

UNDERSTANDING CREDIT REPORTS NOTE TAKING GUIDE

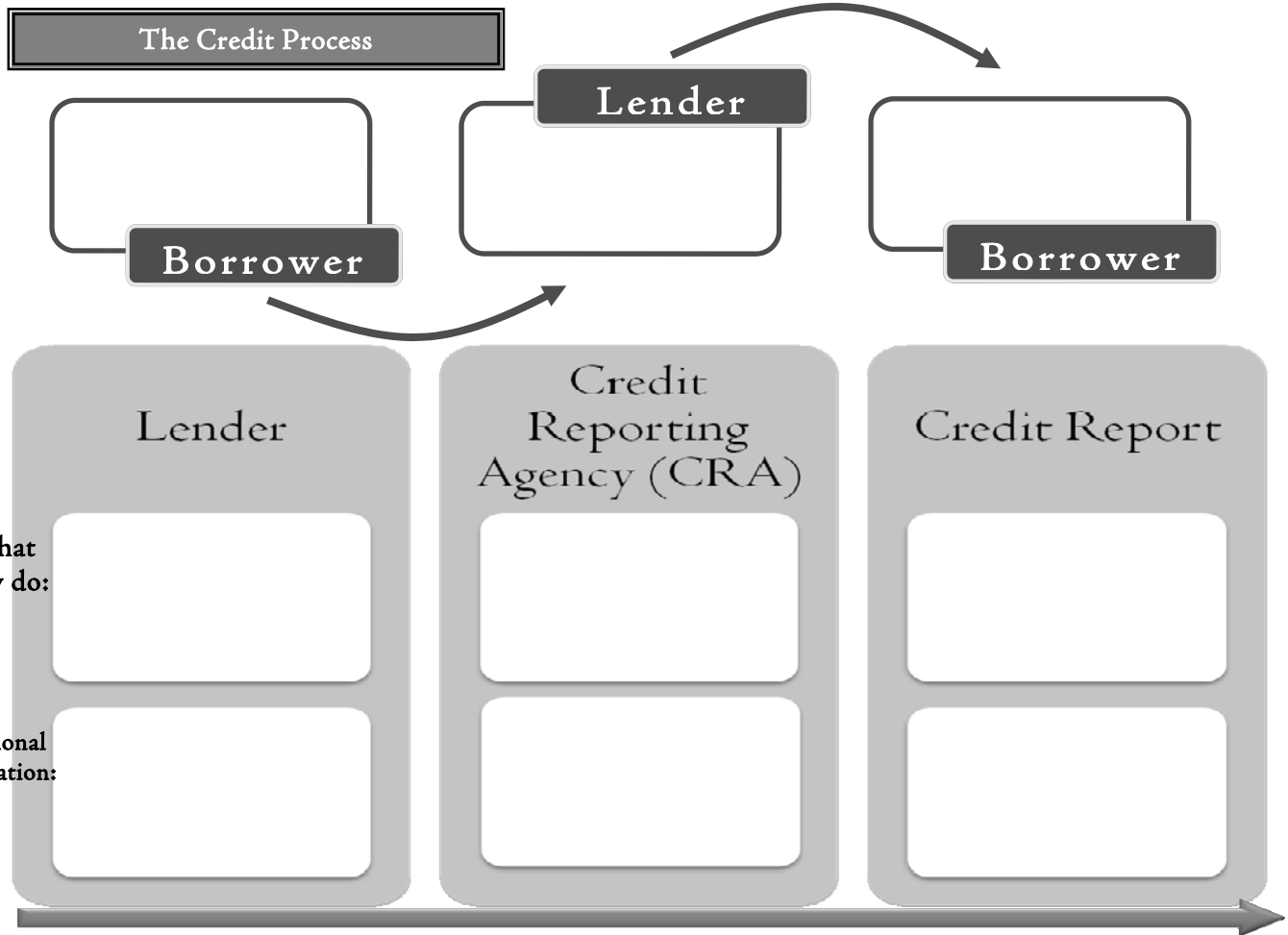
	Total Points Earned
59	Total Points Possible
	Percentage

