

Tips to build your credit history

- ◆ Credit is the promise to repay a debt. It takes time to establish that history.
- ◆ Pay your bills on time. You need to establish a history of paying rent and utility bills for at least 12 consecutive months to establish a good credit report.
- ◆ Open a savings account and make consistent deposits to show that you are spending less than you earn.
- ◆ Open a secured credit card account through a local financial institution. You establish a credit card limit using your own money, perhaps \$500. For the first month you charge a reasonable amount, \$100 and repay it immediately. For the next months you continue to charge against your own money and repay it 5 days before the due date. This establishes a pattern of charging and repaying your debts on a monthly basis.
- ◆ Apply for credit with a local store, such as a department store. Although they usually have a lower credit limit and a higher rate of interest, they are generally more willing to lend you money. There is usually no annual fee for department store cards.
- ◆ Save for major purchases. Make a large down payment on a purchase and negotiate credit payments for the balance. If you do not have a credit history but have a large down payment, the store has less risk that you will not make the payments. For example, if you have \$3,000 to pay down on a \$5,000 car, your loan will be very small. This can help you establish a positive credit history when you prove that you can make your loan payments on time.
- ◆ Apply for a small loan at the bank, thrift, or credit union where you have checking and savings accounts. Due to the excessive interest rates charged at pay day loan establishments, do not be tempted to find a quick fix to a financial situation.
- ◆ Give yourself plenty of time to establish credit before rushing into any large, long term credit responsibilities. The lower your credit score, the higher the interest rate you will be charged. That can be extremely costly on large ticket purchases.