

What real millennials want to know about credit



Last week I talked to a bunch of 20- and 30-somethings — members of the so-called millennial generation — about credit, and the conversation reminded me about how differently people deal with money. In many aspects of personal finance, things aren't black or white, and what works for one person would be disastrous for another. Something we try to emphasize at Credit.com is how important it is for consumers to do what works for them.

At the same time, there are plenty of rights and wrongs in the credit world. During the weekly #MillennialTalk (my chat was May 12), many participants asked questions or shared common misconceptions about credit — these are things everyone should know, especially young people who are just starting to establish themselves financially.

Debt & Credit Are Not the Same

People use these terms interchangeably, but they're not synonymous. Rod Griffin, Experian's director of public education, explained it well in a tweet during the chat: "Credit is a financial tool. Debt is a financial problem."

It is not a bad thing to use credit cards or take advantage of financing when you need it — in fact, you need to use credit in order to have [good credit](#), which in turn allows you to qualify for competitive financing offers, secure housing and access necessities like utilities and a cellphone. You can have good credit without having debt, and that's generally done by using a credit card and paying it off every billing cycle. That can be as little as one transaction on a credit card each month or as much as all of your expenses.

Credit, managed well, will help you avoid debt. It can take some serious organization skills and self-control, so it's up to you to determine how you can responsibly use credit and avoid financial trouble.

Checking Your Own Credit Reports or Scores Doesn't Hurt Your Credit

When someone requests your credit report or [credit score](#), it results in an inquiry on your credit report. There are two kinds of inquiries: hard inquiries and soft inquiries. Hard inquiries will knock a few points off your credit score within 6 months of when they're made. When you request your credit report or credit score, it is a soft inquiry, and it doesn't do any damage.

Go forth and check your credit reports and scores.

For the record: Hard inquiries are those made to help in a lending decision, so they should only appear on your report when you've applied for credit. Do so sparingly to minimize short-term damage to your credit scores.

Secured Cards Can Help You Build or Rebuild Credit

There was a lot of confusion over [secured cards](#). First thing to know: They are credit cards and are reported to credit bureaus just like any other credit card. Some people lumped them in with prepaid debit cards, which are not credit cards and therefore are not reported to credit bureaus. Neither are debit cards. If you're trying to start or rehabilitate your credit, using a secured card will help, and it's possibly the only kind of credit you can get. A prepaid card or debit card will not help.

The difference between secured and unsecured credit cards is you put down a deposit — say, \$500 — that secures your line of credit. That deposit serves as your credit limit. Just like with other cards, you want to use as little of your credit limit as possible, to keep your credit utilization rate down. (Using less than 30% of your available credit is very helpful if you're trying to improve your credit.)

People with poor or no credit have an easier time getting secured cards than unsecured cards because of that deposit — the issuer is taking on little risk by doing business with you, because if you don't pay your credit card bill, they can just take your deposit.

You Should Check Your Credit Regularly & Often

You can [get a free annual credit report](#) from each of the three major credit reporting agencies — Equifax, Experian and TransUnion — every 12 months through AnnualCreditReport.com. There are dozens of ways you can get free credit scores, so there's no reason to not know where your credit stands. You can get [two free scores every 30 days on Credit.com](#), which will also show you the areas you need to work on to improve your credit.

Make sure you're comparing the same score only against itself over time, because scores are all different. They're all generally based on the same information, though.

Employers Cannot See Your Credit Scores

In most states, employers can request your credit report as part of the hiring process. There are restrictions on how that occurs, and they vary by state, but a potential employer can never see your credit score.

Everyone who joined the #MillennialTalk on credit offered some really great advice and insight. I especially liked the part where everyone shared things they wished they knew about credit when they were 18. You can look at a summary of what was shared in our [Storify](#) (a collection of the tweets), if you want more details on what we talked about. It's not a complete collection, because there were hundreds of participants, but it's an interesting read.

<http://finance.yahoo.com/news/real-millennials-want-know-credit-110010601.html>