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Why Your Credit Score as a Healthcare Provider Matters

Welcome to the Perfecting Your Practice podcast, where we will talk about finance for the healthcare professional and medical practice owner. This series is brought to you by Bankers Healthcare Group, the leader in financing solutions for healthcare professionals. Since 2001, BHG has worked with more than 100,000 licensed practitioners to help them reach their financial goals.

Perfecting Your Practice is designed to talk about ways you can invest in your career and practice, in order to set yourself up for success.

Now here is your host, Chris Panebianco, Chief Marketing Officer at BHG.

Chris P.: All right, thanks for listening to Perfecting Your Practice, the podcast, Gene.

Gene M.: Chris said it right.

Chris P.: You got it right. I mean, we we're on a roll over the last couple of months of here. I'm really excited to welcome back a couple of our past guests, Gene Marks and April Brissette. Gene is very famous. He has written a little bit here. He's newly knighted. Gene, tell us a little about yourself.

Gene M.: I am a Certified Public Accountant, so now we've just lost all of our audience. I run a company outside of Philadelphia. We do technology and financial management services, and I write for a lot of different places, like The Guardian and Forbes, and The Washington Post. That's what I do.

Chris P.: Excellent. April Brissette, she is our Chief Credit Officer at Bankers Healthcare Group. April, tell us a little bit about yourself.

April B.: Sure, so I've been at BHG for about 11 years now, which is much more exciting than being a CPA, by the way.

Gene M.: I'm sure it is.

April B.: I run a team of about 20 analysts that underwrite all of the loans that come into BHG every day.

Chris P.: Perfect. So, two very, very smart people, and a marketing guy. It seems to be the common theme. It's the common theme of these podcasts when I'm hosting. It's very smart people, and a guy who creates nice ads.

Gene M.: He does marketing, sends emails.

Chris P.: Yeah, sends emails, putting stamps on envelopes.

April B.: Mm-hmm (affirmative).

Chris P.: Today we're talking credit scores. You know, after talking with April before we started the podcast, she's got a really great perspective on what a credit score is, paying attention to it, learning everything you can, and then being able to go from one credit score to increasing it. I think it's a really great story. So the topic today is why you're not paying enough attention to your credit score. We're going to talk about what that means, and some things you can do. April, why don't you give us a little taste of that story?

April B.: Sure. It's really interesting because I feel like your credit score is such an important part of your life, and I feel like it should be taught whether it's a college level, a high school level. It should be one of those prerequisites, right? So that we're going into our adult lives understanding the impact that that has on us. But I didn't have that luxury, so I was going through the process of buying my first home when I was 21, and I brought it by myself, which I was super proud of.

Gene M.: You brought your first home like two years ago?

April B.: That's a nice compliment.

Gene M.: I'm pretty impressed, huh.

Chris P.: You're scoring points over there, Gene.

April B.: I'm on my third home now.

Gene M.: Get some brownie points in there.

April B.: I was very excited to be able to get pre-approved on my own at such a young age, and I unfortunately made the mistake once I got that pre-approval of closing all of my credit cards, and there were a couple that I kept for emergencies, but I reduced the limit on them.

Gene M.: Why'd you do that?

April B.: I thought to myself, "Well, maybe it'll improve my chances of getting a better interest rate if my score goes up." At the time, I thought this would help my score, because I don't have the ability to go out and run up my credit card debt. Unfortunately, that an opposite impact on my score because as I know now, and will probably talk about, when your availability goes down, and your proportion of your balance to your limit goes up, your credit score drops. Where I previously had 100% available because I carried no debt, I went to having zero percent available. What happened was my credit score dropped about 60 points in a matter of a month, and when the bank re-pulled my credit prior to closing on my home, they were thinking about backing out of that mortgage.

Gene M.: Unreal.

April B.: So that was an eye opening experience for me, and really, really spearheaded my, "I am going to learn everything I can about my credit, and I'm going to make sure it's perfect for the rest of my life."

Gene M.: So what you're saying, you always hear about like, "Well, bankers lend money to people that don't need the money."

