Plan for Credit Use

Plan before you spend. You can become a responsible credit card owner by marking your calendar to avoid missing or being late for paying credit bills. Another precaution against getting in a borrowing hole is making sure you do not spend money you cannot repay and keeping your balance well below the limit for your account. Ask questions. Are there points you will earn for regular use? Is the APR affordable? What kind of limits will you have? Find out what the fine print means before racking up debt you won't be able to repay.

Paying Off Credit Card Debt

Getting control of your credit card debt requires taking a good look at how much you owe. Take a deep breath and evaluate what you can afford. You likely will need to define a long-term strategy for chipping away at the total amount you owe while ensuring you don't dig yourself deeper into debt. Talk to creditors to find if they can work with you to make a plan that works. Only look into consolidation and settlement as a last resort.