

To Your Credit



Instructor Guide



Building: Knowledge, Security, Confidence

FDIC Financial Education Curriculum

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MODULE OVERVIEW

Purpose

The To Your Credit module will teach students how to read a credit report and how to build and repair their credit history.

Objectives

At the end of the module, students will be able to:

- Describe the purpose of a credit report and how it is used.
- Order a copy of their credit report.
- Read their credit report.
- Identify ways to build and repair their credit history.

Presentation Time

The total presentation time is 90 minutes, depending on how long students take to complete the exercises.

Materials and Equipment Needed to Present This Module

Important Note: The materials and equipment needed to present all of the Money Smart modules are listed in the *Guide to Presenting the Money Smart Program*. Review the Guide thoroughly before presenting this module.

Handouts

How to Avoid Identity Theft
Tips on How to Build Your Credit History
Tips on How to Repair Your Credit History
The Truth About Credit Repair

LESSON PLAN

Instructor Notes

Presentation



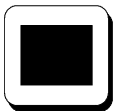
1: *To Your Credit*
Welcome students.



2: *Introduction*



3: *Student Introductions*



4: *Purpose.*
Describe the purpose of the module.

MODULE OVERVIEW

Welcome

Welcome to To Your Credit! You are taking an important step toward financial security by taking this training.

This training will help you understand your credit report and how to build a positive credit history.

Introduction

Introduce yourself and share a little of your background and experience.

Student Introductions

Before we get started, I would like to know a little bit about you.

Ask students to introduce themselves and state their expectations, questions, and/or concerns about what will be covered during the training.

If there is anything that will not be covered in the course, tell students where the information can be obtained (e.g., another module, a Website).

Record their course-related expectations, questions, and concerns on chart paper and tape to the walls in the classroom.

Purpose

The To Your Credit module will teach you how to read a credit report. It will also provide information on how to build and repair your credit history.

**5: Objectives****6: Agenda and Ground Rules**
*Describe the module agenda and ground rules.***MODULE OVERVIEW (Continued)****Objectives**

By the end of this module, you will be able to:

- Describe the purpose of a credit report and how it is used.
- Order a copy of your credit report.
- Read your credit report.
- Identify ways to build and repair your credit history.

Agenda and Ground Rules

This module will take about 90 minutes to present, depending on how long it takes us to get through the exercises and activities.

There will be one 10-minute break about halfway through the training.

I will be using a variety of training methods. I will be presenting material to you in the form of lectures.

There will also be classroom and small group discussions and exercises that give you a chance to practice what you have learned.

If you have experience or knowledge in some aspect of the training material, please share your ideas with the class.

One of the best ways to learn is from each other. You might be aware of some method that has worked well for you or some pitfall to avoid. Your contribution to the class makes the learning experience that much better.



Refer students to the Participant Guide.

Review its contents and organization.



Ask students ...

MODULE OVERVIEW (Continued)

Each of you has a copy of the To Your Credit Participant Guide. It contains:

- Materials and instructions you will need to complete the exercises.
- Checklists and tip sheets related to the module content.
- Space for you to take notes.
- A glossary of the terms used in this module.
- Resources for you to investigate after the class.

You will also receive a copy of the slides I will be using to present this module.

We will be using the Guide throughout the training. You will be able to take it home and use it as a reference.

Do you have any questions about the module overview?



Refer students to the What Do You Know? form on page 12 of their Participant Guide. Explain its purpose.



Transition to the next topic.

WHAT DO YOU KNOW?

Purpose

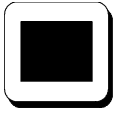
The What Do You Know? form lets you measure how much you have learned from this training. It also tells me what you liked about it and what needs to be improved.

Read the instructions for the "Before-the-Training" column only and walk students through each statement.

Provide enough time for students to complete this portion of the form.

Tell students they will return to this form at the end of the training to complete the remaining sections.

Now let's talk about building, maintaining, and repairing your credit.



7: Credit Report
Define credit report.

WHAT IS A CREDIT REPORT?

Credit Report

A credit report is a record of how you have paid your debts. It tells lenders:

- Who you are.
- How much debt you have.
- Whether you have made payments on time.
- Whether there is negative information about you in public records.

We will take a detailed look at a credit report in a minute.

But first, let's take a look at the agencies that maintain your credit report.

Credit Reporting Agencies

There are three major credit reporting agencies:

- Equifax.
- Experian.
- TransUnion.

These agencies receive information from a variety of creditors, usually monthly, about whether you are making loan payments on time.

The agencies collect information about bankruptcy filings, court-ordered judgments, tax liens, and other public record information from courthouse records.

We will see later how you can order a copy of your credit report.

The names, addresses, and phone numbers of these agencies are in the For Further Information section of your Participant Guide.



8: Credit Reporting Agencies

Explain how credit reporting agencies obtain information for credit reports.



Refer students to For Further Information on page 17 of their Participant Guide.



9: Information in a Credit Report

Describe the information contained in a credit report.

WHAT IS A CREDIT REPORT? (Continued)

Information Contained in a Credit Report

The reports from each of the credit agencies look different but contain the same basic information.

Typically a credit report contains:

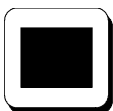
- First, identifying information, including:
 - Name
 - Social Security number
 - Current and previous addresses
 - Telephone number
 - Birth date
 - Current and previous employers
 - If married, spouse's name
- Second, a report containing your credit history. That includes your account record with different creditors. It will show how much credit has been extended and how you have repaid it.
- Third, a report containing a list of inquiries from creditors and other authorized parties who have requested and received your credit report.
- Fourth, a report containing information about you in public records such as collection accounts, bankruptcies, foreclosures, tax liens, civil judgments, and late child support payments.

Public Record Information

Let's take a moment to talk about some of these public record items.

- A judgment is a court order placing a lien on a debtor's property as security for a debt owed to a creditor. It remains on the credit report for 7 years from the date it was filed.

For example, John stopped paying his property taxes last year. After the county sent him several notices about the non-payment, the county went to court and got a judgment lien.



10: Public Record Information

Describe information found in public records and how long it remains.

WHAT IS A CREDIT REPORT? (Continued)

By getting a judgment lien, the county can claim proceeds from the sale of John's house to cover the amount of the taxes he owes.

- A tax lien is a claim against property or assets, filed by the taxing authority for unpaid taxes. It remains on your credit report for 7 years.

For example, since Mary did not pay her taxes, the taxing authority can make a claim against her home.

- A collection account is a past-due account that has been referred to a specialist to collect part or all of the debt.

For example, since Pamela is not making payments on her car loan, the bank will ask a collection agency to collect the amount she owes.

- Bankruptcy is a legal proceeding that can release a person from repaying debts.

For instance, Sam had a personal loan and large credit card debt. He lost his job and filed a petition for Chapter 7 bankruptcy because he could not pay back his loans. The court accepted his petition, and he was no longer required to pay back the loans. However, the bankruptcy remained on his credit report for 10 years.

Let's talk a little more about bankruptcy.

Personal Bankruptcy

The two kinds of bankruptcies that are most filed are:

- Chapter 13 bankruptcy.
- Chapter 7 bankruptcy.

In Chapter 13 bankruptcy, the debtor keeps all of his or her property and makes regular payments on the debts, even after filing for bankruptcy.

**11: Personal Bankruptcy**

Explain the difference between Chapter 13 and Chapter 7 bankruptcy.

WHAT IS A CREDIT REPORT? (Continued)

To qualify for Chapter 13, the debtor needs to have a regular income.