Name _____

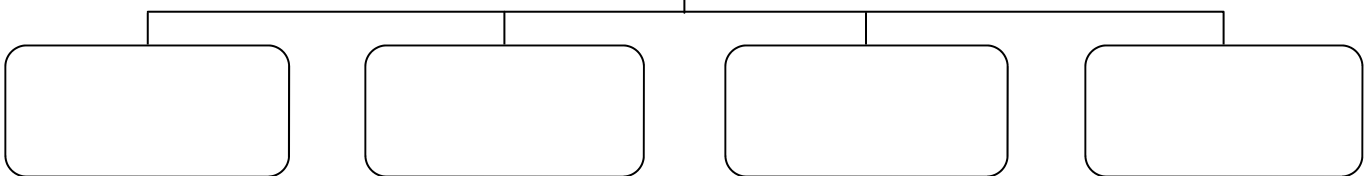
Date _____

Class _____

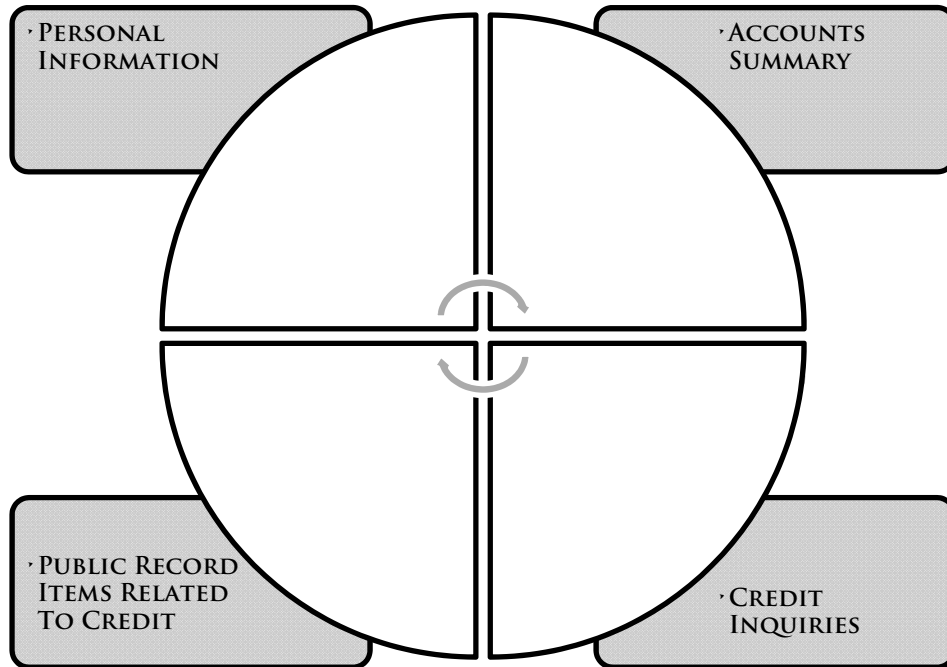
Credit is...



INFORMATION ON A CREDIT REPORT CAN BE DIVIDED INTO FOUR CATEGORIES:



INFORMATION ON A CREDIT REPORT CAN BE DIVIDED INTO FOUR CATEGORIES



CREDIT INQUIRIES	IMPACT	SOFT CHECK	HARD CHECK
	EXAMPLES		

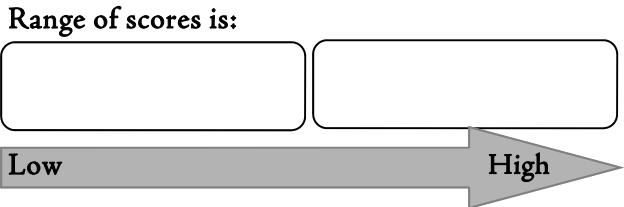
Medical Information NOT Allowed on a Credit Report:	Medical Information Allowed on a Credit Report:
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EQUAL CREDIT OPPORTUNITY ACT PREVENTS DISCRIMINATION THE BASIS OF:

	+		+	
	+		+	

A credit score is:

Most common credit score scoring system:

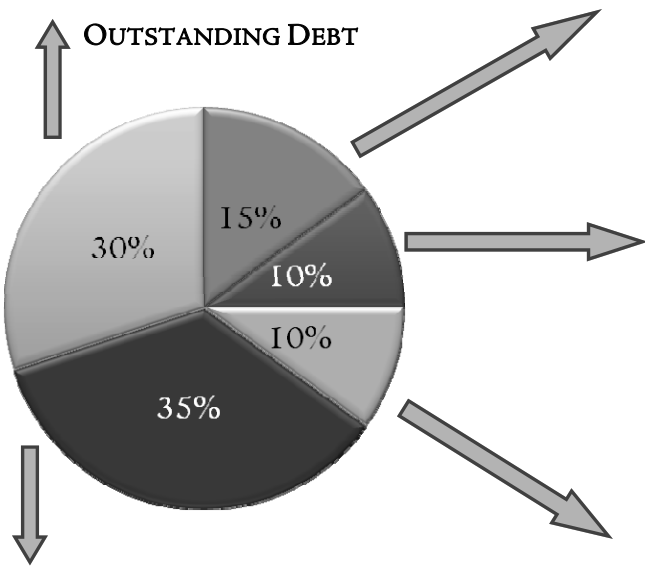


A FICO SCORE IS ONLY BASED UPON CREDIT USE!

DESCRIPTION	
ADDITIONAL INFORMATION	

LENGTH OF CREDIT HISTORY

DESCRIPTION	
ADDITIONAL INFORMATION	



PURSUIT OF NEW CREDIT

DESCRIPTION	
ADDITIONAL INFORMATION	

PAYMENT HISTORY

DESCRIPTION	
ADDITIONAL INFORMATION	

TYPES OF CREDIT IN USE

DESCRIPTION	
ADDITIONAL INFORMATION	

POSITIVE AND NEGATIVE CREDIT HISTORY

Impact of Positive Credit History:	Impact of Negative Credit History:
Lender:	Lender:
Borrower:	Borrower:
Examples of Positive Credit Use:	Examples of Negative Credit Use:

ESTABLISHING CREDIT

When is credit not established?

