

4 key credit moves for 20-somethings

What can you do now to boost your credit score and build the foundation for your financial future

If you are just starting to build credit, you may find yourself at one of two extremes: struggling to get past a scant credit history, or tempted to charge up a storm and worry about it later. Either end of the spectrum can hinder your credit score. Building a solid credit history is essential to qualifying for a mortgage or an auto loan — and credit scores may be used by landlords and even potential employers.

Here's a look at four important steps that can help you build a solid credit history.

1. Pay your bills on time and in full

Payment history accounts for just over a third of your credit score. Credit scorer FICO recommends that you always pay your bills on time to avoid late fees and negative marks on your credit report. While credit cards and loans almost certainly appear on your credit report, other billers, such as utilities and cell phones, sometimes report payment histories too (especially if you're late paying). So paying on time is important for all your bills.

Ideally, pay off the balance in full each month to avoid paying interest charges. But if this isn't possible, be sure to pay at least the minimum amount required.

“ **Lenders don't like to see you use all your available credit,** even if you pay it off each month. ”

2. Consider a secured credit card

If you have trouble getting a credit card — and that may be the case if you haven't had access to credit — you could start building credit using a secured credit card. This card typically requires a cash deposit that serves as the credit line. If you default on paying your bills, the issuer can keep the portion of the deposit needed to repay what you owe.

But as long as you make your payments on time, the issuer may increase your credit line, though it's not guaranteed. Timely payments on a secured card also can help you qualify for an unsecured credit card with a larger credit line.

Another option to build credit: If you have a parent or other family member with good credit who's willing to make you an authorized user on his or her account, doing so can help you develop your credit history.

3. Don't use all your credit

Lenders don't like to see you use all your available credit, even if you pay it off each month. Try to keep your borrowing below 30 percent of your total available credit. This is called your credit utilization rate.



For instance if you have a credit limit of \$5,000 and your charges total \$2,500, you use half your available credit for that card. If your balance is \$1,000, you use 20 percent.

4. Check your credit once a year

By law, once a year consumers are allowed to check their credit reports for free from each of the three credit bureaus. Some credit card issuers also give you a copy of your credit score for free. This is a good opportunity to make sure your issuers correctly report to the credit bureaus, and to check for any fraudulent activity.

Using credit sensibly now — keeping tabs on your credit report and paying your bills on time — can help open doors for you financially and professionally. Develop strong habits now, and see where your future takes you.

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