

How to Get a Credit Card with No Credit

Self.

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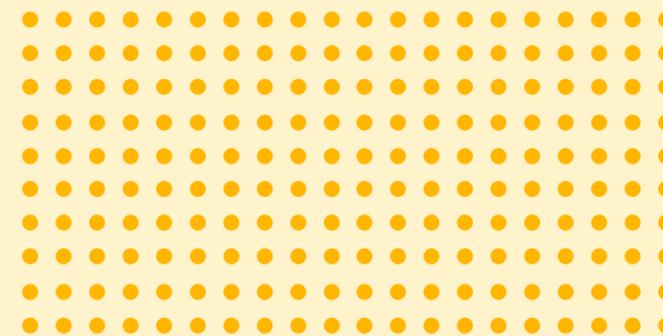
It's possible to get a credit card with no credit, but you need to know which types of accounts to apply for (and which applications to avoid as well).



Table of Contents



Introduction	2	Ways to build credit	16
- Why qualifying for a credit card with no credit can be a challenge	2	- Credit builder loan	17
What does having “no credit” mean?	3	- Authorized user strategy	18
- No credit vs. bad credit	4	- Get credit for utilities and rent	19
- Drawbacks of not having a credit score	5	- Manage your accounts responsibly	20
Credit cards with no credit history	6	About Self.inc	21
- Secured credit cards	7	- How Self.inc can help consumers build credit	22
- Unsecured credit cards	8		
- Student credit cards	9		
- Retail store credit cards	10		
General requirements to qualify for a credit card	11		
- Confirmation of personal identifying information	12		
- Social Security number or Individual Taxpayer Identification number	13		
- Satisfaction of minimum age requirements	13		
- Sufficient income	14		
- Minimum credit requirements	15		



Introduction

Credit card issuers and other lenders use credit information to make fair and informed decisions about the financing applications they receive from potential borrowers. So, when you have no credit, your options for opening a credit card may be limited.

A good **FICO or VantageScore** credit score tells a lender that an applicant is likely to pay their credit obligations on time during the upcoming 24 months. A bad credit score, meanwhile, indicates a higher probability that something could go wrong where repayment is concerned.

When you have no credit history or credit score established, it's difficult for a credit card issuer to predict the likelihood that you'll repay your debt as promised. Without access to previous credit information, you represent an unknown credit risk.

Some credit card companies are more comfortable taking a chance on newcomers to the credit space. However, with no previous credit history you might need to provide a security deposit, pay a higher APR, or do something else to reduce the card issuer's risk.

