Understanding Credit Reports and Scores...and How to Improve It!
What Will We Cover?

When we are finished, you will understand:

- **Credit Reports and Credit Scores** - What they are and how they are developed.
- **Understanding the Reports** - How to read them and why they are important.
- **Acting On the Information** – What to do to maintain, correct, or improve the information that is on the report.
What is a Credit Report?

It’s a detailed record of your history of borrowing money and paying it back.

- Report card about your credit standing
- Used by lenders, insurance companies, landlords, and employers to determine whether you have good financial habits
- Credit reports are provided by credit bureaus based upon information provided to them by creditors on a voluntary basis
Who Are the Credit Bureaus?

There are three major credit bureaus:
Free Credit Reports

You are entitled to one free copy of your credit report from each of the three credit bureaus annually.

• www.annualcreditreport.com

• 1-877-322-8228

• Annual Credit Report Request Service
  PO Box 105281, Atlanta, GA 30348-5281

• Credit Score does not come automatically with free report
Free Credit Reports

You are entitled to a free credit report if:

• Turned down for a loan
• Didn’t get the best terms on a loan
• Denied insurance or employment based on information in your report
• Unemployed and looking for a job within 60 days
• On welfare
• Information is inaccurate due to fraud or identity theft

You must ask for your report within 60 days of receiving notice of the action. The notice will give you the name, address, and phone number of the credit reporting company.
What is on a Credit Report?

Here is what is contained in your credit report:

- Identification and employment information
- Account information and payment history
- Collection accounts
- Public record
- Inquiries from creditors/potential employers
## Consumer Information:

<table>
<thead>
<tr>
<th>Name</th>
<th>Jane Doe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security Number</td>
<td>123-45-6789</td>
</tr>
<tr>
<td>Birthdate</td>
<td>4/15/1965</td>
</tr>
</tbody>
</table>

| Address 1   | 123 Apple Lane            |
|            | Anywhere, OH 12345        |
| Address 2   | 456 Dove Street           |
|            | Flying High, CA 55443     |

| Current employer | Pretend Manufacturing       |
| Previous employer | Nice Time Employer          |
What is on a Credit Report?

Credit Summary:

<table>
<thead>
<tr>
<th>Revolving Accounts</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Count</td>
<td>4</td>
</tr>
<tr>
<td>Balance</td>
<td>5678</td>
</tr>
<tr>
<td>Current</td>
<td>3</td>
</tr>
<tr>
<td>Delinquent</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Accounts</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Count</td>
<td>6</td>
</tr>
<tr>
<td>Balance</td>
<td>127,428</td>
</tr>
<tr>
<td>Current</td>
<td>5</td>
</tr>
<tr>
<td>Delinquent</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Account Summary</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Open</td>
<td>6</td>
</tr>
<tr>
<td>Closed</td>
<td>0</td>
</tr>
<tr>
<td>Public Records</td>
<td>0</td>
</tr>
<tr>
<td>Inquiries (Prev 2 years)</td>
<td>4</td>
</tr>
</tbody>
</table>
## Account History:

<table>
<thead>
<tr>
<th>Creditor Name - (i.e XYZ Bank)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Account Number</td>
</tr>
<tr>
<td>Account Type</td>
</tr>
<tr>
<td>Responsibility</td>
</tr>
<tr>
<td>Monthly Payment</td>
</tr>
<tr>
<td>Date Opened</td>
</tr>
<tr>
<td>Date Reported</td>
</tr>
<tr>
<td>Balance</td>
</tr>
<tr>
<td>Credit Limit</td>
</tr>
<tr>
<td>High Balance</td>
</tr>
<tr>
<td>Past Due</td>
</tr>
<tr>
<td>Remarks</td>
</tr>
</tbody>
</table>

### Payment History

<table>
<thead>
<tr>
<th>Year One</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012&gt;</td>
</tr>
<tr>
<td>2011&gt;</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>12</td>
</tr>
<tr>
<td>11</td>
</tr>
<tr>
<td>10</td>
</tr>
<tr>
<td>9</td>
</tr>
<tr>
<td>8</td>
</tr>
<tr>
<td>7</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>5</td>
</tr>
</tbody>
</table>
### Public Record Information:

<table>
<thead>
<tr>
<th>Bankruptcy</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Type</td>
<td>Chapter 7 Bankruptcy</td>
</tr>
<tr>
<td>Status</td>
<td>Discharged</td>
</tr>
<tr>
<td>Date Filed</td>
<td>3/25/2006</td>
</tr>
<tr>
<td>Reference Number</td>
<td>B350578609</td>
</tr>
<tr>
<td>Closing Date</td>
<td>5/25/2006</td>
</tr>
<tr>
<td>Court</td>
<td>County</td>
</tr>
<tr>
<td>Liability</td>
<td>$65,700</td>
</tr>
<tr>
<td>Exempt amount</td>
<td>0</td>
</tr>
<tr>
<td>Asset amount</td>
<td>0</td>
</tr>
<tr>
<td>Remarks</td>
<td></td>
</tr>
</tbody>
</table>
Credit Inquiries:

<table>
<thead>
<tr>
<th>Creditor Name</th>
<th>Date of Inquiry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of USA</td>
<td>9/7/2009</td>
</tr>
<tr>
<td>Orange Mortgage Company</td>
<td>10/1/2011</td>
</tr>
</tbody>
</table>
How do I Dispute My Report?

