

# **BUILD AND REBUILD YOUR CREDIT**

**PRE-CLASS**

**YOUR NAME:** \_\_\_\_\_

**DATE:** \_\_\_\_\_

Please answer the following questions for us – it will help us learn more about the problems our participants face so that we can make the classes better. Please **circle** your answer.

**(1)** Do you currently have and use a bank account? **YES / NO**

**(2)** Do you balance your checkbook every month? **YES / NO**

**(3)** Do you keep a written budget for your family's income and expenses? **YES / NO**

**(4)** Do you often run out of money before payday? **YES / NO**

**(5)** Did you ever use a check cashing outlet or get a payday loan? **YES / NO**

If you said "YES", please circle your answer for the LAST YEAR: How often did you use such services?

**0**      **1 or 2 times**      **3 to 6 times**      **once per month**      **twice per month**

**(6)** Did you order your credit report in the last 12 months? **YES / NO**

**(7)** Do you have credit problems? **YES / NO**

**(8)** How many credit cards do you have? Please circle your answer.

**0**      **1**      **2**      **3 or more**

**(9)** What brought you to our class today? Please tell us what you would like to learn about:

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Please **circle** the correct answer for each question.

- |   |   |
|---|---|
| 1. Why would somebody want to apply for a loan if they had the money?<br><b>A.</b> To establish credit<br><b>B.</b> To repair credit<br><b>C.</b> To avoid using savings<br><b>D.</b> All of the above                            | 2. The Fair and Accurate Credit Transaction Act means you can get a FREE copy of:<br><b>A.</b> Your credit report whenever you need it<br><b>B.</b> Your credit report every 12 months<br><b>C.</b> Your credit score<br><b>D.</b> All of the above |
| 3. Your credit score is based on:<br><b>A.</b> Your income and your outstanding debt<br><b>B.</b> Your employment and your debt<br><b>C.</b> Your income and your payment history<br><b>D.</b> Your payment history and your debt | 4. When is a person in default?<br><b>A.</b> If they are a month late on payments<br><b>B.</b> If they are a week late on payments<br><b>C.</b> If they only make a partial payment<br><b>D.</b> All of the above                                   |
5. If you have bad credit, you eliminate your past history after you turn 35. **TRUE / FALSE**
6. The better your credit score, the higher the interest rate you are charged on a loan. **TRUE / FALSE**
7. After you get married, you can get a joint credit report with your spouse. **TRUE / FALSE**
8. Filing for bankruptcy erases all your debts. **TRUE / FALSE**
9. Checking your own credit report will lower your credit score. **TRUE / FALSE**
10. You can opt out of unsolicited credit offers. **TRUE / FALSE**

**BUILD AND REBUILD YOUR CREDIT**

**POST-CLASS**

**YOUR NAME:** \_\_\_\_\_

**DATE:** \_\_\_\_\_

*Please tell us about your class experience so that we can improve our classes Please circle your answer.*

**(1) Overall, I felt the class was useful for me. YES / NO**

If you said "NO", why not? \_\_\_\_\_  
\_\_\_\_\_

**(2) The instructor was knowledgeable and prepared. YES / NO**

**(3) The instructions were clear and easy to follow. YES / NO**

**(4) The examples and exercises will help me to apply the skills I learned. YES / NO**

If you said "NO", why not? \_\_\_\_\_  
\_\_\_\_\_

**(5) I will use the handouts and worksheets again. YES / NO**

**(6) The participants had a lot of opportunities to exchange experiences and ideas. YES / NO**

**(7) I got all my questions answered. YES / NO**

If you said "NO", did you ask your questions of the instructor? **YES / NO**

**(8) I achieved the following class objectives:**

a. I can order my FREE credit report. **YES / NO**

b. I can find all relevant information in my credit report. **YES / NO**

c. I learned how to correct errors on my credit report. **YES / NO**

d. I can describe factors that are important for my credit score. **YES / NO**

e. I can describe things I can do to protect myself from identity theft. **YES / NO**

**(9) The classroom was suited for a good learning atmosphere. YES / NO**

**(10) What was the most useful part of the class?**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*Please answer the questions on the back of this page to tell us what you learned during the class.  
Thank you very much ☺*

**YOUR NAME:** \_\_\_\_\_

**DATE:** \_\_\_\_\_

Please **circle** the correct answer for each question.

