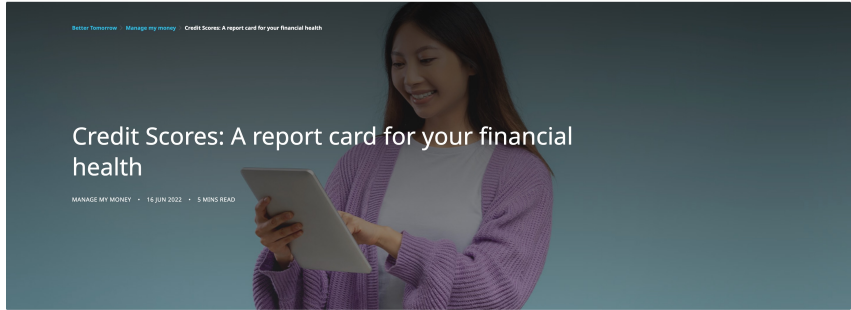


# Credit Scores: A report card for your financial health

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## Credit Scores: A report card for your financial health

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This 4 digit number can affect many aspects of your financial life

Back in school, grades were a way of letting you know how well you were doing. In adult life, there's also a grade that lets you know the state of your finances: your credit score. Whenever you apply for credit (i.e. borrow money) - signing up for a credit card, taking a personal loan or buying a house - your credit score is taken into consideration.

So, what exactly is it?

A report card for your financial health

Like the name suggests, a credit score is a rating based on your past payment history on your loan accounts. Lenders (e.g. banks) use this to see if you are a good borrower who is likely to pay back the loan in full and on time. Accordingly, this affects the amount they are willing to lend you and also the interest rate that is offered to you.

How is your credit score rated?

Your credit score is a 4 digit number that ranges between 1000 to 2000, that shows the risk of defaulting (failure to repay) on your loan. As seen from the table below, a score closer to 2000 indicates a lower risk of default (AA rating), and one closer to 1000 indicates a higher risk of default (HH rating).

Credit Score	Risk Grade
1911 to 2000	AA
1844 to 1910	BB
1825 to 1843	CC
1813 to 1824	DD
1782 to 1812	EE
1755 to 1781	FF
1724 to 1754	GG
1000 to 1723	HH

How can I find out what my credit score is?

You can request a copy of your credit score calling at the Credit Bureau Singapore (CBS) website. You can also visit any SingPost branch or the CBS office. It costs \$6.42 and you can pay by Visa, MasterCard or eNETS.

Alternatively, you can get a copy for free when you apply for a loan or new credit card with any CBS member. All retail banks and most major financial institutions are members of CBS.

What are some things that can affect my credit score?

There are several factors that are used to compute your credit score. These include:

- **Not enough credit history:** If you've just started working or have never taken a loan, the system may not know enough about you to establish a good score.
- **Borrowing too much:** The more you borrow, the higher your credit risk will be. This includes purchases on **Buy Now, Pay Later** services and any home / car loans.
- **Criminal record:** Any criminal or delinquent activity may negatively affect your credit score.
- **Loan history:** Repaying your loans in full and on time will help to improve your credit score.
- **Frequency of loan applications:** Applying for too many loans and the recency of your last application are also factors in calculating your credit risk.
- **Being a guarantor:** If you are a guarantor for a loan whose borrower defaults on payment, it will impact your credit score as well.

What can I do to improve my credit score?

If you haven't been keeping up with loan repayments and it has negatively impacted your credit score, all is not lost. There are some things you can do to start getting your rating up again:

- **Pay your bills on time, all the time:** Your account payment history is kept on a 12-month rolling basis. Making payments promptly and regularly during this period will put you on track to improve your credit score.
- **Keep at least one credit card active:** If you do not have an active credit facility, apply for a credit card to start building your credit score. Of course, don't forget to pay your bills on time!
- **Avoid taking on too much debt:** Applying for too many credit cards or loan facilities within a short period of time can affect your credit score.
- **Maintain your financial health:** Certain financial records like closed / terminated accounts and bankruptcy can remain on your credit report for up to 5 years, so keeping your finances in good shape is very important.

Good credit puts more in your pocket

Having good credit management not only makes it easier to get loans approved, you can often secure a lower interest rate too - which frees up more money to save and invest. Make smart financial decisions (e.g. living within your means / using debt wisely) to build a good credit score and set yourself on the way to financial wellness.

## Credit and Citations

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