

HERE'S WHAT YOU NEED TO KNOW ABOUT MILITARY CREDIT CHECKS

When you enlist, you'll need to prove you're financially healthy as well as physically fit. Here's how to get your credit ready to deploy



By: Beth Braverman - February 18, 2020

Thinking of joining the military? You're probably aware you'll have to pass tests related to physical fitness and other capabilities.

But you may also have to show you can clear some financial hurdles as well.

As part of your enlistment, you may have to complete a National Agency Check with Local Agency Checks and Credit Check (NACLCC) through the Defense Counterintelligence and Security Agency. The credit check is similar to one run by a civilian employer, but each branch has slightly different requirements for recruits.

What credit score is needed to join the military?

In general, the military isn't looking for a specific credit score when determining financial eligibility, but excessive debt or delinquent payments could be a red flag for further discussions with your recruiter.

Enlistees who have dependents may need to file for a "dependent waiver," and show they have the resources to provide for children or others who rely on them for financial support.

"The military doesn't want you to come to them as a last resort, where you're just looking for a job to pay off your debt," says Galen Bargerstock, founder of Government and Civilian Employees Services. "They want service members who are focused on the objective, which is ultimately to protect the country. They don't want your mind focused somewhere else, worried about personal obligations when you're supposed to be protecting the country."

How does it vary among different branches of the military?

In its financial review, the Coast Guard seeks evidence that an applicant has their financial house in order, says Jonathan Lindberg, petty officer first class with the Coast Guard Recruiting Command. Applicants shouldn't have recent repossession or bankruptcies or be delinquent on payments.

In addition, the Coast Guard requires that applicants' debt-to-income ratio (the ratio of all personal debt – including credit card debt – to gross personal income) based on their projected Coast Guard salary be lower than 30% in order for them to join. (The debt-to-income ratio limit for reservists who want to join the Coast Guard is 80% since those applicants have other sources of income.)

"That's to protect the person that's thinking of joining," Lindberg says. "The income when you join the military at first

can be very low. We just want to make sure we're not putting that person in a tough spot with a financial hardship."

The Air Force also looks for signs of financial troubles, such as a history of bankruptcy or bad credit, but its debt-to-income ratio limit is 40%. Applicants whose credit reports contain that type of information will be reviewed by the squadron commander, who may ask the applicant for an explanation before making a financial eligibility determination.

The Army, Navy and Marine Corps usually run credit checks only on applicants who need to qualify for a security clearance or who require a dependency waiver. But they forgo hard-and-fast rules in favor of a case-by-case approach.

What do to before you enlist – and if you're rejected

If you're interested in joining the military, get your free credit report (at AnnualCreditReport.com) to check for any mistakes, and see if there are any issues that might give a recruiter pause.

Even if financial issues prevent you from immediately joining the military, you may still be able to enlist in the future. Just as applicants who fail the physical fitness test to join the military can get into shape and reapply, those who don't meet the financial requirements can spend some time paying down their debt and improving their credit and then reapply.

What to do after you enlist

Uncle Sam doesn't stop caring about your finances once you've joined the military. If you take on a job that requires a security clearance, you're subject to continuous financial monitoring by the Department of Defense.

"As you get more responsibility, you could be subject to more extensive examination," says Doug Nordman, a retired military officer and author of "The Military Guide to Financial Independence and Retirement." "By the time you're at the highest level of clearance, you're not only getting extensive background investigation but also surprise interviews and routine checkups. They're looking for any signs of financial vulnerability."

Under new background check rules issued in 2018, individuals with security clearance can be subject to background checks – including financial checks – at any time. Any red flags, such as a high debt-to-income ratio, could affect that individual's ability to maintain clearance.

That could be an issue, given a recent survey that found about a third of military members or their spouses don't pay all their bills on time.

How to keep your finances in military shape

There are a few steps service members can take to ensure

their personal finances don't interfere with their military career:

Sign up for free credit monitoring

Since October, military members have had access to free electronic credit monitoring of their accounts. You'll have to sign up by visiting the websites of each of the individual credit reporting agencies: Equifax, Experian and TransUnion.

Set up auto payments

One of the biggest things military financial checks look for is delinquencies. By setting recurring charges to automatically pay at least the minimum amount, you'll guarantee you won't ever forget to make a payment. (You'll still need to regularly review your bills to make sure all the charges are accurate.)

Know your rights

Your status as an active-duty member of the military means you're protected by some additional regulations when it comes to borrowing money and interest rate limits that could save you thousands of dollars.

The catch? You have to apply for the preferred rates by contacting your lenders directly.

The Servicemembers Civil Relief Act caps at 6% any interest rates on loans (credit cards, car loans, mortgages, etc.) you had prior to enlisting. The Military Lending Act covers new loans and limits interest rates and fees to a total of 36%.

Take advantage of credit card perks for military members

In addition to federal protections, many credit card companies offer other benefits to military members. Some credit card issuers and banks, for example, will waive their annual fees for military members.

You may also get favorable pricing by joining a credit union, such as USAA or Navy Federal Credit Union, that caters to those in the military. Such financial institutions may offer low-rate loans to newly enlisted military members or other benefits aimed at your specific financial needs.

Use your PFM

Most bases have personal financial management counselors on-site to help members sort through financial matters. A PFM may offer individual debt counseling as well as classes or seminars related to financial planning and money management.

Bottom line

Some financial issues can be a deal-breaker if you're looking to join the military. But by improving your credit and paying down debt, you can improve the impression that you make on a recruiter.

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