



FINANCIAL SERVICES PROFESSIONAL

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Building credit from scratch can be tricky and time consuming, and it requires excellent purchasing and payment

management skills. Many millennials express feeling frustrated in their attempts to build credit, since they are often denied lines of credit when attempting to apply. So what's going on?

Millennials Want to Build Credit, But Face Denial.

ID Analytics LLC – a consumer risk management research firm – conducted a [study](#) on millennials between the years of 2010 and 2015 and released their summary towards the latter end of 2016.

The purpose of this study was to prove that millennials are applying for credit, but that they are struggling with the frequency of denials. It also found that credit scores are not helping millennials, since the average age of their credit is low. This immediately puts them at a higher risk of having trouble obtaining new credit – or any credit at all, for that matter.

ID's research found that:

- Approximately 35 percent of new card applications are made by millennials.
- About 63 percent of young millennials do not have a credit card.

- Two-thirds of consumers under 30 have poor to good credit scores.
- Less than half of millennials have a credit score that is strong enough to qualify them for any kind of credit account.
- Six out of 10 millennials are denied and don't apply again for at least 12 months.
- Millennials are the largest generation of U.S. consumer but have lower credit activation rates than baby boomers.

According to this research

the biggest obstacle for millennials is poor credit scores and/or a lack of credit history.

It Takes Strategy and Time to Build Credit

If you have been denied credit recently, try not to become frustrated with the catch-22 of the credit reporting industry. Individuals often struggle with the fact that it takes credit to build credit, but you can't get credit without building credit. As such, lenders want you to reflect a historically strong credit profile without giving you a chance to build a strong profile... how does that make sense? It doesn't.

Financial and Credit Literacy Can Go a Long Way.

By using a strategy that works, you can build a nice credit profile. Here are some helpful hints:

#1: If you are being denied credit, stop applying randomly.

Hard inquiries (third party credit reviews) are factored into your credit scores and excessive applications can have a significant impact on the state of your already premature credit.

#2: Find a good secured credit card.

They're great for establishing credit history. Secured cards require a deposit, which is used as collateral for the credit card. By making timely payments to your creditor and maintaining low balance-to-limit ratios, you will build better credit scores. These cards usually charge a higher interest rate or annual fees, and some even charge high monthly fees due to the greater risk of the applicant. It usually takes about six months of having an active secured card for someone who is starting with no credit to acquire a credit score. When you apply, make sure that your payments will be updated to your credit – some secured cards do not get reported to the credit bureaus.

#3: Try to become an authorized user.

Ask to become an authorized user on the credit card account of an older friend or relative's with great credit history and responsible payment habits. (Though avoid AmEx – AmEx updates authorized user accounts with the date the users was added to the card rather than the date the card was opened. For an individual looking to build credit, this is counterproductive since it reduces the average age of credit.) After having the two accounts on credit for about eight months, you can pull your credit scores at MyFICO.com. (This is called a soft inquiry and will not impact scores.) Based on your new credit card FICO® scores, you can then apply to a regular credit card and build from there.

That said, it's important that you have at least one primary line when using this method. An authorized user account won't help unless you have some credit in your name.

What Do Your FICO® Scores and Credit Reports Say?

If you followed these tips, you should see the results of your **credit**-building efforts from the FICO® scores and reports that you pulled. Once you have a handle on where your scores stand, consider researching a credit card that is designed for customers with limited history.

Once you're able to get a primary line, make sure to use the card responsibly and always paying a large portion of the balance off each month. Keep in mind that since you still have limited history, your credit can be damaged more easily.

Eventually, you will want to establish varied types of credit. Having a nice variety of credit cards, installment credit – even, ultimately, a mortgage – can really improve your credit score over time. Mortgages especially help credit scores, since mortgages are the most difficult to qualify for.

If you're juggling various lines of credit, make sure that you're setting up a budget and payment reminders so that all your bills get paid on time. The last thing you need is to damage your credit after years of trying to build it! And remember, you have a lot of control over the health of your credit going forward. Only you can make sure to maintain and protect it.