



Learn Everything You Need to Know About Getting a Secured Credit Card

Description

Secured cards are one of the finest solutions for folks who are new to credit or have less-than-perfect credit. Here's how secured cards work, what credit you'll need to get one, and how to switch to an unsecured card.

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There are a number of credit cards on the market that are designed to help you develop or rebuild your credit. Secured cards are one of the finest solutions for folks who are new to credit or have less-than-perfect credit.

As long as you follow appropriate credit conduct, you can use a secured card just like a standard (called unsecured) credit card to help you create good credit.

Select explains how secured credit cards work, what credit is required to receive one, and how to switch to an unsecured card.

How do protected cards function?

A secured card is similar to an unsecured card in that it provides a credit limit, might incur interest charges, and may even earn rewards. The key distinction is that you must make a deposit (known as a security deposit) in order to obtain a line of credit. Your credit limit is normally determined by the amount you deposit.

Deposits normally begin at \$200 and can go up to \$2,500. A \$200 security deposit will result in a \$200 credit limit. You'll need to deposit more money if you want a higher credit limit.

If you default on payments, the money you deposit serves as collateral, but it is fully refundable in one of two ways: pay off your balance in full and close your account, or upgrade to an unsecured card.

Secured credit cards provide many of the same benefits as standard credit cards, but they are usually easier to obtain if your credit history is weak or non-existent.

The only significant difference, aside from the needed security deposit, is the interest rate. Secured cards typically provide all customers a single variable interest rate, such as 24.99 percent. Meanwhile, an unsecured card frequently includes a range, such as 13.99 percent to 24.99 percent. In most circumstances, the higher your credit score, the cheaper your APR. Because secured cards frequently have a single, relatively high APR, it is critical that you always pay on time and in full to prevent interest penalties.

How secured cards can help you build credit

When you use a secured card responsibly, making on-time and full payments, this information is transmitted to the three major credit agencies, Experian, Equifax, and TransUnion, which helps increase your credit score and puts you on track to qualify for an unsecured card.

Because payment history is the most essential aspect in your credit score, it is critical that you always pay on time. If you routinely make on-time payments with your secured card, favorable information will be transmitted to credit bureaus, assisting you in the development of credit.

Which secured credit card is best for you?

When selecting a secured credit card, there are a few factors to consider: how much of a deposit is necessary, how can you transfer to an unsecured card (more on that below), and can you earn rewards?

The Discover it® Secured Credit Card is a solid secured card choice that requires a \$200 deposit but comes with some nice features. There are no international transaction fees or yearly fees, and you can earn rewards (2 percent cash back at petrol stations and restaurants on up to \$1,000 in combined purchases each quarter, then 1 percent, and unlimited 1 percent cash back on all other transactions automatically).

If you're looking for a card with a lower deposit requirement, try the Capital One Platinum Secured Credit Card. You'll still get a \$200 credit limit if you qualify for the low \$49 or \$99 deposits.

How to Switch from a Secured to an Unsecured Credit Card

While a secured card is an excellent way to develop credit, it is not a long-term solution because you must deposit money to acquire a credit limit. You'll eventually require an unsecured card with a higher

credit limit and no deposit.

The transition from secured to unsecured card differs depending on the card issuer. Some card companies may conduct periodic account reviews to determine whether you are eligible for an unsecured card. Beginning seven months after account opening, Discover will automatically assess your credit card account to see whether they can transition you to an unsecured line of credit and repay your deposit.

If your card issuer does not provide an automatic upgrade option, you can simply phone the number on the back of your card and request that it be converted to an unsecured card. They may switch you to a card that does not demand a security deposit. You should be informed that a credit check may be conducted.

Because some card issuers do not provide a transfer process, you will have to apply for an unsecured card and close your secured card account. Experts normally do not advise shutting credit cards, but secured cards are different since you must put up collateral.

Before you close a secured card, make sure you apply for and are authorized for a new one. It may be more difficult to be accepted if you close your card before opening a new one.

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