Smith College / 10 Seven
Fund Your Future Course Development
Track 1 / Module 3: The Credit System

Detailed Outline

Notes before diving in:

- Key
    - [Platform experience notes]
    - [Indicates a source is needed]
    - **Black bold text is a new page/screen that students will**
    - **Blue bold/underline text indicates a link that will need to be created**
    - **Pink bold text indicates a key definition**
    - [Internal team notes]
    - Plain black text: Rough draft of content language/text. It will be edited and expanded upon. However, what's written here will give a feel for how the story will flow.

The Credit System: Introduction

[New Page] You've likely heard the word "credit" being used in different contexts - credit reports, credit scores, credit freezes, credit monitoring, building credit….

- But what do all these words mean? And how do they all apply to you and your financial life?

[New Page] In this module, we'll take a deep dive into the credit system.

- Specifically, we'll cover:
    - When, why, and how **credit scores** are used
        - [Give option to hover over "credit scores" and show definition - ***credit scores:*** *A prediction of your credit behavior, such as how likely you are to pay a loan back on time, based on information from your credit reports. It is used by lenders to make decisions on whether to offer you credit products, such as a mortgage, credit card, or auto loan, and to determine the interest rate and credit limit you receive (What is a credit score?, 2023). Companies use scoring models to create your credit score from the information in your credit report (What is a credit score?, 2023). The highest score is 850, and the lowest score is 300.]*
    - How to build credit and barriers to building credit
    - How to access and check your **credit report**
        - [Give option to hover over "credit report" and show definition - ***credit report:*** *A statement that has information about your credit activity, such as loan payment history and the status of your credit accounts. Lenders use these reports to help them decide if they will loan you money and what interest rates they will offer you. Other businesses might use your credit reports to determine whether to offer you insurance, rent a house or apartment to you, provide you with cable TV, internet, utility, or cell phone service (What is a credit report?, 2024). Employers may also use it to make employment decisions about you (What is a credit report?, 2024).]*
    - How to **dispute your credit report** if you find inaccuracies or are a victim of identity theft

        - [Give option to hover over “dispute your credit report” and show definition - ***disputing your credit report:*** *If you notice an inaccuracy on your credit report, you can dispute your report. You must do so at each of the credit bureaus.]*
    - Dive deep into the world of **alternative data**
        - [Give option to hover over “alternative data” and show definition - ***alternative data:*** This refers to any data that is not directly related to a consumer's credit behavior that is factored into credit decision-making.]
    - Cover how the credit system and credit score calculations may evolve in the future

[New Page] If you feel like you’ve already got a good handle on the world of credit, great! If this topic feels new and potentially daunting, welcome!

- This module is meant for everyone. In it, we provide you with foundational information and details that may not be readily known or are not always mentioned or readily available when engaging in the credit system.

[New Page] Why is it important to know all about the credit system?

- Your credit score is one of the most significant factors influencing your socioeconomic experiences!
- It directly affects things like your ability to get a loan, a job, housing, insurance, a phone, and more. If you think about it, most basic needs, aside from food, are tied to your credit history and credit score (What is a credit score?, 2023; Understanding Your Credit, 2024).
- If you’re surprised by the scope of the credit system and want to understand how it affects so many aspects of your ability to participate in the economy and society, we absolutely get it! And that’s why we’ve built this module.

[New Page] So, before we dive in, let’s start with the Credit System Key Concepts.

    - [Button] **Continue to Unit 1: The Credit System Key Concepts**

Unit 1: The Credit System Key Concepts

[New Page] We know a lot of you might already be familiar with foundational credit system terminology. Some of you may not, and that’s okay! Before diving into more complex topics, we will review foundational credit system terms and concepts that you may or may not be familiar with.

[New Page] Before we move on, we want to note that there are many commonly used industry terms that we believe can be shame-inducing. We consider them to be problematic, but we use them in this module because they are industry standards, always with a disclaimer that highlights their shame-inducing nature.

- [Include a caution sign graphic with this explanation that we can insert whenever a problematic / shame-inducing term is used in the module]

[New Page] Directions: You’ll see each term on a digital flashcard and the corresponding definition on the back. You can come back to these flashcards and flip through the stack as many times as you want. You must flip through the cards at least once to move on to Unit 2. We’ll also highlight key terminology throughout the course, so don’t worry about having to memorize everything right now.

    - [Studying GIF]

- **[Button]: Let’s go!**

[Activity: Show as flashcards that students can flip through and randomize to practice their terminology.]

- **Credit Bureaus -** Collect and gather credit account information about your borrowing and repayment history such as the amount of a loan, the credit limit on a credit card, the balance on a credit card or other loan, the payment status of the account, items sent for collection, and history of late payments (What is a credit reporting company?, 2020). This information is compiled into credit reports about individual consumers. There are three nationwide credit bureaus: Equifax, TransUnion, and Experian.

- **Credit Scoring Models -** Software that can analyze a credit report to generate a credit score (DeNicola, 2023).

- **Credit Score -** A prediction of your credit behavior, such as how likely you are to pay a loan back on time, based on information from your credit reports. It is used by lenders to make decisions on whether to offer you credit products, such as a mortgage, credit card, or auto loan, and to determine the interest rate and credit limit you receive (What is a credit score?, 2023). Companies use scoring models to create your credit score from the information in your credit report (What is a credit score?, 2023). The highest score is 850, and the lowest score is 300.

- **Credit Report -** A statement that has information about your credit activity, such as loan payment history and the status of your credit accounts. Lenders use these reports to help them decide if they will loan you money and what interest rates they will offer you. Other businesses might use your credit reports to determine whether to offer you insurance, rent a house or apartment to you, provide you with cable TV, internet, utility, or cell phone service (What is a credit report?, 2024). Employers may also use it to make employment decisions about you (What is a credit report?, 2024).

- **FICO® Score -** A particular brand of credit scoring model. (What is a FICO Score?, 2020). In the US, two companies dominate the credit scoring industry: FICO Score and VantageScore. FICO developed a method for calculating credit scores based on information collected by credit reporting agencies. Most lenders still use FICO Score when deciding whether to offer you a loan or credit card, and in setting the rate and terms. Because the credit reporting data at each bureau - Experian, Equifax, and TransUnion - can be different, your FICO Score may be different depending on which agency's data is used to calculate it (What is a FICO score? n.d.).
    - **[Button]: Learn more**
        - [This button should bring you to a video that provides a mini history lesson on the origin of the FICO Score. We'd like to turn the narrative below into a video.]

- **FICO® Score History**
    - Back in the day, local bankers in towns controlled the local economy. Most of their decisions were based on personal relationships and evaluating certain details about your life, such as your church attendance habits, family background, work history, race, and ethnic group affiliation. They might also take a quick look at the numbers on your loan application form, but life details carried a lot of weight. In this system, bankers were more likely to trust people from their

own circles and make biased decisions that excluded women and minorities (O'Neil, 2017).
  - Imagine how hard it was for Black and Brown folks to access a bank and talk to a lender, especially in the Jim Crow South. At that time, women weren't even legally allowed to access capital or open bank accounts without the permission of their husbands or fathers (if they were unmarried)!
  - Then, along came an algorithm to combat this unfair system. Mathematician Earl Isaac and his engineer friend, Bill Fair, created the FICO model to evaluate the risk that an individual would default on a loan. This score was intended to be non-biased and was fed by a formula that looked only at a borrower's finances (mostly debt load and bill-paying record) (O'Neil, 2017). The credit score system was conceived as a race-neutral, data-driven measurement of a person's "creditworthiness." Side note - "creditworthiness" is a problematic term that is commonly used in the credit system. We reject the use of this word because it can be shame-inducing, but we will use it in specific moments throughout this module to reflect the language used in the industry, always with this disclaimer.
  - Its original intention was to provide equal credit opportunities for all individuals. Dr. Martin Luther King Jr., during the time he focused on economic injustices and the war on poverty, was a proponent of equal credit opportunities (the precursor to the credit score), specifically fair access to housing and credit markets (Baradaran, 2017; Clarke, 2024).
  - Ultimately, this formula was beneficial for the banking industry, as it predicted risk more accurately while opening the door to millions of new consumers.
  - The FICO Score is the most widely used credit scoring model today.
  - However, as we'll learn in this module, the FICO Score is an algorithm that is informed by data that perpetuates systematic oppression and financial exclusion; more on that later.

