

Getting a Credit Card

Secured Credit Cards

Secured credit cards can be a good option for those with no credit who want a started card from a major issuer. These cards require an upfront refundable deposit, usually equal to the card's limit. That cash collateral is returned to you if the card is upgraded to an unsecured account or closed in good standing.

Our pick for: Secured card – low deposit

The Secured Mastercard from Capital One requires a security deposit, as do all secured credit cards. But while most cards require you to put down a deposit equal to your credit line, this one allows some qualifying applicants to get a \$200 credit line with a deposit of \$49 or \$99. Further, you can be automatically considered for a higher credit line with no additional deposit in as little as six months.

Our pick for: Secured card – rewards and upgrading

Like other secured credit cards for people building or rebuilding credit, the Discover it Secured Credit Card requires a cash security deposit. Unlike most others, it offers rewards. But what really makes it stand out from the competition is its upgrade possibilities. The issuer has a process in place for automatically reviewing accounts for possible transition to an unsecured card.

What do you need to get a credit card without credit?

You don't need a credit history to get a starter card. In some cases, you won't need a social Security number. But generally, you'll need:

- A U.S. mailing address.
- Income.
- A checking or savings account.

If you're over 21: You're still required to report your income if you're over 21, but you have the option to list any income to which you have "reasonable expectation of access." Other requirements can vary depending on the type of starter card. Some examples:

- **Secured cards for no credit.** These require a cash deposit as collateral to reduce the risk to the issuer, which may present an obstacle for some applicants. The amount deposited usually determines your credit limit. With a good payment history, you eventually get your deposit back when you close the account or upgrade to a regular credit card.
- **No-deposit starter cards for no credit.** Applications for these cards may require government-issued documents, bank account information, employment verification requirements and other details. That's because they assess creditworthiness in

alternative ways, such as looking at employment, income, spending, savings or your credit history from a different country.

How can a credit card help me build credit fast?

A credit card can help you build credit when you have none. As you're making payments on your credit card, that history is being recorded in your credit report, which compiles the information used to calculate your credit scores. As long as you make on-time payments and stay well below your credit limit, you can work your way up to a good credit score of 690 or higher. Your payment history makes up 35% of your FICO credit score; the amount of available credit used will account for 30% of it. Those are the two most important factors, but there are others.

How long you keep the account open also impacts your credit. Once you work your way up to good credit, it's helpful to keep the starter credit card open or maintain the original line of credit by upgrading to a regular credit card with the same issuer. This way, you preserve the length of your credit history, which accounts for 15% of your credit score. Closing your account could have negative consequences.

Using a credit card to build your credit: what to look for in a starter credit card:

When you're new to credit, you generally can't qualify for the best credit card offers. Among starter cards, ongoing interest rates are often steep and credit limits are low. Don't waste time looking for a credit card without a credit limit because issuers are required by federal law to determine your ability to pay. As a result, they offer a credit limit within your means. You also don't need to look for credit cards that don't run a credit check. These cards typically target those with bad credit, and they often come with an annual fee. There are plenty of starter cards that spare you that cost. In some cases, you can be choosy. Here are a few things to look for in a starter credit card:

No annual fee. A starter credit card that doesn't charge an annual fee makes it easier to preserve the length of your credit history and your credit score because you can keep it open for a long time at no cost.

A path to a better credit card with the same issuer. Look for this option during our initial search. Once you establish a good credit history, you could upgrade to a better credit card with the same issuer and keep your original line of credit. This way, you're not stuck with the lower credit limits and lower reward rates typically found on starter cards.

A report to all three credit bureaus. The ideal starter credit card should report payments to all three credit bureaus – Transunion, Equifax and Experian. These companies record your payment history, which again is a key factor in your credit scores. If your card reports to all three bureaus, then all your possible bases will be covered when a lender pulls your credit report. The lender will have all of the information it needs to make a decision.

Some features that are less important but could still prove valuable:

Rewards: On a starter card, these aren't a top priority, but many cards offer them. If you're deciding among multiple rewards cards, consider your spending habits and how well they match up with the bonus categories.

What really matters for your first credit card:

With a starter card, your goal should be to hit or exceed the 690 credit score target necessary to establish good credit. Here's what you can do to work toward that:

- Pay on time and in full every month to avoid interest (or at least pay more than the minimum).
- Aim to use less than 30% of your available credit limit at all times. The lower your balance, the better.
- Keep the account open and active.
- Check your statement for mistakes.
- Monitor your credit score through your issuer's app.
- Get your free annual credit report.

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