- 1.

- 2.

Building a credit history is important because?

**WAYS TO
BUILD
CREDIT
HISTORY
INCLUDE:**

How did the 2009 CARD Act affect how young adults receive credit?

What responsibilities do co-signers have on a credit account ?

REQUESTING A CREDIT REPORT

How many per year are free?

From?



Credit scores available for:

What are the three ways to obtain a credit report:

1.

2.

3.

MISTAKES IN A REPORT

What are the two most common mistakes on credit reports?

Mistakes can be caught by doing this?

What does The Fair Credit Reporting Act do:

What do you do if a mistake is found on your credit report:

How long do credit bureaus have to investigate mistakes?

How long does negative information stay on a credit report?

ISABELLA LANGLEY'S STORY

Isabella Langley is about to graduate from college and is excited to begin her professional career! However, as Isabella approaches graduation, her financial situation is *not* what she dreamed it would be. She is in debt, without savings, has a poor credit score, and is applying for jobs.

To pay for college, Isabella and her parents completed the FAFSA form to receive \$5,000 annually in subsidized Stafford Loans from the government totaling \$20,000 over a four year timeframe. In addition, Isabella received \$8,000 in private school loans from a depository institution throughout college. To earn money for basic expenses (e.g., rent, transportation, and food) Isabella plans to work part-time during the school year and full-time during the summer at Lucky's Restaurant.

Unfortunately, throughout college Isabella did not have a spending plan and the money she earned was not enough to support her lifestyle. She did not save and spent most of her money on expenses such as going to the movies, new clothes and daily lattes. Isabella was supporting her lifestyle with a credit card she signed up for as a freshman. Currently, the credit card had debt close to \$8,000 (at an 18% APR). To keep the card open, Isabella was paying the 4% minimum required each month. In addition, Isabella has several other cards she applied for to save an additional 15% on her purchases.

In preparation for "the real world" Isabella has been applying for jobs with several companies. She is a finalist in her dream job working in sales with the potential to earn a great salary. As a final step in the interview process, the employers asked her to complete a form granting permission to review her credit report. Isabella provided them with the information but was a little nervous. She had never looked at her credit report and had no idea what it said. Isabella decided to check it out herself and went to www.annualcreditreport.com to request her report free of charge online. She also learned that, for a fee, she was able to request a copy of her credit score.

Isabella was surprised at what she saw. Her credit score was 560 and considered to be low. Her credit report showed not only her college loans and credit card debt, but also some clothing, electronics, and an old traffic violation credit account that hadn't been paid.

One evening, she was having dinner with her close friends, Angie and George. Isabella was concerned about her situation so she brought up the topic of credit reports. Angie mentioned that she thought she had heard something about credit ratings improving as people got older and as their income increased. She went on to say Isabella's credit score would probably get better once she was promoted, moved to a better side of town, or negotiated lower interest rates on her existing loans. Though he wasn't completely sure, George said that shopping around for credit was not the best idea because he thought that it led directly to more "inquiries" showing up on a person's credit report. He guessed that opening new credit card accounts, even if you don't plan to use them, was a healthy thing to do, since it provides evidence of credit worthiness. Finally, both George and Angie had heard that it was best to close most of her old accounts; including the loans she hadn't paid on time, in order to "wipe the slate clean."

Isabella always imagined that this stage of her life would look much brighter. She thought to herself, "I am in huge debt, I don't have any savings, and I don't know if I will receive my dream job." She was unsure if Angie and George's advice was 100% accurate and knew she needed to learn more. She wondered where she went wrong and what she could begin doing now to fix her credit report.

ISABELLA LANGLEY'S CREDIT REPORT

ISABELLA'S CREDIT REPORT HISTORY

Free Credit Reporting Agency Credit Report	Free
<u>Credit Score</u>	<u>\$5.95</u>
Total	\$5.95

Credit reporting agency credit

report prepared for:

ISABELLA LANGLEY

Your report number is:

0657361482

Report date: May 10, 2009

Credit reporting agencies collect and organize information about you and your credit history from public records, your creditors and other reliable sources. 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 Information Provider." Consumer statements included on your report at your request that contain medical information are disclosed to others.

Report summary:

There are 2 potentially negative items in your report.

You have 5 accounts in overall good standing in your report.

Check the recent requests for your credit history.

Check your personal information.

ACCOUNT INFORMATION

These items may stay on your credit report for as long as they are open. Once an account is closed or paid off it may continue to appear on your report for up to ten years.

