

Understanding Credit – An Informational Guide for Teens

What is a credit score?

Your credit report is a record of your credit history. It tells companies how you have managed money in the past and helps them decide whether to do business with you. Starting out in life with a good credit score will open doors for you that you can't even imagine. Credit scores can be a factor in hiring decisions and is used by lenders in making a decision about loaning you money for a car, car insurance or getting a credit card or other purchases. It can also be used in deciding whether you will make a good tenant when it's time for you to rent an apartment.

How to build and maintain good credit.

A good credit report comes from good money management. This happens slowly, over time, as you begin to apply for credit such as for your first credit card, a car loan, etc. It is important to pay your bills on time, every time. It is also important to not get into too much debt. Even if you pay bills on time, too much debt can also affect your credit score.

What is included in my credit report?

- Your name, social security number, current and past addresses and employers.
- Your history of paying bills, including what was borrowed and dates of the loans.
- Public records such as court judgments (if you fail to repay a loan) or bankruptcies (a legal action where you petition the court to be relieved from your debt).
- Credit history inquiries (Any company that has looked at your history).

Not just anyone can see your credit report - only those with a business need that you have approved.

How long are items on my report?

Accounts are generally reported for 7 years. If you fail to pay a debt today, it will show up on your report 7 years from now. If you file for bankruptcy, this information will be reported for 10 years.

As you move towards independence (and after), it is important to know what is on your credit report. Sometimes there are mistakes that could have a negative effect on you.

How to protect my credit?

- Keep your birth certificate, Social Security card, driver's license, credit cards and other important information in a safe place.
- Do not share this information with anyone.
- Check your credit report before applying for a student loan, your first apartment or credit cards.

You may check your credit report for free every 12 months by going to

www.annualcreditreport.com

Good luck in taking the first steps in successfully building credit!