- |  |   |
|--|---|
| <p>1. Why would somebody want to apply for a loan if they had the money?</p> <p><b>A.</b> To establish credit<br/><b>B.</b> To repair credit<br/><b>C.</b> To avoid using savings<br/><b>D.</b> All of the above</p>   | <p>2. What do most lenders want to see from you before giving you a loan?</p> <p><b>A.</b> Solid credit history<br/><b>B.</b> Stable income<br/><b>C.</b> Good payment history<br/><b>D.</b> All of the above</p> |
| <p>3. The three national credit bureaus are</p> <p><b>A.</b> Experian, Equifax, and TransUnion<br/><b>B.</b> American Express, Equitable, and Western Union<br/><b>C.</b> FTC, Federal Reserve, and Treasury<br/><b>D.</b> Consumer's Union, FDIC, and FTC</p> | <p>4. You can increase your credit score by:</p> <p><b>A.</b> Increasing your income<br/><b>B.</b> Decreasing your income<br/><b>C.</b> Paying your bills on time<br/><b>D.</b> Opening a business</p>            |
- 
- |   |              |
|---|--------------|
| 5. You can get a FREE credit report once per year.                              | TRUE / FALSE |
| 6. Your credit report does NOT report your income.                              | TRUE / FALSE |
| 7. Calling your creditors when you cannot make a payment is NOT a good idea.    | TRUE / FALSE |
| 8. If you find an error on your credit report you should dispute it in writing. | TRUE / FALSE |
| 9. Your credit score is based on payment history and your outstanding debts.    | TRUE / FALSE |
| 10. The 3 C's in lending refer to character, capital, and collateral.           | TRUE / FALSE |

*Please answer the questions on the back of this page to tell us more about your class experience.*

*Thank you very much 😊*

## IF YOU WERE A BANKER

*Whom would you give a loan?*

**Bob** has been working for several years and has never before applied for a loan. Bob has no credit history.

**Yin** has been working for several years. He took out a car loan last year. He has been making his payments on time and has a good credit history.

**Rachael** has been working for several years. She has been late making her car payments and recently stopped paying her car payments altogether. There is a tax lien on her house.

**Based on this information alone, if you were the banker, which applicant would you give the loan to? Who poses the most risk?**

### PRACTICE EXERCISE – MARIA’S CREDIT REPORT

#### Scenario I

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

#### Scenario II

Since Maria is applying for the home loan with her husband, she wants her credit report to include her husband’s credit history. Can Maria get a credit report that includes both her and her husband’s credit information? Explain your answer.

#### Scenario III

Maria and her husband decide to shop around for the best price on a home loan. Several lenders pre-qualify them for a home loan. Maria realizes that each time they got pre-qualified, the lender requested a copy of their credit reports. Should Maria and her husband be worried about these inquiries affecting their credit scores? Explain your answer.

## HOW TO GET A FREE CREDIT REPORT ONCE A YEAR

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

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

You can print a copy of the Annual Credit Report Request Form from [www.annualcreditreport.com](http://www.annualcreditreport.com) or [www.ftc.gov/credit](http://www.ftc.gov/credit).

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

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

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

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

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

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



**Online Personal Credit Report from Experian for**

Experian credit report prepared for <b>JOHN Q. CONSUMER</b> Your report number is <b>1562064065</b> Report date: <b>04/24/2007</b>	Index: - <a href="#">Potentially negative items</a> - <a href="#">Accounts in good standing</a> - <a href="#">Requests for your credit history</a> - <a href="#">Personal information</a> - <a href="#">Important message from Experian</a> - <a href="#">Contact us</a>
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**Report number:**

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

**Index:**

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

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

To return to your report in the near future, log on to [www.experian.com/consumer](http://www.experian.com/consumer) and select "View your report again" or "Dispute" and then enter your report number.

