



PROTECTING YOUR CREDIT SCORE WHEN ABROAD

JUNE 2022
DUNHILL FINANCIAL

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Your US credit score is perhaps the last thing you think about as you prepare for a life abroad, but it can be something well worth remembering if you're ever thinking of returning stateside. Maintaining a good credit score can make transitioning back to life in the US much easier, whether looking to buy a house or looking for lower insurance premiums, and so it is important to consider when planning your financial future.



WHAT IS YOUR CREDIT SCORE?

When making major purchases in the United States (e.g. house, car), most people will need to borrow money from institutions such as banks or other lenders - in fact, even getting a credit card can require a credit history in the US. Lenders consider your creditworthiness by looking at your history of paying off previous credit, whether you have any late/missed payments or bankruptcies in your past, etc. This need to consider how likely you are to default on payments forms the basis for the idea of a credit score.

This can present a unique challenge for someone who has been living abroad and now moving to the US, as credit scores are not shared between countries, and some countries in fact don't have such a system. It is therefore paramount that you consider how to either build or maintain a credit score if you consider it even remotely likely that you will be returning to the US sometime in the future.

The overwhelming majority of lenders use FICO credit scores (originally known as Fair, Isaac and Company) in their decision-making procedures when examining someone's credit score. The FICO credit score includes the following categories:

- **Payment History:** How consistently you make payment on what you owe is the largest factor in the credit score.
- **Credit Utilization:** How much of your available credit you're using can have a significant impact on your score - using one-third or less can boost your rating significantly
- **Length of credit history:** How long you've managed your credit can be a strong signal that you are trustworthy
- **New credit:** Application for new credit (and the resulting inquiries) can negative impact your credit score, so it can be a good idea to space these applications out
- **Credit Mix:** Having a diverse mix of credit (e.g. credit cards, loan, mortgage) can be a positive indicator as to your creditworthiness

HOW DO YOU PULL YOUR CREDIT SCORE?

A common misconception is that you need to pay in order to receive a report on your credit score. However, you may request a free copy of your credit report from any of the following three major credit agencies:

- Equifax®
- Experian®
- TransUnion®

This can be done once a year at either AnnualCreditReport.com online or over the phone at 1-877-322-8228. While you would not be able to use a foreign address for this request, you may be able to use your most recent stateside address to verify your identity.

You can also see your credit report either within 60 days of having been denied credit, or if you are on welfare, unemployed, or your report has been found to be inaccurate.

It is considered good practice to request a credit report from each of the three aforementioned agencies and to review them, as each one may contain varying information or inaccuracies. Should you identify a mistake, it is advisable to contact the agency in question within 30 days receiving the report.



WHY IS YOUR CREDIT SCORE IMPORTANT?

Maintaining a good credit score is often key to getting the necessary access to funding for a major purchase such as a house or a car. This would remain an important consideration even when you plan to move abroad, as while abroad you may find yourself cancelling an old credit card and so inadvertently increasing the proportion of available credit you are still using, unknowingly negatively impacting your credit score.

However, there are other considerations for closing accounts such as high fees, in which case continued responsible use of your credit will likely result in your score rebounding within several months. Additionally, credit cards in the US often have better overall rewards programs for using them compared to cards from other countries, meaning retaining an American card can mean better credit rewards.

Negative information in your score, which can include events such as missed payments and bankruptcies, will remain in your credit report (and therefore your credit score) for seven to ten years. You can therefore either choose to increase your score if you predict you may need it within the medium-term, or wait seven years for the negative information to pass. The good news is that positive information will remain in your credit score indefinitely, though be wary of leaving your credit report inactive, as this may leave you without a credit score in the future.

HOW DO YOU MAINTAIN YOUR CREDIT SCORE?

While living abroad, you will almost certainly be joining a new bank and so receiving a new credit card in your host country, however it's also a good idea to keep at least one of your US credit cards active during this time as well. The longer you have credit cards and keep them active, the better your credit history looks from the perspective of a lender, as they look favorably upon someone with a long history of on-time payments. You should therefore keep an American credit card open, make at least a few small purchases a year and pay them off right away to buoy your credit score. Always ensure you are following any applicable minimum usage requirements for any card you are still using, so that you can be certain they will not become inactive and potentially cancelled.

On the other hand, you may be moving abroad with either little or no credit history. This should not dissuade you from building one while living outside the US, as you also have the option of applying for a secured credit card, in which you can deposit a set amount which then establishes a line of credit for you for the balance. Using this card you'll be able to build your credit just like you would with a normal card, and over time could eventually switch over to an unsecured credit card once you have an established credit history.



HOW CAN YOU PROTECT YOUR IDENTITY?

The main way to protect your identity is by checking your credit score annually, making sure everything you read is in line with your understanding of expectations of your personal financial situation and by remaining cognizant of who you provide your information to.

American taxpayers with foreign financial accounts have to keep their US social security numbers on file under FATCA regulations, so that the foreign bank can report information to the IRS. For this reason, you should always use a credit monitoring service like LifeLock, Experian, or Identity Guard, so you can immediately see any activity in your credit file. With a monitoring service, you will be alerted to changes and can stay proactive in stopping any impersonations. It's also a good idea to keep your electronic tax returns on file to prove your compliance both to US and foreign banks.

One of the most effective ways to prevent identity theft is to freeze your credit. However, this is only recommended if you know for sure you will not need a new line of credit or are not planning to move back to the US.



IS MY CREDIT SCORE USEFUL ABROAD?

While there are countries like the UK and Canada which do have their own systems of determining creditworthiness which are similar in many aspects to that of the US, these systems do not interact with each other due to consumer protection laws, and so therefore you should not expect that your stateside credit score will translate to the establishment of credit in a different country.

However, overseas banks and other lending institutions may inquire as to your credit status and any outstanding debts you have in the US, in which case it is paramount that you be truthful in your depiction of your creditworthiness, even if they may not have the necessary access to verify it.

A useful tip can be to print out a credit score from your US bank or, better yet, requesting a hard copy before you make the move abroad. This will allow you to provide foreign lenders with documentation which may prove useful in demonstrating your credit history. Proof of income from a current or recent employer is another common document which can be beneficial to have on hand, in this regard.

Even if you may not find your credit score useful abroad, it is always a great idea to maintain it should you ever return to the United States. As life plans may change over time, this way you may have ready access to funding for any major purchases in the US.

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