



# Credit in a New Country



**1-800-210-3481**

[www.ConsolidatedCredit.org](http://www.ConsolidatedCredit.org)

5701 West Sunrise Boulevard | Fort Lauderdale, FL 33313

Congratulations on taking this important step to learn how to establish credit in the U.S. Consolidated Credit has been helping Americans across the country solve their debt and credit problems for over 25 years.

Our educational team has created over forty publications to help you improve your finances. Visit [ConsolidatedCredit.org](http://ConsolidatedCredit.org) to access all our publications free of charge. You'll also find a range of financial education resources, including interactive courses, instructional videos, webinars, infographics, and more. Our mission is to provide all the tools you need to become debt-free and use money wisely, so you can plan for the future and build wealth.

If you're feeling overwhelmed by high-interest rate credit card debt, I encourage you to call **1-800-210-3481** to receive a free evaluation from a certified credit counselor. Together, you can find the best solution to pay off your debt and achieve financial stability.

I also invite you to share these resources with others you know who want to improve their finances. Consolidated Credit provides partnership programs, which can help groups, businesses and communities learn and grow together. If you're interested in learning more, please call us and we'll be happy to help you customize a program for your organization.

Sincerely,

A handwritten signature in black ink that reads "Gary S. Herman". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Gary S. Herman  
President  
Consolidated Credit

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# Credit in a New Country

## Learn how to understand and use credit effectively in the U.S.

Establishing good credit is often frustrating for those who are new to this country and don't understand how the U.S. system works. Although challenging, it's essential to learn, as establishing credit is a critical component for financial survival. For instance, if you do not have a credit history you will not be able to have your electric or telephone turned on in your home in many states unless you pay a hefty deposit. If you are not careful, you may fall for credit scams that cost people a lot of money.

This publication is designed to help you understand how credit works, how to get credit, and what you can do to avoid expensive traps.

## An Overview

Building good credit can take years, but it is worth the effort. It can open endless doors and give you access to money and things you need to meet your daily needs. Credit allows you to:

- Buy now, and pay for the item later
- Make large purchases and pay for them over time
- Build a good credit rating if you pay your bills on time
- Reduce the cost of financing by allowing you to qualify for lower interest rates



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## Types of Credit

There are two primary types of credit: installment loans and revolving accounts.

### Installment loans

This is where you borrow a sum of money and pay it back in fixed monthly payments over a set time. A good example is a car loan, where you will borrow enough to buy the car and then pay it back over two to seven years.

### Revolving accounts

Also known as “lines of credit,” these accounts give you a certain amount you can borrow against (your “credit limit”). You can usually then pay the balance off in full or make smaller minimum payments. A good example of a revolving account is a credit card.

Warning! The minimum required payments on most credit cards are so small that even a balance of \$500 or \$1,000 can take years to pay off if you only make the minimum payment each month. You can also double the cost of the purchase with accrued monthly interest charges.

### Secured vs unsecured credit

Some loans are secured which means you pledge collateral the lender can “repossess,” or take back, if you don’t pay the loan as agreed. Most car loans and home loans are secured loans.

Most credit cards are unsecured, although if you have bad credit or no credit you may need a secured credit card. The

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collateral for these cards is a small cash deposit that you use to open the account.

Unsecured loans can be harder to get because there is nothing to back up the loan, other than your promise to pay. You generally need a higher credit score to qualify for unsecured credit. We explain more about credit scores and what a high score is further in this guide.

## Credit Reports and Bureaus

One of the reasons credit is so widely available in the United States is because we have a strong credit reporting system.



Credit reporting agencies (also known as “credit bureaus”) are companies that collect information about how consumers pay their bills and manage their debt. They sell that information as credit reports to businesses that may use them for credit, insurance, or employment purposes. The three main credit bureaus in the U.S. are Equifax, Experian, and TransUnion.

Credit reports contain four basic categories of information:

- **Personal information:** name, current and previous addresses, Social Security Number
- **Account information:** credit accounts you’ve held, the most you’ve borrowed, the current balance and whether you’ve paid on time

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- **Public record information:** bankruptcy, court judgments, third-party collection accounts
  - **Inquiries:** the names of companies that have looked at your credit rating in the past two years

## Equal Credit Opportunity Act

When you're new to the country, it's normal to feel out of place and even singled out. Know that you're protected by the law, and creditors can't discriminate against you under any circumstances. Under a federal law called the Equal Credit Opportunity Act, creditors cannot discriminate against you because of your age, gender, marital status, race, or country of national origin.