In Chapter 7 bankruptcy, the debtor must give up certain property to the creditor. The debtor is allowed to keep certain property that the law says is needed for the support of the debtor and his or her dependents.

Income restrictions may keep you from filing for Chapter 7.

Emphasize how serious filing for bankruptcy is.

It is important to understand that bankruptcy has a very negative impact on your credit! Depending on the type of bankruptcy, it will stay on your credit report from 7 to 10 years. Having a bankruptcy on your credit report will make it hard to get credit in the future.

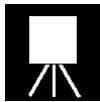
A new law now requires that you receive credit counseling before filing for bankruptcy.

Information Not Included in Credit Reports

Can you think of some items a credit report would not include?



Ask students ...



Write students' responses on chart paper.

If students do not respond, give one or two of the items below to get them started.

Write the remaining items on chart paper if the students do not provide them.

Answer:

Credit reports do not contain:

- Checking and savings account balances.
- Income.
- Medical history.
- Purchases made with cash or check.
- Business account information.
- Race, gender, religion, or national origin.
- Driving record.



Ask students ...

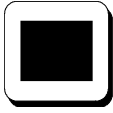


Transition to the next topic.

WHAT IS A CREDIT REPORT? (Continued)

Do you have any questions about credit reports and what information they contain?

Now let's talk about how and why a lender would look at your credit report.



12: How Your Credit Report Is Used

Describe the ways in which information in your credit report is used.



Who Poses The Most Credit Risk?

.



Ask students ...

Guide a brief discussion about each person's credit-worthiness.

Include information in the answer if students do not mention it.

HOW THE CREDIT REPORT IS USED

Information in your credit report may determine whether you will:

- Get a loan or other form of credit.
- Get a job.
- Be able to rent an apartment and/or affect the amount of your security deposit.
- Get insurance.

Keep in mind that credit reporting agencies do not make credit decisions. Credit reporting agencies simply report the information provided by creditors. This information helps lenders make loan decisions.

Let's look at how your credit report can affect whether you get your next loan.

Who Poses the Most Credit Risk?

Let's look at three people who are applying for loans.

Refer students to Who Poses the Most Credit Risk? on page 1 of their Participant Guide.

Describe three individuals applying for a loan

- Bob has been working for several years and has never applied for a loan. Bob has no credit history.
- Michael has been working several years. He has been late making his car payments and recently stopped paying them all together. There is a tax lien on his house.
- David has been working for several years. He took out a car loan last year. He has been making the payments on time and has a good credit history.

Based on this information alone, if you were a banker, which applicant poses the most risk – Bob, Michael, or David?

Answer:

Both Bob and Michael would be considered risky. Michael has a poor record and has not paid his loans. Bob, on the other hand, has no history, so we do not know whether or not he would be a good borrower.

HOW THE CREDIT REPORT IS USED (Continued)

David has the best chance of getting a loan since he has been making payments on his car loan on time and has a good credit history.

At this point Michael seems to pose the greatest risk.

Reasons a Loan Application May Be Denied

If you have never applied for a loan, you will probably not have a credit history. Creditors might deny a loan application if you have no credit history because it is unknown whether you will make the loan payments.

However, some lenders may let you prove that you would be a good credit risk without a credit history. For example, they might ask for proof that you pay your rent, utility, and phone bills on time or that you make regular deposits to a savings account.

Creditors might also deny a loan application if you have had credit problems in the past, since this indicates there is a greater chance you might not repay the loan.

As we have seen, lenders may not want to risk lending you money if there is negative information about you, such as bankruptcies or tax liens, in public records.

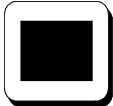
If you are paying your loans on time and have had no problems in the past, lenders will be more willing to make you a loan. A good credit record indicates you will most likely pay back the loan.

Credit Score

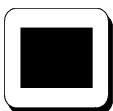
It has become increasingly common for lenders to make decisions based on a score.

A credit score is a number that helps lenders determine how much of a credit risk you will be. It is calculated based on information in your credit report.

Until recently, consumers did not have access to their score or information about the factors that made up the score.

**13: Reasons a Loan Application May Be Denied**

Describe the reasons that lenders may refuse to make a loan.

**14: Credit Score**

Describe what a credit score is and how it is used.

HOW THE CREDIT REPORT IS USED (Continued)

Common sense says that a series of late payments can lead to a bad credit rating. However, your score is calculated based on several additional factors. To give you the chance to improve your score, you should know how the score is calculated.

Even if you do not have a history of late payments, your score may be lowered if your credit card balance is close to the limit or if you are just starting out with using credit.

If you are looking for a car loan or thinking of refinancing your mortgage, it is a good idea to check your score before you apply for new credit.

Two Credit Scores

Creditors may use one or more credit scores. Credit scores may be generated by the creditor itself, or the creditor may use a score calculated by another firm. Two of the scores used by lenders are:

- The Fair Isaac (FICO) score.
- VantageScore.

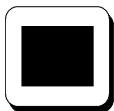
FICO score

Your FICO score is the primary method lenders use to assess how deserving you are of their credit. Whether you are looking to get a mortgage, car loan or home equity loan, you are going to get scored.

- A FICO score is calculated using a computer model that compares the information in your credit report to what is on the credit reports of thousands of other customers. FICO scores range from about 300 to 900.
- Generally, the higher the score, the lower the credit risks.

It is very difficult to say what is a good or a bad score, since lenders have different standards for how much risk they will accept. A credit score that one lender considers satisfactory may be regarded as unsatisfactory by other lenders.

Introduce two credit scores.



15: FICO Score

Describe the FICO score.

HOW THE CREDIT REPORT IS USED (Continued)

Scores also fluctuate depending on credit activity. Since credit bureaus only calculate your score at the lender's request, it will be based on the information in your file at that particular credit bureau, at that particular time only.

The FICO model takes into account several factors when evaluating creditworthiness:

- Past payment history – 35 percent.
- Outstanding debt – 30 percent.
- How long you have had credit – 15 percent.
- New applications for credit – 10 percent.
- Types of credit – 10 percent.

Federal law forbids personal information such as ethnicity, religion, gender, or marital status from being reflected in your FICO score.

VantageScore

The three credit reporting agencies have agreed on a new credit scoring system. The scoring system is called VantageScore, introduced in March 2006.

Because all three credit reporting agencies will be using the same scoring system, you should have the same VantageScore from each agency.

The new VantageScore ranges from 501 to 990. It also groups scores into letter categories covering an approximately 100-point range, just like grades you receive on a report card.

For example, your credit grade would be “A” if you had 901 points or more.

Regardless of which model is used, the higher your credit score, the better chance you have of getting a loan at good interest rates.

Do you have any questions about the FICO score or VantageScore?



16: VantageScore
Describe VantageScore.



Ask students ...



17: Inquiries and Your Credit Score

Explain what inquiries are.

Explain how inquiries can affect the credit score.

HOW THE CREDIT REPORT IS USED (Continued)

Inquiries May or May Not Affect Your Credit Score

When you apply for credit, you authorize the lender to ask for a copy of your credit report. This is how voluntary inquiries appear on your credit report.

The inquiries section of your credit report contains a list of everyone who accessed your credit report within the last 2 years. The report you see lists both

- Voluntary inquiries, spurred by your own requests for credit, and
- Involuntary inquiries, such as when lenders order your credit report to offer you a preapproved credit card.

Your credit score may drop if you apply for a new credit card. If it does, it probably will not drop much. If you apply for several credit cards within a short period of time, multiple inquiries will appear on your report.

Looking for new credit can equate with higher risk, but most credit scores are not affected by multiple inquiries from auto or mortgage lenders within a short period of time. These are usually treated as a single inquiry and will have little impact on the credit score.

