

Credit Essential in the USA.
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USA is a major credit orientated society so establishing credit here is one of the most important tasks you will undertake. Without a credit history you will find yourself not being able to buy some of the bigger items/purchases you require on credit. Every Newbie (that is what most Expats call the New Arrivals) will have a different tale to tell, after they have finally reached that elusive goal of having a credit score.

Most new arrivals have only just been through one of the most stressful and traumatic parts of their life, the Immigration process. Will I or won't I be accepted into the USA? They finally get to the other side of that and now have to face the credit dilemma.

First things first

Social Security Number.

Do you have one?

No matter which route you came into the States, marrying a US Citizen, transferring with your company or just applying under your own steam, ultimately you are responsible for obtaining your own social security number.

This is not as difficult as you might anticipate. You need to locate your local office (either in the phone book or the internet or call the national number 1-800-772-1213) and go armed with all your paperwork. Word of advice, photocopy it all prior to your visit - this will assist the counter assistant and maybe cut your waiting time down, a little. This office is notorious for keeping you waiting a while, so please be patient.

Once you get to the counter, DO NOT allow them to keep your original passport, they should take the copies and they should suffice. Providing that everything is in order, the forms are completed correctly, you will be told that your social security number will be sent in the post. This can take anything from 7 to 14 business days, depending on the State in which you reside.

Once you receive this in the mail, you are now in the system and legally allowed to apply for credit.

Wait, you need to understand how to play this game.

Credit Bureaus

There are three main bureaus, Experian, Equifax and TransUnion. A fourth did open earlier in 2006, Innovis and they have yet to be included with the main

ones. The credit bureaus are provided with your credit accounts on a monthly basis, they are not responsible for the data held on their systems, and the lender that you took credit out with is. (However, Experian, Equifax and TransUnion will all assist you if the data held is incorrect)

Your credit file will hold information pertaining to where you reside, where you are employed and how your payments are made each month to each credit account. From this information, a lender will calculate whether they wish to offer you a credit facility or not. Each lender has different lending criteria; no matter how you try you will never work out how it is calculated.

Your score can range from "not enough data" or "insufficient credit history" meaning you don't have any, up to 900. (This range is speculated to change once Innovis picks up speed and it is rumored to go to 1000 same as the UK). A good score usually is around 680 upwards. This is also referred to as your FICO.

"FICO is a mathematical model created by the Experian credit bureau as a tool for lenders to use in evaluating the risk associated with lending you money. FICO stands for Fair Isaac Company, the company that created the original scoring model. Similar models have been programmed by the other credit bureaus but they are all referred to as FICO scoring."

How do you get a score?

There are no sure ways to get a credit score as each lender has their own policies and lending procedures. Don't apply for anything or everything straight away, too many searches on the credit report and this will alert lenders that you are desperate for credit and can/will lower your credit score.

This is a tactic strategy that has to be played carefully or for years after, you could be credit score damaged.

Before you leave your native country, obtain a copy of your credit file. If you are in UK for example, contact Experian (www.experian.co.uk) or Equifax (www.equifax.co.uk) the cost at Experian is two pounds. This file will show prospective lenders here State side that you were credit worthy in your country, though be prepared to argue your case.

Something else you can consider is if you already have major credit cards, like American Express, Diners Club or Capital one, these companies have head offices in USA. Call them and request that they transfer your account from UK to the American division. They will not be able to do this until you have a social security number though.

The first account

Your first account you should aim to open is your bank account. Ask around before just walking into any bank. If you are expecting to transfer funds, receive cash gifts from parents etc, from abroad ensure that they can facilitate your needs and within that branch. Some banks can't and will charge you for utilizing other bank services.

(Don't close your UK bank account, you never know when you might need it, especially if you are planning visits back home etc.)

The bank you choose will "red flag" your account for a minimum of 90 days. You have no credit history remember? So you will be monitored to see how you conduct your account.

Once you reached that 90 day time frame, speak to the bank regarding a Visa/MasterCard "secured card" (Don't respond to the mailers offering you a card with a \$250 limit and fees, this could possibly cost you that in fees and further damage your credit score rather than assist it). You may find that you are required to open a savings account with a deposit equal to that credit limit and possibly that the money be locked for a year. Illogical but consider it a step in the right direction of "credit bliss". Once you get this account, try to make sure that you never exceed 50% of the credit limit, if you do the credit bureaus red flag the account as "over extended". This sorry game has to be played to reach your ultimate goal - a credit score.

Be cautious about using the card for newspapers and magazines as some of these companies have been known to add recurring charges without notification to you. (On a personal note, it's a nightmare trying to reclaim the funds back and can take up to 3 months to be reimbursed.)

The monthly bill should be paid as soon as it is received either online or in the mail.

Another 3 months passes and providing you have maintained both the bank account and credit card perfectly, you should, in theory, have now obtained a credit score. Not a brilliant one but a score all the same.

By this point, you should have also started receiving all kinds of mailing offers, a clear indication that you have a credit score. (You never knew you were so popular did you?) Throw them all away. Your ultimate goal is to be able to get 0% financing on your motor vehicle and a lower interest rate on your home purchase.

In the last couple of years things have changed in America, though the above system is a tried and tested method that works. Nowadays, it is impossible but damaging to the pocket, for you to get a car and house as soon as you arrive in USA. Though be prepared to pay a higher interest rate and a larger cash deposit. If you do plan this latter route, insist on a No pre-payment penalty. This clause allows you to pay off or re-finance either/both in 6 months to a year.

Think about this, if you are making payments in that time period and on time, you will have secured yourself a credit score. In all probability a pretty decent one since Auto and Mortgages carry the highest points.

Helpful tips

Don't give your social security number out to just anyone. Be cautious, identity theft is a huge issue here.

Invest in a paper shredder.

Don't apply for anything or everything alerting lenders to you being desperate.

Check your credit report on a yearly basis. Use the companies directly not a third party, this could end up hindering rather than helping.

Keep an eye on your credit card statement, if the interest rate jumps up, that is a clear indication that a black mark has appeared on your credit file.

Register with all three credit bureaus to opt out of all unsolicited mail.

Opt out of unsolicited "convenience checks" being mailed when you open an account. Insist!

A couple of websites you may find handy www.carbuyingtips.com and www.ripoffreport.com

You know that you are doing really well and have a great Fico score, when both your bank and stock broker call you on a Saturday morning just to wish you a nice weekend!!!!

Good luck. Welcome to America.

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