

How Do I Build Credit If I Have None?

By Tonya King

One of the questions I am asked the most is “How do I build credit if I don’t have any credit?” Unfortunately, there is no “quick fix” for building credit. It takes time and attention. Think of your credit in terms of a garden. If you plant seeds and don’t tend your garden, weeds will grow but your flowers, while they are there, won’t be as healthy. Think of your positive credit as flowers and the negative remarks are weeds. You must feed and nourish your credit in order for it to grow. You also have to get rid of the weeds.

To start building credit, it is helpful if someone you know who pays their bills on time consistently will allow you to be an “authorized user” on their account. This means that the positive history will also be tied to your credit. Another way to start building credit is by getting a “secured” credit card. What this means is that you pre-pay for your credit limit. If your credit limit is \$300, then you will deposit the \$300 before you get the card to ensure any balance will be covered in the event of a charge-off. Credit card companies issue secured cards to “high-risk” customers who have no credit or have less-than-perfect credit. Some cards will increase your credit limit once you have established a positive pay history.

When first starting to build credit, another important factor is hard inquiries. When you apply for any credit, your credit report will be pulled and that becomes a “hard inquiry.” If you get too many in too short of a time span, that will cause potential creditors to decline your application. To creditors, a large number of hard inquiries in a short time will indicate that you are applying for lots of different credit lines. It is best to keep the number of inquiries to a minimum.

Monitoring what goes on your credit report will also assist in credit building. It is important to know what is on your report, even if it is next to nothing. Keeping a watch on positive remarks, negative remarks and inquiries will help further down the road. You can pull one credit report a year from

annualcreditreport.com. This pull doesn't impact your credit score. This report is for monitoring. It doesn't have a credit score.

There are many different strategies to build credit when you have none and these are just a few. A Certified Financial Coach can provide additional assistance and guidance during this process. We are here to help!