

How to Build US Credit as a New Immigrant

Jane Mepham, CFP®

Founder & Principal Advisor



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INTRODUCTION

The number one question I get from foreign-born families (immigrants) and foreign nationals on work visas is :

“How do I go about building my US credit history”.

In this eBook, I’m going to break it down. I’ll answer

- What US credit score is.
- What it’s used for and why it’s important.
- How to start building it with zero credit history.
- How to improve and maintain your credit score.





CHAPTER ONE

What is a US Credit Score?

HOW IT IMPACTS YOUR FINANCES

The US financial system uses the credit score **to judge you financially**.

The score is used to decide if you can be trusted, if you are responsible, and **gives employers** a general sense of your decision-making skills.

- A [credit score determines your likelihood of paying back debt](#).

Third-party lenders use it to assess the risk of lending you money.

They use it to determine the type of interest rate to give you – high or low.

- **Apartment owners** rely on it to decide if you are worthy of becoming their renter.
- **Auto and homeowners' insurers** rely on it to decide what rates you should pay.
- Other providers use it to determine [the size of the initial deposit required to obtain a smartphone, cable service, or utilities](#).

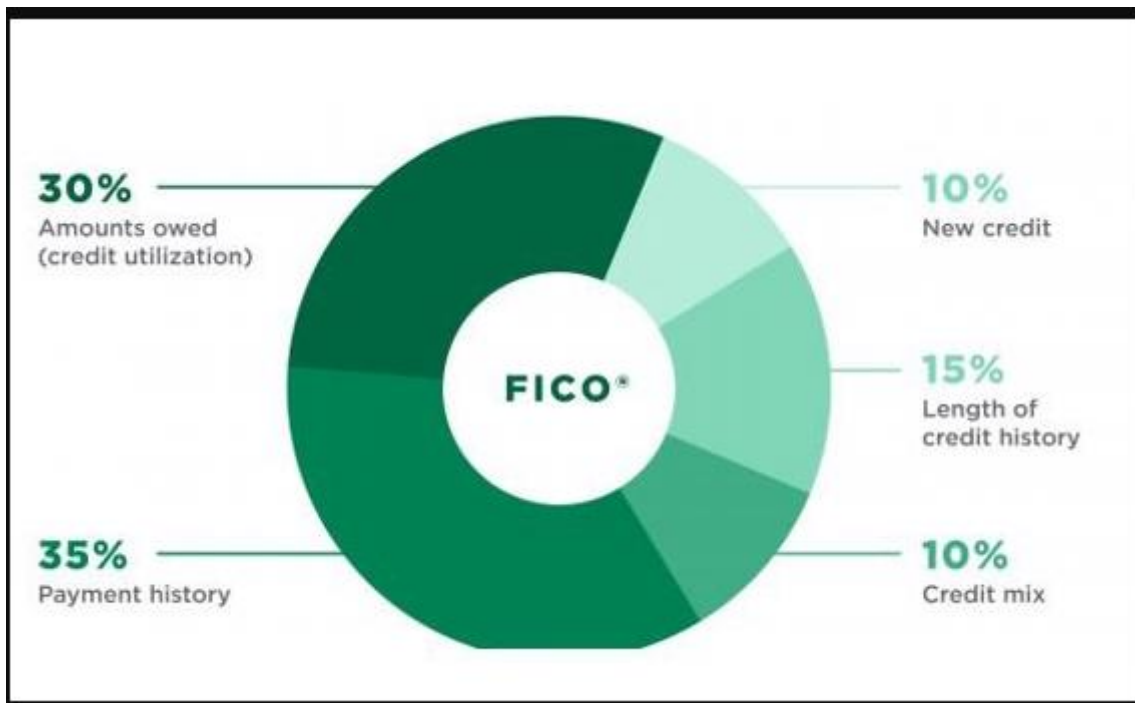


CHAPTER TWO

How Your Credit Score Is Calculated

CREDIT SCORE MATH

- There are three major credit reporting agencies
 - [Experian](#)
 - [Equifax](#)
 - [Transunion](#)
- They gather your financial/credit data and use it to calculate your credit score as follows.



From NerdWallet

CREDIT SCORING

There are different scores calculations. The most common one is FICO, created by the [Fair Isaac Corporation \(FICO\)](#).

- Used by over 90% of lenders to judge your creditworthiness.
- Each agency has its own rating – potentially giving you three FICO scores.
- Needs credit history of at least 6 months.
- Ranges from **300 to 850** based on the above percentages

| | | |
|---|-----------|-------------|
| ▪ | 800 + | Exceptional |
| ▪ | 740 – 799 | Very Good |
| ▪ | 670 – 739 | Good |
| ▪ | 580 – 669 | Fair |
| ▪ | < 580 | Poor |

Another option is [VantageScore](#)

- Developed by the three agencies as an alternative to the FICO score.
- Combines the data from the three for a single score.
- Will work with history less than 6 months.