April B.: Mm-hmm (affirmative).

Gene M.: And the credit score almost is like a consistent concept with that, right?

April B.: It is.

Gene M.: Like, the more credit that you have available to you, the better your credit score is, so people will then make more credit available to you.

April B.: Right. Right.

Gene M.: And that's what you did. You limited the-

April B.: Exactly.

Gene M.: Amount of credit that you had available.

April B.: Exactly. It was a life lesson for me, even if you aren't using that card, leave it open. You know, the creditor will close it after a certain amount of time if you haven't used it. But if you want to keep your availability high, charge something once a year on that card so that the creditor doesn't close it.

Chris P.: That's great advice. Excellent.

April B.: Mm-hmm (affirmative).

Chris P.: So in your opinion, people, are they checking their credit enough, is my first question, and then from that, what's the best way to do it? How do you monitor your credit? I mean, what do you-

Gene M.: Where do you go to check your credit score, for the first [inaudible 00:04:48].

Chris P.: Yeah.

April B.: The best place you can go to check your credit score is CreditKarma.com. Now, I'm sure you've all seen the commercials on TV. FreeCreditReport.com, AnnualCreditReport.com, the majority of those sites have a hidden like, "You have to give us your credit card. We're going to charge you in a year," type of thing to keep it up and going. Credit Karma is 100% free. You don't have to enter any credit card information, you can check your credit every single day. I know they update the scores on Tuesdays, so I check my credit every Tuesday.

Chris P.: I get the email every week.

April B.: Yeah. So you're able to go on there absolutely any time. I have the app on my phone, you can pull it up and look at absolutely anything.

Gene M.: So you're personally checking your credit score-

April B.: Yes.

Gene M.: Every Tuesday?

April B.: Yes.

Gene M.: Like, you're frequently doing that?

April B.: And what that is, to clarify, my credit isn't actually being pulled as though a creditor is checking it.

Gene M.: Right.

April B.: It's what's called a "soft pull". So they're doing an inquiry on your credit and responding with a score, but it's not dropping your credit score, there're no inquiries showing up on your report saying that somebody pulled your credit.

Gene M.: Right. Right.

Chris P.: How accurate is that? Because I've had people tell me that if it's Credit Karma, they use, I believe, it's TransUnion and Experian.

April B.: Equifax.

Chris P.: Equifax.

Gene M.: Okay.

Chris P.: So how accurate, when they say you're a 775, how accurate is that?

April B.: That's a great question. Each credit bureau has a different version of FICO that they might use. For BHG, for example, we use FICO Version Nine. If another lender uses FICO Version Eight, they will get a different score that comes back. You can never say for sure that it's going to be what another creditor will pull it as. I know from my experience, the score I have on Credit Karma tends to be about 10 points lower than what it is when a creditor is pulling it. Now, there are a couple of reasons for that, especially if you're going to buy a car.

When you go to buy an automobile, that dealership is going to use whatever version of FICO gets you the highest score, because they want to be able to find you financing, right? And they're getting some form of a kickback by referring you to a bank to get that financing done. So they're going to use the most advantageous score that they can find. Other banks that they're a more conservative lender, are going to use the version that gives the lowest score so that they aren't taking too much risk. It's really just a decision on the lender's part.

Gene M.: What do you guys use when you're evaluating your potential customers or clients?

April B.: We use TransUnion FICO Version Nine, which is, I would consider, a middle of the road score. So, I was recently testing a new system with TransUnion network. I pulled my own credit as an example, and it came back about 12 points higher than what Credit Karma showed.

Chris P.: We like that one.

Gene M.: Yeah, I can tell.

April B.: Yeah.

Chris P.: Let me ask you, you know, so obviously having good credit scores matter, particularly in the context of being a licensed healthcare professional.

April B.: Mm-hmm (affirmative).

Chris P.: What are some of the things that they're going to need that credit for?

