



# How Credit Affects Housing in the United States

# How Credit Affects Housing in the United States



Securing affordable housing — either to rent or to buy — often involves many steps and eligibility considerations. One important requirement and eligibility factor that plays a major role in the housing market is a person’s individual credit score.

This resource serves as a beginner’s guide to understanding how an individual’s credit score affects applying for, obtaining, and maintaining stable housing. It then explores best practices to establish and continue building good credit.

This guide is designed to assist those who may not have existing credit and/or a credit history, such as but not limited to, immigrants, refugees, and other newcomers. The guide could also be applicable to recent high school graduates and/or college students who may qualify as ORR-eligible populations.

<b>What is Credit</b>	<b>3</b>
<b>How to Build Credit</b>	<b>3</b>
<b>How Credit Can Affect My Ability to Rent</b>	<b>7</b>
Applying to Rent a Unit	8
<b>How Credit Can Affect My Ability to Buy a House</b>	<b>8</b>
<b>Paying Rent on Time: Everyday Ways to Build Credit</b>	<b>9</b>
<b>Conclusion</b>	<b>9</b>
<b>Resources</b>	<b>10</b>

## What is Credit

Credit and credit history are a record of the borrowing history found in a person's credit reports. Good credit (a score between 690 and 719) makes it easier to borrow money and will likely give a person better terms, such as lower interest rates, on financial products. Scores are assigned based on reports made to the three main credit bureaus in the United States: [Experian](#), [Equifax](#), and [Transunion](#). These credit bureaus collect and compile credit history for individuals based on their borrowing history, including rate of payment and non-payment on loans and credit cards. These reports can then be accessed by lenders — or housing providers — when they receive an application.

However, an individual does not automatically have credit. For people who have grown up in the United States, most individuals begin to establish credit through starting their first job, opening a bank account, and when they pay their own bills. Newcomers to the U.S., however, arrive without a U.S. credit score and without credit history in the U.S. Even if they have a history of on-time payments, assets, and credit history outside of the U.S., they will likely be starting over in terms of building credit when they move to the United States.

"In the United States, credit is how lenders determine if someone is worthy or safe to lend money to. This can determine if you are eligible to buy a car or a house, go to school, be approved for an apartment, or even a job. It is essential to establish and maintain a good credit score." — [Budgeting and Financial Literacy for Renters Toolkit](#) (Refugee Housing Solutions, 2025)

## HOW ARE CREDIT SCORES DETERMINED?

Credit bureaus use a standard set of percentages to determine credit scores, and they can be broken down as shown in the table below. Additional information on credit scores can be found [here](#).

Factor	%	Explanation
Payment History	35%	<ul style="list-style-type: none"><li>• This is the most significant factor.</li><li>• On-time payments on credit cards, loans, and other debts are crucial.</li><li>• Late payments, missed payments, and collections negatively impact your score.</li></ul>
Amounts Owed	30%	<ul style="list-style-type: none"><li>• This refers to how much debt you currently owe.</li><li>• High credit utilization (using a large portion of your available credit) can significantly lower your score.</li><li>• Aim to keep your credit utilization below 30%.</li></ul>
Length of Credit History	15%	<ul style="list-style-type: none"><li>• A longer credit history generally indicates a more stable financial history.</li><li>• Factors considered include the age of your oldest account, the age of your newest account, and the average age of all your accounts.</li></ul>
Credit Mix	10%	<ul style="list-style-type: none"><li>• Having a mix of credit types (e.g., credit cards, installment loans like mortgages or car loans) can positively impact your score.</li></ul>
New Credit	10%	<ul style="list-style-type: none"><li>• Opening multiple new accounts within a short period can slightly lower your score.</li><li>• Credit inquiries for loan applications also have a minor impact.</li></ul>

Source: [Understanding Credit Scores](#)

## How to Build Credit

A person can build their credit over time by utilizing some best practices such as paying bills on time every month and using 30% or less of the total credit available to them. The following list gives a few additional examples of ways in which an individual can improve their credit score.

