

Sarae: [00:00](#) Hello, you're listening to the Clear Money program's online radio show. I'm your host, Sarae Kurth, Community Relations Coordinator at Denver Community Credit Union. Denver Community is a not-for-profit financial cooperative serving the people of Denver, Arapahoe and Adams counties. On this show, I'd like to welcome Ms. Amy Fidelis, who is the Financial Education Director at mpowered, formerly Community Credit Counseling Services. Mpowered is a non-profit resource for individuals and families in Colorado who want to learn about money management and participate in coaching to achieve their personal definition of financial success. On this program, we'll be discussing the best ways to establish credit history. Hi Amy. Thank you for joining me.

Amy: [00:00](#) Oh, sure. Thanks for having me.

Sarae: [00:44](#) Absolutely. Let's start out by having you tell us a little bit about your background and what you do at mpowered.

Amy: [00:53](#) I am one of the personal finance coaches here at mpowered. Previously I was a financial counselor or coach at Denver Community and I've done financial education in the local community for about seven or eight years now. I also handle our marketing partner outreach.

Sarae: [01:07](#) Great. So why is credit history important beyond allowing someone to qualify for loans and credit cards?

Amy: [01:15](#) Well, that's a good question, and it's because more and more industries are using it. So landlords or large rental companies might check your credit to see if they want to rent you an apartment. A job might look at it, security clearance, insurance for premium. So it's just used so widely now. Even banks and credit unions just for checking or savings account might at least look at it. So it's really important to know what everyone else is seeing.

Sarae: [01:41](#) Absolutely. And so credit scores can only be established through credit history. Most young people, especially minors under 18 have no credit history, but there are many adults including foreign natives who also don't have any credit history. Is it possible to have a credit history without having any credit cards or loans?

Amy: [02:02](#) Sure, you know, you just have to look for different products out there or be an authorized user on someone else's credit card. So from a personal example, my husband is from Brazil. We have a

credit card and he's an authorized user and that's building him a credit history. Additionally, you know, you could look at products like Denver Community has the store—or I'm sorry, the credit builder loan where money is put in a certificate and the person makes payments that are reported and then at the end of the term they get all the money that was in their certificate and they'd built up a credit history.

Sarae: [02:35](#) OK, and so how can you be sure that you have no credit history in case there are payments reflected on there from utility bills and that kind of thing?

Amy: [02:44](#) Sure, you need to check your credit report. You're entitled to one free report every 12 months from all three bureaus. The best way to get that is annualcreditreport.com. We also do that in our office. We can pull all three with all three scores and do an analysis for you, but for the consumer, under law for free every 12 months, go to annualcreditreport.com.

Sarae: [03:07](#) Ok, and it's a bit of a catch 22 because you need good credit to be extended credit by lenders, but how do you establish credit history without being given credit? So what are the best ways to establish credit history for young people as well as adults?

Amy: [03:23](#) Sure. You know, I mean, one way—you could be an authorized user on a card. Do you want to be careful because you don't want to immediately get into credit card debt or especially to be racking it up for someone else. The credit builder loan that we just talked about is effective. You know, student loans that report will actually build a history for you. You could do a retail card. Those are—can be fairly expensive or you can do a secured credit card so you can put money in a savings account or a share certificate and then that's used as your limit. Your limit is equal to the same amount and you make on time payments. Obviously auto loans, home loans, both things can build credit fairly rapidly as well.

Sarae: [04:02](#) OK. And before applying for a loan or credit card, is it a good idea to make sure that the creditor or lender reports the account activity to the credit bureau or is that something that is automatically done?

Amy: [04:16](#) No, it's a great question to ask because they don't necessarily report to all three and that's fine, but you do want to know what account is reporting where and if, especially if your main purpose is to build credit, then you do want to make sure that that's actually gonna get reported. Some products that folks use like payday loans and things like that don't necessarily report—

rent-to-own centers. You don't necessarily report and so if your goal is to build credit, you're not actually building credit in the mainstream system.

Sarae: [04:45](#) Is that how that usually operates for utility bills as well and cell phone plans? You—they don't report to the credit bureaus unless you are late making a payment?

Amy: [04:58](#) Right. Yeah, exactly. That's another issue is not understanding what reports when. So typically if it's a loan that's a traditional loan like a credit card, car loan, home loan, student loan, those things report whether you're on time or you're late, and then just like you said, there's a whole host of really any kind of bill. If it goes through the collections process, will then only show up on your report once it's negative.

Sarae: [05:23](#) Ok. And does it help borrowers to have a credit union or bank accounts such as savings or checking accounts from a lender's perspective?

Amy: [05:32](#) Sure. I mean, so a lender is looking at lots of things. Not just your credit score and one thing would probably be a relationship with their own financial institution or a financial institution in general. But yes, that does show that you're established, that you have those types of relationships.

Sarae: [05:52](#) OK. And do employment history and a resident's history factor into lenders' determinations about whether to approve you for a loan or credit card as well?

Amy: [06:01](#) Yes, it can because they're, again, looking at more than just the credit report and score. All those are important pieces. They want to know what's your capacity, what's your character, what collateral do you have, right? It's commonly referred to as the three c's of credit, or sometimes, you know, even more. So you just want to be able to present a picture of a responsible borrower because the lender is trying to make sure that they'll be paid back. So whatever you can do to show that that's what they want to see.

Sarae: [06:30](#) OK. Well thank you so much for sharing your time and knowledge, Amy. Could you please share your contact information so that listeners can reach out, establish any questions?

Amy: [06:39](#) Oh sure. Our phone number here at mpowered is 303-233-2773, or you can email me directly,

amy@mpoweredcolorado.org, and that's just M as in money, powered, Colorado.org.

Sarae:

[06:54](#)

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