Looking for a mortgage or an auto loan may cause multiple lenders to request your credit report, even though you are only looking for one loan.

- To compensate for this, the score ignores all mortgage and auto inquiries made in the 30 days prior to scoring.
- So if you find a loan within 30 days, the inquiries will not affect your score while you are “rate shopping.”

In addition, the score checks your credit report for auto or mortgage inquiries older than 30 days. If it finds some, it counts all those inquiries that fall in a typical shopping period as just one inquiry when determining your score.

HOW THE CREDIT REPORT IS USED (Continued)**“Opting Out”**

Explain how to “opt out” of receiving credit card offers.

Credit card companies often access your credit report so that they can send you applications for their credit cards. You have the right to “opt out” of receiving these offers.

The offers of credit must contain a phone number that you can call to opt out of such offers for a 5-year period.

How to Find Out What Your Credit Score Is

Explain how students can get their credit score.

You can request a credit score, including an explanation of the factors that went into computing the score. You can find out what your credit score is by contacting the credit reporting agencies, but you may have to pay a fee for it.

Consumer loans secured by your personal dwelling require the lender to provide a free credit score. The score includes:

- Information about the score.
- The name, address, and telephone number of each consumer reporting agency used.

Contact each agency to find out how much they charge.

Many other companies also sell you your credit score as part of a package of products.

Beware of companies that charge excessive fees for providing a credit score.

Other Factors Influencing Lenders

Lenders might base their decision to loan you money on other factors besides your credit report and credit score.



Ask students ...

HOW THE CREDIT REPORT IS USED (Continued)

Can you think of some other factors that might influence a lender's decision to make a loan?



Write students' answers on chart paper.

Fill in the factors listed below that were not mentioned.

Answer:

- Income.
- Length of residence.
- Employment.

These are just a few of the factors that can affect whether or not you get approved for a loan.

Do you have any questions about how the credit report and the credit score are used?



Ask students ...



Transition to the next topic.

Now let's talk about how you can get a copy of your credit report.

GETTING A COPY OF YOUR CREDIT REPORT**When Can You Get Your Credit Report?**

Introduce the topic.

Because your credit report is an important part of many credit scoring systems, it is very important to make sure it is accurate before you apply for a loan.

You can get a copy of your credit report for free:

- Once a year.
- Under certain circumstances which we will look at in a minute.

Let's take a look at how this works.

Free Credit Report Once a Year

Explain how to get a free credit report once a year.

The Federal Fair Credit Reporting Act requires each of the three credit reporting agencies to provide you with a free copy of your credit report, at your request, once every 12 months.

But only one online source is authorized to do so. That is www.annualcreditreport.com.

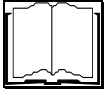
Beware of other sites that may look and sound similar.

The Federal Trade Commission (FTC) advises consumers who order their free annual credit reports online to be sure to correctly spell www.annualcreditreport.com, or link to it from the FTC's Website.

This is so you avoid being misdirected to other Websites that offer supposedly free reports, but only with the purchase of other products.

While you may be offered additional products or services while on the authorized Website, you are not required to make a purchase to receive free annual credit reports.

You can also call a toll-free telephone number or complete a form and mail it to receive your annual free credit report.



How to Get a Copy of Your Free Credit Report Once a Year and Annual Credit Report Request Form

GETTING A COPY OF YOUR CREDIT REPORT

Let's review the steps involved in requesting your free credit report and the form you use to make your request.

Refer students to How to Get a Free Copy of Your Credit Report Once a Year on page 2 of their Participant Guide.

Review it with them, using Instructor Aid #1 on the next page to guide you.

Then refer students to the Annual Credit Report Request Form on page 3 of their Participant Guide.

Review it with them, using Instructor Aid #2 on page 21 to guide you.

HOW TO GET A FREE COPY OF YOUR CREDIT REPORT ONCE A YEAR

To order your free annual report from one or all of the credit reporting agencies, do not contact the three nationwide consumer reporting companies individually. You can obtain free annual credit reports by doing one of the following:

- Submit a request online at www.annualcreditreport.com.
- Call toll-free: 877-322-8228.
- Complete the Annual Credit Report Request Form and mail it to:
Annual Credit Report Request Service
P. O. Box 105281
Atlanta, GA 30348-5281.

You can print a copy of the Annual Credit Report Request Form from www.annualcreditreport.com or www.ftc.gov/credit.

- You need to provide your name, address, Social Security number, and date of birth.
- If you have moved in the last 2 years, you may have to provide your previous address.
- To maintain the security of your file, each credit reporting agency may ask you for some information that only you would know, like the amount of your monthly mortgage payment.

Each company may ask you for different information because the information each has in your file may come from different sources.

Remember, you may also be able to obtain a free credit report if:

- Your application for credit, insurance, or employment is denied based on information in your credit report.
- You are unemployed and plan to look for a job within 60 days.
- You are receiving public assistance.
- Your report is inaccurate because of fraud, including identity theft.

If you are not eligible for a free annual credit report, a credit reporting agency may charge you up to \$10.00 for each copy. To buy a copy of your report, contact one of the following:

- Equifax: 800-685-1111 or www.equifax.com.
- Experian: 888-EXPERIAN (888-397-3742) or www.experian.com.
- TransUnion: 800-916-8800 or www.transunion.com.

ANNUAL CREDIT REPORT REQUEST FORM

SAMPLE ONLY: DO NOT USE



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.

For more information on obtaining your free credit report, visit 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 **Zip Code**

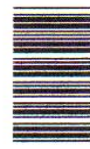
Previous Mailing Address (complete only if at current mailing address for less than two years):

House Number **Street Name**
----- Fold Here -----

Apartment Number / Private Mailbox **For Puerto Rico Only: Print Urbanization Name**

City
State **Zip Code**

Shade Circle Like This → ● Not Like This → ○	I want a credit report from (shade each that you would like to receive): <input type="checkbox"/> Equifax <input type="checkbox"/> Experian <input type="checkbox"/> TransUnion	<input type="checkbox"/> 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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18: Other Reasons to Get a Free Credit Report

Describe other reasons to get a free report.



Transition to the next topic.

GETTING A COPY OF YOUR CREDIT REPORT

(Continued)

Other Situations in Which You Might be Eligible for a Free Report

Under federal law, you are also entitled to a free report if:

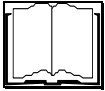
- A company takes adverse action against you AND you ask for your report within 60 days of receiving notice of the action.
- You are unemployed and plan to look for a job within 60 days.
- You are receiving public assistance.
- Your report is inaccurate because of fraud, including identity theft.

The notice will give you the name, address, and phone number of the consumer reporting company.

Now let's look at a credit report scenario and answer some questions about it.



Explain the purpose of the exercise.



Practice Exercise: Maria's Credit Report



When you have finished the exercise, ask students ...



Transition to the next topic.

PRACTICE EXERCISE: MARIA'S CREDIT REPORT**Purpose**

This exercise will give you a chance to answer some questions based on what you have learned about credit reports.

Instructions

Refer students to the practice exercise on page 4 of their Participant Guide.
Review the instructions with them.
Give them 5 minutes to answer the questions.
Provide the correct answers, using Instructor Aid #3 on the next page to guide you.
Answer questions.

Do you have any questions about credit reports so far?

Now let's take a more detailed look at the credit report so that you will be able to read one.



PRACTICE EXERCISE: MARIA'S CREDIT REPORT

Purpose

To give you an opportunity to apply what you have learned about credit reports.

