



# MODULE 6: Credit Reports and Scores

## PARTICIPANT GUIDE

**Records** **Closed Accounts**

**Payment History** **Credit Summary**

**Your Credit Report Overview**

credit report and credit history are valuable tools that lenders use when determining if they will extend you credit or your credit-worthiness. Lenders typically look for credit scores that are higher versus lower. It's important to maintain a close eye on your credit report to ensure all reported information is accurate. In the event that there is a negative or erroneous item on your credit report then there are several ways you can contact the reporting credit bureau to have the item investigated or removed.

| Account     | Total Number | Balance   | Available | Credit Limit |
|-------------|--------------|-----------|-----------|--------------|
| Mortgage    | 1            | \$156,856 | N/A       | N/A          |
| Installment | 1            | \$1,506   | N/A       | \$16,819     |
| Revolving   | 5            | \$25      | \$3,239   | \$3,264      |
| Other       | 1            | 18        | -\$18     | N/A          |
| Total       | 8            | \$1,451   | N/A       | \$20,000     |

**Inquiries Related to Your Credit History**

|                                     |          |
|-------------------------------------|----------|
| Hard inquiries in last 2 years: 4   | \$741.52 |
| Soft inquiries in last 12 months: 1 | \$983.25 |



MONEY SMART for Adults

SEPTEMBER 2018

The Federal Deposit Insurance Corporation is an independent agency created by the Congress to maintain stability and public confidence in the nation's financial system. One way we do that is by providing free, non-biased financial education materials, including this Participant Guide. For more information about our family of Money Smart products, visit **[www.fdic.gov/moneysmart](http://www.fdic.gov/moneysmart)**.

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# Welcome

Welcome to the FDIC's Money Smart for Adults!

This is the Participant Guide for **Module 6: Credit Reports and Scores**. Use it during and after training. Mark it up, write in it, take notes—it is yours to keep.

## Module Purpose

This module covers how to understand, access, and improve your credit reports and scores.

This module also:

- Explains the importance of credit reports and scores
- Discusses how credit history impacts access to credit, loans, housing, jobs, insurance, and other services
- Explains how to get, review, and dispute errors in credit reports
- Describes ways to build credit if no or little credit history exists
- Explains how to repair, improve, and maintain credit
- Explains how credit scores are calculated
- Explains where to get help with credit reports and credit scores

# Section 1: Credit Reports

We will discuss credit reports and how the information in your credit reports can affect many areas of your life.



## Key Takeaway



**Your credit history can affect your access to credit, loans, jobs, housing, insurance, and other important services. Understanding your rights helps you know how to protect your credit history.**

## What is a Credit Report?

A credit report is a document that contains your credit history.



### Try It: Is This in a Credit Report?

Check off the correct answer during the group exercise.

| Item         | Is it included?          |                          | Notes |
|--------------|--------------------------|--------------------------|-------|
|              | YES                      | NO                       |       |
| 1. Your name | <input type="checkbox"/> | <input type="checkbox"/> |       |
| 2. Your age  | <input type="checkbox"/> | <input type="checkbox"/> |       |

Try It: Is This in a Credit Report? *continued*

| Item                         | Is it included?          |                          | Notes |
|------------------------------|--------------------------|--------------------------|-------|
|                              | YES                      | NO                       |       |
| 3. Arrests and convictions   | <input type="checkbox"/> | <input type="checkbox"/> |       |
| 4. Your credit card payments | <input type="checkbox"/> | <input type="checkbox"/> |       |
| 5. Your income               | <input type="checkbox"/> | <input type="checkbox"/> |       |
| 6. Bankruptcies              | <input type="checkbox"/> | <input type="checkbox"/> |       |
| 7. Cell phone plan payments  | <input type="checkbox"/> | <input type="checkbox"/> |       |
| 8. Debt-to-income ratio      | <input type="checkbox"/> | <input type="checkbox"/> |       |

**Try It: Is This in a Credit Report? *continued***

| Item                          | Is it included?          |                          | Notes |
|-------------------------------|--------------------------|--------------------------|-------|
|                               | YES                      | NO                       |       |
| 9. Student loan payments      | <input type="checkbox"/> | <input type="checkbox"/> |       |
| 10. Credit card limits        | <input type="checkbox"/> | <input type="checkbox"/> |       |
| 11. Traffic tickets and fines | <input type="checkbox"/> | <input type="checkbox"/> |       |
| 12. Savings account balance   | <input type="checkbox"/> | <input type="checkbox"/> |       |
| 13. Debit card purchases      | <input type="checkbox"/> | <input type="checkbox"/> |       |

## What is Listed in a Credit Report?

**Credit reports** are documents that list:

- Your identifying information
- Your debts and some of the bills you pay
- Public record information
- Your applications for new credit and other “inquiries” when lenders or other businesses request a copy of your credit report

Companies that make credit reports may be called credit reporting agencies, credit bureaus, or credit reporting companies.

Equifax, Experian, and TransUnion are the three nationwide credit reporting agencies. If you have a credit history, you will likely have at least three separate credit reports.

In addition to the three nationwide credit reporting agencies, there are also “specialty” consumer reporting companies.

## What is a Credit Score?

Credit scores are numbers based on information in your credit reports. Credit scores predict how likely you are to pay your bills and debts as agreed. There are multiple producers of credit scores. If you have a credit history, you will likely have several different credit scores.

People with better (higher) credit scores are likely to present a lower risk to creditors than people with lower credit scores. Higher credit scores indicate you have paid your bills and debts as agreed in the past and are likely to do so in the future.

## Who Uses Credit Reports and Scores?

Credit reports and scores may be used by:

- Financial institutions
- Landlords
- Utility companies
- Cell phone companies
- Insurance companies, depending on state law
- Employers, depending on state law
  - To learn if credit information can be used in employment decisions in your state, you can contact your state's department of labor.
- Some state agencies or affiliated organizations

Lenders must tell you if they used your credit reports or scores to make a lending decision about you or if they offer you less favorable terms than other borrowers based on your credit reports or scores.



## Having No Credit Reports or Scores

Without a good credit history, you may have a harder time getting a loan, renting an apartment, getting a favorable cell phone plan, obtaining some jobs, or turning on utilities.



### Try It: Do Credit Reports Matter?

Read the scenario and then answer the questions.

#### Scenario: Yardley Learns about the Importance of Having a Credit History

Yardley was convinced that credit reports did not matter. She did not plan to get a credit card or any kind of loan. She used cash for everything.

Yardley recently moved and needed to find an apartment. Some landlords would not rent to her because she had no credit history, even if she promised to pay her rent each month in cash. When she found an apartment she liked and a willing landlord, she had to pay a higher security deposit because she did not have a credit history.

She also had to pay a deposit for her utilities because she had no credit history. So, she decided to find out more about credit reports and why having no credit history seemed to create some obstacles and additional costs for her.



**What would you tell Yardley about credit reports?**

**Do you think she should try to build credit? Or, is she better off without a credit history? Be ready to explain your answer.**

# The Fair Credit Reporting Act

The Fair Credit Reporting Act (FCRA) is a federal law that provides you with rights related to credit and other consumer reporting.



## Try It: Credit Reporting and Your Rights

Review each Fair Credit Reporting Act (FCRA) right. Think about what this right means to you.

| Summary of Fair Credit Reporting Act (FCRA) Right  | What Action Can You Take? |
|--|---------------------------|
| 1. <b>Anyone who uses a credit report to deny your application or offer you less favorable terms for credit, insurance, or employment must tell you they did so.</b> They must give you the contact information for the credit reporting agency they used. |                           |
| 2. <b>You have the right to know what is in each of your credit reports.</b> You will be required to prove you are who you say you are when you request to see your reports.   |                           |
| 3. <b>You have the right to dispute incomplete or inaccurate information.</b> The credit reporting agency must investigate unless your dispute is frivolous.   |                           |
| 4. <b>Credit and other consumer reporting agencies must correct or delete inaccurate, incomplete, or unverifiable information</b> usually within 30 days after they receive a dispute.   |                           |

### Try It: Credit Reporting and Your Rights *continued*

| Summary of Fair Credit Reporting Act (FCRA) Right   | What Action Can You Take? |
|---|---------------------------|
| 5. <b>Consumer reporting agencies may not report outdated negative information.</b> For example, this includes most unpaid debts that are more than seven years old.  |                           |
| 6. <b>Access to your credit report is limited to people or businesses with a valid business need to use it.</b> This includes an application with a creditor, insurer, employer, landlord, or other business. |                           |
| 7. <b>Your credit reports will not be provided to employers unless you give your consent.</b> The consent must be in writing.   |                           |
| 8. <b>You can opt out of receiving certain unsolicited offers</b> for credit or insurance based on what is in your credit reports.  |                           |
| 9. <b>If you aren't able to resolve a problem affecting your credit reports, you can seek help.</b> Submit a complaint by calling (855) 411-2372 or visiting <b>consumerfinance.gov</b> .                     |                           |

## Opting Out

Credit card and insurance companies often access your credit reports so that they can send you applications for their products. You have the right to:

- Opt out from receiving these offers for five years
- Opt out from receiving these offers permanently

To opt out, visit **www.optoutprescreen.com** or call toll-free 1-888-5-OPT-OUT (567-8688).

If you opt out, you can also decide to opt back in.

And, even if you opt out of receiving these offers, you may still receive offers from credit card and insurance companies that compile their mailing lists from other sources.

You cannot, however, opt out of having a credit report. The data and information belongs to the credit reporting agencies that collect and store it.

