

How To Add New Tradelines To Your Credit Report

A tradeline is a credit industry term used to describe a credit account. If you have any loans that are on your credit report, those are considered “trade lines.” They come in the form of line of credits, car loans, mortgages, and credit cards. Since creditors look at tradelines to determine if you are creditworthy, adding *positive* tradelines (credit accounts with good repayment history) to your credit report can be very useful in helping you rebuild your credit.

The Benefits of Adding A New Tradeline

When you create a new credit account, you accomplish a few things. First, you create a new tradeline, which is a new opportunity to have a positive record on your credit report. As your derogatory items on your credit report get older, they have less impact on your scores. New trade lines will highlight recent activity and give you a boost, provided you have been responsible with that new credit account.

Secondly, opening new tradelines can improve your credit score by increasing your total available credit, also known as credit utilization. More available credit with low usage will give you great credit utilization which makes up 30% of your credit score.

Finally, adding new tradelines to your credit report can benefit your credit score by having a mixture of the *types* of credit you have. If you have active revolving debt, you might consider adding a trade line of installment debt or vice versa. New credit and new credit mix each comprise 10% of your total credit score.

As you can see, new tradelines can provide several benefits to improving your credit score.

Do You Need New Credit Lines?

Before you start signing up for new lines of credit, evaluate your credit report and ask yourself if you need to sign up for new lines of credit. If you already have good credit from a variety of different credit sources and a good history of paying off that debt, chances are you don't need to add additional tradelines.

Go for quality over quantity. If looking for new credit lines to help lower your credit utilization, you might simply consider asking your current credit card provider to increase your credit limit.

Department Store Cards

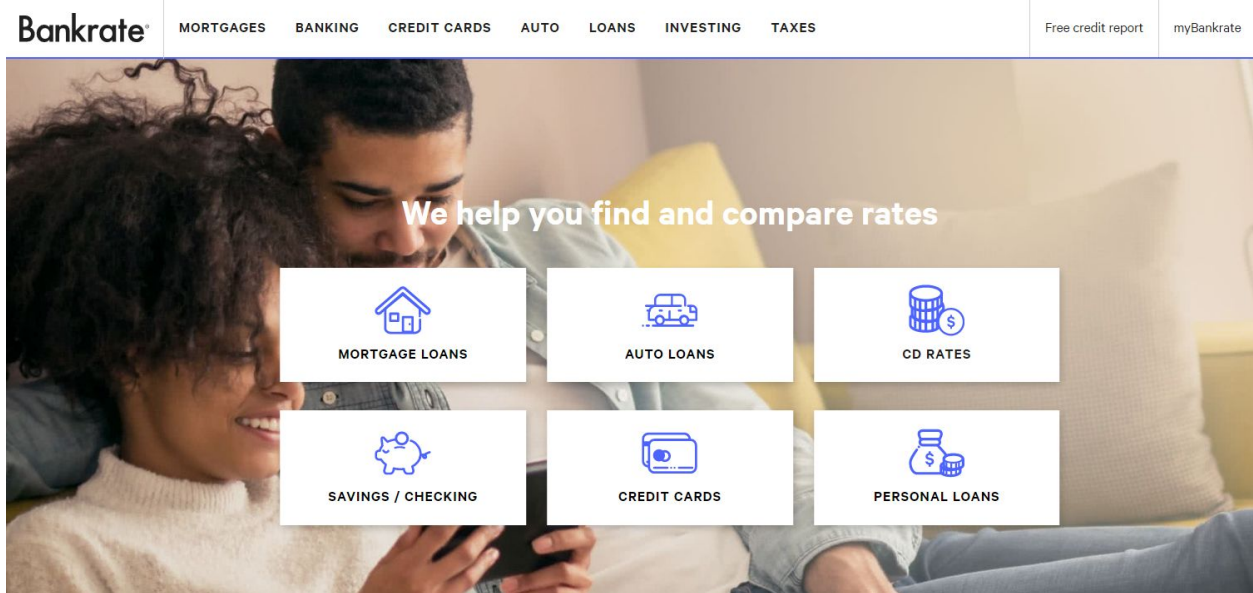
If you have poor credit and difficulty getting credit elsewhere, you might want to consider a department store card. Gas stations, department stores, furniture retailers and jewelry stores are among creditors who sometimes have relatively lenient qualification processes and are, therefore, good places to start if you don't already have strong credit. These cards usually offer discounted purchases from the store as well.

It's important to keep in mind why you are getting this card in the first place. Your goal is to add a new trade line to your credit report to improve your credit score. Never spend more on the card than you can afford to pay off every single month.



Secured Credit Cards

One tradeline that is both easy to get approved for and hard to abuse is a secured credit card. This is an excellent place to start if you want to add tradelines to your account and have poor credit. A secured credit card requires a security deposit equal to the amount of your credit line.