Fair Credit Reporting Act

• The Dispute Process is free
  • Send certified letter to CRA and creditor in question
  • CRAs must investigate within 30 days
• Must delete what they can’t verify
• Must correct inaccuracies
• Must report back to you
• Must share the updated information with the other credit reporting agencies
• Once report is updated, you are entitled to new report
Accurate Negative Information

You can’t have information removed if it is accurate.

- Negative account information will be reported for 7 years from the date of first delinquency
- Chapter 7 bankruptcy - 10 years
- Chapter 13 bankruptcy - 7 years
- Defaulted student loans, judgments on loans, and lawsuits can be listed longer per individual state statute
- Foreclosures – 7 years from the filing date
- Hard Inquiries – 2 years
Credit Scores

What are they?

• A number developed from a calculation using the information from your credit report.

• Most widely used is the Fico Score
  • Scores range from 300-850

• Other scoring models that use the 300 – 850 scoring range
  • Beacon - Equifax
  • Empirica – TransUnion
  • Plus - Experian

• New Score being introduced called Vantage Score
  • Scores range from 300-850

• The higher the score, the better risk you are determined to be and the better rate you will be eligible for.
What Makes Up My Score?

The 5 areas a FICO score considers

- Amount of Debt: 30%
- Payment History: 35%
- Types of Credit Used: 10%
- New Credit: 10%
- Length of Credit History: 15%
Payment History (35%)

Key Factors

- Recency
- Severity
- Frequency
Amount of Debt (30%)

Key Factors

• Credit card debt
• Installment debt
Amount of Debt (30%)

Credit Utilization Ratio

- Total credit limit of 5 cards: $25,000
  - Total of balances: $7,500
  - 30% Credit Utilization

- Total credit limit of 4 cards: $15,000
  - Total of balances: $7,500
  - 50% Credit Utilization

Close one zero balance card with $10,000 credit limit
Length of Credit History (15%)

Key Factors

- How long have accounts been established?
- New accounts
New Credit (10%)

Key Factors

- Inquiries
- New accounts
Types of Credit Used (10%)

Key Factors

- Revolving credit
- Installment credit
- Mortgage credit
The FICO Score Indicates Risk

Chance of 90 days past due or worse over 2 years.

Source: FICO
Compare these two loans

A $10,000 used car loan for 36 months can result in an extra $2,304 in payments over 3 years.

FICO Score <590

Interest rate: 17.179%

$357/Mo

Fico Score 720+

Interest rate: 3.577%

$293/Mo

Source: FICO
When must lenders give me my credit score?

- Lenders are now required to disclose your credit score if you are denied credit or offered credit with less favorable terms.

- The disclosure will include:
  - Your credit score
  - The numerical range of scores
  - Factors that adversely affected the credit score
  - The name of the Consumer Reporting Agency that provided the report
False Credit Score Myths

None of these are true:

• Credit Counseling destroys a credit score
• Closing accounts always helps your score
• Checking your FICO score can hurt your credit
• All credit reports are the same
• A divorce decree automatically severs joint accounts
• I don’t need to check my credit report if I pay my bills on time
These steps will improve your credit score:

• Pay bills on time

• Reduce debt

• Keep balances low relative to your credit limits

• Apply for and open new lines only when you need them

• Check your credit report for accuracy and clear errors as soon as possible
Establishing Credit

- Secured Credit Card
- Bank Card
- Retail Card
- Secured Loan
  - CD Loan
- Co-signer

Check with your financial institution. Many have credit building products.
Opting Out

- Credit Card Solicitations
  - Call 1-888-5-OPT-OUT (567-8688)
  - Website: www.optoutprescreen.com
  - Stops credit bureaus from selling your name
  - You can choose to be off lists for 5 years or permanently

- Do Not Call Registry
  - Stops telemarketing solicitations
  - Register at www.donotcall.gov or 1-888-382-1222
More Resources

These organizations can help:

Apprisen
1-800-355-2227
www.apprisen.com

Federal Trade Commission
www.ftc.gov

Consumer website for credit scores
www.myfico.com
www.scoreinfo.org

Free Credit Reports
www.annualcreditreport.com

Equifax
1-800-685-1111
www.equifax.com

TransUnion
1-800-888-4213
www.transunion.com

Experian
1-888-397-3742
www.experian.com
For more information about managing your personal finances, call Apprisen at:

1-800-355-2227

Follow us on Twitter, Google +, Pinterest, and LinkedIn: @Apprisen

Like us on Facebook