



## Credit Know-How Transcript

Welcome to Money Talks, a series of podcasts developed by Oklahoma Money Matters, the financial literacy initiative of the Oklahoma College Assistance Program and the Oklahoma State Regents for Higher Education.

Today's topic is credit. We'll discuss ways for you to build a solid credit history and manage your current credit debt. Let's get started.

Have you ever been short on cash and asked a friend to spot you? Simply put, that's the role of credit...providing money today that you'll repay at a later date, plus interest. Credit plays an important role in our lives. Few of us could buy a car or other big-ticket item without it.

Maintaining a good credit history is one of the smartest things you can do. If you don't have a credit history, here are some options you may want to consider to build one.

- Apply for a low, fixed interest rate credit card. Don't be distracted by freebies or incentives. Look for a card that doesn't have an annual fee and provides a clear explanation of late fees and charges for courtesy services, like cash advances.
- Apply for a credit card issued by a local store. Local businesses are often more willing to extend credit to someone with no credit history.
- Ask a financially wise friend or family member to help you build a credit history by serving as a co-signer on your account. By co-signing, this person agrees to repay the debt if you don't.

Now that you have credit, you'll want to manage it wisely. The easiest way to manage your credit is to refrain from spending money you don't have. The fastest way to get in debt is to spend with the attitude, "I'll pay it off later!" If you don't have the money to buy an item with cash now, what makes you think you'll have money to pay it off once the bill comes? It's best to pay off your credit card balance at the end of each month, before interest can accrue. To make this easier, keep your credit limit low - under \$500 if possible.

When making large purchases, it's best to save up and pay cash. Sometimes that's not possible. If you must make a large purchase, like a laptop for school, using a credit card, always have a repayment plan in place *before* you charge it. For example, if the laptop is \$800 and you can pay \$100 toward the debt each month, commit to do so until the debt is paid off.

Making only the minimum required monthly payment is not an ideal plan. Always make more than the minimum payment to get out of debt faster. If you paid only the minimum due on a \$1,000 balance at 18% interest, it would take you 8 years to pay off your debt! By the time your debt is paid off, will you still have or even remember what you bought?

Want to know more about responsible credit use? Check out this list of credit dos and don'ts.

- Do get a credit card to help you build your credit history, but stick with one. Having more than one credit card can be too tempting.
- Don't use your credit card to pay tuition or school-related expenses. It's more cost effective to turn to federal student loans, which have lower interest rates and flexible repayment options.
- Do pay your bills on time, every time. Paying bills late can negatively affect your credit rating.
- Don't max out your credit card. Always make sure you have available credit on your card in case of emergency.
- Do keep an eye on your account. Help prevent identity theft by watching for purchases you didn't make and contacting your creditor if you notice anything unusual.

Remember, your credit history isn't a slate that's easily wiped clean! Mistakes made early in life can affect your ability to obtain credit or reasonable interest rates down the road. Likewise, positive choices you make while you're young can put you on a path to future financial success. The choice is yours!

Thank you for joining us on Money Talks! If you'd like more money saving tips, check out our website, [Oklahoma Money Matters dot org](http://OklahomaMoneyMatters.org). Until next time, make your money matter!