You will want to shop around for a good secured credit card. The best place to shop for a secured credit card is a website called [Bankrate.com](https://www.bankrate.com).

Bankrate offers many different types of credit cards. What you will be searching for are credit cards for individuals with poor credit or no credit. Bankrate will present you with several secured card options.

The screenshot shows the search results for "Credit Cards for Bad Credit" on Bankrate. The left sidebar has filters for "Credit Type" (with "Bad Credit" selected) and "Card Issuer". The main content area shows two card options. The first is the "Credit One Bank® Cash Back Credit Card" with a "LEARN MORE" button. Below it is a table with columns: Purchases, Balance Transfer, Regular APR, Annual Fee, and Credit Needed. The second card is the "First PREMIER® Bank MasterCard® Credit Card" with a "LEARN MORE" button. Two red boxes with arrows highlight "Credit cards based on credit type" and "Look for cards that offer a pre-qualification. This is a soft inquiry versus a hard inquiry.".

Purchases	Balance Transfer	Regular APR	Annual Fee	Credit Needed
N/A	N/A	15.99% - 24.40% Variable	\$0 - \$99	Bad Credit

Tip: There are some secured credit cards that offer a pre-qualification option. This option allows the credit card company to do a soft inquiry versus a hard inquiry. Soft inquiries do zero damage to your credit report.

Secured Installment Loans

If you're looking to restore your credit with an installment loan, ask your bank or credit union about if they offer secured personal loans designed to help people who need to help build credit. These secured installment loans are generally offered by smaller financial institutions, such as credit unions and community banks.

As a borrower, you deposit money into a certificate of deposit (CD) and use that CD as collateral against the same amount of money that you want to borrow. The financial institution freezes the money in your CD until the loan is repaid. Because your loan is secured by a CD the financial institution has very little risk which gives individuals with poor credit an opportunity to rebuild their credit with a secured loan.

Individuals who choose this option should go to their local community bank or credit union and talk with a loan officer about whether they offer a credit builder program. These programs are very popular and many community banks and credit unions would love to see you succeed. After all, if you become a customer, you're more likely to remain a customer and make money for them in the future.

Credit Builder Loan

A credit builder loan is similar to a secured installment loan with the exception that the borrower does not have the funds to secure the loan with. With a credit builder loan, the money you borrow is deposited in a savings account or CD (certificate of deposit); one that you cannot access until you have fully repaid the loan.

If you pay the loan as agreed, the financial institution promises to send a good report to the credit bureaus each month that you pay on time. At the end of the loan term, the savings account or CD is unfrozen allowing you to have access to the money.

It is important that you pay on time as agreed because just like they can report positive payment history, they can report negative payment history as well. The financial institution doesn't take a big risk when it lends to you, because it has access to the money and can reclaim that money if you don't hold up your end of the agreement.

Again, these programs are often offered by local community banks and credit unions. Individuals needing the credit builder program need to speak with a local loan officer at a community bank or credit union.

Another option for this type of loan is to seek a online lender. One such lender that offers the credit builder loan is a lender named, Self Lender (<http://www.selflender.com>). They offer the following credit builder account sizes: \$550, \$1,100, and \$2,200. Each credit builder account has a 12 month term and a payment plan of respectively, \$48.50, \$97, and \$194 per month.



SELFLENDER Learn About Resources Contact Us Login JOIN TODAY

Build credit while you save.

The most responsible way to build credit.

GET STARTED

✓ No credit score required

Bloomberg MAINST TechCrunch

Loans repaid over a year and at the end, you get the money and a credit score with a year of on-time payments.

Co-Signer

If you are unable to get approved for these types of products, consider using a co-signer. A co-signer is a friend, relative, or other individual who is willing to agree to pay the loan if you cannot. This can help gain approval. However, if you stop paying, you could damage the credit of your co-signer. For this reason, it is highly advised not for a person to co-sign on a debt. Instead, the person might opt to add you as an authorized user to a credit card they already own.

Authorized User

Being an "authorized user" basically means you have someone else's card in your name. If they choose to give you a credit card, you can make purchases with it, but you're not the primary owner of the card.

It is recommended that primary account holders **do not** give authorized users a credit card. Legally, the authorized user is not liable for any charges or balances on said

credit card. Ultimately, the account balance and total responsibility of the card lies with the primary holder.

Being an authorized user can have both a positive impact as well as a negative impact on your credit score depending on the responsibility of the primary account holder.

You want to have your name added to an account that is old, has a low balance relative to the credit limit, and has always been paid on time. These aspects of the account are very helpful to your credit scores.

However, there can be a negative side to being an authorized user. Essentially, the primary account holder's actions look like your own. If they miss a payment on this credit card, you miss a payment. If they rack up an extremely high credit card utilization, so do you. This can kill your credit score, the exact opposite of what you want; so choose whose credit line you become an authorized user of.

Be smart, only become an authorized user with someone who has their financial accounts in order.