

ESTABLISHING CREDIT HISTORY

Open a checking and savings account with a bank or credit union.

- Request a credit card or debit card. Most persons new to credit will be offered a “debit” card which will be tied to your checking account. This is also called a “secured card” because the money and the limit on your debit card are backed (secured) by the money in your checking account.
 - Most financial institutions will not report debit card activity to the credit-reporting-agencies (CRA). However, with time and proper use, your financial institution will eventually approve you for a regular credit card. Request approval from your bank or credit union every 6 months. (ask for requirement guidelines from your specific institution)

Option 2 – Search for a secured debit card that **DOES report** to the credit reporting agencies.

- The “Terms” or “Agreement” information (available with each card) lists contact information. Write or email the card issuer to make sure they report to a CRA.
- Check the www.myfico.com/Credit-Cards Credit Card Center. NOTE: The offers change often. BE SURE TO CHECK THE “STUDENT” CARDS TOO (if applicable).
 - While at MyFICO.com, explore their Education Center. Much good information is available. www.myfico.com/CreditEducation

Option 3 – Have someone with established credit co-sign on a new card. But remember, your actions/activity will be reflected on BOTH credit scores.

IMPORTANT FACTS TO REMEMBER

- You will NOT be approved for a regular credit card unless you have “regular” income and can prove it.
- Reports to the credit-reporting-agencies will not begin until after the 6th month.
- Always pay the bill on time (35% of your FICO score)
- Never spend more **than 7% to 15% of your credit limit.** **Charging more than** this amount will negatively affect credit score. (The “Usage” or “Amounts Owed” category is 30% of your FICO credit score.)

CREDIT LIMIT	7%	15%
\$500	\$35	\$75
\$1000	\$70	\$150
\$2000	\$140	\$300

- Unless expensive fees are connected with your first credit card, do not “cancel” the card. The length of your credit history is 15% of your FICO score. Never cancel your oldest cards unless the annual charge is out of your budget.
- When establishing NEW credit, the number of “inquiries” only affects your score by 10%. Since someone is NEW – the score is non-existent anyway. **Make every effort to find a card as soon as possible.** “Inquiries” are only visible to future creditors for one year, but visible on a personal report for two years.
- Keep checking for your Credit Report at the ONLY FREE site: www.annualcreditreport.com . You are entitled to one free report from each of the three reporting agencies. You can order all three at once, or one at a time over the course of a year.
- A relatively new site, www.creditkarma.com will allow you to see your credit SCORE for free.