

# MODULE 6: Credit Reports and Scores

## INSTRUCTOR GUIDE



**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 Instructor 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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# Background Information for Instructors

Welcome to the FDIC’s Money Smart for Adults!

This is the Instructor Guide for **Module 6: Credit Reports and Scores**.

This module consists of three tools:

- **This Instructor Guide**
- **The Participant Guide**—for participants to use during training and refer to after training
- **The PowerPoint slides**—for you to use during the training

The curriculum also includes a *Guide to Presenting Money Smart for Adults*. This resource offers practical tips for marketing your training, setting up your training space, supporting participants with disabilities, and delivering the training. It also offers learning pathways to help you choose modules and perhaps sections within modules to include in the training. If you don’t already have the *Guide to Presenting Money Smart for Adults*, download it at [www.fdic.gov/moneysmart](http://www.fdic.gov/moneysmart).

## Training Preparation Checklist

Use this checklist to prepare for training.

- Review the Instructor Guide, Participant Guide, and PowerPoint slides** to learn how they work together.
- Familiarize yourself with the topics.** The Instructor Guide includes scripting to help you explain core content. You can read the scripting as-is to participants. Or, you can present the information in your own style.
- Review the *Try It* and *Apply It* activities in the Participant Guide.** Every module includes both types of activities. Many are designed to be included during the training session. Others are flagged with a Note to Instructor that gives you the option of reviewing, starting, or completing them during the training, or encouraging participants to complete them after training.

Activities make the training more engaging and help participants retain the material. It’s generally better to cut content rather than activities if you are short on time.

- **Review the *Guide to Presenting Money Smart for Adults*** for tools and information that can help you plan and deliver training. This resource includes information on making your training accessible and welcoming to all participants, including participants with disabilities.
- **Select the materials that you plan to use.** Ideally, do so by considering the needs or goals of the participants. The *Module at a Glance Table* near the front of each Instructor Guide can help you decide whether to cover modules in their entirety or only certain sections of the modules.
- **Plan to make your training culturally appropriate.** This means communicating respectfully, and also presenting the material in a way that is relevant to the lives of participants.
  - For example, when you discuss ways to cut expenses, participants may not relate to cutting out a daily coffee purchase if they don't normally buy coffee every day. Use examples participants can relate to, which may be different from examples from your own experience.
- **Consider having each of your training sessions include:**
  - **An overview:** Welcome participants and explain the training purpose and objectives. Provide a quick orientation to materials.
  - **An introductory activity:** Energize participants with a fun activity to introduce them to one another and get them ready to learn. This can be an effective way to start training, especially if it is the first time the group has been together. See the *Guide to Presenting Money Smart for Adults* for optional introductory activity ideas.
  - **Pre and post-training surveys:** Administer the pre-training survey before training starts and the post-training survey at the end of training. Using the surveys can help you evaluate training effectiveness and tailor your training approach for future sessions.
- **Give each participant a Participant Guide.** Consider making it available electronically if you cannot provide paper copies. Also, some participants may need it electronically as a reasonable accommodation. If you deliver only part of a module, you might want to provide only those sections of the Participant Guide. Hide the slides you won't be using. The *Guide to Presenting Money Smart for Adults* has more information on hiding slides.

## Materials You May Need

- This Instructor Guide
- Copies of the Participant Guide
- The PowerPoint slides, and either:
  - Computer, projector, and screen for projecting the slides, or
  - Printed or electronic copies of the slides for participants
- Flip chart(s) and/or whiteboard(s)
- Markers for writing on flip chart(s) and/or whiteboard(s)
- Large self-adhesive notes (5" x 8"), card stock, or paper for making signs
- Tape that can be easily removed from the wall, such as painter's tape
- Pens or pencils for participants

### Optional Materials:

- Parking Lot for questions—Create one by writing "Parking Lot" on the top of a flip chart or whiteboard
- Supplies for the Optional Introductory Activity—Choose an activity from the *Guide to Presenting Money Smart for Adults* or use your own



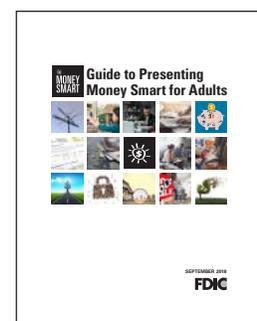
### Instructor Guide



### Participant Guide



### PowerPoint slides



### Guide to Presenting Money Smart for Adults

## Understanding the Icons

This Instructor Guide uses several icons to help you quickly navigate the training.

 <b>Do</b>	Actions you take as the instructor
 <b>Say</b>	Information you share verbally with participants
 <b>Ask</b>	Questions you pose to participants
 <b>Share Key Takeaway</b>	When you convey the primary message of a section
 <b>Lead Discussion</b>	When you facilitate discussions
 <b>Lead Activity</b>	When you facilitate activities
 <b>Present Information</b>	When you present information
 <b>Take Action and Closing</b>	When you help participants plan action steps to apply what they learned
 <b>Scenario</b>	When you use a short story to start a discussion or activity about a financial topic

## Module Purpose

This module helps participants understand, access, and improve their 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

## Module at a Glance Table

You can cover all or only part of this module.

We estimate you need **3 hours and 40 minutes** to cover the entire module, not including breaks or an optional introduction activity.

This is one of the longest modules in Money Smart for Adults. Depending on time available and needs of participants, you could cover the entire module as a half-day credit workshop. You could also set appointments for one-on-one consultations on credit, perhaps during the second half of the day. Those consultations might include helping individuals use the “Apply It” activities in the Participant Guide.

If you do not have time to cover the entire module, we recommend that you include (at a minimum):

- Section 1: Credit Reports
- Section 2: Credit Scores
- Section 5: Build, Repair, and Maintain a Productive Credit History

Together, those sections provide a good background on credit and briefly mention how to obtain credit reports and scores.

Section	Key Takeaway	Purpose / Objectives	Time
Module Opening	N/A	<ul style="list-style-type: none"> <li>■ Welcome participants</li> <li>■ Administer the pre-training survey</li> <li>■ Lead an Optional Introductory Activity (extra 5 to 20 minutes)</li> </ul>	10 minutes
Section 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.	Participants will be able to: <ul style="list-style-type: none"> <li>■ Understand credit reports and how the information in credit reports can affect many areas of their lives</li> <li>■ Understand key rights under the Fair Credit Reporting Act</li> </ul>	55 minutes

*continued on next page*

**Module at a Glance Table *continued***

Section	Key Takeaway	Purpose / Objectives	Time
Section 2: Credit Scores	You can take steps to improve and manage your credit scores. This includes paying your bills on time and as agreed.	Participants will be able to: <ul style="list-style-type: none"> <li>Understand what credit scores are, factors that affect how credit scores are calculated, and how credit scores are used</li> </ul>	30 minutes
Section 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.	Participants will be able to: <ul style="list-style-type: none"> <li>Access and understand credit reports and scores</li> </ul>	45 minutes
Section 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.	Participants will be able to: <ul style="list-style-type: none"> <li>Address inaccurate information on credit reports by filing disputes</li> </ul>	25 minutes
Section 5: Build, Repair, and Maintain a Productive Credit History	Your credit history does not have to be your credit future.	Participants will be able to: <ul style="list-style-type: none"> <li>Explore strategies to build, repair, and maintain their credit history</li> <li>Explore how to protect their credit history</li> </ul>	45 minutes
Module Closing	N/A	<ul style="list-style-type: none"> <li>Review the key takeaways</li> <li>Help participants think about how they will apply what they learned</li> <li>Administer the post-training survey</li> </ul>	10 minutes

# Module Opening

## Welcome Participants as They Arrive

Time Estimate for This Section: 10 minutes

### SHOW SLIDE 1



#### DO

As participants arrive for the training, use this time to:

- Welcome them and introduce yourself
- Ask them to sign in for the training if you are using a sign-in sheet
- Ensure any requested reasonable accommodations are in place and make any necessary adjustments



#### LEAD ACTIVITY

## Pre-Training Survey

See page 57 in the Participant Guide.

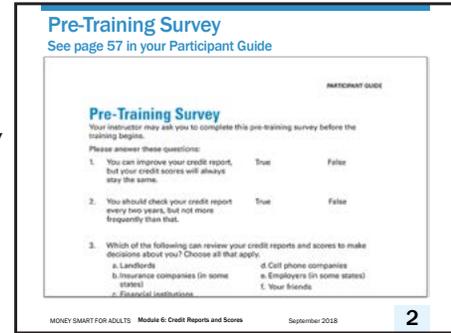
**Note to Instructor:** Before training starts, you can ask participants to complete the pre-training survey in the back of their Participant Guide. You may want to give them “loose” copies so they don’t have to tear them out. The knowledge questions are the same as those in the post-training survey.

The answer key is at the end of this Instructor Guide, but don’t share the answers now.

You may decide to compare pre-training surveys to post-training surveys to estimate knowledge gains of the entire group or for each participant. If you want to estimate by participant, ask them to write their last name or some other unique identifier on both their pre and their post-training surveys so you can compare them for a given participant.

**SHOW SLIDE 2****SAY**

- Thank you for coming to this Money Smart Training called “**Credit Reports and Scores.**”
- Please complete the pre-training survey on page 57 of your Participant Guide to give me an idea of what you may already know about this topic.
  - It should take less than five minutes to complete.

**DO**

- Collect the completed surveys if you plan to review them or compare them to post-training surveys.



## PRESENT INFORMATION

**Parking Lot and Participant Guide****SAY**

- I've created a Parking Lot to capture questions, concerns, ideas, and resources. You and I can add items anytime during the training, and I'll address them during breaks or at the end of training.
- You have a Participant Guide to use during and after this session. It's yours to keep, so you can take notes and write in it.



## LEAD ACTIVITY

**Optional Introductory Activity**

Adds an additional 5 to 20 minutes, depending on the activity you select and the number of participants

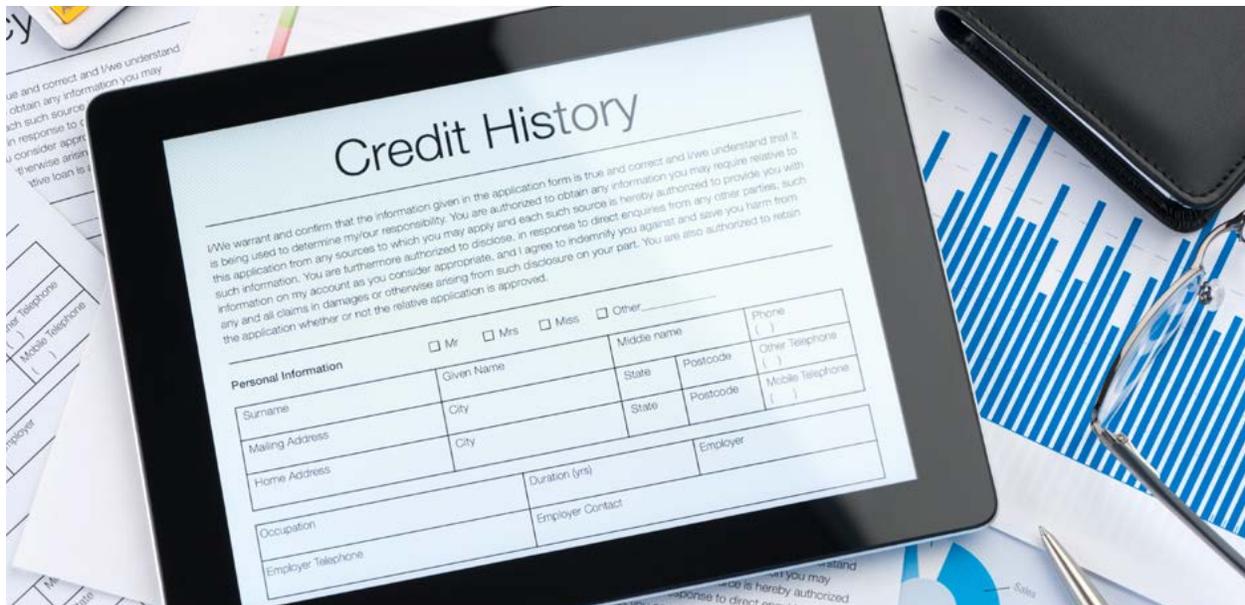
**DO**

- Lead participants through an introductory activity.
- Time permitting, you may also want to show a short video related to the subject of this module or start with an “energizer” of your choice.

**Note to Instructor:**

If time permits, start the training with a fun activity from the *Guide to Presenting Money Smart for Adults* or use your own.

This is a great way to get participants energized and ready to learn!



## Section 1: Credit Reports

**Training Time Estimate for This Section: 55 minutes**

### Objectives

Participants will be able to:

- Understand credit reports and how the information in credit reports can affect many areas of their lives.
- Understand key rights under the Fair Credit Reporting Act.



PRESENT INFORMATION (1 MINUTE)

## Introduction to Section and Key Takeaway

See page 3 in the Participant Guide.