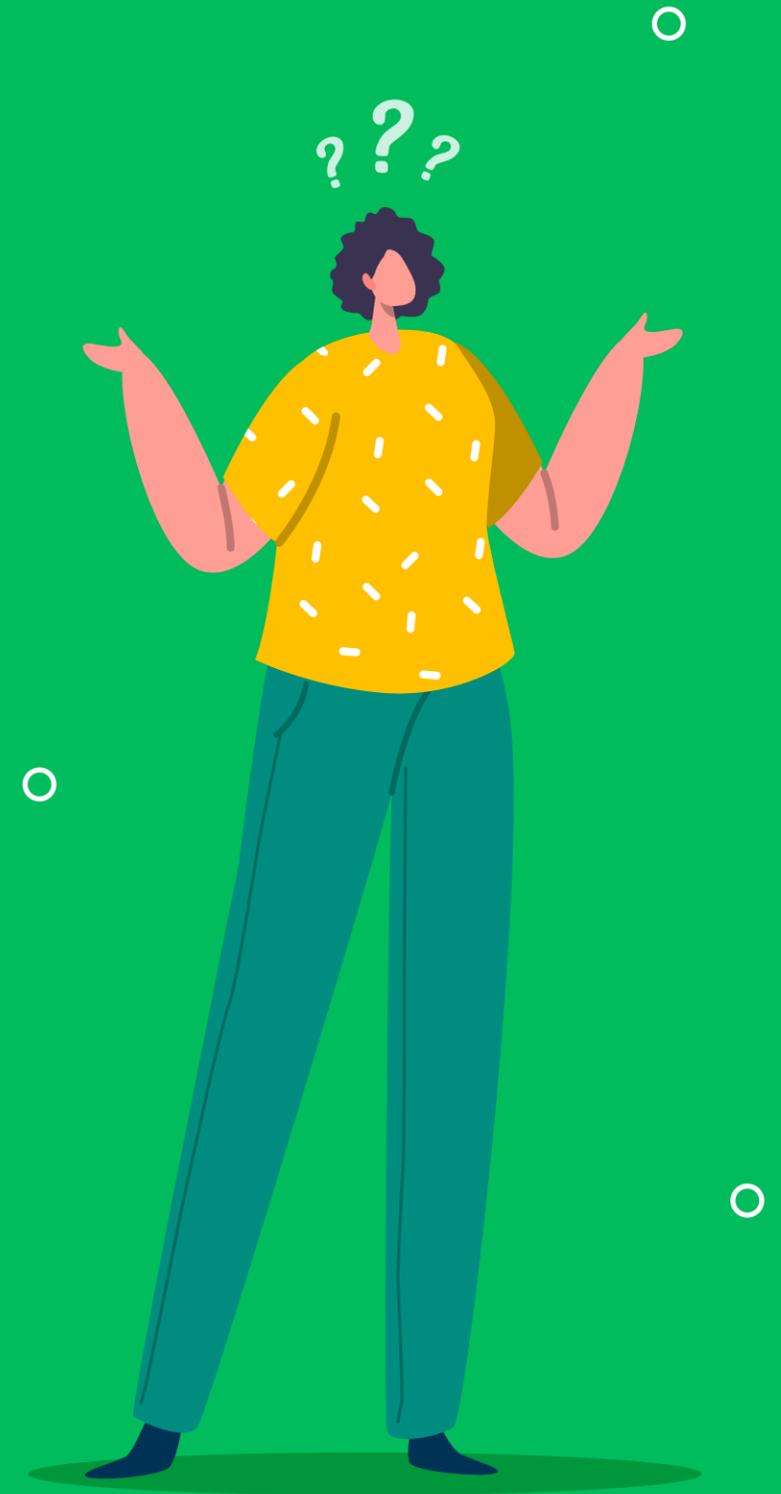
You can also take action to build credit for the future. Doing so will hopefully put you in a position to open a credit card with more favorable terms down the road.

What does having “no credit” mean?

You might have heard the myth that having no credit means you have a credit score of zero. Yet **credit score ranges** don't start that low. In reality, no credit simply means that you are facing one or more of the following challenges.

- You do not have any established credit history with any major credit reporting agency (Equifax, TransUnion, or Experian).
- You have insufficient credit history to qualify for a credit score.

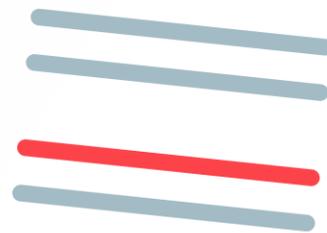
The Consumer Financial Protection Bureau (CFPB) describes Americans who struggle with either of the issues listed below as “credit invisible.” According to a 2016 CFPB report, around 26 million adults in the United States fall into this category — an estimated 11% of the U.S. population. ²



CREDIT SCORE



CREDIT SCORE



No credit vs. bad credit

Whether you have **no credit or bad credit**, you could face obstacles when you apply for financing. Yet while neither situation is ideal, having bad credit may tend to be a bigger problem.

Bad credit communicates to future lenders that you have struggled to manage your credit obligations as promised in the past. A bad credit score also indicates that there's a higher likelihood of you paying your bills late in the future.

