

Module 7

To Your Credit



Purpose

To Your Credit will:

- Show you how to read a credit report.
- Help you build and repair your credit history.



Objectives

By the end of this course, 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.



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.



Credit Reporting Agencies

- Equifax
- Experian
- TransUnion



Information in a Credit Report

- Identifying information
- Credit history
- Inquiries from creditors and other authorized parties
- Public record information



Public Record Information

Negative Information

General civil judgments

Tax liens

Collection accounts

Chapter 13 bankruptcy

Chapter 7 bankruptcy

Time on Credit Report

7 years from date filed

7 years from date paid

7 years from last activity

7 years from date of discharge

10 years



Personal Bankruptcy

- Chapter 13
- Chapter 7



How Your 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.
- Rent an apartment.
- Get insurance.



Reasons a Loan Application May Be Denied

- No credit history
- Past credit problems
- Negative information in public records



Credit Score

The credit score is:

- A number that predicts how much of a credit risk you will be.
- Calculated based on information in your credit report.

Check your credit score before applying for new credit.



FICO Score

- Scores range from about 300 to 900.
- Takes into account:
 - Past payment history – 35 percent
 - Outstanding debt – 30 percent
 - How long you've had credit – 15 percent
 - New applications for credit – 10 percent
 - Types of credit – 10 percent



VantageScore

- Was introduced in March 2006.
- Three credit reporting agencies use the same scoring system.
- Scores range from 501 – 990.
- Grades A, B, C, D, F.



Inquiries and Your Credit Score

- When you apply for credit, you authorize the lender to ask for a copy of your credit report — an inquiry.
- Your credit score may drop if you apply for new credit.
- Most credit scores are not affected by multiple inquiries from auto or mortgage lenders within a short period of time.



Other Reasons to Get a Free Credit Report

You are also entitled to a free credit 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.



Check for Errors

- Review your credit report regularly to make sure there are no errors in it.
- If you think there is an error, write a letter to the credit reporting agency.



Identity Theft

Identity theft occurs when thieves steal your personal information and use it to:

- Open a new credit card account.
- Write checks in your name.

The unpaid credit card bills or bad checks can damage your credit history.



Debt Management Plan

It is NOT credit counseling.

- You deposit money each month with the credit counseling organization.
- Your creditors may agree to lower your interest rates or waive certain fees.
- You must make regular, timely payments.



The Truth About Credit Repair

- No one can remove accurate information from your credit report.
- It can take years to repair your credit.
- No one can create a new identity for you.



The Truth About Credit Repair (Continued)

- Legitimate companies provide a service **BEFORE** requesting payment.
- You can order your credit report yourself.