Instructions

- Read the scenario.
- Answer the questions.
- Be prepared to explain your answers.

Scenario

Maria is requesting a copy of her credit report before she applies for a home loan. She calls one of the credit reporting agencies to verify the mailing address and to check on specific requirements. She already received one free copy earlier in the year from each of the three credit bureaus, but now wants to get another copy to make sure information in the report is accurate.

Can Maria get this new credit report for free? Explain your answer.

No. Since Maria has already received the annual free copy of her credit report, and she does not meet any of the specific requirements, she will have to pay to get another report.

Since Maria is applying for the home loan with her husband, she wants her credit report to include her husband's credit history.

Can Maria get a credit report that includes both her and her husband's credit information? Explain your answer.

No. Credit information is maintained on an individual basis. Spouses must request their own credit report. If both spouses are co-borrowers, the loan information should be shown on both credit reports. If Maria and her husband get the home loan, the information for that loan will go on both of their credit reports.

Maria and her husband decide to shop around for the best price on a home loan. Several lenders prequalify them for a home loan. Maria realizes that each time they got prequalified, the lender requested a copy of their credit reports.

Should Maria and her husband be worried about these inquiries affecting their credit scores? Explain your answer.

No. The credit score ignores all mortgage inquiries made in the 30 days prior to scoring. If Maria and her husband find a loan within 30 days, the inquiries will not affect their scores while they were rate shopping.

HOW TO READ YOUR CREDIT REPORT**Sample Credit Report**

Introduce the topic.

As we discussed in the beginning of this module, there are three major credit reporting agencies: Equifax, Experian, and TransUnion.

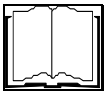
While each agency may have a different format for its credit report, the type of information they contain is basically the same. However, some companies do not report data to all three credit agencies. This is why it is important to review your credit report from all three agencies.

We are going to look at a credit report from one of these agencies, Experian.

This sample credit report has several main sections:

- A section that identifies the person requesting the report.
- Potentially negative items – public record items and credit items.
- Accounts in good standing.
- Requests for your credit history – viewed by others and viewed only by you.
- Personal information.
- Your personal statement – a statement you add to your credit report to explain negative information.

Let's take a closer look at the report to understand the information it contains.



How to Read Your Credit Report

Refer students to How To Read Your Credit Report beginning on page 5 of their Participant Guide.

Review the sample report with them, using Instructor Aid #4 beginning on page 27 to guide you.

The sample report includes explanations about the report's contents. Use these explanations to form the basis of your lecture.

Answer questions.

HOW TO READ YOUR CREDIT REPORT (Continued)

When you have finished reviewing the credit report, ask students ...

Do you have any questions about the credit report?



Transition to the next topic.

Let's see if you can answer some questions about the credit report.

HOW TO READ YOUR CREDIT REPORT

Sample Credit Report

Page 1 of 4



Online Personal Credit Report from Experian for

Experian credit report prepared for
JOHN Q CONSUMER
 Your report number is
1562064065 1
 Report date:
01/24/2005

Index:

- [Potentially negative items](#)
- [Accounts in good standing](#)
- [Requests for your credit history](#)
- [Personal information](#)
- [Important message from Experian](#)
- [Contact us](#)

Report number:

You will need your report number to contact Experian online, by phone or by mail.

Index:

Navigate through the sections of your credit report using these links.

Experian collects and organizes information about you and your credit history from public records, your creditors and other reliable sources. Experian makes your credit history available to your current and prospective creditors, employers and others as allowed by law, which can expedite your ability to obtain credit and can make offers of credit available to you. We do not grant or deny credit; each credit grantor makes that decision based on its own guidelines.

Potentially Negative Items 3

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Potentially negative items:

Items that creditors may view less favorably. It includes the creditor's name and address, your account number (shortened for security), account status, type and terms of the account and any other information reported to Experian by the creditor. Also includes any bankruptcy, lien and judgment information obtained directly from the courts.

Public Records

Credit grantors may carefully review the items listed below when they check your credit history. Please note that the account information connected with some public records, such as bankruptcy, also may appear with your credit items listed later in this report.

MAIN COUNTY CLERK

Address: 123 MAINTOWN S BUFFALO , NY 10000	Identification Number: 1	Plaintiff: ANY COMMISSIONER O.
Status: Civil claim paid.	Status Details: This item was verified and updated on 06-2001.	
Date Filed: 10/15/2000	Claim Amount: \$200	
Date Resolved: 01/04/2001	Liability Amount: NA	
Responsibility: INDIVIDUAL		

Status:

Indicates the current status of the account.

Credit Items

For your protection, the last few digits of your account numbers do not display.

ABCD BANKS

Address: 100 CENTER RD BUFFALO, NY 10000 (555) 555-5555	Account Number: 1000000....	
Status: Paid/Past due 60 days. 4		
Date Opened: 10/1997	Type: Installment	Credit Limit/Original Amount: \$523
Reported Since: 11/1997	Terms: 12 Months	High Balance: NA
Date of Status: 01/1999	Monthly Payment: \$0	Recent Balance: \$0 as of 01/1999
Last Reported: 01/1999	Responsibility: Individual	Recent Payment: \$0
Account History: 60 days as of 12-1998 30 days as of 11-1998		



If you believe information in your report is inaccurate, you can dispute that item quickly, effectively and cost free by using Experian's online dispute service located at:

www.experian.com/disputes

Disputing online is the fastest way to address any concern you may have about the information in your credit report.

HOW TO READ YOUR CREDIT REPORT (Continued)

Sample Credit Report

Page 2 of 4

MAIN COLL AGENCIES

Address: PO BOX 123 ANYTOWN, PA 10000 (555) 555-5555	Account Number: 0123456789	Original Creditor: TELEWISE CABLE COMM.
Status: Collection account. \$95 past due as of 4-2000.		

Date Opened: 01/2000	Type: Installment	Credit Limit/Original Amount: \$95
Reported Since: 04/2000	Terms: NA	High Balance: NA
Date of Status: 04/2000	Monthly Payment: \$0	Recent Balance: \$95 as of 04/2000
Last Reported: 04/2000	Responsibility: Individual	Recent Payment: \$0

Your statement: ITEM DISPUTED BY CONSUMER

Account History:
Collection as of 4-2000

Accounts in good standing:

Lists accounts that have a positive status and may be viewed favorably by creditors. Some creditors do not report to us, so some of your accounts may not be listed.

Accounts in Good Standing

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[back to top](#)

AUTOMOBILE AUTO FINANCE

Address: 100 MAIN ST E SMALLTOWN, MD 90001 (555) 555-5555	Account Number: 12345678998....
Status: Open/Never late.	

Type:

Account type indicates whether your account is a revolving or an installment account.

Date Opened: 01/2000	Type: Installment	Credit Limit/Original Amount: \$10,355
Reported Since: 01/2000	Terms: 65 Months	High Balance: NA
Date of Status: 08/2001	Monthly Payment: \$210	Recent Balance: \$7,984 as of 08/2001
Last Reported: 08/2001	Responsibility: Individual	Recent Payment: \$0

6

MAIN

Address: PO BOX 1234 FORT LAUDERDALE, FL 10009	Account Number: 1234567899876
Status: Closed/Never late.	

