

7 Steps to Building Strong Credit

Throughout your adult life, whether you want to borrow money, finance a purchase like a house or car, or even sign an apartment lease, the party on the other side of the agreement will be checking your credit report. You need to start working on building a strong credit history now, so that it's there when you need it.

Here's the primary information your credit report will include:

- A list of businesses that have extended you credit or loans
- The total amount of each loan, and the limit on each credit card
- How often you've made on-time payments, and the amount paid each time
- Any missed or late payments, and bad (uncollectible) debt

Here's how you can start building your credit:

- 1. Open a credit card account.** Used wisely, credit cards can help you build a strong credit profile. The key is to use the card, even if only for a small purchase now and then, and pay the balance off monthly. If you have no credit history, consider a secured credit card, which is tied to an amount on deposit, or ask to become an authorized user or joint account owner on one of your parent's cards, provided they have a good credit history.
- 2. Get a loan for a larger purchase.** Financing a car, furniture or other medium to large purchase can help you build credit, too. If you're buying a laptop, for example, check into a financing program you can pay off within six months or a year.
- 3. Do NOT apply for multiple cards or loans at once, and do NOT close credit card accounts.** New credit inquiries can adversely affect your credit. Closing an account can lower your score by shortening your credit history or reducing your available credit.
- 4. Have your rent, utilities and cell phone accounts put in your own name.** Even if your parents help pay your bills, on-time payments are credited to you when you hold the account. Be careful, however, if you share payments with roommates. Their late payments will damage your credit history, too.
- 5. Make on-time payments.** This goes for all of your financial obligations: credit cards, loans, rent, utilities, etc.
- 6. Don't overextend yourself with credit.** Responsible money management is key to your credit history. Keep your debt-to-income ratio low.
- 7. Monitor your credit report.** Regular checks help you spot errors or fraudulent activity, which you should report immediately, and may help you identify opportunities for improvement. You can request a free report from each of the three major credit bureaus — Equifax, Experian and TransUnion — once a year through AnnualCreditReport.com.

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Sources

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