- **VantageScore® -** A brand of credit scoring model. It was created and introduced by the three credit bureaus in 2006 to compete with the most popular credit scoring model, FICO Score (DeNicola, 2023). VantageScore uses data in your credit reports with each of the credit bureaus and runs it through an algorithm that calculates your score. It calculates scores slightly differently from the FICO scoring model. Similarly to the FICO Score, it generates one score for each of your three credit reports, which often are not the same because some financial institutions don't report your account information to all three credit bureaus, so one account might only show up on one or two of your reports instead of on all three (The Complete Guide to Your VantageScore, n.d.).

- **Length of Credit History -** This is one of the factors that make up your credit score. Having a longer credit history is positive for your credit score. Your score takes into account the length of time your credit accounts have been established, including the age of your newest account and the average age of all your accounts (How are FICO Scores Calculated?, n.d.).

- **Payment History -** This is one of the factors that make up your credit score. Lenders want to know whether you've paid past credit accounts on time (How are FICO Scores Calculated?*, 2018)*. If you make your payments on time, or if you are late (specifically, more than 30 days late) on your payments, it will impact your credit score (Sato, 2025). Conversely, if you are always on time, that will positively affect your score.

- **Credit Mix -** This is one of the factors that make up your credit score. It takes into consideration your mix of credit cards, retail accounts, installment loans, mortgage loans, and other types of accounts (How are FICO Scores Calculated?*, 2018).*

- **Capacity/Credit Card Utilization/Amounts Owed -** This is one of the factors that make up your credit score. It is the amount of revolving credit you're using divided by the total revolving credit available to you (How are FICO Scores Calculated?*, 2018)*. (Revolving credit accounts are things like credit cards, while mortgages and other fixed loans are considered installment accounts.) Lenders and creditors generally prefer a credit utilization rate of 30% or lower (DeNicola, 2023). If you are using a lot of your available credit, banks can interpret this to mean that you are at a higher risk of defaulting. This arbitrary choice often fails to account for how common it is for people to be required to use resources for basic needs, given the affordability crisis in our country.

- **New Credit -** This is one of the factors that make up your credit score. Opening several credit accounts in a short amount of time represents a greater risk, especially for people who don't have a long credit history (How are FICO Scores Calculated?*, 2018)*.

- **"Good Debt" -** Lenders classify debt as "good debt" or "bad debt." We reject this categorization, but will explain it because it may be what you hear. "Good debt" refers to things like installment loans, such as mortgages, car loans, or even student loans (if paid on time) (Good Debt vs. Bad Debt, n.d.). "Bad debt" is considered to be credit card debt (Good Debt vs. Bad Debt, n.d.). However, consider individuals experiencing wage inequities or unfair wages, some must resort to credit cards to finance their basic needs. And unfortunately, because the lenders and the credit score industry consider that "bad debt", it's going to have a more negative effect on your credit score.
    - [Insert caution icon by term "good debt" and allow students to hover over icon, and this disclaimer should pop up: This industry standard term can be shame-inducing. In the definition, we explain why]

- **"Bad Debt" -** "Bad debt" is revolving credit. A common example is credit cards. Using more than 40% of your credit limit can negatively impact your credit score. Credit card debt is often considered "bad" if not managed correctly (Good Debt vs. Bad Debt, n.d.). As mentioned in the definition of "good debt," many individuals who experience wage inequities or unfair/non-livable wages are forced to use credit cards to finance their basic needs. Because it is considered "bad debt", it's going to have a more negative effect on your credit score.
    - [Insert caution icon by term "bad debt" and allow students to hover over icon, and this disclaimer should pop up: This industry standard term can be shame-inducing. In the definition, we explain why]

- **Installment Loan -** A type of loan where you borrow a sum of money and must pay it back in fixed amounts, called "installments." These loans are closed-end loans, meaning that the lender provides you with the entire amount upfront (What is a personal installment loan?, 2024). You must generally pay it back in set or fixed amounts over a specific period of time. The terms of the loan are determined by credit score, income, debt, loan amount, and loan length, as well as interest rates by state, and bank account transactions (What is a personal installment loan?, 2024). Payment failure may significantly impact a credit score.

- **Revolving Credit -** A type of credit account that allows you to borrow up to a certain limit repeatedly. Making payments reduces the balance owed and frees up credit, which can be used again. This type of account typically requires a minimum monthly payment if you have a balance (Axelton, 2023). You must make a minimum payment of at least that amount each month to remain in good standing. If you miss a payment, you may be charged a late fee. If the late payment persists, the delinquent account may be reported to the credit bureaus, which could potentially harm your credit score.

- **Principal -** The original sum of money that is borrowed in a loan.

- **Delinquencies -** Delinquencies mean you have not paid your financial obligations back on time. On your report, you may see 30 days, 60 days, or 90 days delinquent. Delinquent accounts won't appear in your credit report until you're at least 30 days past due and the creditor reports the late payment to the bureaus (DeNicola, 2024).

- **Collections -** If your financial obligation is delinquent for long enough, the institution where you borrowed the money may send it into collections, which is an institution whose primary purpose is to collect your money - often by any means necessary (Akin, 2025).

- **Interest Rate/Interest -** The cost you pay to the lender for borrowing money to finance your loan, on top of the loan amount or principal. The higher the interest rate, the more you'll pay over the life of your loan. There are many instances where the interest rates given to borrowers are unjust, unfair, and/or discriminatory.

- **Disputing Your Credit Report -** If you notice an inaccuracy on your credit report, you can dispute it. You must do so at each of the credit bureaus.

- **Educational Credit Score -** Generally, when we use a platform to access and check our credit score for free (think Credit Karma), we are seeing our "educational score." These scores are often referred to as educational scores because they help consumers understand how they are perceived as borrowers broadly (What is a credit score?, 2023). These educational scores, however, are not the same scores lenders rely on to determine consumers' risk profiles.

- **Credit Cards -** Credit cards work by allowing you to borrow money to pay for a purchase now, then repay the balance later. They're a type of revolving credit. That means they allow you to borrow up to a set credit limit, and you can repeatedly borrow and pay off your balance. If you don't pay off your balance in full each month, you could be charged interest.

- **Information Asymmetry -** When one party has more or better information than the other, it creates an imbalance and an unfair advantage (McKenzie, 2023). This practice institutionalizes a power dynamic that can be harmful. An example of this is when consumers do not have access to the same credit scores that lenders do.

- **Secured Credit Card -** A special type of card that requires a cash deposit — usually equal to your credit limit — to be made when you open the account (What Is a Secured Credit Card?, n.d.*)*. This money then acts as collateral every time you make a purchase. If you fail to make payments on time or default on your debt, your lender can use the deposit to reimburse itself (What Is a Secured Credit Card?, n.d.*)*. The payment history for your secured card may be reported to the three nationwide credit bureaus — Equifax, TransUnion, and Experian. It is often used as a tool to build credit.

- **Unsecured Credit Card -** A credit card that doesn't require a security deposit as collateral (DeNicola, 2022).

- **Credit Builder Loan -** A loan that is designed to help borrowers build credit, rather than simply borrowing money. With traditional loans, you borrow a lump sum of money and make monthly payments until it is repaid. This type of loan still requires monthly payments, but instead of you getting the money up front, the financial institution sets aside the loan amount in a savings account, and you receive the money after making all monthly payments (What is Credit-Builder Loan?, n.d.).

- **Authorized User -** A person added to a credit card account by the card's owner, the primary cardholder, to help you improve or build your credit. Sometimes, parents will make their children authorized users to help them build credit history.

- **Individual Taxpayer Identification Number (ITIN) -** An ITIN is a 9-digit number issued by the IRS for people who are not eligible for an SSN but need to file taxes. It can also be used for specific financial purposes, such as opening a bank account or establishing credit.