- As a first step, to use paying bills as a way to build credit, it is important to **have bills listed in the name of the person trying to build credit**. This may look like one person's name on the electric bill, another's on the internet bill, and perhaps a third name on the gas or water bill. If all working adults are contributing to paying the bills, then listing each of their names on the various bills can benefit their individual credit scores.



For example, a new refugee family should ensure all working adults have a bill in their name, as well as their names on the housing lease contract. This allows all adults to have trackable credit. This is the same for a new college student living with roommate: try to have at least one bill in each roommate's name, in addition to having all names listed on the lease contract.

- **Open a financial account** at a bank or credit union. This will be a necessary first step for anyone living on their own, regardless of the circumstances, in order to make payments and establish savings. This is an important step for establishing financial history in the United States. Additionally, many credit applications also ask for financial account information.

## DIFFERENCES BETWEEN A BANK AND A CREDIT UNION

**“Like banks, credit unions accept deposits, make loans, and provide a wide array of other financial services. But as member-owned institutions, credit unions focus on providing a safe place to save and borrow at reasonable rates. Unlike banks, credit unions return surplus income to their members in the form of dividends.”**

— [MyCreditUnion.gov](https://mycreditunion.gov)

Other important differences are that **credit unions usually offer lower interest rates on loans compared to banks, while banks may offer lower interest rates on deposit accounts compared to credit unions.**

For more information on credit unions, visit [MyCreditUnion.gov](https://mycreditunion.gov).

- **Explore credit card options.** Credit cards are important tools for establishing credit — however, it is important to understand how to use credit cards responsibly. The best practice is to use a credit card responsibly and to treat the credit card the same way a debit card is used: only paying for things for which the cost can be repaid immediately with cash payments from the card owner's bank account. This works best for smaller, everyday purchases that are affordable and that the card owner can easily pay off every month. In general, it is recommended to not open a credit card until you have stable employment and income to pay off any credit card expenses.

Without established credit, some credit cards will not be accessible. However, there are starter credit cards that do not require credit history, as well as some other options:

### Secured Credit Card

These types of credit cards are designed for people with bad or no credit. They require a security deposit, often around \$200, and the security deposit is often equal to your credit limit (the amount you can spend on the card before you have to pay it down again). If you have paid off the card, then you will receive the security deposit back when you close the card.

### Student Credit Card

Students may be able to open a student credit card, which may not require a credit score or a security deposit.

### Hybrid Debit/Credit Card

Check with your bank; they may offer a joint debit/credit card that does not require a credit score. It may require a security deposit to open but could offer greater flexibility than other credit cards.

- **Credit-BUILDER Loans:** Credit-builder loans can be especially helpful for those with zero credit in the United States. Functioning differently than other, more traditional loans, Credit-builder loans exist for the sole purpose of building credit. The money is not for the borrower to use but is held as savings, and the borrower pays it back while the lender (usually a credit union, community bank, or nonprofit organization) reports payments to the credit bureaus to build the borrower's credit. The borrower can usually pay the loan back in small payments over 6 to 24 months. Once all the payments are made, the borrower receives the full amount they paid. In this way, a Credit-builder loan serves to save money while simultaneously building credit.

Examples of Credit-builder loan products include: (remember, be sure that the lender is reporting payments to the credit bureaus):

#### – Credit-Building Ladder Loan

- » [The Center to Economic Opportunity \(CEO\)](#), a branch of the International Rescue Committee (IRC), offers special Credit-Building Ladder Loans to newcomers who participate in credit education classes and are looking to build their credit. "CEO's Credit Building Ladder is a series of three (3) installment loans with 0% APR, which helps borrowers build credit over several years." Learn more about CEO's Credit Building Ladder [here](#).

#### – Credit-Building Loan through a local Credit Union

- » Ask your local credit union if they offer credit-building loans. This may be easier if you already have a bank account with the credit union. Read more about credit-building loans [here](#).