If you disagree with information in this report, return to the Report Summary page and follow the instructions for disputing.

**Potentially negative items:**

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

**Potentially Negative Items**

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**Public Records**

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

**MAIN COUNTY CLERK**

<b>Address:</b> 123 MAINTOWN S BUFFALO , NY 10000	<b>Identification Number:</b> 1	<b>Plaintiff:</b> ANY COMMISSIONER O.
<b>Status:</b> Civil claim paid.	<b>Status Details:</b> This item was verified and updated on 04-2007.	
<b>Date Filed:</b> 10/15/2006	<b>Claim Amount:</b> \$200	
<b>Date Resolved:</b> 03/04/2007	<b>Liability Amount:</b> NA	
<b>Responsibility:</b> INDIVIDUAL		

**Status:**

Indicates the current status of the account.

**Credit Items**

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

**ABCD BANKS**

<b>Address:</b> 100 CENTER RD BUFFALO, NY 10000 (555) 555-5555	<b>Account Number:</b> 1000000....	
<b>Status:</b> Paid/Past due 60 days.		
<b>Date Opened:</b> 10/2005	<b>Type:</b> Installment	<b>Credit Limit/Original Amount:</b> \$523
<b>Reported Since:</b> 11/2005	<b>Terms:</b> 12 Months	<b>High Balance:</b> NA
<b>Date of Status:</b> 04/2007	<b>Monthly Payment:</b> \$0	<b>Recent Balance:</b> \$0 as of 04/2007
<b>Last Reported:</b> 04/2007	<b>Responsibility:</b> Individual	<b>Recent Payment:</b> \$0
<b>Account History:</b> 60 days as of 12-2006 30 days as of 11-2006		

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

[www.experian.com/disputes](http://www.experian.com/disputes)

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

**MAIN COLL AGENCIES**

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

<b>Date Opened:</b> 01/2005	<b>Type:</b> Installment	<b>Credit Limit/Original Amount:</b> \$95
<b>Reported Since:</b> 04/2005	<b>Terms:</b> NA	<b>High Balance:</b> NA
<b>Date of Status:</b> 04/2005	<b>Monthly Payment:</b> \$0	<b>Recent Balance:</b> \$95 as of 04/2005
<b>Last Reported:</b> 04/2005	<b>Responsibility:</b> Individual	<b>Recent Payment:</b> \$0

**Your statement:** ITEM DISPUTED BY CONSUMER

**Account History:**  
Collection as of 4-2005

**Accounts in good standing:**

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

Accounts in Good Standing

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**AUTOMOBILE AUTO FINANCE**

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

**Type:**

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

<b>Date Opened:</b> 01/2006	<b>Type:</b> Installment	<b>Credit Limit/Original Amount:</b> \$10,355
<b>Reported Since:</b> 01/2006	<b>Terms:</b> 65 Months	<b>High Balance:</b> NA
<b>Date of Status:</b> 04/2007	<b>Monthly Payment:</b> \$210	<b>Recent Balance:</b> \$7,984 as of 04/2007
<b>Last Reported:</b> 04/2007	<b>Responsibility:</b> Individual	<b>Recent Payment:</b> \$0

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**MAIN**

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

<b>Date Opened:</b> 03/1997	<b>Type:</b> Revolving	<b>Credit Limit/Original Amount:</b> NA
<b>Reported Since:</b> 03/1997	<b>Terms:</b> 1 Months	<b>High Balance:</b> \$3,228
<b>Date of Status:</b> 08/2006	<b>Monthly Payment:</b> \$0	<b>Recent Balance:</b> \$0 /paid as of 08/2006
<b>Last Reported:</b> 08/2006	<b>Responsibility:</b> Individual	<b>Recent Payment:</b> \$0

**Your statement:**  
Account closed at consumer's request

Requests for Your Credit History

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Requests Viewed By Others

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

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

**HOMESALE REALTY CO**

<b>Address:</b> 2000 S MAINROAD BLVD STE ANYTOWN CA 11111 (555) 555-5555	<b>Date of Request:</b> 07/16/2006
<b>Comments:</b> Real estate loan on behalf of 3903 MERCHANTS EXPRESS M. This inquiry is scheduled to continue on record until 8-2008.	