April B.: Sure. I think any type of professional, especially in the healthcare arena, are probably going through a little more of an extensive background-type check when they're looking for employment. Oftentimes, that will include a credit check. Employers and many people look at your credit score as a sign of your character. When they see that you have public records, bankruptcies, judgments, that you haven't been paying your bills, they do view that negatively and wonder if you're a trustworthy employee. So specifically in the healthcare industry, I think it's very from that aspect. Also, if you happen to be a practice owner as a healthcare professional, you will need constant access to credit in order to keep your business running, whether it's a line of credit, or needing new equipment. Maybe you want to purchase a practice-

Gene M.: Or rent some office space.

April B.: Absolutely. And you will need access to credit in order to get that done. The cheaper you can get that credit for, the better for your business. So, very, very important.

Gene M.: How much do you think financial institutions really rely on that credit score, you know? It's kind of like when you apply to college, you have the SATS, the ACTS, your grades, your extracurriculars, and they all kind of blend in. Like, what ... Could a bad credit score tank an application to-

April B.: 100%. Your credit score is the biggest factor that any lender will ever look at when determining whether to give you credit or not. Now, sure, if you live in a small town and you walk into your community bank, you might have a personal relationship with that banker. That may weight into their decision, but your credit score is 100% the biggest factor no matter ... Unless you're, I would say, the only exception that would be like a cash advance type of lender that's just looking at maybe your bank statements and stuff like that. But any type of traditional principal and interest loan-type structure, it's 100% your FICO score.

Gene M.: So going back to your story that you told earlier, you said you had closed all of your credit lines, your credit score went down or whatever. How did you fix that?

April B.: Time. Time is the biggest thing that fixes that. Then I was in a position where I was 21, so I didn't have a ton of credit to begin with.

Gene M.: But you did have a lot of time because you were 21, right? When you think back on it-

April B.: Right.

Gene M.: Like all the time we have

April B.: Yes. So I was young, and now I have gotten myself to a point where I only have a few open trade lines on my credit report. So then it was hard for me to even build it back up and get other creditors to give me credit.

Gene M.: Yeah, yeah.

April B.: What I did was I did a ton of research and I determined I didn't want my credit score being pulled a lot, because the more I pull it and try to get credit from new institutions, the more my credit score will drop. So it's kind of a conundrum. What I did was every six months, I had somebody pulling my credit, I had to start, again, with store charge credit cards, they're typically the easiest to get approved. And that kept it so that I wasn't having my credit score pulled too much, but I was regularly establishing new lines of credit.

Obviously, making sure that you make your payments on time is paramount. That's number one, the most important thing. But it just took time. It's no different than if you filed bankruptcy, or you had a foreclosure or a short sale. It just takes time. But in that time that it takes to repair itself, you have to make sure everything else is perfect. You can't miss a payment here, go over your limit there. It just won't repair itself unless you make sure you're paying everything on time.

Gene M.: Do you remember how much time it took you in the end to kind of recover? I mean, was it like a year? 10 years?

April B.: It took two years for me to get back up over 700.

Gene M.: Oh.

April B.: It did. After that, I just made sure that it was one of my priorities. That was it. You know, they did have to increase my interest rate on my mortgage at that point in order to continue moving forward with it. And I didn't want to go through that situation again, so by the time I bought my next home, my credit score was over 800 and I could name my rate, basically.

Gene M.: You must have kicking yourself. I can't-

April B.: I really was.

Gene M.: Oh my God.

Chris P.: I'm looking to-

April B.: I really was, and it was just being uneducated about it, really.

Gene M.: Yeah.

April B.: That's really-

Gene M.: You were trying to do the right thing.

April B.: What it was. I was trying to do the right thing.

Gene M.: Brutal.

Chris P.: I'm getting April to cosign for me on a few-

April B.: That's actually a great topic for you to bring up. Do not cosign for anybody unless you are prepared to make that payment, because that's another mistake that people make, is-

Chris P.: And that does affect you.

April B.: It does affect you. There is a misnomer out there that, "Oh, if I just cosign for them, it won't have an impact on my credit score," and that's absolutely untrue. You have to be prepared financially to make that payment in the event that the person that you're cosigning for can't.