This information is generally removed seven years from the initial missed payment that led to the delinquency. Missed payments and most public record items may remain on the credit report for up to seven years, except Chapters 7, and 13 bankruptcies, which may remain for up to 10 years. Transferred accounts that have not been past due remain up to 10 years after the date the account was transferred.

Company Name	Account Number	Status	Date Opened	Last Reported	Type	Monthly Payment	Responsibility	Credit Limit	Recent Balance	Account History
Sam's Electronic World	3624	Open, past due	02/06	04/09	Revolving	\$22	Individual with parents	\$500	\$550	90 days past due 03/09
City of Anywhere	68274	Open, collection	02/08	04/09	Traffic ticket	N/A	Individual	\$296	\$358	Past due
US Dept . of Education	26871	Open	08/05	04/09	Installment	\$230	Individual	\$20,000	\$20,000	Begin payments 10/09
Depository Institution School Loan	658713	Open	08/06	04/09	Installment	\$95	Individual and Parents	\$8,000	\$8,000	Begin payments 06/09

Shop 'Til You Drop Store Credit Card	35842	Open/ Occasional Late payments	09/08	04/09	Revolving	\$20	Individual	\$750	\$732	04/09-\$642 03/09-\$740 02/09-\$720
Love to Read Store Credit	2364	Paid, never late, closed by granters request.	01/06	11/06	Revolving	\$0	Individual	\$1,000	\$0	Account scheduled to continue on record until 11/2013
The Free Money Credit Card	5698	Open/over credit limit	09/05	04/09	Revolving	\$320	Individual	\$8,000	\$7,685	04/09-\$7,698 03/09-\$8,125 02/09-\$8.102

RECORD OF REQUESTS OF YOUR CREDIT HISTORY

Inquiries Shared with Others

We make your credit history available to your current and prospective creditors and employers as allowed by law. Experian may list these inquiries for up to two years so that you will have a record of the companies that accessed your credit information. The section below lists all of the companies that have reviewed your credit history as a result of action you took, such as applying for credit or financing or as a result of collection. The inquiries in this section are shared with companies that view your credit history.

Company	Date of Request
Shop 'Til You Drop	08/10/08

Inquiries Shared Only With You

You may not have initiated the following inquiries, so you may not recognize each source. We report these requests to you only as a record of activities, and we do not include any of these requests on reports to others.

Company	Date of Request
A Very Big Bank	08/10/08
Need More Credit? Credit Card Company	04/15/09
Keeping You Insured	05/06/09
The Dream Sales Job	04/15/09

PERSONAL INFORMATION

Name: Isabella G. Langley
Isabella Langley

Employers: Lucky's Restaurant

Addresses: 101 Hopeful Ave.

Date of birth: 05/04/86

Jane's Daycare

Type of Residence: Apartment

Telephone Numbers: 555.354.2368
555.198.2358

Addresses: 695 Parent Street

Type of Residence: Multi-family

CREDIT REPORT SCENARIO

	Total Points Earned
20	Total Points Possible (1 point per response)
	Percentage

Name _____

Date _____

Class _____

Directions: Read Carolina Blue's credit report. Carolina is seeking a bank loan to purchase a new vehicle. Analyze Carolina's credit report and answer the following questions to determine if Carolina should receive the loan.

1. List four items on Carolina's credit report that suggest she is a high risk borrower: (4 points)
 -
 -
 -
 -

2. How many different types of credit does Carolina currently have? List an example of each type. (2 points)

3. What has Carolina's payment history been like? Support your answer with two examples. (3 points)

4. What type of outstanding debt does Carolina currently have? (3 points)

5. Would you lend money to her? Support your answer with two reasons. (3 points)

6. List five strategies Carolina can implement to help improve her credit rating: (5 points)
 -
 -
 -
 -
 -

CAROLINA'S CREDIT REPORT SUMMARY

Free Credit Reporting Agency Credit Report	Free
Credit Score	\$5.95
Total	\$5.95

Credit reporting agency credit
report prepared for:
CAROLINA BLUE

Your report number is:
987654321

Report date: April 16, 2009

Credit reporting agencies collect and organize information about you and your credit history from public records, your creditors and other reliable sources. 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 Information Provider." Consumer statements included on your report at your request that contain medical information are disclosed to others.

Report summary:

- There are 5 potentially negative items in your report.
- Check the recent requests for your credit history.
- Check your personal information.

ACCOUNT INFORMATION

These items may stay on your credit report for as long as they are open. Once an account is closed or paid off it may continue to appear on your report for up to ten years.

This information is generally removed seven years from the initial missed payment that led to the delinquency. Missed payments and most public record items may remain on the credit report for up to seven years, except Chapters 7 and 13 bankruptcies, which may remain for up to 10 years. Transferred accounts that have not been past due remain up to 10 years after the date the account was transferred.

