**Selected Credit Building Options**

Sometimes a person does not maintain enough credit (too few accounts, low or no balances, only one type of credit) to receive a credit score from the credit bureaus. One has to have acquired varied credit over some time before their credit is evaluated. As a result, one may see NSIC (not scored/ insufficient credit) when trying to access a credit score. Below are some available ways to build sufficient credit to receive a score; hopefully achieving a score of 680 or more.

[**Credit-Builder Loans**](https://www.nerdwallet.com/article/finance/what-is-credit-builder-loan)**:** Currently there are significant opportunities to open credit-builder loans. Many Native CDFIs (Community Development Financial Institutions) offer these loans. Citizen Potawatomi CDC [Credit-Builders-4\_04\_2019.doc (live.com)](https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fcpcdc.org%2Fwp-content%2Fuploads%2F2020%2F09%2FCredit-Builders-4_04_2019.doc&wdOrigin=BROWSELINK) and Lakota Funds [Credit Builder Loan – Lakota Funds](https://lakotafunds.org/credit-builder-loan/) offer good examples of fair and low-cost credit-builder loans. These loans are typically for $1,000 to $2,500 (or less) and many allow you to use the funds you borrow to pay off the loan in a timely fashion – thus building “good” credit. There is also, typically, a small interest fee to pay (often 10% or less of the loan value); which means that, on average, the borrower of a $1,000 note to be paid over a one year period would pay an extra $55 to get the loan. Lakota Funds loan is mostly for credit repair, since they pay the loaned money directly to creditors over the C-B loan period. That may not fit your needs if you are *only* trying to build new credit for the purposes of receiving a credit score. Others offering these loans include non-tribal CDFIs, non-profits and community development banks and credit unions.

[**Secured Credit Cards**](https://www.bankruptcytalk.net/what-is-a-bankruptcy-petition-preparer/)**:** Instead of the more typical “unsecured” credit cards – the banks and credit unions that offer these cards base the credit limit and interest rate on their assessment of your risk level and require a deposit that acts as the credit limit. If your credit score is considered “good,” or even “fair” you will likely not need to have a secured card, but if you are trying to build new credit or repair credit it can be a viable option. If you make your credit card payments on time and in full on a secured credit card your credit score will improve (often relatively quickly), depending on total credit reporting factors. Check for attached fees and high APRs.

Some *unsecured credit cards* advertise themselves as easy to qualify for even if you have bad credit. *But many of those cards come with higher fees*. It is recommended that you [apply for a secured card](https://www.nerdwallet.com/secured-credit-cards?trk=securedtool_inline) with a *stated qualification procedure and a no- or low-fee feature* rather than an unsecured card with a low limit and high fees. **The following are examples of some low-cost secured cards on offer** (see [7 Secured Credit Cards With No Annual Fee (2022) (cardrates.com)](https://www.cardrates.com/advice/secured-credit-cards-with-no-annual-fee/#:~:text=Top%20Secured%20Credit%20Cards%20With%20No%20Annual%20Fee,Card%20...%207%207.%20H-D%E2%84%A2%20Visa%C2%AE%20Secured%20Card) for additional options and information about secured cards):

A **Chime** Credit Building Visa is an example of a no annual fee or interest, no minimum deposit required, and no credit check secured credit card [TP - Credit Builder CB - Chime](https://www.chime.com/applytp-cb/?ad=nwcb&subid1=995589fb32634082a3c21cedf165c352). However, Chime is a “fintech” or financial technology entity, not a bank (no physical facilities to access and no FDIC financial security) and you must open a Chime online checking account to get a credit card. The banking functions Chime offers (various accounts, bill-pay, etc.) are done through partner FDIC-insured banks. Chime’s secured card does get an overall good rating.

**Citi’s** [Citi® Secured Mastercard®](https://oc.brcclx.com/t/?lid=26667422&%20cr=28472&%20last_updated=1599261602) is another “no annual fee” secured card. There is a $200 security deposit required, which then acts as your credit limit and is refundable. However, Citi also offers special entertainment access, which provides early access to presales and premium seating for concerts and games – which may tempt cardholders and impede their budget plans.

**Capital One** offers a secured credit card ([Credit Cards for Fair Credit | Credit Cards to Build Credit | Capital One](https://www.capitalone.com/credit-cards/fair-and-building/?n=1&external_id=WWW_XXXXX_ZZZ_ONL-SE_BBBBB_T_SEM2_ZZZZ_c_ZZ__kenshoo_clickid__77584452677024_729280&target_id=kwd-77584510767060:loc-190&msclkid=5305e8569b9d1810eb188ae4a0f0f160)) with no annual fee and security deposits as low as $49, $99 or $200, based on creditworthiness. Those qualifying for $49 or $99 deposits receive a $200 credit limit. Cardholders can raise initial credit limits by making the first 5 monthly payments on time.