### SHOW SLIDE 3



SAY

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

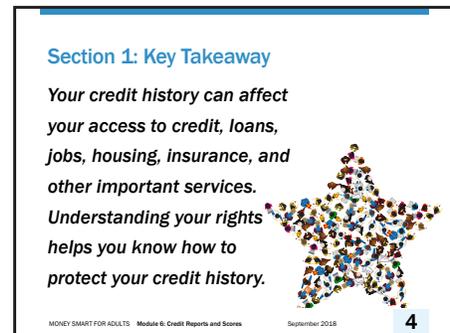


### SHOW SLIDE 4



SAY

- The key takeaway from this section is: **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.**



PRESENT INFORMATION (2 MINUTES)

## What is a Credit Report?

See page 3 in the Participant Guide.



SAY

- You may have heard the term credit report, but perhaps you've never looked at one.
- Maybe you've shopped for an apartment and been told that the landlord first has to look at your credit report.
- Or you were told a lender reviewed your credit report after you applied for a loan.
- Or you've heard on the news how important it is to "review your credit report."
- A credit report is a document that contains your credit history.
- Sometimes people make assumptions about what's in a credit report or what's not.
- Let's start by thinking about what information is in a credit report.



LEAD ACTIVITY (8 MINUTES) – VOTE

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

See page 3 in the Participant Guide.

### SHOW SLIDE 5



#### DO

- Ask participants to turn to *Try It: Is This in a Credit Report?* on page 3 in their Participant Guide.
- Read each of the items on the slide and ask for a “thumbs up” or “thumbs down.” When participants disagree, or give you an incorrect answer, use the Answer Key to provide an explanation of why a particular piece of information is included in a credit report or not.

Try It: Is This in a Credit Report?	
See page 3 in your Participant Guide	
1. Your name	8. Debt-to-income ratio
2. Your age	9. Student loan payments
3. Arrests and convictions	10. Credit card limits
4. Your credit card payments	11. Traffic tickets and fines
5. Your income	12. Savings account balance
6. Bankruptcies	13. Debit card purchases
7. Cell phone plan payments	

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**Note to Instructor:** If the “thumbs up / thumbs down” method will not work well for all of your participants, consider having participants vote with a verbal “yes” or “no” or use another method to convey “yes” or “no.”



#### SAY

- Think about whether each of these items is included in a credit report.
- As I read them off, indicate with a “thumbs up” or “thumbs down” what you conclude.
- You can keep track of the answers in your Participant Guide.

## ***Try It: Is This in a Credit Report? – Answer Key***

Item	Yes, it is included	No, it is not included
1. Your name	<i>Yes. Your full legal name is in the personal or identifying information section.</i>	
2. Your age		<i>No. But your birthdate is, so someone could easily calculate your age.</i>
3. Arrests and convictions		<i>No. They could be on employment background reports made by other consumer reporting agencies.</i>

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

<b>Item</b>	<b>Yes, it is included</b>	<b>No, it is not included</b>
4. Your credit card payments	<i>Yes. Credit card payments are listed along with the name of the financial institution that issued the card and other account information.</i>	
5. Your income		<i>No. Your income is not listed on your credit report.</i>
6. Bankruptcies	<i>Yes.</i>	
7. Cell phone plan payments		<i>Usually no. However, if you don't pay your bills on time, late payments would likely end up on your credit report.</i>
8. Debt-to-income ratio		<i>No. The ratio is not included on your credit report. However, lenders may use information on your debts from your credit report to calculate the ratio.</i>
9. Student loan payments	<i>Yes. Payment history for federal and private student loans is included in a credit report. These loans are also included in the credit reports of people who co-sign student loans.</i>	
10. Credit card limits	<i>Yes. Credit card limits are included along with the total balance and the estimated minimum payment owed.</i>	
11. Traffic tickets and fines		<i>No. These are generally no longer reported on a credit report. The same is true for unpaid gym memberships that have gone to collection. You still need to pay your debts, but these items are no longer included in credit reports.</i>
12. Savings account balance		<i>No. These are not in a credit report. Checking account balances are also not in a credit report.</i>
13. Debit card purchases		<i>No. Debit card purchases are withdrawals from your checking account. These purchases are generally not in a credit report.</i>



PRESENT INFORMATION (5 MINUTES)

## What is Listed in a Credit Report?

See page 6 in the Participant Guide.

### SHOW SLIDE 6



#### SAY

- To summarize, credit reports are documents that list:
  - **Your identifying information**, such as your name and address.
  - **Your debts and some of the bills you pay** to businesses, financial institutions, or other organizations and agencies that extended you credit.
    - » This includes credit cards. Your credit limit will be included—this is the maximum amount you can borrow. Credit reports will also list your balance—the amount of the credit limit you have used as well as your monthly payments.
    - » This also includes home mortgages. Information on the amount of the mortgage and payments will be in a credit report.
    - » Rent payments may or may not be in a credit report.
    - » Many bills or debts that you pay on a regular basis are not listed on a credit report. And, in some cases, such as with many utility bills, the information is only reported if you do not pay a bill as agreed.
    - » Accounts in collections are also included. This includes when a creditor may “charge off the debt” and assign or sell the debt to a debt collector.
      - Assigning a debt means that they hire the debt collector to collect the debt on their behalf.
      - Debts that have gone to collections have their own section.
      - Medical debts that have gone to collections would be included as well.

#### What is Listed in a Credit Report?

- Your identifying information
- Your debts and some bills
- Public record information
- Your applications for new credit and other “inquiries”

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**Note to Instructor:** The timing for when medical debt is reported has recently changed. This topic is covered in Section 4 of this module.

- **Public record information**, such as:
  - » Bankruptcies and foreclosures
  - » Seriously delinquent child support payments

- » Since April 2018, civil judgments, tax liens, and other public records will only appear on consumers' credit reports from the three nationwide credit reporting agencies if they meet new reporting standards.

**Note to Instructor:** These standards require that the information contain the Social Security number and/or the date of birth of the consumer, along with the consumer's name and address. The information must be collected at least every 90 days. For further information, see the National Consumer Assistance Plan at <http://nationalconsumerassistanceplan.com/about/>.

- **Your applications for new credit and other “inquiries”** when lenders or other businesses request a copy of your credit report.

### SHOW SLIDE 7



#### SAY

- Companies that make credit reports can be called credit reporting agencies, credit bureaus, or credit reporting companies.
- There are three nationwide credit reporting agencies: Equifax, Experian, and TransUnion.
- If you have a credit history, you likely have at least three separate credit reports—one from each of these nationwide credit reporting agencies. You have a right to see these reports, which we will talk more about later in the training.
- In addition to the three nationwide credit reporting agencies, there are also “specialty” consumer reporting companies.
  - They provide reports that help other companies make decisions about providing consumers with products and services. For example, that includes accounts at financial institutions, employment, rental housing, insurance, and cell phone plans.
  - Some of these companies may have reports with information about you. You have a right to see those reports. For more information, visit [consumerfinance.gov](http://consumerfinance.gov) and search for “consumer reporting companies.”





LEAD ACTIVITY (2 MINUTES) – FACILITATED DISCUSSION

## What is a Credit Score?

See page 6 in the Participant Guide.



### ASK

- What is a credit score?



### DO

- Write participant responses on a flip chart or whiteboard.

### SHOW SLIDE 8



### SAY

- Credit scores are numbers based on information in your credit reports.
  - They predict the likelihood that you will pay your bills and debts as agreed.
- 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.

**What Is a Credit Score?**

- A number based on information in credit reports
- Predicts payment of bills and debts as agreed
- People with higher credit scores likely to present lower risk to creditors



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LEAD DISCUSSION (5 MINUTES)

## Who Uses Credit Reports and Scores?

See page 6 in the Participant Guide.

- Who might use credit reports and scores? Why do you think they use them?



### DO

- Write participant responses on a flip chart or whiteboard in two columns:
  - In the left column, write “who” might use credit reports and scores.
  - In the right column, write “why” they might use them.

## SHOW SLIDE 9



## DO

- Add the following if not contributed.
    - **Financial institutions** use them to determine whether you can get a credit card or other type of loan. They also use them to determine your credit limit, or the maximum amount of money they will loan to you. Some also use credit reports to decide if you can open a checking or savings account, or what type of account you can open.
    - **Landlords** might use them to decide if they will rent an apartment to you and perhaps to set your security deposit.
      - » Individuals with credit reports that have negative information may not be able to rent some apartments or may need to pay a high security deposit or have someone cosign the apartment lease.
    - **Utility companies** can use them to decide whether you will have to pay a security deposit and the amount of the deposit.
    - **Some cell phone companies** use them to determine your eligibility for their plans.
      - » Individuals with credit reports that have negative information and low credit scores may only be offered pre-paid or month-to-month phone plans.
    - Some states allow **insurance companies** to use information from your credit reports to decide whether they will sell you insurance and how much it will cost.
    - **Some employers** might use them to perform background checks for potential employees, depending on state law.
      - » To find out 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** may use them to determine eligibility for some professional licenses, such as licenses for mortgage loan originators.

**Who Uses Credit Reports and Scores?**

- Financial institutions
- Some landlords
- Utility companies
- Some cell phone companies
- Insurance companies (in some states)
- Employers (in some states)
- Some state agencies or affiliated organizations

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**SHOW SLIDE 10****SAY**

- Credit reports and scores may also be used as one factor for **risk-based pricing**. Other factors can include your employment history and outstanding debts.
  - With risk-based pricing, lenders set interest rates and other loan terms based on the estimated risk that a particular consumer will not repay the loan as agreed.
  - Lenders may charge you a higher interest rate if they view you as a higher risk borrower—perhaps because you are several payments behind on a mortgage or credit card, you don't have reliable income, or you have declared bankruptcy.
  - And, lenders may offer you a lower interest rate if they view you as a lower risk—perhaps because you have a high credit score and stable employment.
- A lender must tell you if they used your credit reports or scores to make a lending decision about you or if they offered you less favorable terms than other borrowers based on your credit reports or scores. If the lender denied offering you credit, you will receive an **adverse action notice**. If the lender offered you less favorable terms, you will receive a **risk-based pricing notice**.
  - The notice must provide information about how you can get a free credit report, the specific credit score they used to make their decision, the score range, and the negative factors affecting the score.
  - This report is in addition to the free credit report you are entitled to every 12 months from each of the nationwide credit reporting agencies.

**Risk-Based Pricing**

- Credit reports and scores may be used as one factor in risk-based pricing
- Lenders set interest rates and other terms based on estimated risks
  - Must tell you if they used your credit reports or credit scores to deny your application or offer you less favorable terms
    - Adverse action notices
    - Risk-based pricing notices

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PRESENT INFORMATION (2 MINUTES)

## Having No Credit Reports or Scores

See page 7 in the Participant Guide.

### SHOW SLIDE 11



SAY

- Having no credit reports or scores may not sound so bad. But, you miss out on some opportunities if you don't have them.
- Some people call this being "credit invisible."
- Without a good credit history, you may have a harder time accessing things, such as:
  - Getting credit or a loan when you need it
  - Renting an apartment of your choice
  - Getting a favorable cell phone plan
  - Obtaining some jobs
  - Turning on utilities without having to pay a large deposit
- Not having a credit history may be the result of circumstances or it could be a choice. Maybe someone just entered the country or maybe someone just prefers always paying for everything in cash. It could also be because someone didn't understand the importance of having a credit history.

**Having No Credit Reports or Scores**

- "Credit invisible"
- May result in having a harder time:
  - Getting credit or a loan
  - Renting an apartment
  - Getting a favorable cell phone plan
  - Obtaining some jobs
  - Turning on utilities without paying a large deposit

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LEAD ACTIVITY (10 MINUTES) – SCENARIO

## Try It: Do Credit Reports Matter?

See page 7 in the Participant Guide.

### SHOW SLIDE 12



DO

- Ask participants to turn to *Try It: Do Credit Reports Matter?* on page 7 in their Participant Guide.
- Read the scenario to participants or ask for a volunteer to do so.

**Try It: Do Credit Reports Matter?**  
See page 7 in your Participant Guide

**Try It: Do Credit Reports Matter?**  
Read the scenario and then answer the questions.

**Scenario: Yandley Learns about the Importance of Having a Credit History**

Yandley 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.

Yandley 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 Yandley about credit reports?

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### 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.



#### DO

- Give participants five minutes to discuss the questions listed below the scenario in small groups.
- After five minutes, review the questions with participants.



#### ASK

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



#### DO

- Write participant responses on a flip chart or whiteboard.
- Add the following if not contributed:
  - Credit reports are important.
  - Having a credit history gives lenders, landlords, and other businesses information so they can make certain decisions about you.
  - Not having a credit history can mean you won't have access to products, services, apartments, and possibly jobs.
  - Having a "good" credit history can make some products or services less expensive.
  - Without a credit report, you won't have credit scores, which are used in making many decisions.

