

## 2012 QUEST SCHOLARSHIP ESSAY COMPETITION



\$500 SCHOLARSHIP WINNER

### How the Way I Handle My Credit Will Affect My Future

by Quincy Rayls

In today's economy many people are concerned about their credit and debt. It's no wonder either. In 2008 the United States economy hit a major wall and people started becoming much more aware of their spending and credit scores. I believe it all starts with how you come out of high school and college. Student loans are on the rise and once in debt it is very hard to get out of it. Many people are struggling with this at later stages in life when it only takes simple planning and personal policies as a young adult to ensure a happier debt free future.

Student debts can affect your credit score in either a positive or negative way depending on how you pay it and other bills off. Payment history refers to how well you pay your bills on time. Paying them late will be immediately reported to the credit bureau. If you still can't pay them, depending on what the debt is, it may be sent to debt collectors who will harass you and your family until each debt is paid. On the other hand, paying them on time and in full can help later on when it comes to other loans and their interest rates. Prompt bill payments will raise a credit score as well. This makes you a good and reliable investment for banks because they assume each bill will pay them on time. It also creates peace of mind to know you are up to date with your bills.

Personally I feel like this wouldn't be an issue for me as I grow older. My parents have passed down the experience and advice they had to learn the hard way so that I don't have to struggle the way they did once. As I start thinking about college I have to also consider how to pay for it. My father has instilled the idea that it is possible to get through college without any debt or student loans. I was recently accepted into an early college entry program and the entire tuition is free. Not only did that kick start my college education but it also helped to finance my future.

When thinking about credit it is money that almost always comes to mind. But credit affects more than just money. Relationships can be positively or negatively affected by it as well. Being in debt is a stress many people would rather do without but it's a reality that must be faced. Sometimes it can end marriages and hurt families. My mother works in a bankruptcy office and sees far too often how reckless spending or being flooded by debt can really hurt personal lives. From that experience she learned how easy it is to get in over your head and has helped me understand the importance of budgeting.

I've taken several classes involving finances and budgeting through high school. One of those classes put us through a simulation that would help show the types of steps necessary to live in the adult world on your own. Before that program I was naïve about what it would take to stay afloat. I didn't know how to manage money or pay bills. I realized I needed a lot more knowledge than I had if I wanted to be successful.



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I was also made aware that future employers may use your credit rating to assess your responsibility in the work place and may hire you based upon your credit. Knowing this, I will be much more likely to keep up with my credit. Negative information could stay on my credit report for a minimum of seven years. In those seven years, not only may I apply for jobs but I may need a loan, a car, or even buy a house. The interest rates on all of these things will be much higher if I have outstanding debts or bad credit information.

Frivolous spending is another reason my mother sees people going bankrupt. Nice cars, nice clothes, a big house, expensive vacations are all great to have but having them in exchange for years of misery and stress aren't worth it. I've grown up living comfortably and I will most likely keep it that way but I'll do it the right way. Getting a steady job and investing in my own future are two great goals I have for myself. I want to be able to accomplish my dreams when I'm older. I'd love to travel and see the world and the first step in doing so will be saving the money to get there and not relying on credit cards.

A lot of young adults don't realize that what they do today affects tomorrow. However, with what I have learned through school and my parents, I believe I have the knowledge necessary to have a future full of great credit.

\$250 SCHOLARSHIP WINNER

**How the Way I Handle My Credit Will Affect My Future**

By Brooke L. Kahler

How should young people handle their credit? That seems to be a hot topic today. I have already had problems associated with my lack of a credit history and it has set me back and influenced my lifestyle greatly. I never had a credit card in high school because my parents thought it was unnecessary for someone so young. As it turns out, that was a huge mistake.

I started my freshman year of college three hours from home and very excited for the future. I did not have student loans and owed no debts to anyone so my credit score was nonexistent. After first semester rolled by I started looking at different living options for my sophomore year. I found a small house that I instantly fell in love with and my parents agreed to help me buy it. We were going to buy it under my name and rent the extra bedrooms out to a couple of friends. Everything was going well until we found out that I could not get my FHA loan without having a credit score. We tried going everywhere. I was very disappointed because I felt that it was not fair to deny me a loan just because I did not owe anyone money. It was a shock to my parents because back in their day, a credit score was not that important and there were multiple ways to get around it. Therefore, I had to move on from that dream and settle for an apartment on campus that does not even have a stove installed in the kitchen. Needless to say, if I would have had a credit history and had started it during high school, I could be a happy homeowner by August of 2012.

After realizing this mistake, I started applying for credit cards to begin establishing some credit for future use. I plan on getting married within the next five years and am assuming that at some point I will want to buy a house and possibly get a loan for a newer car. Every time I filled out an application though, I got turned down because of my lack of credit history! It has been so frustrating to try and start a line of credit. I have one option left and that is to take out a loan on my own money and pay interest on it, also known as a shared secure loan. Once I do that, hopefully I can establish just enough credit to open a credit card account and finally get something established.

All of my experiences aside, a credit history is essential to live in America. There are so many things that one cannot do without a credit card. It is almost impossible to book a hotel room, a flight, buy anything online, or participate in certain activities without a credit card. I have a close friend who had to declare bankruptcy a year ago due to many medical bills that were not covered by his insurance. His credit score will now be affected for up to 10 years and it will not be easy for him to establish a new line of credit history. He will most likely face higher interest rates, an annual fee on a credit card, and denial in some cases. It will take time for him to get respect from lenders and for certain organizations to take him seriously due to his bad credit history. I cannot imagine that kind of financial stress and I hope that I never have to go through with that.



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Knowing his situation has motivated me to create a financial plan to ensure that I have a secure future ahead of me. I am going to take out a loan and slowly start building my credit from there. I am responsible with my paycheck and put 75% of it into my Quest savings account so that I can have a sizable pocket of money to access when I graduate from Pittsburg State University. Once I establish my shared secure loan, I will build my credit and then apply for credit cards. After I responsibly use my credit cards and maintain a good FICO score, I will then be able to take out an FHA loan for a house, or get a newer car. After that it will be my responsibility to keep up with my credit history and make sure I check once a year for my free score, just to make sure I have not experienced credit card fraud. I will also use my credit history to begin to plan for my retirement.

Maintaining a good credit history is so important and can impact someone's lifestyle dramatically. With my examples and experiences I hope I have shown you how I plan to manage my credit history and that I am making smart financial decisions as well as learning what not to do from other people.

Thank you for considering my application for the Quest Credit Union Scholarship.