
Credit Scores and Reports

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Workshop Goals

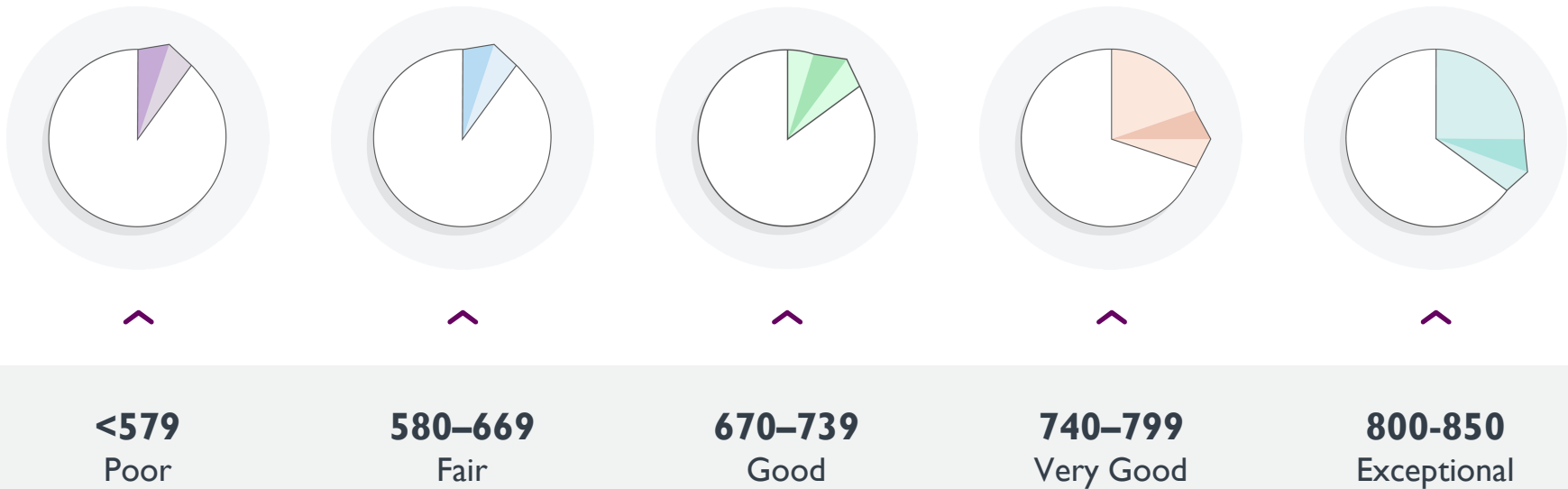


In this workshop, you will...

- 1) Explore the importance of credit scores and reports.
- 2) Learn how to access information about your credit score and report.
- 3) Discuss strategies to build and improve your credit.
- 4) Identify how to protect your credit from incorrect claims and fraud.

What Is a Credit Score?

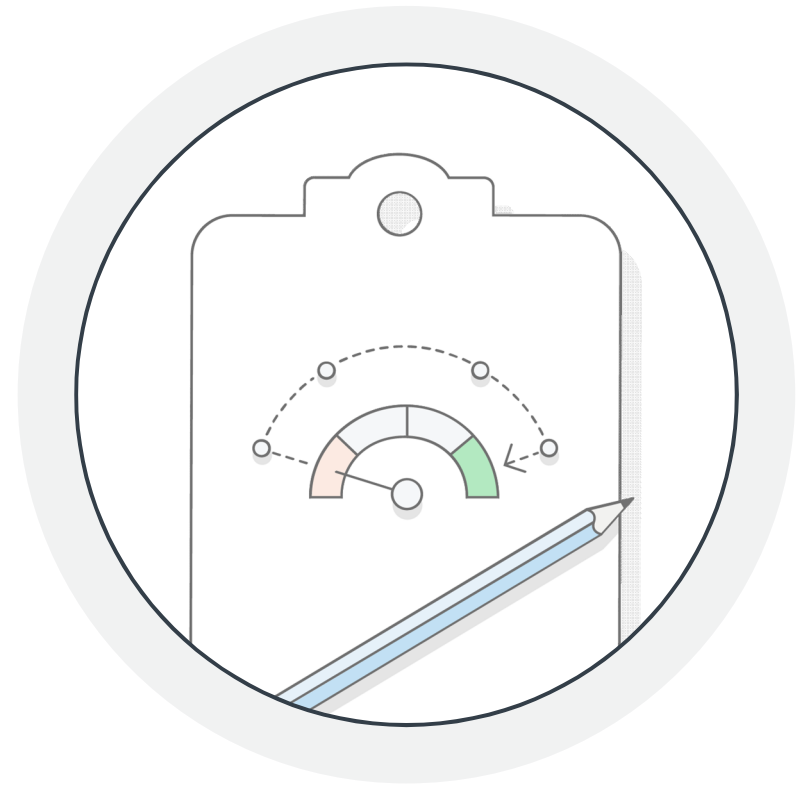
A credit score is a three-digit rating that tells a lender how likely you are to repay debt.



