

10 easy ways to build a credit history

by Gail Vaz-Oxlade,

I am constantly astounded at the number of people I meet who are in a bind because they have no credit history and can't borrow money. This is something we used to associate with older, widowed women who have been cared for by loving, controlling spouses. But that's just part of the story. Not having a credit history isn't the domain on slightly out-of-touch women; there are men out there who haven't got a clue because their wives do EVERYTHING. And it isn't the exclusive territory of our elders; there are young, professionals who haven't bothered to establish their own credit identities.

Everyone needs to have the ability to borrow money. That's true whether you've just found yourself in the new role of single parent without an emergency fund or you're a young adult starting out.

Get a Secured Credit Card. The fastest, cheapest and easiest way to establish a credit history is with a secured credit card. Since there's no risk to the lender because you've put up the cash to cover your balance, secured cards are great for new borrowers or people trying to re-establish credit after a bankruptcy.

Lenders usually want twice the credit card limit. So if you want a \$500 credit limit, you'll have to ante up \$1,000. Once you've established your ability to manage the card – anywhere from six months to a year – you can ask for the security requirement to be dropped and your deposit returned.

2. **Get a gas or department store card.** Gas or department store credit cards are often easier to get and can be good ways to establish credit. You must pay your bills in full and on time because the interest rates on these cards are often astronomical. But as long as you don't miss a payment – which you never will, right? – it makes no difference what the interest rate is. Use these cards wisely and they can be a great toe-hold.

3. **Borrow for an RRSP.** Borrowing money to contribute to an RRSP is a great way to establish a credit history. While the RRSP cannot officially be used as collateral for the loan, lenders know where to find their money so approvals come more easily and the interest rate won't be horrendous. Make sure you only borrow as much as you can afford to repay in six months. How much you borrow doesn't mean much; repaying the loan quickly without a misstep does. Don't let anyone talk you into more. Once the six months are up, use the amount you were using to repay the loan as your month retirement savings contribution. Now you're building up your assets, which will be good for your credit history too. 4. **Get a co-signer.** While I'm not a big proponent of signing on for other people's debt, if you can find someone who loves you enough to put their credit history at risk for you, do it. Make sure the loan history is being reported in your name and not the co-signer's.

5. **Put up collateral.** If you have someone a lender can sell to get back his money, you're more likely to get credit. Collateral comes in all sorts of forms: from the car you're buying to those GICs you've got stashed away, if you have something a lender values, you're in the money.

Of course, getting credit is only the first step to building a credit history. How you use that credit will be the real test.

1. **Pay all your bills on time.** Yes, including your cell phone bill, since some cell providers report to the credit bureau. Setting up pre-authorized payments is a great way to ensure payments are made on time.

2. **Avoid applying for credit too often.** Since repeated requests for credit may be interpreted as a sign that you're in trouble and need a way to cover your butt, this will adversely affect your credit score.

3. **Charge regularly and pay off in full.** Responsible on-going use of credit will produce a good credit rating. Just having your card sit in your wallet does nothing to add positively to your record.

4. **Don't over-expose yourself.** Having multiple forms of credit with small balances can add up quickly and become unmanageable.

5. **Don't use credit to pay off credit.** Taking cash advances on one card to make payments on another means you're in over your head. Cut back on your spending, pay off your debt and get back to the business of using credit to keep your record active and healthy, not to spend money you haven't yet earned.