



# Building Credit Made Easy

---

Understanding How Secured Credit Cards Work

# Understanding How Secured Credit Cards Work

When it comes to building or rebuilding credit, secured credit cards have emerged as a powerful tool. If you find yourself in a situation where your credit history is less than ideal, a secured credit card can offer you a lifeline. In this article, we will explore how secured credit cards work and explain why is it best secured credit cards for bad credit. So, let's dive in!

# What are Secured Credit Cards?

Secured credit cards are similar to traditional credit cards, but with one fundamental difference. Unlike regular credit cards, secured cards require a cash deposit as collateral. This deposit serves as security for the credit issuer, minimizing their risk in case of default. The deposit amount typically determines the credit limit, which can range from a few hundred to a few thousand dollars.

# How Do Secured Credit Cards Work?

Secured credit cards function like any other credit card. You can use them to make purchases online or in-store, pay bills, and enjoy the convenience of credit-based transactions. The primary objective, however, is to demonstrate responsible credit behavior and build a positive credit history.

# Building Credit with Secured Credit Cards

---

## Consistent Payments:

Timely payments are crucial in building credit. Making your monthly payments in full and on time showcases financial responsibility, indicating to lenders that you are a reliable borrower.

## Credit Utilization:

Maintaining a low credit utilization ratio is key. This ratio is the percentage of your available credit that you use. For example, if you have a credit limit of \$500 and you have an available balance of \$100, your credit ratio is 20%. Keeping this ratio below 30% is generally recommended.

## Gradual Credit Limit Increases:

Some secured credit card issuers may periodically review your account and offer credit limit increases. This can positively impact your credit utilization ratio, making it easier to maintain a low ratio and build credit over time.

## Reporting to Credit Bureaus:

To effectively build credit, you need a secured credit card that reports your payment history to major credit bureaus. This allows your responsible credit behavior to be reflected in your credit reports and gradually improve your credit score.

# To Learn More About Secured Credit Cards

■ Visit  **NewHorizon.org**

or Call 702 979 1288