☐ OPT Back In

☒ OPT Out



### Remember the Key Takeaway

Your credit history can affect your access to credit, loans, jobs, housing, insurance, and other important services. Understanding your rights helps you know how to protect your credit history.

## Section 2: Credit Scores

We will discuss credit scores.





**Key Takeaway**

You can take steps to improve and manage your credit scores. This includes paying your bills on time and as agreed.

### The Basics of Credit Scoring

A credit score is a number calculated from information on your credit reports. Generally, the higher the number, the better your credit history.

Credit scores help predict the likelihood that you will pay your credit obligations on time and as agreed.

People with better (higher) credit scores are likely to present lower risk to lenders and other businesses than people with lower credit scores.

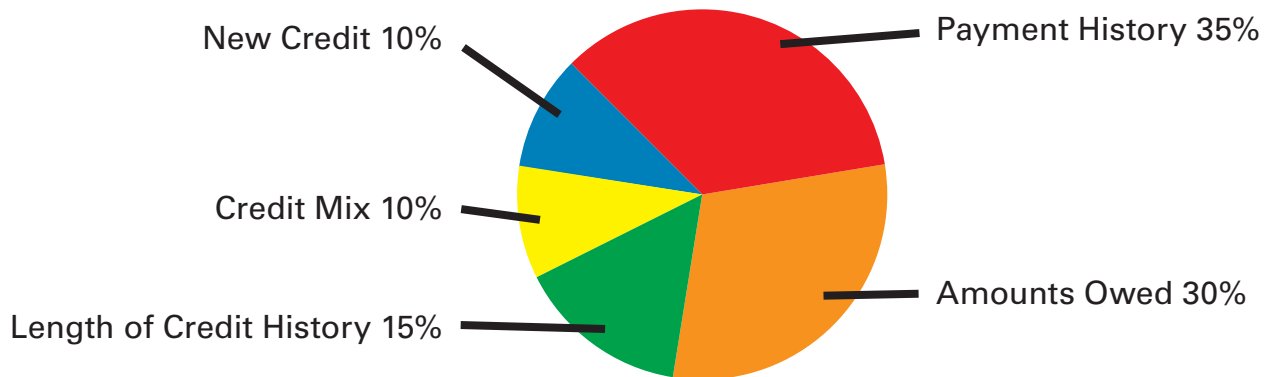


**Two significant factors** affect your scores:

- whether you repay your debts on time and as agreed, and
- how much you currently owe on each account compared to the credit limit or original loan amount. This is your **credit utilization rate**.

There are multiple producers of credit scores and each producer may have several types of scores. One well-known company is Fair Isaac Corporation or FICO®. VantageScore® is another scoring model.

Here is how FICO® weights information from your credit reports in its general credit scoring model. Other models may weight information differently.



### Try It: What Makes Credit Scores Go Up and Down?

Read the scenario and then answer the questions.

#### Scenario: Alex Learns about Credit Scores

Alex needs a new truck. He uses it to get to and from work and school. He purchased his current truck seven years ago using cash. It was already nine years old, so he got a great deal on it.

But now it's breaking down too often.

He finds the perfect truck, but the dealer will only offer him an expensive loan. He is shocked. He learns that the reason why he was not offered better terms is because his credit scores are low.

Alex decides to learn a little more about credit scores before buying a new truck.



### Try It: What Makes Credit Scores Go Up and Down? *continued*

The table below lists situations Alex faced and what he did. What effect do you think each situation likely had on his credit scores? Consider each on its own assuming that nothing else on Alex's credit reports changed.

Use an up arrow ↑ for actions you think likely made his credit score go up, a down arrow ↓ for actions you think likely made his credit score go down, and an equal sign = if you think there is likely no change in his score.

| Situation Alex Faced and What He Did   | Likely Effect on Credit Scores | Notes From Discussion |
|--|--------------------------------|-----------------------|
| 1. Alex's hours at work were cut back unexpectedly, so his take-home pay was reduced. <ul style="list-style-type: none"> <li>▪ He is late with his credit card and cell phone payments for a few months.</li> </ul>  | ↑<br>↓<br>=                    |                       |
| 2. Alex wasn't able to increase his hours or find another job. <ul style="list-style-type: none"> <li>▪ He nearly reaches his credit limit on his only credit card.</li> <li>▪ He is making minimum payments only.</li> </ul>  | ↑<br>↓<br>=                    |                       |
| 3. Alex has a younger sister who needs to find an apartment—she is moving out on her own. Her credit needs a lot of work. <ul style="list-style-type: none"> <li>▪ He agrees to cosign for the apartment.</li> <li>▪ The landlord does not pull Alex's credit report.</li> </ul> | ↑<br>↓<br>=                    |                       |
| 4. While buying groceries, Alex was asked to fill out an application for the store's credit card in exchange for 20% off the groceries. <ul style="list-style-type: none"> <li>▪ He applies for the credit card to get the discount. His application is approved.</li> </ul>     | ↑<br>↓<br>=                    |                       |

Try It: What Makes Credit Scores Go Up and Down? *continued*

| Situation Alex Faced and What He Did   | Likely Effect on Credit Scores | Notes From Discussion |
|--|--------------------------------|-----------------------|
| 5. Alex files his taxes early and receives a tax refund. <ul style="list-style-type: none"> <li>▪ He uses his refund to pay down his credit card balances.</li> </ul>  | ↑<br>↓<br>=                    |                       |
| 6. Alex's truck breaks down. He has to have the truck running for his job. He has no emergency savings. <ul style="list-style-type: none"> <li>▪ He again uses most of the available credit on one of his credit cards to cover the repair.</li> </ul> | ↑<br>↓<br>=                    |                       |
| 7. Alex took a financial education class and learned about the importance of reviewing his credit reports. <ul style="list-style-type: none"> <li>▪ He orders his free credit reports from <b>annualcreditreport.com</b>.</li> </ul>                   | ↑<br>↓<br>=                    |                       |
| 8. After reviewing his credit reports, Alex realized he doesn't use his oldest credit card. <ul style="list-style-type: none"> <li>▪ He closes that credit card account.</li> </ul>  | ↑<br>↓<br>=                    |                       |
| 9. Alex has one credit card, but has never had a loan. He applied for a credit-building loan from his bank. His application was approved. <ul style="list-style-type: none"> <li>▪ He takes out the loan.</li> </ul>                                   | ↑<br>↓<br>=                    |                       |



Try It: What Makes Credit Scores Go Up and Down? *continued*

| Situation Alex Faced and What He Did  | Likely Effect on Credit Scores | Notes From Discussion |
|---|--------------------------------|-----------------------|
| 10. Alex notices he has an account in collections from a medical visit. <ul style="list-style-type: none"> <li>▪ He calls the medical clinic where the debt originated and asks them about it.</li> </ul>           | ↑<br>↓<br>=                    |                       |
| 11. Alex was able to get more hours at his job. <ul style="list-style-type: none"> <li>▪ He pays his credit card bills consistently and on time.</li> </ul>   | ↑<br>↓<br>=                    |                       |
| 12. Alex received a prescreened offer for a credit card in the mail. <ul style="list-style-type: none"> <li>▪ He does not apply for it.</li> </ul>  | ↑<br>↓<br>=                    |                       |
| 13. Alex decided he can't wait any longer to get a new truck. <ul style="list-style-type: none"> <li>▪ He goes shopping for a loan over a three-week period. Several lenders look at his credit reports.</li> </ul> | ↑<br>↓<br>=                    |                       |
| 14. Alex just had a birthday. He hopes his credit scores will increase now that he's older. <ul style="list-style-type: none"> <li>▪ He's now 26 years old.</li> </ul>  | ↑<br>↓<br>=                    |                       |

**Try It: What Makes Credit Scores Go Up and Down? *continued***

| Situation Alex Faced and What He Did   | Likely Effect on Credit Scores | Notes From Discussion |
|--|--------------------------------|-----------------------|
| 15. Alex cosigned for his best friend's loan.<br>▪ She is now 60 days late with her payment, and Alex doesn't have any money to make the payments for her. | ↑<br><br>↓<br><br>=            |                       |
| 16. Alex decides to get new furniture.<br>▪ He uses his debit card to buy the furniture.   | ↑<br><br>↓<br><br>=            |                       |

**Overall, do you think Alex's credit scores have likely increased or decreased over the past year? Why?**

**Do you think Alex will get a good rate and terms for a loan for a new truck?**

☐ Yes
 ☐ No
 ☐ I'm not sure

## What is a Good Credit Score?

Different lenders, businesses, and service providers use different criteria for what they consider to be a “good” credit score.

FICO® offers this chart to help estimate what scores in particular ranges may mean:

|                    |                  |
|--------------------|------------------|
| <b>Exceptional</b> | <b>800 - 850</b> |
| <b>Very Good</b>   | <b>740 - 799</b> |
| <b>Good</b>        | <b>670 - 739</b> |
| <b>Fair</b>        | <b>580 - 669</b> |
| <b>Poor</b>        | <b>300 - 579</b> |

The higher your credit scores, the more likely you are to qualify for credit, rental housing, insurance, and, in certain circumstances, employment. Your credit scores can determine if you will be able to borrow money and how much it will cost you.



### Remember the Key Takeaway

You can take steps to improve and manage your credit scores. This includes paying your bills on time and as agreed.

## Section 3: Getting and Understanding Your Credit Reports and Scores

We will discuss how to get, review, and understand your credit reports and scores.



### Key Takeaway



Get and review your credit reports at least once every 12 months to make sure the information is accurate.

