

## Need a credit card, but can't get one?

Those who have little or no credit history, OR whose credit history is very poor, securing a credit card may be difficult. Some decide to live without a credit card, but there are certain things that you can't do safely without one - like making hotel reservations or shopping on-line or by phone.

A SECURED credit card may be the answer. It is a bank credit card backed by money you deposit and keep in a bank account. The amount of deposit could be as little as \$250 to \$500. That means you'll need to save up that money before getting the card. This deposit account serves as security for the credit card in case you do not pay off your credit card bill. Your credit limit will usually be the same as the amount you have on deposit. Your deposit will earn interest in a regular savings, money market, or certificate of deposit account. Most secured cards have annual fees, late fees, and cash advance fees, so you need to "shop around" for the best deal. This tool offers the opportunity for people with bad credit - or even a past bankruptcy- to start building a positive credit record. After you have charged and paid balances for at least one year, your chances of getting an unsecured card may be good. If poor spending habits were part of the cause for bad credit, then a secured credit card will help keep spending in check with the pre-set spending limits. Remember that the inexpensive way to use a credit card is to pay the balance in full each month - that is true for secured credit cards as well as the regular unsecured cards.

Secure Credit Cards are available at most local banks. Another option is to search on-line. One website which offers information on different company's secured cards is [www.bankrate.com](http://www.bankrate.com) .

Consumer Action, a nonprofit consumer agency, recommends you ask the following questions when shopping for a secured credit card:

- Do you accept people with bad credit, or just those with no credit?
- Can I qualify for your card if I have declared bankruptcy in the past? If you have filed for bankruptcy, you will usually need to wait until it has been discharged before qualifying for a secured card.
- Will you report my payment history to credit bureaus? Not all issuers report to the three major credit agencies (Experian, Equifax, and TransUnion). It's important to get a card that does report to all three agencies; otherwise you will be wasting your time.
- What interest rate is paid on my deposit?
- How long must I leave funds on deposit in order to earn that interest rate?
- Will my line of credit on the card be equal to, less than, or more than my deposit?

It can take several months to see an improvement in your credit history. It's a good indicator when you start receiving flyers in the mail for unsecured cards that your credit is improving. However, it's a good idea not to rush into an unsecured credit card. Using a secured card will help you learn healthy habits so that when you do get an unsecured credit card you remain in control of your spending and credit. Whatever your situation,

no credit or poor credit, the best way to build good credit is to set up a budget and then stick with it.

As with unsecured cards you need to watch out for fraudulent offers. The Federal Trade Commission gives the following advice to protect yourself from credit card fraud:

- Offers of easy credit. No one can guarantee to get you credit. Before deciding whether to give you a credit card, legitimate credit providers examine your credit report.
- A call to a '900' number for a credit card. You pay for calls with a '900' prefix -- and you may never receive a credit card.
- Credit cards offered by "credit repair" companies or "credit clinics." These businesses also may offer to clean up your credit history for a fee. However, you can correct genuine mistakes or outdated information yourself by contacting credit bureaus directly. Remember that only time and good credit habits will restore your credit worthiness.

Major source: [www.extension.org](http://www.extension.org), a compilation of the best University Extension resources from across the United States.

For more information on dealing with tough economic times, visit your local extension office or check out ISU Extensions Managing in Tough Times website- [www.extension.iastate.edu/toughtimes](http://www.extension.iastate.edu/toughtimes) or [www.eXtension.org](http://www.eXtension.org) websites 24 hours a day 7 days a week. The Iowa Concern Hotline offers 24 hour confidential assistance for those dealing with stress, financial concerns, and legal questions. They can be reached by calling 1-800-447-1985. These resources can help you find reliable resources backed by research when you are forced to make hard choices during tough economic times.

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