



## **Credit Score: Important in Good Times and Bad**

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Those who spend their careers watching the economy contract and expand agree on at least one thing: a person's credit score is important in any economic cycle. Before extending credit to an individual or business, bankers want to review the borrower's credit report and know their credit score.

Financial institutions verify credit through reports that reflects how an individual has handled his debts. Three national companies – Equifax, Experian and Transunion – track credit and produce reports. All include similar information.

Report elements include personal information such as Social Security number and employment record, borrowing history, a record of creditors who have reviewed the credit history, and other public information such as foreclosures or bankruptcies.

Credit scores generally range from 350 to 850 points, with most people scoring in the 600 to 700 range. A high score indicates good credit. Lenders review credit scores to determine loan amounts and interest rates that will be charged, and a higher score usually yields more favorable loan terms.

Individuals can increase their credit score by making payments on time, paying off credit card balances and avoiding purchases that go over the account maximum. Limiting the number of new credit account applications and avoiding the transfer of balances to another card will also help.

Those who do not have a credit history and want to build one can apply for a small, manageable loan at their local bank or credit union. Owners of small businesses can apply at an organization such as ACCION New Mexico, which works to help people establish business credit. Creating a good credit record may take a few years since the ability to make payments must be demonstrated over time.

Everyone has the right to get a free copy of their credit report once a year from each of the national consumer credit reporting companies. Requests can be made at [www.annualcreditreport.com](http://www.annualcreditreport.com) or directly through each of the credit reporting companies: [www.equifax.com](http://www.equifax.com), [www.experian.com](http://www.experian.com), and [www.transunion.com](http://www.transunion.com).

If credit history errors are found, they can be disputed.

If debt has become overwhelming, there are people who can help. Consumer Credit Counseling Services, a non-profit agency, provides confidential low-cost counseling, educational programs, debt management assistance and counseling in New Mexico. Services can be obtained at [www.ccsintl.org](http://www.ccsintl.org) or over the phone at 1-800-873-2227.

*Finance New Mexico is an initiative of the New Mexico Small Business Investment Corporation (NMSBIC) and its partners to assist individuals and businesses in obtaining skills and funding-resources for their business or idea. To learn more, go to [www.FinanceNewMexico.org](http://www.FinanceNewMexico.org).*