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CHAPTER THREE

Immigrants & Foreign Nationals On Work Visas Credit History

CREDIT INVISIBLE

This is the current reality for most [immigrants](#)

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Zero
Credit
History = Credit
Invisible

You could move to the US with thousands of dollars in your bank account, but still, struggle to rent an apartment based on your **non-existent US credit history.**



CHAPTER FOUR

How to Start Building US Credit History

CREDIT BUILDING BLOCKS

- Apply for a [Social Security No](#) or [ITIN Number](#)
 - In some cases, you may be able [to apply for the SSN in your home country when you apply for your immigrant visa](#)
- Be very patient
- Become a student - Learn everything you can about the US financial system

The next couple of pages will give you specific action items to get started on this journey



OPEN A BANK ACCOUNT

A banking relationship is critical as you navigate the US financial landscape.

- **Start with your local banks and local credit unions:** If no good move to a bigger bank. Alternatively, take advantage of your international roots.
- **International bank accounts:** If your home bank has a presence in the US, they may be willing to open a US account before you move here. Examples of this are Citibank and HSBC. The Initial deposit and monthly fee may be high, but probably worth it if starting out
- **Partner banks:** Check with your home bank and confirm who their partner bank is in the US. While still in your home country, they may be willing to help you open a US bank account to be ready for you when you land.

APPLY FOR A CREDIT BUILDER LOAN

The loan helps you build credit if starting from scratch but works differently from a traditional loan.

- You apply – if approved they deposit the money into a secured savings account in your (borrower's name) or a CD.
- You pay it off via a fixed monthly payment which will show a consistent payment history.
- The lender reports the payment to the credit agencies.
- They range from 6 to 24 months and the interest they charge will vary.
- At the end of the payment period, the lender releases the principal back to you and occasionally may include some interest.
- Understand the terms of the loans and only do it, if you can afford it.

USE YOUR FOREIGN CREDIT REPORT

Use the cross-border credit bureau [Nova Credit](#). A fintech that partners with credit bureaus in other countries, **like Canada, India, Nigeria, South Korea etc.**

- With your permission, they'll share your foreign credit history (translated to **US equivalent score**) with US lenders to judge your creditworthiness.
- If your country is included on their growing list, you can apply for US credit cards like **American Express** and **Citi** and start creating your US credit history right away.
- Some of these cards don't need a SSN or ITIN number, but always good to check with the card issuers.
- **Nova Credit** has also partnered with other business entities, that will allow you to get auto loans, student loans as well as apartment rentals.

A SECURED CREDIT CARD

Apply for a credit card and put down a certain amount as a security deposit. The deposit becomes your credit limit.

Requirements :

- A US bank account for the security deposit.
- A SSN or ITIN number.

Likely to have a high interest rate, but if you pay on time, you can avoid the monthly charges.

There is no difference in how they report the card's activity to the credit bureaus.

Shop around for a card that has

- No annual fee.
- Reports to all three agencies.
- Gives you a grace period to pay your monthly charge.

Keep credit utilization low (about 10% to 30%).

- Over time apply for an unsecured card and in some cases, the credit issuer will offer you a new card unsolicited.

CC THAT USE OTHER FACTORS BESIDES CREDIT HISTORY

These cards use other factors to determine creditworthiness.

Examples of the factors are

- Income.
- Employment history.
- Banking history (Cash Flow).

An example of this type of credit card:-

DESERVE EDU CARD

- On their website, they state they don't need an SSN to apply (but check since terms tend to change constantly)
- Great for those new in the country on a work visa.
- Deserve EDU is marketed as a great option for international students.

PETAL CREDIT CARDS

- You don't need a SSN, an ITIN will suffice
- You give them access to your banking info via a third-party provider
- Can use major international banks like HSBC and Deutsche if no local banks

CO-SIGNER OR BECOME AN AUTHORISED USER

You benefit from somebody's else good credit history. The cosigner needs to understand that they are on the hook for the balance if you ever fail to pay.

- **When you become an authorized user** on somebody's else card, you get your own credit card linked to the primary holder's account. Similar to co-signing, the primary holder is responsible if you don't pay your bills on time.

