

## Advice for Graduating Seniors

by Kate Alexander for *The Sturbridge Times*, June 2018

It is that time of year when the many events begin happening for many of our graduating high school seniors. I overhear copious amounts of unsolicited advice on a daily basis now. So I thought I would offer some as well. And this is super important, so please have your senior or anyone entering into this next phase of life read this. I would like to offer you advice on beginning your relationship with "credit."

### Dear Senior:

**Congratulations. YOU made it this far.** NO more bells telling you when to pass to the next class. No more attendance or dress code policies to worry about. And in most cases a little more freedom from your parents.

But it is not all good. In all likelihood, this will be your first step to establishing your financial independence. I don't mean that you will be paying for everything by yourself, but it will likely be the first time that you create your unique credit history. Most often a first loan — a credit card — is applied for after high school graduation. And yes, a credit card is essentially a loan. Car loans and student loans will follow, and those at this point in your life likely have a co-borrower until you establish your credit.

This step in creating your credit history is super important. It will stay with you for a very long time, and your habits will stay with you for a lifetime. As a person in the banking world who gets to see applications for credit, I want to share with you some important things.

### It counts now.

The history you establish with your first established credit relationship can be a great thing as you build your credit. My longest credit relationship began in college with a credit card I established. Having a relationship for over 20 years is a great thing on your credit report. Length of relationship can have a positive impact on your score, assuming it is on time, not maxed out and you are making regular payments.

### Don't fall for introductory offers or prizes to apply for credit cards.

You will be wooed by all sorts of creditors either by mail, on campus or online. Some will offer you the immediate satisfaction of a free t-shirt or some other gadget or prize. You apply; you get the gadget, and boom, now you have

a \$500 credit line. Specialty stores in the mall will offer a % off to apply and use their card. But that is just the problem. If you USE these cards, remember you will have to pay them back. I have seen too many credit reports where a young adult has small credit card relationships that they did not pay on and "charged off" that have a lasting detrimental effect on their credit score. Often these credit cards also have a higher rate. Do your research and be careful!

### Not all credit is bad.

This is your chance to start a lifelong great relationship with your credit bureau report if you take it seriously and are diligent. Having a credit card that you use and pay on time can help you to establish a great credit history. Paying a little more than what is due, or even paying it off monthly can be even better. Additionally when you have your first credit card, it will help to establish the history you need to apply for your next loan, which is likely a car loan. You usually cannot get a car loan without some type of credit history or a cosignor. When a bank or creditor looks and sees that you make on-time monthly payments on your credit card, they will be more inclined to believe you will make the payments on the vehicle loan they are considering granting you.

### Don't max it out.

If you obtain a new credit card, use it as your chance to show your awesome repayment skills. A good rule of thumb would be to use less than 40% of your available credit. Again, make the payments on time and even attempt to pay down your credit line regularly.

### It all adds up.

When a bank or creditor is evaluating you on your application for credit, they take into account your ability and willingness to repay your loan. If you get a credit card when you are 18 that you don't make the payments on, you likely will not get that car loan. And when you eventually need more credit — let's say a mortgage for a home or condo — this same history will be evaluated. Some future employers will even do a credit check on you.

So it adds up. Stack the odds in your favor for these life milestones by establishing great payment history and credit now. You will be rewarded with better rates and terms and that will snowball for you.

### Begin monitoring your credit score.

There are quite a few useful apps that will allow you to track your credit health on a weekly or monthly basis. Do your own research, but I happen to like Credit Karma and Credit Sesame. As with anything online, do your homework and make sure it meets your security standards. If you start to see a negative trend, be sure to make larger payments and pay on time to your established loan. You are entitled to a free copy of your credit report annually by writing to the credit bureaus. Those bureaus are Equifax, Experian or Trans Union. You can find access to that report online faster than I can type it for you I am sure.

I know all of this must sound either unimportant or confusing. But when you are at that tailgate and there are tables set up with vendors offering you a free Yeti with application for a credit card, think carefully.

I am not telling you what to do — you each have parents for that — but just remember that this credit relationship has lasting effects on your future ability to borrow. *Effects that are both good and bad.*

Best of luck before you enter the next phase of your life. (And oh, remember to save before you spend this summer!)