



Building and Repairing Credit

Credit can affect all parts of your life, from how much you pay for insurance, to whether or not you have to pay a security deposit for utilities, to your ability to get a loan (not to mention the interest rate for that loan). Use the following tips to find, build, and/or repair your credit.

- ***Pay your bills on time, every time. This is the single most important rule for building and repairing credit.*** Not only will it help establish a good credit history, so you can get credit in the future, over time it will help to repair damaged credit.
- Get a copy of your credit report and review it for errors. If you find errors, dispute them in writing.
- If you're repairing your credit, focus on reducing debt – high debt is the second largest factor in hurting your credit score. Make sure to pay at least the minimum payment for each debt and ensure the payments are made on time. If you have any extra money, put it towards your highest priority debt to pay it off faster.
- For building credit, either from nothing or from a low credit score, apply for a small loan at the bank or credit union where you have checking and/or savings accounts. Be sure to make payments in time and in full.
- If you don't qualify for a regular loan, apply for a credit builder loan, which is designed specifically to help individuals without credit or with poor credit scores build credit. Credit builder loans are available from Rural Dynamics and some credit unions.
- Get a credit card from your bank or a department store, or find one on Credit Karma. Make sure you get one without an annual fee. Remember, that debit cards and pre-paid credit cards will *not* help build your credit.
- Once you have a card, use it to make small purchases that you can pay off right away. If you pay a card off right after using it, you won't have to pay interest and will still build credit.
- You might ask a friend or relative with an established credit history to be a cosigner for you. A cosigner promises to repay the loan if you don't. The lender should report the payment information for both you and the cosigner to the credit reporting agencies – check your credit report to be sure that your payments are being reported.
- If you are seeking a loan, you might ask the lender to review your history of rent and utility payments to demonstrate your ability to pay.
- Make regular deposits into a savings account. This is another way to show the lender that you can make payments every month, even if you are making the payments to yourself.
- If all else fails, consider a secured credit card. These require a security deposit, but if you use the card appropriately by paying at least the minimum payment on time and in full, you'll get the deposit back (usually in a year) and will still get to use the card.