



Introduction to Credit

Credit Learning Center



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An overview of credit with it's impact on our lives and wallets.



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Credit Fundamentals

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Introduction to Credit

Everyone needs to have good credit. And if you follow the tips and tools provided here you can be one step closer to that goal, but before we can talk about the steps we need to understand what credit really is.

Credit is defined as the provision of money, goods or other services with the expectation of future payment. What that means to you is that credit will allow you to obtain something without having the money to back it. This allows us to buy fancy electronics or even buy our own home. Credit is a blessing for most people as it allows them to obtain something they could never afford and pay on it slowly over time. But nothing comes for free. Everything costs something and credit costs interest on top of the total amount borrowed.

Most people look at the problem with our economy today and the total debt of Americans and say to themselves, "I don't need credit. I've done fine without it this long and look what it's doing to everyone else." But there are quite a few reasons to own a credit card in today's world. The first thing you should think about is the security. If someone were to steal your wallet then all the cash you have been carrying around to buy those unexpected things is theirs and there is no way for you to ever get it back. If someone grabs your credit card all you have to do is contact your cards issuer and you are no longer held responsible for what happens with that card.

Another important thing to think about with credit cards is the Emergency help. Say you car was running great and then when your money is a little tight it decides to break down. If your money was already tight then there really isn't any way for you to get extra money to fix the car. But if you have a credit card you can charge for the repair now and slowly pay it off until a time when you are sitting in a better financial chair.

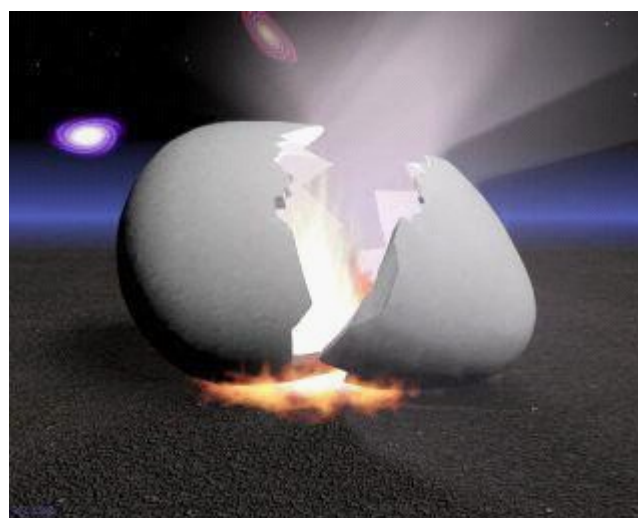
How about the traveler? Credit cards are perfect for travelers because you'll find that renting a car or a hotel without one is worse than a visit to the dentist. The credit card is a universal guarantee of your good credit here in the USA and in another country. And if you need cash you can take your credit card to any ATM or Bank.

But let's not forget the convenience it has with shopping. When you have a credit card you don't have to carry around large amounts of cash. A Credit card will thin that wallet down a bit so that it's not so uncomfortable to sit on. Not to mention the fact that a credit card is much faster than paying by check and more convenient than cash. It is also one of the only hassle-free ways to shop online.

Now that you know a little about good credit let's talk about something else that is almost just as important. A Credit Report. A Credit report is almost like your facial resume, it details your previous bills and how you paid them, if they were on time and if you used financial aid tools. When you apply for any kind of credit people look at your credit report to see if you are a worthy investment. A Credit Report is your financial report card, if you will.

It is a detailed report of how well you pay your bills and debts and even how well you maintain your checking account and debit cards.

There are three major bureaus, or groups, that monitor credit activity. They are Equifax, Experian, and TransUnion. These groups collect your credit information and compile the data into your credit report.



A lot of things can be seen on your credit report and all of the information is kept for long periods of time, also known as your credit history, so it is important for you to review your credit report at least once a year and to make sure that everything is accurate.

Why is it important to have good credit history though? Well truthfully credit history is the key to your future. Good credit will open the doors you need and bad credit will ensure that they remained bolted closed. A lot of the important people and organizations that you may need help from view your credit history to decide if they will help you. Banks and lenders you're your credit before they grant you mortgages or loans to see if you will be honest when paying them back.

Landlords sometimes use a credit report to choose a renter between a few applicants because he knows the person with the better credit is better about paying the money back and on time. Credit can even be checked by you future boss when he's looking over your job application, a mobile phone carrier and so many other things, especially insurance. This is why it's important to establish a good credit history.

Now that you know it's important to establish good credit history, how do you go about doing it? That isn't as hard as it is time consuming. The easiest way is to make sure that you pay your bills on time and that you pay at least the minimum amount due by that date. This way may take some time to raise your score, but it is a positive step in the right direction.