### Getting Your Credit Reports

What is a productive credit history?

You have the right to accurate information in your credit reports. The only way to determine if the information is accurate is to get and review your credit reports regularly. Federal law requires consumer reporting agencies to provide you a copy of the information in your report if you request it. **The law also gives you the right to one free credit report every 12 months from each nationwide credit reporting agency.**

There are three nationwide credit reporting agencies—Equifax, Experian, and TransUnion. There are other companies that generate credit reports, but the three nationwide credit reporting agencies are the most widely and frequently used.

**Annualcreditreport.com** is the **only** place where you can get the free credit reports you are entitled to under the law.

Watch out for imposters.

If you make a joint application with someone else, credit reports from both of you will be reviewed.



## Apply It: Getting My Credit Reports

Use this information to order your credit reports.

You can order the **free credit reports** you are entitled to by law from the three nationwide credit reporting agencies either online, by mail, or by phone.

There are also “specialty” consumer reporting agencies that track, for example, a person’s history of handling a checking account. For information, visit **consumerfinance.gov** and search for “list of consumer reporting companies.”

|               |   |
|---------------|---|
| <b>Online</b> | <ol style="list-style-type: none"> <li>1. Go to <b>annualcreditreport.com</b>. This is the only place authorized to fill orders for the free credit reports you are entitled to every 12 months under the law.</li> <li>2. Complete the online form with your name, date of birth, Social Security number, current address, and previous address if you have lived at your current address for less than two years.</li> <li>3. Pick the report(s) you want: Equifax, Experian, or TransUnion. For each of the three reports, you will complete an additional form that includes security questions based on information from your credit report. <ul style="list-style-type: none"> <li>▪ If you are unable to answer the questions, you will need to use another method to get your reports.</li> </ul> </li> </ol> <ul style="list-style-type: none"> <li>✓ Make sure you are on a secure Internet connection—try not to use a public wireless Internet connection or a public computer.</li> <li>✓ Make sure you can either print your report or save it. However, if you are using a public computer, do not save the report. Instead, print it and take the report home.</li> </ul> |
| <b>Mail</b>   | <ol style="list-style-type: none"> <li>1. Complete the Annual Credit Report Request Form on page 21 of this Participant Guide or at <b>www.annualcreditreport.com/manualRequestForm.action</b>.</li> <li>2. Mail it to: <div data-bbox="435 1522 1008 1638" data-label="Text"> <p>Annual Credit Report Request Service<br/>P.O. Box 105281<br/>Atlanta, GA 30348-5281</p> </div> </li> </ol>  |
| <b>Phone</b>  | Call 1-877-322-8228   |

**Apply It: Getting My Credit Reports *continued***

Keep track of when you order your credit reports from **annualcreditreport.com**.

| Report     | Date | Date | Date |
|------------|------|------|------|
| Equifax    |      |      |      |
| Experian   |      |      |      |
| TransUnion |      |      |      |

You can also get your credit reports directly from each of the three nationwide credit reporting agencies.

You will likely have to pay for these credit reports.

| Equifax   | Experian   | TransUnion   |
|---|--|--|
| 1-866-349-5191  | 1-888-397-3742   | 1-800-916-8800   |
| <b>www.equifax.com</b>  | <b>www.experian.com</b>  | <b>www.transunion.com</b>  |
| Equifax Information Services, LLC<br>P.O. Box 740256<br>Atlanta, GA 30348 | Experian National Consumer Assistance Center<br>P.O. Box 4500<br>Allen, TX 75013 | TransUnion Consumer Relations<br>P.O. Box 2000<br>Chester, PA 19016-2000 |

## Apply It: Getting My Credit Reports *continued*



# Annual Credit Report Request Form

**You have the right to get a free copy of your credit file disclosure, commonly called a credit report, once every 12 months, from each of the nationwide consumer credit reporting companies, Equifax, Experian and TransUnion.**

For instant access to your free credit report, visit [www.annualcreditreport.com](http://www.annualcreditreport.com).

For more information on obtaining your free credit report, visit [www.annualcreditreport.com](http://www.annualcreditreport.com) or call 877-322-8228.

Use this form if you prefer to write to request your credit report from any, or all, of the nationwide consumer credit reporting companies. The following information is required to process your request. **Omission of any information may delay your request.**

Once complete, fold (do not staple or tape), place into a #10 envelope, affix required postage and mail to:

**Annual Credit Report Request Service P.O. Box 105281 Atlanta, GA 30348-5281.**

Please use a Black or Blue Pen and write your responses in PRINTED CAPITAL LETTERS without touching the sides of the boxes like the examples listed below:

|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| A | B | C | D | E | F | G | H | I | J | K | L | M | N | O | P | Q | R | S | T | U | V | W | X | Y | Z | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

**Social Security Number:**

|  |   |  |   |  |
|--|---|--|---|--|
|  | - |  | - |  |
|--|---|--|---|--|

**Date of Birth:**

|  |   |  |   |  |  |  |
|--|---|--|---|--|--|--|
|  | / |  | / |  |  |  |
|--|---|--|---|--|--|--|

Month                      Day                      Year

----- Fold Here -----

**First Name**

|  |  |  |
|--|--|--|
|  |  |  |
|--|--|--|

**M.I.**

|  |
|--|
|  |
|--|

**Last Name**

|  |  |  |
|--|--|--|
|  |  |  |
|--|--|--|

**JR, SR, III, etc.**

|  |
|--|
|  |
|--|

**Current Mailing Address:**

**House Number**

|  |
|--|
|  |
|--|

**Street Name**

|  |  |  |
|--|--|--|
|  |  |  |
|--|--|--|

**Apartment Number / Private Mailbox**

|  |
|--|
|  |
|--|

**For Puerto Rico Only: Print Urbanization Name**

|  |  |  |
|--|--|--|
|  |  |  |
|--|--|--|

**City**

|  |  |  |
|--|--|--|
|  |  |  |
|--|--|--|

**State**

|  |
|--|
|  |
|--|

**ZipCode**

|  |  |  |
|--|--|--|
|  |  |  |
|--|--|--|

**Previous Mailing Address (complete only if at current mailing address for less than two years):**

**House Number**

|  |
|--|
|  |
|--|

**Street Name**

|  |  |  |
|--|--|--|
|  |  |  |
|--|--|--|

----- Fold Here -----

**Apartment Number / Private Mailbox**

|  |
|--|
|  |
|--|

**For Puerto Rico Only: Print Urbanization Name**

|  |  |  |
|--|--|--|
|  |  |  |
|--|--|--|

**City**

|  |  |  |
|--|--|--|
|  |  |  |
|--|--|--|

**State**

|  |
|--|
|  |
|--|

**ZipCode**

|  |  |  |
|--|--|--|
|  |  |  |
|--|--|--|

Shade Circle Like This → ●

Not Like This → ○

I want a credit report from (shade each that you would like to receive):

☐ Equifax

☐ Experian

☐ TransUnion

☐ Shade here if, for security reasons, you want your credit report to include no more than the last four digits of your Social Security Number.

If additional information is needed to process your request, the consumer credit reporting company will contact you by mail.

**Your request will be processed within 15 days of receipt and then mailed to you.**

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### Apply It: Getting My Credit Reports *continued*

You can **get another free credit report** from each of the nationwide credit reporting agencies every year in several specific instances, including:

- If you are receiving public assistance
- If you are unemployed and looking for a job
- If you believe your credit report is inaccurate due to fraud
- If your state's laws provide for a free credit report

If you have been denied credit, service, an apartment, or employment due in part or in full to information in your credit reports:

- You have a right to a copy of the credit report that contained the information that led to your denial.
- You should receive an **"adverse action notice."** It will notify you of your rights to get a free copy of the report that led to your denial.
- You will have 60 days to order that free copy.

Here are some tips for getting credit reports in **special circumstances**:

| Category                               | What to Do   |
|--|--|
| People who are deaf or hard of hearing | Call 7-1-1 and refer the Relay Operator to 1-800-821-7232  |
| People who are blind                   | Call toll free at 877-322-8228 and request the format you want—Braille, large print, or audio format   |
| Legal representative or guardian       | <p>Send the request with this information about the individual:</p> <ul style="list-style-type: none"> <li>▪ Legal name</li> <li>▪ Address</li> <li>▪ Birth date</li> <li>▪ A copy of the individual's birth certificate</li> <li>▪ A copy of the individual's Social Security card</li> </ul> <p>And information about yourself:</p> <ul style="list-style-type: none"> <li>▪ Proof of your legal representation or guardianship</li> <li>▪ A copy of your driver's license or other government-issued identity card with your current address</li> <li>▪ A copy of a current utility bill</li> </ul> |



**Apply It: Getting My Credit Reports *continued***

| Category                    | What to Do  |
|-----------------------------|---|
| Child under 13 years of age | <p>The credit reporting agencies do not knowingly keep credit files on children under age 13. If you suspect someone is using your child's information illegally, you should:</p> <ul style="list-style-type: none"><li>▪ Contact all three nationwide credit reporting agencies and report the situation</li><li>▪ File a police report with your local law enforcement agency</li></ul>   |
| Deceased person             | <p>Send the request with this information about the deceased individual:</p> <ul style="list-style-type: none"><li>▪ Legal name</li><li>▪ Social Security number</li><li>▪ Date of birth</li><li>▪ Date of death</li><li>▪ Last known address</li><li>▪ A copy of the death certificate or letters testamentary</li></ul> <p>And information about yourself:</p> <ul style="list-style-type: none"><li>▪ Legal name</li><li>▪ Address for sending final confirmation</li><li>▪ If applicable, include the court order or other document showing your legal authority to act on behalf of the deceased</li></ul> |

## What Sections are in Credit Reports?

The credit reports from Equifax, Experian, and TransUnion look different from one another.

