



Extension Connection

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How to Build Credit

The most important way to build good credit is to consistently pay bills on time. One late payment can decrease a person's score by 40 points. A good rule to follow is to keep balances low (less than half of the total credit line), pay off debt rather than move it between cards, limit the number of credit accounts, and build savings.

When you're ready to open a credit card or take out a loan, the credit card company or lender will check your credit report and credit score to learn about how you've managed credit in the past.

Building credit takes time, so it's important to begin building your credit before you really need it. Credit cards are a very useful type of credit tool, and when used wisely, they can help you build your credit. However, it's important to manage credit card use, because credit cards can also be a route to debt if you misuse them. Here are a few ways you can build credit with a credit card:

1. **Open your first credit card account.**
2. **Get a secured credit card.**

Just as with a regular credit card, you build credit with a secured card by making responsible charges, keeping your balance low or at zero, and paying on time every month. Not all lenders report secured credit cards to the credit reporting companies.

3. **Open a joint account or become an authorized user.**

Credit cards aren't the only option for building credit. Remember, your credit report is a snapshot of how well you manage what you owe. Whenever you use credit wisely, that information can be included in your credit report. Here are some ways to build credit without a credit card:

1. **Pay student loans diligently.**
2. **Take out an auto installment loan.**
3. **Obtain a secured loan.**

Banks and credit unions understand it's not always easy to build credit when you're starting out with little credit history or negative marks on your credit report. Some offer credit-builder loans, low-risk loans designed specifically to help you build credit.

4. **Ask for credit where credit is due.**

Just because you've never had a loan or credit card doesn't mean you don't know about paying bills. If you reliably pay your rent and utilities on time, you've demonstrated good money management habits and you can ask for credit for that good track record.

However, you decide to build your credit remember to do it responsibly. If you have more in depth questions, feel free to call or come in the K-State Research & Extension Office.

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For additional information, contact the Wildcat Extension District, Crawford County, 620-724-8233, Labette County, 620-784-5337, Montgomery County, 620-331-2690.

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