## Types of accounts in credit reports

Knowing the accounts that show up on your credit report can help you take caution and plan your finances accordingly. Accounts typically included on your report include:

- Credit cards
- Department store cards
- Gas company cards
- Mortgages
- Bank loans
- Auto loans and auto leases
- Recreational vehicle loans
- Credit union credit cards or loans
- Consumer finance company accounts

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Types of accounts that traditionally do not appear on a standard credit report include:

- Rent payments
- Rent-to-own accounts
- Payday loans or loans from check cashing outlets
- Checking account information
- Accounts with smaller lenders
- Debit cards



Some creditors will only report your account if you are late on your payments, but not if you pay on time. Cellular phone companies are a good example of this. They generally only report accounts that have not been paid and have been turned over to collection agencies.

The same is true of most medical providers. Since companies are not required to report information to credit reporting agencies, not all do. Some will report to one or more major credit reporting agencies, but not all three of them.

When establishing credit, your goal should be to get accounts that will be reported each month to all three of the major credit bureaus. You can ask a credit card company or lender which bureaus they report to before you apply for credit to make sure you get the most reporting benefit from a new account.

Be sure to pay each bill on time or you may risk having a late payment noted on your credit report. Late payments stay on

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your report for seven years and make it more difficult to get credit at good interest rates and terms.

## It's in the numbers

When you go into many retail stores in the U.S., you may be offered an opportunity to apply for a credit card “instantly.” How is it that companies can offer credit on the spot? It's because they use credit scores that predict how likely someone is to pay their bills in the future.

Most credit scores are created by a company called Fair Isaac Company, which creates what are called “FICO” credit scores. To calculate a credit score, information in credit reports, account histories, and/or credit applications are evaluated to determine how likely a consumer is to repay a debt. Then they are assigned a number based on that information, and that is their credit score.

According to Fair Isaac, the factors that make up your credit score fall into five main categories:



The most important factors in a score are your **payment history** and the **amounts you owe**. If you have few or no credit accounts that have been reported to the credit reporting agencies, then you may have no credit score, or your score may



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be low due to little credit experience.

Credit scores usually fall between 350 and 850. A score below 650 is usually considered quite low (risky) and therefore it will be difficult to get credit at the most favorable terms. A score of 650 – 680 is still risky but credit is generally available at less favorable terms. A score of 680 – 720 is better, while a score of 720 and above is usually considered very good. Keep in mind that every creditor has its own policies, and each one may look at the same score differently.

Keep in mind that your credit score can be different, depending on which of the three major credit bureaus supplied the information used to create it, what kind of loan is being considered, and what formula each lender uses.

Note: Even though Equifax operates in Canada and Experian in England, the foreign credit reporting agencies do not share files with the U.S. You must establish your own credit history here.

## Getting Started

Millions of Americans don't have credit histories because they haven't established credit with traditional lenders.

The [CFPB](#) estimates that 26 million Americans don't have a credit history and another 19 million didn't have enough data to produce a score.



These consumers may be renters, use check cashing outlets for payday loans, or buy furniture and appliances from rent-to-own stores. There are efforts underway to give these consumers some “credit” for paying those kinds of bills on time.

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## Alternative Credit

Alternative credit is a way to help consumers with “thin” credit files or no credit at all. There are a few scoring models that can help with this such as UltraFICO, Connect, and Experian Boost.

### UltraFICO

First, Fair Isaac Co., creator of the popular FICO scores has developed a credit score based on information from companies that don’t traditionally report to credit reporting agencies. It is called [Ultra FICO](#) and it enables you to share your checking, savings, and money market accounts which—in turn—helps boost your score.

If you haven’t established a credit history with the three major credit bureaus, some lenders will be able to access one of these non-traditional FICO scores.

### Connect

Another credit-reporting agency, [Connect](#) also gathers information about non-traditional credit transactions. Connect is the first organization ever to help consumers build an accurate bill payment history with rental, utility, and other recurring bill payments.

Building your credit history through Connect is free. Simply visit the website to enroll and learn how to create your credit history.

### Experian Boost

[Experian Boost](#) allows you to build credit using things like Netflix, phone, and utilities. It’s an extension of Experian—one

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of the largest credit bureaus in the U.S. mentioned above. The good thing about Experian Boost is that unlike other alternate scores, using Experian Boost increases any FICO score based on your Experian credit report. So, it's more likely to positively affect a wide range of lending decisions

## Getting Your First Credit Account

To get your first credit card, you may need the following:

- Valid Social Security number or Tax Identification number (see below)
- Proof of your address, such as a copy of a utility bill in your name
- Proof of income, such as a copy of recent pay stubs or W-2s

Some issuers require you to have a checking and/or savings account in your name, but that isn't always a prerequisite. Every creditor has different requirements, so be sure to ask about the lender's minimum requirements before you apply.

