



7 Things College Students Should Know About Credit

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Opening a credit card when you're young can be a helpful way to achieve a strong credit score in the future. The length of your credit history is equal to 15% of your FICO credit score. The earlier you establish credit, the longer your credit history becomes and credit score calculators consider this a plus.

But it can only work to your advantage if you commit to managing credit responsibly and educating yourself on the rules and best practices surrounding credit usage and credit health. This includes credit cards, student loans and other types of credit.

Are you, or someone you know, heading off to college in the fall?

Below are 7 things students should know about credit.

1) Student loans can help establish credit.

While a large part of your credit score relies on how well you manage revolving debt, like a credit card, student loans also play an influential role. Student loans and mortgages, which you pay back in equal installments every month, are what are known as installment loans. Be sure to stay current on your student loans and make your payments on time. While student loans are often hailed as "good debt," a missed payment or delinquency can make life miserable.

2) Credit cards are not free money.

It's easy to spend when using a credit card. In fact, research shows it's a lot less painful than using cash. Only spend what you can pay back in full, reconciling the bill with an automatic transfer from your checking or savings account when the balance is due. This way you're still "using" the card, but not making it all too convenient to swipe (or dip, as it now is). All the while, you're establishing great credit.

3) Bad behavior can haunt you for years.

Just like with student loans, one missed payment on a credit card can stain your credit report for years. Later, when you've graduated and long forgotten about the incident, a future lender or landlord might take that into account as they review your credit report. They may think twice about lending you money or even offering you the keys to a lease. Steer clear of late payments by automatically scheduling payments to your credit card each month.

4) Talk to a parent or older friend before opening a card.

As part of your due diligence, before opening a credit card, speak with someone older and more experienced, such as a parent or older friend. How did they establish credit? What credit card do they have and why? Or, of course, ask us for advice!

5) Can't qualify? Avoid co-signing with parents.

If you're under the age of 21 and don't have income to prove you can afford credit card payments, you may be tempted to ask a parent to co-sign the credit card offer with you. But realize that you are putting a parent equally on the hook for payments. If you can't make a payment, the card issuer goes after the co-signer.

Instead, consider becoming an authorized user on one of your parent's cards. Their good behavior with the card - paying on time and in full - is something that gets reported on your credit report and boosts your credit health. On the flip side, you may not want to go down this path if mom or dad is not financially responsible. Negative activity on the card also gets reported on your credit report.

6) Avoid applying for multiple cards.

Each time you apply for credit, the lender or card issuer reviews your credit profile by pulling your credit report. This is considered a "hard inquiry," and multiple hard inquiries can injure your credit score by several points. Hard inquiries usually lose their impact after a year, but better to do your research and be very selective.

7) Check your credit report. It's FREE!

It's important to periodically review your credit report to ensure your credit usage is being reported accurately.

Take a close look all the types of credit listed on the report and the status of each credit card or loan. This is important because information recorded on a credit report directly impacts your credit score.

It's your legal right to review your credit report at no cost each year from each of the three major credit-reporting agencies.

Visit annualcreditreport.com to download your credit report from Experian, Equifax and TransUnion.

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