- **Hard Inquiry/Hard Pull -** Occurs when a creditor accesses your credit file to assess your "creditworthiness" and potentially approve you for a credit card, loan, or line of credit (Luthi, 2024). Applying for a new line of credit triggers what's known as a "hard inquiry" on your credit report. Numerous hard inquiries within a short period of time can negatively impact your credit score, as it may suggest to lenders that you're taking on more debt than you can reasonably expect to pay back (Luthi, 2024). Again, this perpetuates a culture that the individual is not "savvy" enough, as opposed to understanding that we may be forced to execute hard inquiries because we need access to capital.
    - [Insert caution icon by term "creditworthiness" and allow students to hover over icon, and this disclaimer should pop up: This industry standard term is problematic and shame-inducing. We are all worthy!]

- **Soft Inquiry/Soft Pull -** Appears on your credit report when someone runs a credit check for reasons unrelated to lending you money. Credit score calculations generally don't consider "soft inquiries," which are requests to check your credit report that are not tied to an actual credit application. (Luthi, 2024). Checking your own credit score also will not impact your credit score or credit history.

- **Alternative Data -** Any data that is not directly related to a consumer's credit behavior that is factored into credit decision-making (How to Use Alternative Data in Credit Risk Analytics, 2024).

- **Underwriting -** The process of a lender deciding whether a loan applicant should receive a loan. This involves a lender conducting an in-depth review of your credit and financial background to determine your eligibility for a loan.

- **Equal Credit Opportunity Act -** Prohibits discrimination on the basis of race, color, religion, national origin, sex, marital status, age, receipt of public assistance, or good faith exercise of any rights under the Consumer Credit Protection Act (Equal Credit Opportunity Act, 2013). It also requires creditors to provide applicants, upon request, with the reasons underlying decisions to deny credit.

- **UltraFICO® Score -** A credit scoring model that incorporates data from your bank accounts, specifically targeted for individuals who have low credit scores or no credit because they do not have credit cards, loans, or other lines of credit (Luthi, 2020). To improve access to credit, there has been a movement among fintechs, credit bureaus, and other financial institutions to collect alternative data for use in scoring models, supplementing or supporting lending decisions. The UltraFICO® Score is a form of open banking.

- **Open Banking** - Refers to systems that empower bank customers to share their financial data from their accounts in commercial banks with other entities via application programming interfaces or APIs (Hu & Xie, 2024). This form of data sharing has raised some big concerns, specifically privacy breaches, data security, and vulnerability to cybercrime and fraud (Hu & Xie, 2024).

- **Experian Boost -** A feature offered by Experian that is advertised as a way to improve your FICO score by adding household bill payments to your Experian report (Stolba, 2022). Beyond concerns about sharing personal data, there is evidence that Experian Boost is not guaranteed to work because some payments are not eligible (Kissell, 2023). It also only works with your Experian credit score; you won't see a difference in your TransUnion or Equifax scores. When you apply for credit, lenders may review your credit from any one of the credit bureaus, so an increase in your Experian credit score may not actually improve your odds for a loan or credit card if the lender uses Equifax or TransUnion (White, 2020).

- **Fair Credit Reporting Act -** Protects information collected by consumer reporting agencies, including credit bureaus, medical information companies, and tenant screening services (Fair Credit Reporting Act, 2013). Information in a consumer report cannot be provided to anyone who does not have a purpose specified in the Act. Companies that provide information to consumer reporting agencies also have specific legal obligations, including the duty to investigate disputed information (Fair Credit Reporting Act, 2013). Additionally, users of information for credit, insurance, or employment purposes must notify the consumer when an adverse action is taken based on such reports (Fair Credit Reporting Act, 2013).

- **Protected Traits -** The Equal Credit Opportunity Act makes it illegal for a creditor to discriminate against credit applicants on the basis of race, color, religion, national origin, sex (including sexual orientation and gender identity), marital status, age, because an applicant receives income from a public assistance program, or because an applicant has in good faith exercised any right under the Consumer Credit Protection Act. (What protections do I have against credit discrimination?, n.d.).

- **Risk Profile -** Lenders assess borrowers' credit scores to determine their risk profile and evaluate their likelihood of failing to repay a debt (Borrower risk profiles, n.d.)

- **Furnisher -** Examples include your bank, your landlord, and your credit card company. Credit bureaus gather information from these companies (How do I dispute an error on my credit report? n.d.).

- **Financial Technology Company (Fintech Company) -** Companies that rely primarily on technology to conduct fundamental functions provided by financial services like storing, savings, borrowing, investing, moving, paying, and protecting money. These companies have entered every corner of finance—in the U.S, almost one in two consumers in 2021 used a fintech product (What is fintech?, 2024).

- **[New page]** Now that you've practiced, let's test your knowledge. Drag and drop the terms from the bottom half of the screen to their corresponding definitions at the top of the screen.
    - [Create drag and drop activity for each of the five questions below - when students get it wrong, have an animation or a message that says "try again!"; when students get it right, show a checkmark or other simple animation]
    - [Could we show a quick animation that simulates the drag/drop exercise? Maybe one box has "definition" and the other box has "term," and it's just a visualization of a mouse clicking and dragging the term to the definition.]
- [New page] **Question 1 of 5**
    - [Top of screen - show definitions in boxes]
        - Any data that is not directly related to a consumer's credit behavior that is factored into credit decision-making How to Use Alternative Data in Credit Risk Analytics, 2024).
            - [The correct answer is Alternative Data]
        - This is one of the factors that make up your credit score. It takes into consideration your mix of credit cards, retail accounts, installment loans, mortgage loans, and other types of accounts (How are FICO Scores Calculated?, 2018).
            - [The correct answer is Credit Mix]
    - [Bottom of screen - show terms in boxes that they can drag to the right definition]
        - Alternative Data
        - Credit Mix
- [New page] **Question 2 of 5**
    - [Top of screen - show definitions in boxes]
        - A statement that has information about your credit activity, such as loan payment history and the status of your credit accounts. Lenders use these reports to help them decide if they will loan you money and what interest rates they will offer you. Other businesses might use your credit reports to determine whether to offer you insurance, rent a house or apartment to you, provide you with cable TV, internet, utility, or cell phone service (What is a credit report?, 2024). Employers may also use it to make employment decisions about you (What is a credit report?, 2024).
            - [The correct answer is Credit Report]
        - A prediction of your credit behavior, such as how likely you are to pay a loan back on time, based on information from your credit reports. It is used by lenders to make decisions on whether to offer you credit products, such as a mortgage, credit card, or auto loan, and to determine the interest rate and credit limit you receive (What is a credit score?, 2023). Companies use scoring models to create your credit score from the information in your credit report (What is a credit score?, 2023). The highest score is 850, and the lowest score is 300.
            - [The correct answer is Credit Score]
    - [Bottom of screen - show terms in boxes that they can drag to the right definition]

