

Sahireny:

[Speaking in Spanish "Hey Everyone"], Sahireny here, and welcome to PNC's Financial Academy Spotlight Series. In this video, we're going to talk about credit and how to build smart financial habits to help you and your finances in the future. I don't know about you, but the first time I was introduced to credit was when I was a kid and I saw something at the store that I really wanted to buy. And I asked my mom if we can get it. And she said, "No, we cannot afford it." And I said, "Mom, just use the magic plastic card. What's the issue?" My mom will not let me forget how hard she laughed when she heard me say that. And I'm laughing now too, because I really wish it worked like that.

The second time I was introduced to credit was when my dad was in real estate and I would occasionally hear him say that you need to have good credit in order to buy a house. Now, at that time, I didn't know what was considered good credit or bad credit. I just knew eventually I would want to buy a house. The third time I was introduced to credit was when I was ready to buy my first car and I went to the car dealership and the salesman told me that I had no credit. This literally broke my heart because this was during the '08 recession where my parents lost everything. They didn't have good credit at this time and they just couldn't help me co-sign. And it was so sad because my dad told me [Speaking in Spanish "My daughter"] I can't help you, even if I wanted to. And I know it broke his heart, but it was a harsh reality. I needed to learn about credit, how it works and how to build credit, regardless if I have good, bad or no credit, because this was not working.

In our society, we hear the word credit thrown around as if it's a badge of financial success. In reality, credit just shows that you're someone that's responsible enough to be lent money and that you're good for it. Meaning that you're not going to flake out and you're going to pay the money back. Now, one of the best ways to actually build your credit is with a credit card. Now, that's not the only way that you can build credit. If you have student loans or mortgage, you financed a car, even furniture. These are all great ways to build credit and to get credit. Now, what a lot of people don't know is if you are delinquent or you pay your bills late for common bills, like your internet, cable, cell phone, these are not going to help you build your credit, but it is going to harm your credit if you're late or delinquent. [Speaking in Spanish "Now you know."]

As I said, I really wanted to build my credit. So since I didn't have any bills or loans under my name yet, which I wasn't trying to force at that time, the most natural next step for me was to get a credit card. I still remember sitting in my econ class and hearing my teacher say, "Use your credit card, like a debit card." This saying just stuck with me and it made so much sense. Use your credit card, like a debit card. If you don't already have the money in your account, do not go swiping that credit card. And it mentally made me look at credit cards, kind of like a secured credit card, where you only spend what you have. And at this point I felt a lot more comfortable using my credit card and not fearing going into debt.

Now, at this point, I felt like I had all figured out until I got my free credit report and I was able to see my credit score. I learned that there's a lot more involved with credit outside of just getting credit cards and having loans. So let's go over how credit is scored. Your credit score is a three digit number, generally ranging from 300 to 850, with 800 or higher being exceptional, 740 to 799 being very good, 670 to 739 being good, 580 to 669 being fair and anything lower than 580 being poor. I want you to know that having a credit score of 800 will not get you a better loan or interest rate compared to if you had a 740. This is the misconception that's being spread around for no good reason. Once you're in the excellent range, you are good. Do not stress about this, not even for one more second.

So when it comes to credit scores, it's super important to understand how they're generally being calculated. This way, you can be a bit more strategic when it comes to prioritizing your financial habits that can help you maximize your credit score's potential. So let's get right into it. 35% of your

credit score is based on your payment history. Did you pay your bills on time? And how many late payments do you have on your credit record? 30% is based on your credit availability, AKA utilization. Meaning how much debt do you owe versus the available credit limit. 15% is based on your length of credit, where they're looking at how long you've had credit and how far apart it is from when you're opening up your newest line of credit. 10% is based on the credit that you have. The mix could be home mortgage, student loans, credit cards, line of credit, and how you're managing all these different types of credit. 10% is based on new credit that you're opening up or checking your credit to finance something, AKA, known as a hard credit check.

Once I realized what credit was all about, it reminded me of what life was like when I didn't have credit. I was seeing what life was like when you had good credit, but I didn't know what life would be like if you had bad credit until my roommate and I tried to get an apartment together. Now, even though I had good credit, just because she had bad credit, we were instantly rejected and it didn't even matter if we can qualify for the apartment or not. It made me realize that the smallest financial mistakes can follow you for a very long time and make getting an apartment or even a car difficult.

I wanted to continue growing and maintaining my credit, but I didn't want it to feel overwhelming or stressed out about it. Instead, I wanted a financial routine that helped me build my credit without really thinking about it. So I'm going to share with you guys some credit tips to help you build your credit over time. Every month, make sure that you are at least making the minimum payments on all of your loans and credit cards on time. What a lot of people like to do here is either automate this process or set up notifications so they do not miss a payment. Now, when it comes to your bills, even though you are not building credit by paying your bills on time, if you do not pay them on time, they will harm your credit. So just pay them on time you guys.

Make sure that your credit utilization is below 30% of your total credit limit and do not max out your credit cards. Listen, just because your credit limit is \$2,000, does not mean you have to spend it all. Instead, calculate what 30% of your total credit limit is and stay below that. To build credit, you do not, I repeat, you do not need to carry a rolling balance on your credit card. Instead, use your credit card, like a debit card and pay it off in full at the end of the month. This is going to be the best way to build your credit and avoid debt.

Your credit history is going to grow with you over time, not overnight. When you're young, you haven't built up that financial reputation yet and it is okay. Also do not get credit card happy and start opening up credit cards that you do not need because closing those accounts in the future could hurt your credit score.

My last tip isn't necessarily how to build your credit, but how to protect it, make sure you're turning on your fraud alerts and notifications. This is becoming a bigger industry than we probably ever could have imagined. And you also want to make sure that you're checking your credit report for fraud, identity theft, and also misinformation. These are very difficult things to remove from your credit report, so you want to make sure you are ahead of the game instead of being caught off guard.

[Speaking in Spanish "Well my people"] I hope you enjoy learning about my credit journey and all the tips and lessons that I learned along the way. I know that our journeys are not all going to look the same, but hey, just last week my daughter asked me if we can use the magic plastic card. Wow. What a way for life to come full circle. All right, then. Well, I'll talk to you guys next time. Bye.