

Utilizing Credit to Build a Credit History

If it is your philosophy to never borrow and to only to pay cash for the things you need, and you can manage to get by like that, then you deserve big round of applause.

Unfortunately modern society makes it very difficult for most people to live that way. Just see what happens the next time you try to make an airline reservation without a valid credit card, or book a hotel room or rent an automobile. What used to be done on a word and handshake is now done through contracts and credit, and either you have it or you don't.

Paradoxically speaking, without credit you don't have a credit rating, and without a credit rating you can't get financing, and without financing you can't mortgage a home, take out a car loan, etc., etc..

The higher your credit rating the easier it becomes to obtain financing. In some cases lenders may even be willing to offer lower financing rates to customers with exceptional credit.

To start building a good credit history try putting your next large purchase onto a monthly installment plan, even if you have the ability to pay cash. Take advantage of in-house financing offered by many vendors but be sure to make your monthly payments on time.

By doing so the credit activity on your account will be reported back to the credit reporting agencies and your credit score will start to build. Keep the financing costs down by not extending the payment period longer than 12 months if possible.

Another way to begin establishing a credit history is by using a credit card, but only if you use the card responsibly. When applying for a credit card or any other type of credit, the issuer or lender will always check your credit history through a credit reporting agency or bureau such as [Equifax](#).

The lender will then use your credit score to evaluate the risk before deciding whether or not to extend credit. The higher the score, the less of a risk one is considered to be.

Once your credit card application has been approved and you start using your card, the issuer will report any activity on the card to the credit-reporting agencies. For example, the issuer will tell the credit-reporting agencies what your outstanding balance is and whether or not you are making the required monthly payments on time. This will help you to build some credit history.

If you are having difficulty obtaining a credit card because you have no credit history, you are new to the country, have recently filed for bankruptcy, or have had credit problems in the past, a "secured credit card" might be appropriate for you.

A secured credit card requires that a sum of money be deposited with the credit card company. This is known as a security deposit, and your credit limit is normally set as a percentage of your deposit. Making all your secured credit card payments on time is important as it can help you build a good credit history, or even to rebuild a poor one.

Once your credit history has been established and is considered satisfactory by the credit card issuer, you may then become eligible for a conventional type of credit card, such as a [Manulife Bank mbna rewards MasterCard](#).