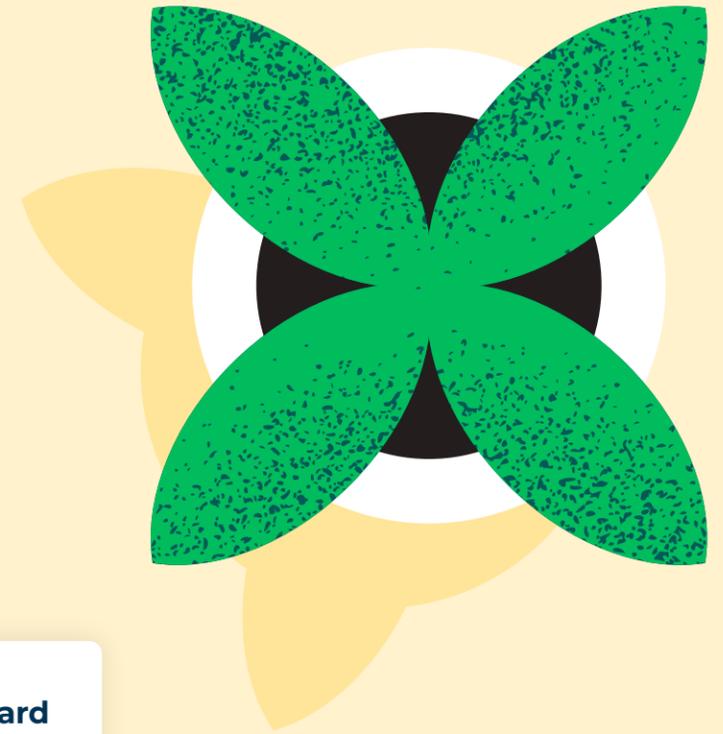
No credit history or a lack of a credit score simply makes you an unknown risk. Future lenders don't know whether you're likely to repay your credit obligations according to the terms of your agreements. But they don't have reason to believe you won't pay on time either.



Drawbacks of not having a credit score

Without established credit, some lenders or service providers may not want to do business with you. Others might agree to work with you, but could require you to provide a security deposit, a higher down payment, or pay higher interest rates until you build good credit.

Not having a credit score might impact you in a negative way when you try to:



 Rent an apartment or house

 Buy a home

 Take out a loan

 Open a credit card

 Establish a new utility account

 Get new insurance coverage

 Set up new wireless phone service

 Qualify for business financing

If you have no credit card, you could also have trouble with travel-related tasks like renting a car or reserving a hotel room. Without a credit card, you may have to provide a large cash deposit or let a hotel put a hold on your debit card for your stay.

Trying to rent a car without a credit card could be even more difficult. Car rental companies may check your credit if you insist on using a debit card rather than a credit card as payment. If you don't have a credit score, a rental company might not approve your request to rent a vehicle. ³

Credit cards with no credit history

As someone with no established credit history, you should be strategic when you apply for your first credit card accounts. You probably don't want to start out applying for premium rewards credit cards that require excellent credit scores. Those accounts can offer attractive perks, but you're unlikely to satisfy the card issuer's minimum qualification requirements (at least not at first).

Instead, focus on credit card accounts that may be a better fit for your current situation. Once you **check your credit reports** and confirm that they're blank, here are four types of credit cards you might want to consider when trying to build credit for the first time.



Secured credit cards

Whether you have no credit or bad credit, a secured credit card might be a good fit for you. When you open a secured credit card, you make a cash deposit with the credit card company in a savings account or certificate of deposit that's (typically) equal to the credit limit on your account.

You do have to satisfy a credit card company's approval criteria to qualify for the account. However, because you're securing the credit card with your own funds, the approval process tends to be much easier.

Another possible way to open a secured credit card that doesn't require an upfront security deposit is to open a **credit builder account** first. The secured **Self Visa® credit card**, for example, may be available to eligible customers with an active Credit Builder Account in good standing who have made at least three on-time payments and have \$100 or more in savings progress. (All requirements are subject to change.)

If you choose to open a secured credit card through Self or another credit card issuer, remember that on-time payments are essential. **Late payments** have the potential to drive your credit scores downward rather than helping to improve those important numbers.





Unsecured credit cards

Unsecured credit cards are what most people think of when they set out to open a new credit card account. These cards do not require a security deposit to open. Instead, the card issuer approves you for a credit limit and you can charge up to that amount at any given time (provided your account remains in good standing).

Even with no established credit, you may find some credit card companies that are willing to approve you for an unsecured credit card. Just don't expect to qualify for the most attractive APRs or credit card offers yet. It's not uncommon for starter credit cards to feature higher-than-average interest rates and fees.