**ASK**

- **Do you think she should try to build credit? Or, is she better off without a credit history?**

**DO**

- Facilitate a discussion. This is an opinion question with no right or wrong answer.
- Most participants are likely to say “yes.”
- Some participants may say “no” because they believe that no credit history is better than a credit history that has negative information.
- Others may say they were taught to avoid debt and that’s worked well for them so far.



PRESENT INFORMATION (5 MINUTES)

**The Fair Credit Reporting Act**

See page 8 in the Participant Guide.

**SAY**

- An important thing to know about credit and other consumer reporting is that you have rights.
- The Fair Credit Reporting Act (FCRA) is the federal law that establishes those rights.

**ASK**

- Why is it important to know about your rights in credit reporting?

**DO**

- Write participant responses on a flip chart or whiteboard.
- Add the following if not contributed:
  - You will be able to determine if your rights have been violated.
  - You can take steps to protect your credit history.
  - You can take steps to improve your credit history and scores.
  - Knowing about your rights can save you money. If you understand your right to dispute incorrect or outdated information, you are more likely to take action to improve your credit history and scores which can potentially lead to more favorable credit or service agreement terms.



LEAD ACTIVITY (10 MINUTES) – EXERCISE

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

See page 8 in the Participant Guide.

### SHOW SLIDE 13



DO

- Ask participants to turn to *Try It: Credit Reporting and Your Rights* on page 8 in their Participant Guide.
- There are nine listed rights. Divide the group into smaller groups. Assign each group one, two or three of the rights. For example, if you have three groups, assign each group three different rights.
- Ask the groups to identify what actions they can take to get the full benefit of the right.
- After five minutes, ask each group to share its responses to each right they discussed, starting with number one in the chart.
- Use ideas from the Answer Key to supplement group responses.

**Try It: Credit Reporting and Your Rights**  
See page 8 in your Participant Guide

Summary of Fair Credit Reporting Act (FCRA) Right	What Action Can You Take?
<p>1. 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. They must give you the contact information for the credit reporting agency they used.</p> <p>2. You have the right to know what is in each of your credit reports. You will be required to prove you are who you say you are when you request to see your reports.</p>	<div style="border: 1px solid gray; height: 150px; width: 100%;"></div>

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## ***Try It: Credit Reporting and Your Rights – Answer Key***

Summary of Fair Credit Reporting Act (FCRA) Right	What Action Can You Take?
<p>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.</p>	<p><i>If I am denied credit or some other service based on information in my credit report, I should receive information about which credit reporting agency provided the information that led to the denial.</i></p> <p><i>If I do not receive it, I can follow up with the business or organization and ask for this information. If I want a copy of the credit report that was used, I can follow the information given to me to request it.</i></p> <p><i>In most cases, I won't have to pay for the credit report if I request it within 60 days of receiving this information.</i></p>

**Try It: Credit Reporting and Your Rights – Answer Key continued**

<b>Summary of Fair Credit Reporting Act (FCRA) Right</b>	<b>What Action Can You Take?</b>
<p>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.</p>	<p><i>I can get one free credit report from each of the three nationwide credit reporting agencies every 12 months from <b>annualcreditreport.com</b>.</i></p> <p><i>I will be asked questions to prove I am who I say I am. This helps prevent someone else from pretending to be me and getting my credit reports.</i></p>
<p>3. <b>You have the right to dispute incomplete or inaccurate information.</b> The credit reporting agency must investigate unless your dispute is frivolous.</p>	<p><i>I can review the information in all three of my credit reports regularly. If I find information that is incomplete or inaccurate, I can file a dispute.</i></p>
<p>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.</p>	<p><i>I can alert the credit reporting agencies if information in my reports is inaccurate or incomplete by filing a dispute. If I send the dispute certified mail, return receipt requested, I will have a record of when the credit reporting agency received my dispute, and I can make sure they respond within 30 days.</i></p>
<p>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.</p>	<p><i>I need to make sure I understand when something is considered outdated for the purposes of reporting. I can review the information in my credit reports regularly. If I find information that is outdated, I can file a dispute.</i></p>
<p>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.</p>	<p><i>I can see who has viewed my credit report information in the inquiry section of my credit reports.</i></p>

**Try It: Credit Reporting and Your Rights – Answer Key continued**

Summary of Fair Credit Reporting Act (FCRA) Right	What Action Can You Take?
<p>7. <b>Your credit reports will not be provided to employers unless you give your consent.</b> The consent must be in writing.</p>	<p><i>I can check my credit reports before I apply for a job if I think information from my credit reports may be considered in the hiring process. If I find inaccurate, incomplete, or outdated information, I can file disputes before I apply for a job.</i></p> <p><i>I do not have to agree to let an employer or prospective employer view my credit reports. However, if I do not, I may not be hired.</i></p>
<p>8. <b>You can opt out of receiving certain unsolicited offers</b> for credit or insurance based on what is in your credit reports.</p>	<p><i>I can go to <a href="http://www.optoutprescreen.com">www.optoutprescreen.com</a> or call 1-888-5-OPT-OUT to stop getting offers of credit or insurance based on what is in my credit reports. I know that won't stop all offers.</i></p>
<p>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 <a href="http://consumerfinance.gov">consumerfinance.gov</a>.</p>	<p><i>I can submit a complaint at <a href="http://consumerfinance.gov">consumerfinance.gov</a> or call (855) 411-2372 to ask for help.</i></p>



PRESENT INFORMATION (4 MINUTES)

## Opting Out

See page 10 in the Participant Guide.

### SHOW SLIDE 14



#### SAY

- Many people don't want to receive prescreened offers of credit and insurance. Opting out reduces unwanted mail and information that could be used to steal your identity.
- You can opt out of receiving prescreened offers of credit and insurance for a five-year period or you can opt out permanently.
- If you opt out, you can also decide to opt back in.

#### Opting Out

- You can opt out of receiving prescreened offers of credit or insurance
  - For five years or permanently
- You may still get offers based on lists from other sources
- If you opt out, you can opt back in
- But you can't opt out of having a credit report

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- To opt out for five years, you can call 1-888-5-OPT-OUT (1-888-567-8688) or visit [www.optoutprescreen.com](http://www.optoutprescreen.com).
- The phone number and website are operated by four of the credit reporting agencies (Equifax, Experian, Innovis, and TransUnion).

**Note to Instructor:** The three nationwide credit reporting agencies are Equifax, Experian and TransUnion. Innovis is a credit reporting agency that provides data to assist with fraud detection and prevention.

- To opt out permanently, you start the process online at [www.optoutprescreen.com](http://www.optoutprescreen.com). To complete your request, you must return a signed *Permanent Opt-Out Election Form*, which will be provided after you initiate your online request.
- Opting out will stop the prescreened solicitations that are based on lists from these major consumer reporting companies.
- You may continue to get solicitations for credit and insurance based on lists from other sources.
  - For example, opting out won't end solicitations from local merchants, religious and charitable associations, professional and alumni associations, and companies with which you already do business.
  - To stop mail from groups like these — as well as mail addressed to “occupant” or “resident” — you must contact each source directly.
  - 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.



PRESENT INFORMATION (1 MINUTE)

## Section Closing

See page 10 in the Participant Guide.

### SHOW SLIDE 15



#### SAY

- Remember the key takeaway from this section: **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 1: 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.*



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## Section 2: Credit Scores

**Training Time Estimate for This Section:** 30 minutes

### Objectives

Participants will be able to:

- Understand what credit scores are
- Understand the factors that affect how credit scores are calculated
- Understand how credit scores are used



PRESENT INFORMATION (1 MINUTE)

## Introduction to Section and Key Takeaway

See page 11 in the Participant Guide.

### SHOW SLIDE 16



SAY

- We will discuss credit scores.

Section 2  
**Credit Scores**

See page 11 in your Participant Guide



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### SHOW SLIDE 17



SAY

- The key takeaway from this section is:  
**You can take steps to improve and manage your credit scores. This includes paying your bills on time and as agreed.**

Section 2: Key Takeaway

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



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PRESENT INFORMATION (12 MINUTES)

## The Basics of Credit Scoring

See page 11 in the Participant Guide.

### SHOW SLIDE 18



SAY

- A credit score is a number calculated from information in your credit reports.
- Generally, the higher the number, the better your credit history.
- Each entity that provides credit scores has its own proprietary calculation or model. You may have heard of a FICO® score. That is one model, and there are others too.

The Basics of Credit Scoring

- Number calculated from information in credit reports
- Generally, higher number = better credit history
- Predicts likelihood of payment of credit obligations on time and as agreed
- Two significant factors affect your credit scores:
  - Whether you repay debts on time and as agreed
  - Your credit utilization rate

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- Lenders and others use credit scores to predict the likelihood that you will pay your credit obligations on time and as agreed.
  - The models calculate your scores based on your past history with credit compared to how many other people have paid their obligations.
  - More recent information has greater weight in the models. In other words, the older the information, the less it affects your scores.
- **Two significant factors** affect your credit scores:
  - whether you repay debts on time and as agreed
  - how much you currently owe on each account compared to the credit limit or original loan amount, which is called your **credit utilization rate**
- Additional factors include how long you have had your current loans and credit cards and the types of credit accounts you have.
  - For example, managing both a credit card and an installment loan, such as for a car, could be viewed more favorably than just having one of those two loans. The different types of credit accounts you have is called your **“credit mix.”**
- People with better (higher) credit scores are likely to present lower risk than people with lower credit scores.
- Financial institutions, financial service providers, and other businesses use credit scores because it makes the decision-making process more efficient. Rather than reading through one or more credit reports, they can simply look at a number.

### SHOW SLIDE 19



#### SAY

- There are multiple producers of credit scores.
- Therefore you likely have multiple credit scores, not just one.
- One well-known company already mentioned is Fair Isaac Corporation or FICO®.
- VantageScore® is another scoring model that some lenders use. There are others too.
- Some of these companies have different models depending on the type of credit you are applying for.
  - You may have a credit score for auto loans, a different score for mortgages, and maybe a different one from your financial institution.

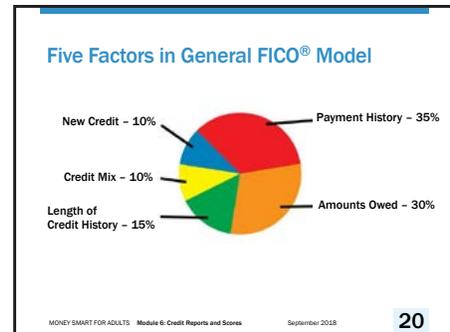
**More Basics of Credit Scoring**

- Multiple producers of credit scores
- You likely have multiple credit scores
  - FICO® (Fair Isaac Corporation)
  - Vantage Score®
  - Others too
- Different models for different types of credit

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**SHOW SLIDE 20****SAY**

- Here is how FICO® weights information from your credit reports in its general credit scoring model.
  - Payment History (repayment of past debt) – 35%
  - Amounts Owed (available credit being used/borrowed) – 30%
  - Length of Credit History (length of time for all credit accounts) – 15%
  - Credit Mix (the combination of credit cards, retail accounts, installment loans, finance company accounts and mortgage loans you have) – 10%
  - New Credit (opening new credit accounts) – 10%
- Remember that FICO® is one model, and there are others too.
- You will have an opportunity to look at how these factors can make a credit score go up and down in a scenario soon.

**SHOW SLIDE 21****SAY**

- You can order your credit scores.
  - The credit score you order may not be the one used to make certain decisions about you, but it may be in the same general range.
  - If you get turned down for credit, you have the right to see the exact score used to make the decision.
  - You can make sure your credit scores accurately reflect the information in your credit reports by getting your credit reports, reviewing the information in them, and disputing errors.
- You may be able to view your credit scores on a credit card statement, a financial institution account statement, and/or on websites as well.
- Let's discuss what generally makes credit scores go up and down.

**Order Your Credit Scores**

- May not be the ones that are used
- If turned down for credit, you have the right to see the exact score used
- Make sure your credit scores accurately reflect information in your credit reports
  - Get and review your credit reports and dispute errors

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**Note to Instructor:** Knowing about scores is empowering, but in general it's more important to focus on credit reports. Scores are generated from the information in reports. If the information in the reports is accurate, then the scores should reflect that. Individuals are not likely to know in advance which particular credit score a lender or other user of credit scores is going to look at to make a decision.



LEAD ACTIVITY (14 MINUTES) – EXERCISE

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

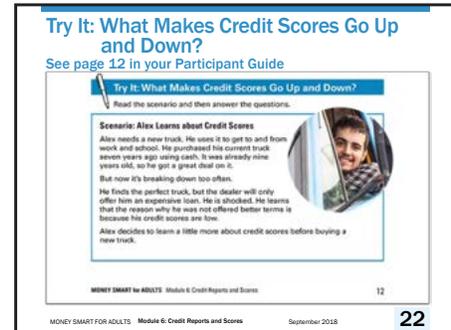
See page 12 in the Participant Guide.