Gene M.: Is ... We're just ganging up on April. But is cosigning the same thing as guaranteeing somebody's loan?

April B.: From a credit score perspective, yes. It has the exact same impact on your score.

Gene M.: Okay.

April B.: Yep.

Chris P.: Let me ask you, what are some tips you would offer healthcare professionals that are listening to the podcast now? What are some things? Because they're so busy. They're inundated with everything, and we talk about it nonstop with all the challenges they have. What are some things they can do?

April B.: I think when you're ... Everybody's busy in this day and age, right? And then you add on top of that being a healthcare professional. It's crazy to find time to be on top of things. So, I think the most important thing I would say is make sure that you have someone that you can trust that's staying on top of this for you, if you can't be on top of it yourself. A lot of our customers have an office manager, a spouse, that takes care of the bills, and I'll hear, "Oh, my mortgage didn't get paid on time because someone dropped the ball." You know, that can't happen if you want access to the best credit out there, and you want to be the sought after customer that banks want to lend to.

So, if you don't have the time to do it yourself, make sure that the person that is handling that for you, and paying all of your bills, is a trustworthy person that's on top of it. Secondly, like we've been talking about, staying on top of your credit score. If you do sign up for something like Credit Karma, anytime there's a change to your score, or an account, or a payment, you get an alert and you can immediately, right through the app, you can dispute things with the credit bureau, because it can get completely out of control if you wait too long to take care of it. Those would be my top two tips.

Gene M.: Do you ever hear from your people that say, "I don't know why I have this bad credit score. I haven't made any mistakes," or, you know-

April B.: Yes.

Gene M.: Why does that happen? I mean ... Why?

April B.: Yes. So you could potentially have never missed a payment in your life, and have a 650 credit score. The average right now is around 740. That's the average American, and you can get as high as 850. There are two reasons that that happens-

Gene M.: Chris's is 400 by the way. I was looking it up.

  

April B.: 350 is the bottom, so he's got some way to go.

Gene M.: Give him time. Give him time. All that time, right?

Chris P.: I don't have much of that.

April B.: So just making your payments on time isn't enough. It just isn't. That, of course, is about 50% of your score, is making your payments on time. But if you're the type of person, let's say for example, Chris, you want to go out and buy a car. You go to a local-

Gene M.: There's no way he's going to do that. I just told you-

Chris P.: I'm done. I'm done.

Gene M.: Have you seen his credit?

Chris P.: I walk everywhere.

April B.: Let's say you go to a local-

Chris P.: I have a bus pass.

April B.: You go to a local Ford dealership, and that Ford dealership pulls your credit. Then they decide to send it to five different banks to see who's going to give them the most, what's called a reserve, or who's going to give them the biggest kickback for sending them that financing. Then those five people pull your credit. All of a sudden, you've had six inquiries in one day. Huge red flag. It's going to impact your credit score. That's one thing.

Gene M.: How do you ... Wait, but stop. How do you avoid that? I mean, if you're going

Chris P.: I just went through that.

April B.: I'll tell you how you avoid it.

Chris P.: So this is interesting-

April B.: This is terrible.

Chris P.: I just tried to buy an RV-

April B.: Right.

Chris P.: A year ago. We had this crazy idea with all these kids that we're going to buy an RV.

Gene M.: Rent the RV. Well, that's another conversation for another day.

Chris P.: We need beer for that.

April B.: Go with a camper, that's what I did.

Gene M.: Or go with the camper.

Chris P.: So I did that, but we went to a big expo and we found the one we wanted, or my wife wanted, and we went in, we filled out the application. And again, you'd think someone who is as close as I am with April and the company I work for, I would pay attention. I said, "What the heck. Let's see what this would go for." The next thing I know, my Credit Karma blew up after that. I lost serious points.

April B.: Wow.

Chris P.: And it still sits there, two years later. It's still sitting there as the four different places that ran my credit. I'm like, "I don't even know who these people are." Different banks.

April B.: No.