According to the Federal Reserve, the average interest rate on a credit card was 18.43% in August of 2022 (interest-assessing accounts).⁴ You may want to keep this figure in mind and pay attention to additional fees that card issuers may charge as you compare available options for unsecured credit cards for no credit.

Keep in mind that the best way to manage a credit card is to pay off your statement balance each month by the due date. This good habit can help you avoid paying interest charges and may protect your credit scores with on-time payments and a low **credit utilization ratio**.

Student credit cards

If you're a high school or college student who's building credit for the first time, you might want to consider applying for a student credit card. These accounts may come in both secured and unsecured varieties, depending on the credit card issuer.

It's still wise to follow the tips above, such as taking the time to shop around for the best offer before you apply for a new account. You'll also want to always pay on time and (preferably) in full by the due date of each statement.





CREDIT CARDS WITH NO CREDIT HISTORY

Retail store credit cards

Retail store credit cards also have the potential to work well for people with no established credit. If you're considering applying for this type of account, however, it's important to keep a few details in mind.

Research the card issuer's qualification criteria before you apply for an account.

If the issuing bank requires a minimum credit score or established credit history that you can't satisfy, search for different options for your starter credit card account.

Understand that a retail store card is more limited than a general use credit card.

Therefore, you won't be able to use your store card for purchases as widely as you would be able to use a Visa, Mastercard, American Express, or Discover.

Know that retail store cards often feature high APRs and lower credit limits.

Take extra caution to pay off your store card each month to avoid high interest charges and high credit utilization rates on your credit report.

General requirements to qualify for a credit card

Every credit card issuer sets its own qualification standards when it comes to approving applicants for new accounts. Most credit card companies don't share their exact approval criteria with the public. However, here are some general requirements you might encounter when you apply for your first credit card accounts.



Confirmation of personal identifying information

When you open a credit card application, one of the first sections of information a card issuer will ask you to fill out has to do with your personal information. Be prepared to share details such as your name, address, phone number, email address, etc.

It's important to provide accurate information on any financing application. Credit card companies utilize fraud detection software to help them screen credit card applicants. If you provide false information on a credit card application, you could face fines and (in severe cases) even imprisonment.



Social Security number or Individual Taxpayer Identification number

Most credit card companies will request your social security number when you apply for a new account. In some cases, you might be eligible to open a credit card with an individual taxpayer identification number (ITIN) instead.

Note: An ITIN is a tax-processing number that nonresident and resident aliens can use to file tax returns in the United States. ⁵

Satisfaction of minimum age requirements

In many cases, you must be at least 18 years old before you're legally able to open credit in your own name. Yet thanks to the Credit CARD Act of 2009, you may need to reach the age of 21 to open a credit card unless you can prove an independent source of income. ⁶



Sufficient income

You'll need to disclose your income on your credit card application. The amount you earn can impact your ability to qualify for an account (and can influence your credit limit as well). Yet even more important than your income is how those funds relate to your existing debts. In other words, credit card companies care about your debt-to-income ratio.

A credit card issuer will evaluate whether you have enough disposable income to afford additional debt. If you're already overextended financially with the debts you owe, you might have trouble qualifying for a new credit card.



Note that the income you claim on a credit card application doesn't just have to come from a job.

Depending on the card issuer's policy, you might also be able to include other sources of income such as:



Household income

(from spouse, partner, etc. if you have reasonable access to the funds)



Investments



Retirement



Child support



Alimony



Part-time employment or side gigs



Public assistance

Minimum credit requirements

Credit card companies generally set minimum credit requirements you must satisfy to qualify for different credit card products. In many cases, a card issuer won't disclose the minimum credit score you need to qualify for a specific account. However, the card issuer may share its preferred credit score range—bad credit, fair credit, good credit, or excellent credit.

Because you know that a credit check is almost certain to occur when you apply for a new credit card account, it's wise to review your own credit information before you fill out any applications of your own. You can visit AnnualCreditReport.com to download free credit reports from all **three major credit bureaus** and you can access your **credit scores** online too.