They have different formats. Their credit reports have the same general sections in common, although they may not be in this order. The numbers in the circles below correspond to the numbers in the example credit report you will be using in an activity.

- ① Personal or identifying information, which may be called consumer information
- ② Public records
- ③ Accounts that have been assigned or sold, which may be called collections
- ④ Credit accounts, which may be called accounts, trades, or trade line
- ⑤ Inquiries



## What Are the Types of Inquiries?

There are two types of inquiries: hard inquiries and soft inquiries.

A **hard inquiry** may affect your credit scores.

Hard Inquiry =  **May**  
Affect

A **soft inquiry** does not affect your credit scores.

Soft Inquiry =  **Won't**  
Affect



## Try It: Reading a Credit Report

Read the scenario and then answer the questions based on Ray's credit report. You can find it after the questions.

### Scenario: Ray Reviews His Credit Reports

Ray wants to buy a house. He has some money set aside for a down payment.

He attended a homebuyer education class. He knew his credit score was important to getting a mortgage. He didn't realize that his credit reports and scores were connected.

Ray has never ordered a credit report. He learned about the right to get free credit reports during the class. But, he is nervous. He's had some credit struggles in the past. He's not sure how to approach reading his report either.

He knows that getting his credit reports and reviewing them carefully are important. He can see if there are any errors and dispute them. He can also take time to build and improve his credit before he begins to look for a house.



#### 1. Who does this credit report belong to?

#### 2. Where does he live?

#### 3. Does he have anything in collections? If yes, what?

**Try It: Reading a Credit Report *continued***

**4. Is he paying all of his bills on time?**

**5. What kinds of credit does he currently have open?**

**6. Has he ever had a bankruptcy?**

**7. What do his inquiries tell you?**

**8. How can he improve his credit?**

## Try It: Reading a Credit Report *continued*

### Example Credit Report

**Note:** This is an example designed for training purposes only. Unlike a real credit report, this example only shows the last twelve months of history. The dates are shown in the Trades section from oldest to most recent. Real credit reports may show dates from most recent to oldest.

|                         |                            |  |
|-------------------------|----------------------------|--|
| <b>Date:</b><br>9/20/18 | <b>Time:</b><br>12:15 p.m. |  |
|-------------------------|----------------------------|--|

### 1. CONSUMER INFORMATION

|                               |                                       |  |                 |
|-------------------------------|---------------------------------------|--|-----------------|
| Name:                         | Davis, Ray E.                         | Social Security Number:                                    | XXX-XX-1234     |
| Also Known As:                | Davis, R.E.                           | Birthdate:   | 7/27/72         |
| Current Address:              | 123 24th Street<br>Mytown, NE 12345   | Telephone:   | (555) 111 -1111 |
| Former Address:               | 1234 Maple Street<br>Mytown, NE 12345 |  |                 |
| Current Employer and Address: |                                       | Anytown Supplies, LLC<br>47 First Street, Mytown, NE 12345 |                 |
| *****                         |                                       |  |                 |
| SPECIAL MESSAGES              |                                       |  |                 |
| None at this time.            |                                       |  |                 |

\*\*\*\*\*

### 2. PUBLIC RECORDS

|                    |                        |                            |                         |
|--------------------|------------------------|----------------------------|-------------------------|
| <b>Source:</b>     | Western District Clerk | <b>Identification No.:</b> | Z 409581                |
| <b>Docket #:</b>   | 012-3456               |                            | Chapter 7<br>Bankruptcy |
| <b>Date Filed:</b> | 10/12                  | <b>Attorney:</b>           | A. Finch                |
|                    |                        | <b>Liability:</b>          | \$18,930                |
|                    |                        | <b>Assets:</b>             | \$ 4,000                |

\*\*\*\*\*

### 3. COLLECTIONS

|                        |                    |                  |        |                       |        |
|------------------------|--------------------|------------------|--------|-----------------------|--------|
| <b>Name:</b>           | Mytown Collections | <b>Opened:</b>   | 6/13   | <b>Amount Placed:</b> | \$2780 |
| <b>Account#:</b>       | 09247501           | <b>Verified:</b> | 7/16   | <b>Balance:</b>       | \$0    |
| <b>Responsibility:</b> | Individual         | <b>Status:</b>   | Closed |                       |        |
| <b>Creditor:</b>       | 123 Bank           |                  |        |                       |        |

\*\*\*\*\*

## Try It: Reading a Credit Report *continued*

### Example Credit Report *continued*

#### 4. TRADES

|                         |                           |       |            |                     |       |      |      |                      |                       |      |      |      |  |
|-------------------------|---------------------------|-------|------------|---------------------|-------|------|------|----------------------|-----------------------|------|------|------|--|
| <b>Name:</b>            | ZXY Bank                  |       |            | <b>Opened:</b>      | 7/16  |      |      | <b>High Balance:</b> | \$3,500               |      |      |      |  |
| <b>Account#:</b>        | 123478901234              |       |            | <b>Verified:</b>    | 8/18  |      |      | <b>Credit Limit:</b> | \$4,000               |      |      |      |  |
| <b>Responsibility:</b>  | Individual                |       |            | <b>Closed/Paid:</b> |       |      |      | <b>Balance:</b>      | \$2,580               |      |      |      |  |
| <b>Description:</b>     | Revolving                 |       |            | <b>Status:</b>      | Open  |      |      | <b>Term:</b>         | \$200                 |      |      |      |  |
| <b>Payment History:</b> | 9/17                      | 10/17 | 11/17      | 12/17               | 1/18  | 2/18 | 3/18 | 4/18                 | 5/18                  | 6/18 | 7/18 | 8/18 |  |
|                         | OK                        | OK    | OK         | OK                  | OK    | OK   | OK   | 60<br>Late           | 30<br>Late            | OK   | OK   | OK   |  |
| <b>Name:</b>            | Your Bank                 |       |            | <b>Opened:</b>      | 1/17  |      |      | <b>High Balance:</b> | \$220,000             |      |      |      |  |
| <b>Account#:</b>        | 12-34567890               |       |            | <b>Verified:</b>    | 8/18  |      |      | <b>Credit Limit:</b> |                       |      |      |      |  |
| <b>Responsibility:</b>  | Joint                     |       |            | <b>Closed/Paid:</b> |       |      |      | <b>Balance:</b>      | \$218,021             |      |      |      |  |
| <b>Description:</b>     | Mortgage                  |       |            | <b>Status:</b>      | Open  |      |      | <b>Term:</b>         | 360 Months<br>\$1,141 |      |      |      |  |
| <b>Payment History:</b> | 9/17                      | 10/17 | 11/17      | 12/17               | 1/18  | 2/18 | 3/18 | 4/18                 | 5/18                  | 6/18 | 7/18 | 8/18 |  |
|                         | OK                        | OK    | OK         | OK                  | OK    | OK   | OK   | OK                   | OK                    | OK   | OK   | OK   |  |
| <b>Name:</b>            | Department Store          |       |            | <b>Opened:</b>      | 4/15  |      |      | <b>High Balance:</b> | \$500                 |      |      |      |  |
| <b>Account#:</b>        | 676518276152              |       |            | <b>Verified:</b>    | 8/18  |      |      | <b>Credit Limit:</b> | \$1,500               |      |      |      |  |
| <b>Responsibility:</b>  | Individual                |       |            | <b>Closed/Paid:</b> |       |      |      | <b>Balance:</b>      | \$150                 |      |      |      |  |
| <b>Description:</b>     | Revolving                 |       |            | <b>Status:</b>      | Open  |      |      | <b>Term:</b>         | \$15                  |      |      |      |  |
| <b>Payment History:</b> | 9/17                      | 10/17 | 11/17      | 12/17               | 1/18  | 2/18 | 3/18 | 4/18                 | 5/18                  | 6/18 | 7/18 | 8/18 |  |
|                         | OK                        | OK    | 30<br>Late | OK                  | OK    | OK   | OK   | OK                   | OK                    | OK   | OK   | OK   |  |
| <b>Name:</b>            | Bank                      |       |            | <b>Opened:</b>      | 12/14 |      |      | <b>High Balance:</b> | \$20,000              |      |      |      |  |
| <b>Account#:</b>        | 9863522                   |       |            | <b>Verified:</b>    | 8/18  |      |      | <b>Credit Limit:</b> |                       |      |      |      |  |
| <b>Responsibility:</b>  | Individual                |       |            | <b>Closed/Paid:</b> |       |      |      | <b>Balance:</b>      | \$10,204              |      |      |      |  |
| <b>Description:</b>     | Installment<br>Automobile |       |            | <b>Status:</b>      | Open  |      |      | <b>Term:</b>         | 60 Months<br>\$396    |      |      |      |  |
| <b>Payment History:</b> | 9/17                      | 10/17 | 11/17      | 12/17               | 1/18  | 2/18 | 3/18 | 4/18                 | 5/18                  | 6/18 | 7/18 | 8/18 |  |
|                         | OK                        | OK    | OK         | OK                  | OK    | OK   | OK   | OK                   | OK                    | OK   | OK   | OK   |  |

\*\*\*\*\*

#### 5. INQUIRIES

|              |                   |
|--------------|-------------------|
| <b>Date:</b> | <b>Name:</b>      |
| 12/16        | 123 Mortgage Co.  |
| 12/16        | ZXY Bank Mortgage |
| 12/16        | 456 Bank MTG      |

\*\*\*\*\*



## Apply It: Reviewing My Credit Reports

You can use this checklist to review your credit reports. If there is inaccurate or outdated information, file a dispute.

