STARTING A FAMILY

Good Marriage, Bad Credit

Credit reports aren't merged for married couples, but their individual records affect joint loans.

Photograph by Brandon Clifton

Beverly Harzog is a credit card expert and consumer finance analyst for U.S. News & World Report.

Getting married is a big decision, not just emotionally but financially. What do people get wrong about how marriage affects their credit? One common misconception is that you have a joint credit report. You each still have your own credit report, and the same goes for your credit scores. Another misconception is that you have to apply for credit together. You can apply for things like a mortgage or a credit card together, but each partner should have their own credit established. If you need to establish your own credit because, say, your spouse dies or you get a divorce, a difficult situation could become even more difficult.

Are there instances in which it's a bad idea for a couple to apply for credit together? Let's go back to the mortgage example. If both spouses have a relatively high credit score, you're more likely to get approved at the best rates because lenders don't see you as a risk. However, let's say one spouse has a credit score that's 100 points higher than the other spouse's score. In a situation like that, the spouse with the best credit score should apply for the mortgage—assuming they have sufficient income to apply on their own. Otherwise, you may not get the best interest rate on the loan, or you might not get approved at all.

People wrongly assume that lenders will just look at the top score. They will consider both of your scores. If one spouse has a low score, a lender will consider you a higher risk because of the possibility that that spouse will end up being responsible for the payments. The same goes for applying for a joint credit card.

But what if one spouse is trying to reestablish or improve his or her credit standing? First, you need to understand why that spouse doesn't have a good credit score. Is it because they've just never tried to build credit? Or is their score low because they missed payments on their bills? From there, you can decide whether you want to help that spouse improve their credit by adding them as an authorized user on one of your accounts. If you add your spouse as an authorized user, make sure the credit card issuer will report your spouse's use of the card linked to your account to the credit bureaus. Not all of them do. Next, you need to understand that you're on the hook if your spouse runs up a balance and fails to pay it off.

How can a couple—whether married or not—maintain good credit habits and avoid conflicts over credit? Credit is a team effort. Couples should discuss how much debt each has, including student loans, how they can work together to improve their credit, and what they need to do to accomplish that goal.

You should each review your credit reports regularly. You can still get them weekly for free from the credit bureaus until April, but even after that you're entitled to a free credit report from each major bureau once every 12 months. So every four months, both of you should pull a credit report from one of the bureaus and review it for accuracy and signs of fraud. And if you notice something isn't right, make sure you each file a dispute with the credit bureaus.

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