



TEENS – Credit 101

When used wisely, credit can be a great tool for getting what you need and reaching your financial goals. The key is to do your research and be smart about credit decisions. Here are some basic things you should know about credit.

Credit Scores

FICO Credit scores are used to evaluate your borrowing potential. Scores range from 300 – 850. If your score is 680 or above, you're considered a great borrower. If your score is below 680, you will probably pay more for a loan. There are five factors that determine your score:

35% is based on payment history.

30% is based on the amount you owe.

15% is based on the length of your credit history.

10% is based on new credit and the number of times you ask for credit.

10% is based on your credit mix (installment loans, like a mortgage, and revolving loans, like credit cards).

Credit Reports

Your credit report is like a report card about your financial history and habits. You should get a copy of your credit report once a year and ensure the credit history being tracked for you is correct. If there is an error on your report, contact your creditors and have it corrected. There are several credit reporting agencies that offer free credit reports. Visit the Federal Trade Commission's www.annualcreditreport.com to make your request.

Credit Card Tips:

- Pay your bills on time.
- Keep balances low on credit cards and other revolving credit.
- Don't hold too many credit cards, close cards that you're not using.
- If you see your debt increasing, develop a plan to turn it around and stick to it!
- Contact your creditors or see a credit counselor if you're having trouble making ends meet.