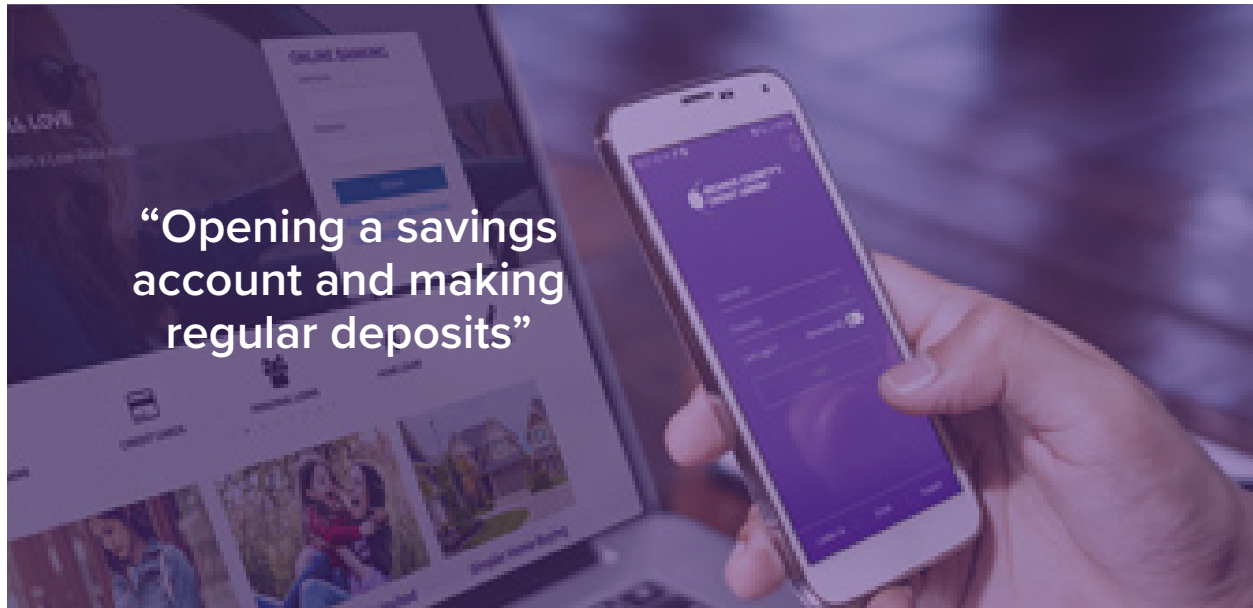




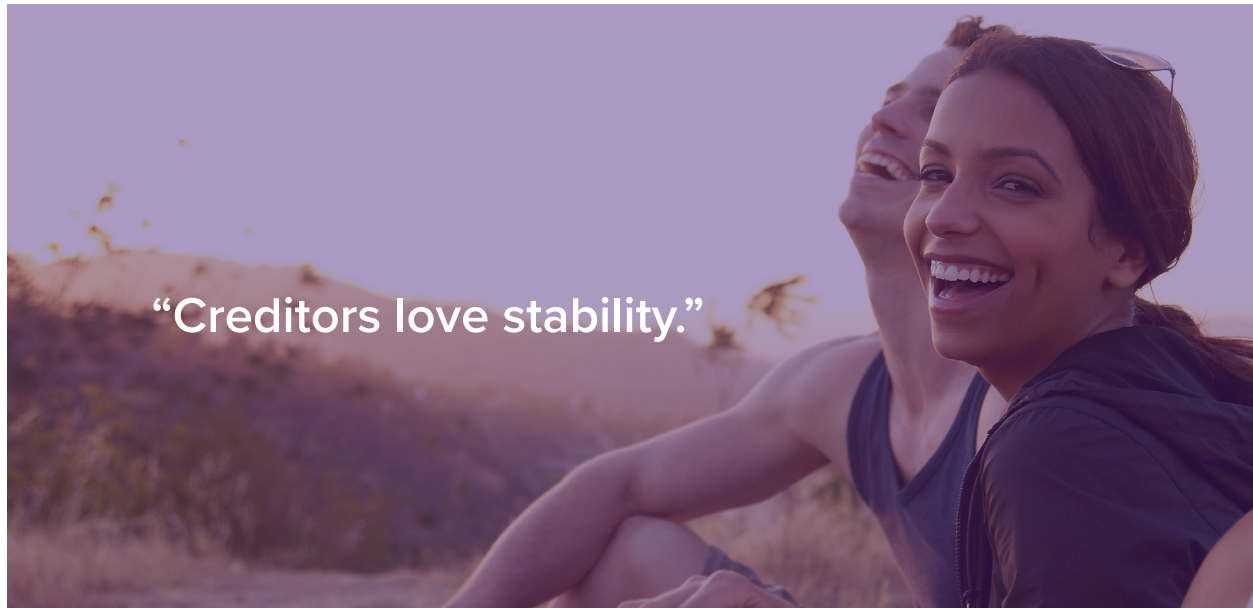
20 Tips to Building Credit The Right Way

Introduction

Whether you are starting out or starting over, this guide includes 20 practical tips to help you get started on building your credit score. With credit being an important aspect of financial wellness, these are some simple steps to growing a comprehensive credit history.



- 1 Pay all your bills on time – every time.**
The single most important action you can take to build credit is to promptly pay your bills by the due date, and never – ever – miss a payment. This habit is the defining trait of nearly every person who has an 800+ credit score.
- 2 If possible, pay off your credit card balance every month.**
The best way to build credit while staying within your budget is to pay off your balance each month.
- 3 A checking account could get you a credit card.**
If you deposit money at a bank or credit union, start with them when you want to apply for a loan or credit card. They know your money habits, so they might be more willing to approve you.
- 4 Save up!**
Opening a savings account and making regular deposits – and if possible, very few withdrawals – will go a long way to showing you are a risk worth taking when you want to borrow money.
- 5 Put bills in your name.**
Becoming the “payer of record” on your utility, cable, or internet bill can help show good payment history when you want to apply for credit.