Section 4 in this module discusses how to file a dispute.

### What to Look For

| Yes                      | No                       |   |
|--------------------------|--------------------------|---|
|                          |                          | <b>Personal information</b>   |
|                          |                          | Is the following information completely correct?  |
| <input type="checkbox"/> | <input type="checkbox"/> | ▪ Name(s)   |
| <input type="checkbox"/> | <input type="checkbox"/> | ▪ Address(s)  |
| <input type="checkbox"/> | <input type="checkbox"/> | ▪ Social Security number  |
| <input type="checkbox"/> | <input type="checkbox"/> | ▪ Date of birth   |
| <input type="checkbox"/> | <input type="checkbox"/> | ▪ Phone number(s)   |
| <input type="checkbox"/> | <input type="checkbox"/> | ▪ Employment  |
|                          |                          | <b>Public records</b>   |
| <input type="checkbox"/> | <input type="checkbox"/> | ▪ Do you recognize these?   |
| <input type="checkbox"/> | <input type="checkbox"/> | ▪ Do the amounts listed as owed seem accurate?  |
| <input type="checkbox"/> | <input type="checkbox"/> | ▪ Are any of these being reported beyond the Fair Credit Reporting Act allowed time limits?   |
|                          |                          | <p>Most negative items can be reported for seven years except:</p> <ul style="list-style-type: none"> <li>• Civil judgments—these can be reported for up to seven years from the date they are filed with the courts.</li> <li>• Chapter 7 bankruptcies—these can be reported for up to ten years.</li> <li>• Tax liens—these can be reported for seven years after they are paid in full.</li> <li>• Unpaid tax liens—these can be reported for 15 years.</li> </ul> |
|                          |                          | <b>Collections</b>  |
| <input type="checkbox"/> | <input type="checkbox"/> | ▪ Do you recognize the account(s)?  |
| <input type="checkbox"/> | <input type="checkbox"/> | ▪ If yes, is the balance listed as zero with the original creditor? Check the credit accounts section too.  |
| <input type="checkbox"/> | <input type="checkbox"/> | ▪ If yes, is the account too old to still be reported?  |

### Apply It: Reviewing My Credit Reports *continued*

| What to Look For         |                          |  |
|--------------------------|--------------------------|--|
| Yes                      | No                       |  |
|                          |                          | <b>Accounts</b>  |
| <input type="checkbox"/> | <input type="checkbox"/> | ▪ Do all of the accounts belong to you?  |
| <input type="checkbox"/> | <input type="checkbox"/> | ▪ Do the balances reported seem accurate?  |
| <input type="checkbox"/> | <input type="checkbox"/> | ▪ Do the credit limits seem accurate?  |
| <input type="checkbox"/> | <input type="checkbox"/> | ▪ Are any accounts showing late payments? Are these accurate?  |
| <input type="checkbox"/> | <input type="checkbox"/> | ▪ Are debts that have been assigned or sold to debt collectors showing a zero balance?   |
| <input type="checkbox"/> | <input type="checkbox"/> | ▪ Is corrected information (information you have disputed in the past) being reported accurately? Sometimes inaccurate information is reinserted in reports. |
|                          |                          | <b>Inquiries</b>   |
| <input type="checkbox"/> | <input type="checkbox"/> | ▪ Do all of the applications for credit listed belong to you?  |
|                          |                          | <b>Is there anything else that doesn't look right or you need to investigate further? List it.</b>   |
| <input type="checkbox"/> | <input type="checkbox"/> | ▪  |
| <input type="checkbox"/> | <input type="checkbox"/> | ▪  |
| <input type="checkbox"/> | <input type="checkbox"/> | ▪  |
| <input type="checkbox"/> | <input type="checkbox"/> | ▪  |
| <input type="checkbox"/> | <input type="checkbox"/> | ▪  |



## Getting Your Credit Scores

Even though you can request credit scores, they may not be the same scores that someone used to make decisions about you.

There are several companies that make and sell credit scores. The most commonly used scores are from FICO®—Fair Isaac Corporation. VantageScore® is another company that makes and sells credit scores. There are others as well. All of the information used to generate these credit scores comes from your credit reports.

You may be able to access your FICO® or VantageScore® general credit scores for free.

- Contact nonprofit organizations that offer credit counseling, housing counseling, and other financial counseling services.
- Review your credit card statements, visit your financial institution's website, or ask a customer service representative at your financial institution.
- Wait until you have a right to see your credit scores.

You can access general credit scores online, but you likely will have to pay for them.

- **www.myfico.com** for FICO® scores
- **www.vantagescore.com** for VantageScore®
- The three nationwide credit reporting agencies sell credit scores on their websites

Sometimes free credit scores are marketed to consumers along with credit monitoring or other credit-related products. Make sure you understand how these products work and how much money they might cost. Then you can decide if the cost justifies the value you will get from the product.



### Remember the Key Takeaway

**Get and review your credit reports at least once every 12 months to make sure the information is accurate.**

## Section 4: Disputing Errors on Your Credit Reports

We will discuss how to dispute errors on your credit reports.



### Key Takeaway



If you find errors on your credit reports, file a dispute right away. Be sure to keep records and follow up.

### Errors on Your Credit Reports

There can be errors on your credit reports. The only way to know if there are mistakes is to get and review your credit reports regularly.

If you do find an error, it's important to file a dispute. Why? Mistakes could bring your credit scores down.

There are some common types of errors:

- Errors related to your identity
- Errors related to the incorrect reporting of account status
- Data management errors
- Balance errors
- Errors related to reporting outdated information

### Time Limits on Negative Information

In general, negative information can only be reported on credit reports for seven years. Some bankruptcies are an exception.

### No Time Limits

There are no time limits for the reporting of negative information on credit reports when someone applies for:

- A job with a yearly salary of \$75,000 or more
- More than \$150,000 worth of credit
- Life insurance with a face value of \$150,000 or more

### Medical Debt and Credit Reports

The nationwide credit reporting agencies will generally not report medical debt on your credit reports until the debt has been unpaid for at least 180 days. This gives you some time to resolve billing disputes. This also gives you time to make payment arrangements before the medical debts and collections can damage your credit reports and scores.

Review medical bills carefully. Make sure you are only being billed for products and services that were received.

## How to Dispute Errors on Your Credit Reports

There are two common ways to dispute errors on your credit reports:

- **Option 1:** Use online forms on the websites of Equifax, Experian, and TransUnion
- **Option 2:** Send a letter via certified mail, return receipt requested

### After You File a Dispute

After you file a dispute, you will receive a letter from the credit reporting agency with the status. The incorrect information should not appear again, but it might.

The dispute process takes time. Keep records, follow up, and don't give up.





## Apply It: Disputing Errors on My Credit Reports

You can use this list to help you dispute errors or outdated information on your credit reports. Use the notes section to keep track of what you do and when. Keep this with a copy of the dispute you send.

| What to Do   | Notes |
|--|-------|
| <p><b>Get and review your credit reports.</b></p> <p>Highlight or circle any incorrect or outdated information.</p>  |       |
| <p><b>Gather evidence, including online records.</b></p> <p>Make copies of any evidence you have to support your dispute. Here are some examples:</p> <ul style="list-style-type: none"> <li>▪ A receipt of payment</li> <li>▪ Copy of a cancelled check</li> <li>▪ Receipt from an automatic debit or online payment</li> <li>▪ Letter from a creditor stating the account has been paid in full</li> <li>▪ The “order to set aside a judgment” if a judgment against you has been vacated</li> </ul> <p>Keep in mind:</p> <ul style="list-style-type: none"> <li>▪ Anything that supports your claim can be used as evidence.</li> <li>▪ Never send originals. Only send copies.</li> <li>▪ If you are using the online dispute process, you can upload copies of evidence.</li> </ul> |       |

**Apply It: Disputing Errors on My Credit Reports** *continued*

| What to Do   | Notes |
|--|-------|
| <p><b>File your dispute.</b></p> <p>Use the online system or write a letter.</p> <p>If you write a letter, it should include:</p> <ul style="list-style-type: none"><li>▪ Your complete name and address,</li><li>▪ A clear description of each item you are disputing and the reason for each dispute, and</li><li>▪ A request that the information be corrected or removed.</li></ul> <p>See the example letter below this table. You can model your letter on it.</p> <p>Make a copy of your dispute letter for your records.</p> <p>Send certified mail, return receipt requested:</p> <ul style="list-style-type: none"><li>▪ the original letter</li><li>▪ copies of your evidence</li><li>▪ a copy of your credit report with the disputed information highlighted or circled</li></ul> |       |
| <p><b>You can also file a dispute with the information furnisher.</b></p> <p>While the credit reporting agency will also take steps to verify the information, contacting the information furnisher at the same time may lead to a faster resolution. You can find the contact information for the information furnisher on your credit report.</p> <p>You can use the same information you sent to the credit reporting agency. Just be sure to address the letter to the information furnisher.</p>  |       |

### Apply It: Disputing Errors on My Credit Reports *continued*

| What to Do   | Notes |
|--|-------|
| <p><b>If the credit reporting agency finds that your dispute is valid, they will send you a letter.</b></p> <p>They will also send you a copy of your credit report with the corrected information. If they do not find your dispute valid, they must notify you in writing and state the reasons why your claim was rejected. You can:</p> <ul style="list-style-type: none"> <li>▪ Resubmit the dispute.</li> <li>▪ Work with the information furnisher to get it corrected.</li> <li>▪ Submit the dispute to another credit reporting agency (if the error is also on that agency's credit report).</li> <li>▪ File a consumer statement to be included on your credit reports. In your statement, you can declare that a specific item is in dispute.</li> </ul> |       |
| <p><b>Check your other credit reports to see if the information was corrected.</b></p> <p>If not, send a dispute letter with a copy of the letter from the credit reporting agency stating that your dispute was valid. Ask them to correct the information.</p>   |       |
| <p><b>Periodically review your credit reports to ensure the error is not reinserted into your credit reports.</b></p>  |       |

**Example Letter from the Federal Trade Commission (FTC):<sup>1</sup>**

You can model your dispute letter on this one. Be sure to include your own information where the words are in italics in brackets.

