

Your Credit Score Counts. Why and HOW To Check It Properly. - Natloans

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Your Credit Score Counts. Why and HOW To Check It Properly.

By Mary Nebotakis, Managing Director, Natloans, B. Eco, Dip. Financial Services

What Is A Credit Score?

Your credit score is the rating which lenders will assign to, which is calculated based on your history in finance, and takes into account your history of repayment, the types of loans which you take out, and your general ongoing in the world of finance.

Having a good credit score is fundamental to maintaining an ability to receive finance, because it is understood as being the first reference which lenders use to determine your worthiness for the reception of a loan. But, what constitutes a good credit score? Let's find out.

Credit Score General Rankings

Here is a general guideline which most lenders agree upon. It will outline what is determined as optimal, and will lay out what the consequences of each ranking are.

Great! (600-999) A client with such a credit score can expect the absolute best outcomes as it respects the lowest rates, and the most favourable terms.

Good (500-599) Rates, and terms will not be the very best, but are still very fair.

Poor (<500) An individual who finds themselves in this category will be unlikely to receive a loan that is not secured for the lender. This means that personal loans, and unsecured business, or car loans are off the table. Moreover, one can expect to be granted higher interest rates, and less ideal loan terms.

An individual below the line of 'very poor' is unlikely to be able to receive finance. Or, at least, they will face difficulty in doing so.

How To Check My Credit Score?

Now that the degree to which one's credit score is important has been established, and an understanding of the hierarchy of credit scores, in the eyes of lenders, has been drawn up; how can one find out where they stack up?

It is, in fact, possible to contact a lender, and find out from them what one's credit rating looks like. **HOWEVER, THIS IS NOT A RECOMMENDED COURSE OF ACTION.** The reason that this is the case is because when one checks their own credit, it will **NEGATIVELY AFFECT ONE'S CREDIT RATING.**

As unfortunate as that may be, the fact of the matter is that, for some reason, lenders disapprove of, and distrust clients who look into their credit ratings as such, and the action itself will lower one's rating.

There is no need to lose hope however, as there is another course of action which one can take, which will not damage their credit rating. This simple process is called a broker inquiry, distinct from a client inquiry. Simply call a broker, and request for them to inquire into your credit score.

Because it is a broker, and not yourself who is technically checking the credit, this inquiry will not damage your score in any way, but still give you the knowledge that you need. If such an inquiry interests you, then don't hesitate to call Natloans today at 1300 955 791, where we will be happy to inquire on your behalf absolutely free!

What Can Damage My Credit Score?

There are many ways in which your credit score can be both negatively, or positively affected, but the main ways in which yours can be damaged are as follows:

Defaults A default is a situation in your credit history wherein you have taken out a loan, and failed to pay it back. This is, for the obvious reason of you setting a precedent of not paying back loans, probably the most damaging mark upon your credit score.

AfterPay As convenient as it may seem, the unfortunate truth of the matter is that AfterPay is considerably damaging to your credit score. This is because, even if you withdraw but a small amount, and pay it back quickly, AfterPay is considered to be an outstanding liability according to lenders — even months after you've paid them back. Therefore, it behooves the reader to exercise caution respecting the system.

No credit card This is a situation which doesn't necessarily damage your rating, but not having a credit card certainly prevents you from boosting your rating. This is because overtime that you use your credit card, and are able to honour your usage, it will make your credit rating go up, even for small transactions. It is therefore a good idea, if you wish you boost your credit rating, to start using a credit card.

Poor Credit Card Balance If you DO have a credit card, and it happens to be approaching its limit, then this can definitely hurt your credit score. Always keep in mind that when it comes to your credit card utilisation ratio; lower is better.

Too Many Inquiries On Your Credit File Inquiring by yourself as to you credit file can drop your score by anywhere from 20-60 points. Doing so frequently, even on three separate occasions, can therefore lower your credit rating by nearly 200 points.

PayDay Loans These are a sort of loan wherein one will receive a decidedly small sum of money at a very high interest rate, and will be expected to pay it back when they receive their next paycheck. Having many of these show up on your credit history will damage your score because it implies to lenders that you are often out of pocket, and need assistance to get through the weeks. Having failed to pay back a PayDay Loan will result in the effects of not paying a regular loan, in tandem with those of having taken out a PayDay Loans. Hence, not good. In fact, if you have used a PayDay Loan within

sixth months of trying for a bigger Loan, like a Personal, Car, or Business Loan, you are almost guaranteed to be declined.

Conclusion

Hopefully now, after having read this article, one will have a more complete understanding of the importance of their credit rating, the factors affecting their credit, and what category means what, as it respects credit ratings.

If one lesson only is taken from this, then it must be that one should never make a direct inquiry as to their credit rating. If one is really interested to know, remember; Natloans works it out for free!

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