

How to Build Credit Without Credit Cards

The credit card industry may rather you not, but it can be done.



There are other ways to build credit besides taking the plastic route.

By [Geoff Williams](#) Sept. 3, 2015 | 1:24 p.m. EDT

It's conventional wisdom that using credit cards responsibly is the fastest and best way to build credit. It's also conventional wisdom that using credit cards can be the fastest, best way to [destroy credit](#).

That's why it's easy to understand why not everyone has or *wants* a credit card. In fact, recent evidence suggests that millennials are bucking the conventional wisdom. For instance, a Bankrate.com survey released last year found that more than 6 in 10 people ages 18 to 29 [don't have a credit card](#).

Some people "should really stay away from credit cards at all costs," says Michael Chadwick, a certified financial planner from Unionville, Connecticut. "They're like a drug."

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But whether you don't trust yourself with credit cards or simply don't want them, you should want good credit. After all, if you care to buy a house or a car, but can't afford big-ticket purchases without a loan, you won't get a low interest rate if your credit score is nonexistent or low.

Don't fret. If you're seeking to build credit without touching a credit card, you can explore these routes.

Build credit with student loans. According to some estimates, Americans owe \$1.2 trillion in [student debt](#), with interest rates as high as 6.8 percent on federal loans and 14 percent on private loans. According to a study from Edvisors.com, which helps educate students on paying for college, 2015 graduates left college with an average of \$35,051 in student debt. Average loan debt for tuition-paying parents currently stands at \$30,867.

It's depressing, but there is a bright side, according to April Lewis-Parks, director of education and corporate communications for Consolidated Credit Counseling Services, headquartered in Fort Lauderdale, Florida.

"In spite of the bum rap they're getting for all the problems they have potential to cause, federal student loans offer a unique opportunity for those with a limited credit history to get financing even if they have bad credit or no credit. As a result, they also offer a way for those individuals to build credit by paying those same loans off," Lewis-Parks says.

Build credit with a car loan. If you have a car loan, those on-time payments are being reported to the three major credit bureaus. The longer you make payments without a problem, the healthier your credit score will be.

Granted, many consumers get car loans by way of responsible credit card use. But it isn't impossible to get financing for a car without credit cards. If your bank or credit union knows you or your parents well, that may help you earn the trust needed to get a loan despite an absent lending history – especially if you're buying a [fairly inexpensive, used car](#).

Build credit with a bank loan. Similarly, if you're a regular at your bank, and the manager and tellers know you well, they will likely be more inclined to help you get a loan without much of a credit history, if they can.

If you have any savings or money invested in a certificate of deposit, the bank would likely let you use that as collateral for the loan, says Alisa Livesay, a certified public accountant and a lecturer at the University of Dayton.

Livesay also recommends exploring a credit builder loan. Some banks have them, but they're more popular with [credit unions](#). Some institutions offer them without any collateral – the credit union or bank just wants to see that you're a veteran customer and haven't racked up any overdraft fees for a length of time.

But in many cases, these loans work like a [secured credit card](#), where you put up a security deposit in case the loan goes south.

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Livesay explains that consumers pay the bank either a lump sum or monthly payments for a while. Once you've paid whatever the bank has asked, that's used as collateral for a line of credit, she says.

Build credit with your regular bills. While not very practical, this is a Hail Mary pass.

As you've probably noticed, it's kind of crummy that you can pay your cable bill on time, every month – for the next 20 years – but that won't show up as a positive on your credit history. However, if you run into tough times, and are very late with or don't pay what you owe, *that* unpaid bill will show up as a big fat negative on your credit history.

As it should. It's money you owe. But it may not feel fair.

Still, consumers who do pay their bills on time every month may wonder if they can leverage their responsible financial behavior and show lenders they're a good credit risk.

Yes, and no. For instance, Ken Chaplin, a senior vice president at TransUnion, one of the three national credit bureaus, suggests that if you're a tenant, "Ask your landlord to report your on-time rent payments to the credit bureaus." Although it's not a debt and won't impact your credit score, it does help show your payment history, Livesay adds.

One caveat: This creates extra work for the landlord, who may want to charge you for the hassle.

So using regular rent payments to demonstrate your financial responsibility will probably only work if you have an awesome landlord.

Meanwhile, there are services that enable self-reporting of utility payments and other bills you pay regularly, like RentalKharma.com, which reports rental payments to TransUnion and PRBC.com, which focuses on utilities. Some of these companies then create a report on you and can vouch for you as a third party when you apply for a loan.

That said, while these self-reporting companies can help you create a good credit history, they aren't all free services; what's more, many of them sell your data to payday and other lenders that offer subprime loans, exposing you to services that, if used improperly, could tear down your credit.

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Build credit with any non-plastic loan.

"Mortgage loans, home equity loans, home equity lines of credit, car loans ..." are all among the types of loans monitored by credit reporting agencies, says Rakesh Gupta, a professor at Adelphi University in Garden City, New York.

But if you want to borrow in the future, your past has to show that you've borrowed from *somewhere*, beyond family and friends, if you're not going the plastic route.

"If you never had a credit card nor took out any loan," Gupta says, "then your creditworthiness is undetermined."