*[Insert Your Name]*

*[Insert Your Address]*

*[Insert Your City, State, Zip Code]*

*[Insert the Date]*

Complaint Department

*[Insert Company Name, Street Address, City, State, Zip Code]*

Dear Sir or Madam:

I am writing to dispute the following information in my file. I have circled the items I dispute on the attached copy of the report I received.

This item *[identify item(s) disputed by name of source, such as creditors or tax court, and identify type of item, such as credit account, judgment, etc.]* is *[inaccurate or incomplete]* because *[describe what is inaccurate or incomplete and why]*. I am requesting that the item be removed *[or request another specific change]* to correct the information.

Enclosed are copies of *[use this sentence if applicable and describe any enclosed documentation, such as payment records or court documents]* supporting my position. Please investigate this *[these]* matter[s] and *[delete or correct]* the disputed item[s] as soon as possible.

Sincerely,

*[Insert Your Name]*

Enclosures: *[List what you are enclosing.]*

---

<sup>1</sup> See the Federal Trade Commission website at <https://www.consumer.ftc.gov/articles/0384-sample-letter-disputing-errors-your-credit-report>.

**Remember the Key Takeaway**

**If you find errors on your credit reports, file a dispute right away.  
Be sure to keep records and follow up.**

## Section 5: Build, Repair, and Maintain a Productive Credit History

We will discuss strategies to build, repair, and maintain a productive credit history.



### Key Takeaway



Your credit history does not have to be your credit future.

### A Productive Credit History

A productive credit history means a credit history that helps you do the things you want to do.

For example, you may want to:

- Get a car using a car loan
- Buy a house
- Qualify for an apartment
- Get a job

Depending on your current situation, you may need to:

- Build your credit
- Build an alternative credit history
- Repair or improve your credit
- Maintain your credit





## Try It: Developing a Productive Credit History

Read the scenario your group will work on. Then answer the questions.

### Scenario 1: Selena Needs a Security Clearance

Selena made some decisions that led to more debt than she could handle. She has two accounts that are in collections: a department store credit card and a medical debt. She has multiple late payments on four other credit card accounts. Plus, she has used nearly all of her credit limit on two of the credit cards. She also has a car loan she's paid regularly, so she feels good about that.

Selena knows she will be eligible for a promotion at work within the next two years. It requires a security clearance. She just learned that her credit reports may factor into the decision to grant the clearance.



**What should Selena focus on first? Choose one:**

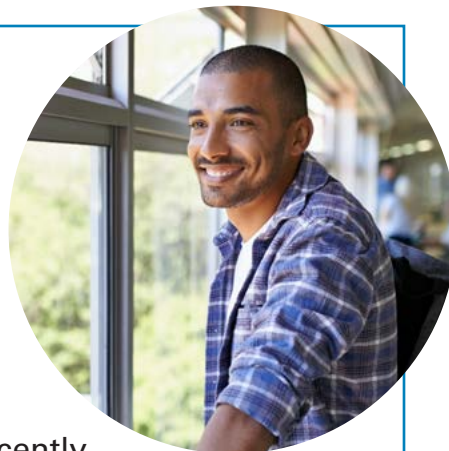
- ☐ Building her credit (*see the Apply It on page 42*)
- ☐ Creating her alternative credit history (*see the Apply It on page 46*)
- ☐ Repairing and improving her credit (*see the Apply It on page 47*)
- ☐ Maintaining her productive credit history (*see the Apply It on page 48*)

**Review the *Apply It* that relates to the topic you chose. Which two strategies are most relevant to this Scenario?**

**Try It: Developing a Productive Credit History *continued*****Scenario 2: Max Wants an Apartment**

Max wants to get his own apartment within the next two months. He's always rented from a friend. So, he's never had to apply for an apartment or sign a lease. He has a job in a mid-level manufacturing company and makes a steady income. He bought his used car with savings, and has never had a credit card. He's only borrowed money once, from his foster parents.

Max pays all of his bills on time, including for his cell phone, internet service, rent, and child support. He recently learned that some landlords look at credit reports to decide if they will rent to someone.



**What should Max focus on first? Choose one:**

- ☐ Building his credit (*see the Apply It on page 42*)
- ☐ Creating his alternative credit history (*see the Apply It on page 46*)
- ☐ Repairing and improving his credit (*see the Apply It on page 47*)
- ☐ Maintaining his productive credit history (*see the Apply It on page 48*)

**Review the *Apply It* that relates to the topic you chose. Which two strategies are most relevant to this Scenario?**

**Try It: Developing a Productive Credit History *continued*****Scenario 3: Vonnie Needs a Car Loan**

Vonnie has recently earned her GED. She's an assistant manager at a local restaurant. Vonnie hopes to attend college within the next few years. In the meantime, she wants to buy a car. She hasn't saved enough money yet so she knows she will need a car loan.

She's never borrowed money before. She knows having a credit history is important for getting a car loan.



**What should Vonnie focus on first? Choose one:**

- ☐ Building her credit (*see the Apply It on page 42*)
- ☐ Creating her alternative credit history (*see the Apply It on page 46*)
- ☐ Repairing and improving her credit (*see the Apply It on page 47*)
- ☐ Maintaining her productive credit history (*see the Apply It on page 48*)

**Review the *Apply It* that relates to the topic you chose. Which two strategies are most relevant to this Scenario?**



## Apply It: Building My Credit

You can use this checklist to explore options for building credit.

| Building Credit  | What It Is  | What to Watch Out For   |
|--|---|---|
| <p><b>Get a secured credit card</b></p> <p><input type="checkbox"/> This is an option for me</p> | <p>To get a secured credit card, you must make a deposit with the financial institution that issues the credit card. Often it is around \$500, which is also generally the credit limit. The credit limit is the maximum you can charge on the credit card.</p> | <p><b>Fees.</b> Secured credit cards often have fees: annual fees, monthly fees, and others. The credit card issuer cannot charge fees that add up to more than 25% of the credit limit in the first year. Read the fine print. Make sure the fee structure does not increase after the first 12 months.</p> <p><b>Credit utilization rate.</b> Be sure to keep the amount you charge as low as possible compared to your credit limit. Borrowers who have large balances in proportion to their credit limits may see their credit scores fall.</p> <p><b>Missing payments.</b> Be sure to pay the full amount due each month. Getting a secured credit card will not improve your credit scores if you miss payment deadlines. The creditor must receive the payment by the due date.</p> <p><b>Reporting.</b> Check your credit reports to ensure the financial institution regularly reports your payments to Equifax, Experian, or TransUnion.</p> |

Apply It: Building My Credit *continued*

| Building Credit  | What It Is  | What to Watch Out For  |
|--|---|--|
| <p><b>Get a credit-building loan</b></p> <p><input type="checkbox"/> This is an option for me</p>                          | <p>These are installment loans usually for \$1,000 or less. You repay them through regular, scheduled payments for 6 to 12 months.</p>  | <p><b>Interest rates.</b> For most loans, you will have to pay interest. Be sure you can afford to repay the loan, including the interest. Remember, even if the loan is deposited in an account and you make the loan payments from this deposit, you will still need additional money to cover the interest.</p> <p><b>Missing payments.</b> While regular, on-time payments can build your credit, missing or late payments will harm it. Be sure you can afford the payments before taking on this loan. Find out if you can set up automatic payments so you can be sure you won't forget to make them.</p> <p><b>Reporting.</b> Check your credit reports to ensure the financial institution regularly reports your payments to Equifax, Experian, or TransUnion.</p> |
| <p><b>Become an authorized user on someone else's account</b></p> <p><input type="checkbox"/> This is an option for me</p> | <p>This provides you with a credit card in your name, but someone else owns and is responsible for the account.</p> <p>If the primary accountholder uses it responsibly and has good credit, it may provide a slight boost to your credit scores.</p> | <p><b>Reporting.</b> Check your credit reports to ensure the financial institution regularly reports authorized user status to Equifax, Experian, or TransUnion.</p> <p><b>Missed payments by the accountholder.</b> Late and missed payments on the account can affect your credit. Make sure the person who owns the account has good credit and pays on time and as agreed.</p>   |