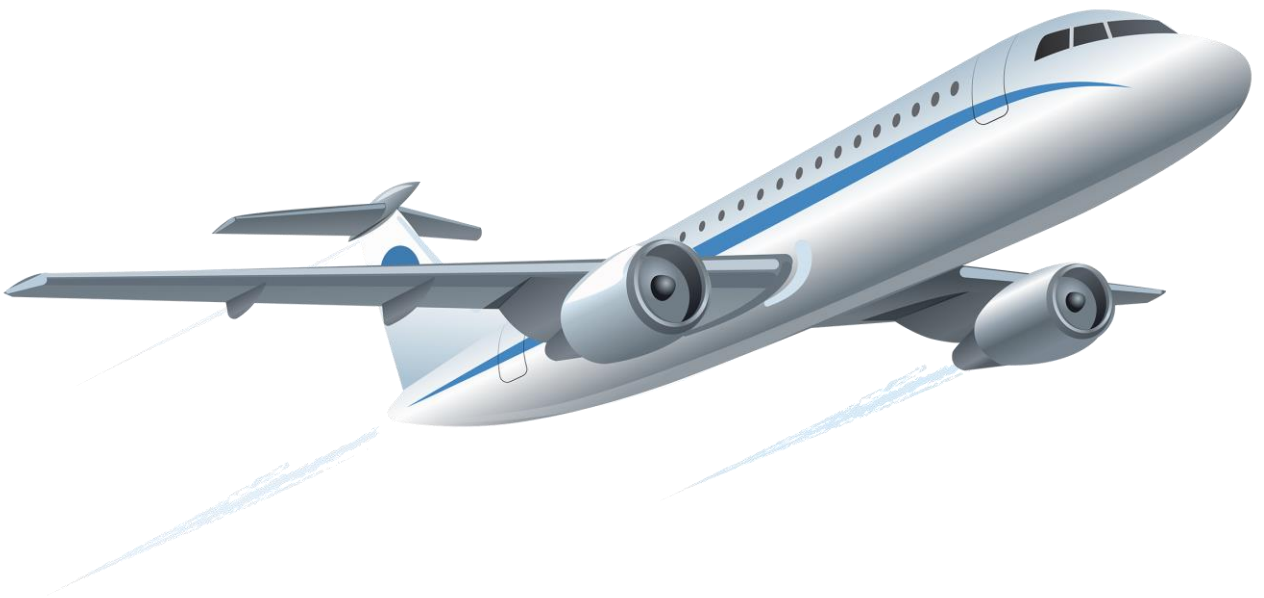


- Most major credit issuers allow for this arrangement but check with them on what the credit reporting requirements are.

TRANSFER FOREIGN CREDIT CARD TO THE US

The [American Express Global Transfer Program](#) will let you use your **American Express account history** from your home country to apply for a US credit card.

You can apply for different credit cards, but the typical response is to give you the same card as what you already have in your home country.



NON-CREDIT CARDS WAYS OF BUILDING CREDIT HISTORY

FOREIGN EXECUTIVE LEASE PROGRAM

- The program gives international employees relocating to the US on a temporary work basis (non-immigrant), [the ability to lease a new Ford or Lincoln vehicle at a Tier 1 Rate Cap.](#)
- A lot of work visas qualify - L-1, H-1B, TN, and E-3 (Australia). E-1 and E-2 visas don't qualify since not work visas.

ON-TIME PAYMENTS

- If you have an apartment, a cell phone, or another utility where you are making payments regularly, put the payments on automatic.
- The smooth payment history will help build your credit history.



CHAPTER FIVE

Maintaining & Improving Your Credit Score

IMPROVE YOUR CREDIT SCORE OVER TIME

- Pay your bills on time and in full.
- Keep an eye on your credit report. You can get an [annual free report](#) from each bureau giving you 3 reports per year.
- Keep your credit utilization low.
- As you get more credit cards, refrain from closing old ones, but if you do, have a plan in place to avoid a hit on your score.
- Keep the accounts active even if it's just charging one small item every couple of months.
- Be patient, it will take some time.
- Treat any services that offer to help you raise your scores with some suspicion.

With the above, you'll be well on your way to building US credit allowing you to become credit visible.

OTHER RESOURCES

The following resources might come in handy if you are new in the country.

- [How To Determine Your Tax Residency Status – It's Not The Same As Your Immigration Status](#)
- [New Job On H-1B Visa: How To Succeed Financially](#)
- [How To File Taxes The First Year As An Immigrant](#)
- [The Top 5 Things To Know About FBAR Filing](#)
- [Taxable Brokerage Accounts + The Special Use Case For Foreign-Born Families](#)
- [The IRS Taxes US Citizens and Green Card Holders On Worldwide Income – What You Need To Know](#)
- [What Does A Financial Advisor Do Anyway?](#)
- [The International Money Cafe Podcast](#)

*Do You Need Help
With Your US
Finances?*

[Let's Chat](#)

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***Do not walk on this journey
alone!***