If you cannot qualify for traditional unsecured credit cards, the credit card company may allow you to open a secured credit card account. You will need a cash deposit of a few hundred dollars to open the credit line. The credit limit on the card will generally be equal to the cash deposit you make.

## Students

Creditors are prohibited from providing credit to consumers under age 21 unless:

- they are emancipated under state law
- their parent or legal guardian is designated as the primary account holder

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- they're over 18 and can provide proof of income

Creditors are prohibited from opening a credit card account for any college student who does not have any verifiable annual gross income or already maintains a credit card account with that creditor, or any of its affiliates.

For college students who do not have a co-signer, the maximum amount of credit extended will typically be anywhere from \$200-\$500.

## Social Security Numbers

Generally, to get a major credit card or other loans, you will need a valid Social Security number first. You can get a Social Security number from the Social Security Administration ([SSA.gov](https://www.ssa.gov)) by filling out form SS-5. You can also visit a local Social Security office. As long as you are eligible to work in the U.S., you can usually get a Social Security number.

If you are not eligible for a Social Security number, you may instead want to apply for a Taxpayer Identification Number (TIN) through the Internal Revenue Service (IRS). Visit [IRS.gov](https://www.irs.gov) or contact your local IRS office.

## Secured Credit Cards

One of the fastest ways to get a credit card and establish a credit history can be a secured credit card. With a secured card, you place a cash deposit with the issuing institution.

You will get a credit line that is usually equal to your deposit. You can use the card anywhere that cards from that credit card issuer are accepted. Ideally, you should choose a secured card that reports your monthly payment history to all three major credit-reporting agencies.

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Visit [Bankrate.com](https://www.bankrate.com) or [Cardratings.com](https://www.cardratings.com) for a list of secured credit cards so you can compare rates and terms.

It is possible to get a mortgage even if you don't have an established credit history. To learn how to buy a home for the first time, review our publication on Mortgages, available free at [ConsolidatedCredit.org](https://www.ConsolidatedCredit.org).

## Credit Builder Loans

Another product that can be helpful for building credit is a credit builder loan. This is a small loan for just a few hundred dollars that you take out and pay back over 12-24 months. At the end of the loan period, you get the loan amount back, so it can also help you build savings over time.

Many credit unions and small local banks offer these types of loans. You can also find online credit builder loans through companies like [Self](https://www.Self.com). They report the loan repayment to the credit bureaus, helping you build credit.

## Traps and Scams to Avoid

### Advance Fee Loan Scams

You should not have to pay a fee in advance to get a loan. The Federal Trade Commission reports that in one year nearly 4.5 million consumers paid advance fees but did not receive the promised loan or card. For more information on advance fee loan scams, or to report one, visit the [Federal Trade Commission's website](https://www.ftc.gov).

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## Guaranteed Unsecured Credit Cards

Be very suspicious of cards that guarantee that you'll be approved. These come-ons usually fall into one of two categories.

- **Cards that may sound like major credit cards but can only be used to buy merchandise from a company's catalog.** These cards usually are not very helpful in establishing credit. In addition, the merchandise may require large down payments and be overpriced.
- **Cards that are major credit cards but carry very high fees.** You may get a starting credit line of \$300, for example, but the fees on the first bill may total \$250 or more, leaving you with very little available credit. Unlike a secured card, where your deposit will be returned if you pay your bills, you will never get those fees back.

## Payday Loans

Check cashing outlets will allow you to borrow against your next paycheck, for a fee. The fees on these short-term loans are so high, that the effective interest rate can be over 400 percent! In addition, if you cannot pay back the loan in full with your next paycheck, it will be rolled over to the next pay period with additional finance charges. You may end up in a vicious cycle where you are unable to ever pay off the loan.

## Tips for smart credit use

Don't pay interest on items you don't really need, or for things that will be gone by the time you get your bill. Otherwise, it's the opposite of getting a bargain—it is like buying that item marked up instead of marked down!