- 6 Put your name on the lease.**
If you're renting, make sure your name is on the rental agreement and pay it on time every month.
- 7 Get credit for the bills you pay.**
If you don't have an established credit history, but you pay monthly bills, seek out a rent reporting service to report those payments to the credit agencies.
- 8 Keep your job for two years.**
Showing steady employment – specifically two years or more with the same company – can positively impact your likelihood of getting approved. Creditors love stability.
- 9 Establish a permanent residence.**
We've said it before: creditors love stability. They like a minimum of two years, but the longer you've lived in one place, the better.



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The ABCs and 1-2-3s of APR.

APR stands for Annual Percentage Rate. It is the cost you pay annually to borrow money. Without a solid credit history, you will pay a higher APR if you try to get a loan or credit card on your own. The simplest example is a car loan: if you borrow \$15,000 at 18% APR for 60 months, you'll pay \$381 per month for a total payback of \$22,854 – or more than \$7,800 in interest. Now borrow that same amount at a much lower 3% APR and your payment drops to \$270 and you pay less than \$1,200 in interest over the 60 months. Having good credit adds up to big savings.

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A co-signer can improve your ability to borrow.

If you don't have established credit, you could ask a close family member or trusted friend with good credit to co-sign on your loan. It's a big request because it means the creditor will hold your co-signer accountable if you stop paying your bills - so don't ask if you can't commit!

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Read the fine print about rates and fees.

Not all credit cards are created equal. Thankfully, you can easily compare rates and fees between credit cards because of standardized disclosures. Pay attention to introductory rates and how they could change based on your payment behavior. And don't forget fees for cash advances, balance transfers, and foreign transactions – all things that could impact your borrowing costs.

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Don't apply for too many lines of credit at once.

Having too many "hard inquiries" to your credit profile can reduce your credit score.

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Can't get approved? Apply for a secured card.

You'll set aside around \$500 in an account and the card issuer will give you a credit card for up to that amount. Use the card and pay it off each month to build transaction history.

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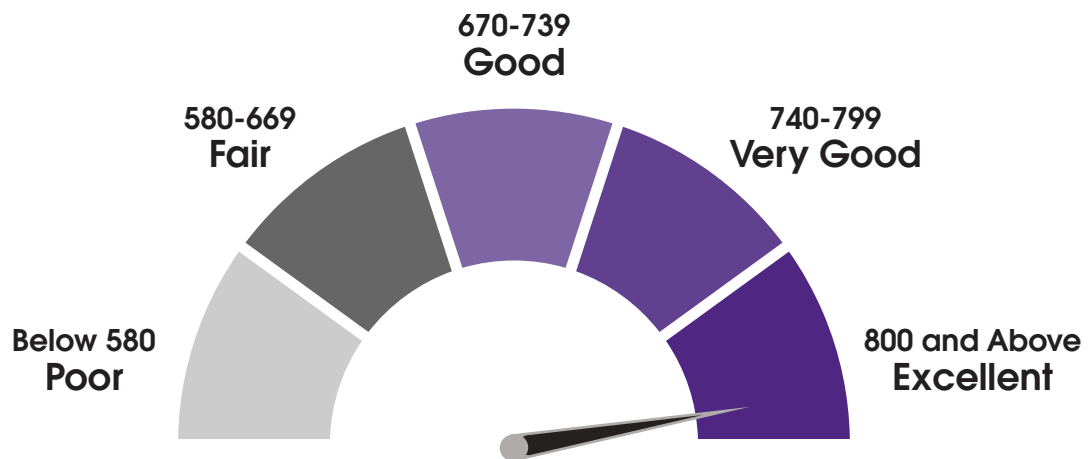
Use retail or student credit cards wisely.

They tend to be easier to obtain, even when you don't have much credit history. And if used wisely, they can be an entry into establishing your good credit profile. But the rates and fees can be high, so keep an eye on them.

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Give your credit a regular checkup.

Apps like those from Credit Karma, Mint, or Experian are a great way to instantly view and monitor your credit health with just a tap on your phone. Sign up for a free service to keep an eye on how you're doing. Also: be sure to get your free credit report annually.



Credit Score Range above presented as an example. Creditors set their own standards. Source of example is Experian, June 23, 2020. Experian is one of the three major credit bureaus in the United States.

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Keep credit card accounts open.

Closing an old credit card lowers your total available credit and could shorten the length of your credit history – both factors that impact your credit score.

A financial advisor can help you decide the impact of closing accounts. If old cards with zero balances are kept open, carefully monitor to prevent fraud.



18

Don't take a cash advance.

When you borrow cash from your credit card, you get charged interest on that money right away, which is different than the grace period for making purchases. You may also pay a fee to borrow that money. Although it doesn't hurt your credit, it's costly cash – so it should only be used in an absolute emergency.

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Don't get caught up with payday lenders.

Any place promising you fast cash despite bad credit or no credit isn't going to give you a good deal. The interest rates on payday loans tend to be astronomical – more than 100% in many cases. And when you can't repay on their terms - sometimes in as little as two weeks – they'll roll over the loan and leave you stuck in a never-ending cycle of repayment.

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Just say no to credit repair companies.

If at some point you missed a beat and your credit profile shows negative activity, don't lose hope – and don't waste your time with a credit repair company. They make vague claims and charge high fees without necessarily improving anything. You would be better off asking your Credit Union about financial wellness resources such as credit and debt counseling.

Orange County's Credit Union
(888) 354-6228
www.orangecountyscu.org