### SHOW SLIDE 22



**DO**

- Ask participants to turn to *Try It: What Makes Credit Scores Go Up and Down?* on page 12 in their Participant Guide.
- Read the scenario to participants or ask for a volunteer to do so.



### **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.



**SAY**

- Take seven minutes to work in pairs to complete the table below the scenario. 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.



**DO**

- After seven minutes, use the Answer Key to share answers with participants.
- Time permitting, involve participants by asking them what answers they came up with and why before sharing the correct answers.

- The Answer Key has bolded instructions you can write on a flip chart or whiteboard to help explain the relative weights the FICO® model gives to different types of information.

**Note to Instructor:** There are many producers of credit scores. This exercise is based on the general FICO® score model. You can also discuss how Alex’s actions would likely affect his VantageScore® or another credit score model. Actions will generally cause scores from other models to trend in the same direction. The difference will be in the general weight applied to each action in different models. While FICO® scores are most commonly used, be sure participants understand there are other scores and models too.

The answers are based on what will likely happen due to the action Alex took in each particular situation, considered on its own. In reality, there are likely other actions or considerations happening at the same time.

## ***Try It: What Makes Credit Scores Go Up and Down? – Answer Key***

<b>Situation Alex Faced and What He Did</b>	<b>Likely Effect on Credit Scores</b>	<b>How it Relates to Composition of FICO® Scores</b>
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>	 Down	<ul style="list-style-type: none"> <li>■ Being late with payments can have a significant negative effect on credit scores.</li> <li>■ Payment history accounts for 35% of FICO® scores.</li> <li>■ <b>Write 35%—Payment History</b></li> </ul>

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

Situation Alex Faced and What He Did	Likely Effect on Credit Scores	How it Relates to Composition of FICO® Scores
<p>2. Alex wasn't able to increase his hours or find another job.</p> <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>	<p>↓ Down</p>	<ul style="list-style-type: none"> <li>■ Alex is making minimum payments on time. That is good. Unfortunately, his credit scores are still likely to drop.</li> <li>■ This situation affects the credit utilization rate—the percentage of available credit used at any time during the month (even if you pay the balance in full by the due date).</li> <li>■ 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.</li> <li>■ Your credit utilization rate in combination with outstanding debt accounts for 30% of FICO® scores.</li> </ul> <p><b>■ Write 30%—Amounts Owed</b></p>
<p>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.</p> <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>	<p>= NO CHANGE</p>	<ul style="list-style-type: none"> <li>■ Cosigning for an apartment does not significantly affect your credit (the landlord may pull your credit history which counts as an inquiry on your credit report). In this case, Alex's credit report was not pulled, so there was no change.</li> <li>■ If, however, Alex's sister fails to pay her rent and Alex does not pay it, then Alex's credit could be negatively affected.</li> </ul>

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

Situation Alex Faced and What He Did	Likely Effect on Credit Scores	How it Relates to Composition of FICO® Scores
<p>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.</p> <ul style="list-style-type: none"> <li>▪ He applies for the credit card to get the discount. His application is approved.</li> </ul>	<p style="text-align: center;">↓</p> <p style="text-align: center;">Down, but only slightly</p>	<ul style="list-style-type: none"> <li>▪ Alex has generated a new inquiry.</li> <li>▪ This is when someone looks at your credit in response to a credit application you have submitted.</li> <li>▪ If you apply for credit or you give someone permission to access your credit as part of an application process, the inquiry may cause your score to drop a few points.</li> <li>▪ Too many inquiries can indicate that someone could be or is about to be in trouble with credit by accumulating too much debt.</li> <li>▪ With the FICO® model, this inquiry affects the score for only 12 months. However, when a potential employer checks your credit as part of its screening process, your credit scores are not affected.</li> </ul> <p>▪ <b>Write 10%—New Credit</b></p>
<p>5. Alex files his taxes early and receives a tax refund.</p> <ul style="list-style-type: none"> <li>▪ He uses his refund to pay down his credit card balances.</li> </ul>	<p style="text-align: center;">↑</p> <p style="text-align: center;">Up</p>	<ul style="list-style-type: none"> <li>▪ While the amount he paid is unknown, any payment made to reduce a credit card balance is good.</li> <li>▪ Positive behavior will not instantly increase scores, but can set your score on a course that will gradually trend upward.</li> <li>▪ Missing payments, using too much credit, and generating inquiries can cause instant decreases in scores. Increasing scores takes longer.</li> </ul>

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

Situation Alex Faced and What He Did	Likely Effect on Credit Scores	How it Relates to Composition of FICO® Scores
<p>6. Alex’s truck breaks down. He has to have the truck running for his job. He has no emergency savings.</p> <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>	<p style="text-align: center;">↓ Down</p>	<ul style="list-style-type: none"> <li>▪ Same explanation as #2.</li> <li>▪ This is an example of when it would be good to have some emergency savings.</li> </ul>
<p>7. Alex took a financial education class and learned about the importance of reviewing his credit reports.</p> <ul style="list-style-type: none"> <li>▪ He orders his free credit reports from <b>annualcreditreport.com</b>.</li> </ul>	<p style="text-align: center;">= NO CHANGE</p>	<ul style="list-style-type: none"> <li>▪ This is a right given to you by the Fair Credit Reporting Act.</li> <li>▪ Reviewing your own credit reports does not affect your credit scores.</li> </ul>
<p>8. After reviewing his credit reports, Alex realized he doesn’t use his oldest credit card.</p> <ul style="list-style-type: none"> <li>▪ He closes that credit card account.</li> </ul>	<p style="text-align: center;">↓ Down</p>	<ul style="list-style-type: none"> <li>▪ By closing his oldest account, he is shortening the length of his credit history.</li> <li>▪ <b>Write 15%—Length of Credit History</b></li> </ul>

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

Situation Alex Faced and What He Did	Likely Effect on Credit Scores	How it Relates to Composition of FICO® Scores
<p>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.</p> <ul style="list-style-type: none"> <li>■ He takes out the loan.</li> </ul>	<p style="text-align: center;">↑ Up</p>	<ul style="list-style-type: none"> <li>■ The FICO® models reward a diversity of credit.</li> <li>■ The models want to see you can manage both revolving credit (such as credit cards) and installment credit (for example, a credit building loan, automobile loan, student loan, or mortgage).</li> <li>■ <b>Write 10%—Credit Mix</b></li> </ul>
<p>10. Alex notices he has an account in collections from a medical visit.</p> <ul style="list-style-type: none"> <li>■ He calls the medical clinic where the debt originated and asks them about it.</li> </ul>	<p style="text-align: center;">= NO CHANGE</p>	<ul style="list-style-type: none"> <li>■ Asking about an account or other information in your credit report has no effect on credit scores.</li> </ul>
<p>11. Alex was able to get more hours at his job.</p> <ul style="list-style-type: none"> <li>■ He pays his credit card bills consistently and on time.</li> </ul>	<p style="text-align: center;">↑ Up</p>	<ul style="list-style-type: none"> <li>■ Paying consistently and on time has a positive effect on your credit score but not right away.</li> <li>■ Think of it instead as setting your score on a course that will gradually trend upward.</li> <li>■ This affects his Payment History.</li> </ul>
<p>12. Alex received a prescreened offer for a credit card in the mail.</p> <ul style="list-style-type: none"> <li>■ He does not apply for it.</li> </ul>	<p style="text-align: center;">= NO CHANGE</p>	<ul style="list-style-type: none"> <li>■ Inquiries made by a company to decide if they will send you prescreened offers of credit do not affect your credit scores.</li> <li>■ His credit score would be affected only if Alex had accepted the prescreened offer.</li> </ul>

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

Situation Alex Faced and What He Did	Likely Effect on Credit Scores	How it Relates to Composition of FICO® Scores
<p>13. Alex decided he can't wait any longer to get a new truck.</p> <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>	<p style="text-align: center;">=</p> <p style="text-align: center;">NO CHANGE</p>	<ul style="list-style-type: none"> <li>■ Shopping for an auto loan, mortgage, student loan, or other loan may cause multiple lenders to request your credit report, even though you are only looking for one loan.</li> <li>■ The FICO® credit score model ignores all of those inquiries made during the 30 days or 45 days before they calculate your credit score (depending on the FICO® score model).</li> <li>■ After that, multiple inquiries relating to these kinds of applications are treated as one inquiry.</li> <li>■ This means shopping around for the best deal on a loan over a three-week period does not hurt Alex's credit scores.</li> </ul>
<p>14. Alex just had a birthday. He hopes his credit scores will increase now that he's older.</p> <ul style="list-style-type: none"> <li>■ He's now 26 years old.</li> </ul>	<p style="text-align: center;">=</p> <p style="text-align: center;">NO CHANGE</p>	<ul style="list-style-type: none"> <li>■ Sorry, Alex. Age has no effect on credit scores.</li> <li>■ Alex's birthday did not change his credit score.</li> </ul>
<p>15. Alex cosigned for his best friend's loan.</p> <ul style="list-style-type: none"> <li>■ She is now 60 days late with her payment, and Alex doesn't have any money to make the payments for her.</li> </ul>	<p style="text-align: center;">↓</p> <p style="text-align: center;">Down</p>	<ul style="list-style-type: none"> <li>■ When you co-sign a loan, you are responsible for it.</li> <li>■ If the person you co-sign for does not make payments and you don't make them, your credit score drops.</li> <li>■ This affects his Payment History.</li> </ul>
<p>16. Alex decides to get new furniture.</p> <ul style="list-style-type: none"> <li>■ He uses his debit card to buy the furniture.</li> </ul>	<p style="text-align: center;">=</p> <p style="text-align: center;">NO CHANGE</p>	<ul style="list-style-type: none"> <li>■ Using a debit card for purchases, such as furniture, does not affect your credit score, either positively or negatively.</li> <li>■ Using a debit card in that manner does not involve credit.</li> </ul>

**ASK**

- **Overall, do you think Alex’s credit scores have likely increased or decreased over the past year? Why?**
  - Overall, they have likely decreased. The late payments and high credit utilization rate have greater effects on credit scores than the other factors.
- **Do you think Alex will get a good rate and terms for a loan for a new truck?**
  - No, not now. He needs to work on his credit if he wants to get a good rate and favorable terms.



PRESENT INFORMATION (2 MINUTES)

**What is a Good Credit Score?**

See page 17 in the Participant Guide.

**SHOW SLIDE 23****SAY**

- Different lenders, businesses, and service providers use different criteria for what they consider to be a “good” credit score.
- FICO® scores range from 300 to 850. FICO® offers this chart to help estimate what scores in particular ranges may mean:
  - Exceptional (800 – 850)
  - Very Good (740 – 799)
  - Good (670 – 739)
  - Fair (580 – 669)
  - Poor (300 – 579)
- 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.
  - “Good,” “very good,” or “exceptional” credit scores provide access to most products and services.
  - Someone with “Exceptional” scores would likely be offered lower interest rates and better loan terms than someone with “Good” scores.

What is a Good Credit Score?

Exceptional	800 – 850
Very Good	740 – 799
Good	670 – 739
Fair	580 – 669
Poor	300 – 579

Note: this is an example, based on FICO®

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- Individuals with “Fair” or “Poor” scores may not qualify for some products and services or would be required to pay more money.
- It’s important to note that your credit scores are not a reflection of who you are. Rather, they reflect how you have handled your financial obligations in the past.
- Having high credit scores also does not mean you are financially stable or that you are “successful.” High credit scores simply mean that you present a low risk to lenders and others who use credit scores to make decisions about you.



PRESENT INFORMATION (1 MINUTE)

## Section Closing

See page 17 in the Participant Guide.

### SHOW SLIDE 24



#### SAY

- Remember the key takeaway from this section: **You can take steps to improve and manage your credit scores. This includes paying your bills on time and as agreed.**

**Section 2: 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.*



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

Training Time Estimate for This Section: 45 minutes

### Objectives

Participants will be able to:

- Access and understand their credit reports
- Access and understand their credit scores



PRESENT INFORMATION (1 MINUTE)

## Introduction to Section and Key Takeaway

See page 18 in the Participant Guide.

### SHOW SLIDE 25



SAY

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

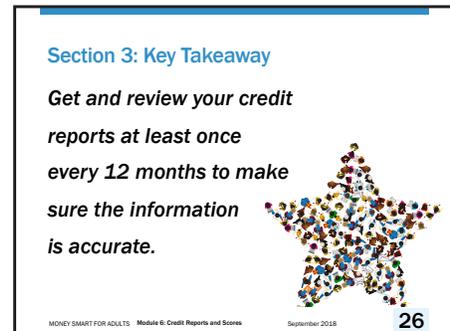


### SHOW SLIDE 26



SAY

- The key takeaway from this section is: **Get and review your credit reports at least once every 12 months to make sure the information is accurate.**



PRESENT INFORMATION (5 MINUTES)

## Getting Your Credit Reports

See page 18 in the Participant Guide.