Gene M.: That seems to be an issue that a lot of people would have, anybody who's going to buy ... nobody's buying RVs like Chris, but-

April B.: Yeah, right. Only crazy people do that.

Gene M.: A typical car buyer ... So how do you fix that?

  

April B.: My advice, and what I do, I am literally a car salesman's worst nightmare. I mean, I really am. You don't ... It's terrible. But, what I do is I get my financing in place before I go to look at my car. I go to my one bank that I know I want to do my financing with and I say, "Hey, I want to buy a car. What kind of rate can you give me?" I walk into the dealership and I say, "I've already got the financing all figured out. I just need to know the price of the car."

Gene M.: Smart. Smart.

April B.: Now, if you want to get the best-

Chris P.: April will be a consultant.

April B.: Deal on the car-

Gene M.: This is good.

Chris P.: I will be doing the marketing for her consultants.

April B.: If you want to get the best deal on that car, you don't tell them that right out, because then they're going to finagle the numbers, because they aren't getting a kickback, blah, blah, blah. But that happens to people. Let's say you couldn't find an RV there that you were 100% in love with, or you found out that your truck couldn't tow it, and then you go to the next RV place and four more people pull your credit the next day. That happens to people. What happens is there're these calculations that go into your FICO that's saying all these people pulled your credit, and none of them are giving you an account. That's a red flag. So then your score drops, because the calculation assumes that that creditor is seeing something that is making them uncomfortable with giving you another loan.

Chris P.: Not the fact that you didn't purchase the actual-

April B.: Correct.

Chris P.: Okay.

April B.: Correct. They don't know that it was your choice or not. So, that's one reason why people could have a low score, and be making their payments on time. The other thing goes back to the credit cards. If you have a $10,000.00 limit, and you've used $9,500.00 of that, your credit score will be impacted by that pretty heavily. As a rule of thumb, you want to always keep your availability at 50%. Ideally, keep it at 10%.

Chris P.: Okay.

April B.: Emergencies come up, but I would you use those credit cards for emergencies, not as just for everyday purchases, unless you're planning on paying off the balance each month.

Gene M.: Somebody was asking me, I was just talking about this. There was a client of mine that has availability of like a line of credit, and the fees for it were pretty nominal to have that. He's like, "I don't really think I need it though, but the bank says that it's available." I was thinking, I think it's good to have, as long as you're-

April B.: Yes.

Gene M.: Because I think that gets back to what we talked to earlier that your availability of credit has a very positive impact on your overall credit score.

April B.: It does. It does.

Gene M.: So it's showing that if banks are willing to give you that amount of credit and have it out there, then your credit score should be positively impacted.

April B.: And that all goes into that calculation. So if they've got that line of credit for $10,000.00, and then they apply for another credit card, that creditor will look at how much of a limit all these other places have given you. That is part of their decision making process. What I would say to them is even if you're not using it, don't close it. Leave it open. Cut up the card if you want. That's fine. But leave it open so that you do have that availability.

Gene M.: Got it.

Chris P.: I've always wondered with credit card companies where all of a sudden you get your statement and now your usage of the line has ... It's smaller, but you have more credit available. They just make those decisions. How does that work?

April B.: Mm-hmm (affirmative). They're soft pulling your credit.

Chris P.: Okay.

April B.: On a regular basis. It might be quarterly. It depends on the lender, but they're soft pulling your credit and saying, "Oh, this person went from a 750 to an 800. I'll increase their line. They've never been late. They're starting to inch up a little bit closer to that 50% mark. Maybe if I increase their line, they'll use more of the card. I'll earn more fee income, I'll earn more interest income." So that's how they're doing it. They're soft pulling your credit, like we talked about before. You don't know that they're doing it, it's not impacting your score, they're just checking on a current client to see if they should either close your account, sometimes, lower your limit, or increase it.

Gene M.: Will your credit score ... Yeah, we talked about guaranteeing loans, or cosigning on loans or whatever, but suppose, again, you're a healthcare professional, you've got your own business, but you hold joint assets and credit and mortgage with say your spouse, or significant other. Does your significant other's credit history affect you in any way?