Even if you believe you have no credit history, it's important to confirm that you are correct. **Credit reporting errors** and fraud happen to consumers in the U.S. on a daily basis. The last thing you want to do is fill out an application for a new credit card and discover an unpleasant surprise that could result in a denial of your request.





Ways to build credit

Opening a credit card can be an effective credit-building strategy. Yet there are other actions you can take that might help you build good credit as well. Below are four other methods to consider if you're looking for inspiration.



Credit builder loan



Authorized user strategy



Get credit for utilities and rent



Manage your accounts responsibly

Credit builder loan

A **credit builder loan** is a special type of installment loan that can help people with no credit or bad credit build positive credit history. With this type of account, you do not gain access to your loan proceeds right away. Instead, the lender holds onto the funds (minus interest and fees) until you make your final loan payment—reducing the bank’s risk and helping you build savings.

With many credit builder accounts, the lender will report your payment activity to one or more of the major credit bureaus. Self reports its credit builder loans, for example, to Equifax, TransUnion, and Experian. This agreement gives customers the opportunity to build positive monthly **payment history** on all three of their credit reports (as long as those same customers always pay their monthly payments on time).



Authorized user strategy

Another possible way to build credit involves asking a family member or friend for a favor. If someone you know is willing to add you as an **authorized user** onto their existing credit card account, that action could potentially improve your credit score.

Before the authorized user strategy can be effective, a few details need to be in order.

✓ **The account must be positive from a credit reporting standpoint (i.e., no late payment history and a low credit utilization rate).**

✓ **The credit card issuer must report account activity to the credit bureaus for both primary account holders and authorized users.**

If the credit card account is positive and it shows up on your credit reports, it might have a positive influence on your credit scores. At the same time, derogatory information on an authorized user account could impact your credit score for the negative as well.

One great feature of the authorized user strategy is the fact that you might be able to use this approach to add an older account to your credit reports. **Length of credit history** is worth 15% of your FICO® Score. So, if an authorized user account causes your average age of credit to grow older, all the better.