Apply It: Building My Credit *continued*

| Building Credit  | What It Is  | What to Watch Out For  |
|--|---|--|
| <b>Get a cosigner</b><br><input type="checkbox"/> This is an option for me   | <p>Ask a friend or relative with good credit to cosign your loan. A cosigner promises to repay the loan if you do not.</p>  | <p><b>Your relationship.</b> If you do not pay back the loan, your cosigner will be responsible for the payments. You may have damaged their credit as well.</p> <p><b>Reporting.</b> The lender should report the payment information for both you and the cosigner to the credit reporting agencies.</p>   |
| <b>Apply for a credit card at a store or gas station</b><br><input type="checkbox"/> This is an option for me                            | <p>These credit cards typically have a lower credit limit and a higher annual percentage rate (APR).</p> <p>It may be easier to get approved for one of these cards than other types of credit cards.</p>   | <p><b>Interest rates.</b> The interest rate is likely to be high. Make sure you do not charge more than you can pay. Keep the balance on the card as low as possible compared to your credit limit.</p> <p><b>Reporting.</b> Check your credit reports to ensure the lender regularly reports your payments to Equifax, Experian, or TransUnion.</p>   |
| <b>Make a large down payment on a purchase and negotiate a loan for the balance</b><br><input type="checkbox"/> This is an option for me | <p>Offering to make a large down payment can make it more likely that a lender will approve your lending application. And, you will not have to borrow as much money.</p> <p>For example, if you are buying a used car for \$5,000 and have enough cash, you might consider making a down payment of \$1,000 to \$3,000.</p> <p>Repaying the loan as agreed can help you build your credit history.</p> | <p><b>Interest rates.</b> The interest rate is likely to be high. Make sure you do not borrow more money than you can pay.</p> <p><b>Loss of asset.</b> The loan is likely to be secured by the asset you are buying. If you do not make your payments on time and as agreed, the asset may be repossessed.</p> <p><b>Reporting.</b> Check your credit reports to ensure the lender regularly reports your payments to Equifax, Experian, or TransUnion.</p> |

### Apply It: Building My Credit *continued*

| Building Credit   | What It Is  | What to Watch Out For  |
|---|---|--|
| <p><b>Create an alternative credit history</b></p> <p><input type="checkbox"/> This is an option for me</p> | <p>Many of the bills you pay are not included in credit reports. Create a record showing your timely and regular payments of other bills as an alternative to a credit report.</p> <p>Use <i>Apply It: Creating My Alternative Credit History</i> on the next page.</p> | <p><b>Acceptance.</b> Many businesses will not accept an alternative credit history in place of a credit report or scores. Be sure to check with potential service providers about their policies on considering alternative credit histories.</p> <p><b>Evidence.</b> Make sure you have evidence to back up your claims of timely and regular payments, such as:</p> <ul style="list-style-type: none"> <li>▪ Receipts</li> <li>▪ Statements</li> <li>▪ Letters from the businesses you pay regularly</li> </ul> |
| <p><b>Other</b></p> <p><input type="checkbox"/> This is an option for me</p>                                |   |  |



## Apply It: Creating My Alternative Credit History

Use this worksheet to build an alternative credit history.

| Payment or Item                               | Payment/deposit frequency? For how long?<br>What documentation can I provide? |
|---|---|
| Rent  |   |
| Childcare /<br>Eldercare<br>payments          |   |
| Spousal / Child<br>Support payments           |   |
| Cell phone bill                               |   |
| Electric bill                                 |   |
| Gas bill                                      |   |
| Water, sewage,<br>and garbage bills           |   |
| Cable / Satellite /<br>TV Viewing<br>Services |   |
| Internet service<br>bill                      |   |
| Insurance<br>payments                         |   |
| Loan from friend<br>or family member          |   |
| Savings                                       |   |
| Other:  |   |
| Other:  |   |





## Apply It: Repairing and Improving My Credit

Use this checklist to explore options for repairing and improving your credit.

- ☐ **Get and review your credit reports.** Go to [annualcreditreport.com](https://annualcreditreport.com) for the free credit reports you are entitled to every 12 months from each of the three nationwide credit reporting agencies.
- ☐ **Dispute and correct any errors.** Look for inaccurate information, information that does not belong to you, and outdated information still being reported.
- ☐ **Make sure anything that is in the collection account section of your reports belongs to you.** And, if something appears in the collection account section, make sure it is not also reported in another section.
- ☐ **Pay all of your bills on time and as agreed.**
- ☐ **If you have credit cards, use as little of your credit limit as possible.** Carrying high balances on credit cards compared to available credit limits can significantly reduce credit scores. Some experts advise using no more than 30% of your available credit while others advise using no more than 20%. While keeping balances at or below those percentages may be a goal that you cannot reach right now, it helps to use as little of your credit limit as possible.
- ☐ **Use a credit building strategy.** Options may include:
  - Secured credit cards
  - Credit building loans
  - Becoming an authorized user on an account
  - Getting a cosigner
- ☐ **Keep old accounts open if you can.** Older accounts create a longer credit history.
- ☐ **Apply for credit only if you really need it.** Applications for credit create inquiries. Too many inquiries can negatively affect your scores.
- ☐ **Negotiate different terms.** See if you can increase your credit limit on revolving accounts (such as credit card accounts or lines of credit) or ask for lower interest rates. Changes can improve your credit and make your credit more affordable.
- ☐ **Ask for a “good will” deletion.** If you have paid your bills on time and as agreed with a creditor, but missed a payment or two, you may be able to negotiate a deletion of the negative entry. If this doesn’t work, ask what else could be done to prevent it from being reported to a credit reporting agency.



## Apply It: Maintaining My Productive Credit History

Many of the strategies for maintaining productive credit are the same as those for repairing and improving credit. Use this checklist to keep your credit history productive after you have built, repaired, or improved it.

- ☐ **Continue to pay your bills on time and as agreed.** This will have the greatest impact on both your credit reports and scores. It is the most important strategy for maintaining productive credit reports and scores.
- ☐ **Continue to pay down your debt balances.** If you are paying your bills on time and as agreed, this is likely already occurring. But make sure you see this reflected in the balances on your credit reports.
- ☐ **Keep the amount of credit you use as low as you can compared to your credit limits.** This applies to credit cards as well as lines of credit. Only use what you need.
- ☐ **Don't apply for too much credit.** Applying for too much credit at once can suggest financial problems. Lenders may not view this favorably when you apply for credit.
- ☐ **Avoid actions or inactions that may create new entries in the public records section of your credit reports.** If you have been served with a lawsuit notice and don't show up to court, the court will likely find in favor of the individual or business that is suing you. Get legal help if needed.
- ☐ **Pay your taxes and child support in full and on time.** A tax lien may be filed if you do not pay your income taxes, property taxes, or other taxes. A lien gives the government the legal right to your property—financial assets, personal property, or real estate—if you do not pay the taxes you owe. Not paying child support can lead to garnishment, liens on properties, and withholding of tax refunds or other governmental payments, along with other consequences.
- ☐ **Check your credit reports at least once every 12 months at [annualcreditreport.com](https://annualcreditreport.com).**
- ☐ **Dispute errors on your credit reports.** Be sure to keep records of your disputes.
- ☐ **Keep good financial records.** Good recordkeeping will give you:
  - proof if there are any errors in your credit reports
  - information if your identity is stolen and you have to contact your creditors quickly
  - peace of mind



## Apply It: Getting Help With My Credit

You may feel overwhelmed by the steps you need to take to get, read, repair, and build your credit. If so, you are not alone. You can get help. But, you need to be careful because all help is not the same.

You can use this list to get help with your credit.

| Provider  | What You Can Do  | Contact Information |
|---|--|---------------------|
| <b>Financial Institution</b>                        | Ask a customer service representative if someone can help you understand information in your credit reports.   |                     |
| <b>Nonprofit Consumer Credit Counseling Service</b> | Get help from a nonprofit consumer credit counseling service. You can meet with a counselor over the phone or in person if available in your area. Visit <b>usa.gov</b> and search on “credit counselors.”                             |                     |
| <b>HUD-approved Housing Counseling Agency</b>       | Meet with a housing counselor approved by the Department of Housing and Urban Development (HUD). Find your local HUD-approved housing counseling agency by visiting <b>www.hud.gov</b> and searching on “housing counseling agencies.” |                     |

**Apply It: Getting Help With My Credit** *continued*

| <b>Provider</b>                           | <b>What You Can Do</b>   | <b>Contact Information</b> |
|---|--|----------------------------|
| <b>Financial Education Nonprofit</b>      | Find out if there are nonprofit financial education providers in your community. Staff may be trained to provide financial education, coaching, or counseling. Check with your local library. Or, call 2-1-1 (if available) to find local resources.           |                            |
| <b>Certified Financial Planners (CFP)</b> | Schedule an appointment with a certified financial planner (CFP). CFPs generally provide financial planning and investment information, plans, and advice on a commission or fee-only basis. Visit <b>usa.gov</b> and search on "certified financial planner." |                            |
| <b>Other:</b>                             |  |                            |
| <b>Other:</b>                             |  |                            |

### Credit Repair and Debt Consolidation

Understand what is provided by credit repair companies or debt consolidation businesses. Make sure you know what they are selling you.

- **Credit repair companies**

- For a fee, these companies promise to fix your credit

- **Debt consolidation businesses**

- They offer different services

### Use Caution

Use caution when getting assistance. It helps to know the difference between debt consolidation and debt settlement.

**A debt consolidation loan** is a new loan that you use to pay off some or all of the other debts you have.

**Debt settlement** is working with your creditors to make payment arrangements.

### Credit Repair Scams

Some businesses make promises about repairing your credit that they cannot deliver. Beware of credit repair companies that:

- Promise to erase bad credit or to remove other negative, but accurate, information from your credit reports
- Promise fast and easy credit repair
- Offer to create a new identity for you
- Want you to pay for credit repair services before providing any service
- Will not tell you your rights and what you can do yourself

Before signing a contract, check with your state's attorney general's office, or local consumer protection agency to see whether complaints have been filed against the company.



