



Tips On Adding Credit Card Accounts

In order to prove to the scoring system that you know how to manage revolving debt, *you MUST have active credit card accounts.*

At CRC, we agree with most financial experts who say that not using credit cards is better for your budget. Especially for those who do not have discipline when it comes to spending. And our opinion of the credit card industry today is that it is out of control and under-regulated and until serious changes are made to legislation, we would prefer to advise our clients NOT to use credit cards, however, Fair Isaac & Co., the creator of our credit scoring system says that without revolving accounts, consumers cannot maximize their credit scores. *There is no getting around it.*

So the advice we give to our clients is to look at their credit cards *as tools*, not luxuries. Unless they must have access to a credit card for business, they should use the card for gas and groceries – THAT’S ALL. In addition, the dollar amount of the limit does not influence the credit score one way or the other—it is the balance-to-limit ratio that matters. Point: When adding a new credit card account, apply for a low limit—one that doesn’t leave room for overspending.

If you do not have a credit card, here are some tips on how to get one:

- **Go To Your Bank or Credit Union First.** We always advise our clients go to their bank first. Whether you have an established relationship with a representative or not, it is wise to go into the bank directly. Do not try to inquire or apply over the telephone. In most instances, bank and lender customer service representatives are located in different states and sometimes different countries. It’s very likely they don’t have a clue about the products offered by individual branches.

Ask what type of accounts they offer for clients who are trying to build or re-establish credit. Be direct. Tell them what your credit scores are so they can tell you if you qualify before they pull your report. You do not want to incur a hard inquiry if you can avoid it.

If your bank does offer a credit card program, make sure they report to all three credit bureaus every 30 days. This is very important. You’ll find that most major banks and credit unions do.

- **A Secured Credit Card Is A Great Option!** If your bank does not have such a program, or does not report to all three credit bureaus every 30 days, then it is time for you to apply for secured credit card. For new credit users, or consumers who have filed for bankruptcy, or have closed all of their credit card accounts, a secured credit card is a very good option.

A secured credit card means that you put up your own money as collateral. It looks and works just like a regular credit card, and is considered a major credit card by the scoring system.

Contact: www.creditresourcecorp.com – 866.541.2500 – info@creditresourcecorp.com

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FACT

The amount of the limit does not matter to the scoring system. A \$500 limit is rated the same as a \$5,000 limit. It's the percentage ratio between the balance and limit that is considered. Point: It is not necessary to deposit more than the minimum amount required—usually \$300.

There are hundreds of secured credit card companies on the web, but we refer our clients to www.orchardbank.com, because we know that this card works with consumers to build or rebuild their credit, and they guarantee that they will report to all three credit bureaus. You can do also do your research at www.cardoffers.com. Be sure the check fees, and “universal default terms.”

We have seen credit scores increase by as much as 50-60 points in the first two months of our clients using a secured account. And after managing your credit card account and paying it on time, you can ask for your initial deposit back, at which time that account becomes a regular unsecured account.

WORD OF CAUTION

Stay away from department store cards and pre-approved offers that you receive in the mail. When trying to rebuild or establish credit, you should apply for a major credit card **ONLY**.

- **Become An Authorized User On A Family Member's or Spouse's Account.** With the new guidelines from FICO as outlined in the new Fair and Accurate Credit Transaction Act, there is a lot of controversy about whether or not authorized user accounts still help establish credit, and our experience proves that they do if you carry the same last name as the credit card owner.

CRC's advice is to build your own credit if possible because that gives you power and control, but as a last resort, this option will help. To maximize the benefit of this option, make sure that the account you are being added to belongs to someone you trust, has **NO** negative history at all, has and keeps a balance under 30% of the limit and is at least 2-3 years old.