## – Lending Circles

- » Lending Circles are not a new concept. In fact, for many cultures — and before formal credit and loans were available — they have been the primary mode of community asset building. Lending circles usually involve a group of around 9-12 people who agree to pay into a joint “pot of funding,” while everyone continues paying into the funding pot. Each participant gets their turn to receive funding put into the pot. Traditionally, when done informally in communities, this does not improve a person’s credit score.
- » Several platforms have formalized this process, for example [Mission Asset Fund \(MAF\)](#) and [Esusu](#), and they offer lending circle programs that also report payments to all three credit bureaus to help participants build their credit. Formal Lending Circles like those offered through MAF and Esusu can be a good option for those who are not in urgent need of the funds a traditional loan provides but are looking for a consistent way to improve their credit score.
- » Lending Circles may also be a better option for some cases because they are usually interest-free, which may be important for some people if they practice a religion which prohibits or mitigates financial products that employ usury/interest.<sup>1</sup>

Not all financial products help build credit. Make sure you confirm with the lender that any credit card or credit-building loan is reporting activities to at least one of the credit bureaus (Experian, TransUnion, and Equifax are the three credit bureaus in the United States; see the [What is Credit?](#) section for more information). This is critical for building credit history and establishing a credit score.

---

<sup>1</sup> [The Burden of Interest: Why Islamic Law Prohibits Usury](#) (The Islamic Circle of North America)

## How Credit Can Affect My Ability to Rent

Credit is one of the primary mechanisms landlords and property management companies use to vet a prospective tenant's ability to consistently pay rent.

A person's credit score can often indicate if they are consistent with paying bills on time, or if they simply leave debt to pile up and do not pay back their loans. This is why most housing providers are looking for both income and credit score eligibility. **Income indicates the person's ability to pay rent now, and a credit score can indicate the likelihood that the person will follow through with those payments.**

### What do landlords see when they look at an applicant's credit report?

- Applicant's debt accounts (such as credit cards and loans), with their balances and minimum monthly payments
- Applicant's [credit card utilization](#) (their balances relative to credit limits)
- Payment history, including late and past-due payments, on debt accounts
- Negative information such as loan defaults and accounts in collection
- [Bankruptcy](#)
- [Foreclosures](#) and [repossessions](#)

**\$ Bankruptcy:** "Bankruptcy is a legal process designed to help consumers obtain relief from debt they can't afford to repay while also ensuring that creditors receive some payment based on the borrower's financial situation and assets." — [Experian.com](#)

**\$ Foreclosure:** "Foreclosure is when the lender takes action to satisfy the homeowner's debt out of the sale of collateral (the homeowner's property) when the homeowner fails to make payments on a mortgage. Foreclosure processes differ by state." — [Consumer Finance.gov](#)

**\$ Repossession:** "Some forms of credit require a physical or financial asset — known as collateral — to secure what you borrow. Repossession occurs when your lender seizes this asset because you defaulted on what you owe." — [Equifax.com](#)

**\$ Lenders:** This term is usually used to talk about a financial institution (like a bank, investment company, or a loan-giving branch of the government) that lends money for medium to large purchases. Lenders may offer different types of loans (for example, a house loan like a mortgage, a personal loan for various uses, or a loan for education). Lenders usually charge interest to the borrower (a percentage of the loan) in order to make money. They also set the terms of the loan, such as how much time the borrower has to pay back the loan.<sup>2</sup>

Lenders and landlords are looking for a "good" credit score (650-670+) when choosing to approve or deny an application, but they may also accept the minimum credit score. Some landlords may be a bit more flexible and consider other factors such as the applicant's income and the number of people working in the household.

---

2 [Understanding Lenders: Types, Decisions, and Loan Qualifications](#) (Investopedia, 2025); [What is a Lender? Financial Terms to Know](#) (Rocket Loans, 2025)

## Applying to Rent a Unit

When applying for an apartment, critical considerations are 1) **sufficient monthly income (usually at least twice the rent)**, and 2) **a good credit score**.

