

# The Steps to Establishing or Re-establishing Your Credit... and Choosing the Right Credit Card



Having credit is an asset and can help provide you with a great deal of financial freedom. There are several steps to begin:

- Open a checking and/or savings account.
- Have a record of stable employment.
- Live in your current residence for at least 6 months.
- Open a charge account with a local department store or apply for a gasoline credit card. **Pay the balance in full each month.**
- Consider taking out a small loan from your bank or credit union.
- Open a secured credit card. To obtain this type of card, you deposit a specified amount of money in a financial institution who will then issue you a bank credit card. The amount you deposit is your credit limit.
- Try to pay off the balance on your credit card each month. If you can't, at least send more than the minimum payment.
- Get a copy of your credit report at least once a year and check for errors. Dispute any inaccurate information.
- **Some of these steps should only be taken if you have poor credit. We can help you determine which steps are best for you.**

## Choosing the Right Credit Card

When choosing a credit card you need to first decide how you are going to use it.

- A. Is it for emergency use only (i.e. car repairs)?
- B. How much can you pay each month when you get the bill?
- C. Are you going to carry a balance and for how long?

Once you determine how you will use the credit card you should then consider the annual percentage rate that the card is offering. Look and see if any fees will be charged whether you use your card or not. Some companies charge a fee even when you do not use the card.

If you decide to pay your bill in full each month, the annual interest rate will not matter to you, except if you take cash advances. You will want to look for a card that does not charge any annual fees or the fees should be minimal.

Watch out for teaser rates. Make sure you are looking for a card with a low annual percentage rate for a long period of time.

You also need to determine what grace period the card will offer you. Some cards have no grace period and will begin charging finance charges the day your purchase is made. Avoid these types of cards. Cards that have a longer grace period will enable you to save the money needed to pay your charges in full each month.

One last thing you should look at is how much of a fee the credit card will charge for late payments or if the account falls over the limit. These types of fees can be costly and make it more difficult to pay the balance off.

### The Steps to Establishing or Re-establishing Your Credit

- Credit needs to be used wisely. You need to ask yourself: "How much can I afford?"
- Contact a reliable credit counseling agency, such as Novadebt. A counselor can give you advice based on your situation. If a debt management program is the best solution and you enroll in such a program, it will not lower your credit score. You should be making timely, monthly payments and may be able to pay off your debt faster, which will actually improve your credit score.
- The key to establishing a good credit rating is to use your credit in a responsible manner and make on-time monthly payments.



An Educational Message from

**novadebt**

A Garden State Consumer Credit Counseling Organization

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