        - Credit Report
        - Credit Score
- [New page] **Question 3 of 5**
    - [Top of screen - show definitions in boxes]
        - A type of loan where you borrow a sum of money and must pay it back in fixed amounts, called "installments." These loans are closed-end loans, meaning that the lender provides you with the entire amount upfront (What is a personal installment loan?, 2024). You must generally pay it back in set or fixed amounts over a specific period of time. The terms of the loan are determined by credit score, income, debt, loan amount, and loan length, as well as interest rates by state, and bank account transactions (What is a personal installment loan?, 2024). Payment failure may significantly impact a credit score.
            - [The correct answer is Installment Loan]
        - A type of credit account that allows you to borrow up to a certain limit repeatedly. Making payments reduces the balance owed and frees up credit, which can be used again. This type of account typically requires a minimum monthly payment if you have a balance (Axelton, 2023). You must make a minimum payment of at least that amount each month to remain in good standing. If you miss a payment, you may be charged a late fee. If the late payment persists, the delinquent account may be reported to the credit bureaus, which could potentially harm your credit score
            - [The correct answer is Revolving Credit]
    - [Bottom of screen - show terms in boxes that they can drag to the right definition]
        - Installment Loan
        - Revolving Credit
- [New page] **Question 4 of 5**
    - [Top of screen - show definitions in boxes]
        - Collect and gather credit account information about your borrowing and repayment history, such as the amount of a loan, the credit limit on a credit card, the balance on a credit card or other loan, the payment status of the account, items sent for collection, and history of late payments (What is a credit reporting company?, 2020). This information is compiled into credit reports about individual consumers. There are three nationwide credit bureaus: Equifax, TransUnion, and Experian.
            - [The correct answer is Credit Bureaus]
        - Software that can analyze a credit report to generate a credit score (DeNicola, 2023).
            - [The correct answer is Credit Scoring Model]
    - [Bottom of screen - show terms in boxes that they can drag to the right definition]
        - Credit Bureaus
        - Credit Scoring Model
- [New page] **Question 5 of 5**
    - [Top of screen - show definitions in boxes]
        - A person added to a credit card account by the card's owner, the primary cardholder, to help you improve or build your credit. Sometimes, parents will make their children authorized users to help them build credit history.
            - [The correct answer is Authorized User]
        - A special type of card that requires a cash deposit — usually equal to your credit limit — to be made when you open the account (What Is a

Secured Credit Card?, n.d.). This money then acts as collateral every time you make a purchase. If you fail to make payments on time or default on your debt, your lender can use the deposit to reimburse itself (What Is a Secured Credit Card?, n.d.). The payment history for your secured card may be reported to the three nationwide credit bureaus — Equifax, TransUnion, and Experian. It is often used as a tool to build credit.
            - [The correct answer is Secured Credit Card]
    - [Bottom of screen - show terms in boxes that they can drag to the right definition]
        - Authorized User
        - Secured Credit Card
- **[New page] Yay! You completed Unit 1: The Credit System Key Terms and Concepts**
    - [Show dancing/celebration gif]
    - [Quick survey] How are you feeling? Tell us using one of the emojis below.
        - [Show emojis on screen and allow users to click one]
        - 😃😅🤔😐🥴😴😡
    - [give the following button options for next steps]
        - Return to Home
        - Start Unit 2: It's a Fee-for-All

[New Page] Works Cited and Consulted for this Unit

Unit 2: Credit Scores in Context

[New Page] In this unit, we'll dissect the credit system and the role it plays in our lives. You'll learn:
- The different factors that make up your credit score
- The credit system's influence over our lives
- How to build credit
- How to pull your credit score and the difference between hard and soft pulls/inquiries

[New Page] Who governs the credit scoring system? There are three main credit bureaus; you may have heard of some of them or seen their logos before.
- [Display three credit bureau logos]
- Credit bureaus collect and store financial data about you that is submitted to them by creditors, like lenders, credit card companies, and other financial companies (What is a credit report?, 2024)

[New Page] Before we dive in, let's differentiate between two central components of the credit system: **your credit score** and your **credit report**.
- Consider ride-sharing services like Uber and Lyft. Your credit report is like your ride history, and your credit score is like your star rating. Your ride history is a catalogue of every ride you've ever taken, and your rating is determined by drivers after the trip.
    - [Display image of ride history on app and image of rating in profile]
- If you're on time, take your trash and mess with you, buckle up, and treat drivers with respect, usually you will receive a good rating. If you cancel rides after the driver is already heading towards you, make them wait, leave a mess, or show disrespect, the driver can give you a negative rating.
    - [Display image of someone smiling, buckled up in the back seat, and an image of a messy backseat of a car]

- When you call a ride-sharing service, drivers have the option of accepting or declining the request. They can just glance at your rating to decide if they want to pick you up - they don't necessarily have access to your entire ride history, and they certainly don't know anything about your circumstances or the circumstances of the driver that rated you. For example, maybe in the past, a driver was having an awful day, and that influenced how they rated you. Or perhaps you were in a rush to get to work and accidentally left some trash in the car.

[New Page] Are you still with me? Let's contextualize this analogy further.

- A **credit report** is a statement that has information about your credit activity, like your history of paying off loans.
- A **credit score** is a prediction of your credit behavior, like how likely you are to pay a loan back on time, based on information from your credit reports (What is a credit score?, 2023).
- Lenders use these reports and resulting scores to help them decide if they will loan you money and what interest rates to offer you (What is a credit report?, 2024).

[New Page] Welcome to Scored, a spinoff of the cooking show Chopped! A game where you'll call on your credit system knowledge and skills to select the best combination of credit activities and get Scored by the three credit bureau judges.

- In this game, you'll be presented with a basket of ten credit actions. Out of the ten, you need to choose the top three that you think will give you the best chance of getting the highest score possible from the three judges. Let's get into it.
- How to play:
    - Remember, most credit scores have a 300-850 score range. You want to choose actions that you think will positively impact your score and leave a positive impression on the judges.
    - You will have 1 minute and 30 seconds to make your three selections. If you're having trouble deciding, just take your best guess so you don't run out of time.
    - The actions will be presented to you in a list, and you will drag and drop them to the basket on the screen.

[New Page] Remember, do your best to choose the three actions that you think will give you the highest score possible from the judges.

- [Game experience pops up, with the three credit bureau "judges" seated behind a table]
- Your 1 minute and 30 seconds start now. Ready, set, go….

[New Page] Here are the following actions you can choose from to create your credit profile:

- Making all credit card, loan, mortgage, and utility payments on time every month
- Being 30+ days late on a payment
- Being totally debt-free
- Taking out more than three installment loans in one year (e.g., auto, student, personal loans)
- Becoming an authorized user on a family member's credit card account
- Having a mix of credit accounts, including a credit card, auto loan, mortgage, and student loan
- Keeping old credit accounts open
- Applying for multiple credit cards in one year
- Deferring your student loans
- Utilizing more than 50% of your available credit

- [Each action should be listed on one side of the screen in a box and be differentiated by different colors. Students should be able to select three credit actions and drag and drop them to a basket on the screen. There is a timer in the corner so students know how much time is remaining.]

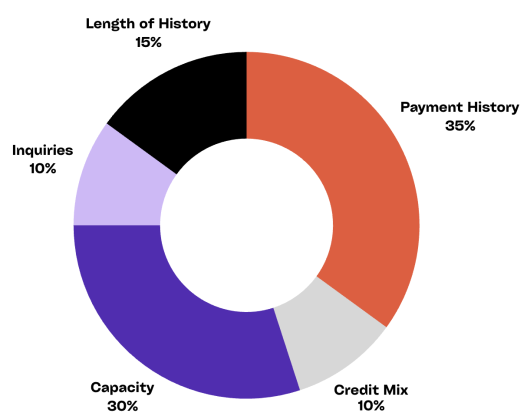
[New Page] Times up! Now let the judges deliberate.
- [Each credit score logo is "seated" at a table, and there is some sort of visual indicating deliberation before the "judges" spit out their responses]
- [After a few seconds of deliberation, in front of each "judge" on the table is a score card with a different number]
- [We need to provide the developer guidance on how to calculate scores on the backend]

[New Page] How did the judges calculate their scores?
- The reality is that credit bureaus all use opaque algorithms, known as **credit scoring models**, to create your credit score from the information in your credit report (O'Neil, 2017). The Fair and Accurate Credit Transactions Act does not require credit bureaus to disclose any information concerning the calculation of credit scores (15 U.S. Code § 1681g, n.d.). So we have no way of actually knowing how they make credit scoring decisions!
- These scoring models can perpetuate bias and inequality, which we'll dive into more shortly.

[New Page] [Show confused gif] If it feels strange to have so little visibility and understanding into something that affects core financial aspects of our lives, that's because it is!
- We will continually remind you throughout this module that it's ok to feel this way.
- As we go through the credit system content, it is essential to remember a few things:
    - 1) The credit system places the burden on individuals to navigate an environment that is surrounded by mystery!
    - 2) This lack of visibility and understanding can trap people in cyclical patterns that prohibit them from advancing financially.
    - 3) If you have this experience, it is not your fault! It is the way the credit system was designed.

[New Page] So, what DO we know about how our credit scores are calculated?

