

Secured Credit Cards



Responsible use of a credit card builds a good credit rating. Those who 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 reestablish 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. Visit www.creditcards.com (click on "Prepaid/Debit") or other similar sites to comparison shop.
- **The creditor's policy for increasing the limit on the card.** Check if the card can be converted to an unsecured card in the future.
- **The policy for closing the card.** You may need to pay the balance in full before receiving your deposit back.

Tips for reestablishing 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 into over-the-limit fees. Exceeding your credit limit will harm your credit score.
- Always make on-time payments.



An Educational Message from



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NATIONAL FOUNDATION FOR
 CREDIT COUNSELING

*Knowing the difference can
 make all the difference.*