

Secured Credit Cards

Responsible use of a credit card builds a good credit rating. Those who have never had credit or need to repair a poor credit history may not qualify for an unsecured credit card. A secured credit card may be a way to establish or re-establish credit.

- A secured credit card requires a cash deposit with a lender that will issue a credit line for that amount.
- Secured credit cards offer the opportunity to build a positive credit history provided that they are used responsibly.



What to watch out for:

- Creditors that do not report to all three major credit bureaus. If it is not reported, it will not improve your credit.
- Cards that are reported to the credit bureaus as a secured card. If the card is reported as secured, creditors may not consider the account and it will not help to re-establish your credit.
- High interest rates and fees. Read the agreement before you accept the card. If the fees are high, shop for a different card. (You can use www.creditcards.com Click on Prepaid and Debit Cards) or other similar sites to comparison shop.
- The creditor's policy for increasing the limit on the card. Check if card can be converted to an unsecured card in the future.
- The policy for closing the card. You may need to pay the balance off in full before receiving your deposit back.

Tips for re-establishing credit with a secured card:

- Don't use the card to incur debt.
- Never use more than 30% of the available credit limit.
- Do not opt in to over the limit fees. Exceeding your credit limit will harm your credit score.
- Always make on time payments.



An Educational Message from

novadebt

A Garden State Consumer Credit Counseling Organization



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