

WHAT CREDIT SCORE DO YOU NEED FOR A CREDIT CARD?

Perfect credit? You don't need it to qualify for a credit card



By: Dan Rafter - April 22, 2021

Ready to apply for a credit card but worried that your three-digit credit score is too low?

Don't. It's true that you'll need a higher credit score to qualify for cards that come with generous rewards programs and low interest rates, but even if your score is less than stellar, you can still qualify for a credit card.

Juan Carlos Cruz, founder of Britewater Financial Group in Brooklyn, New York, explained that the relationship between credit cards and credit scores isn't a mysterious one.

"The higher your credit score, the more favorable credit cards you'll receive," Cruz said. "If you have missed payments or you are using most of the credit available to you already, those are signs that you are not using your trade lines responsibly. You won't qualify for the better cards because of that."

Here's a look at the credit scores you'll need to qualify for everything from no-frills basic credit cards to those offering big sign-up bonuses and hefty cash back bonuses.

What is a credit score?

Your credit score provides a quick look at how well you've paid your bills and managed your credit. The fewer dings – such as late payments, missed payments or high credit card balances – in your credit history, the higher your score will be.

FICO credit scores are the most important type of credit score when you're applying for credit or loans because they are the ones lenders and banks typically consider when judging borrowers. These scores run from a low of 300 to a high of 850. Most lenders consider FICO scores of 740 or higher to be excellent, and, if your score is that high, you should have little problem qualifying for the best credit cards.

Your score is made up of the information found on your three credit reports, one each maintained by the national credit bureaus of Experian, Equifax and TransUnion. These reports include several items:

- Balances on your credit cards and loans
- Any payments made 30 days or more after your due date on your credit card or loan accounts during the last seven years
- Any bankruptcy filings within the last seven or 10 years
- Any foreclosures on your record during the last seven years

While you can access each of your credit reports for free once a year at AnnualCreditReport.com, you can't get your official FICO score for free. You can buy it, though, from myFICO.

You can also get free credit scores, although these often ar-

en't the same FICO scores that lenders or credit card companies see when you apply. You can usually get these credit scores from your credit card companies, bank or credit union. And although these aren't "official" FICO scores, they will give you a good idea of how strong your credit is.

What credit score is needed for a credit card?

Tom Giancolo, chief credit risk officer with Mercury Financial, which has offices in Austin, Texas, and Wilmington, Delaware, said that consumers typically need a FICO score in the low 600s to qualify for a basic, no-frills credit card. For a basic rewards card, you'd need a score in the mid 600s to the low 700s.

And to qualify for premium cards with the most valuable rewards programs? That usually requires a FICO score of 740 or higher, according to Giancolo.

"Those rewards are expensive," Giancolo said. "The banks can't tolerate high loss levels if they are paying out that much in rewards expense. So they reserve these cards for the safest of applicants."

How to improve your score for better cards

If you want to improve your credit score, take two main steps. First, pay your credit card bills and any loans, such as student loans or a mortgage, on time each month.

Next, if you have credit card debt, pay off as much as you can. Using less of your credit limits will boost your score. Just be sure not to close any credit cards that you pay off, since closing the accounts will give you less available credit and hurt your credit score by lowering your credit utilization ratio.

Andrea Woroch, a consumer-savings expert in Bakersfield, California, said that another key to improving your credit score is to eliminate the negative spending habits that contribute to credit card debt. "Identifying and eliminating triggers that lead to impulse buys is key to keeping your credit in tip-top shape," Woroch said.

Woroch recommends that those who struggle with impulse buying should delete deal apps from their phones and unsubscribe from store newsletters to help eliminate the temptation to overspend.

What credit card can I get with bad credit?

Credit bureau Experian defines a very poor FICO score as being in the 300 to 579 range. If your score falls in this range of bad credit, you'll most often qualify for secured credit cards. These operate just like traditional credit cards, except their credit limits are tied to a deposit you make when applying for the card. For example, you might deposit \$500 with the card issuer and then receive a secured credit card with a maximum credit limit of \$500.

It's easier to qualify for these cards because banks are protected. If you fail to make your payments, the bank can pay them off using your deposit.

A good option is the Chime Credit Builder Visa card. This card charges no annual fee and requires no security deposit. It also charges no interest. This is still a secured credit card, but it was created to be paired with the Chime Spending Account. To use this card, you first open a spending account and then transfer money from that account to your Credit Builder credit card. That money you've transferred over acts as your credit limit.

You can qualify for other credit cards even if your credit is bad, including the Indigo® Platinum Mastercard® or the Secured Mastercard® from Capital One. Just be aware that such cards usually come with annual fees.

Few secured credit cards offer rewards, with the Discover It® Secured Credit Card being an exception. You can earn 2% cash back at gas stations and restaurants (up to \$1,000 in purchase per quarter) and 1% back on all other purchases. This card does not charge an annual fee, but you will need to make a security deposit.

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How to get a credit card with no credit

Some people don't have good or bad credit because they simply don't have enough credit history to have any credit score at all. It can be difficult for people who don't have loans or credit cards to build a credit history. And those with no credit scores might struggle to qualify for most credit cards.

A good option for those with no credit history is a secured credit card. Similarly to if you have a poor credit score, banks are more likely to approve you for a secured card because there is less risk to the bank thanks to that security deposit you put down.

"The bank already has your money," said Cruz. "There's no reason, then, for them to feel at risk. They will not be hurt financially if you don't pay."

Once you get that secured card, use it each month. As you pay off your bill in full with on-time payments each month, you'll slowly build a solid credit score.

Giancolo recommends that consumers who need to build a credit history consider private-label cards, too. These are credit cards issued by department stores, wholesale clubs and other retailers that can only be used at one specific store, and they rarely come with generous perks.

But Giancolo says that it is easier to qualify for these cards because they aren't as risky as traditional credit cards. And if consumers use them properly – charging what they can afford to pay off in full each month and paying their bills on time – they can build up a solid credit history to qualify for more traditional credit cards down the road.

Read the whole article at <https://bit.ly/32Fuj5L>

Juan Carlos Cruz, Founder of Britewater Financial Group, works hard to help his clients achieve financial freedom in retirement. After 18 years in the industry, Juan has vast knowledge in designing plans that fulfill his client's needs and objectives.



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