

The First Time I Blew It and Didn't Know Why

By Michael Lugenbell

I was 17 years old the first time I fell in love and she was a red 2004 Chevy Colorado with 15,000 miles on it, sitting in a dealership lot in Mississippi that I had absolutely no business buying.

My dad and I went to look at vehicles, but once I saw that truck, looking stopped. Now I've moved into buying territory. With only 15,000 miles on it, it was practically a newborn baby. The interiors were spotless, and the dashboard had more buttons than anything I've seen before. It was pretty much like it was stolen from a spaceship. For a 17-year-old boy who's always been obsessed with gadgets and gizmos, it was perfect.

I remember going for a test drive, but honestly that's probably misleading because I'd already made the decision, I wanted it. The salesman could have honestly told me the transmission was held together with duct tape and positive thinking, and I probably would have just asked what colored duct tape?

After the test drive, we went inside to the salesman's office. Well, that's being generous. It was actually a cubicle. But we sat there and my dad and the salesman started speaking a language I did not understand. To me it sounded more like ancient Greek. They were throwing out numbers, terms, rates, and financing options and a bunch of other stuff I could not make sense of. I just sat there nodding along, acting as if I was a tiny financial professional who understood it all.

Newsflash, I didn't understand any of it.

After a while, the salesman disappeared with our information and came back with a grin on his face I've only ever seen from the Cheshire Cat. He knew that he was going to get paid that day. He put a piece of paper down on the desk and pointed to a few numbers while talking to my dad. After a few moments, my dad stopped talking, looked directly at me, and pointed to one number, the only number he knew I would care about.

\$150.00 a month.

He looked at me and said, “Son, can you pay this?” At the time, I was working at a grocery store, making more than that every two weeks. Honestly, it only took me half a second to run the numbers through my head.

Does a duck go quack? That’s what I thought in my head, but I just nodded and took the pen.

I signed where I was told to sign and drove off the lot feeling as if I had just figured out adulthood. I had a job, a truck, and a monthly payment I could afford with plenty of spending money left over. I thought I had it all figured out.

What I did not know was pretty much everything else.

I did not know the interest rate. I did not understand how much interest would cost over the life of the loan. I did not know the difference between the truck’s sale price and the total amount we agreed to pay. To me, interest was just another number printed on paper, somewhere between the information I ignored and the places where I signed my name.

My dad had excellent credit, his score was somewhere right around 800, and he was the cosigner on that loan. That mattered far more than what I understood at the time. The lender was not looking at a 17-year-old grocery store employee who had just learned how to do his own laundry. The lender was looking at an adult who had a long record of making his payments on time.

Without my dad the interest rate would have been sky high. Assuming the lender would have even financed it at all. Let’s be honest, banks are not known for pushing people out of the way to offer money to a teenager with no credit history. They generally prefer evidence that they’re going to get their money back.

And my dad was that evidence.

He would pay the bill every single month and I would hand him cash every month. I thought that meant I was responsible. In reality, I was making the payment, and he handled everything without me even understanding any of it.

But the arrangement worked and I paid the truck off early and I drove it for 16 years. I couldn't complain about the truck, I loved it. It gave me more years than pretty much every other decision I've made at that age.

But the fact that everything worked out perfectly hid the real problem.

I had entered into a major financial decision and agreement without even understanding any of it. I knew what the payment was, but I did not know what the cost was. I knew when I handed my dad the money, but not what happened to it. But I did not read statements, did not track any balances, and I never learned how the loan affected my credit or that I was even building credit.

When a lender reports an account to one or more of the major credit bureaus, which are Equifax, Experian, and TransUnion, that account can become part of the credit file belonging to the person responsible for paying it. The balance, the account age, payment status, and the type of credit may all become part of the information that is later used in the credit scoring models.

Now that does not mean every payment earns a fixed number of points. Credit is not a Chuck E. Cheese prize counter where you collect enough tickets and trade them in for a mortgage. The effect depends on the scoring model and everything else in the credit file.

I knew none of this at the time, and as far as I was concerned, I gave my dad the payment of \$150.00, drove my truck, and lived my life. The system was working in my favor, but I was completely checked out in the process.

That was my first credit mistake, not understanding how any of it worked. And ultimately, I learned absolutely nothing from it.

Continue the story in Borrowed Mistakes.

Sign up for the launch notification at BorrowedMistakes.com.

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