

Beef Up Your Credit Score for a Healthy Financial Future



This time of year it's likely you made a resolution to improve your health in some way, whether it's to finally hit the gym or to change the way you eat, all in an effort to break the bad habits that prevent you from living a truly healthy lifestyle. But what about making changes that can help you build a healthier financial future?

Just like your health history, your credit history can have a dramatic impact on your lifestyle choices moving forward. For

example, your credit score determines whether or not you qualify for a mortgage or have the ability to rent an apartment. A poor credit history can influence the interest rate on a [car loan](#) or auto insurance. Do you know your credit score and are you aware of how it could affect your purchasing power in the near future?

What is a credit score?

Your credit score tells a lender or business owner about your “creditworthiness,” how likely you are to pay your bills, and your ability to pay them on time. This credit history ultimately tells them whether you would be a risk if they loan you money or provide insurance to your family.

The Fair Isaac Corporation (FICO) was the first to translate credit history into a credit score—which is a single, three-digit number ranging from a low of 300 to a high (or A+) rating of 850 or more. FICO provides these formulas to credit bureaus: Equifax, Experian and TransUnion. These credit bureaus then apply their own math to compile a report on you.

Readers Digest writer Beth Kobliner notes, “FICO earns a small royalty for each score the bureaus sell to lenders [so] you actually have three FICO scores and they can vary by as many as 50 points.”

Your FICO score is calculated from a variety of credit data but, most notably, it is based on:

- How long you've had a credit history.
- When you opened your newest account.
- The mix of old versus new accounts.
- Your history when it comes to paying bills on time.
- Your debt relative to your available credit.

Each of these factors is weighed separately, with the following score breakdown:

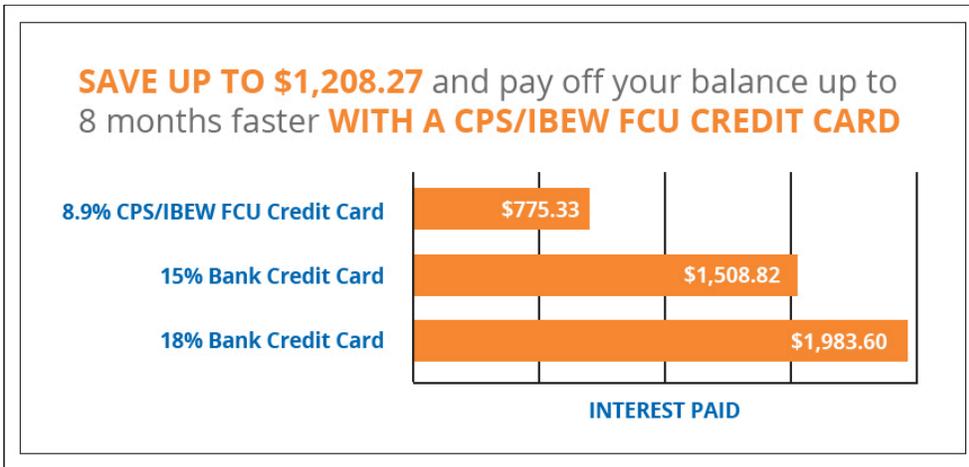


How can I improve my credit score?

Just like sticking to your resolution for a fitter lifestyle, the changes you make now to improve your credit can benefit you for years to come. CPS IBEW Federal Credit Union recommends these five important steps to improve your credit score:

1. **Request a yearly credit report.** Once each year, you are entitled to one free credit report from each of the three bureaus. You can easily request your report here <https://www.annualcreditreport.com/index.action> Once you receive your report, an authorized credit counseling team can help you decipher the data and explain what the numbers mean.
2. **Pay your bills on time.** If you anticipate receiving a large bill in the coming month or two, eliminate unnecessary spending and use the extra cash to pay off the debt. Many billing departments will now work with consumers to create payment plans for large bills, which may be useful.
3. **Pay down credit card debt.** High interest rates can sabotage your ability to pay down credit card debt quickly. Instead, look for [lower interest rate cards](#) to transfer debt into so that your monthly payments can have a bigger impact.

Take a look at the following comparison:



[Click here](#) to learn more about CPS IBEW FCU Mastercard

- Keep your lines of credit open.** Once you've paid off your balances, don't close your account. You don't have to use the card (in fact, cut it up if you need to!). Closing accounts actually shortens your credit history and can lower your score.
- Limit the number of your credit checks.** Every time you [apply for a credit card](#) (including a store credit card), mortgage or auto loan, a "hard inquiry" will show up on your credit report. Too many inquiries and your credit will be affected. The next time the checkout clerk asks if you'd like to save a percentage on your purchase by applying for the store card, consider your answer thoughtfully.

"It's a great time of year to get your financial future in order," says Adam Conine, president, CPS IBEW Federal Credit Union. "If your credit score is lower than you expected, you may assume that the task to improve it is too daunting to take on but, by taking these first few steps and sticking to a solid plan, you might be amazed at how well your score has improved by this time next year."

For more information or answers to questions on how to improve your financial health and wellness please call:

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FICO Score Chart: Courtesy of [myFICO.com](#)

Credit Card Comparison Chart: More information at <http://www.cpsibewfcu.org/credit-card-cards>