Company Name	Account Number	Status	Date Opened	Last Reported	Type	Monthly Payment	Responsibility	Credit Limit	Recent Balance	Account History
Searmores	123-01	Open, Past Due	07/98	06/09	Revolving	N/A	Individual	\$3,000	\$3,300	60 days past due
City Visa	22	Open, Past Due	01/99	05/09	Revolving	N/A	Individual	\$2,500	\$1,500	30 days Past due
The Boor	123-02	Open, Past Due	07/00	01/09	Revolving	N/A	Individual	\$12,000	\$958	30 days Past Due
The Dock	123456	Open, Past Due	12/01	02/09	Revolving	N/A	Individual	\$2,500	\$1,968	Past Due

RECORD OF REQUESTS OF YOUR CREDIT HISTORY

Inquiries Shared with Others

We make your credit history available to your current and prospective creditors and employers as allowed by law. Experian may list these inquiries for up to two years so that you will have a record of the companies that accessed your credit information. The section below lists all of the companies that have reviewed your credit history as a result of the action you took, such as applying for credit or financing, or as a result of collection. The inquiries in this section are shared with companies that view your credit history.

Company	Date of Request
Tarmore	07/03/08
See-N-Save	07/03/08
Wally World	07/03/08

Inquiries Shared Only With You

You may not have initiated the following inquiries, so you may not recognize each source. We report these requests to you only as a record of activities, and we do not include any of these requests on reports to others.

Company	Date of Request
Our Credit is For You!	08/10/08

PERSONAL INFORMATION

Name: Carolina N. Blue
Carolina Blue

Employers: Martyes, Biscuit Cook

Addresses: 104 Good Ln.

Date of birth: 07/27/82

Type of Residence: Apartment

Telephone Numbers: 555.123.4567
555.100.0000

Addresses: 101 Hopeful Ave.

Type of Residence: Multi-family

CREDIT REPORTS

	Total Points Earned
26	Total Points Possible
	Percentage

Name _____

Date _____

Class _____

Directions: Match the following definitions with the correct terms by placing the appropriate letter on each blank provided. (Each worth 1 point)

1. _____ A record of transactions involving the use of credit.
2. _____ A mathematical tool created to help a lender evaluate the risk associated with lending customers money.
3. _____ This occurs when permission is given to a company to check an individual's credit.
4. _____ When goods, services, and/or money is received in exchange for a promise to pay back a definite sum of money at a future date.
5. _____ A record of a consumer's credit history.
6. _____ A request for your credit report or score.
7. _____ The person or organization who has the resources to provide the individual with a loan.

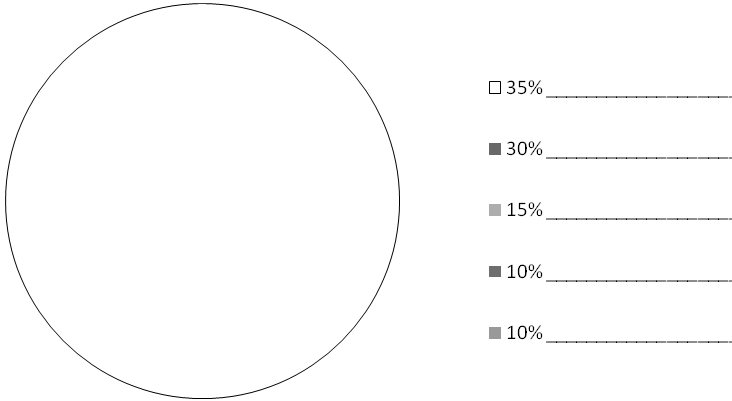
- a. Credit Score
- b. Hard Credit Check
- c. Credit
- d. Credit Inquiry
- e. Credit Report
- f. Credit History
- g. Lender

Directions: Place an N on the line if the statement will create negative credit; place a P on the line if the statement will create positive credit. (Each worth 1 point)

8. _____ Maintaining a reasonable amount of unused credit.
9. _____ Routinely paying bills late.
10. _____ Numerous credit applications in a short period of time.
11. _____ Checking credit reports annually to search for mistakes.

Directions: Complete the following pie chart indicating the different sections and percentages that comprise a credit score. (Each section worth 1 point)

12.



13. Once you have separated the pie chart into the five different categories, give one reason below why each category is important when a credit score is being calculated. (5 points)
- -
 -
 -
 -

Directions: Please circle the correct letter for each of the following questions. (Each worth 1 point)

14. Which of the following is NOT on a credit report?
- Date of Birth
 - Marital Status
 - Race
 - Public Records
15. A negative credit report may impact an individual's ability to receive all of the following EXCEPT?
- Insurance
 - Apartment
 - Loan
 - A traffic ticket

Directions: Answer the following question in short answer format.

16. Describe three ways a twenty year old may begin building credit. (3 points)

UNDERSTANDING CREDIT REPORTS JINGLE

Name: _____

Date: _____

Directions:

- Write and present a one minute jingle advertising the importance of a positive credit report and credit scores.
- Participants will be graded upon the following rubric.

