Credit Reports and Scores

Advanced Level





The Credit Process

Credit – goods, services, and/or money received in exchange for a promise to pay back a definite sum of money at a future date





How Credit Reports are Created





Credit Reporting Agencies

Three U.S. Agencies:

- Equifax
- Experian
- TransUnion

A person's credit report may vary across the three CRA's

If credit has never been used (or reported) an individual will not have a credit report





Credit Report Detectives

YOUR MISSION:

- 1. Help Isabella understand her credit report
- 2. Identify what she did to get into this situation
- 3. Decide what she can do to improve her credit report







Information in a Credit Report





Consumer (personal) Information

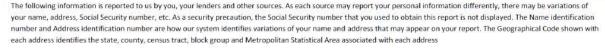
Information provided to lenders when applying for credit

Name

- Current and previous addresses
- Telephone number
- Full or partial social security number
- Date of birth
- Employment history

Personal Information

Place a ★ next to Isabella's personal information



Names:

ISABELLA G. LANGLEY Number identification number: 14965 ISABELLA LANGLEY Number identification number: 14966 I. LANGLEY Number identification number: 14967 Social Security number variations: 999999999 Year of birth: 1991 Address: 101 1st Avenue, Apt. 1 Anywhere, AZ 00000 Address identification number: 0938270011 Type of Residence: Apartment Geographic Code: 0-132974-26-6822 Address: 104 Neat Street Anywhere, NY 10000 Address identification number: 0938241062 Type of Residence: Multifamily Geographic Code: 0-132559-85-1212 Employers: LUCKY'S RESTAURANT JANE'S DAYCARE Telephone Numbers: (555) 354-2368 Residential (555) 500-0000 Residential

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Credit Account Information

Specific information about each credit account you have or have had





Types of Credit

	Closed-end credit (installment)	Open-end credit <u>(revolving)</u>	
Definition	Borrower repays a specified number of equal payments	Line of credit established in advance	
Features	Contract outlines repayment terms	Borrower chooses how much to pay	
Examples	Automobile loans Education loans Mortgages	Credit cards	



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Types of Credit

What section of the Sam's Electronic World account on Isabella's credit report describes the type of credit?

SAM'S ELECTRONIC WORLD

Status: Open/Past due 60 days.Date Opened:Type:02/2009RevolvingReported Since:Terms:	Credit Limit/Original Amount: \$500
02/2009 Revolving	
02/2010 N/A Date of Status: Monthly 10/2012 \$0 Last Reported: INDIVIDUA 10/2012 NDIVIDUA	\$84 as of 11/2012 ility: Recent Payment:

30 days as of 09-2012

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Is this a closed-end or open-end credit account?



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Loan Amount/Credit Limit

What sections of Sam's Electronic World account describe loan amount/ credit limit?

SAM'S ELECTRONIC WORLD

Address: 123 MAIN STREET ANYWHERE, AZ 00000

Account Number: 3624****

Status: Open/Past due 60 days.

Date Opened:	Type:	Credit Limit/Original Amount:
02/2009	Revolving	\$500
Reported Since:	Terms:	High Balance:
02/2010	N/A	\$550
Date of Status:	Monthly Payment:	Recent Balance:
10/2012	\$0	\$84 as of 11/2012
Last Reported:	Responsibility:	Recent Payment:
10/2012	INDIVIDUAL	\$0

Account History:

1

60 days as of 10-2012 30 days as of 09-2012

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Date Account Was Opened

What section of Sam's Electronic World account describes date opened?



SAM'S ELECTRONIC WORLD

Address: 123 MAIN STREET ANYWHERE, AZ 00000 Account Number: 3624****

Status: Open/Past due 60 days.

Date Opened: 02/2009	Type: Revolving	Credit Limit/Original Amount: \$500
Reported Since:	Terms:	High Balance:
02/2010	N/A	\$550
Date of Status:	Monthly Payment:	Recent Balance:
10/2012	\$0	\$84 as of 11/2012
Last Reported: 10/2012	Responsibility: INDIVIDUAL	Recent Payment: \$0
Account History:		

60 days as of 10-2012

30 days as of 09-2012

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Account Balance

Amount the borrower still has to pay back to the lender

What section of Sam's Electronic World account describes account balance?



SAM'S ELECTRONIC WORLD

Address: 123 MAIN STREET ANYWHERE, AZ 00000	Account Number: 3624****	
Status: Open/Past due 6	0 days.	
Date Opened: 02/2009 Reported Since: 02/2010 Date of Status: 10/2012 Last Reported: 10/2012	Type: Revolving Terms: N/A Monthly Payment: \$0 Responsibility: INDIVIDUAL	Credit Limit/Original Amount: \$500 High Balance: \$550 Recent Balance: \$84 as of 11/2012 \$0
Account History: 60 days as of 10-2012 30 days as of 09-2012		



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Payment Information

What sections of Sam's Electronic World account describe payment information?

SAM'S ELECTRONIC WORLD

Address: 123 MAIN STREET	Account Number: 3624****	
Status: Open/Past due 60	days.	
Date Opened: 02/2009 Reported Since: 02/2010 Date of Status: 10/2012 Last Reported: 10/2012	Type: Revolving Terms: N/A Monthly Payment: \$0 Responsibility: INDIVIDUAL	Credit Limit/Original Amount: \$500 High Balance: \$550 Recent Balance: \$84 as of 11/2012 Recent Payment: \$0
Account History: 60 days as of 10-2012 30 days as of 09-2012		



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Public Records

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Information from federal, state and county public court records

Does Isabella have any public records?