Date Opened: 03/1991	Type: Revolving	Credit Limit/Original Amount: NA
Reported Since: 03/1991	Terms: 1 Months	High Balance: \$3,228
Date of Status: 08/2000	Monthly Payment: \$0	Recent Balance: \$0 /paid as of 08/2000
Last Reported: 08/2000	Responsibility: Individual	Recent Payment: \$0

Your statement:
Account closed at consumer's request

HOW TO READ YOUR CREDIT REPORT (Continued)

Sample Credit Report

Page 3 of 4

Requests for Your Credit History

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[back to top](#)

Requests Viewed By Others

We make your credit history available to your current and prospective creditors and employers as allowed by law. Personal data about you may be made available to companies whose products and services may interest you.

The section below lists all who have requested in the recent past to review your credit history as a result of actions involving you, such as the completion of a credit application or the transfer of an account to a collection agency, mortgage or loan application, etc. Creditors may view these requests when evaluating your creditworthiness.

HOMESALE REALTY CO

Address: 2000 S MAINROAD BLVD STE ANYTOWN CA 11111 (555) 555-5555	Date of Request: 07/16/2001
Comments: Real estate loan on behalf of 1000 COPRORATE COMPANY. This inquiry is scheduled to continue on record until 8-2003.	

ABC BANK

Address: PO BOX 100 BUFFALO NY 10000 (555) 555-5555	Date of Request: 02/23/2001
Comments: Permissible purpose. This inquiry is scheduled to continue on record until 3-2003.	

ANYTOWN FUNDING INC

Address: 100 W MAIN AVE STE 100 INTOWN CA 10000 (555) 555-5555	Date of Request: 07/25/2000
Comments: Permissible purpose. This inquiry is scheduled to continue on record until 8-2002.	

Requests Viewed Only By You

The section below lists all who have a permissible purpose by law and have requested in the recent past to review your information. You may not have initiated these requests, so you may not recognize each source. We offer information about you to those with a permissible purpose, for example, to:

- other creditors who want to offer you preapproved credit;
- an employer who wishes to extend an offer of employment;
- a potential investor in assessing the risk of a current obligation;
- Experian or other credit reporting agencies to process a report for you;
- your existing creditors to monitor your credit activity (date listed may reflect only the most recent request).

We report these requests **only to you** as a record of activities. We **do not** provide this information to other creditors who evaluate your creditworthiness.

MAIN BANK USA

Address: 1 MAIN CTR AA 11 BUFFALO NY 10000	Date of Request: 08/10/2001
---	---------------------------------------

MAINTOWN BANK

Address: PO BOX 100 MAINTOWNS DE 10000 (555) 555-5555	Date of Request: 08/05/2001
---	---------------------------------------

ANYTOWN DATA CORPS

Address: 2000 S MAINTOWN BLVD STE INTOWN CO 11111 (555) 555-5555	Date of Request: 07/16/2001
--	---------------------------------------

Requests for your credit history:

Also called "inquiries", requests for your credit history are logged on your report whenever anyone reviews your credit information. There are two types of inquiries.

Requests viewed by others

Inquiries resulting from a transaction initiated by you. These include inquiries from your applications for credit, housing or other loans. They also include transfer of an account to a collection agency. Creditors may view these items when evaluating your creditworthiness.

Requests viewed only by you

Inquiries resulting from transactions you may not have initiated but that are allowed under the FCRA. These include preapproved offers, as well as for employment, investment review, account monitoring by existing creditors, and requests by you for your own report. These items are shown only to you and have no impact on your creditworthiness or risk scores.

HOW TO READ YOUR CREDIT REPORT (Continued)

Sample Credit Report

Page 4 of 4

Personal Information 8

The following information is reported to us by you, your creditors and other sources. Each source may report your personal information differently, which may result in variations of your name, address, Social Security number, etc. As part of our fraud-prevention program, a notice with additional information may appear. As a security precaution, the Social Security number that you used to obtain this report is not displayed. The Geographical Code shown with each address identifies the state, county, census tract, block group and Metropolitan Statistical Area associated with each address.

Names:
JOHN Q CONSUMER
JONATHON Q CONSUMER
J Q CONSUMER

Social Security number variations:
999999999

Year of birth:
1954

Employers:
ABCDE ENGINEERING CORP

Telephone numbers:
(555) 555 5555 Residential

Address: 123 MAIN STREET
ANYTOWN, MD 90001-9999
Type of Residence: Multifamily
Geographical Code: 0-156510-31-8840

Address: 555 SIMPLE PLACE
ANYTOWN, MD 90002-7777
Type of Residence: Single family
Geographical Code: 0-176510-33-8840

Address: 999 HIGH DRIVE APT 15B
ANYTOWN, MD 90003-5555
Type of Residence: Apartment complex
Geographical Code: 0-156510-31-8840

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Personal information:

Personal information associated with your history that has been reported to Experian by you, your creditors and other sources.

May include name and Social Security number variations, employers, telephone numbers, etc. Experian lists all variations so you know what is being reported to us as belonging to you.

Address information:

Your current address and previous address(es)

Your Personal Statement 10

No general personal statements appear on your report.

Personal statement:

Any personal statement that you added to your report appears here.

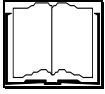
Important Message From Experian [back to top](#)

By law, we cannot disclose certain medical information (relating to physical, mental, or behavioral health or condition). Although we do not generally collect such information, it could appear in the name of a data furnisher (i.e., "Cancer Center") that reports your payment history to us. If so, those names display in your report, but in reports to others they display only as MEDICAL PAYMENT DATA. Consumer statements included on your report at your request that contain medical information are disclosed to others.

Note - statements remain as part of the report for 2 years and display to anyone who has permission to review your report.

Contacting Us [back to top](#)

Contact address and phone number for your area will display here.



Discussion Questions: Reading a Credit Report



Ask students ...



Ask students ...



19: Check for Errors
Discuss the importance of checking for errors.

HOW TO READ YOUR CREDIT REPORT (Continued)

I am going to ask you some questions about information in this sample credit report.

Refer students to Discussion Questions: Reading a Credit Report on page 9 of their Participant Guide.

As you ask each question below, give students a few minutes to review the sample credit report to find the answers.

Provide correct answers as needed.

John Consumer has an account that has been sent to a collection agency. Where on his credit report would you find this information?

Answer: Potentially negative items – credit items

Who is the original creditor?

Answer: Televis Cable Comm.

In August 2000, an account was closed at John's request. What was the high balance on this account?

Answer: \$3,228.

Where did you find this information?

Answer: Accounts in good standing.

Who does John work for? Where did you find this information?

Answer: ABCDE Engineering Corp. Personal Information section.

Do you have any questions about how to read a credit report?

Checking for errors

You should review your credit report regularly to make sure there are not any errors in it.

Some financial advisors recommend reviewing your credit report every year or, at a minimum, before you apply for a large loan.

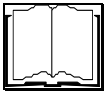
HOW TO READ YOUR CREDIT REPORT (Continued)

It is your responsibility to ensure that your credit report is accurate. Credit reporting agencies do not investigate the accuracy of reported information unless you ask them to.

- If you think there is an error on your credit report, contact the credit reporting agency and write a letter disputing the error. Keep a copy of the letter for your records.
- The credit reporting agencies are required to conduct an investigation within 30 days of receiving your letter.

Let's take a look at a sample dispute letter. This letter guide does not contain information about a specific error, but has in parentheses what information is needed.

Use it as a guide if you need to write a dispute letter.



Sample Dispute Letter

*Refer students to the sample dispute letter on page 10 of the Participant Guide.
Review the letter with them, using Instructor Aid #5 on the next page to guide you.
Answer questions.*



When you have finished reviewing the credit report, ask students ...

Do you have any questions about how to dispute an error on your credit report?



Transition to the next topic.

Let's take a look at an important matter that is related to the accuracy of your credit report: identity theft.