[Insert circle image, shown below, that visualizes the key factors taken into account in credit scoring and associated percentages]



[New Page] Let's look at the factors FICO Score considers and uses to formulate your credit score.

- Remember, these are not necessarily fixed percentages, because credit bureaus are not required to disclose their scoring methods. This is a general idea based on what they report to the public (Need Source).
- It is important to remember that the FICO Score is just **ONE** example of a credit scoring model brand. There are actually many credit scoring models that exist, each calculating scores differently. The first credit scoring model, and the most popular, is the FICO Score, which dates back to 1989. VantageScore, the second most popular credit score, was created and introduced by the three credit bureaus in 2006 to compete with the FICO Score (The Guide to Your VantageScore, 2019).
- The percentages you're seeing will shift depending on which scoring model is used, but for now, we will use FICO Score as a learning tool (What is a credit score?, 2023).

[New Page] Hopefully, these terms feel familiar after we introduced them in Unit 1. Let's go through them one by one!
[Insert image with percentages (shown above) and make each term clickable so students can go through them one by one. When the student clicks on a term, the associated portion of the circle should become highlighted. There should also be an option for students to download a PDF with all definitions.]

- **Length of History** 15% - How long you've had your credit history will impact your credit score (How are FICO Scores Calculated?, 2018). Your score takes into account the length of time your credit accounts have been established, including the age of your newest account and the average age of all your accounts (How are FICO Scores Calculated?, n.d.).
- **Payment History** 35% - The first thing any lender wants to know is whether you've paid past credit accounts on time. If you complete your payments on time, or if you are late (specifically, more than 30 days late) on your payments, it will impact your credit score. Conversely, if you are always on time, that will positively affect your score (How are FICO Scores Calculated?, 2018; Sato, 2025).
- **Credit Mix** 10% - This factor considers your mix of credit cards, retail accounts, installment loans, mortgage loans, and other types of accounts. It evaluates how much "good debt" vs. "bad debt" you have (How are FICO Scores Calculated?, 2018).
    - [Caution sign icon next to "good debt" and "bad debt" terms that students can click on or hover over, and the disclaimer below pops up, or maybe can show up in a sidebar.]
    - **Remember:** Lenders ultimately say things like you can have "good debt" or "bad debt." We reject this categorization, but will explain it because it may be what you hear. "Good debt" refers to things like installment loans, such as mortgages, car loans, or even student loans (if paid on time). "Bad debt" is considered to be credit card debt. However, consider individuals experiencing wage inequities or unfair wages, some must resort to credit cards to finance their basic needs. And unfortunately, because the lenders and the credit score industry consider that bad debt, it's going to have a more negative effect on your credit score.
- **Credit Card Utilization/Amounts Owed** 30% - This refers to credit card utilization—your percentage of available credit matters. Generally, the industry rule of thumb is to keep your utilization to 30% or less. If you are using a lot of your available credit, banks can interpret this to mean that you are at a higher risk of defaulting (How are FICO Scores Calculated?, 2018). This arbitrary choice often fails to account for how common it is for people to be required to use resources for basic needs, given the

affordability crisis in our country.

- **New Credit** 10% - Opening several credit accounts in a short amount of time represents a greater risk, especially for people who don't have a long credit history (How are FICO Scores Calculated?, 2018).

[New Page] Now that we have a sense of the factors that are taken into account by FICO Score, let's talk about what actions within these categories positively and negatively impact your credit score. Remember the actions you chose from in the Scored activity? Let's find out how they might impact your score!

- You will be presented with a series of actions. For each one, select "positive" (increases your score), "neutral" (neither increases nor decreases your credit score), or "negative" (decreases your score).
- [Each action should appear one at a time, with two buttons representing choices students can select underneath.]
- [Once the student submits their response, the correct answer should become highlighted, and explanatory text should appear providing more context.]
    - Making all credit card, loan, mortgage, and utility payments on time every month
        - **[Button] Positive**
        - **[Button] Neutral**
        - **[Button] Negative**
            - [The correct answer is Positive]
        - [Explanatory text] This is where the "good debt" and "bad debt" ideas come into play again. You are rewarded for having installment loans (if you pay them on time), but these credit products are only accessible to some, and they require taking on debt. If you make your payments on time every month, this also positively impacts your score, as payment history accounts for 35% of your credit score.
    - Being 30+ days late on a payment
        - **[Button] Positive**
        - **[Button] Neutral**
        - **[Button] Negative**
            - [The correct answer is Negative]
        - [Explanatory text] Even one 30-day late payment can hurt your credit scores. Payment history is the most influential factor in determining your credit score, accounting for 35% of your score (Sato, 2025).
    - Being totally debt-free
        - **[Button] Positive**
        - **[Button] Neutral**
        - **[Button] Negative**
            - [The correct answer is Neutral]
        - [Explanatory text] The credit system does not want you to be debt-free. If you do not have any debt, you can't prove you are "trustworthy" by making on-time payments, which ultimately means you won't be able to maximize your credit score. We'll explain this more shortly.
    - Taking out more than three installment loans in one year (e.g., auto, student, personal loans)
        - **[Button] Positive**
        - **[Button] Neutral**
        - **[Button] Negative**
            - [The correct answer is Negative]
        - [Explanatory text] The credit system rewards "good debt," which is

installment loans, but applying for multiple sources of credit triggers a hard inquiry, which is a request by a lender to review your credit report as part of an application for credit. Having multiple hard inquiries within a short period can negatively impact your credit score.

- Becoming an authorized user on a family member's credit card account
  - **[Button] Positive**
  - **[Button] Neutral**
  - **[Button] Negative**
    - [The correct answer is Positive]
  - [Explanatory text] If this is available to you and you have someone in your life you can trust, this can be a good way to build credit. However, only if the account is in good standing and the card is well-managed. Often, this is a very privileged option and not available to many.
- Having a mix of credit accounts, including a credit card, auto loan, mortgage, and student loan
  - **[Button] Positive**
  - **[Button] Neutral**
  - **[Button] Negative**
    - [The correct answer is Positive]
  - [Explanatory text] This is a factor in your credit score calculation. A mix of credit, including things like credit cards, installment loans, and mortgage loans, positively impacts your score.
- Keeping old credit accounts open
  - **[Button] Positive**
  - **[Button] Neutral**
  - **[Button] Negative**
    - [The correct answer is Positive]
  - [Explanatory text] Credit scoring models look at your length of credit history to evaluate your experience with credit. Generally, the longer your credit history, the better it is for your credit (Archambault, 2025).
- Applying for multiple credit cards in one year
  - **[Button] Positive**
  - **[Button] Neutral**
  - **[Button] Negative**
    - [The correct answer is Negative]
  - [Explanatory text] Each time you apply for a new credit account, the credit issuer typically performs a credit check. They request to see your credit report from one of the three main credit bureaus, and when the bureau receives this request, it is considered a hard inquiry/hard pull, which can lower your credit score.
- Request a credit limit increase on your credit card
  - **[Button] Positive**
  - **[Button] Neutral**
  - **[Button] Negative**
    - [The correct answer is Positive]
  - [Explanatory text] This will provide you with more available credit, which could positively impact your credit score. However, you first need to ask your issuer whether the request triggers a hard pull; many issuers perform a soft pull instead. Additionally, it is essential to ensure you have a sufficient income.

- Utilizing more than 50% of your available credit
    - **[Button] Positive**
    - **[Button] Neutral**
    - **[Button] Negative**
        - [The correct answer is Negative]
    - [Explanatory text] If you are using a lot of your available credit, banks can interpret this to mean that you are at a higher risk of defaulting. Some may consider this unfair, but financial institutions typically expect credit utilization to be kept between 30% and 40%.

[New Page] Now, these are the common "rules" of credit scoring. However, because credit bureaus are not required to disclose their scoring methods, we don't actually know how much your credit score might increase or decrease if you take the actions we just went through (Hiller, Jones, 2022).

[New Page] Okay, let's take a break to see if you are tracking.
[This is a content check-in, meant to check for student understanding and allow them a moment to reflect on what they've learned and how they are feeling.]