Get credit for utilities and rent

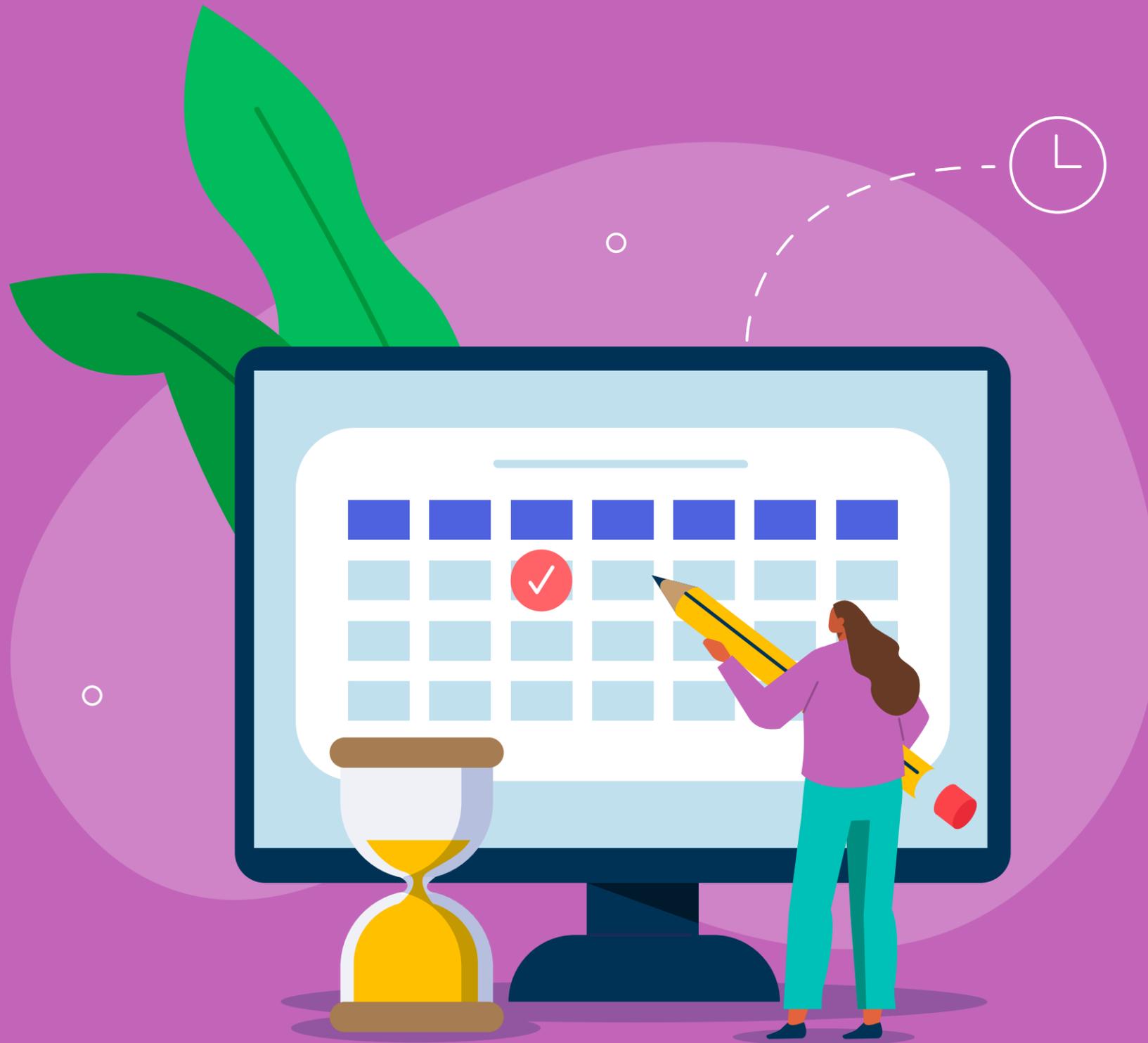
Before an account has the potential to build your credit scores it must first appear on one or more of your credit reports. Yet certain accounts don't appear on your credit reports at all. As a result, you may not be getting credit for the on-time payments you've been making for years.

On a positive note, you may be able to use a third-party service to add certain types of positive payment history to your credit reports. Here are two examples.

LevelCredit by Self: Add eligible rental tradelines to all three of your credit reports (Equifax, TransUnion, and Experian) and eligible utility tradelines to TransUnion. The cost for a LevelCredit subscription is \$6.95 per month. (Cancel anytime.) You may also add up to 24 months of past payment history with an optional LookBack product for a one-time fee of \$49.95. (Product requires an active subscription and eligibility requirements apply.)

Experian Boost®: Add eligible utilities, video streaming services, and rent to (only) your Experian credit report. There is no cost for the service.





WAYS TO BUILD CREDIT

Manage your accounts responsibly

No matter what type of account you open to build credit, it's essential to always pay on time. With credit cards in particular, paying your full balance each month is also important — both for your financial wellbeing and for your credit score health.

As you work to establish credit, it's smart to make a habit of reviewing your credit reports and scores often. Just like you would probably weigh yourself frequently if you were trying to lose weight, you want to make an effort to keep tabs on your credit progress too.



About Self.inc

Self is a financial technology company on a mission to give everyone the opportunity to improve their financial future. People who are new to credit and those without access to traditional financial products can face many challenges. Self aims to help solve many of these problems by making the process of building credit easier and more attainable.

Consumers can take advantage of three credit building tools — the Credit Builder Account, Self Visa® Credit Card, and rent and bill reporting. Each product provides customers the means to add payment history to their credit reports with the major credit bureaus.

Results are not guaranteed. Other factors, including activity with your other creditors, may impact results. Failure to make monthly minimum payments by the payment due date each month may result in delinquent payment reporting to credit bureaus which may negatively impact your credit score. This product will not remove negative credit history from your credit report.

The Self Visa® Credit Card is issued by Lead Bank, Member FDIC, Equal Housing Lender or SouthState Bank, N.A., Member FDIC, Equal Housing Lender. Individual results will vary. Visit self.inc for more details.



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