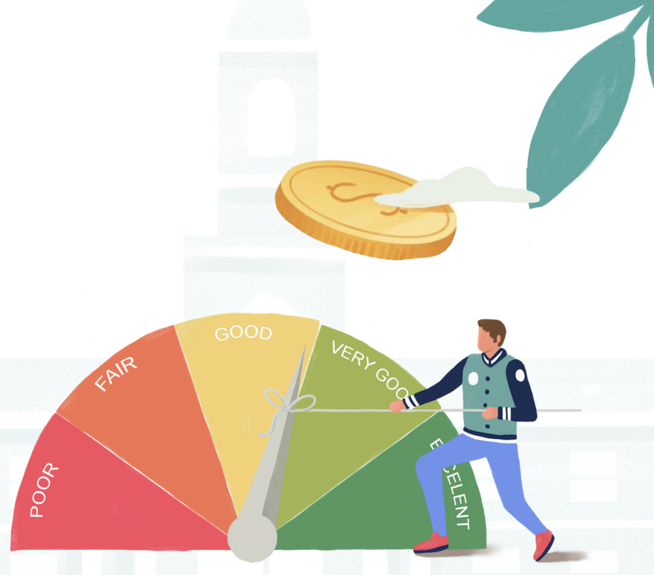
Juno

A Quick Guide on Credit for Graduating Seniors

Most people don't start thinking about credit until they need it. But as you transition into college, credit can become a major factor in events like renting your first apartment, or finding a private student loan for college or graduate school. Here are some of the basics that you should know regarding credit and a few steps to help you get a head start in building your score.



What Shapes Credit

Your credit score is shaped by a few core factors in order of how they are weighted by credit bureaus:

- ✓ **Payment history** (on-time payments matter most!)
- ✓ **Credit utilization** (how much of your limit you use)
- ✓ **Length of credit history**
- ✓ **New credit inquiries**
- ✓ **Credit mix:** having both revolving (think credit cards) and installment loans (think student loans, car payments, etc)

For graduates over 18,

The most important move if you have little or no existing credit history is to open a credit card in your own name as soon as possible. This is the best way to build credit history.

This is more effective than being an authorized user because:

- It establishes independent credit history
- It shows you can manage revolving credit
- It starts the clock on credit age

However, make sure to use the card lightly and pay it off in full each month, to ensure you're properly building credit.

For graduates under 18,

Ask a trusted guardian if you can open a credit card as an authorized user and contribute towards on-time payments. This helps build your credit profile earlier. Ideally the credit card should be their oldest, with the best payment record, and lowest utilization rate.

Q: Will my credit affect my private student loan eligibility?

In the future for graduate school, yes, but as an undergraduate, most students will not qualify for private loans without a cosigner since lenders typically require a more extensive credit history. However, having good credit early may help you get better rates.

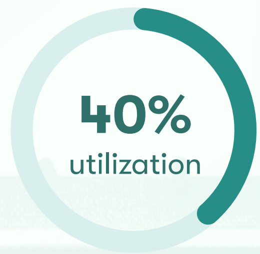
SEE MORE ON THE OTHER SIDE →

The Numerator
Monthly Statement Balance

$400 charged
—
$1,000 limit

The Denominator
Your Total Credit Limit

=



What is credit utilization?

Utilization is calculated as a fraction.

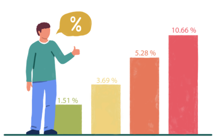
Keeping your statement balances under 30 percent of your credit limit generally helps scores. The lower the better.

Quick Tip:
Your utilization is calculated every monthly billing cycle.

Limit new credit applications and time loan applications carefully:

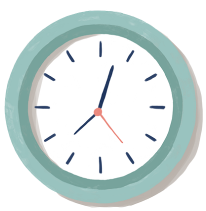
Hard Credit Inquiries Lower Your Score

When you do an application that requires a hard credit check, that check will appear on your credit report. This temporarily lowers your score for up to 24 months.



Time New Credit Applications Carefully

Opening new credit cards or signing a lease right before applying for rate-based items, such as private student loans, will typically create higher rates and worsen your offer.



Note: This rule doesn't apply to every type of hard check, especially credit cards!

Protections Exist to Allow for Shopping Around for the Best Rates

Certain large loan types like mortgages, car notes, and private student loans allow borrowers to shop around within a small window while only impacting their credit one time per loan type. The best practice is to complete applications within 14 days.

A Simple Set of Guidelines to Follow

Credit tends to reward boring behavior:

- ✓ Open accounts early
- ✓ Use them lightly
- ✓ Pay everything on time
- ✓ Avoid unnecessary credit applications
- ✓ Keep your oldest credit cards active and open

You do not need a perfect credit score to qualify for private student loans or similar expenditures, you just need to avoid preventable mistakes to keep your score within acceptable ranges.

Looking for additional resources?
See all of our tools at

juno.us/collegeresources