

Creating Your Own (Credit) History

When credit cards first came into existence, they were something of a novelty. Little did the original issuers or users realize that credit cards would become such a vital part of daily business and personal money management. Just imagine trying to purchase airline tickets or make hotel reservations in a distant city with a personal check! Because the ability to use credit has become such a large part of everyday life, it is essential to know how to establish credit, maintain a good credit rating, and repair a damaged credit history.

Establishing Credit

Most young adults should establish a credit history as soon as they start working. One of the best ways to accomplish this task is to start with a low-cost bank card that carries a low credit limit. While lenders cannot discriminate on the basis of sex, race, or national origin, they can ask about your income, job history, and other matters that may affect your ability to repay a loan.

Young adults are not the only ones who need to establish a credit history. Married couples, who often have joint accounts, may need to re-establish credit after a divorce or the death of a spouse. Thus, it is a good idea for both spouses to establish individual credit histories before such events occur. If you are divorced or widowed, you should report your new status to all your credit card issuers and establish credit in your own name, if you have not already done so.

Maintaining Your Rating

A credit line is made available based on your ability to repay the amount borrowed. Maintaining a good credit rating is simply a matter of keeping your end of the bargain— that is, making scheduled payments on time. People get into trouble when they charge more than they should— that is, when they cannot meet even their minimum monthly payments and, thus, fall behind.

Repairing a Damaged Record

You should be aware that mistakes sometimes show up on a credit record. Those made by a credit bureau are usually easier to correct than those made by a merchant. For instance, when a credit bureau checks with a merchant, the business may report the same incorrect information again. Getting this type of mistake corrected can sometimes be frustrating and time-consuming.

However, unsatisfactory credit records can also be the result of credit card abuse by users. If this is the case, it will be up to you to “clean up your act.” Here’s what you can do:

- **Get It Together. Pay off overdue bills.**
They won’t just disappear by themselves.
- **Keep It Together.**
Once up-to-date, make future payments on time. This can help reestablish your trustworthiness.
- **Clear the Decks.**
Cancel cards you are not using, to remove the temptation to use them. And, if your spending has spun out of control, cancel all your cards (at least temporarily).

Credit can be a great convenience, but it should not be taken lightly. At some point, you may need to borrow for a “big ticket” item, such as a car, a house, or a child’s education. These are precisely the times when a bad credit rating will come back to haunt you. So, remember that you make your own history—use credit wisely and keep your record clean!