



Consumer Tip May 2015: How to Build Credit: Tips for College Grads and Everyone Else



Everyone has to begin building credit at some point, although it can be a tricky situation. Without a credit card, it's hard to build credit history. Without credit history, it's hard to qualify for a credit card. Following college graduation is often when individuals apply for their first credit card but there are many others who don't start building credit until years after they're eligible. If you're under 21 years old, you'll need either a card co-signer or a verifiable income to prove you can repay your credit card.

Below are simple and effective tips to build credit either for those with no credit history or those looking to repair bad credit history.

Get a Credit Card

For your first credit card, or if you've been denied credit in the past, look for options available to those with little or no credit.

- Secured credit cards – Almost any applicant will qualify for this type of card as it's backed by a mandatory cash collateral deposit (a deposit equal to the credit limit), which helps remove the risk of default.
- Student credit cards – This type of card offers a higher acceptance rate but comes with a lower credit limit and higher interest rates.
- Retail credit cards – This type of card is commonly used to build credit—think of a card for a department store or gas station. However, these generally have lower credit limits and much higher interest rates so you want to be sure to pay in full each month.
- Become an authorized user – Ask a family member to be authorized on his/her card, and this can be good for both of your credit histories if handled responsibly. However, if the person whose card you're authorized on defaults, it's bad for both of your credit histories. Do this only with someone you trust.

Remember that every major decision, especially financial ones, should be done with care and consideration. Before you open any type of credit card, read the fine print to understand the fees, interest payments, reward program details and other information.

Use Credit Responsibly

After you receive your first credit card, no matter what type of card it is, it's extremely important to start building good credit. Once you have a solid credit history, you'll be offered the best cards, rates and loans. Below are tips for how to handle credit responsibly.

- Pay your card in full each month – As much as possible, pay your entire balance to avoid wasting money on interest. This will help your credit history as well.
- Pay your bill on time – Creditors care about your on-time payment history. Even if you're paying the minimum monthly balance, pay on time every month.
- Don't carry a large balance – Experts advise to use no more than 30 percent of your credit limit at any time. Otherwise, it looks like you're dependent on credit and a possible risk.
- Use your card regularly – Unused credit accounts may be closed by issuers after a certain period of time. This will cause your credit utilization to go up and your length of payment history to go down, neither of which are good for your credit report.
- Keep accounts open for as long as possible – Unless an unused card has an annual fee, keep it open and active to boost credit utilization and length of payment history on your credit report.
- Check each of your credit reports annually – You are entitled to a free credit report annually from the three major credit reporting agencies—Experian, Equifax and TransUnion. Use AnnualCreditReport.com to access these reports each year to ensure there are no errors or discrepancies.

If you're responsible and follow good credit guidelines, you'll find that you are rewarded with a good credit score—which is based on your credit history—and the many perks that come with it. It's never too late to begin building credit or repairing bad credit, and your local community banker will be happy to work with you.

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