

Credit: A Double-Edged Sword

FROM FINANCIAL SLAVERY TO BUILDING WEALTH

Give the true gift of wealth to your children and
they will reap the benefits for a lifetime!

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CHAPTER 7

HOW TO BUILD CREDIT



How do I start building credit?

I am glad you asked that question. How do you get credit if creditors only give credit to people who have credit? There are several ways for you to accomplish this.

Establish a Checking and Savings Account

As a teen or a young adult, you should have a savings account and a checking account with a local bank. Many banks have programs that assist people who have no established credit. These programs may have small limits to get you started. If so, you are in the game.

Apply for Department Store and Gasoline Credit Card

Another way of building credit is to apply for department store or gasoline credit cards. These are normally easy cards to get, which will help start your credit history. Understand, you never get something for nothing and these types of credit cards will have higher interest rates and other charges. Call it your rite-of-passage or initiation into the credit game. Ask for better rates, but do not be hurt if you cannot get them. Once you have a positive payment history over some years, you will then be able to request lower interest rates or obtain better credit.

Apply for a Secured Loan or Secured Credit Card

This is when you give \$300-\$500 to the bank or credit card company and they give you a \$300-\$500 limit, using your money as collateral. In other words, the credit card or loan you apply for is secured by the \$300-\$500 you deposited. Anytime you charge on that credit card, you will be charging against that \$500 limit you deposited with the creditor. If you get a loan, you will basically be paying yourself back the \$500 you deposited in an account. Be advised that even though this is your money, you are still expected to repay the money as agreed. This is not a savings account, but the establishment of credit. Be prepared to be charged extra fees by your creditor for your secured account. These charges are for maintaining your credit card or loan.

This is also a great way to **re-establish** credit as well. After re paying your secured credit card as agreed, creditors are more inclined to extend unsecured credit to you after a certain length of time.

Sidebar:

Remember, building or rebuilding your credit and reporting your payment history to all 3 credit agencies is the reason for securing this loan. It is imperative to verify that the creditor will be reporting your payment history to all 3 credit agencies.

Apply for an Installment Loan

Tricks of the Trade

I will share with you a few ways we've discovered to establish credit or improve credit standings.

1. Find a trusted associate, friend or family member that has good or great credit. Ask if they can place you on one of their credit cards as an authorized user. This credit information will reflect on your credit report, which will help you in establishing additional credit.
2. As early as possible, have your parents place a credit card in your name (gas cards are best) and allow your e parents to use the card and payoff the balance each month. Over the years, when you reach 22, you will have several years of positive credit history and your credit scores will be very high (if paid on-time).
3. Work for a department store that offers a credit card to all employees. Make sure that the information is reported to the credit agencies.

Here is a review of what you have learned so far

1. What year did citizens receive the right to view their credit report? _____
2. List the items that could be in the public record section of a credit report.
 - a. _____
 - b. _____
 - c. _____
3. How can an inquiry affect your credit score?

4. How long does a bankruptcy last on your credit report? _____
5. At what intervals are late payments reported on your credit report? _____
6. How can you be sure that your credit score remain high?
