Credit, in Plain Language

Teen & Accessible Quick Reference Guide

Educational information — not individualized financial or legal advice. This guide explains general credit and money concepts. It does not tell you what financial or legal decision to make. Product terms, scoring models, lender and issuer policies, laws, and individual circumstances vary. Verify current information with the appropriate official source and consider a qualified professional when individualized financial, legal, tax, lending, debt-management, credit-repair, or investment guidance is needed.

How to use this guide

Read the short version here. When a topic matters to your life right now, use the Table of Contents to open the full lesson.

Do not memorize a magic score or percentage. Learn the system: pay on time, understand balances and costs, check reports, protect your identity, and make borrowing decisions that fit your situation.

1. What credit is

- Credit is borrowed money or a financial obligation that you agree to repay under stated terms.
- A credit report is a record of reported credit activity. A credit score is a model's prediction of credit behavior based on information in a consumer report.
- You do not have only one credit score. Different models, data sources, products, and dates can produce different scores.

2. The five score factors

- Payment history — about 35 percent. Whether required payments were made as agreed.
- Amounts owed — about 30 percent. Balances compared with available limits, often called utilization.
- Length of credit history — about 15 percent. How long accounts have been open and active.
- New credit — about 10 percent. Recent applications and newly opened accounts.
- Credit mix — about 10 percent. The types of accounts in the file.
- These percentages are FICO's general-population weighting. FICO says the importance of each category can vary by individual credit profile, and VantageScore and other models weigh information differently. Treat the five factors as what the system pays attention to, not as a formula that predicts your own result.

3. The habits that usually matter most

- Pay required bills on time. Payment history is an important scoring factor.
- Keep revolving balances low compared with available limits. There is no magic utilization percentage that guarantees a particular score.
- Time helps build history. Opening and closing accounts can affect the age and composition of a credit file.
- Apply for new credit because it serves a real purpose, not simply to collect accounts.
- Check reports for errors and unfamiliar accounts.

4. Before 18

- Learn how checking and savings accounts work before you need credit.
- If a parent or guardian considers adding a teen as an authorized user, first understand the issuer's rules, reporting practices, and who is legally responsible for the debt.
- Protect Social Security numbers, passwords, PINs, and verification codes.
- A parent or guardian can consider a child credit freeze as an identity-theft safeguard.

5. Your first credit card

- Compare annual fees, APR, security-deposit requirements, credit limits, and issuer terms.
- Secured cards and credit-builder products can be options for people establishing credit, but terms vary.
- Choose an account you understand and can manage. A card is access to borrowed money, not extra income.

6. The two dates

- Statement closing date: the billing cycle ends and the statement balance is created.
- Payment due date: the date the issuer requires at least the minimum payment.
- A reported balance may not equal today's app balance because reporting and purchase timing differ.
- Paying by the due date and understanding the statement are more important than chasing a particular reporting-day trick.

7. Interest and the grace period

- APR describes the annualized cost of borrowing, but actual interest depends on the account terms and balance behavior.
- Many cards offer a purchase grace period when the statement balance is paid as required by the agreement; not every transaction or account works the same way.
- Carrying a balance does not help a credit score merely because interest is being paid.

8. Minimum payments

- The minimum payment keeps an account from being unpaid when made on time, but paying only the minimum can make repayment take much longer and cost more interest.
- Read the minimum-payment warning on the statement. It can show how time and interest change with different payment amounts.

9. Before putting something on a card

- Ask: Is this planned? Is the price the same when paid by card? Is there a processing fee? Can the statement be handled within the budget?
- Rewards are not automatically valuable if fees or interest cost more than the reward.
- Emergencies, medical bills, rent, buy-now-pay-later, and large purchases deserve extra attention because fees, protections, and repayment terms can differ.

10. Rent and your first apartment

- Tenant screening may involve more than a credit score. Reports can include credit, rental history, income or employment information, and other permitted screening data.
- Rent reporting can affect consumer credit files when a reporting service or landlord reports payments; not every rental arrangement is reported.
- Keep traceable payment records and know the property's written application criteria.

11. Family and credit

- Authorized user, co-signer, account owner, and identity-theft victim are different roles.
- Co-signing can create real repayment responsibility. Read the actual agreement before accepting liability.
- If you voluntarily give someone authority to use your card, their use may remain authorized under the agreement even if they break a private family rule.
- A new account opened in your name without permission may be identity theft. Use official fraud and recovery procedures.