If someone does not have current income and a good credit score, a landlord may ask to see a bank statement to prove the applicant has enough money in savings to cover rent and ask for a co-signer or a letter of recommendation to indicate the likelihood that the applicant will make payments on time.

- **Letter of Recommendation:** A letter from a former landlord, or someone the applicant paid rent or repaid a loan to, outlining why they will be a good tenant and assuring they are reliable in paying their debts and monthly living expenses.
- **Co-signer:** Unlike the letter of recommendation, this is a legal agreement in which someone who has a high credit score and assets will co-sign and become equally liable on a lease contract, alongside the tenant. This means if the tenant does not/is not able to pay the rent, the co-signer becomes responsible for paying. This also includes damage to the apartment.

## How Credit Can Affect My Ability to Buy a House

Credit scores also indicate if a person is able to pay back large loans or credit card limits within a specific timeframe, which is critical when applying for a mortgage to buy a home.

Lenders may have different credit score requirements to qualify an individual for a mortgage. However, the higher the credit score, the better. In general, a higher score indicates to a lender that the applicant is trustworthy to pay their debts in a timely manner. When it comes to homebuying, a higher credit score may open options for lower interest rates as well as the possibility of better downpayment plans. Depending on the type of mortgage an individual receives, there could be different credit score requirements.

Different credit score requirements also mean that each mortgage loan may have different requirements regarding [downpayment](#) and [repayment](#). Therefore, it is very important when looking at different mortgage products — no matter what credit score a person has — to compare mortgage loan products, ask questions, and choose the one that best fits the specific financial situation.

For example, a conventional mortgage may typically be approved if a person's credit score is **over 620**.

However, some government-backed mortgages (such as [Federal Housing Administration](#), [Veterans Affairs](#), or [United States Department of Agriculture](#) mortgage loans) will approve those with lower credit scores.

**\$ Downpayment:** "A down payment is a sum a buyer pays upfront when purchasing an expensive good such as a home or car. It represents a percentage of the total purchase price, with the remainder paid by a lender." — [Investopedia](#)

**\$ Repayment:** "Repayment is the act of paying back a lender the money you've borrowed." — [Investopedia](#)

## Paying Rent on Time: Everyday Ways to Build Credit

One underutilized way to build credit is to have rental payments reported to the [credit bureaus](#) who collect and compile credit history for individuals based on their borrowing history. If a tenant regularly pays rent on time, then this can be a great way to build credit, especially for newcomers since rent and housing payments are usually the first big payments they make in the United States.

Reporting to credit bureaus does not automatically happen after rental payments, and landlords must actively report payments. In fact, fewer than 5% of tenants' rent payments are reported to the credit bureaus, according to a survey conducted by the [Urban Institute](#). If a tenant's landlord is not reporting their rent payments to credit bureaus, there are some alternatives tenants can suggest — but they may come with a cost.

There are services like [Experian Boost](#), which allows a tenant to report their monthly payments directly to their own credit file with Experian, or Transunion's [ResidentCredit](#) which allows landlords to report their tenants' payments to TransUnion (two of the three main credit bureaus). According to the Urban Institute, public providers like "[Fannie Mae](#) and [Freddie Mac](#) have begun providing free or substantially discounted rent reporting services to landlords of their multifamily properties." Other private companies, like [Avail](#), [Esusu](#), and [Bilt](#), also offer these options, usually with a small monthly payment of around \$5 added to the rent to process the payments.

Tenants can also ask their landlord to enroll in a rental payment reporting service to report payments to the credit bureaus. It is also important to remember that this would also mean reporting late or missed rent payments, which could damage credit if an individual gets behind on timely payments.

## Conclusion

Building healthy credit is an important financial tool in the United States, especially as it relates to securing quality housing. A good credit score is valuable when applying to rental units and can be built through a myriad of ways, including paying rent on time.