SAMPLE DISPUTE LETTER

Date

Your Name

Your Address

Your City, State Zip Code

Complaint Department

Name of Credit Reporting Agency

Address

City, State Zip Code

Dear Sir or Madam:

I am writing to dispute the following information in my file. The items I dispute also are (highlighted/circled) on the attached copy of the report I received.

This item (identify item/s disputed by name of source, such as name of creditor 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 deleted (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, court documents) supporting my position. Please reinvestigate this/these matter/s and (delete/correct) the disputed item/s as soon as possible.

Sincerely,

Your name

Enclosures: (List what you are enclosing)

HOW TO READ YOUR CREDIT REPORT (Continued)

Identity theft



20: Identity Theft

Describe identity theft and why it is important to guard against.

Identity theft has become a serious problem. It occurs when thieves steal your personal information, such as your Social Security number, birth date, or credit card numbers.

The thieves might then open a new credit card account using your name, birth date, and Social Security number or open a new bank account in your name.

If bad checks are written or bills are not paid, it will show up on your credit report.



Ask students ...

What are some steps you can take to avoid identity theft?

Have students work in their table groups to brainstorm ways to avoid identity theft.

Give them 5 minutes to brainstorm.

If the class is not set up in table groups, ask for volunteers to suggest steps to avoid identity theft.



Write responses on chart paper.



How to Avoid Identity Theft

After the brainstorming session, hand out How to Avoid Identity Theft to students and review it with them.

Use Instructor Aid #6 on the next page to guide you.

Relate what students came up with during the brainstorming session with the tips in the handout.



When you have finished reviewing the tips, ask students

...

Do you have any questions about identity theft?



Transition to the next topic.

Now let's take a look at ways that you can build your credit history if you do not have one and repair your credit history when you have negative items on your credit report.

HOW TO AVOID IDENTITY THEFT

How to minimize the risk of identity theft

1. Protect your Social Security Number (SSN), credit card and debit card numbers, PINs (personal identification numbers), passwords, and other personal information.

Never provide this information in response to an unwanted phone call, fax, letter, or email, no matter how friendly or official the circumstances may appear.

In case your wallet gets lost or stolen, carry only the identification, checks, credit cards, or debit cards you really need. The rest, including your Social Security card, are best kept in a safe place. Also, be extra careful if you have housemates or if you let others into your house, because they may find personal information and use it without your knowledge.

Likewise, do not preprint your Social Security number, phone number, or driver's license number on your checks. It is too easy for someone who sees your check to copy this personal information and even sell it to an identity (ID) thief. Remember that you have the right to refuse requests for your SSN from merchants, because they may have other ways to identify you. If your Social Security number is on your driver's license, ask to use another number.

2. Protect your incoming and outgoing mail.

Chances are that your mail carrier will deliver a credit card or bank statement, an envelope containing a check, or other items that can be very valuable to a thief. Or perhaps you will mail a check or papers containing account numbers or other personal financial information.

For incoming mail: Try to use a locked mailbox or other secure location, such as a P.O. box. If your mailbox is not locked or in a secure location, try to promptly remove mail that has been delivered or move the mailbox to a safer place. When ordering new checks, ask about getting the boxes delivered to your bank branch instead of having them mailed to your home and running the risk of finding them sitting outside your front door.

For outgoing mail containing a check or personal information: Deposit it in a U.S. Postal Service blue collection box, hand it to a mail carrier, or take it to the post office instead of leaving it in your doorway or home mailbox. A mailbox that holds your outgoing bills is a prime target for thieves who cruise neighborhoods looking for account information. Even worse is putting up the flag on a mailbox to indicate that outgoing mail is sitting there.

HOW TO AVOID IDENTITY THEFT (Continued)

3. Sign up for direct deposit.

Sign up for direct deposit of your paycheck or state or federal benefits, such as Social Security. Direct deposit prevents someone from stealing a check out of your mailbox and forging your signature to access your money.

4. Keep your financial trash "clean."

Thieves known as "dumpster divers" pick through garbage looking for pieces of paper containing Social Security numbers, bank account information, and other details they can use to commit fraud. Examples of valuable trash include insurance information containing your SSN, blank checks mailed by financial institutions with offers to "write yourself a loan," canceled checks, and bank statements.

Your best protection against dumpster divers? Before tossing out these items, destroy them, preferably using a crosscut shredder that turns paper into confetti that cannot be easily reconstructed.

5. Keep a close watch on your bank account statements and credit card bills.

Monitor these statements each month and contact your financial institution immediately if there is a discrepancy in your records, or if you notice something suspicious such as a missing payment or an unauthorized withdrawal. While federal and state laws may limit your losses if you are a victim of fraud or theft, your protections may be stronger if you report the problem quickly and in writing.

Contact your institution if a bank statement or credit card bill does not arrive on time. Such missing mail could be a sign someone has stolen your mail and/or account information and perhaps has changed your mailing address to run up big bills in your name from another location.

6. Avoid ID theft on the Internet.

"Hackers" and scam artists are finding ways to steal private information transmitted over the Internet or stored on computer systems. You can protect yourself while shopping, banking, emailing, or surfing the Web. For example, never provide bank account or other personal information in response to an unsolicited email or when visiting a Website that does not explain how your personal information will be protected.

HOW TO AVOID IDENTITY THEFT (Continued)

“Phishing” scams that arrive by email typically ask you to “update” your account information. However, legitimate organizations would not ask you for these details because they already have the necessary information or can obtain it in other ways. Do not respond to these emails, and do not open any attachments unless you independently confirm the validity of the request by contacting the legitimate organization the way you usually would, *not* by using the email address, Website, or phone number provided in the email. If you believe the email is fraudulent, consider bringing it to the attention of the Federal Trade Commission (FTC). If you do open and respond to a phony email, contact your financial institution immediately.

Take precautions with your personal computer (PC). For example, install a free or low-cost “firewall” to stop intruders from gaining remote access to your PC. Download and frequently update security “patches” offered by your operating system and software vendors to correct weaknesses that a hacker might exploit. Use passwords that will be hard for hackers to guess. For example, use a mix of numbers, symbols, and letters instead of easily guessed words. Also, shut down your PC when you are not using it.

To get more information about computer security and safeguarding personal information, visit the Federal Trade Commission's Website at www.ftc.gov/infosecurity. For more about avoiding phishing scams, or to obtain a brochure with tips on avoiding identity theft, visit www.fdic.gov.

7. Exercise your new rights under the Fair and Accurate Credit Transactions Act (FACTA) to review your credit record and report fraudulent activity.

Your credit report, which is prepared by a credit bureau, summarizes your history of paying debts and other bills. Credit reports are used by lenders, employers, and others who have a legal and legitimate need for the information.

For many years, you have had the right under federal law to obtain a free copy of your credit report in certain circumstances. Under long-standing practices in the credit reporting industry, you have been able to request that a “fraud alert” be placed in your credit file if you suspect that a criminal is attempting to open new accounts in your name. FACTA expands your rights in these areas.

HOW TO AVOID IDENTITY THEFT (Continued)

FACTA allows you to get one free credit report each year from each of the three major credit bureaus that operate nationwide – Equifax, Experian, and TransUnion – with just a single phone call, letter, or electronic request. This is a change from previous law, because you can get a copy even if you do not suspect ID theft or any other problem with your credit report. (See more details at www.annualcreditreport.com, or call 877-322-8228.)

After you get your credit report, look for warning signs of actual or potential ID theft. These include mention of a credit card, loan, or lease you never signed up for and requests for a copy of your credit record from someone you do not recognize (which could be a sign that a con artist is snooping around for personal information).