Potentially Negative Items

Public Records

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

CITY OF ANYWHERE COURT CLERK

Address: 1 COURTHOUSE LANE ANYWHERE, AZ 11000	Identification Number: 10-11-15	Plaintiff: CITY OF ANYWHERE
Status: Collection account. \$680 past	due as of 12-2012	Status Details: The item was verified and updated as in Dec 2012.
Date Filed: 06/01/2012 Date Resolved: N/A Responsibility: INDIVIDUAL	Claim Amount: \$358 Liability Amount: N/A	

MAIN COLLECTION AGENCY

	Address:	Account Number:			
	1001 TOWN BLVD ANYWHERE AZ 10000	000102331****		Unpaid traffic	
	Status: Collection account	t. \$680 past due as of 01-2013		ticket which	
	Date Opened:	Туре:	Credit Limit/Original Amount:		
	07/2004 Reported Since:	Revolving Terms:	\$550 High Balance:	City of	
	08/2004 Date of Status: 10/2012	N/A <mark>Monthly Payment:</mark> \$0	\$680 Recent Balance: \$680 as of 10/2012	Anywhere	
	Last Reported: 10/2012	Responsibility: INDIVIDUAL	Recent Payment: \$0	turned over to	
	Account History: 90 days as of 05-2012			Main	
NIVEI RIZO	60 days as of 04-2012 30 days as of 03-2012			Collection	

NODOV

Inquiry Information

Requests for an individual's credit report

• Must be a result of actions by the consumer

<u>Or</u>

• Be a result of a permissible purpose

Place a [©] next to Isabella's inquiry information

Isabella's Actions:

- Keeping You Insured

Permissible Purpose:

- The Dream Sales Job
- Flexperian
- Keeping You Insured
- Need More Credit?

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Inquiry Information

 Impact is reduced if shopping for the same type of loan within a 14-day period

- Inquiries not initiated by you
- Inquiries not related to credit
- Checking your own report



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Types of Lenders Who Report to CRA's

Lenders report <u>all</u> <u>information</u>, positive and negative

What type of lenders have repead about Isabella?



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Types of Data Furnishers Who Report to CRA's

Data Furnishers report when money is <u>owed</u> to them

CRA's are encouraging regular payment information to be reported to help consumers build a positive credit history.

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What is an example of a data furnisher on Isabella's report?

at the University of Arizona



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Your Present Self Impacts Your Future Self





Credit Score

Mathematical number

created to help evaluate the risk with lending a consumer money





Credit Scores

Most common scoring systems are produced by credit reporting agencies:

Scoring System	Score Range
FICO	300 - 850
VantageScore	501 - 990





Credit Score Impact

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Credit history helps a lender determine the terms of credit granted

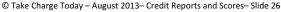
EXAMPLE: \$15,000 LOAN (3 YEAR FIXED AUTOMOBILE)				
FICO Score	Interest Rate	Monthly Payment	3 Year Amount	
730	6.16%	\$457	\$16,452	
660	8.77%	\$475	\$17,100	
590	14.43%	\$516	\$18,576	

\$2,124 can be saved over the lifetime of this loan because of a good credit score!

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Credit History Affects More than Credit

What are examples of how Isabella's credit history is affecting her financial well-being?

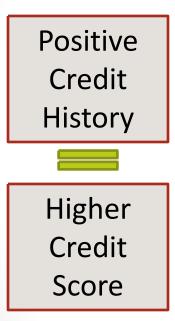


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Positive Credit History







Strategies to Build Credit

Acquire and positively manage small lines of credit

Having **no credit history** may be just as challenging to a consumer as having a negative history

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Requesting a Credit Report



Only government-sponsored free website



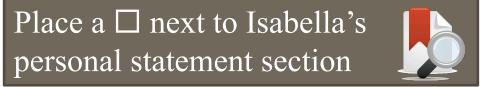


Accessing Your Credit Score





If an Error is Found





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Credit Repair Agencies

- Offer to help a consumer "fix" his/her negative credit report
- According to the Better Business Bureau (BBB) and the Federal Trade Commission (FTC):
 - Consumers can do just as good of a job repairing their credit report errors as a fee-based debt repair agency
 - Be cautious of debt repair agencies promising instant help because there is no immediate fix for negative credit





Talitha and Brendan's Advice

- 1. Review Isabella Langley's Story
- 2. Identify two pieces of advice both Talitha and Brendan provided
- 3. Determine if the advice was good and why or why not





Advice Isabella Was Given

- Isabella's credit score will improve as soon as she:
 - Settles her delinquent accounts
 - gets a better interest rate on existing loans
- Opening new accounts, even if not used, provides evidence of credit worthiness
- Pay someone else to fix her credit



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Credit Report Detective's Advice

What are three pieces of advice for Isabella?

- Pay her Sam's Electric World card so it is not past-due
- Settle her traffic ticket so she is no longer in collections
- Create and use a spending plan so as not to rely so heavily on credit
- Set up automatic payments so that her credit payments are never late
- Contact her school loan agencies to set up a payment plan
- Pay down her credit card balances by paying more than the minimum payment
- Continue monitoring her credit reports
- Talk to Talitha and Brendan to educate them on what she learned.





Summary

Your Present Self Impacts Your Future Self



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