

# Building credit from scratch

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Starting out in the financial world can be confusing. And building good credit takes time. Below are some types of helpful products, as well as actions you can take to help reach your financial goals.

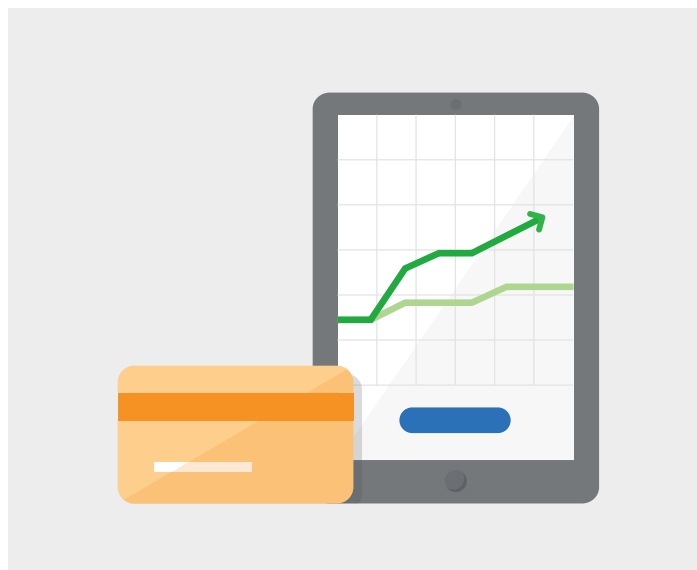
## Finding the right products

### Secured credit cards

Apply for this card as you would a traditional credit card. Once approved you deposit an amount of money -which can range from \$50 to \$300- into a separate account. The bank holds onto this deposit and extends a credit line matching the deposit amount. Generally, you can build credit with a secured card, but be sure to ask your card issuer about reporting to the credit reporting companies. Many of these cards include a "graduation" component, so you are able to move from a secured card to a traditional credit card seamlessly after establishing a pattern of consistent payments.

### Credit builder loans

Financial institutions, typically credit unions, deposit a small "loan" (often \$300-\$1000) into a locked savings account and then you pay the institution back with small-dollar payments over 6 to 24 months. These payments are reported to the credit reporting companies. Once you come to the end of the loan term, you receive the accumulated money back in total.



### Retail store cards

Many gas stations, department stores or retail chains offer credit cards. These cards tend to be easier to obtain and typically offer lower credit lines. This combination makes them an option when you are looking to build up a thin or nonexistent credit record.

## Actions you can take & things to know about your credit report and score

### Get and read your credit report

The first and most important step in building and maintaining good credit is to know and understand what is in your credit report. You are entitled to and can request your credit report from each of the three nationwide credit reporting companies once every 12 months free of charge at [annualcreditreport.com](https://annualcreditreport.com).

## Know what matters

Paying your credit card bills or other loan payments on time is one critical step in building a good credit score. Also, don't get too close to the credit limit. Credit scoring models look at how close you are to being "maxed out." Formulas predict that people who use too much of their available credit may have future troubles with repayment. Experts advise keeping use at no more than 30% of your total credit limit. Credit scores may also decline if you apply for and open too many credit accounts, such as credit cards, in a short time.

## Take steps to correct errors

You should actively take steps to correct any issues with your credit report. After accessing your report, you will have a better understanding of your current creditworthiness and be able to request an investigation of any errors or inaccuracies you find.

## Contact us



Online

[consumerfinance.gov](https://consumerfinance.gov)



By phone

(855) 411-CFPB (2372)

(855) 729-CFPB (2372) TTY/TDD



By mail

Consumer Financial Protection Bureau

P.O. Box 4503

Iowa City, Iowa 52244



Submit a complaint

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