### SHOW SLIDE 27



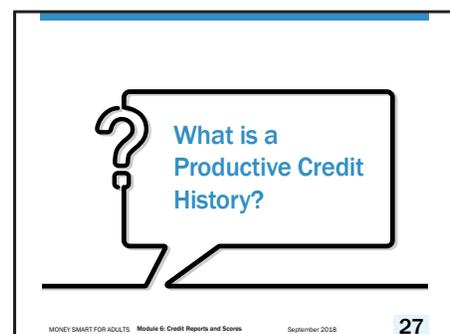
ASK

- What is a productive credit history?



DO

- Write participant responses on a flip chart or whiteboard.
- Expand on the responses using the information below.
- Let participants know they can take notes on page 18 in their Participant Guide.



SAY

- A productive credit history can make your financial life easier.

- Money Smart for Adults uses the term “productive,” instead of “good” or “positive.”
  - Productive in this context means it can help you do the things you want to do. This could include getting a loan, renting an apartment, not having to pay a large deposit to turn on utilities, and possibly qualifying for certain jobs.
  - “Good” or “positive” are relative terms, and their opposites are “bad” or “negative.” That can be a discouraging way to think about credit reports and scores.
- A productive credit history starts with getting and reviewing your credit reports.

### SHOW SLIDE 28



#### SAY

- 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.
- There are also “specialty” consumer reporting companies.

**Right to Free Credit Reports**

- One free credit report every 12 months from each nationwide credit reporting agency
  - Equifax, Experian, and TransUnion
- Go to [Annualcreditreport.com](http://Annualcreditreport.com)
  - Official website to fill orders for these free credit reports

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**Note to Instructor:** See page 17 in Section 1 of this Instructor Guide for more information on specialty consumer reporting companies.

- You can get your credit reports from the three nationwide credit reporting agencies a few different ways:
  - **Annualcreditreport.com** is the only place where you can get the free credit reports from the three nationwide credit reporting agencies that you are entitled to under the law every 12 months.

- » You can order them from **annualcreditreport.com** online, by calling 1-877-322-8228, or through the mail.
- » Some people order their three credit reports all at once. Others choose to order one of their credit reports every four months or so.
- » By ordering them throughout the year, you can catch errors or spot evidence of identity theft more quickly.
- » An easy way to remember to order your credit reports is to order one on New Year’s Day, another on Memorial Day, and another on Labor Day – January, May and September.
- You can also get them directly from Equifax, Experian, and TransUnion
  - » However, if you order from their websites, you may be charged a fee.
  - » Remember, **annualcreditreport.com** is the official website to fill orders for the free annual credit reports you are entitled to under the law.
- And, you can get them from a third party website
  - » These websites often advertise free credit reports and/or scores.
  - » These sites are not required by federal law to provide free credit reports.
- There are no “joint” credit reports or scores. If you make a joint application with someone else, credit reports from both of you will be reviewed.
- When in doubt, use **annualcreditreport.com** to order your credit reports.

**SHOW SLIDE 29****SAY**

- Watch out for imposters.
- The other websites that advertise free credit reports, free credit scores, or free credit monitoring are not part of the legally mandated free annual credit report program. In some cases, the “free” product from other websites comes with strings attached.
- For example, some sites sign you up for a “free” service that automatically converts to one you have to pay for after a trial period.
- If you are offered credit monitoring services or other credit related products, make sure you understand how these products work and how much they cost so you can determine whether the cost justifies the value you will get from the product.

**Watch Out for Imposters**

- Others that advertise free credit reports, credit scores, or credit monitoring are not part of the legally mandated free annual credit report program
- Often, “free” services convert to ones you have to pay for after the trial period
- Go directly to **Annualcreditreport.com**

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- Some sites that are not **annualcreditreport.com** use terms like “free credit report” in their names; others have website addresses that purposely misspell **annualcreditreport.com** in the hope that you will mistype the name of the official site and get to theirs. Some of these sites direct you to other sites that try to sell you something or collect your personal information.
- Remember, go to **annualcreditreport.com**.



PRESENT INFORMATION (5 MINUTES)

## *Apply It: Getting My Credit Reports*

See page 19 in the Participant Guide.

### SHOW SLIDE 30



SAY

- Turn to *Apply It: Getting My Credit Reports* on page 19 in your Participant Guide.
- You can use it after today’s training to order your credit reports.

**Apply It: Getting My Credit Reports**  
See page 19 in your Participant Guide

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SECTION 3: Getting and Understanding Your Credit Reports and Scores      INSTRUCTOR GUIDE

**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](http://consumerfinance.gov) and search for “list of consumer reporting companies.”

**Online**

1. Go to [annualcreditreport.com](http://annualcreditreport.com). This is the only place authorized to fill orders for the free credit reports you are entitled to every 12 months under the law.
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.
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.

• If you are unable to answer the questions, you will need to use

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### SHOW SLIDE 31



SAY

- The *Apply It* has some other information in it as well, which we’ll go over now.
- In addition to the free credit reports you are entitled to every 12 months, you can get another free credit report directly from each nationwide credit reporting agency 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
    - » Some state laws entitle residents to an additional free credit report from each of the three nationwide credit reporting agencies every 12 months.

**Right to Additional Free Credit Reports**

- Receive public assistance
- Unemployed and looking for a job
- Victim of identity theft or financial fraud
- State law provides for a free credit report
- Denied credit, service, an apartment, or employment



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

» In this case, 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.

- There are also procedures for getting your free annual credit reports if you are deaf or hard of hearing, blind, are a minor, and if you are requesting a credit report for someone who is deceased. See the information in the *Apply It* in your Participant Guide and at **annualcreditreport.com** for more information.



### ASK

- Have any of you looked at your credit reports already, before today?
- Did you use **annualcreditreport.com**?
- What was the experience like—easy? hard?
- What other experiences do you have with credit reports?



### SAY

- Getting your credit reports at least every 12 months is important for your financial health.
- But getting them isn’t enough. You have to review them and then take action to dispute anything that is incorrect and follow through to make sure the corrections are made. We will talk about that in the next section.



PRESENT INFORMATION (4 MINUTES)

## What Sections are in Credit Reports?

See page 24 in the Participant Guide.

### SHOW SLIDE 32



### SAY

- Credit reports have different formats. Equifax has its own format, Experian has its own format, and TransUnion has its own format.
- Regardless of format, credit reports have five sections in common, though these sections may be presented in a different order than listed here and may have different titles.

**What Sections are in Credit Reports?**

- Personal or identifying information
- Public records
- Accounts assigned or sold
- Credit accounts
- Inquiries

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- Personal or identifying information, sometimes called consumer information
  - Public records
  - Accounts that have been assigned or sold, sometimes called collections
  - Credit accounts, sometimes called accounts, trades, or trade line
  - Inquiries
- The section for **personal or identifying information** establishes your identity as separate from everyone else. It includes:
- Your name and any name you may have used in the past in connection with a credit account, including nicknames
  - Current and former addresses
  - Birth date
  - Social Security number
  - Phone numbers
  - Employment information in some cases
- The **public records section** includes court-related financial information, such as bankruptcies and foreclosures
- **Accounts that have been assigned or sold** to collection agencies make up their own section.
- When the original creditor decides it's no longer worthwhile trying to collect payment from you, then it, or the company it transfers the debt to, may have a collection agency try to collect the debt.
- The **credit accounts section** has the most information. It includes information about:
- Current and closed accounts
  - The types of accounts you have, including installment accounts, such as auto loans and mortgages, and revolving accounts like credit cards
  - The credit limit on the accounts or the amount of the loan
  - Terms of the arrangement and the payment amount due
  - Account balances
  - Account payment history, often called the payment pattern
  - The date the account was opened and, if applicable, the date it was closed
  - The name of the creditor
- The **inquiries section** includes requests to review your credit. An inquiry is created when a creditor reviews your file. The inquiry section will generally list the name of the company that requested your credit report and the date the request was made.

- This section may list when your credit report was viewed in response to your application for a credit card or loan, or when you offered to cosign a loan.
  - » This is called a **hard inquiry** because it may have an effect on your credit scores.
- Sometimes your information is supplied by the credit reporting agencies to businesses so they can offer you credit, insurance, or a job.
  - » This is called a **soft inquiry** because it has no effect on your credit scores.



LEAD ACTIVITY (20 MINUTES) – SCAVENGER HUNT

## *Try It: Reading a Credit Report*

See page 25 in the Participant Guide.

### SHOW SLIDE 33



#### DO

- Ask participants to turn to *Try It: Reading a Credit Report* on page 25 in their Participant Guide.
- Read the scenario to participants or ask for a volunteer to do so.

**Try It: Reading a Credit Report**  
See page 25 in your Participant Guide

**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?

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## **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.



**SAY**

- We are going to learn more about credit reports by reading a credit report.
- In small groups, take ten minutes to answer the questions below the scenario by going on a scavenger hunt in the example credit report.

**Note to Instructor:** The example credit report starts on page 50 in this Instructor Guide. The Participant Guide includes the questions listed in the Answer Key below, followed by the example credit report.

**DO**

- Give groups ten minutes to complete the exercise.
- After ten minutes, use the Answer Key to share answers with participants.
- Time permitting, involve participants by asking them what they came up with and why before sharing the correct answers.

## ***Try It: Reading a Credit Report – Answer Key***

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

**Answer:** Ray E. Davis, also known as R.E. Davis

**2. Where does he live?**

**Answer:** 123 24<sup>th</sup> Street NW, Mytown, NE 12345

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

**Answer:** Yes/No. Loan that originated with 123 Bank was referred or sold to Mytown Collections, but Ray has paid it off.

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

**Answer:** Currently yes. The credit report also shows he has some late payments in the past.

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

**Answer:** Two credit cards, one mortgage, and one automobile loan.

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

**Answer:** Yes, a Chapter 7 bankruptcy in October of 2012 (10/12).

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

**Answer:** He shopped around for a mortgage.

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

**Answer:**

- Keep paying his bills on time
- Review his credit reports regularly so he can make sure old information drops off when it should and that the current information is accurate
- Pay down his ZXY Bank credit card because his credit utilization rate is high:  
 $2580/4000 = 65\%$

**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> 9/20/18	<b>Time:</b> 12:15 p.m.	
-------------------------	----------------------------	--

**1. CONSUMER INFORMATION**

<b>Name:</b>	Davis, Ray E.	<b>Social Security Number:</b>	XXX-XX-1234
<b>Also Known As:</b>	Davis, R.E.	<b>Birthdate:</b>	7/27/72
<b>Current Address:</b>	123 24th Street Mytown, NE 12345	<b>Telephone:</b>	(555) 111 -1111
<b>Former Address:</b>	1234 Maple Street Mytown, NE 12345		
<b>Current Employer and Address:</b>		Anytown Supplies, LLC 47 First Street, Mytown, NE 12345	
*****			
<b>SPECIAL MESSAGES</b>			
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 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				

\*\*\*\*\*

### 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 Late	30 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 \$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 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 Automobile			<b>Status:</b>	Open			<b>Term:</b>	60 Months \$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>	Name:
12/16	123 Mortgage Co.
12/16	ZXY Bank Mortgage
12/16	456 Bank MTG

\*\*\*\*\*



PRESENT INFORMATION (1 MINUTE)

## Apply It: Reviewing My Credit Reports

See page 29 in the Participant Guide.

### SHOW SLIDE 34



SAY

- Turn to *Apply It: Reviewing My Credit Reports* on page 29 in your Participant Guide.
- When you order your credit reports, you can use this checklist to review them. This can help you identify inaccurate or outdated information.

Apply It: Reviewing My Credit Reports  
See page 29 in your Participant Guide

SECTION 3: Getting and Understanding Your Credit Reports and Scores PARTICIPANT GUIDE

**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
	Personal Information
	Is the following information completely correct?
<input type="checkbox"/>	• Name(s)
<input type="checkbox"/>	• Address(es)
<input type="checkbox"/>	• Social Security number
<input type="checkbox"/>	• Date of birth
<input type="checkbox"/>	• Phone number(s)
<input type="checkbox"/>	• Employment
	Public records
<input type="checkbox"/>	• Public records

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PRESENT INFORMATION (8 MINUTES)

## Getting Your Credit Scores

See page 31 in the Participant Guide.

### SHOW SLIDE 35



SAY

- Credit scores are numbers that give a snapshot of your credit history at a point in time.
- If you have a credit history, you have more than one credit score.
- All of the information used to generate these credit scores comes from your credit reports.
- If you do not have credit reports, you will not have credit scores.
- You may know one or more of your credit scores today, but they could change next week or even tomorrow.
- You are not guaranteed free credit scores like you are free credit reports, but you can still get them. You may be able to get them for free or may have to pay a fee.
- You may be able to access your FICO® or VantageScore® general credit scores for free.