	Exemplary - 3	Satisfactory - 2	Unsatisfactory - 0	Rating	Weight	Score
Content – Credit Reports	The jingle includes three correct facts about credit reports.	The jingle includes two correct facts about credit reports.	The jingle includes one or zero correct fact about credit reports.		3	
Content - Credit Scores	The jingle includes two correct facts about credit scores.	The jingle includes one correct fact about credit scores.	The jingle includes no correct facts about credit scores.		2	
Participation	All group members participate in the jingle.	Only half of the group members participate in the jingle.	Less than half of the group members participate in the jingle.		1	
Clarity	Speaks clearly and distinctly all (100-95%) the time, and mispronounces no words.	Speaks clearly and distinctly most (94-85%) of the time. Mispronounces no more than one word.	Often mumbles or cannot be understood OR mispronounces more than one word.		2	
Preparedness	Team is completely prepared and has obviously rehearsed.	Team is somewhat prepared, but it is clear that rehearsal was lacking.	Team does not seem at all prepared to present.		1	
Written jingle	The jingle was written out word-for-word and submitted in advance to the educator with no grammar or spelling errors.	The jingle was written out word for word and submitted in advance to the educator however 1-3 grammar or spelling errors are present.	The jingle was written out word for word and submitted in advance to the educator however has more than 4 grammar or spelling errors.		3	
				Total Points Earned		
				Total Points Available		36
				Average Percentage		

UNDERSTANDING CREDIT REPORTS COMIC

Name: _____

Date: _____

Directions:

- Write a comic strip including information about the importance of a positive credit report and credit score.
- Participants will be graded upon the following rubric.

	Exemplary - 3	Satisfactory - 2	Unsatisfactory - 0	Rating	Weight	Score
Content – Credit Reports	The comic strip includes three correct facts about credit reports.	The comic strip includes two correct facts about credit reports.	The comic strip includes one or zero correct facts about credit reports.		3	
Content – Credit Scores	The comic strip includes two correct facts about credit scores.	The comic strip includes one correct fact about credit scores.	The comic strip includes no correct facts about credit scores.		2	
Character	The main characters are named and clearly described (through words and/or actions).	The main characters are named. The audience knows very little about them.	It is hard to tell who the main characters are.		2	
Creativity	The comic strip pictures are colorful and grab the reader's attention.	The comic strip has an attempt to have pictures, be colorful, and grab the reader's attention.	The comic strip has no pictures, is not colorful, and does not grab the reader's attention.		1	
Preparedness	Participant completed comic strip on time and is apparent that it was not rushed.	The participant turned in a partially finished comic strip indicating that it was rushed.	Participant turned in a incomplete comic strip and it did not meet the essential criteria.		1	
Written comic strip	The comic strip was written with no grammar or spelling errors.	The comic strip was written with 1-3 grammar or spelling errors present.	The comic strip was written and has more than 4 grammar or spelling errors.		3	
				Total Points Earned		
				Total Points Available		36
				Average Percentage		

UNDERSTANDING CREDIT REPORTS

WHAT IS CREDIT?

Credit is when goods, services, and/or money are received in exchange for a promise to pay back a definite sum of money at a future date. For example, receiving a loan to pay for higher education expenses is credit. The lender “trusts” the borrower to repay the money. A **lender** is the person or organization who has the resources to provide the individual with a loan; for example, credit card companies and depository institutions where loans are acquired. When the privilege of borrowing has been extended, the **borrower** is usually expected to pay interest in addition to the amount borrowed. **Interest** is the price of money. When referring to credit, interest is the charge for borrowing money.

CREDIT REPORTS:

A **credit report** is a record of a consumer’s credit history. **Credit history** is a record of transactions involving the use of credit. It shows the extent to which bills are paid on time, requests for additional credit, how much debt an individual has and much more. If an individual has not used credit, they will not have a report. A **credit reporting agency** keeps records of a consumer’s credit transactions and compiles credit reports. There are three main credit reporting agencies in the U.S.: Equifax, Experian, and

Lenders who report consumer’s credit transactions may include:

- ♦ Retail stores that offer credit
- ♦ Credit card companies
- ♦ Mortgage and finance companies
- ♦ Landlords
- ♦ Financial institutions
- ♦ Cell phone companies
- ♦ Utility accounts (telephone, power, gas, and water);

INFORMATION IN A CREDIT REPORT

Business that report information to credit reporting agencies do not always report to all three agencies. Therefore, an individual’s credit history may vary in each report. Information in a credit report can be divided into four categories and includes:

- ♦ **PERSONAL INFORMATION**
- ♦ Name and aliases, current and past addresses, Social Security Number, date of birth, and employment history.
- ♦ **ACCOUNTS SUMMARY**
- ♦ Types of accounts, date the account was opened, credit limit or loan amount, account balance, and payment history, including missed or late payments.
- ♦ This includes most types of credit accounts such as automobile loans, credit cards, mortgages, etc.
- ♦ **PUBLIC RECORD ITEMS RELATED TO CREDIT**
- ♦ Accounts turned over to collection agencies, and public record information such as bankruptcy, tax liens, legal suits, and foreclosures.
- ♦ **CREDIT INQUIRIES** – a request for an individual’s credit report. Inquiries are completed by a variety of businesses that have a purpose to view a consumer’s credit report, such as insurance agencies, current and potential credit companies, financial institutions, landlords, potential employers (with permission from the potential employee). Different types of credit inquiries impact an individual’s score in different ways.

