

No Credit History, Credit Scores

“Pay as you go” is a tried and true philosophy for good money management. However, it’s been tough for these non-credit folks to qualify for good interest rates or, sometimes, even to obtain loans. Coming soon - a good track record of paying your bills on time will increase your credit score.

Limited or no use of credit is an increasing trend among today’s consumers. However, people who don’t use credit can’t build a credit history. Credit scores are mostly based on use of credit or one’s credit history. Lenders use credit scores to determine eligibility for loan amounts and to determine which applicants qualify for the best interest rates. Now, there’s good news for consumers who have limited or no credit history. Regular payments for phone and utility bills are being considered as proof of responsible money management behavior.

It’s always been the case that late payments on any bill could ding your credit score but, until recently, regular payments of utilities didn’t help to improve your score. Fair Isaac Corporation (FICO) developed credit scores to determine the risk of lending to a potential borrower. FICO data analysts recently determined that property records, telecommunications, and utility information are reliable predictors of a consumer who will be a good credit risk. A new credit scoring method that incorporates this data is currently being pilot tested. FICO anticipates that it will be available more extensively by year’s end.

Visit www.annualcreditreport.com to obtain your free report and to learn more about credit reports. You’re entitled to a free annual credit report from each of the three bureaus – Equifax, Experian, and Transunion. Check one every few months to monitor your credit report throughout the year.

Test your knowledge - take the Credit Score Quiz at <http://www.uaex.edu/health-living/personal-finance/all-about-credit.aspx>

The Cooperative Extension Service is your source for reliable, research-based information to improve quality of life. Discover the latest recommendations for creating a spending plan, managing credit, building your savings and investing for the future. Learn more at www.uaex.edu.

Laura Connerly, Ph. D.

Assistant Professor – Family and Consumer Economics

The Arkansas Cooperative Extension Service offers its programs to all eligible persons regardless of race, color, sex, gender identity, sexual orientation, national origin, religion, age, disability, marital or veteran status, genetic information, or any other legally protected status, and is an Affirmative Action/Equal Opportunity Employer.