Getting Your Credit Scores

- Some nonprofit organizations
- Credit card statements or websites
- When you have a right to a score
- FICO® at [www.myfico.com](http://www.myfico.com)
- VantageScore® at [www.vantagescore.com](http://www.vantagescore.com)
- Three nationwide credit reporting agencies

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- 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 scores.
    - » For example, if a lender used your credit scores to make an adverse lending decision, you have the right to see the specific credit score or scores they used.
  - Be aware that companies may advertise subscription plans when you obtain your score. Carefully consider how much these services will cost you before signing up for one, even if they offer a period of time as a free trial.
- There are several companies that make and sell credit scores. A frequently used score is from FICO®—Fair Isaac Corporation. VantageScore® is another company that makes and sells credit scores.
  - You can access general credit scores from FICO® and VantageScore® from their websites, but you may have to pay for them.
  - The three nationwide credit reporting agencies sell credit scores on their websites.
  - You may see advertisements for free credit scores, along with credit monitoring or other credit related products. It helps to understand what would be provided, how it would work, and how much it would cost. Then you can decide if the cost justifies the value.



PRESENT INFORMATION (1 MINUTE)

## Section Closing

See page 31 in the Participant Guide.

### SHOW SLIDE 36



#### SAY

- Remember the key takeaway from this section: **Get and review your credit reports at least once every 12 months to make sure the information is accurate.**

Section 3: Remember the Key Takeaway

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



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## Section 4: Disputing Errors on Your Credit Reports

Training Time Estimate for This Section: 25 minutes

### Objectives

Participants will be able to:

- Address inaccurate information on credit reports by filing disputes.



PRESENT INFORMATION (1 MINUTE)

## Introduction to Section and Key Takeaway

See page 32 in the Participant Guide.

### SHOW SLIDE 37



SAY

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

Section 4  
**Disputing Errors in Your Credit Reports**

See page 32 in your Participant Guide

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### SHOW SLIDE 38



SAY

- The Key Takeaway from this section is: **If you find errors on your credit reports, file a dispute right away. Be sure to keep records and follow up.**

Section 4: Key Takeaway

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

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PRESENT INFORMATION (12 MINUTES)

## Errors on Your Credit Reports

See page 32 in the Participant Guide.

### SHOW SLIDE 39



SAY

- Credit reporting agencies can make mistakes. There can be errors on your credit reports.
- You are the best person to identify errors on your credit reports.

Errors on Your Credit Reports

- Identity errors
- Incorrect reporting of account status
- Data management errors
- Balance errors
- Outdated information

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- There are specific types of mistakes or common errors to look for when reviewing your credit reports.
  - **Identity errors:**
    - » Check the Credit Accounts / Trade Line or Collections sections of your credit reports for these errors, such as:
      - Errors in your identifying information (wrong name, phone number, address, or Social Security number)
      - Accounts belonging to another person with the same or a similar name to yours
      - Mixing information from two consumers in a single file is called a **mixed file**
      - Incorrect accounts resulting from identity theft, which could be anywhere in your credit reports
  - Errors related to the **incorrect reporting of account status.**
    - » Check the Credit Accounts / Trade Line or Collections sections of your credit reports for these errors, such as:
      - Closed accounts reported as open
      - Open accounts reported as closed
      - Accounts reported with you as the owner when you are actually just an authorized user
      - Accounts incorrectly reported as late or delinquent
      - Incorrect date of last payment, date opened, or date of first delinquency
      - Same debt listed more than once, possibly with different names
  - Errors resulting from **data management.** These can include:
    - » Incorrect information that appears again after it had been corrected
    - » Accounts that appear multiple times with different creditors listed. This is a common error for accounts in collections
    - » Make sure the balance is listed as zero with the original creditor if there is a balance listed in the collections section for the same account
  - **Balance errors.** These can include:
    - » Accounts with an incorrect current balance, which is the amount you currently owe
      - When payments are reflected in the balances depends on when you make the payment, when the payment is posted by the creditor, and when the information is transmitted to the credit reporting agency

- » Accounts with an incorrect credit limit
- Errors related to the **reporting of outdated information**
  - » For most accounts, negative information can only be reported for seven years
  - » Some bankruptcies can be reported for up to ten years
- Federal law governs how long something can be reported on a credit report.
- State law governs how long a debt collector has to sue someone about an unpaid debt. This is referred to as the **statute of limitations**.
- The laws in most states permit debt collectors to try to collect unpaid debts even after the statute of limitations has ended.
- So, this means that depending on your state's laws, it is possible that an unpaid debt may no longer be on your credit report, but a creditor may still be able to try to collect it from you, legally.
  - The reverse can also be true: an unpaid debt may be on your credit report, but a debt collector may not be permitted to legally sue you to collect it.

**SHOW SLIDE 40****SAY**

- Some challenges you may have had with your credit will not always count against you.
- By law, negative information can only be reported on credit reports for seven years, although there are some exceptions.
  - The law does not set time limits on reporting positive information.
- Bankruptcies are reported for ten years although credit reporting agencies generally report Chapter 13 bankruptcies for only seven years.
- Tax liens and civil judgments can be reported for seven years or longer. However, these types of public records must meet specific criteria in order to appear on your credit report.

**Time Limits on Negative Information**

- Generally can only be reported on credit reports for seven years
- Some bankruptcies are an exception



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**SHOW SLIDE 41****SAY**

- There are no time limits for reporting negative credit record information 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

**No Time Limits**

No time limits for negative information when someone applies for:

- A job with 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



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**SHOW SLIDE 42****SAY**

- It can be confusing to figure out when the seven-year period starts and ends since a debt can be sold and resold.
- It generally starts 180 days or about six months after you stopped paying on that debt.

**The Seven-Year Reporting Period**

- Can be confusing
- Generally starts 180 days after you stopped paying on the debt

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**SHOW SLIDE 43****SAY**

- Here's an example:
  - Let's assume that in August of 2018 an account is 30 days late. It doesn't matter which day in August – only months are counted, not days.
  - In November of that same year, the account is 120 days late and the creditor closes the account.
  - Let's look at how long this can be reported in a credit report.
    - » The delinquency started in August, so that means July is the month before the account became delinquent.
    - » Count six months after July 2018 (August, September, October, November, December, January).
    - » That gives us January 2019.
    - » Add seven years to January 2019, which gives us January 2026.
    - » This debt can be reported on a credit report until January 2026.

**Seven-Year Reporting Example**

<ul style="list-style-type: none"> <li>■ August 2018: 30 days late</li> <li>■ November 2018: 120 days late and creditor closes account</li> </ul>	<ul style="list-style-type: none"> <li>■ Delinquency started in August</li> <li>■ July 2018 is the month before that</li> </ul>
---	---

- July 2018 + 180 days = January 2019
- January 2019 + 7 years = January 2026
- January 2026: account no longer reported

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**43**

**SHOW SLIDE 44**

- Timing for when medical debt can be reported has recently changed.
- The nationwide credit reporting agencies will generally not report medical debt on your credit report until the debt has been unpaid for at least 180 days (about six months).
  - That gives you some time to resolve billing disputes directly with your medical provider.
  - You can also use this time to make payments or payment arrangements before the medical debts and collections can damage your credit reports and scores.
- Just as with other bills, carefully review medical bills to ensure the services you are charged for match what you received.
  - Medical bills can be confusing. Get help from your medical provider or medical insurance provider to understand information and bills you receive from them.

**Medical Debt and Credit Reports**

- Medical debt generally not on credit reports until unpaid for at least 180 days
- Provides time to:
  - Resolve billing disputes
  - Make payments
  - Make payment arrangements

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**Note to Instructor:** If participants want to learn more about medical debts, consider including *Section 6 (Managing Medical Debt)* from *Module 8: Managing Debt* in your training.



PRESENT INFORMATION (10 MINUTES)

## How to Dispute Errors on Your Credit Reports

See page 33 in the Participant Guide.

**SHOW SLIDE 45**

**SAY**

- 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.**
    - » Go to the website of the credit reporting agency that had incorrect or outdated information on your report.

**How to Dispute Errors on Your Credit Reports**

- **Option 1:** Online
- **Option 2:** By mail





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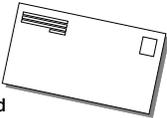
- » If the same incorrect information is on more than one of your reports, you should dispute it on each agency's website.
- **Option 2: Send a letter to the credit reporting agency that is reporting the incorrect information via certified mail, return receipt requested.**
  - » If the same incorrect information is on more than one of your credit reports, you should send a separate letter to each agency.
- Many financial counselors will recommend the second option—sending a letter certified mail, return receipt requested. Make sure to keep a copy. This ensures you have a paper trail detailing when the credit reporting agency received your dispute.
- Why is this important? Credit reporting agencies must investigate your dispute within 30 days from receipt of your dispute unless they consider the dispute frivolous.
- They may consider a dispute to be frivolous if:
  - You don't provide enough information or evidence to investigate it.
  - You dispute everything in your credit file. This is called a blanket dispute and is a common tactic used by for-profit credit repair businesses.
  - You ask for investigation of the same item again and again, but you do not provide additional information.
- If your dispute is considered frivolous, the credit reporting agency will tell you in writing.
- While the credit reporting agencies must also send information about your dispute to the company that provided the disputed information, you can do this, too.
- You can file a dispute with the company that is reporting the inaccurate information at the same time you file a dispute with the credit reporting agencies. You may be able to do this online or by sending a letter.

**SHOW SLIDE 46****SAY**

- The letter you send should include:
  - Your complete name and address.
  - A clear description of each item you are disputing and the reason for each dispute.
  - A request that the information be corrected or removed.

**What to Include in Dispute Letters**

- Your complete name and address
- Clear description of each item you are disputing and reason for each dispute
- A request for correction or removal



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**SHOW SLIDE 47****SAY**

- You should also include copies—not originals—of documents that support your dispute like receipts, credit card or account statements showing payment, an image of a check from your financial institution, or a screenshot of a transaction completed through online banking or automatic bill payment.

**Also Include Supporting Information**

- Send copies – not originals
- Receipts
- Credit card or account statement
- Image of a check
- Screenshot of online transaction or automatic bill payment

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**SHOW SLIDE 48****SAY**

- After you file a dispute:
  - The credit reporting agency must send you a letter when their investigation is complete. The letter will describe the results of their investigation and will include a copy of your corrected credit report if they agreed with your dispute.
  - Once an item is changed or deleted, it is not supposed to be put back in your file unless the information furnisher can verify the information is correct.
  - You can request that the credit reporting agency send notice of the correction to any individual or business that received your report in the past six months for any reason, or anyone who received your report for employment purposes in the past two years.
- Knowing how to recognize and dispute errors on your credit reports empowers you to make sure the information on your credit reports is complete and accurate. And because credit scores are based on information in your credit reports, this also helps ensure that your credit scores are accurate.
- Remember, the dispute process takes time. **Keep records, follow up, and don't give up.**

**After You File a Dispute**

- Credit reporting agency will send you a letter
- Incorrect information cannot be put back
  - Check to make sure
- You can request notices of corrections to be sent to individuals or businesses that received your report

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PRESENT INFORMATION (1 MINUTE)

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

See page 34 in the Participant Guide.

### SHOW SLIDE 49



SAY

- Turn to *Apply It: Disputing Errors on My Credit Reports* on page 34 in your Participant Guide.
- If you ordered one or more of your credit reports and notice any errors, you can use this checklist to help prepare to dispute the errors.
  - Section 3 in this module contains helpful information about how to order your credit reports.

**Apply It: Disputing Errors on My Credit Reports**  
See page 34 in your Participant Guide

**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> Highlight or circle any incorrect or outdated information.</p> <p>Gather evidence, including online records.</p>	

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**Note to Instructor:** Time permitting, consider reviewing this *Apply It* with participants during training, using a copy from a Participant Guide.



PRESENT INFORMATION (1 MINUTE)

## Section Closing

See page 37 in the Participant Guide.

### SHOW SLIDE 50



SAY

- Remember the Key Takeaway from this section: **If you find errors on your credit reports, file a dispute right away. Be sure to keep records and follow up.**

**Section 4: 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.*



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

Training Time Estimate: 45 minutes

### Objectives

Participants will be able to:

- Explore strategies to build, repair, and maintain their credit history
- Explore how to protect their credit history



PRESENT INFORMATION (3 MINUTES)

## Introduction to Section and Key Takeaway

See page 38 in the Participant Guide.

### SHOW SLIDE 51



SAY

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



### SHOW SLIDE 52



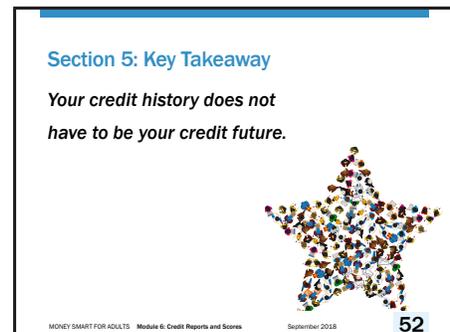
SAY

- The Key Takeaway from this section is: **Your credit history does not have to be your credit future.**



ASK

- What do you think this key takeaway means?



DO

- Write participant responses on a flip chart or whiteboard.
- Add the following if not contributed:
  - It means that, even if you have struggled with paying bills or managing debt in the past, you can use specific strategies to improve your credit moving forward.
  - It will take time and dedication, but you can do it.
- This section is designed to help you understand the strategies you can use to change your credit future.