The **Discover** secured credit card is reportedly reliable. It requires a refundable deposit, but also gives the holder cash back on purchases, and provides a FICO credit score on holders’ monthly statements. [Secured Credit Card Apply Online - Secured Credit Card Offers | Discover](https://www.discover.com/products/secured-card.html?sc=KXNW&iq_id=r43700070119910510&cmpgnid=ps-dca-sc-bing-brand-securedcardHV&source=PSMICROSOFT&gclid=4bcfcda0c8dd14eeccb9af9c11998393&gclsrc=3p.ds&msclkid=4bcfcda0c8dd14eeccb9af9c11998393)

[**Secured Consumer Loans (Definition from investopedia.com**](https://www.investopedia.com/secured-loans-5076025)**):** A consumer secured loan is one that is secured by some type of collateral, such as an automobile, motorcycle, boat, ATV, etc. Typically, the institution takes a “security interest” in the collateral via a title lien or Uniform Commercial Code Lien filing, which requires that if you default on the loan the collateral goes to the lender. The security interest is released by the lender upon full repayment of the loan. Secured loans generally grant the borrower a longer repayment period and lower interest rates than unsecured loans. Some financial institutions (mainly credit unions) allow you to secure a loan against your savings account or a certificate of deposit account (CD). Common features of a secured loan include:

* Maximum term of 10 years or maturity of collateral
* Weekly, biweekly or monthly payment options
* Payments made through automatic transfer from your savings or checking account (at that institution), or by using coupon books (if available).

**Once you have secured a credit vehicle,** and your credit has become established, you have an opportunity to show how you manage your credit well. Use only a few credit cards and/or revolving charges and either pay them in full each month or keep balances low (below 10% of credit limits). Make sure any secured card activity is reported to all three credit bureaus (sometimes that doesn’t happen). **Keep balances small.**Spread no more than 30% of your total available credit over all the cards/credit you use.  From FICO online: “**30% of your credit score is based on Utilization.** **It is best to have several accounts with low balances distributed among them than it is to have a few accounts maxed out.”** The balance on a card at any given time (divided) by the established credit limit equals the percentage of credit used (a card with a credit limit of $1000 and a $450 balance is using 45% of available credit). These credit practices represent **the fastest way to increase and maintain your credit score**, although no one should look at monitoring their credit score as a stressor. Instead, the practice canbecome a good way to build confidence in one’s ability to handle credit habits (and all things financial).

**Some additional online suggestions for establishing and building credit**

**Advice on getting credit points for the bills you pay (**[**How to Build Credit - NerdWallet**](https://www.nerdwallet.com/article/finance/how-to-build-credit)**):**

[Rent-reporting services](https://www.nerdwallet.com/blog/finance/credit-report-rent-payments-incorporated/) such as Rental Kharma and LevelCredit take some bills you pay regularly and put them on your credit report, which helps you to build a positive history of on-time payments. Some credit bureaus take these payments into account when determining a score.

[Experian Boost](https://www.nerdwallet.com/blog/finance/experian-boost/) offers a way to have your cell phone and utility bills reflected in your credit report with the Experian credit bureau. Also get free credit reports and scores from Experian: [Free Experian Credit Report and FICO® Score](https://www.experian.com/lpt/credit-score-tmpl.html?conf=frsc_a&pc=sem_exp_bing&cc=sem_exp_bing_ad_268879144_1176478294737204_73530054498007_73529999750621_p__k_41913eccc49111f7c9dd5ce5cf1aa612_k_&ref=competitor&awsearchcpc=1&msclkid=41913eccc49111f7c9dd5ce5cf1aa612). You may also be offered “for a fee” services, but you can choose to stick with the available free service.

A credit improvement strategy page is offered by FICO: [How to Improve Your FICO Score | myFICO | myFICO](https://www.myfico.com/credit-education/improve-your-credit-score) which outlines a three-step program to improving your credit.

**Monitoring Credit Reports Is a Good Tool for Building Credit:**

Keeping track of your credit reports (from all three bureaus) is an effective way of keeping on top of personal credit issues, and keeping your credit situation and score where you want them to be. At least once a year (although every 3 to 6 months is preferable) pull all reports and review.

A great source to use for monitoring your credit is [www.annualcreditreport.com](http://www.annualcreditreport.com). You can request one credit report per year free of charge and print it out. Be sure to report and correct any errors in the report, such as a wrongly numbered address, payments made but not recorded, and payments stated as overdue or delinquent that have been paid on time or settled. Delinquencies, collections, bankruptcies, accounts closed by grantor due to payment issues can be can be requested to be taken off after 7 or more years (Chapter 7 bankruptcies may be reported on the record for 10 years). Closed accounts that were in good standing can stay on for 10 years, but that will not have a negative effect on your credit score.

Many people use the “free” credit karma online site ([www.creditkarma.com](http://www.creditkarma.com)). Credit karma offers consumers information from credit reports supplied by Equifax and TransUnion, They also offer credit scores, however Credit Karma uses the VantageScore system, which in not scored the same as FICO, and can differ significantly from FICO scores, plus are often not as accurate. In addition, most lenders use FICO. You can access the different types of information each bureau is receiving to determine your score. The down side is that Credit Karma does push credit offerings from companies that pay Credit Karma fees for their efforts; but only if people take up their commercial offers on the site. That may not be a bad thing per se, but it shows a high degree of self-interest on Credit Karma’s part. Credit Karma’s Better Business Bureau rating is currently a B+, at least partially due to the 330+ complaints filed within the last three years – but that rating has risen from its level in previous years which shows improvement is occurring. Credit Karma has been purchased by Intuit, which also owns TurboTax.