

Your Credit Health



Your credit report is your financial health record. Explore steps to understanding what it is and how to keep it healthy.

Importance of credit reports and scores

Today more than ever, our credit report is a prized possession not to be taken lightly. Chances are, you've seen the Free Credit Report.com commercial on television. In it, the couple is forced to live with their parents because the young bride had bad credit but her husband didn't know and now they can't get a loan to buy a home! We'll talk in a moment about where and how to get your credit report.

Your credit report generates a credit score, also called your FICO score, an overall health indicator of your credit-worthiness. You should think of it as a "credit report card." Lenders use your credit score as one of the decision-making factors when determining whether you'll qualify for a loan.

What is FICO?

What goes into it, what does it all mean? Your FICO score generally consists of five types of information:

1. The types of credit you have in use (Revolving lines, installment loans, mortgages, etc.)
2. New Credit (How many recent new debts have you opened)
3. Length of Credit History
4. Amount Owed (As a percentage of your total available credit)
5. Payment History (How you have paid your creditors; on time, 30 days late, etc.)

You can find out more about your FICO score at www.myfico.com

How to get a credit score report

A good rule of thumb is to give yourself a credit health checkup annually. You are entitled to one free credit report from each of the three major credit bureaus each year. You can obtain these at www.annualcreditreport.com, not FreeCreditReport.com. If you do not know your FICO score, you may want to consider purchasing it. It may cost you \$15-\$20, but will give you a baseline for what work needs to be done.

If you find any discrepancies on your credit report, contact each credit bureau in regard to the error. The error will be investigated and if unsubstantiated, it will be removed and corrected. Errors can occur when individuals with similar names have credit inaccurately showing on their credit reports. It is important to ensure you are the only one using your identity to obtain credit.

Actions that can impact your credit

Be aware when making decisions related to finance, the following can affect your score:

- When you get a new credit card or transfer a balance to get a lower interest rate
- Closing credit cards can reduce your available credit and bring your amount owed as a percentage of total debt higher
- If you know you have no self-control in the area of spending and charging, then closing the line may be your best bet, regardless of scoring implications
- Whenever possible, pay your bills on time and pay down your balances
- Paying down debt is a major focus in the United States today and it is hard work, but the national savings rate is going up and we are finally saving more than we spend. Diligence and focus make the difference, while prioritizing necessities and cutting the fat can have a big impact. Visit www.choosetosave.org

Recent times have made it harder than ever to obtain credit for many; taking these steps can put you on the road to financial success, having the best credit options if, and when, you need them. Now go on, get your personal credit checkup today!

About the author: **Jamie Turner**

Jamie Turner is a consultant in Humana's Human Capital Performance Group. Jamie joined Humana in 2008 to lead the development of the "My Money, My Health a guide to financial fitness" program. Jamie has a BBA from Marshall University and a MBA from Point Park University.

***Note:** The information available in this article is for informational purposes only and not for the purpose of providing financial advice. Financial recommendations are provided for illustrative purposes only. You're responsible for verifying the accuracy and suitability of all assumptions and calculations. Please seek the advice of licensed or competent individuals before making any investment or financial planning decisions.