Note: These credit score ratings are for informational purposes only. Lenders and other companies that use credit scores set their own guidelines.

Strategies to Build Credit

- Step 1 Open a line of credit.
- Step 2 Request that your payment history be reported.
- Step 3 Open a joint account (optional).
- Step 4 Pay all your bills on time and in full. Never miss a payment.



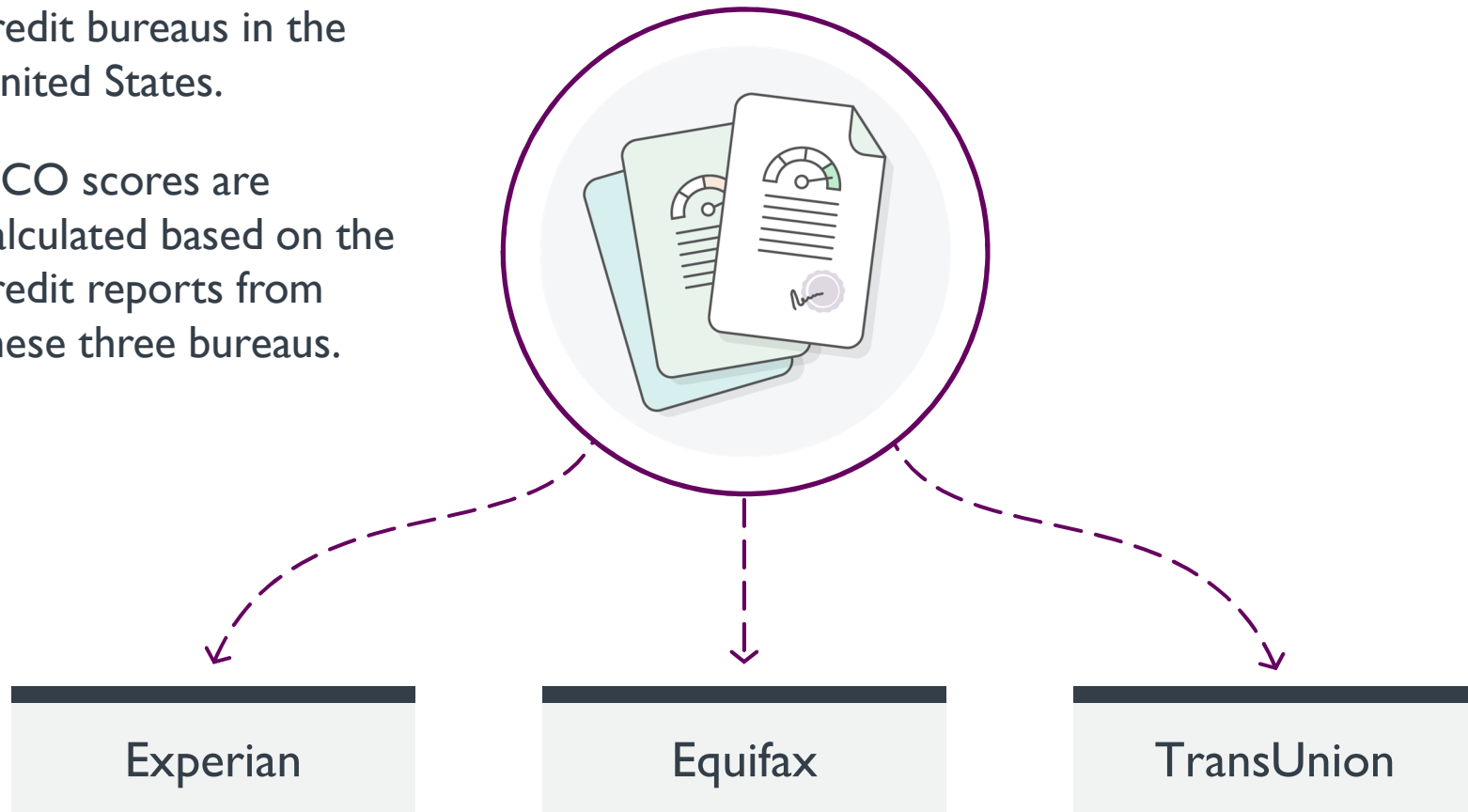
A Tale of Two Friends

- Anna and Bella have been friends since middle school. They both own cars and have steady incomes to pay their bills.
