



7 Credit-building Tactics Every Young Adult Should Know

If you're facing limited, short or bad credit history, there are several tools and strategies that can point you in the right direction. The keys are keeping an open mind, considering all proven ways people establish and boosting credit scores, and making meaningful progress over time. Here are some achievable ways to start strong and build your success story.

Start with a secured credit card and grow from there

Most people don't know the difference between secured and unsecured credit cards or how they can help establish your credit. If you don't qualify for an unsecured card, consider a secured one. You want the chance to make regular, on-time payments. That will help improve your credit score over time.

Secured cards are a good starting point because they're backed with a cash deposit at the beginning of the agreement. This arrangement sets the stage to only borrow up to the deposit amount but also get regular monthly statements. Note that if the card balance gets paid and the account is closed, the cash deposit will return to your bank account.

Eventually, the card provider may offer to upgrade you to an unsecured card where an initial cash deposit isn't required. That's a good sign you're growing.

Make utility, phone, and rent payments on time, every time

On-time rent payments can get reported through special programs to the three primary credit bureaus — Experian, Equifax, and TransUnion. A consistent history of on-time rent payments will be factored into the credit score.

On-time payment of your utilities and phone bill may also help improve your score with a little assistance. For example, using [Experian's Boost service](#) can help your positive payment history get noticed. If your credit gets checked through Experian's data after using their Boost, your utility and phone payment history will be displayed and ultimately raise the chances of approval. Before using any of these services, confirm they only report positive history.

Tap into credit-builder loans

Credit-builder loans are small personal loans for people looking to build credit. Making the scheduled payments on the loan establishes a positive payment history, helping your credit score gradually increase. It may not seem like much, but small steps like these can turn into noticeable growth over time.

Use a cosigner to build and improve credit

When your credit is relatively unestablished, having a cosigner can really help your cause. It gives the lender some added security while giving you the chance to build your score. Having a family member or friend with good credit back up your account as a cosigner will improve the chances of approval. Just remember, the cosigner will also be on the hook for missed payments. So accountability is key.

Become an authorized user on another credit card

Sometimes you can piggyback an already-established credit card account as a way to improve your credit worthiness. Just have a conversation with a parent about adding you to their account. It can be an ideal way for you and your parents to join forces for financial growth. When approached well and paid off responsibly, it can help you get used to the process and pick up some pointers. Ultimately, it's another way to help your future self qualify for your own credit cards, auto loans, home mortgage, etc.

Not all credit card companies report authorized users' payments, so be sure to check the fine print of the cardmember agreement before considering this approach. It is also worth noting that late payments can damage the credit of both joint cardholders.

Capitalize on all available credit-boosting tools

Aside from Experian Boost, several other credit-boosting tools are available at no cost. As an example, Credit Karma allows people to access and monitor their credit and payment status. Credit Sesame provides credit monitoring and identity theft insurance, making it easier to keep an eye on credit accounts, address inaccuracies, and take advantage of suggested credit cards that help improve credit scores. It's a good idea to stay in touch with your score as it progresses and ensuring everything's accurate.

Use your credit regularly *and* responsibly

Payment history is the most critical factor in establishing and maintaining good credit. Though it might seem counterintuitive, using credit cards or other lines of credit will build a positive payment history. But don't forget, you have to use it responsibly to keep your score from going in the wrong direction. Consistency is key and building your credit takes time and effort. So use your credit cards and pay all the bills on time. It's how you set yourself up for success in the future and additional credit offers with more favorable rates.