



Key steps to establish a credit history

Published: Wednesday, June 16, 2010, 8:00 AM



Karin Price Mueller/The Star-Ledger

Q. When our 23-year-old daughter was in college, she used our credit card responsibly instead of getting a card in her own name. Now that she's working full-time and on her own, she wants to establish her own credit. Although she works for a major corporation, earns an excellent salary and has made car payments on time for nearly a year, her credit card applications have been turned down at least four or five times in that time period because of "lack of credit history." Because she knows each rejection will lower her credit score even further, she is reluctant to apply for any more cards.

— *Maxine*

A. It sounds very much as if something is missing. Credit can be hard to come by for those who have a poor credit history, but with a solid job and car payments under her belt, your daughter sounds like the kind of borrowers most credit card companies would want.

"With the average undergraduate student having \$2,200 in credit card debt, according to Nellie Mae, kudos to you and your daughter for not falling into the debt trap that many college students are stuck in," said Margaret O'Meara, a certified financial planner with O'Meara Financial Group, Red Bank.

Her first step should be to find out why she has been denied credit in the past. She can request a free copy of her credit report to see if there is any erroneous data on it. (Anyone who is denied credit can get a free copy, and everyone can get free copies once a year from annualcreditreport.com).

If there are any errors, she needs to immediately contact the credit bureaus to make a correction.

In the meantime, she should approach the bank where she has a checking account.

"Go inside and talk to a human," said Ron Garutti, a certified financial planner with Newroads Financial Group in Clinton. "In today's online world this could be foreign to a 23-year-old but it certainly could help."

He said she should ask her banker what they could do for her.

If that doesn't work, she could try for a secured credit card. These require a deposit of a certain amount, say, \$300 or \$500, to establish the account, and then she'd get a credit line equal to the deposit amount. After making payments on a secured card for six months or a year, she will have established a payment history that other lenders can review.

Alternately, she can apply for cards with requirements she is likely to meet. For example, department store and gas credit cards, O'Meara suggests, because these usually have less strict requirements.

E-mail your questions to askbiz@starledger.com.

© 2010 NJ.com. All rights reserved.