

# How to Build Your Credit Score... When You Don't Have One



## Importance of a credit score

A credit score is a three-digit number that shows how likely you will pay back loans. This score is based in part on your payment history and debt owed. Not having a credit score can affect whether you qualify loans such a home or car. A poor score can also increase the interest rates you are charged on any credit such as insurance or cell phone. Without a credit score it is more difficult to get credit.

## Obtain a secured credit card

A secured card works like most credit cards. However, instead of charging against your credit, you are charging against cash pre-deposited and used as collateral. Your spending limit will be a percentage of your security deposit. When you need more spending limits, you must first deposit more money. Secured cards are a good way to learn how to manage money. There may be high transaction and monthly/annual fees included with this card.

### How to use one effectively

- Use the card sparingly making only one or two purchases every month
- Restore your balance in full every month before the due date

### Where to get a secured credit card

#### Bank

- It is smart to get a secured credit card from the same bank where you already have an account. This continues to establish the relationship with your bank. If you don't currently have a bank, pick one for convenience or low fees.



#### Credit Union

- With a credit union, you are a member. As a member they may offer more consumer-friendly terms. If you get turned down you can ask them to take a second look and the opportunity to meet with someone.

## Acquire a Co-Signer

A person with good credit can agree to become a joint owner on a loan or credit card which can help you increase your credit score. You will be in charge of this card and will be required to make the monthly payments. This is a more risky option. If you don't pay as agreed, it will affect both of you negatively and may ruin the relationship with that person.

- Once your credit has improved it is best to remove yourself or the co-signer from the loan or credit card.

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