

Building a U.S. credit score

A strong credit history could help improve many aspects of your life in the U.S. Here's our guide for new-to-country residents.



Together We Thrive

BUILDING A U.S. CREDIT SCORE

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When moving overseas, it's important to ensure you have access to funds. This will most likely include opening a checking account, but you may also want to apply for a credit card.

While you might apply for a credit card in case of emergencies or to make large purchases, there is another reason that accessing credit can be beneficial when you're in the U.S. — managing debt responsibly and effectively can help boost your U.S. credit score.

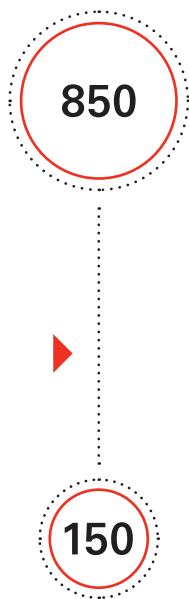
In fact, having some history of debt management is better than having none. It may seem counterintuitive, but companies and some individuals will want to see evidence that you can manage money responsibly before they enter into a contract with you. This means that potential employers, landlords, utility providers, and insurance companies may ask to see your credit score and, occasionally, your full credit report. So, even if you have no need or plans to borrow money, it's still a good idea to try to build and carefully manage your credit score.



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What's the difference between a credit report and a credit score?



Credit report

This is a detailed report of someone's credit history, including information gathered from banks and other creditors about your payment history. This could include details about monthly credit card and loan payment information, as well as the timeliness of rent and utility payments (including cell phone bills).

There are three different credit reporting agencies — Equifax, Experian, and TransUnion — each of which assigns you a credit score.

Credit score

This is a number between 150–850 (the latter being a perfect score) that represents your creditworthiness. It is provided by a credit agency, most of which use one of two scoring systems — FICO or VantageScore.

The score is based on a calculation that takes into account your payment history; the age and type of the credit that you hold; the percentage of available credit used; total balances/debt; recent credit behavior and inquiries; and your available credit.

What's in your credit report?

Your credit report will include various pieces of information concerning your finances, including:

Identification

Your name, current (and previous) address, Social Security Number, and date of birth.

Credit

Who gave you credit and when. It shows how much you paid, how often, and if you paid on time.

Public Record

Bankruptcy filings, overdue tax payments, and any court action that has been taken against you for unpaid bills.

Inquiries

A list of parties who have recently inquired about your credit report, such as current and prospective lenders.

What's not in my credit report?

By law, certain personal facts can't appear in your credit report. These include your ethnicity, religion, health status, and political affiliation.

Who can see my credit report?

Only certain requesters can see your credit score and report by law, and only under certain circumstances. These include: lenders, landlords, employers, insurance companies, and some government agencies.

How long is information kept on my credit report?

You can request to have inaccurate information removed from your credit history, but if it's accurate, the information stays there for seven to ten years.

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Do credit scores and reports transfer from one country to another?

Unfortunately not. Regulations differ so much from country to country, that it's impossible to simply transfer files when someone moves internationally. This means that no matter how perfect your score is in your home country, you'll be starting from scratch in the U.S.

That said, some banks are able to leverage your international credit history, but it's worth remembering that this will not give you a U.S. credit score.

Did you know that you can build credit through renting?

Some landlords report tenants' payments to the credit agencies, who will in turn create a file to document these. This is half the battle when you're starting with no credit history.



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Tips for keeping your credit score on track

Once you've established a credit history, the next step is to continue building your credit score and keep it as high as possible.

Make sure it counts

Before you apply for any type of credit, check with the lender that your payment history will be reported to the credit reporting agencies. This is incredibly important if your goal is to build credit, otherwise managing this kind of card won't be working in your favor and positively impacting your credit history.

Automate your regular bills

While your credit score won't benefit from timely payments on your utility or cell phone bills, if your account becomes overdue, it may be passed on to a collection agency. This agency would then list the account on your credit report, which would cause your score to drop.

Check the red tape

After you've been paying your credit card bills on time for a few months, request a copy of your credit report from one of the three major credit reporting agencies: Experian, Equifax, and TransUnion. Your prompt credit card payments should be showing up. You are allowed to get one free report once a year from each agency.

Soft vs. hard inquiries

A soft inquiry occurs in cases where you check your own credit, or when a lender checks your credit to pre-approve you for an offer. Soft inquiries do not appear on your credit report and do not impact your credit scores.

A hard inquiry, on the other hand, requires your consent, and is triggered when you actually apply for credit. This inquiry becomes part of your credit report and would therefore impact it.

This means that you can check your credit report or score as many times as you'd like and your credit score won't drop a single point, as long as you are doing so using a reputable source, such as AnnualCreditReport.com, or any of the credit agencies mentioned above. However, having a lender check your credit score for you would appear as a hard inquiry, which would hurt your credit score the same way a new application for credit would.

Maintain best practice

Never get complacent about your credit score, and continue to manage it effectively by paying off at least the minimum payment every month. Using your card regularly to show that you are a responsible borrower, but maintaining plenty of room between your balance and credit limit, will work in your favor.