- **[New Page - Content Check in] Question 1 of 4:** Credit bureaus use _______, known as **credit scoring models**, to create your credit score from the information in your credit reports.
    - Algorithms
    - Guidelines
    - Databases
    - Surveys
        - [Correct answer is algorithms]
- **[New Page - Content Check in] Question 2 of 4:** Which variable has the biggest influence over your credit score in the FICO Scoring model?
    - Length of History
    - Payment History
    - Credit Mix
    - Credit Card Utilization/Amounts Owed
    - New Credit
        - [Correct answer is payment history]
- **[New Page - Content Check in] Question 3 of 4:** True or False. Being debt-free has a positive impact on your credit score.
    - **True**
    - **False**
        - [Correct answer is false. Add context: The credit system does not want you to be debt-free. If you do not have any debt, you can't prove you are "trustworthy" by making on-time payments, which ultimately means you won't be able to maximize your credit score. Being debt-free actually has a neutral impact.]
- **[New Page - Content Check in] Question 4 of 4: Let's check in to see how you're feeling.** Look at this color wheel and identify what emotions you are experiencing. [Allow users to click the word "Feelings Wheel" and show the static image of the wheel that they can look at; Provide a hyperlink to the source: FeelingsWheel.com]
    - [Open text forum]

[New Page] It is important to remember that credit scoring models calculate scores differently because they use different algorithms. For example, VantageScore calculates scores slightly differently from the FICO Score. VantageScore utilizes the following factors and their corresponding weights (The Complete Guide to Your Vantage Score, 2019).

Factor	Weight
Payment History	40%
Depth of Credit	21%
Credit Utilization	20%
Balances	11%
Recent Credit	5%
Available Credit	3%

- [Insert table above]
- **[Sub Page]** But again, because credit bureaus don't have to disclose how they calculate scores, the impacts of any given action (like paying down a principal balance) on a factor (like credit utilization) are a mystery. This lack of precise information means that someone who has been denied credit may not have a clear plan for the steps they can take to improve their credit score (Hiller & Jones, 2022).

[Bring back the visual from the SCORED activity of the three different scores the three different judges produced]
[New Page] To further complicate this, as you just experienced in the Scored activity, you do not have just one credit score.

- Each credit score depends on the data used to calculate it, and it may differ depending on the scoring model (which itself may depend on the type of loan product the score will be used for), the source of the data used, and even the day when it was calculated (What is a credit score?, 2023).
- This also means that your credit score is static - it is essentially a snapshot in time.

[New Page] You might be wondering, "If I have three scores, which one am I supposed to use?" [Create a spectrum graphic that has "lowest score" on the far left, "middle score" in the middle, and "highest score" on the far right.]

- Middle Score: The industry standard recommends choosing the middle number.
  - [This text should be highlighted first with the associated explanation.]
- Highest Score: Some may choose the highest score. However, choosing the highest score may not be the most sound approach because it can lead you to expect the best outcome, which may not materialize.
  - [The student should advance, and this text highlights next with the associated explanation.]
- Lowest Score: Some may choose the lowest score they see because they are preparing for the most adverse outcome. Often, choosing the lowest score is driven by working with a lending system that has an unfortunate history of discriminating against individuals who may possess multiple characteristics of their identities that could put them at a disadvantage in the credit scoring algorithm. Sometimes, people choose the lowest score because they assume this is the credit score lenders will see.

- [The student should advance, and this text highlights next with the associated explanation.]

[New Page] There is no right or wrong number to choose, but we invite you to consider all of the implications and honor your lived experiences when deciding which credit score you'd like to assume is correct.

[New Page] Another counterintuitive but central feature of the credit score industry is that it does NOT want you to be debt-free. What does that mean, and why is that?

[New Page] It is generally better for your credit score to have debt than to have no debt (Christopher, Selyukh, 2023). Remember, **payment history** accounts for roughly 35% of your credit score.
[Bring back the image of the credits core factors and percentages, and highlight "payment history"]
[Students should be able to hover over "payment history," and the definition appears as a reminder. Payment History: *Lenders want to know whether you've paid past credit accounts on time (How are FICO Scores Calculated?, 2018). If you make your payments on time, or if you are late (specifically, more than 30 days late) on your payments, it will impact your credit score (Sato, 2025). Conversely, if you are always on time, that will positively affect your score.]*

- When you don't have debt, you can't demonstrate that you can pay your bills on time over an extended period. So, you lose the opportunity to prove that you are "trustworthy" and can repay the money you borrowed from the lender.

[New Page] And, in the credit system industry, not all debt is treated equally. Debts are classified as "good" and "bad" (DeNicola, 2024).

[Display information in table form, so students can review a side-by-side comparison]

"Good Debt"	**"Bad Debt"**
People with installment loans get rewarded the most. Installment loans are a type of debt you're able to repay responsibly over an extended period of time based on the loan agreement. Examples of installment loans include mortgage loans, auto loans, and student loans (Understanding Credit: Good Debt vs. Bad Debt, n.d.).	People with revolving credit do not get rewarded. Credit cards are the most common example of revolving credit. They typically require a minimum monthly payment if you have a balance, and you must make at least that minimum payment each month to remain in good standing. "Bad debt" also refers to debt that you are unable to repay. If you can't pay your credit cards in full every month, interest payments can prolong the debt (Understanding Credit: Good Debt vs. Bad Debt, n.d.).

[New Page] Lenders are less likely to reward you if you are debt-free, but “good debt” is rewarded. This is a practice deeply ingrained in our economy and society.
[Display excerpts from this NPR news article and include a link to the article: https://www.npr.org/2023/05/24/1175798797/immigrants-credit-score-credit-card-debt]

- *“The U.S. economy counts on you to borrow money and stay in debt. Almost in a matter of a single generation, America has developed an extensive, even casual reliance on debt. Its epitome is the credit score, which often snares newcomers into a financial Catch-22 — penalizing a lack of debt history and pushing many to take confusing, sometimes costly measures” (Christopher & Selyukh, 2023).*
- *“‘Being financially responsible in the U.S. has come to mean ‘borrow and repay’, says Barbara Kiviat, an economic sociologist at Stanford University. It sort of crowds out the idea that maybe not borrowing in the first place is also a good idea," she says. "But we're now living in a world where so much hangs on that credit. That's because the credit score has become shorthand for how financially trustworthy people think you are — landlords, car dealers, insurance companies, even some employers. The three-digit score is produced by a formula that crunches your debt payment track record; by its standards, being on top of your debt is rewarded, while not having debt at all is a flaw”* (Christopher & Selyukh, 2023).

[New Page] But why is it a “flaw” to not have debt? And what does it mean to be rewarded if you borrow money and have “good debt”?

- Well, generally, if you don’t have any debt, you won’t be able to maximize your credit score.
- **[Sub Page]** You may be thinking, but why do I need to “maximize” my credit score anyway?
    - Typically, a higher score makes it easier to qualify for a loan and may result in better interest rates or loan terms.
    - Many landlords and property management companies also check potential applicants’ credit scores, and a low score could prevent your application from being approved or cause you to be charged a higher security deposit (What is a credit score?, 2023).

[New Page] Let’s think about the implications of what we just outlined.

- It can cause financial instability for people with insufficient means to repay debt, especially due to high interest rates that are only available to people who don't have a credit history or don’t enjoy racial or gender privileges (Hiller & Jones, 2022).

[New Page] So, again, counterintuitively, the recommended steps to improve a credit score may actually hinder an individual's ability to repay future debt. This creates the potential to be caught in a downward spiral — one that involves taking actions that lead to further financial instability, hindering the ability to build credit and gain access to credit, ultimately preventing participation in the economy (Hiller & Jones, 2022).

[New Page] Consider this case study from 2019.
[Display a series of newspaper article screenshots with quotes highlighted from the article. Article 1, Article 2, Article 3, Article 4]

- At the time, the New York Department of Financial Services launched an investigation into allegations of discrimination against users of the Apple Card, which Goldman Sachs administers (Victor, 2019).

