

Secured Credit Cards

Are you thinking about opening a secured credit card? Shop around using the guidelines below. You can consider any of the cards listed here, ask your local bank or credit union, and do your own research on what card works best for you!

Guidelines for Considering Any Secured Credit Card:

- Make sure the **minimum opening deposit** fits your needs.
- Find a card that will report your credit activity to the **three major credit bureaus**.
- Look for cards with **no annual fees**.
- Look for cards with a **low APR**. APR is the amount of interest you'll pay on the card, stated as a yearly rate. A lower APR translates to lower monthly payments. But remember, you can **avoid any interest payments by paying off your card's balance in full each month!**
- Ask what are the **penalties for late or missed payments**.

***Credit Tip:** When you have a card with a low limit (for example, many of the cards below have an opening deposit/credit limit of \$200), it is essential to keep your balance low! **Only use your card for small purchases**, and aim to keep the total balance under \$50 at all times.

A Few Secured Credit Card Options:

All cards listed here report to the three major credit bureaus.

Discover It Secured Credit Card

Minimum opening deposit: \$200

Annual fee: None.

APR: 23.24% (variable)

Penalty APR: None

Late payment fee: None for the first late payment. After that, up to \$35.

Pros:

- **Free TransUnion FICO score** is included on your statement each month.
- Includes **"cash back"** rewards on your purchases: 1% on all purchases, and 2% on restaurants and gas stations.
- At the end of your first year, you will automatically be evaluated to see if you qualify for a traditional credit card. If you do, you will receive your security deposit back and enjoy a smooth **transition to an unsecured card**.

Cons:

- Applying will result in a **hard inquiry** on your credit report.
- Applicants with very low scores or a bankruptcy appearing on their report **might not be approved**.

Secured Credit Cards

Capital One Secured Mastercard

Minimum opening deposit: \$200

Annual fee: None

APR: 24.99% (variable)

Penalty APR: None

Late payment fee: Up to \$35

Pros:

- You have the potential to qualify for a **credit limit** that's higher than the security deposit you put down. For \$49, \$99, or \$200 (depending on your credit), you can get a card with a limit of \$200.
- You might qualify for an **increase in your credit line** after demonstrating a history of on-time payments, with no additional deposit required.

Cons:

- This card has slightly stricter eligibility standards, so there are reasons you **might not qualify** (for example, if you have a bankruptcy still on your credit report, if you have a very high rent-to-income ratio).
- Applying will result in a **hard inquiry** on your credit report.

OpenSky Secured Credit Visa Card

Minimum opening deposit: \$200

Fees: \$35 annual fee

APR: 17.39%

Penalty APR: 21.75%

Late payment fee: Up to \$27

Pros:

- No credit check (and **no hard inquiry**) when you apply.
- You **do not have to have a bank account** to qualify.

Cons:

- **Annual fee** of \$35.
- Consumers report some **delays in customer service**.
- Primarily beneficial for individuals who **do not want to open a bank account**.

Metro Credit Union (for Massachusetts residents)

Minimum opening deposit: \$500

Fees: \$59 annual fee waived for Compass clients.

APR: 15.9%

Penalty APR: 18%

Late payment fee: Up to \$10.00

Pros:

- **Local option** for Massachusetts residents.
- Metro Credit Union also offers a "**credit builder loan**," a secured option to generate installment loan history for limited or damaged credit.

Cons:

- **High** minimum opening deposit.