## Protecting Your Credit History

You can take extra steps to protect your credit. Depending on your needs, you can limit access to your credit reports to prevent the opening of new accounts in your name.

| Extra Protection                  | When to Use It and Requirements   | What it Does, Cost, and Limits  |
|-----------------------------------|---|---|
| <b>Initial Fraud Alert</b>        | <ul style="list-style-type: none"> <li>You are concerned you may become the victim of identity theft or fraud</li> <li>Must provide proof of identity</li> </ul>  | <ul style="list-style-type: none"> <li>Requires creditors and other businesses to take steps to verify your identity before granting credit in your name</li> <li>The credit reporting agency you place the initial fraud alert with must notify the other two nationwide credit reporting agencies to place an alert</li> <li>The alert is free</li> <li>The alert stays in place for one year (effective September 21, 2018)</li> </ul> |
| <b>Active Duty Military Alert</b> | <ul style="list-style-type: none"> <li>You are an active duty member of the military on deployment</li> </ul>   | <ul style="list-style-type: none"> <li>Requires creditors to take steps to verify your identity before granting credit in your name</li> <li>The credit reporting agency you place the active duty military alert with must notify the other two nationwide credit reporting agencies to place an alert</li> <li>The alert is free and stays in place for 12 months, but can be renewed for the length of your deployment</li> </ul>      |
| <b>Extended Fraud Alert</b>       | <ul style="list-style-type: none"> <li>Your identity has been stolen</li> <li>Must provide proof of identity theft and a copy of an identity theft report</li> <li>Create an identity theft report at <b>IdentityTheft.gov</b></li> </ul> | <ul style="list-style-type: none"> <li>The same as an initial fraud alert except it stays in place for seven years</li> </ul>   |

| Extra Protection     | When to Use It and Requirements   | What it Does, Cost, and Limits  |
|----------------------|---|---|
| <b>Credit Freeze</b> | <ul style="list-style-type: none"> <li>▪ You want more protection than a fraud alert</li> </ul> | <ul style="list-style-type: none"> <li>▪ You have a legal right to freeze your credit reports</li> <li>▪ Prevents access to your credit reports</li> <li>▪ Prevents new accounts for credit from being opened and in some states, stops new accounts for other services such as insurance and utilities</li> <li>▪ May take 24 to 48 hours to lift a freeze if you want to apply for credit, a job, or something else that requires access to your credit reports, so you must plan ahead</li> <li>▪ There is no cost to place or lift a freeze (effective September 21, 2018)</li> <li>▪ To be effective, you must put a freeze at each of the three nationwide credit reporting agencies</li> </ul> |
| <b>Credit Lock</b>   | <ul style="list-style-type: none"> <li>▪ You want more protection than a fraud alert</li> </ul> | <ul style="list-style-type: none"> <li>▪ Similar to the credit freeze except this is a credit reporting agency product, not a right provided by law</li> <li>▪ May be easier to lock and unlock than to freeze and unfreeze</li> <li>▪ May cost more than a freeze after introductory offers</li> </ul>   |



## Remember the Key Takeaway

Your credit history does not have to be your credit future.

# Module Closing

## ★ Remember the Key Takeaways

| Section   | Key Takeaway  |
|---|---|
| 1: Credit Reports   | Your credit history can affect your access to credit, loans, jobs, housing, insurance, and other important services. Understanding your rights helps you know how to protect your credit history. |
| 2: Credit Scores  | You can take steps to improve and manage your credit scores. This includes paying your bills on time and as agreed.   |
| 3: Getting and Understanding Your Credit Reports and Scores | Get and review your credit reports at least once every 12 months to make sure the information is accurate.  |
| 4: Disputing Errors on Your Credit Reports                  | If you find errors on your credit reports, file a dispute right away. Be sure to keep records and follow up.  |
| 5: Build, Repair, and Maintain a Productive Credit History  | Your credit history does not have to be your credit future.   |

## Take Action

You are more likely to take action if you commit to **taking action now**. One way to commit is to think about what you plan to do because of what you learned today. Then write it down.

**What will I do?**



**How will I do it?****Will I share my plans with anyone? If so, who?****Where to Get More Information or Help**

For more information about credit reports and scores, including information about credit scams, visit **[www.ftc.gov](http://www.ftc.gov)** and **[www.consumerfinance.gov](http://www.consumerfinance.gov)**.

For help reading your credit report, credit counseling, and other services, contact a nonprofit consumer credit counseling service. Visit **[usa.gov](http://usa.gov)** and search for “credit counseling.”

Housing counselors approved by the Department of Housing and Urban Development (HUD) have specific training on helping clients improve their credit. This can help increase their chances of being approved for a home mortgage. Visit **[www.hud.gov](http://www.hud.gov)** and search for “housing counseling agencies.”

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If you have a question about a banking product, ask a customer service representative at the financial institution for help.

If you have a concern, explain to the customer service representative what happened and what you would like them to do to correct the situation. If that does not help, consider contacting the federal regulator for that financial institution.

To find out who regulates the financial institution, call the FDIC toll-free at 1-877-ASK-FDIC (1-877-275-3342) or visit **[www.fdic.gov/consumers/assistance/filecomplaint.html](http://www.fdic.gov/consumers/assistance/filecomplaint.html)**.

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# Pre-Training Survey

Your instructor may ask you to complete this pre-training survey before the training begins.

Please answer these questions:

1. You can improve your credit report, but your credit scores will always stay the same. True False
  
2. You should check your credit report every two years, but not more frequently than that. True False
  
3. Which of the following can review your credit reports and scores to make decisions about you? Choose all that apply.
 

|  |   |
|--|---|
| a. Landlords<br>b. Insurance companies (in some states)<br>c. Financial institutions | d. Cell phone companies<br>e. Employers (in some states)<br>f. Your friends |
|--|---|
  
4. What factors affect your credit scores? Choose all that apply.
 

|   |   |
|---|---|
| a. Your income<br>b. Your length of employment<br>c. How much of your credit card limit you use | d. The amount of money you have in savings<br>e. All of the above<br>f. None of the above |
|---|---|
  
5. Which of the following are likely to make your credit scores increase? Choose all that apply.
 

|  |   |
|--|---|
| a. Closing old credit accounts<br>b. Applying for new credit<br>c. Getting a better paying job | d. Paying your bills on time<br>e. All of the above<br>f. None of the above |
|--|---|
  
6. Who should regularly look for, identify, and dispute errors on your credit reports? Choose all that apply.
 

|   |   |
|---|---|
| a. The credit reporting agency<br>b. The information furnisher<br>c. The individual, business, or organization that uses credit reports to make decisions about you | d. You<br>e. All of the above<br>f. None of the above |
|---|---|

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## Post-Training Survey

Your instructor may ask you to complete this post-training survey after the training ends.

Please answer these questions:

1. You can improve your credit report, but your credit scores will always stay the same. True False
  
2. You should check your credit report every two years, but not more frequently than that. True False
  
3. Which of the following can review your credit reports and scores to make decisions about you? Choose all that apply.
 

|  |   |
|--|---|
| a. Landlords<br>b. Insurance companies (in some states)<br>c. Financial institutions | d. Cell phone companies<br>e. Employers (in some states)<br>f. Your friends |
|--|---|
  
4. What factors affect your credit scores? Choose all that apply.
 

|   |   |
|---|---|
| a. Your income<br>b. Your length of employment<br>c. How much of your credit card limit you use | d. The amount of money you have in savings<br>e. All of the above<br>f. None of the above |
|---|---|
  
5. Which of the following are likely to make your credit scores increase? Choose all that apply.
 

|  |   |
|--|---|
| a. Closing old credit accounts<br>b. Applying for new credit<br>c. Getting a better paying job | d. Paying your bills on time<br>e. All of the above<br>f. None of the above |
|--|---|
  
6. Who should regularly look for, identify, and dispute errors on your credit reports? Choose all that apply.
 

|   |   |
|---|---|
| a. The credit reporting agency<br>b. The information furnisher<br>c. The individual, business, or organization that uses credit reports to make decisions about you | d. You<br>e. All of the above<br>f. None of the above |
|---|---|

Continued on next page

**About the Training**

Check the box that best describes your agreement or disagreement with each of these statements.

|  | Completely agree | Somewhat agree | Somewhat disagree | Completely disagree |
|--|------------------|----------------|-------------------|---------------------|
| 7. I would recommend this training to others.                                |                  |                |                   |                     |
| 8. I plan to apply what was discussed in this training to my life.           |                  |                |                   |                     |
| 9. The instructor used engaging training activities that kept me interested. |                  |                |                   |                     |
| 10. The instructor was knowledgeable and well prepared.                      |                  |                |                   |                     |
| 11. The Participant Guide is clear and helpful.                              |                  |                |                   |                     |

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Visit the FDIC's website at **[www.fdic.gov/education](http://www.fdic.gov/education)** for more information and resources on banking-related issues. For example, FDIC Consumer News provides practical hints and guidance on how to become a smarter, safer user of financial services. Also, the FDIC's Consumer Response Center is responsible for:

- Investigating all types of consumer complaints about FDIC-supervised institutions
- Responding to consumer inquiries about consumer laws and regulations and banking practices

**You can also call the FDIC for information and assistance at  
877-ASK-FDIC (877-275-3342).**



**MONEY SMART for Adults**

**PARTICIPANT GUIDE**

**Module 6: Credit Reports and Scores**

**September 2018**

**[www.fdic.gov/education](http://www.fdic.gov/education)**