PRESENT INFORMATION (2 MINUTES)

## A Productive Credit History

See page 38 in the Participant Guide.



SAY

- A productive credit history means having a credit history that helps you do the things you want to do. For example, you may want to:
  - Get a car loan
  - Buy a house
  - Qualify for an apartment
  - Get a job
- Depending on your current situation, creating a productive credit history may mean taking steps to:
  - Build your credit
  - Build an alternative credit history
  - Repair or improve your credit
  - Maintain your credit



LEAD ACTIVITY (23 MINUTES) – SCENARIOS

## Try It: Developing a Productive Credit History

See page 39 in the Participant Guide.

### SHOW SLIDE 53



DO

- Ask participants to turn to *Try It: Developing a Productive Credit History* on page 39 in your Participant Guide.
- Have participants form small groups and assign each group one of the three scenarios. Try to have the same number of small groups working on each scenario.
- The three scenarios are:
  - **Scenario 1: Selena Needs a Security Clearance**
  - **Scenario 2: Max Wants an Apartment**
  - **Scenario 3: Vonnie Needs a Car Loan**

**Try It: Developing a Productive Credit History**  
See page 39 in your Participant Guide

**Try It: Developing a Productive Credit History**  
Read the scenarios 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 the other credit card accounts. Plus, she has used nearly all of her credit limits 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)

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**SAY**

- There are three scenarios, although only the first one is shown on the slide. Have someone in the group read the scenario assigned to your group out loud to the rest of the group. Then discuss the first question under your scenario with your group.
- You need to decide what the person should focus on first:
  - Build credit
  - Build an alternative credit history
  - Repair and improve credit
  - Maintain credit
- To better understand what is involved in doing each of those four things, you can look at the **Apply Its** on those topics in your Participant Guide.
  - *Apply It: Building My Credit*
  - *Apply It: Creating My Alternative Credit History*
  - *Apply It: Repairing and Improving My Credit*
  - *Apply It: Maintaining My Productive Credit History*
- After your group has made its choice for the first question, answer the second question, which reads: **Review the *Apply It* that relates to the topic you chose. Which two strategies are most relevant to this Scenario?**
- You have 10 minutes to complete this part of the activity.

**Note to Instructor:** There is no need to read the scenarios to participants at this time. They are provided here for your reference during the discussion. The four *Apply Its* used in this activity are not included in this Instructor Guide.

**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.



 DO

- After 10 minutes, invite a few participants who worked on *Scenario 1* to share what they chose for the first question. Ask them to briefly explain why.
  - **Answer:** Selena should focus first on **repairing and improving her credit**. Negative information from her credit reports may affect her ability to get a security clearance.

## SHOW SLIDE 54



## SAY

- This slide lists strategies from *Apply It: Repairing and Improving My Credit* in your Participant Guide. It's for reference during our discussion.

 DO

- Invite a few participants who worked on *Scenario 1* to share the two strategies from the *Apply It* they believe are the most relevant to the scenario.
- Write participant responses on a flip chart or whiteboard.
- Add the following if not contributed:
  - **Get and review your credit reports**
    - » Selena should order copies of her credit reports from **annualcreditreport.com**. She should make sure the collection account information is accurate and the balances are not also being reported as outstanding with the original creditors.
  - **Pay all of your bills on time and as agreed**
    - » Selena should pay her bills in full and on time.
    - » Selena also has two accounts that are in collections. She may want to get some legal guidance, depending on the age of the accounts. Paying them off will likely not affect her credit scores, but may improve how her credit reports look.
  - **Use as little of your credit limit as possible**
    - » Selena should try to reduce the balance on her credit cards. 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%. This is your credit utilization rate

**Repair and Improve Credit**

- Get and review your credit reports
- Dispute and correct any errors
- Pay all of your bills on time and as agreed
- Use as little of your credit limit as possible
- Use a credit building strategy
- Keep old accounts open if you can
- Apply for credit only if you need it
- Negotiate different terms
- Ask for a "good will" deletion

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- **Keep old accounts open if you can**

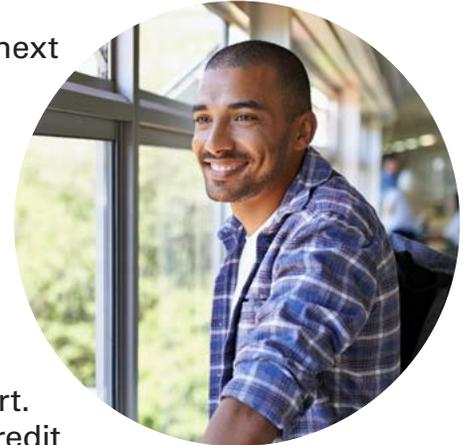
- » Although we can't tell how long Selena has had all of his credit cards, we know she has at least four active cards. Once she pays off the balances on those cards, she may not want to close the accounts. Older accounts create a longer credit history.



## 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.



### ✓ DO

- Invite a few participants who worked on *Scenario 2* to share what they chose for the first question. Ask them to briefly explain why.
  - **Answer:** Max should focus most on **creating an alternative credit history**. He may not have credit reports because he has not used credit before.
  - Note that some participants may select "building his credit." This is a good medium-term strategy, and Max may want to do this. But, because Max wants to get an apartment in two months, he does not have time to build a credit history for the purposes of getting an apartment.

### SHOW SLIDE 55



### SAY

- This slide lists examples of the types of payments that can be used to build an alternative credit history, as shown in *Apply It: Creating My Alternative Credit History* on page 46 in your Participant Guide. It's for reference during our discussion.

**Build Alternative Credit History**

Document other payments you regularly make, such as:

▪ Rent	▪ Television service bill
▪ Childcare	▪ Internet service bill
▪ Cell phone bill	▪ Insurance payments
▪ Electric bill	▪ Loan from friend or family member
▪ Gas bill	▪ Savings
▪ Water, sewage, and garbage bills	

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**DO**

- Invite a few participants who worked on *Scenario 2* to share the two strategies from the *Apply It* they believe are the most relevant to the scenario.
- Write participant responses on a flip chart or whiteboard.
- Add the following if not contributed:
  - Max could use these payments to build his alternative credit history:
    - » His part of the rent paid to his friend who is named on the lease
    - » Cell phone bill
    - » Internet service bill
    - » Repayment of loans from friends or family members
    - » Payment of child support
- Add that when Max goes apartment hunting, he will need to find a landlord who is willing to consider an alternative credit history. Many landlords will only consider credit reports or credit scores.

**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.

**DO**

- Invite a few participants who worked on *Scenario 3* to share what they chose for the first question. Ask them to briefly explain why.
  - **Answer:** Vonnie should focus first on **building her credit**. She has never borrowed money before. Lenders will want to review her credit history when they consider whether to offer her a car loan. She may need to wait to buy the car until she's had time to build her credit.

**SHOW SLIDE 56****SAY**

- This slide lists strategies from *Apply It: Building My Credit* on page 42 in your Participant Guide. It's for reference during our discussion.

**DO**

- Invite a few participants who worked on *Scenario 3* to share the two strategies from the *Apply It* they believe are the most relevant to the scenario.
- Write participant responses on a flip chart or whiteboard.
- Add the following if not contributed:
  - **Get a secured credit card**
    - » Vonnie should make sure she pays the credit card bill on time and in full. The lender has to receive payment by the due date. And, she should only use a small portion of the credit limit at any time during a billing cycle.
  - **Get a credit-building loan**
    - » These are installment loans usually for \$1,000 or less. It's important that Vonnie makes all payments on time and as agreed. Credit-building loans are a great way to build your credit, but they can also harm your credit if you don't make the payments on time.
  - **Apply for a credit card at a store or gas station**
    - » These credit cards typically have a lower credit limit and a higher annual percentage rate (APR) than other types of credit cards. It may be easier for Vonnie to be approved for one of these cards than other types of credit cards.
    - » Again, as with the other strategies, Vonnie needs to pay the credit card bill on time and as agreed. She should only use a small portion of the credit limit at any time during a billing cycle.
  - **Make a large down payment on a purchase and negotiate a loan for the balance**
    - » If Vonnie can afford to make a large down payment on a car, she wouldn't need to borrow as much money.

**Build Credit**

- Get a secured credit card
- Get a credit-building loan
- Become an authorized user on an account
- Get a cosigner
- Apply for a credit card at a store or gas station
- Make a large down payment and negotiate a loan for the balance

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PRESENT INFORMATION (1 MINUTE)

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

See page 42 in the Participant Guide.

### SHOW SLIDE 57



SAY

- Turn to *Apply It: Building My Credit* on page 42 in your Participant Guide.
  - Some of you already used this tool in the previous activity, but others of you did not.
- You can use this checklist after today's training if you do not have a credit history and would like to explore options for building one.

**Apply It: Building My Credit**  
See page 42 in your Participant Guide

SECTION 5: Build, Repair, and Maintain a Productive Credit History PARTICIPANT GUIDE

**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>

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PRESENT INFORMATION (1 MINUTE)

## ***Apply It: Creating My Alternative Credit History***

See page 46 in the Participant Guide.

### SHOW SLIDE 58



SAY

- Turn to *Apply It: Creating My Alternative Credit History* on page 46 in your Participant Guide.
  - Depending on which scenario you worked on in the previous activity, you may already be familiar with this tool.
- You can use this worksheet after today's training to create your own alternative credit history.
- Many businesses and service providers will not accept an alternative credit history, but some might. Check with businesses and service providers to see if they will accept this instead of or in addition to a credit report.

**Apply It: Creating My Alternative Credit History**  
See page 46 in your Participant Guide

Use this worksheet to build an alternative credit history.

Payment or Item	Payment/report frequency? For how long? (What documents can I provide?)
Rent	
Childcare / Eldercare payments	
Spouse / Child Support payments	
Cell phone bill	
Electric bill	
Gas bill	
Water, sewage, and garbage bills	

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PRESENT INFORMATION (1 MINUTE)

## ***Apply It: Repairing and Improving My Credit***

See page 47 in the Participant Guide.

### SHOW SLIDE 59



SAY

- Turn to *Apply It: Repairing and Improving My Credit* on page 47 in your Participant Guide.
  - This resource is also familiar to some of you, but perhaps not to others.
- You can use this checklist after today's training to work on repairing your credit if your credit reports and scores are not as strong as you want them to be.

**Apply It: Repairing and Improving My Credit**  
See page 47 in your Participant Guide

SECTION 5: Build, Repair, and Maintain a Productive Credit History PARTICIPANT GUIDE

**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

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PRESENT INFORMATION (6 MINUTES)

## ***Apply It: Maintaining My Productive Credit History***

See page 48 in the Participant Guide.

### SHOW SLIDE 60



SAY

- Turn to *Apply It: Maintaining My Productive Credit History* on page 48 in your Participant Guide.
- Once you have a productive credit history, it becomes important to maintain it.

**Apply It: Maintaining My Productive Credit History**  
See page 48 in your Participant Guide

SECTION 5: Build, Repair, and Maintain a Productive Credit History PARTICIPANT GUIDE

**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.

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### SHOW SLIDE 61

SAY

- This *Apply It* offers practical steps you can take to maintain your productive credit history. Many of the strategies for maintaining productive credit are the same as those for repairing and improving credit. Let's review this *Apply It* together.

**Maintain Credit**

- Pay your bills on time and as agreed
- Continue to pay down your debt balances
- Keep the proportion of the credit you use low compared with credit limits
- Don't apply for too much credit
- Avoid actions or inactions that may create new entries
- Pay your taxes and child support in full and on time
- Check your credit reports and regularly dispute errors
- Keep good financial records

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- **Continue to pay your bills on time and as agreed**
  - » Doing this will have the greatest impact on both your credit reports and credit scores. It is the most important strategy for maintaining a productive credit history.
- **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 shown 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 a lot of 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 trying to sue 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](http://annualcreditreport.com)**
- **Dispute errors on your credit reports**
  - » It's not enough to just order your credit reports. You need to review them for errors and then take action to dispute those errors.
- **Keep good financial records**
  - » Good recordkeeping will give you:
    - Proof if there are any errors on your credit reports
    - Information if your identity is stolen and you have to contact your creditors quickly
    - Peace of mind



PRESENT INFORMATION (5 MINUTES)

## ***Apply It: Getting Help with My Credit***

See page 49 in the Participant Guide.

### SHOW SLIDE 62



SAY

- Turn to *Apply It: Getting Help with My Credit* on page 49 in your Participant Guide.
- You can get help building, repairing, and improving your credit history.

**Apply It: Getting Help with My Credit**  
See page 49 in your Participant Guide

SECTION 5: Build, Repair, and Maintain a Productive Credit History PARTICIPANT GUIDE

**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
Financial Institution	Ask a customer service representative if someone can help you understand information in your credit reports.	
Nonprofit Consumer Credit Counseling	Get help from a nonprofit consumer credit counseling service. You can meet with a counselor over the phone.	

