

## **Building Credit**

### **Core Facts**

- **Credit** refers to a person's ability to borrow money or access goods or services with the understanding that they will pay for them later. It is based on trust that the borrower will repay what is owed.
- **Building credit** means establishing a record of responsible borrowing and repayment, which helps demonstrate to lenders that you are reliable in managing debt. Building and maintaining good credit is crucial for financial stability as it impacts loan approvals, apartment and home rental applications, and credit card eligibility.
- As you establish a record of borrowing and repayment, you are given a **Credit Score**, a number which represents how trustworthy you are, gives future lenders an idea of how likely you are to repay a loan, and is used by rental properties as a factor in approving or disapproving your application to rent an apartment or home.
  - **Credit scores range from 300 to 850**, with higher numbers being better.
  - A score of 700 or higher is excellent, while a score below 600 is very poor.
- The best way to **begin building credit** is to save up some money and take it to a local bank for a **secured credit card**. A secured credit card is backed by a cash deposit from you.
  - Once you have it, use the secured credit card for items you purchase but ensure to **pay it on time** each month.
  - Also pay any other bills you have on time, as **payment history is the most significant factor** in your credit score.
  - Over time, **your credit score will improve** and you will be able to get traditional credit cards where a cash deposit is not required.
  - In addition to getting a secured credit card, you can also become an **authorized user** on someone else's credit card to benefit from their good payment history. This isn't as effective as a secured credit card but can help.

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- Once you have established some credit, *you need to continually build on it* in order to maximize your score. You can accomplish this by:
  - Always making your payments *on time*.
  - Keeping your credit utilization *below 30%* of your credit limit.
  - *Expanding your credit* with a mix of credit cards and loans.
  - *Avoiding closing accounts* so you have a longer history of credit.
  - Not attempting to open too many lines of credit *within a short period of time*.
- Reversely, you need to ensure you are not doing things that are *hurting your credit and lowering your score*. This can occur if you:
  - *Miss* payments or are *late* with payments.
  - Have a *high percentage* of your credit used (over 30%).
  - *Close old credit cards* as it reduces your overall amount of credit available and shortens your history of credit.
  - Apply for too much credit *in a short period of time*.