By applying the best practices suggested in this resource to build credit in the U.S., both prospective tenants and renters alike have the opportunity to support their own upward housing mobility — whether that is to maintain their current housing, rent a nicer place, improve their credit score for future economic stability, and/or to buy their first home.

# Resources

## 1. What is Credit?

- [Budgeting and Financial Literacy for Renters Toolkit](#) (Refugee Housing Solutions)
- [Understanding Credit Scores](#) (Stoneport)

## 2. How to Build Credit

- [Start Building Credit](#) (Bank of America)
- [Building Credit as an Immigrant](#) (TransUnion)
- [Establishing Credit History](#) (Brown.edu)
- [Building Credit](#) (Experian)
- [How Can Immigrants Build Credit](#) (Experian)
- [Credit Unions vs. Banks](#) (NerdWallet)
- [Ways to Start or Rebuild a Good Credit History](#) (ConsumerFinance.gov)
- [Basic Banking and Credit for New Americans: Understanding and Building Your Credit in the U.S.](#) (California Department of Financial Protection and Innovation)
- [What is a Lending Circle?](#) (Experian)
- [Mission Asset Fund: Lending Circles](#)
- [Esusu](#)
- [Alternative Financing: Issues and Opportunities for Lenders and Interest-averse Populations](#) (Federal Reserve Bank of Minneapolis)
- [The Burden of Interest: Why Islamic Law Prohibits Usury](#) (The Islamic Circle of North America)

## 3. How Credit Can Affect My Ability to Rent an Apartment or House

- [What Credit Score Do You Need to Rent an Apartment or House?](#) (MyFICO.com)
- [What Do Landlords Look for in a Credit Check?](#) (Experian)
- [What is a Credit Utilization Rate?](#) (Experian)
- [Bankruptcy: How It Works, Types and Consequences](#) (Experian)
- [How Does Foreclosure Work?](#) (Consumer Financial Protection Bureau)
- [What is Repossession and How it Works](#) (Equifax)

## 4. How Credit Can Affect My Ability to Buy a House

- [What Credit Score Is Needed To Buy a House?](#) (TransUnion)
- [How Credit Scores Affect Your Mortgage Rate](#) (Bank of America)
- [FHA Loans](#) (U.S. Department of Housing and Urban Development)
- [VA Home Loans](#)
- [USDA Loans](#)
- [Understanding Down Payments: Definition, Requirements, and Benefits](#) (Investopedia)
- [Understanding Repayment: What It Is and How It Works for Loans](#) (Investopedia)

## 5. Paying Rent on Time: Everyday Ways to Build Credit

- [Does Renting an Apartment Build Credit?](#) (Experian)
- [How Renting Can Affect Your Credit](#) (TransUnion)
- [Rent Reporting Can Help Build Credit. Why Aren't Smaller-Property Tenants Opting In?](#) (The Urban Institute)
- [Positive Rent Payment](#) (Fannie Mae)
- [Freddie Mac Multifamily Grows Renter Credit Building Initiative](#)
- [Avail](#)
- [Esusu](#)
- [Bilt](#)

## 5. Building Credit for Children

- [How to Build Your Child's Credit](#) (Experian)
- [Why Adding a Child as an Authorized User Might Not Help Their Credit](#) (NerdWallet)
- [How to Establish Credit History for Your Child](#) (Chase)

## FEEDBACK

Refugee Housing Solutions wants to hear from you about the quality, relevancy, and helpfulness of our resources and tools.

Help us improve our offerings by completing this [short form](#).

You may also scan the QR code to access the form on another device.



[www.refugeehousing.org](http://www.refugeehousing.org)

Refugee Housing Solutions is a project developed by Church World Service (CWS) and paid for in part by an agreement with the U.S. Department of Health and Human Services. CWS received a cooperative agreement through the U.S. Department of Health and Human Services, Administration for Children and Families, CA #90XR0092.

The contents of this resource are solely the responsibility of the authors and do not necessarily represent the official views of the U.S. Department of Health and Human Services, Administration for Children and Families.