**M & T BANK**

<b>Address:</b> PO BOX 100 BUFFALO NY 10000 (555) 555-5555	<b>Date of Request:</b> 02/23/2006
<b>Comments:</b> Permissible purpose. This inquiry is scheduled to continue on record until 3-2008.	

**WESTERN FUNDING INC**

<b>Address:</b> 191 W MAIN AVE STE 100 INTOWN CA 10000 (559) 555-5555	<b>Date of Request:</b> 01/25/2006
<b>Comments:</b> Permissible purpose. This inquiry is scheduled to continue on record until 2-2008.	

Requests Viewed Only By You

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

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

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

**MAIN BANK USA**

<b>Address:</b> 1 MAIN CTR AA 11 BUFFALO NY 14203	<b>Date of Request:</b> 08/10/2006
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**MYTOWN BANK**

<b>Address:</b> PO BOX 825 MYTOWN DE 10000 (555) 555-5555	<b>Date of Request:</b> 08/05/2006
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**INTOWN DATA CORPS**

<b>Address:</b> 2000 S MAINTOWN BLVD STE INTOWN CO 11111 (555) 555-5555	<b>Date of Request:</b> 07/16/2006
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**Requests for your credit history:**

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

- i. Inquiries resulting from a transaction initiated by you. These include inquiries from your applications for credit, insurance, housing or other loans. They also include transfer of an account to a collection agency. Creditors may view these items when evaluating your creditworthiness.
- ii. Inquiries resulting from transactions you may not have initiated but that are allowed under the FCRA. These include preapproved offers, as well as for employment, investment review, account monitoring by existing creditors, and requests by you for your own report. These items are shown only to you and have no impact on your creditworthiness or risk scores.

Personal Information

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

**Names:**

JOHN Q CONSUMER

**Name identification number:** 15621

JONATHON Q CONSUMER

**Name identification number:** 15622

J Q CONSUMER

**Name identification number:** 15623

**Social Security number variations:**

999999999

**Year of birth:**

1959

**Spouse or co-applicant:**

JANE

**Employers:**

ABCDE ENGINEERING CORP

**Telephone numbers:**

(555) 555 5555 Residential

**Address:** 123 MAIN STREET  
ANYTOWN, MD 90001-9999

**Address identification number:**  
0277741504

**Type of Residence:** Multifamily

**Geographical Code:** 0-156510-31-8840

**Address:** 555 SIMPLE PLACE  
ANYTOWN, MD 90002-7777

**Address identification number:**  
0170086050

**Type of Residence:** Single family

**Geographical Code:** 0-176510-33-8840

**Address:** 999 HIGH DRIVE APT 15B  
ANYTOWN, MD 90003-5555

**Address identification number:**  
0170129301

**Type of Residence:** Apartment complex

**Geographical Code:** 0-156510-31-8840

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**Personal information:**

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

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

**Address information:**

Your current address and previous address(es)

**Personal statement:**

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

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

Your Personal Statement

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No general personal statements appear on your report.

Important Message From Experian

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

Contacting Us

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

## SAMPLE DISPUTE LETTER

Date

Your Name

Your Address

Your City, State Zip Code

Complaint Department

Name of Credit Reporting Agency

Address

City, State Zip Code

Dear Sir or Madam:

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

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

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

Sincerely,

Your name

Enclosures: (List what you are enclosing)

# THE 4 C's OF LENDING

Here are some questions you might be asked when applying for credit:

## Capacity

*(Refers to your ability to make your payments - do you make enough money to pay your bills and the debt?)*

- How long have you been in your job?
- How much money do you make each month?
- What are your monthly expenses?

## Capital

*(Refers to the value of your assets and your net worth)*

- How much money do you have in your checking and savings accounts?
- Do you own a house?
- Do you have investments or other assets (e.g., a car)?