Soft credit checks are inquiries such as those that result when consumers check their own credit report, credit card companies pre approve consumers for a line of credit, or pre employment checks. These do not affect an individual’s score.

Hard credit checks occur when the consumer gives permission to a company to check their credit usually when seeking additional credit. For example if an individual applies for a new credit card, automobile loan, insurance, or opens a new cell phone account, these usually affect the credit score.

Medical information, such as the facility where an individual was treated or what was treated, is **not** allowed on a consumer’s credit report, but late medical payments are.⁶ Race, religion, gender, marital status and nationality are not used to make credit decisions but gender and age may be found on a credit report.⁵

CREDIT SCORES

A **credit score** is a mathematical tool created to help a lender evaluate the risk associated with lending a customer money. The credit score is based upon the information in a credit report at a particular point in time. It is a numeric “grade” of a consumer’s financial reliability and is used by lenders to determine a consumer’s risk of defaulting on a loan. The most common scoring system is called the FICO score where credit scores range from 300-850, with 850 being the best (lowest risk) score.

Over a lifetime, a consumer will pay more for credit (in higher interest rates and fees) if they have a lower FICO score. The table below illustrates that if you have a lower FICO score you will have a higher interest rate which leads to a higher monthly payment. Source: The Fair Isaac Company: www.myfico.com.

THIS IS BASED UPON A 30 YEAR FIXED MORTGAGE RATE FOR A \$300,000 LOAN			
FICO Score	Interest Rate	Monthly Payment	30 Year Amount
760	5.9%	\$1,787	\$643,320
650	7.2%	\$2,047	\$736,920
590	9.3%	\$2,500	\$900,000

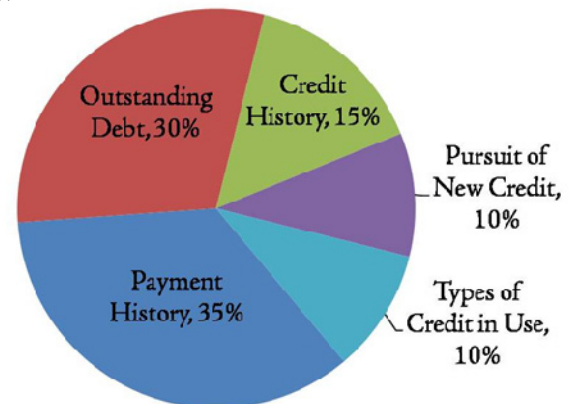


HOW ARE CREDIT SCORES CALCULATED

FICO credit scores are determined entirely by the information in a consumer’s credit report. A statistical model examines all of the pieces of information in the credit report to predict the likelihood that the consumer will default on a loan. The website myfico.com reports the following five categories of factors used, and the percentage influence that each category exerts on the final FICO score:

- ◆ 35% - **Payment history** the timely manner in which a consumer did or did not pay the debt. This includes all types of credit accounts, late or missed payments, and public records and collection items.
- ◆ 30% - **Outstanding debt** is the total dollar amount of debt currently held. This includes balances on all reported accounts. For credit cards, the total amount owed across all accounts in relationship to the total amount of credit lines is an important factor. When a high percentage of a consumer’s credit line is already in use this can indicate overextension and a greater likelihood of missed payments in the future.
- ◆ 15% - **Length of Credit history** is the amount of time the consumer has held credit accounts and how often they are used. This includes how long ago your credit accounts were established. A longer credit history will generally increase your credit score.
- ◆ 10% - **Pursuit of new credit** assesses how many accounts have been opened recently, and the type of account. This includes the number of recently opened accounts as well as requests for new credit. Opening many new accounts in a short period of time may be detrimental to a credit score, especially if the consumer is new to using credit.

- ◆ 10% - **Types of credit in use** analyzes the types of credit a person has in use comparing installment loans, credit cards, retail accounts, mortgage loans, etc.



Information **not calculated** in a FICO credit score includes:

- ◆ Race, color, religion, national origin, sex and marital status;
- ◆ Age;
- ◆ Salary, occupation, title, employer, employment history;
- ◆ Where you live;
- ◆ Interest rates charges on accounts;
- ◆ Overall wealth (assets an individual may have).

A person’s credit score is not the only variable that may be considered by a lender when applying for a loan. Although not included in a consumer’s credit score, some of the variables noted above may still be considered when a lender reviews a loan application.