- Tech entrepreneur David Heinemeier Hansson publicly condemned Apple Card for offering him twenty times the credit limit as his wife, despite the couple filing joint tax returns and his wife having a higher credit score (Newburger, 2019).
- At the same time, Apple co-founder Steve Wozniak said his credit limit was 10 times that of his wife, even though they share all assets and accounts. When Hansson reached out to Apple and Goldman Sachs and questioned them, they responded by saying that an algorithm determines credit limits (Vigdor, 2019).
- This is a prime example of the implicit biases inherent in algorithms and the inequality they perpetuate.

[New Page] You might be wondering why it's so important to know and understand all this information related to the credit system. The truth is that having credit is a requirement for participating in the economy.

[New Page] Review the list on the screen and select all the options that you think require a credit score to engage with.

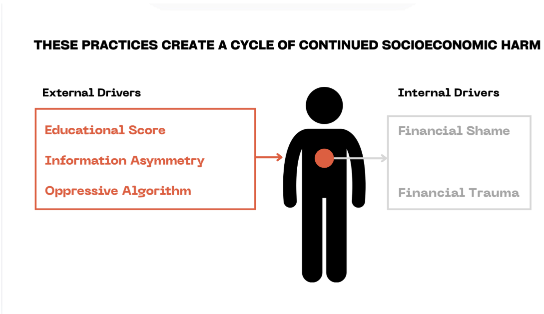
[Set this up as a multiple-choice question. Let students select their choices and submit.]
- Mortgage
- Auto Loan
- Student Loan
- Credit Cards
- Utilities
- Getting Hired
- Renting an Apartment
- Personal Loans
- Line of Credit
- Cellphones
    - [The correct answer is that all of them do. Once the student makes their selections and submits their response, the correct response should show with the following text]

[New Page] All of them do! As we mentioned at the beginning of Unit 2, the credit system and our credit scores are one of the single most significant influences on our socioeconomic experiences.

[New Page] [Show this as big text on the screen]
If our credit scores are so critical to our ability to participate in the economy, why is it that everyone starts with no credit?

[New Page] The reality of participating in the economy and securing our basic needs outside of food is that the credit system holds a major influence over our lives!
- This reality means we are faced with potential harmful external drivers, such as:
- [Show in boxes on the screen with supporting icons]
    - Never actually knowing what our credit score is or how it is calculated, which creates a power imbalance that we call information asymmetry (McKenzie, 2023)
    - Experiencing the legacy of historical oppression being thrust back onto individuals, especially marginalized individuals, due to the algorithms used by credit score bureaus.
- **[Sub Page]** These external factors or experiences create internal experiences and reactions like financial shame and trauma. These are responses or behaviors that

sometimes require people to act against their best financial interest, which continues the cycle.



[Insert graphic like the one shown above illustrating external drivers/experiences and how they can make people reel]

- **Remember:** These are behaviors and self-protection responses, not personality traits or defects.
- None of this is your fault; it's something that's happening to you.

[New Page] So, what can you do and what do you have control over?

- First, it's essential to recognize that some of these practices are unfair and unjust, and the strategies to mitigate their impact often require navigating and engaging with an oppressive financial system.
- Still, we want to equip you with tools that can help you participate in the economy, especially because the prospect of building credit may feel daunting.

[New Page] Now, we'll get into detailed, tactical steps you can take to build credit if you have no credit history or if you are rebuilding your credit history.

- We'll start by sharing guidance for building credit without a Social Security number.

[New Page] Works Cited and Consulted for this Unit

Unit 3: Building Credit

[New Page] If you do not have a Social Security number and want to establish credit, follow this step-by-step process, accompanied by supporting resources linked. This information is compiled primarily from Social Security Administration resources.

[Show as a checklist with one step appearing at a time. Include all embedded links.]
[New Page]

1. Step 1: Confirm you are not eligible for a Social Security number (SSN).
    a. All U.S. citizens are eligible to request an SSN. Some noncitizens may be eligible to request a number if they are employed or attending school, or if they have a valid non-work-related reason.
    b. People who may need a new SSN include:
        - Noncitizens
        - International students
        - Foreign workers
        - Citizen children

        - Deferred Action for Childhood **Arrivals** applicants
        - Domestic violence survivors
    c. You can confirm your eligibility through **this Social Security Administration resource** and review what documents you need when you apply **here**. Generally, only noncitizens authorized to work in the United States by the Department of Homeland Security (DHS) can get an S.

[New Page]

2. Step 2: Apply for an **Individual Taxpayer Identification Number (ITIN)**
    a. [Student should be able to hover over the term and see definition below]
    b. An ITIN is a 9-digit number issued by the IRS for people who are not eligible for an SSN but need to file taxes. It can also be used for certain financial purposes, like opening a bank account or building credit.
        i. You can learn more about the application process and what you need **here**.
    c. To apply, you need:
        i. A complete **Form W-7**
            1. [Students should be able to hover over the term and see definition: *This form is used to apply for an Individual Taxpayer Identification Number (ITIN) issued by the IRS. You can also use this form to renew an existing ITIN that is expiring or that has already expired.]*
        ii. Your U.S. Federal Income Tax Return
            1. Complete either **Form 1040**, U.S. **Individual Income Tax Return**, or **Form 1040-NR, U.S. Nonresident Alien Income Tax Return**.
                a. [Student should be able to hover over the term and see the definition: *A 1040 form is used by U.S. taxpayers to file an annual income tax return]*
        iii. Supporting Documents
            1. Provide proof of foreign status and identity and proof of U.S. residency for dependents with **supporting documents**.

[New Page]

3. Step 3: Open a Bank Account Using Your ITIN or Other Acceptable ID
    a. If you don't have a U.S. government-issued SSN or ITIN, some banks and credit unions will accept a passport number and country of issuance, an **alien identification card number**, or other government-issued ID numbers.
        i. [Student can hover over "alien identification card number" above to get full definition. **Alien identification card number** - *identification card given to lawful permanent residents by the U.S. Citizenship and Immigration Services. Other names for the alien registration card include green card, permanent resident card, and permanent visa.]*
    b. We want to acknowledge that, in this system, the onus is placed on the individual to search for resources that can provide guidance and entities that will actually allow an individual to open a bank account if they only have an ITIN or other acceptable form of identification. Navigating this process can be incredibly burdensome, taxing, and distressing!
    c. [Visually differentiate this text by highlighting it or with a text box so students know it is separate from the tactical guidance.]

[New Page]

4. Step 4: Start Building Credit Using Your ITIN
    a. Before we dive into this step, it's important to acknowledge the limited options there are for people to build credit without an SSN. We will share the best available options below, but each option comes with its own set of implications. It is important to remember that it is not your fault that options are limited and pose implications that you may consider as risks.

[New Page]

    b. Let's talk about ways you can build credit. The following options apply to people with and without SSNs.
    c. **[Sub Page]** Apply for a **secured credit card**
        i. [Student should be able to click or hover on the term, and the associated explanation/guidance will drop down or pop out.]
        ii. Secured credit cards differ from commonly used or **unsecured credit cards** because they require a cash deposit to be made when you open the account. This money acts as collateral every time you make a purchase. So, if you fail to make payments on time, your lender can use the deposit to reimburse itself. With secured credit cards, you're using your own money as insurance for transactions rather than borrowing from a lender, and your payment history is reported to one of the three credit bureaus, which helps you build credit.
    d. **[Sub Page]** Become an **authorized user**
        i. [Student should be able to click or hover on the term, and the associated explanation/guidance will drop down or pop out.]
        ii. You can build your credit history by becoming an authorized user on a trusted person's credit card, which can help you establish credit.
        iii. This is a viable option, but it requires being in a position of privilege. This option is only available if you have a relationship with someone whom you can trust enough to enter into this kind of arrangement, and if they have access to credit themselves, which we know is not available or possible to everyone. Many people may not have relationships with or access to someone who can play this role. This can feel incredibly limiting!
        iv. It is important to only enter into this arrangement with someone who you know will not take advantage of your finances and who will consistently pay their debts. This is important because, while not all card issuers report authorized user accounts to the three credit reporting agencies, some do. In these cases, missed payments and high credit utilization can reflect negatively on the authorized user's credit report.
    e. **[Sub Page]** Another option you might hear about is a **credit builder loan**
        i. We're including it for your education but due to their predatory nature, we don't necessarily encourage pursuing this option.
        ii. Offered by some lenders, this is a loan designed to help build credit, rather than simply borrowing money. With traditional loans, you borrow a lump sum of money and make monthly payments until it is repaid. Credit-builder loans still require monthly payments, but instead of you getting the money upfront, the financial institution sets aside the loan amount in a savings account, and you receive the money after making all monthly payments. You usually have to pay interest, but some lenders may return all or a portion of that interest once you've paid the loan.
    f. Sources:
        i. Money Basics Guide to Building and Maintaining Credit |