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### SHOW SLIDE 63



SAY

- You may be able to get help from:
  - A financial institution
  - A nonprofit consumer credit counseling service
  - A housing counseling agency approved by the Department of Housing and Urban Development (HUD)
  - A financial education, counseling, or coaching nonprofit organization
  - A Certified Financial Planner (CFP)
- You can use this resource after today's training to write down the contact information of the organizations in your community that may be able to provide help.

**Get Help**

- Financial institution
- Nonprofit consumer credit counseling service
- Housing Counseling Agency approved by Department of Housing and Urban Development (HUD)
- Financial education nonprofit organization
- Certified Financial Planners (CFPs)
- Other

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### SHOW SLIDE 64



SAY

- Understand what is provided by credit repair companies and debt consolidation businesses.
  - **Credit repair companies**
    - » For a fee, these companies promise to fix your credit. This often involves disputing some or many of the items in your credit reports. This is something you can do on your own for free.

**Credit Repair and Debt Consolidation**

- **Credit Repair Companies**
  - Promise to fix your credit for a fee
- **Debt Consolidation Businesses**
  - Offer different services
  - Often specialize in debt consolidation loans and debt settlement services

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- **Debt consolidation businesses**

- » These businesses offer different services, but often specialize in debt consolidation loans and debt settlement services.

- Research organizations you are not familiar with. You can ask for local references. You can also read about others' experience with the companies through online rating and review sites or through third parties that rate businesses and charities.

### SHOW SLIDE 65



#### SAY

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

- **Debt consolidation** involves taking out a new loan to pay off some or all of the debts you have.

- » You eliminate many payments with one usually higher payment. This may sound good, but you still have to pay off that new larger loan.
- » Often people find themselves in the same situation that led to the debt consolidation because they haven't addressed the underlying reasons why they could not pay all their debts.

- **Debt settlement** is working with your creditors to make an arrangement so you owe less money.

- » The arrangement involves the creditor taking a smaller payment than what is due and calling the debt "settled" or finished. Again, this may sound good.
- » But debt settlement can show up on your credit reports as a negative entry.
- » You may also owe income tax on the portion of the debt that was settled—not paid.

- Many of the businesses that offer these services charge a lot of money—money you could use to pay down your debts.

**Use Caution**

- **Debt consolidation**
  - Taking out new loan to pay off other debts
  - Does not address underlying causes of debt
- **Debt settlement**
  - Working with creditors to accept lower payment and settle debt
  - Might have to pay income tax on portion that was settled



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PRESENT INFORMATION (2 MINUTES)

## Credit Repair Scams

See page 51 in the Participant Guide.

### SHOW SLIDE 66



#### SAY

- Beware of credit repair companies that:
  - **Promise to erase your bad credit or remove other negative, but accurate, information from your credit report**
    - » No one can have accurate information removed.
  - **Promise fast and easy credit repair**
    - » If you have bad credit, it can take some time to repair your credit legitimately.
  - **Offer to create a new identity for you**
    - » If you provide false information or use a fake Social Security number to apply for a loan, you will be committing a crime.
  - **Want you to pay upfront for credit repair services before providing any service**
    - » Some companies running a scam take money upfront and never provide a service.
  - **Will not tell you about your rights and what you can do yourself**
    - » Remember, you can order your credit reports and scores yourself. If you see errors on your reports, you can file a dispute.
- Before signing a contract, check with your state attorney general's office to see whether complaints have been filed against the company.

**Credit Repair Scams**

Beware of credit repair companies that:

- Promise to erase bad credit or remove other negative, but accurate, information
- Promise fast and easy credit repair
- Offer to create a new identity for you
- Want you to pay upfront
- Will not tell you about your rights



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PRESENT INFORMATION (5 MINUTES)

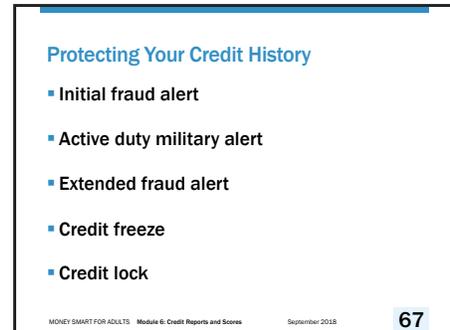
## Protecting Your Credit History

See page 52 in the Participant Guide.

### SHOW SLIDE 67

#### SAY

- There are some important strategies if you are concerned about identity theft, have experienced fraud or identity theft, or know your credit information has been exposed or stolen in a security breach.
- One option is an **Initial Fraud Alert**.
  - This is a good option if you are concerned you may become the victim of identity theft or fraud.
  - An Initial Fraud Alert requires creditors and other businesses to verify your identity—this is the additional protection it provides.
  - The nationwide credit reporting agency you place the initial fraud alert with must notify the other two nationwide credit reporting agencies to place an alert.
    - » To initiate an Initial Fraud Alert, you must provide proof of your identity.
    - » You can initiate a fraud alert online or over the phone.
    - » The nationwide credit reporting agencies' websites have specific links and designated phone lines for placing fraud alerts.
  - The alert is free and stays in place for one year (effective September 21, 2018). After it expires, you can create another one if you want to.
- An **Active Duty Military Alert** is similar to an Initial Fraud Alert except it's only available to active duty members of the military who are deployed.
  - The alert is free and stays in place for 12 months, but can be renewed for the length of someone's deployment.
- If you have been the victim of identity theft, you can place an **Extended Fraud Alert**.
  - It is also free and provides the same protection as an Initial Fraud Alert except it stays in place for seven years.
  - To place an Extended Fraud Alert, you must provide proof of identity theft and a copy of an identity theft report.
  - You can create an identity theft report at the Federal Trade Commission's website, **IdentityTheft.gov**.



- If you want more protection than a fraud alert, you can consider a **Credit Freeze**.
  - You have a right to freeze your credit by law.
  - A credit freeze prevents access to your credit reports.
    - » This prevents new accounts for credit from being opened and in some states, stops new accounts for other services, such as insurance and utilities.
    - » You would need to lift the freeze if you want to apply for credit, a job, or something else that requires access to your credit reports.
    - » This means you must plan ahead because it may take 24 to 48 hours to lift a freeze.
  - There is no cost to place or lift a freeze (effective September 21, 2018). The free credit freeze lasts for at least one year.
  - For a freeze to be most effective, you must place a freeze at each of the three nationwide credit reporting agencies.
    - » Unlike the fraud alerts, putting a freeze at one nationwide credit reporting agency does not automatically extend to the other two.
- Finally, a **Credit Lock** may be an option for you.
  - A credit lock is similar to a credit freeze except this is a credit reporting agency product, not a right provided by law.
  - It may be easier to lock and unlock your credit than freeze and unfreeze it.
  - Credit reporting agencies may offer a credit lock for free or for a special price during an introductory period. After that introductory period, the cost of the credit lock may go up.



PRESENT INFORMATION (1 MINUTE)

## Section Closing

See page 53 in the Participant Guide.

**SHOW SLIDE 68**

**SAY**

- Remember the key takeaway from this section: **Your credit history does not have to be your credit future.**

Section 5: Remember the Key Takeaway

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



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# Module Closing

**Training Time Estimate:** 10 minutes



LEAD ACTIVITY (5 MINUTES)

## Remember the Key Takeaways

See page 54 in the Participant Guide.

**Note to Instructor:** Only mention key takeaways for sections you included in the training.



### SAY

- Remember the key takeaways. These are also listed on page 54 in your Participant Guide. Let me know if you have questions about any of them.

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

See page 54 in the Participant Guide.

### SHOW SLIDE 69



#### SAY

- You are more likely to take action if you commit to taking action now.
- Consider writing down what you intend to do because of what was covered during this training session.
- Take a few minutes now to answer the questions under *Take Action* on page 54 in your Participant Guide:
  - What will I do?
  - How will I do it?
  - Will I share my plans with anyone? If so, who?



#### DO

- Time permitting, ask participants if they want to share what they are going to do or how they are going to do it.
- Remind participants about the activities in their Participant Guide they can complete after today's training.
- Refer participants to *Where to Get More Information or Help* on page 55 in their Participant Guide for a list of online resources.
- If this is the end of your training, thank participants for attending and administer the post-training survey.



LEAD ACTIVITY (5 MINUTES)

## Post-Training Survey

See page 59 in the Participant Guide.

**Note to Instructor:** After training ends, you can ask participants to complete the post-training survey in the back of their Participant Guide. You may want to give them “loose” copies so they don’t have to tear them out. The knowledge questions are the same as those in the pre-training survey.

The answer key is at the end of this Instructor Guide.

You may decide to compare post-training surveys to pre-training surveys to estimate knowledge gains of the entire group or for each participant. If you want to estimate by participant, ask them to write their last name or some other unique identifier on both their pre- and their post-training surveys so you can compare them for a given participant.

### SHOW SLIDE 70

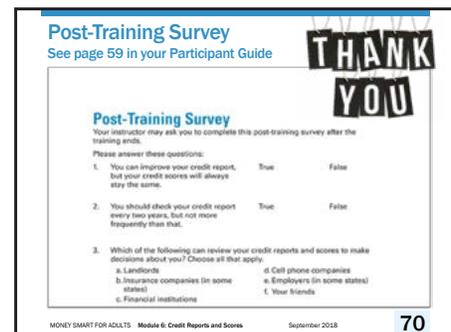
#### SAY

- Thank you for attending this Money Smart Training called **“Credit Reports and Scores.”**
- Before you leave, please take a few minutes to complete the post-training survey on page 59 of your Participant Guide.
- I can look at the surveys to tell if I helped you add to your knowledge and to make changes and improvements to future trainings.
  - It should take less than five minutes to complete.
  - Let me know if you have any questions.



#### DO

- Collect the completed surveys if you plan to review them or compare them to pre-training surveys.
- Review the answers to the knowledge questions using the Answer Key on the next page.



## Answer Key for Both the Pre and Post-Training Surveys

1. You can improve your credit report, but your credit scores will always stay the same.

The answer is **false**.

2. You should check your credit report every two years, but not more frequently than that.

The answer is **false**.

3. Which of the following can review your credit reports and scores to make decisions about you? Choose all that apply.

The answer is **a, b, c, d** and **e**.

- a. **Landlords**
- b. **Insurance companies (in some states)**
- c. **Financial institutions**
- d. **Cell phone companies**
- e. **Employers (in some states)**
- f. Your friends

4. What factors affect your credit scores? Choose all that apply.

The answer is **c**.

- a. Your income
- b. Your length of employment
- c. **How much of your credit card limit you use**
- d. The amount of money you have in savings
- e. All of the above
- f. None of the above

5. Which of the following are likely to make your credit scores increase? Choose all that apply.

The answer is **d**.

- a. Closing old credit accounts
- b. Applying for new credit
- c. Getting a better paying job
- d. **Paying your bills on time**
- e. All of the above
- f. None of the above

6. Who should regularly look for, identify, and dispute errors on your credit reports? Choose all that apply.

The answer is **d**.

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

Continued on next page

**Note to Instructor:** There are no “right” or “wrong” answers to the remaining questions, which appear in the post-training survey and not in the pre-training survey.

**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.				

## Money Smart for Adults Modules

Thank you for presenting this module. Consider providing training on other Money Smart for Adults modules, as shown below. Visit [www.FDIC.gov/moneysmart](http://www.FDIC.gov/moneysmart).

Module Number	Module Name	Module Focus
1	<b>Your Money Values and Influences</b>	Internal values and goals, external influences, and their relationships to financial decisions
2	<b>You Can Bank On It</b>	Financial products, services, and providers
3	<b>Your Income and Expenses</b>	How to track income and expenses
4	<b>Your Spending and Saving Plan</b>	How to develop a spending and saving plan, and how to prioritize spending when money is short
5	<b>Your Savings</b>	Saving money for expenses, goals, and emergencies
6	<b>Credit Reports and Scores</b>	Credit reports and scores, building productive credit histories, and repairing and improving credit
7	<b>Borrowing Basics</b>	Options for borrowing money and the costs
8	<b>Managing Debt</b>	Different kinds of debt and ways to manage it
9	<b>Using Credit Cards</b>	How credit cards work and how to manage them
10	<b>Building Your Financial Future</b>	Ways to build assets, including buying a car and getting training and education
11	<b>Protecting Your Identity and Other Assets</b>	Ways to recognize, respond to, and reduce the risks of identity theft, along with strategies for protecting other assets
12	<b>Making Housing Decisions</b>	Different types of safe and affordable housing, including specific information on renting
13	<b>Buying a Home</b>	The home buying process, including mortgages
14	<b>Disasters—Financial Preparation and Recovery</b>	How to financially prepare for, and recover from, disasters

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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**  
**INSTRUCTOR GUIDE**  
**Module 6: Credit Reports and Scores**

September 2018  
[www.fdic.gov/education](http://www.fdic.gov/education)