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](http://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.