8. Get more information.

Contact the National Internet Fraud Watch Information Center at www.fraud.org or call 800-876-7060.

Visit the Federal Trade Commission Website: www.ftc.gov/idtheft/, or call 877-IDTHEFT (438-4338).

What to do if you suspect you are a victim of identity theft

The FTC recommends the following actions if you believe you are a victim of identity theft. You can also call the FTC's Identity Theft Hotline at 877-IDTHEFT (438-4338) or visit <http://www.ftc.gov/idtheft/>.

Act Fast

- Take action immediately! Keep records of your conversations and all correspondence.
- File a report with your local police. Get a copy of the police report, so you have proof of the crime.
- Contact your creditors about any accounts that have been changed or opened fraudulently. Ask to speak with someone in the security or fraud department.

HOW TO AVOID IDENTITY THEFT (Continued)

Fraud Alerts

- Contact the fraud department of any of the three major credit reporting agencies. The agency you call is required to notify the other two credit agencies. Tell them you are an identity theft victim.
- If you suspect you have been a victim of ID theft or think you are about to be (for example, if your wallet is stolen), you have the right to place an **"initial"** fraud alert in your credit file. You can do this by calling, writing, or visiting any of the three credit agencies online. This initial fraud alert will last for 90 days.
- If you know you are a victim of identity theft, you also may have an **"extended"** fraud alert placed in your credit file. The extended alert requires a lender to contact you and get your okay before authorizing any new account in your name. It is effective for 7 years. To place an extended alert in your credit file, you must submit your request in writing and include a copy of an ID theft report filed with a law enforcement agency (such as the police) or with the U.S. Postal Inspector.
- When you place a fraud alert on your file, you can get a free copy of your credit report if you ask.
- Active-duty military personnel have the right to place an alert in their credit files so that lenders acting on loan applications can guard against possible ID theft.

BUILDING AND REPAIRING YOUR CREDIT HISTORY

How to build your credit history

Remember from an earlier example, Bob had been working for several years and never applied for a loan. Can anyone think of some ways Bob could build or demonstrate his credit history?

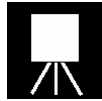


Introduce the topic by asking students ...

Have students work in their table groups to brainstorm ways Bob can build his credit history.

Give them 5 minutes to brainstorm.

If the class is not set up in table groups, ask for volunteers to suggest steps Bob can take.



Write responses on chart paper.



Tips on How to Build Your Credit History

After the brainstorming session, hand out Tips on How to Build Your Credit History to students and review it with them.

Use Instructor Aid #7 on the next page to guide you.

Relate what students came up with during the brainstorming session with the tips in the handout.

Answer questions.



After reviewing the tips, transition to the next topic.

Now let's take a look at steps you can take to repair your credit history.

TIPS ON HOW TO BUILD YOUR CREDIT HISTORY

- Apply for a small loan at the bank, thrift, or credit union where you have checking and savings accounts.
- Apply for credit with a local store, such as a department store. They typically have a lower credit limit and a higher annual percentage rate (APR) but are generally more willing to lend you money. There is usually no fee for department store cards.
- Make a large down payment on a purchase and negotiate credit payments for the balance. If you do not have a credit history but have a large down payment, there is less risk you will not make the payments. 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. Although the loan will be very small, it can prove you make your payments on time.
- You might ask a friend or relative with an established credit history to be a cosigner for you. A cosigner promises to repay the loan if you do not. The lender should report the payment information for both you and the cosigner to the credit reporting agencies. Remember that you can damage the cosigner's credit history if you default on the loan.
- Pay your bills on time. This will help establish a good credit history so you can get credit in the future.
- You might ask the lender to review your history of making rent and utility payments to demonstrate your ability to pay.
- Make regular deposits into a savings account. This is another way to show the lender that you can make payments every month, even if you are making the payments to yourself.

BUILDING AND REPAIRING YOUR CREDIT HISTORY (Continued)

How to repair your credit history



Introduce the topic by asking students ...

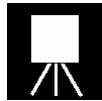
Remember our example of Michael. Michael had been working for several years, but he had been late making his car payments and then stopped making payments. There was a lien on his house.

What can Michael do to repair his credit history?

Have students work in their table groups to brainstorm ways Michael can repair his credit history.

Give them 5 minutes to brainstorm.

If the class is not set up in table groups, ask for volunteers to suggest steps Michael can take.



Write responses on chart paper.



Tips on How to Repair Your Credit History

After the brainstorming session, hand out Tips on How to Repair Your Credit History to students and review it with them.

Use Instructor Aid #8 on the next page to guide you.

Relate what students came up with during the brainstorming session with the tips in the handout.

Answer questions.



Transition to the next topic.

Before we finish, there are some additional things you need to know about credit repair.

TIPS ON HOW TO REPAIR YOUR CREDIT HISTORY

There are two ways to repair your credit history: do it yourself or use a credit counseling agency.

Repairing Credit on Your Own

- Start by contacting credit agencies to get a copy of your credit report.
- If there are errors on your credit report, you can contact the credit reporting agency to request an investigation.
- Contact your lenders to renegotiate payment plans.
- Opt out of receiving unsolicited offers for credit cards to avoid the temptation of applying for them.

Repairing Credit Using Credit Counseling Agencies

If you decide to use a credit counseling agency, the Federal Trade Commission provides the following tips for choosing a credit counseling agency and questions to ask regarding services, fees, and repayment plans.

- Interview several credit counseling agencies before signing a contract.
- Check with your state attorney general, local consumer protection agency, and the Better Business Bureau to find out if consumers have filed complaints about the agency you are considering. A reputable agency will send you free information about itself and the service it provides without requiring you to provide any details about your situation. If the agency will not do this, find another agency.
- Ask questions about services, fees, and a repayment plan.

Questions to Ask Credit Counseling Agencies

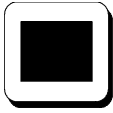
Services and Fees:

- What services do you offer?
- Do you have educational materials? If so, will you send them to me? Are they free? Can I access them on the Internet?
- In addition to helping me solve my immediate problem, will you help me develop a plan for avoiding problems in the future?
- What are your fees? Do I have to pay anything before you can help me? Are there monthly fees? What is the basis for the fees?
- What is the source of your funding?
- Will I have a formal written agreement or contract with you?
- How soon can you take my case?
- Who regulates, oversees, or licenses your agency? Is your agency audited?
- Will I work with one counselor or several?
- What are the qualifications of your counselors? Are they accredited or certified? If not, how are they trained?
- What assurance do I have that information about me (including my address and phone number) will be kept confidential?

TIPS ON HOW TO REPAIR YOUR CREDIT HISTORY (Continued)

Repayment Plan:

- How much debt must I have to use your services?
- How do you determine the amount of my payment? What happens if this is more than I can afford?
- How does your debt repayment plan work? How will I know my creditors have received payments? Is client money put into a separate account from operating funds?
- How often can I get status reports on my accounts? Can I get access to my accounts online or by phone?
- Can you get my creditors to lower or eliminate interest and finance charges or waive late fees?
- Is a debt repayment plan my only option?
- What if I cannot maintain the agreed-upon plan?
- What debts will be excluded from the debt repayment plan?
- Will you help me plan for payment of these debts?
- Who will help me if I have problems with my accounts or creditors?
- How secure is the information I provide to you?
- Will this appear on my credit report?

BUILDING AND REPAIRING YOUR CREDIT HISTORY (Continued)**Debt management**

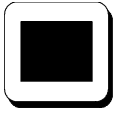
21: Debt Management Plan
Explain what a DMP is.