## Character

*(Refers to how you have paid your bills or debt in the past - are you responsible in handling your money and your debt?)*

- Have you had credit in the past?
- How many credit accounts do you have?
- Have you ever:
  - Filed for bankruptcy?
  - Had any outstanding judgments?
  - Had property repossessed or foreclosed upon?
  - Made late payments?

## Collateral

*(Do you have something to offer as security for the loan in case you cannot pay it back?)*

- Do you have assets to provide as collateral to secure the loan beyond your capacity to pay it off?

**Capacity, Capital, Character, and Collateral** are also called the *4 C's of Lending*, because lenders usually look at these four characteristics when deciding whether or not to approve your loan application.

## Understanding Credit Scores

### What is a credit score?

A credit score (sometimes called a FICO score) is a 3 digit number calculated by credit bureaus that represents how good you are at repaying money you borrow.

This chart shows all the pieces of information used to create your credit score.

### What do credit scores mean?

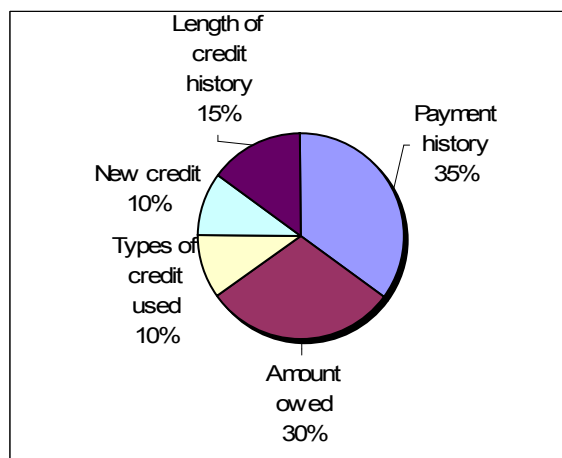
760 to 850: Excellent credit

700 to 759: Good credit

620 to 699: Moderate credit (\*)

300 to 619: Bad credit

(\*) Note: With a credit score below 620 you will likely not be able to get a mortgage for a home purchase!



### Why are credit scores important?

For a \$300,000 30-year, fixed rate mortgage:	(based on FICO averages for WA State as)	
If your FICO® score is:	Your interest rate is:	...and your monthly payment is:
760 - 850	5.502%	\$1,704
700 - 759	5.724%	\$1,746
660 - 699	6.007%	\$1,800
620 - 659	6.815%	\$1,959

**In this example, the difference between excellent credit and a score of 620 is \$255 a month. In other words, a low credit score would COST you \$91,800 in additional interest paid over the 30 years!**

Find out more about credit scores and how you can improve your score at: [www.myfico.com](http://www.myfico.com)

## 7 CREDIT SCORING MYTHS

**Myth # 1:** *The major credit bureaus use different formulas for calculating credit scores.*

**Truth:** Equifax, Experian, and TransUnion sell their services under different names, but they all use the same formula for calculating your score. The reason the scores differ is because each might get slightly different information from lenders, for example one bureau's records on you might reach back further because the bank at first didn't report to the other two bureaus.

**Myth # 2:** *Checking my own credit report will hurt my credit score.*

**Truth:** You can check your own credit report as many times as you want, it will not change your score! Remember, you can get one FREE credit report from each of the three credit bureaus, so at least check your report once a year!

**Myth # 3:** *Shopping around for a loan hurts your score.*

**Truth:** Before applying for a home or car loan, you can shop around – and it will NOT hurt your score. While all the different inquiries will be listed on your credit report, if they are all for the same type of loan – such as a car loan – and you made them within 14 days, they only count as one inquiry. Important: That does not apply to credit cards, here every inquiry you authorize counts!

