

How a Secured Credit Card can put you on a proper credit track for life?

Hello, my name is Joel Allan Powell. I am a dedicated relationship management expert with more than 15 years of experience in money management, loan origination, commercial real estate development/acquisitions, credit card applications and investment services. In addition, I am a graduate of a Historically Black College and University (HBCU), the University of the District of Columbia. Welcome to my Financial Literacy podcast series, a series of podcasts; which provides solutions to help young people (18-22) with some of the issues that credit cards usage at a young age can present. These first three (3) podcast episodes will provide you with comprehensive information that will aid you in having a better relationship with credit and credit card management. This is the 2nd of 3 episodes; which are;

1.) The good and bad of credit cards for the young person. 2.) How a secured credit card can put you on a proper credit track for life. 3.) What to do if you get into trouble with credit card debt at an early age. Let's get started.

As a young professional in the financial field, credit cards launched my banking career to the top tier of the financial industry. From there I went from management trainee, to banking center manager, to bank Vice President, and finally to Premier Client Manager; where I was responsible for a portfolio of Premier banking clients with assets totaling over a quarter of a billion dollars. It all started with me promoting credit card applications to students on Howard University's campus back in the spring of 1999.

In hindsight, targeting young adults to fill out credit applications is not something I would support today.

In researching this topic, I came across a lot of check lists on how to avoid getting into debt in your 20's, and I have to say that most of them were not very realistic.

Here are some examples of what I found:

- 1.) Avoid credit cards completely
- 2.) Accept that you may not be able to afford luxuries all the time
- 3.) Give yourself you're an allowance, and stick to it...

- 4.) Save for things that you really want...
- 5.) Be prepared for sudden expenses...
- 6.) Learn to enjoy the little things in life...
- 7.) Use savings to pay off your debts...
- 8.) Pay debt on-time...
- 9.) Realize that interest free credit cards are not free money...
- 10.) Building your credit history early is important.

Ok, all of these things sound great until a person (like me at the time) approaches you with a credit card with your name on it with a \$500-\$1,500 limit when you have NO money at all. What do you do then? For many (if not most) of you, everything goes out of the window.

Let me show you the way to really win in this situation that most people are not aware of. If you have as little as \$500, but can be as low as \$250 (depending on the financial intuition), which you can make on a part-time job, or some Christmas cash, or money from parents; you can avoid this whole credit card trap and make it work for you. It's called the secured credit card. How many of you have heard of a secured credit card before?

If you are new to using credit, a secured credit card is likely the way to go for you. A secured credit card, unlike an unsecured credit card (which we will discuss in greater detail in episode #3, "What to do if you get into trouble with credit card debt at an early age?") gives you financial power, freedom, and can establish a pattern that can lead to a sterling credit history for you that will extend deep into the future. We will talk more about establishing a solid credit history and score in future podcast episodes.

Here's how it works:

A secured credit card requires a deposit as mentioned previously with your local bank, credit union or Credit Card Company. It is highly recommended to use a local bank or credit union to establish a banking relationship. This relationship can bode well in the future if other needs arise.

This deposit is often refundable if you don't default on the credit card and will act as your credit limit and collateral to secure the credit.

[Provide definition for credit default]

Default is the failure to make required interest or principal repayments on a debt, whether that debt is a loan or a security. Individuals, businesses, and even countries can default on their debt obligations. Default risk is an important consideration for creditors.

KEY TAKEAWAYS

- 1.) A default occurs when a borrower stops making the required payments on a debt.
- 2.) Defaults can occur on secured debt, such as a mortgage loan secured by a house, or unsecured debt, such as credit cards or a student loan.
- 3.) Defaults expose borrowers to legal claims and may limit their future access to credit.

[Provide definition for collateral]

Collateral is something pledged as security for repayment of a loan, to be forfeited in the event of a default:

"For example, she put her house up as collateral for the bank loan"

A secured credit card often has less stringent application requirements than unsecured credit cards.

Payment history for secured credit cards is reported to the three major consumer credit bureaus (i.e., Equifax, Experian, and TransUnion) so, making your payments on-time and in full can and will help you establish a pattern of responsible borrowing and will help establish and boost your credit score.

[Explain credit bureaus]

Credit bureaus, also known as credit reporting agencies, store other information about you as well, such as your present and past addresses, Social Security

number, employment history, and information in the public record, including bankruptcies, liens, and any judgments against you.

[Explain credit scores]

A credit score is a three-digit number, typically between 300 and 850, designed to represent your credit risk, or the likelihood you will pay your bills on time.

Creditors and lenders consider your credit scores as one factor when deciding whether to approve you for a new account.

Late payments can have a negative impact on your credit score.

I know this is a lot to digest, so please feel free to send any questions that you have to my email address: emerge4ward365@gmail.com. I will respond within 2 business days. Thank you for tuning in and I look forward to connecting again on my future podcast titled, "What to do if you get into trouble with credit card debt at an early age."

All the best...this is Joel Allan signing off.