Another step Michael can take is to enroll in a debt management plan or DMP. This is especially true if his financial problems stem from too much debt or from his inability to repay his debts.

A DMP alone is not credit counseling, and DMPs are not for everyone. You should sign up for one of these plans only after a certified credit counselor has thoroughly reviewed your financial situation and offered you customized advice on managing your money.

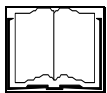
- In a DMP, you deposit money each month with the credit counseling organization, which uses your deposits to pay your unsecured debts (like your credit card bills, student loans, and medical bills) according to a payment schedule the counselor develops with you and your creditors.
- Your creditors may agree to lower your interest rates or waive certain fees, but check with all your creditors to be sure they offer the concessions that a credit counseling organization describes to you.
- A successful DMP requires you to make regular, timely payments, and could take 48 months or more to complete.

Ask the credit counselor to estimate how long it will take for you to complete the plan. You may have to agree not to apply for – or use – any additional credit while you are participating in the plan.



22-23: The Truth About Credit Repair

Provide the truth about statements some credit repair companies make.



The Truth About Credit Repair



Ask students ...

Acknowledge students' responses.

Provide the correct answer if students do not give it.

BUILDING AND REPAIRING YOUR CREDIT HISTORY (Continued)

Credit repair scams

Only consistent efforts and making payments on your debts will improve your credit. Therefore, it is important to choose your credit counseling agency carefully.

Some businesses make promises about repairing your credit that they cannot deliver.

When you consider promises from companies, remember that:

- No one can remove accurate information from your credit report.
- If you have bad credit, it can take years to repair your credit legitimately.
- No one can create a new identity for you. Do not let anyone talk you into making false statements or using a fake Social Security number. You will be committing fraud.
- Legitimate companies provide a service before requesting payment.
- You can order your credit report yourself. If you see errors on your report, you can also request that the credit reporting agencies make appropriate changes.

Refer students to The Truth About Credit Repair on page 11 of their Participant Guide.

Explain the purpose of the questions you are about to ask.

Now I am going to read a few credit repair scams. I want you to tell me which true credit repair statement on the slide indicates the statement I read might be a scam.

The credit repair agency promises to erase negative credit information and remove bankruptcies and judgments from your credit file.

Which statement on the slide indicates this could be a scam?

Answer: No one can have accurate information removed from your credit report.



Ask students ...

Acknowledge students' responses.

Provide the correct answer if students do not give it.



The Truth About Credit Repair



Ask students ...



Transition to the next topic.

BUILDING AND REPAIRING YOUR CREDIT HISTORY (Continued)

The credit repair agency offers to create a new Social Security number for you.

Which statement on the slide indicates this could be a scam?

Answer: No one can create a new identity for you.

If you make false statements on loan applications or use a fake Social Security number, you will be committing fraud.

You can also be charged with mail or wire fraud if you use the mail or telephone to apply for credit and provide false information.

This credit repair agency promises you fast and easy credit repair.

Which statement on the slide indicates that this is a scam?

Answer: If you have negative information on your credit report, it can take years to repair your credit legitimately.

When you have finished discussing this topic, hand out The Truth About Credit Repair to students and review it with them. Use Instructor Aid #9 on the next page to guide you. Answer questions.

Many states have laws that regulate credit repair companies.

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

Do you have any questions about building and repairing your credit history?

Let's look at what we have learned today.

THE TRUTH ABOUT CREDIT REPAIR

Only consistent efforts and making payments on your debts will improve your credit.

Beware of companies that:

- Promise to erase your bad credit or to remove bankruptcies and judgments from your credit file. No one can have accurate information removed.
- Promise fast and easy credit repair. If you have bad credit, it can take years to repair your credit legitimately.
- Offer to create a new identity for you. If you make false statements on loan applications or use a fake Social Security number, you will be committing fraud. You can also be charged for mail or wire fraud if you use the mail or telephone to apply for credit and provide false information.
- Want you to pay for credit repair services before providing any service. The company might not be legitimate.
- Will not tell you your rights and what you can do yourself: Remember, you can order your credit report yourself. If you see errors on your report, you can also request that the credit reporting agencies make appropriate changes.

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

Many states have laws that regulate credit repair companies.

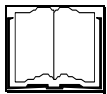
SUMMARY AND CONCLUSION**Summary**

Review what was covered in the course.

Review the chart papers with students' expectations, questions, and concerns to make sure they have all been covered.



Ask students ...



Refer students to pages 12 through 14 of their Participant Guide.

Allow time for students to complete it.

Make sure you collect all the forms.

Congratulations! You have completed the To Your Credit module. We have covered a lot of information today about how to save for the future. You learned how to:

- Read a credit report.
- Order a credit report.
- Start building and repairing your credit history.
- Identify credit repair scams.

You now know why it is important to maintain a good credit history.

Do you have any final questions?

Evaluation Form

To improve the training, we will need your feedback. The After-the-Training column on the What Do You Know? form and the Evaluation Form will identify changes that can make this training better.

Please complete the After-the-Training column and the Evaluation Form now.

Great job on completing the To Your Credit module! Thank you for participating.

WHAT DO YOU KNOW? – TO YOUR CREDIT

Instructor: _____ Date: _____

This form will allow you and the instructors to see what you know about credit both before and after the training. Read each statement below. Please circle the number that shows how much you agree with each statement.

I know:	Before-the-Training				After-the-Training			
	Strongly Disagree	Disagree	Agree	Strongly Agree	Strongly Disagree	Disagree	Agree	Strongly Agree
1. The purpose of a credit report and how it is used.	1	2	3	4	1	2	3	4
2. How to order a copy of my credit report.	1	2	3	4	1	2	3	4
3. How to read and interpret my credit report.	1	2	3	4	1	2	3	4
4. Ways to build and repair my credit history.								

EVALUATION FORM

This evaluation will allow you to assess your observations of the To Your Credit module. Please indicate the degree to which you agree with each statement by circling the appropriate number.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
1. Overall, I felt the module was: <input type="checkbox"/> Excellent <input type="checkbox"/> Very Good <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor						
2. I achieved the following training objectives: a. Describe the purpose of a credit report and how it is used b. Order a copy of my credit report c. Read my credit report d. Identify ways to build and repair my credit history	1	2	3	4	5	
3. The instructions were clear and easy to follow.	1	2	3	4	5	
4. The overheads were clear.	1	2	3	4	5	
5. The overheads enhanced my learning.	1	2	3	4	5	
6. The time allocation was correct for this module.	1	2	3	4	5	
7. The module included sufficient examples and exercises so that I will be able to apply these new skills.	1	2	3	4	5	
8. The instructor was knowledgeable and well prepared.	1	2	3	4	5	
9. The worksheets are valuable.	1	2	3	4	5	
10. I will use the worksheets again.	1	2	3	4	5	
11. The students had ample opportunity to exchange experiences and ideas.	1	2	3	4	5	
12. My knowledge/skill level of the subject matter before taking the module.	None 0	1	2	3	4	Advanced 5
13. My knowledge/skill level of the subject matter upon completion of the module.	0	1	2	3	4	5

Continued on next page . . .

EVALUATION FORM (Continued)

Instructor Rating

Please use the response scale and circle the appropriate number.

Response Scale: 5 Excellent 4 Very Good 3 Good 2 Fair 1 Poor	Name of Instructor				
Objectives were clear & attainable	5	4	3	2	1
Made the subject understandable	5	4	3	2	1
Encouraged questions	5	4	3	2	1
Had technical knowledge	5	4	3	2	1

What was the most useful part of the training?

What was the least useful part of the training?
