



Five Steps to Building a Good Credit History

Your credit report and score are an essential part of financial life today. Your credit history can determine everything from which jobs you are offered to being able to qualify for an apartment, how much of a car loan you can get to how good of a rate you can get on a mortgage. But what do you do if you don't have much of a credit history? Well, there is no time like the present to start building one. The following are five steps that can help you build up a respectable credit report.

Step One: Examine Your Current Credit Report

Start by obtaining a copy of your current credit report from one of the major credit reporting bureaus TransUnion, Equifax, or Experian. You are eligible for a free copy once each year, although you will have to pay a small fee to obtain your actual credit score. What you will see on your credit report is the following information: name, birth date, employer, address, number of accounts, types of credit accounts, account status, account dates, account limits, payment history, collection accounts, public records, and any inquiries on your credit.

Step Two: Make Sure It's Accurate

Once you have the information in front of you, check it over to make sure that everything has been reported accurately. Of course, if you have no open credit accounts, there will be little to look over. Still if you see any mistakes you should contact the credit bureau to correct them, even if it is a wrong address or old employer information. Have a complete and accurate report will help avoid any confusion in the future.

Step Three: Open Some Credit Accounts

Even if you are morally opposed to debt, it is important to open and use a few credit accounts in order to build a good credit history. You can go the traditional route of opening a credit card account, or you can try things like gas cards, department store cards, or even secured credit cards that use your bank account savings as collateral. Be smart about picking accounts that have minimal or no annual fees or finance charges.

Step Four: Use Your Credit Responsibly

Once you have a credit account, be conservative and consistent in your use of it. For the first several months, make a habit of putting some charges on your account and then paying off the balance in full at the end of the month. Avoid the temptation to spend up to your credit limit though. Your debt-to-available-credit ratio will be a determining factor in your credit score and it is better to have more available credit than less. And of course, it is important to always pay the credit card bills on time!

Step Five: Close Unnecessary Accounts

After you have built up a good credit history, you may want to close any credit accounts that you no longer use and do not plan on using, especially if those accounts have high interest



rates or large fees. You may want to keep the oldest one open in order to preserve the length of your credit history, but others can be closed to save you from extra charges.

And don't forget to be patient. It may take several months to build up your credit report, but using your credit consistently and wisely will create a good score that will help you in financial ventures of all types throughout your life.