- Anna's credit score is 530, while Bella's is 700.
- Anna and Bella decide to buy homes in their childhood neighborhood. One of them receives a loan without any trouble. Unfortunately, the other has a difficult time getting a loan. When she finally gets her loan approved, her interest rate and insurance premiums are higher than her friend's.

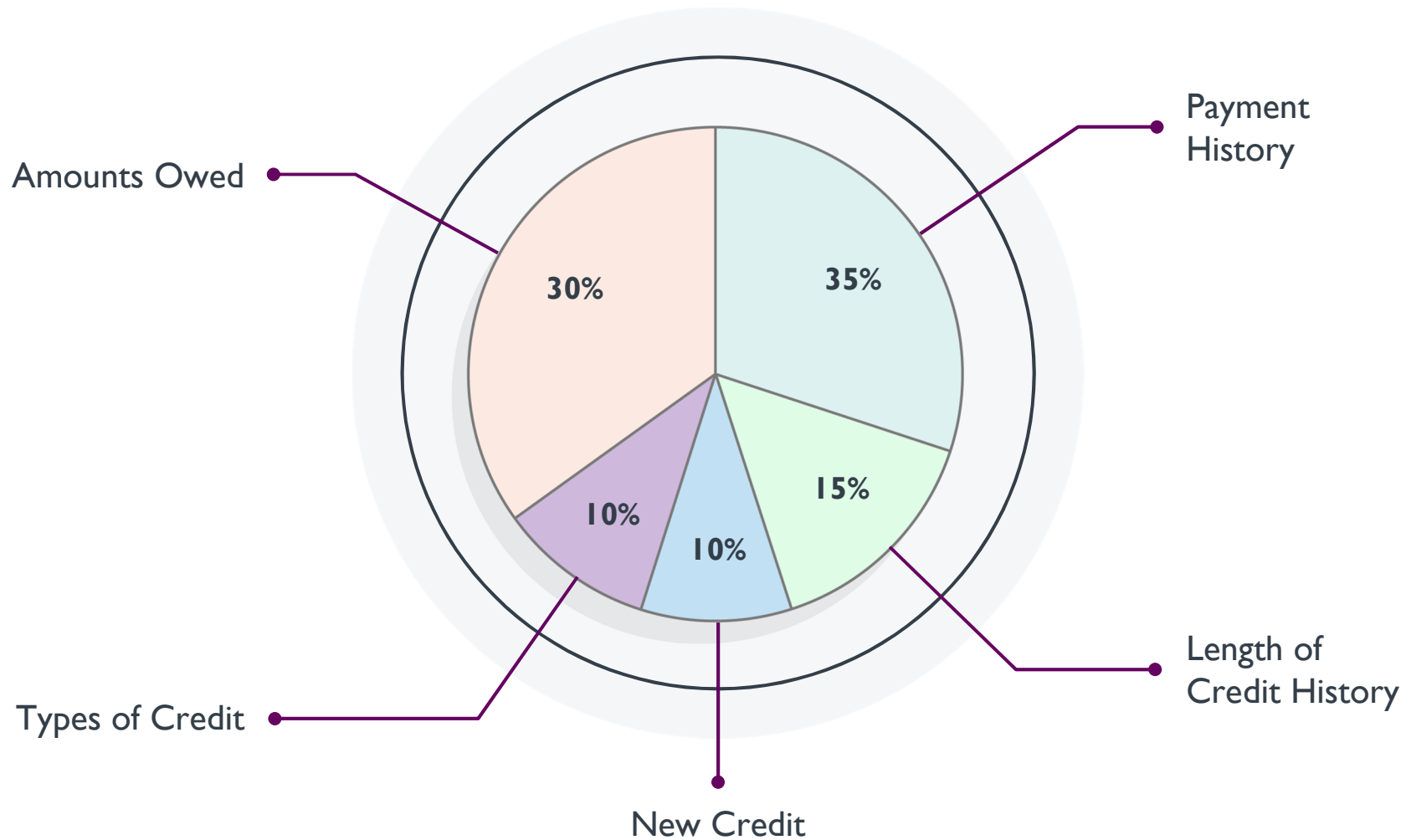


Credit Bureaus

- There are three main credit bureaus in the United States.
- FICO scores are calculated based on the credit reports from these three bureaus.