**Myth # 4:** *A higher salary will increase your score.*

**Truth:** Your income, age, sex, and ethnicity are not part of your credit report and do not affect your credit score! Earning more money or winning the lottery will NOT increase your score. However, paying down your debt will 😊

**Myth #5:** *When you get married, your scores get merged.*

**Truth:** Each credit report is ONLY for one individual. Your credit report – good or bad – is yours, and yours alone for as long as you live! Be careful, though – if you get a loan together with somebody else, it will report to both, your and their, credit report. And if you co-sign a loan and the other person doesn't pay it back, it will hurt your credit score, too!

**Myth #6:** *Closing old accounts will increase my score.*

**Truth:** Having too many open credit accounts might lower your score. But closing them may NOT increase your score – because your score also includes how much of your available credit you are using and for how long you have had your accounts. When you close accounts, you will have less credit available and might use important credit history if you close old accounts in good standing!

**Myth # 7:** *Companies can fix ANY credit problem for a fee.*

**Truth:** Nobody can remove accurate information from your credit report. Beware of companies that offer to fix your credit history for a fee. The only things those companies can dispute are items you can dispute yourself – such as errors on your report. There is no need to pay anybody a fee to do that for you!

## TIPS FOR BUILDING YOUR CREDIT HISTORY

If you never had a loan or credit card there are still a few important things you can do to make it easier for you to get credit later:

- **Always pay ALL your bills on time!** Remember, bills that are overdue and go to collections will get reported to the credit bureaus and show on your credit report.
- **Make regular deposits into a savings account.** This is another way to show a lender that you can make regular payments every month, even if you are paying yourself.

If you want to start using credit so you can build your credit history there are a few steps that will make it easier to get started:

- **Ask the lender to review your history of making rent and utility payments** – if you always paid your bills on time, this shows that you are likely to also pay your debt on time.
- **Apply for a small loan at the bank or credit union where you have a checking and savings account.** They already know you as a customer and might be more willing to give you a small loan.
- **Apply for a secured credit card from your bank or credit union.** This means you have to put money into a savings account as collateral, but often secured cards are easier to get. And if you manage it well, it can be changed to an unsecured card later (usually after about 12 to 18 months).
- **Apply for credit with a local store, such as a department store.** They typically have a lower credit limit and a higher annual percentage rate (APR) but are usually more willing to lend you money. And if you always pay your monthly balance right away, you will not pay interest anyway.
- **Ask a friend or relative with established good credit if they would co-sign a loan for you.** Remember that you can damage the cosigner's credit history if you default on the loan!
- **Make a large down payment on a purchase and negotiate credit payments for the balance.** For example, when buying a car save up a large down payment. If you can pay \$1,000 or even \$3,000 dollars down on a car that costs \$5,000, there is less risk you will not make the payments. If you default on the small loan, you will lose your car and the money you paid down!

## **TIPS FOR PAYING YOUR BILLS ON TIME**

Paying your bills on time is the most important part of building good credit history and achieving your financial goals. By paying on time, you don't have to lose money on late fees, have better credit history and don't lose money on higher interest rates, and generally will be less stressed about your money issues.

Here are some ideas to help you always pay on time:

### **Make a Budget**

Spend wisely – make a savings and spending plan. It sounds obvious, but if you have more bills to pay than money coming in, you will not be able to pay all your bills.

### **Use a Calendar**

On a calendar, mark when you must pay your bills each month. If you mail your payments, remember to plan for how many days it will take to reach the business.

### **Setup Auto Pay**

Most gas, electric, and telephone companies allow you to pay bills automatically out of your checking account every month. If you use online banking, you can automatically pay ALL your bills. Make sure you have money in your account when the bills get paid!

### **Out of Town? Make a Plan!**

Being out of town is not an excuse for paying late! Make sure you have a plan for paying all your bills on time – can you pay them ahead of time or setup auto pay?

### **If You Cannot Pay a Bill On Time**

Do NOT ignore it! Contact your creditor right away. Let them know about your situation and try to work out a payment plan. If you are actively calling them to work it out, they will often be willing to make a special arrangement to get their money back. They are helping you, but it is in their best interest, too 😊

## TIPS FOR REPAIRING YOUR CREDIT HISTORY

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

### **Repairing Credit On Your Own**

- (1) Start by getting a copy of your credit report.
- (2) Carefully review your credit report – contact the credit bureau about any errors you find and ask them to investigate and fix them.
- (3) Contact your lenders and tell them about your situation. Ask them to work out a new payment plan that will allow you to pay back your debt.
- (4) Do NOT get new credit until you repaid your debt. Opt-out of credit card offers to avoid temptation.

