

ESTABLISHING OR RE-ESTABLISHING CREDIT

It can be difficult to get credit when you have not used it before or have previously had difficulty paying bills on time. Look at your credit report to determine what actions may have affected your credit history negatively. Have you taken the appropriate actions to correct any mistakes on your credit report?

If you are wondering how you can establish a credit record or how to reestablish credit after experiencing problems, consider the following options:

MAKE A LARGE DOWN PAYMENT

Lenders may be more supportive of your loan request if you make a substantial down payment (usually at least 20%) for the item you wish to purchase.

PREPARE TO PAY A HIGHER INTEREST RATE

If you have little credit history or a poor credit history, you may have to pay a higher interest rate on the money you borrow. Lenders will charge the higher rate because their risk is greater.

CONSIDER A CO-SIGNER OR CO-BORROWER

A co-signer or co-borrower is a person (often a relative) who agrees to pay back the loan if you default on the loan. This person must have a good credit history and he or she must qualify for the loan as if he or she had been the original or primary applicant. If you fail to pay the loan as agreed, not only your credit rating but also the co-signer's credit rating may be affected.

USE COLLATERAL TO STRENGTHEN THE LOAN REQUEST

Applicants with little credit history or questionable history might want to consider pledging collateral, such as a paid off vehicle, a home, rental property, stock, savings, or other security for the loan.

APPLY FOR A SECURED CREDIT CARD

Some lending institutions offer major credit cards with the use of a savings account as security for the credit extension. These credit card lines may have higher interest rates.