Calculating a Credit Score



Costs of Co-signing



Anna's house is in foreclosure. She has taken some steps to improve her credit and is now eligible for a loan. Anna wants to use the loan to try to stop the foreclosure process, but she has a problem: She needs someone to co-sign.

?

Should her best friend Bella co-sign on a loan with Anna?

?

How will co-signing affect Bella's credit score?

Costs of Co-signing



Michael and Tameka are getting married in two weeks. They are thinking about merging their finances by opening a joint checking account and applying for a joint credit card. Tameka has a good credit score, but Michael does not.

?

Should they sign up for joint credit?

What Is a Credit Report ?

- Your credit report is a snapshot of your credit profile, including your credit history.
- Credit reports help lenders, such as financial institutions, understand how creditworthy you are—that is, whether you're likely to repay a loan if given one.



Getting Your Free Credit Report



You can get one free credit report per year from **Annual Credit Report.**



www.annualcreditreport.com

1-877-322-8228

Experian

Equifax

TransUnion

You can also get a free credit report:

- In cases of reported fraud,
- If you need to apply for welfare, or
- If you are denied a loan or credit application.

Getting Your Credit Score



Request your FICO score from
www.myfico.com



FICO charges a fee, but you will get your credit report and scores from all three bureaus.

Reading Your Credit Report

Your credit report contains the following information:



Public Records :

- Lawsuits and bankruptcies
- Judgments
- Delinquent or unpaid taxes



Credit Accounts:

- Debt status
- Open and closed accounts



Personal Information:

- Name and birthdate
- Social Security number
- Address
- Name of spouse and/or employer



Credit Inquiries:

- Organizations, people, or agencies that have requested to verify your credit in the past two years

Important Dates to Review



Date your account was opened



Dates of delinquency



Dates of public records



Dates of credit requests

Credit Repair Organizations Act

The Credit Repair Organizations Act was established to protect your rights as a consumer. It prevents credit repair organizations from engaging in false advertising and deceptive practices that can cause you harm.



Steps to Repair Your Credit



Step 1: Begin making on-time debt payments. Contact your lender if you need help creating a repayment plan.



Step 2: Inform the credit bureaus and companies that provided information to the bureaus to report errors on your credit report.

Include the following information:

- A copy of your credit report;
- A list of the items that are disputed;
- Your clearly stated reasons for disputing; and
- Copies, *not* originals, of any documents that support your request for correction.



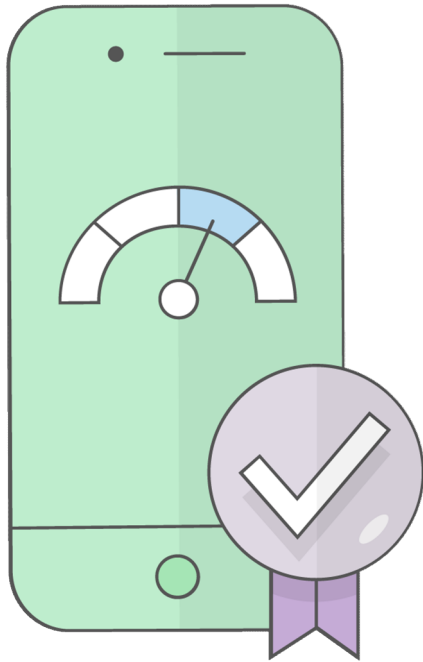
Send using certified mail and request a return receipt.



Note: The credit reporting bureau is obligated to respond to you within 30 days.