### **Using Credit Counseling Agencies**

- (1) Shop around – there are many reputable credit counseling agencies who will have NO or very low fees. You can find them at [www.nfcc.org](http://www.nfcc.org).
- (2) Request FREE information from the agency BEFORE you decide to work with them – if the agency will not send you free information, find another agency!
- (3) Ask questions about services, fees, and a repayment plan BEFORE you decide to work with the agency. (see the back of this handout for questions to ask a credit counseling agency)
- (4) Remember – repairing credit problems will take time. Even if you pay back all your debt now, your credit history will still show up to 10 years of your past. Be patient and always pay on time!
- (5) Avoid scams! Remember these tips to avoid paying a company that makes false promises:
  - a. No one can remove accurate information from your credit report.
  - b. No one can create a new identity for you. Do not let anyone talk you into lying or using a fake Social Security number – you would be committing fraud and could go to jail!
  - c. Legitimate companies provide a service before requesting payment – do NOT pay the company FIRST.

## Questions to Ask a Credit Counseling Agency

- What services do you offer? (if don't know what a certain service they mentions is, ask them to explain it to you until you understand it!)
- Do you have educational materials? If so, will you send them to me? Are the materials free? Can I access them on the Internet?
- After fixing my problem now, will you help me develop a plan for avoiding problems in the future?
- What are your fees? Do I have to pay anything before you can help me? (REMEMBER: do not fall for a scam!) Are there monthly fees? What is the basis for your fees?
- What is your source of funding?
- Will I sign a written contract or agreement with you?
- How soon can you take my case? Do I need to have a certain amount of debt to qualify for your services?
- Is your agency licensed? Who regulates your agency? Is your agency audited? Who audits your agency? (If you want to be sure about the company, contact their regulator and auditor before signing up for service with the agency.)
- Will I work with one counselor or with several?
- How are your counselors trained? Are they accredited or certified?
- What do you do to ensure that my personal information (including my address and phone number) will be kept confidential?
- If I work with you, will this information appear on my credit report?

## FOR FURTHER INFORMATION

### **To Opt-Out from Credit Card Offers**

You can tell the credit bureaus not to share your information with lenders and insurers who use the information to decide whether to send you offers of credit or insurance. You can opt out of receiving these prescreened offers by calling

888-5-OPTOUT (567-8688) or visiting [www.optoutprescreen.com](http://www.optoutprescreen.com).

### **To Find a Credit Counselor You Can Trust**

Go to [www.nfcc.org](http://www.nfcc.org) to find non-profit credit counseling agencies near you. Do NOT trust advertisements that promise they can fix your credit problems for a fee – those companies just want to make money off you!

### **Federal Consumer Information Center (FCIC)**

The Federal Consumer Information Center (FCIC) provides free online consumer information to help the public. The FCIC produces the *Consumer Action Handbook*, which is designed to help citizens find the best sources of assistance with their consumer problems and questions.

800-688-9889 or [www.pueblo.gsa.gov](http://www.pueblo.gsa.gov)

### **Federal Deposit Insurance Corporation (FDIC)**

Division of Supervision and Consumer Protection

2345 Grand Boulevard, Suite 1200

Kansas City, MO 64108

877-ASK-FDIC (275-3342)

Email: [consumer@fdic.gov](mailto:consumer@fdic.gov)

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

### **Federal Trade Commission**

Consumer Response Center

Sixth Street and Pennsylvania Avenue, NW

Washington, DC 20580

202-326-2222

877-FTC-HELP (382-4357)

[www.ftc.gov](http://www.ftc.gov)

### **More Financial Education**

Take the FDIC's *Money Smart* program online at

<http://www.fdic.gov/consumers/consumer/moneysmart/index.html>