3 Ways to Build Credit – Without Using Credit Cards

Alternative ways to build credit for those who prefer a life without plastic

By [Geoff Williams](http://money.usnews.com/topics/author/geoff_williams)

You've probably heard over and over that it's important to have a credit card or two and to use them responsibly if you want a high credit score. No doubt you've also been told that making monthly, on-time payments on your mortgage and car are other ways to keep your credit score healthy and impress lenders. All true.

Your credit score – for young adults perhaps just joining the credit conversation – is the number credit bureaus offer up as a symbol of your ability to repay a loan. Generally, the credit score number everyone is concerned with is the FICO credit score, which ranges from 300 to 850. The higher your score, the more likely lenders will want you to borrow money from them, and the better interest rates they'll offer.

But what if you would like to see your credit score climb – but you're not crazy about having a credit card? What if you live in an apartment or a yurt and thus aren't making mortgage payments? What if you live in the city and take the subway? What then? Here are some somewhat under-the-radar ways to build credit for those who prefer the road less traveled.

Use your rent payments to build credit. For most of credit and rental history, on-time rent payments haven't officially counted as a sign of someone who is responsible with money.

Things are slowly changing, however. Since 2011, Experian has included rent payments in consumers' credit histories. But it isn't automatic. If you want your rent payments to be included, you need to be proactive and opt in.

There are a number of websites that will send rental-payment information to the credit bureaus, but according to WilliamPaid.com CEO Jeff Golding, his site is the only one that has an official partnership with one of them: Experian. Consumers who visit WilliamPaid.com can register and pay their rent through the site, and it'll be reported to Experian (it's free if you opt for electronic withdrawal; if you pay with a credit card or debit, it's 2.95 percent of the total payment; if you pay in cash, a $10 flat fee).

If you're late with your payment, Golding says his company will report that information to Experian but thankfully, not before checking with your landlord first. "We'd make sure, for instance, that the landlord didn't tell the tenant not to pay rent because they said they'd first fix a leaky faucet," Golding says.

Get a credit builder loan. This is a suggestion from John Ulzheimer, credit expert for CreditSesame.com, a free web tool that, among other things, helps consumers manage credit. Ulzheimer says credit builder loans are typically extended by credit unions, precisely to help members build or rebuild credit reports and credit scores. Some community banks also offer them.

"The loan is approved for some small amount, normally not much more than $1,000," Ulzheimer says. "But instead of the consumer getting that $1,000 like they would with a normal loan, the money is placed into an interest-bearing account with the credit union. The consumer makes payments monthly, and after a year or two, the loan is paid off, and the funds, plus interest, are released to the consumer."

Ulzheimer adds that because the loan was an extension of credit, the credit union can report the loan to the credit bureaus. "Everyone wins," he says. "The consumer gets the benefit of the account on their credit reports, plus the loan proceeds with interest. The credit union has an almost risk-free borrower and a happy member."

Just make sure the credit union or bank policy is to actually report the credit building loan to the credit bureaus. And consider that you could be socking away money in a bank account instead, creating something of an emergency cash stash. In other words, it's going to be a good idea for some people but unnecessary for others.

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1. Who is the information in this article directed towards?
2. What are the two ways suggested in this article that people can build credit?
3. How can this information be helpful for you to build credit appropriately?