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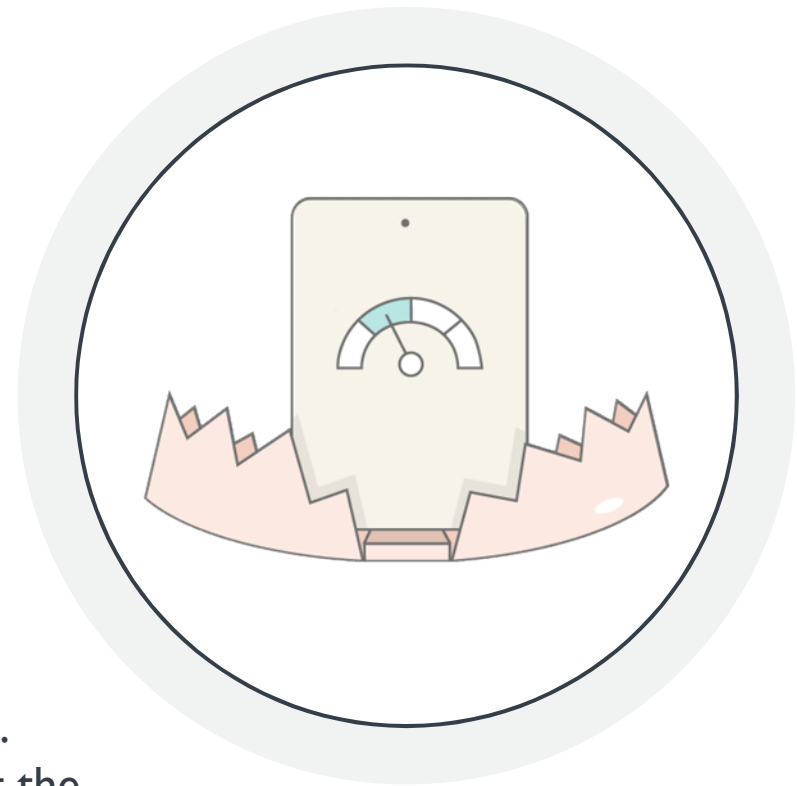
Special Circumstances for Repairing Credit



- Step 1 Monitor your credit report and scores.
- Step 2 Pay your bills on time and regularly.
- Step 3 Get credit counseling.
- Step 4 Consider financial products.

Credit Repair Scams

- After her house falls into foreclosure, Anna researches several credit repair companies.
- The first company promises to remove bad credit information from Anna's report. All she has to do is pay an up-front fee. Anna is worried about her bad debts, but the company assures her that it can scrub all negative information from her report. The company also advises Anna not to contact the credit bureaus directly since doing so will negatively affect the company's efforts.
- How many red flags did you catch in this scenario?



Red Flags of a Credit Repair Scam

- A request to pay up-front fees for a credit repair service
- A promise to scrub ALL negative information
- A promise to scrub or alter legitimate information
- A warning not to contact the credit bureaus directly (you are entitled to dispute errors for free; it is your legal right)



Other Signs of a Credit Repair Scam

Asking for a signature on blank paperwork

Credit profile number scams

Fake Social Security number scams

Credit Counseling Services



National Foundation for Credit Counseling



| www.nfcc.org

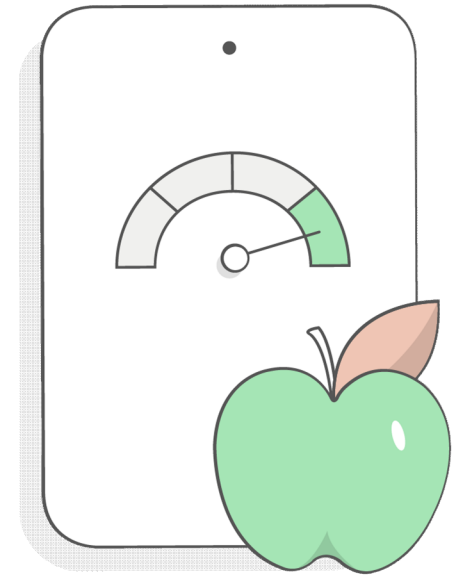
Financial Coaching Association of America



| www.fcaa.org

Strategies to Improve Credit

- Use less than 30 percent of your available credit.
- Do NOT max out your credit card(s).
- Pay your bills on time.
- Pay off your credit card bills each month in full, if possible.
- Pay off your loans on time.
- Do not apply for multiple loans and credit cards at the same time.
- Make a financial plan or a debt-management plan to reduce debt.
- Create and follow a monthly budget.
- Review your credit report for accuracy.



Summary



Today you have
learned the following:

- 1) It is important to review your credit reports regularly. You can request them for free from Annual Credit Report.
- 2) Your credit score is a reflection of your debt-management practices.
- 3) You should always pay your bills on time and should not default on loans.
- 4) It is possible to repair bad credit by managing debt and credit responsibly.