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- **Read your credit card agreements and the correspondence you get from issuers.** There may be important information in them. For example, credit card issuers can generally change your interest rate with 45 days written notice – even on a card with a fixed rate. NOTE: A credit card company generally can't increase your APR for the first 12 months your account is open. There are some exceptions, however.
  - **Paying your bills online can help you avoid late payments.** If you pay your bills through the credit card or lender, payments can post the same day, meaning you are less likely to face late payments. You can also set up AutoPay to make the payments automatic.
  - **If you are mailing in credit card or loan payments, make sure to mail them at least 5 business days before the due date.** Most credit card companies have steep late payment penalties. In addition, your interest rate on new purchases as well as any current balance may be raised to a very high rate if you are late
  - **If your payment is more than 30 days late, the creditor may report a missed payment to the credit bureaus.** This missed payment can do significant damage to your credit score and will remain on your report for seven years. Your other credit card issuers may raise your interest rates if they see you are falling behind on other accounts.
  - **Call the credit card company if you can't make a monthly payment on time.** Ask them about alternative payment arrangements that won't damage your credit or raise your interest rate. A credit counseling agency like Consolidated Credit can help you work out a payment plan with your creditors if you're having trouble keeping up.

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- **Notify your credit card issuer 30 days before you move,** and don't assume that just because you didn't get a bill you don't have to pay it. If a bill doesn't arrive, call your card issuer or lender immediately. Signing up for paperless billing or managing your account through a smartphone app can also make it easier to ensure you never miss a bill due date.
  - **Try to pay off your total balance each month.** Just paying the minimum is a trap. If you pay just the minimum of a \$1,000 debt on a card with an 18% interest rate, it will take you more than 12 years to repay.
  - **Aim to keep your credit card debt payments at less than 10% of your income after taxes.** If you take home \$750 a month, for example, spend no more than \$75 a month on credit.

## Tools for Credit Management

### Get a free annual copy of your credit report

By law, consumers can download a copy of their credit report from each credit bureau for free once every twelve months.

To download your free reports, go to [annualcreditreport.com](https://annualcreditreport.com).

You will need to answer a few questions to verify your identity, based on the information contained in your credit report. You can also order it by phone by calling **1-877-322-8228**.

You should take advantage of this free report review every year. Review your reports carefully. If you find any information that you believe is incorrect, you have a right to dispute it with the credit bureaus. You can learn more in our free [Credit Repair](#) guide. It's important to note that this report will not include your credit score.



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## Credit Score Tracking Tools

If you want to know your credit score and track it over time, you will need a credit monitoring tool. While there are plenty of companies that will provide this information, including FICO and the credit bureaus, they often make you pay a monthly fee.

Before you take on that expense, be aware that there are free services that provide credit monitoring, too. First, check with your credit card companies and financial institution, as many now provide free credit score tracking for their customers.





## About Consolidated Credit

Consolidated Credit is a consumer oriented, public education organization. We are an industry leader in providing credit counseling and debt management services throughout the United States.

Our mission is to assist individuals and families end financial crises and help them solve money management problems through education, motivation, and professional counseling.

We are dedicated to empowering consumers through educational programs that will influence them to refrain from overspending and abusing credit cards, as well as to encourage them to save and invest. We sponsor local free seminars that are also available to any group or organization that requests our educational services.

Our professionally trained counselors have assisted thousands of families across the United States. Regardless of whether your financial problems are due to the purchase of a new home, birth of a child, major illness, or any other circumstance, we can help.

Our organization is funded primarily through voluntary contributions from participating creditors. Our programs are designed to save our clients money and liquidate debts at an excellent rate.

Consolidated Credit is a member of the Better Business Bureau, the National Association of Credit Union, United Way of Broward County and Financial Counseling Association of America.

# NOW YOU CAN FIND FREEDOM FROM DEBT!

Consolidated Credit, a nationally recognized organization, will provide you with professional financial education, counseling and resources. In addition, you can benefit from customized Debt Management Programs, which incorporate a bill consolidation plan to help you regain your financial freedom.

## Our Certified Financial Counselors can:

- Reduce or even eliminate interest rates!
- Eliminate late charges and over-limit fees.
- Consolidate debts into one lower payment.
- Help you pay off debt faster.
- Rebuild your credit rating.
- Save you thousands of dollars.
- Get you on a plan to be debt free!



Call today, and take your first step toward financial freedom!

**1-800-210-3481**

or visit [www.ConsolidatedCredit.org](http://www.ConsolidatedCredit.org)



5701 West Sunrise Blvd., Fort Lauderdale, Florida 33313

# YOU CAN BE DEBT FREE



## THERE IS HELP WAITING FOR YOU NOW.

- Reduce or eliminate interest charges.
- Consolidate credit card bills into one lower monthly payment.
- Pay off your debt in half the time.
- Save thousands of dollars.



**1-800-210-3481**

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