April B.: It does if they don't make a payment that you are a joint holder on.

Gene M.: Okay.

April B.: This brings another type of account into the conversation, where you can be an authorized user. You've got a credit card with Bank of America, let's say a $10,000.00 limit, and you add your wife on as an authorized user. That will show up on her credit report, she is not legally responsible for the payment, but she has the ability to charge things, and it is on her credit report. That's actually a great way to help build your credit if you're young and right out of college. You can ask your parents to add you as an authorized user, because it will build your credit history.

Chris P.: That's great advice, yeah.

April B.: You just have to be careful that your parents are going to make those payments. I mean, if your parents have bad credit, probably not the best idea.

Chris P.: Have them put a limit, too.

Gene M.: Yeah, right. Right.

Chris P.: I'm calling my dad after this.

April B.: Let's say Chris adds his wife as an authorized user, and then Chris doesn't make the payment. That will affect will wife's credit. So really, only if the accounts are joint. If they aren't joint, then it won't have an impact.

Chris P.: Okay. Great. Well, you know we're running out of time, but what are some things, quick hits, that we can give to the healthcare professional that's listening? You know, your top advice. You see a lot.

April B.: Yes.

Chris P.: I mean, we're dealing with 3,000 applications a month-

April B.: A month, mm-hmm (affirmative).

Chris P.: That your team reviews.

April B.: Right.

Chris P.: You know, you've seen a lot. What are some things that you'd like to pass on?

April B.: It's really just one thing. It's knowing what your credit score is. It should be part of your routine, just like you pay your mortgage every month, and you do your laundry every day, and you take a shower and you eat. You need to build that into your normal routine. So maybe every month when you make your mortgage payment, you stop what you're doing and you check your credit score, because it really is the biggest factor in your financial health, and that really can affect much more than just your finances throughout your life. It really can. It can open doors or close doors for you, depending on how you take care of it.

Gene M.: April, before we sign off, you say to check your credit score like on Credit Karma for example, which we said ... Is that Equifax, right?

April B.: They offer both, TransUnion and Equifax. They're on there.

Gene M.: So do you have submit some private information, obviously-

April B.: Yes.

  

Gene M.: It needs your social security number-

April B.: Yes.

Gene M.: You know, whatever. Given all of the news about data breaches and whatnot, should people be concerned about doing that?

April B.: I mean, I think any time you're giving your social security number, you should be concerned. I would just warn you, like anything else, to do your research, look up the company that you're looking to sign up with, make sure that they're reputable, talk to friends. It's always good to get a personal reference if you have someone that you know that you're close to that uses this specific service.

Gene M.: Right.

April B.: So definitely be careful about who you're trusting, but I think that the rewards are very much worth it.

Chris P.: Excellent. Gene, April-

Gene M.: Awesome.

Chris P.: I appreciate it, as always.

Gene M.: That was great.

Chris P.: Real quick, April, if people have a question, what's the best way to get ahold of you?

April B.: Oh, definitely. You can send me an email, it's April@BHG-Inc.com.

Chris P.: Great. And Gene?

Gene M.: Any questions about credit scores, then please email April@BHG-Inc.com.

Chris P.: And do not email ChrisP@BHG. Folks, once again, I want to thank my guests, Gene Marks and April Brissette. It's been a lot of fun learning about credit and telling the world that I almost brought an RV, and for Gene to tell people I have a 400 credit score.

Gene M.: One word for you, just Marriott, okay?

Chris P.: Yes. Yes.

Gene M.: Take that away.

Chris P.: I'll get the Marriott credit card, and get some points.

April B.: Get some rewards on that.

Chris P.: Yeah. So folks, thank you very much for joining us on Perfecting Your Practice, the podcast.

Gene M.: Six in a row.

Chris P.: We are very happy to have you. We look forward to talking to you again. If you'd like to continue the conversation, you can email me at ChrisP@BHG-Inc.com. Or connect with me on LinkedIn. That's all for today. Thanks a lot, folks.

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