



## Understanding credit



Did you know that your credit score could affect everything from the interest rate you receive on a car loan to the ability to rent an apartment? Here's what you need to know.



### What goes into a credit score?

Your credit score measures how likely you are to repay a debt. It is calculated based on several factors, including your payment history, the amount of debt you have compared to your credit limit, and the age of your credit accounts.



### What is a credit report?

Your credit report records how you have repaid debts in the past. Credit reporting agencies like Experian, Equifax, and TransUnion keep track of this information. When you want to borrow money, get a job, or rent an apartment, lenders will look at your credit score to decide if they should give you credit and at what interest rate.

If you are applying for a loan, mortgage, credit card or other types of credit, check your credit report first. This will help you to know what the lender will see when they look at your credit history.



### The benefits of having good credit

Having good credit is very important. Many employers do a credit check as part of the hiring process. They want to see if you have good credit or not. If you don't have good credit, you might not be able to get the job you want. Good credit can also help you rent an apartment or buy a car. Lenders often look at your credit score when deciding whether to extend your credit and at what interest rate.



## How credit affects your ability to borrow money

A high credit score means you're a low-risk borrower, which could lead to lower interest rates. On the other hand, a low credit score could mean that you won't be approved for a loan or that you'll have to pay high-interest rates. If you have a good credit score, lenders may be more likely to give you a loan at a good interest rate. But if you have a poor credit score, lenders may want to avoid lending to you, or they might give you a loan with high-interest rates.



## Ways to improve your credit score

You can do several things to improve your credit score if it is not as high as you would like it to be. One of the best ways to improve your credit score is by paying bills on time. You should also try to keep your credit utilization ratio low - this is the amount of debt you have compared to your available credit limit.

You can also improve your credit score by adding positive information to your credit report, such as keeping old accounts open. Another way to improve your score is to prove where you live by registering to vote on the electoral roll. This will make it easier to borrow money in the future.

## Credit card tips for consumers

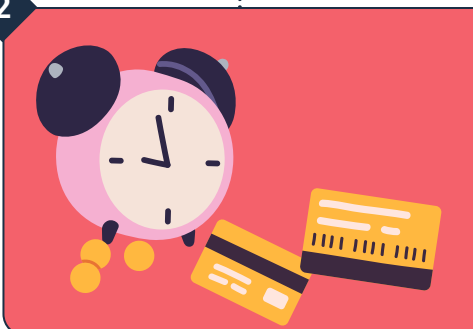
One of the best ways to build a good credit score is by using a credit card. Credit cards can be a convenient way to pay for things, but they can also be dangerous if you're not careful. Here are some tips to help you use your credit card safely and wisely.

1



Only use credit cards for items you can afford. It's easy to get carried away when using credit, but it's important to remember that credit card debt is real and has to be paid back with interest.

2



Pay your credit card bill on time. Late payments damage your credit score and can result in additional fees from the credit card company. Set up automatic payments if you need help remembering due dates.

3



Don't max out your credit limit. Keeping balances low relative to the credit limit improves your credit score. It shows lenders that you are responsible with credit.

4



Monitor your credit report regularly. Keep an eye on your credit report every month with free services such as Credit Karma and Clear Score. Checking your credit score doesn't affect your credit rating as this is a 'soft enquiry'.



## Credit counselling services

Credit counselling services may be a good option if you're struggling to manage your credit or are worried about your credit score. Credit counselling services can help you create a budget, pay off debt, and improve your credit score. They can also advise on using credit cards responsibly and managing your money effectively.

**PayPlan, StepChange and Consumer Credit Counselling Services (CAIS)** offer free advice and assistance with creating a budget, paying off debt, and improving your credit score. They also provide financial education resources to help you become more financially savvy about credit.



Credit is a complex and important part of our lives. It can be difficult to know where to start when it comes to understanding credit. Contact your HealthHero or Validium service today for more information on where to go for advice and support with any of the topics raised here.



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