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Will Adding an Authorized User Hurt My Credit?

What Is an Authorized User?

An authorized user is a person who has the authority to use another person's credit card account. In many cases, the authorized user receives a credit card in their name. Unlike co-signers and joint account holders, authorized users aren't financially responsible for making payments.

Typically, cardholders only add someone they trust, such as a child or significant other, as an authorized user. There are a few reasons a cardholder might want to add an authorized user to their account, including:

- To help the person build their credit history
- To make it easier for the authorized user to make payments when the cardholder isn't available
- To allow someone to make purchases on the cardholder's behalf

The primary reason a person wants to become an authorized user is that they're unable to secure a credit card on their own. For example, a child may not have the established credit to get a credit card, so a parent adds their child as an authorized user under their account.

Authorized Users Versus Joint Accounts

Authorized users aren't the same as joint account holders. Authorized users can charge money to your account, but they can't add other authorized users and they can't dispute charges. They also can't request credit limit increases, transfer balances, or close your account.

In contrast, joint account holders can do all of those things and more. Joint account holders are jointly liable for the account, and they're also jointly liable for repayments.



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How Do Authorized Users Work?

The process of adding an authorized user to your account varies between credit card companies. Some credit card providers may have age and other requirements that must be met before you can add an authorized user. You may also be able to set limits on how much the authorized user can charge to your credit card.

You'll need basic information about the person you're adding, such as name, date of birth, and Social Security number. You should contact your credit card company directly to see how this process works.

Once the application process is complete, the authorized user receives their card. They can use it just like any other credit card. Depending on the specific credit card company and your preferences, you may be able to give the authorized user access to your account information so they can track packages and report a lost card, errors, or potential fraud. Keep in mind that giving the authorized user access to your account may also allow them to see your purchase history and redeem special rewards.

It's important to note that authorized users don't receive credit card bills and aren't responsible for making payments. This responsibility lies solely with the cardholder.

Can I Build Credit as an Authorized User?

For a long time, authorized users were able to build credit by "piggybacking" on the primary account holder's own good credit record. Many modern scoring models no longer recognize this loophole—but a few still do. If you're hoping to build credit by becoming an authorized user, you need to do two things:

1. Check if the card company reports authorized users to credit bureaus.
2. See if authorized users are reported as if they're account holders.



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If the account holder's card company does report authorized user activity, you'll see an individual account on your credit report. Providing the primary cardholder continues to make payments and handle the account responsibly, you'll likely benefit from the listing.

Can Adding Authorized Users Hurt Your Credit?

Before adding an authorized user to your credit card account, you need to ask yourself several questions.

- Does adding an authorized user affect my credit?
- Will adding an authorized user hurt my account?
- Will adding an authorized user help their credit?

The answer to these questions depends a lot on your specific credit card company. Not all credit card companies report authorized users to the credit bureaus. If your credit card company doesn't report authorized users, adding them to your account will have no impact on their credit score. If, on the other hand, your credit card company does report authorized users, it can help them start building up credit.

Either way, adding an authorized user to your credit card account shouldn't automatically effect your credit history. However, there are several ways taking this step could hurt your credit score over time.

First, if the authorized user charges too much to your credit card, you may have difficulty making your monthly payments. Payment history makes up 35% of your FICO score. So if you can't make your monthly payment because of charges accrued by an authorized user, your credit profile, and wallet, could take a hit. If possible, set limits for how much your authorized user can charge to your credit card account. This step can help to reduce the risk of overspending.

Secondly, additional charges to your credit card account can also increase your credit utilization ratio. The more you charge to your credit card, the higher your credit utilization



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ratio is. Your outstanding debt accounts for about 30% of your overall credit score. You should try to keep your debt ratio under 30%.

What if an Authorized User Misuses Their Card?

Let's imagine you are the primary account holder, and your teenager is the authorized user. What would happen if they decided to buy a new wardrobe without telling you? The answer is simple—you'd be on the hook for the whole amount. Your wallet could take a serious hit.

Does Removing an Authorized User Hurt Their Credit?

If your authorized user doesn't behave, you can remove them from your account pretty quickly. At that point, they can no longer use their card and can't charge any more money to your account.

Credit age history makes up 15% of your credit score. If your credit card company previously reported the authorized user as an individual account holder and they suddenly get removed from your account, the removal might look like a closed account, regardless, it will likely be removed for age calculations. In that case, the formerly authorized user's credit score could dip.

Does Being an Authorized User Affect Your Credit?

Becoming an authorized user could affect your credit if the credit card company reports your status to the credit reporting agencies. If the credit card company doesn't report your authorized user status, taking this step won't impact your credit score at all. However, you'll still have the benefit of charging purchases to a credit card.

How being an authorized user impacts your credit depends largely on the cardholder's payment history. If the cardholder has a strong history of making on-time credit card payments, it could help you build your credit and increase your credit score. On the other hand, if the cardholder has frequent missed or late payments, it could hurt your credit score.



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It's important to understand the cardholder's credit history before agreeing to become an authorized user. It's also important to repay the cardholder for any purchases you make as quickly as possible. This step will help the cardholder make their payments on time.

How Long Does It Take an Authorized User to Show Up on Credit Report?

It takes about 30 days for your authorized user status to reflect on your credit report. However, not all credit card companies report authorized users to the credit bureaus. In these cases, your credit report may never show that you're an authorized user.

What to Consider About Authorized Users

If you want to build your credit by becoming an authorized user, start by talking to friends and family members you trust. Be sure the cardholder has good credit and makes on-time payments.

If a friend or family member agrees to add you as an authorized user, it's important to set clear boundaries right from the start. For example, determine your specific credit limit right away and whether the cardholder wants you to ask for permission before using the card.

You also need to make a clear payment agreement. Determine exactly how much you'll pay each month and the date monthly payments are due. Make sure you create a budget so you know exactly how much you can afford to pay each month. Also, be sure to track your purchases so you know exactly how much you owe.

It's crucial to have this agreement in place before becoming an authorized cardholder. This agreement allows you to know exactly what's expected of you. It can also help you determine if this is the right option for you.

Four Tips to Bear in Mind

1. Set clear spending rules before you make family members authorized users.



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2. Talk to prospective authorized users about credit, including credit utilization.
3. Set up text message alerts to make sure you know when authorized users make purchases.
4. Remove authorized users if they don't stick to the rules you make.

Simply Adding Authorized Users Won't Hurt Your Credit—but Be Careful

Ultimately, authorized users aren't a threat to your credit unless they misuse your credit card account. Many authorized users coexist happily with main account holders for many years. Problematic authorized users, unlike joint account holders, can be easily removed.