12. Identity protection

- Review reports for accounts or information you do not recognize.
- A credit freeze is free, does not affect your credit score, and can make it harder for an identity thief to open new credit in your name.
- To freeze your credit, contact Equifax, Experian, and TransUnion.
- If identity theft happens, IdentityTheft.gov provides a federal reporting and recovery process.

13. About 90 days before a major application

- Review relevant consumer reports early enough to investigate errors.
- Know current balances and monthly obligations.
- Organize identity, income, employment, banking, rental, or asset documents likely to be requested.
- Understand the full cost you can afford, not merely the amount someone may approve.
- When financing a car or home, compare offers and terms rather than focusing only on the monthly payment.
- During a mortgage process, financial changes and new debt can matter through closing.

14. Who may look at consumer-report information

- Credit-card issuers and lenders may use reports and scores in credit decisions.
- Landlords or screening companies may use tenant-screening reports.
- Employers can use certain consumer/background reports when legally permitted; federal disclosure and permission rules apply, and state or local rules may add restrictions.
- Insurers, utilities, and telecom providers may use consumer-report information in some circumstances. Rules vary.

15. Strong credit is not the finish line

- A high score can be useful, but it is not the same as savings, income, investments, ownership, or financial security.
- Once credit is stable, the larger conversation can include emergency savings, debt management, retirement, investing, ownership, and long-term goals.
- 780 is used in this curriculum as an educational milestone for very strong credit, not as a universal lender cutoff or guarantee.

Do this, not that

Do this

- ✓ Pay at least the required minimum by the due date, every cycle.
- ✓ Read the statement, including the minimum-payment warning.
- ✓ Check your reports at AnnualCreditReport.com and dispute information that is inaccurate or incomplete.
- ✓ Ask who is legally responsible before signing anything that creates a repayment obligation.
- ✓ Keep your Social Security number, passwords, PINs, and verification codes private.
- ✓ Ask the issuer, lender, landlord, or agency directly when you are unsure what your own agreement says.

Not this

- ✕ Do not treat available credit as income. If the money is not already in checking, you cannot buy it.
- ✕ Do not pay anyone who promises a specific point increase, a guaranteed approval, or removal of accurate, current negative information.
- ✕ Do not open an account in your name for someone else to use, however the request is framed.
- ✕ Do not share a verification code with anyone, including a person who says they are helping you.
- ✕ Do not assume rent, buy-now-pay-later, or any single account automatically appears on every credit report.
- ✕ Do not chase a single percentage or a reporting-day trick instead of learning how the account works.

Before you apply for credit, an apartment, a car loan, or a mortgage

- ☐ I know what I am applying for and why.
- ☐ I reviewed the relevant report information for accuracy.
- ☐ I know my existing monthly obligations.
- ☐ I understand the APR, fees, payment, term, and total cost when borrowing is involved.
- ☐ I have the documents the decision-maker is likely to request.
- ☐ I can explain how the new obligation fits my budget.
- ☐ I compared alternatives when comparison shopping makes sense.
- ☐ I did not give anyone my password, PIN, or verification code to “help” with the application.

When something looks wrong

Credit-report error: dispute inaccurate or incomplete information with the credit reporting company and the company that furnished it.

Identity theft: use IdentityTheft.gov for the federal recovery process.

Protecting against new-account fraud: a credit freeze is free and does not affect your credit score. Contact all three nationwide bureaus to place one.

Official sources

- Consumer Financial Protection Bureau — Understand your credit score
  https://www.consumerfinance.gov/consumer-tools/credit-reports-and-scores/understand-your-credit-score/
- Consumer Financial Protection Bureau — Credit reports and scores
  https://www.consumerfinance.gov/consumer-tools/credit-reports-and-scores/
- Consumer Financial Protection Bureau — Credit cards
  https://www.consumerfinance.gov/consumer-tools/credit-cards/
- Federal Trade Commission — Credit freezes and fraud alerts
  https://consumer.ftc.gov/articles/credit-freezes-and-fraud-alerts
- IdentityTheft.gov — Report and recover from identity theft
  https://www.identitytheft.gov/
- AnnualCreditReport.com — federally authorized credit-report source
  https://www.annualcreditreport.com/

Fact-check date: August 22, 2026. This quick reference intentionally avoids promising specific point gains, universal approval thresholds, or guaranteed lender outcomes.
