

Building your credit score to improve your financial health

CreditWorthy
by OneMain Financial

Building your credit score is an important step towards your financial freedom. Sure, it takes time, but every step counts, regardless of your current financial situation. If you're just starting out and need to grow your credit here are four tools that can help establish your credit history:

1

Get and use a store card



A store card works like a normal bank credit card. You use it to make purchases in store that you pay back at a later date. There may be an interest free period if you repay your balance within a certain time limit, or you can usually repay over a longer period while paying interest.

Many major store credit cards report to the credit reporting agencies, but check before you apply to be certain. Like a bank credit card, your store card use can be listed in your credit report and factored into your credit score calculation. Having and using a store card can help build your credit score, but only if you use it responsibly. Make at least the minimum payment each month, preferably more, and keep your balance low.

2

Get and use a secured credit card



A secured credit card works the same way as a regular credit card and using one can help you build or improve your credit score. The only difference is the application process, which requires you to provide a security deposit. This refundable deposit is taken by the bank only if you fail to make your required payments.

With a secured credit card, you will usually have a credit limit equal to the security deposit you put down. As with any type of credit, a secured credit card will only help to build your credit score if you use it responsibly. Again, pay at least the minimum each month, preferably more, and show that you're a good money manager by keeping your balance low.

3

Become an authorized user

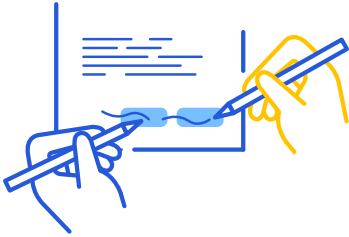


Another option for building your credit score is to become an authorized user on someone else's credit card. As an authorized user, you have the primary cardholder's permission to use the card and make payments up to the card's credit limit.

Becoming an authorized user of someone else's card is a popular way for a parent or other family member to help their children build a positive credit history. A word of caution: Late or missed payments, as well as card misuse, will be recorded on the credit records of both the primary card owner and the authorized user.

4

Find a co-signer

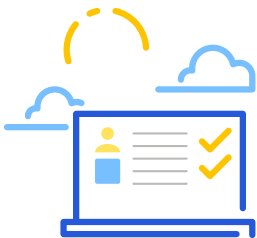


An alternative to becoming an authorized user is to find a co-signer for a credit card or loan. A co-signer is someone who agrees to take responsibility for paying your debts if you don't pay, as well as for paying any fees or interest due.

A co-signer must be someone with a good credit history themselves. Often a co-signer is a parent or other close family member who is able and willing to help you to build a positive credit history.

5

Apply for student loans



If you're planning to pursue a degree program after high school on at least a half-time basis, you may be eligible for federal student loans. Federal student loans don't involve a credit check and don't require a cosigner.

Be careful about overborrowing, however. The government has stronger collection tools than a bank or other typical lender if you default, and student loans are difficult to discharge in the event of bankruptcy.

Securing credit using one or more of these options is a great start-- but will only help build or improve your credit score if you use it responsibly. Adopting a handful of healthy financial habits will build your confidence with credit and help to establish your financial independence:



Make your payments on time

Your credit score considers how reliably you have made credit repayments in the past. No surprise, then, that the single most important thing you can do to improve your score is to make your payments on time each month.



Pay back as much as you can each month

On credit and store cards, pay your balance in full if you possibly can. If not, make at least the minimum payment, but ideally more. Paying more than the minimum, even just a few dollars extra, will reduce the time it takes to repay your balance-- and the interest that comes with every extra month.



Keep balances low

Your credit score is influenced by how much of your available credit you are using, so aim to keep your balances low. The more credit you have available, but unused, the lower your credit utilization ratio will be. Never exceed your credit limit, even if your card or loan issuer allows you to do so. Instead, first ask for your credit limit to be raised. While a low credit utilization is generally good, don't open more credit cards than you actually need, as credit cards can be a serious temptation to spend money you don't have.



Budget card and credit use

It's easy to think of credit as an additional source of income or cash. However, you should budget your use of credit as carefully as you do your monthly income. Only use credit for things you really need, and plan for how you will repay your balance before making a purchase. Ideally, use credit for purchases that you know you will be able to repay by the end of the billing cycle.



Keep track of your credit score

Your credit score can fluctuate from month to month, so check it regularly to see what effect your financial decisions are having. You can access your credit report annually, for free, at www.annualcreditreport.com.



Check for errors

Be sure to check your credit report regularly for errors and signs of fraud. Both can impact your credit history and credit score negatively, so take time to fix them.



Your financial freedom

Throughout life you will find that credit, used responsibly, will help you reach the future you want for yourself and your family. Building and maintaining your credit score is so important, because it helps you get closer to your goals.



Short term goals – A new car

A strong credit score will help you get better deals on car loans and leases, with the lower interest rates and terms that work for you.



Medium term goals – Home improvements

If you are thinking about adding to your family, you might need to extend or improve your home with an extra bedroom or a playroom. Your credit score can mean the difference between accessing affordable credit for the improvements you want to make or being turned down altogether.



Long term goals – A house purchase

Your home is likely the biggest financial investment you will ever make. Securing a mortgage will depend on your credit history. How much you can borrow, the amount of origination fees and other fees, and the interest rate charged will all be affected by your credit score.

Next steps

Go and check your credit report today. There are three major credit reporting agencies: Equifax, Experian, and TransUnion. At AnnualCreditReport.com, you are entitled to a free annual credit report from each one.

You can also apply for your credit report individually:

www.equifax.com

www.transunion.com

www.experian.com