

Determining Fit and Need for a Secured Credit Card

Success with a secured credit card is impacted by the circumstances the client faces, the habits they build around repayment, and knowledge surrounding the product. For this reason a product that works well for one client may not be the best option for another. This guide has four steps to be used by financial coaches to determine if a secured credit card is a good fit for their clients.

Identify goals

In order to assess whether or not a secured credit card is right for a client you must find out the client's goals as they relate to credit.

Analyze the report

Once you identify the client's goals you will need to analyze their credit report. Primary components of a report include identifying information, collections or public records, tradelines, and inquiries. Identify the number and type of positive reporting tradelines. Consider the questions below to determine if the client has a need for a secured credit card.

- Do they have fewer than 3 active tradelines, or lack a mix of revolving and installment lines?
- What is the client's payment pattern on active lines?

Determine need and fit

Now that you have the client's goals and have analyzed their credit report, it is time to determine if a secured credit card is a good fit for the client. It is vital that a secured credit card aligns with the credit needs of the client. Does it help the client establish credit and fit their financial habits? For example, a low-interest rate card would be a good fit for someone who plans to have a rolling balance.



STRONG FIT

- No credit or few active lines of credit
- Denied products or services in the past and looking for a fresh start
- Recently discharged from a bankruptcy

WEAK FIT

- Client has 3(+) active lines of credit (with a variety of installment/revolving)
- Active trade lines are not paid on time
- Client's monthly budget has no room for a monthly credit card payment
- Client is preparing for bankruptcy or is currently in non-discharged bankruptcy
- Product does not align with goals

