



## How to Establish Credit

If you've always paid cash or used checks to make purchases, and haven't used credit, it's a good idea to start. And if you've had credit problems in the past, it's important to re-establish your credit history. Here's why:

- You may need good credit for such routine matters as having the utilities connected to your home.
- Good credit is important to secure financing when buying furniture, a computer, a car, or even a new home.
- Employers often check the credit rating of prospective employees. A solid credit rating reflects positively on your ability to manage your job responsibly.
- Renting an apartment may be easier. A good credit rating tells landlords that you are a person who's more likely to pay the rent on time each month.
- If you need a loan, banks may look more favorably upon you, and may give you a lower interest rate, if you have a good credit history.

### Getting started

At first, establishing credit may seem frustrating—you can't get credit because you've never had credit. Or you can't rebuild your credit because you've had credit problems in the past. Fortunately, there are steps you can take to start establishing a strong credit history. These include:

1. Open a savings account or checking account and manage it well.
2. Never spend more than you have in the account. Over time, the bank will see that you are reliable and trustworthy to repay a loan.
3. Get one or two gasoline or department store credit card and pay your bill on time, every month.
4. Take out a small loan for a household appliance or a computer, and repay it monthly – in full and on time.
5. Put your apartment and utilities in your own name and always pay your bills on time.
6. Get a secured credit card by opening a savings account with a balance equal to the credit limit of the card. Or if you qualify, get a regular unsecured credit card.

### What a credit card can do for you

Besides being a good way to establish a credit history, credit cards are very convenient. They allow you to:

- Buy items online, over the phone, and from mail-order catalogs
- Make travel reservations, purchase airline tickets, and rent cars
- Shop more safely by not carrying a lot of cash
- Budget larger purchases by paying in installments
- Access funds in emergency situations

## How to establish credit (continued)

### Use your credit wisely

Once you start using credit, it's essential to manage it properly. By using all of your credit responsibly you can go a long way in building strong and healthy credit.

In general, people spend *more* when they use credit cards instead of cash. It can be easy to get in over your head with credit card debt before you know it. Remember, when you use your *debit* card, the money is deducted directly from your checking account. But with a credit card, you're *borrowing* the money. So before you charge, you need to think through not only what you're going to buy, but how you're going to repay.

As a general guideline, keep your credit card debt low enough so that your required payments are no more than 10% of your monthly income. Another good guideline is to keep your credit card balance below 70% of your limit at all times. This will help you build credit by showing lenders that you can control how much credit you use. And it leaves enough credit available in case of an emergency.

When you're starting out with credit cards, consider having just one card with a low spending limit. That will help you start to get comfortable using credit and paying it back, and it will stop you from getting into big trouble with debt.

### Here are more tips for managing your credit wisely:

**1. Look for low-fee, low-interest**

Get a credit card with a low annual fee and low interest rate. Be sure to read your cardholder agreement. It spells out all the fees and finance charges. Call your card company's customer service number if you have questions.

**2. Pay off as much as you can**

Always make at least the minimum payment each month, but pay as much as you can each month. Pay off the entire balance whenever you can. This will reduce the finance charges you pay.

**3. Be sure you can afford it**

Don't use your credit cards to buy things you really can't afford. Follow your budget.

**4. Keep within your limit**

If you go over your limit, you could damage your credit rating. Track your credit card charges throughout the month and stay within your credit limit. To build credit and still be prepared for emergencies, try to keep your balance below 70% of your limit at all times.

## **How to establish credit (continued)**

### **More tips for managing your credit wisely (continued)**

**5. Pay on time**

Pay your credit card bills on time. This is one of the best ways to build good credit because it shows lenders that you're reliable. It also helps you avoid late fees.

**6. Avoid cash advances**

Some credit card companies may offer you a cash advance. Avoid this option except in emergencies. You'll be charged a fee and the interest rate is usually much higher!

**7. Get debt help early**

If you're getting into trouble with debt, get help early. Consider talking with a credit counselor, an experienced professional, who can help you get out of debt.

For more information on Credit Card Regulations, please visit [www.federalreserve.gov/consumerinfo/consumercredit.htm](http://www.federalreserve.gov/consumerinfo/consumercredit.htm).

We invite you to contact Wells Fargo for further information and assistance. Visit our Web site at [wellsfargo.com](http://wellsfargo.com) or any Wells Fargo store.