POSITIVE AND NEGATIVE CREDIT HISTORY

It is important that the information in a credit report reflects responsible credit use. A positive history informs lenders that the consumer is financially responsible and therefore poses less risk. If a consumer is irresponsible with his/her credit, he/she can develop a negative credit history. A negative history may prevent an individual from receiving a job, renting an apartment, or cause them to have to pay higher interest rate for credit they are able to obtain. Positive and negative credit practices include:

POSITIVE	NEGATIVE
<ul style="list-style-type: none"> ◆ Practice good banking techniques such as keeping a checkbook balanced, managing accounts online, and not bouncing any checks ◆ Pay bills consistently and on time ◆ Maintain reasonable amounts of unused credit ◆ Apply for credit sparingly, thus keeping credit inquiries to a minimum ◆ Check credit reports annually and search for errors 	<ul style="list-style-type: none"> ◆ Having non-sufficient funds (NSF) when writing checks, also known as bouncing checks ◆ Routinely paying late on credit cards, utility and cell phone bills ◆ Maxing out limits on credit cards ◆ Numerous credit applications in a short period of time

BUILDING A CREDIT HISTORY

Although the following are all positive financial practices, a credit history is not established if a consumer performs the following actions:

- ◆ Not having any credit accounts in own name;
- ◆ Paying cash for all major purchases
- ◆ Paying phone and utility bills on time (they are only reported if an individual does not pay their bills responsibly).



The 2009 Card Accountability Responsibility and Disclosure (CARD) Act changed how young adults can receive certain types of credit. Under the CARD act, consumers must generally be 21 years of age or older to receive a credit card. Consumers under 21 can still get a credit card, but they need to either have a co-signer or show documentation of sufficient income to make payments. If an individual is under age 21 and has a card with a cosigner, the cosigner must agree in writing to any credit limit increases.

To start building a positive credit history, individuals should acquire and positively manage small lines of credit. The following are credit options for individuals who need to begin building positive credit history:

1. **Cosigner:** For young adults (18 years and older), obtain a credit card with a parent or guardian as co-signer.
2. **Small loan from a depository institution:** Acquire a small loan for an item for which the individual already has money available in a separate account. Then, set up automatic withdrawal to make the payments. Using a local bank or credit union where the individual already has a checking or savings account usually works best.
3. **Obtain a secured credit card:** Secured cards typically require a cash security deposit to ensure payment of the credit card. The larger the security deposit, the higher the credit limit granted. Often a bank does not pay interest on the deposited balance, but will allow the cardholder to “graduate” to a regular (unsecured) credit



If parents or guardians agree to be **co-signers** on an account, they are equally responsible for the loan. Therefore, the loan also is on their credit report as well positively or negatively impacting it depending upon how the credit is managed.

REQUESTING CREDIT REPORTS

A consumer can request his/her credit report any time. The Fair and Accurate Credit Transactions Act entitles consumers to one free credit report each year from each of the three main credit bureaus. Consumers can access their credit reports in three different ways:

- ◆ By accessing the Web site www.annualcreditreport.com
- ◆ By calling toll free at 877-322-8228
- ◆ By sending written requests to Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281¹

The website above is the only website supported by the Federal Government for free annual credit reports. There are other sites that use “free report” in their names or misspell annualcreditreport.com as their URL in the hopes that a consumer will arrive at their website instead. To acquire a credit report, individuals must provide personal information including their name, address, social security number, date of birth, and answer questions about their personal credit history. Individuals needing more than their three free copies annually can acquire them at a price set by law, not to exceed \$10.50.²

It is recommended that consumers check each of their three credit reports once a year to make sure the information is accurate. A consumer can stagger their requests from each credit reporting agency every 4 months to constantly monitor the information.

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This central site allows you to request a free credit file. ~~Request~~ commonly called a "Credit report," once every 12 months from each of the nationwide consumer credit reporting companies: Equifax, Experian and TransUnion.

AnnualCreditReport.com is the official site to help consumers to obtain their free credit report.

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Credit Scoring Companies

(if you click on a company icon, you are directed to their Web site and may have to pay for your credit report.)

MISTAKES IN CREDIT REPORTS

Consumer Reports cited a study in the June 2007 issue stating that consumers find more than 13 million errors on their credit reports.³ Two main errors appearing in credit reports were fraud and mistaken identity. Mistaken identity occurs when a lender reports a credit transaction and information is recorded on the wrong person's credit report, usually of a similar name. In 1971, the Fair Credit Reporting Act (FCRA) was enacted to protect the consumer. It states consumers have the right to know what information is in their credit report and to correct any errors.² This legislation

was designed to promote accuracy and ensure privacy of consumer information in consumer credit reports.

Under the FCRA, if a company denies an individual's application for credit, they must supply the name and address of the credit bureau that the information came from. The consumer can also request a free copy of their credit report to review within 60 days of being denied credit.⁵ If an error is found on a credit report, it is important to immediately contact the credit bureau by phone and in writing.

Many debt repair agencies are available to help a consumer 'fix' his/her negative credit report. However, the Better Business Bureau (BBB) and the Federal Trade Commission (FTC) agree consumers can do just as good of a job repairing their credit reports as a fee based debt repair agency. There is no immediate fix for negative credit and debt repair agencies may just suggest bankruptcy.²