MyCreditUnion.gov. (2025, January 22). https://mycreditunion.gov/brochure-publications/brochure/money-basics-guide-building-and-maintaining-credit
   ii. The Office of Financial Readiness. (n.d.). Retrieved June 20, 2025, from https://finred.usalearning.gov/
   iii. DeNicola, L. (2024, April 10). *How to Establish Credit as a Young Person* [Blog]. Experian. https://www.experian.com/blogs/ask-experian/how-to-establish-credit-as-a-young-person/
   iv. *What Is a Credit-Builder Loan? | Equifax*. (n.d.). Retrieved July 31, 2025, from https://www.equifax.com/personal/education/credit-cards/articles/-/learn/credit-builder-loan/

[New Page]

5. Step 5: Monitor Your Credit History
   a. In Units 1 and 2, we introduced the distinction and relationship between your credit report and your credit score. Remember our ride-share analogy?
      i. A **credit report** is like your ride-share history - it is a statement that contains information about your credit activity, such as your history of paying off loans.
      ii. A **credit score** is like the rating the driver gives you - it is the prediction of your credit behavior, like how likely you are to pay a loan back on time, based on information from your credit reports (What is a credit score?, 2023).
   b. As we've discussed, your credit report is a financial footprint that affects many critical aspects of your financial life, which is why many experts recommend reviewing it regularly to verify the accuracy and completeness of your information (What is a credit report?, 2024).
   c. We'll get deeper into accessing, monitoring, and disputing your credit reports in Unit 4. But for now, how do you even access your credit report?

[New Page]
   d. **AnnualCreditReport.com** is the only source for you to access your credit report for free. You are not able to pull your credit report through this site if you do not have an SSN. On the FAQ portion of its site, it states:
      i. "Since the ITIN has a similar format, you can use your ITIN if you submit your request to one of the three nationwide consumer credit reporting companies by mail. Once the company receives your request, they will verify your identity using their own procedures."
   e. Again, stay tuned for all things related to checking and disputing your credit report in Unit 4.

[New Page] If you have a SSN and want to know how to start establishing credit, you can follow the guidance outlined in Step 4 from the previous section.

- You can also consider opening a **student credit card**.
  - [Student should be able to click or hover on the term, and the associated explanation/guidance will drop down or pop out.]
  - **What is it?** Student credit cards are designed for undergraduate, graduate, and nontraditional student borrowers looking to establish credit while pursuing their

education.
    - **Why does it exist?** Often, students may have little to no credit history, and student credit cards are more accessible to individuals with limited or no credit experience. They are intended to help new cardholders establish and build their credit history and may be easier to qualify for than traditional credit cards (Student Credit Cards, n.d.).
    - **How do they differ from traditional credit cards?**
        - They work just like any other credit cards, but are designed for students. They come with lower credit limits and higher interest rates than traditional cards (Student Credit Cards, n.d.).
        - According to the Credit CARD Act of 2009, if you're age 18 to 21, you'll need to show that you have independent income, but student cards often allow different sources of income to be included on credit card applications, like grants and scholarships (McGurran, 2023).

[New Page] Engaging in the credit system and considering ways to build credit can feel like an uphill battle. Before we move on to the next unit, it's essential to consider what is within your control.

- We're here to help you consider all the options available to you and to help you get closer to goals that feel manageable within your context and circumstances.

[New Page] Okay, let's take a break to see if you are tracking.
[This is a content check-in, meant to check for student understanding and allow them a moment to reflect on what they've learned and how they are feeling.]

- **[New Page - Content Check in] Question 1 of 5:** A secured credit card and becoming an authorized user are both ways to __________.
    - Earn rewards
    - Build credit
    - Increase income
    - Open a bank account
        - [Build credit]
- **[New Page - Content Check in] Question 2 of 5:** If you don't have a __________ you won't be able to access your credit report for free through annualcreditreport.com
    - Credit card
    - Bank account
    - Pay stub
    - Social Security number
        - [Correct answer is Social Security number]
- **[New Page - Content Check in] Question 3 of 5:** How do student credit cards differ from traditional credit cards?
    - They are designed for students
    - They allow different sources of income on credit applications (e.g., grants)
    - They are accessible to people with little to no credit history
    - All of the above
        - [Correct answer is all of the above]
- **[New Page - Content Check in] Question 4 of 4: Let's check in to see how you're feeling.** Look at this color wheel and identify what emotions you are experiencing. [Allow users to click the word "Feelings Wheel" and show the static image of the wheel that they can look at; Provide a hyperlink to the source: FeelingsWheel.com]
- [Open text forum]
    - [Open text forum]

[Bring back the image of a circle with credit system variables and percentages as a reference point, and have these questions appear one by one to the side of the visual]
[New Page] We want you to feel empowered to decide what YOU feel is the best path forward for your life. That's why we're offering a series of questions that you can consider and apply to your own life as you engage with the credit system. Ultimately, we want to equip you with information, especially if you don't know where to start or feel overwhelmed.
[Show questions as a list]

- **Which components of your credit score currently have the biggest influence over your life?**
  - For example: For someone, this could be their credit history. Perhaps they feel comfortable and equipped to open a secured credit card and start establishing their history now. For someone else, they might want to focus on their payment history and making on-time payments over a period of time. We recognize that this requires you to make a livable wage or come from a privileged situation.
- **Consider your current physical, mental, and emotional capacity. What do you feel like you can change right now? What is reasonable?**
  - For example: For some people, what might feel most reasonable and attainable right now is not exceeding three inquiries per year. This alone will help you and is a win.
- **Now that you know your capacity, which 1 or 2 components do you want to focus on improving?**
- The purpose of these reflective questions is to help you (now or in the future) consider your circumstances and what might feel like attainable steps you can take.

[New Page] We've covered a lot of ground!

- The credit scoring system may seem straightforward on paper, but it's essential to understand why it was created, how it has evolved, and its current impact on individuals and the financial system.
- Our goal is to ensure you understand how the credit system works and ways you can engage in the credit system and build credit while understanding how it may cause inequality and ultimately harm for marginalized populations.
- In the next section, we'll zero in on how exactly to check your credit report, the importance of monitoring your credit report, and how to file a dispute in the event you come across errors or inaccuracies.

[New Page] Works Cited and Consulted for this Unit

Unit 4: Monitoring & Disputing Your Credit Report, Decoded

[New Page] We now know that your credit history and credit scores are a central feature of being able to participate in the economy. But how do we learn what our score is at any given time, and how do lenders access our scores?

[New Page] Your credit report is a vital financial footprint. It isn't only used in lending decisions; it can also be utilized to determine things like eligibility for housing, set premiums for insurance policies, open checking accounts, and screen job applicants (O'Neil, 2017). And, as we've learned, your credit score is also calculated based on information from your **credit history**.

[New Page] And, **credit inquiries** are entries that appear on your credit report when your credit information is accessed by a legally authorized person or organization (including yourself). They fall into two categories:

[Shown as a side-by-side on the screen]

Hard Inquiry/Pull	**Soft Inquiry/Pull**
A request by a lender to review your credit report as part of an application for credit. They do this to determine your "creditworthiness" and potentially approve you for a credit card, loan, or line of credit. Hard inquiries happen when you're purchasing or leasing a car, buying a house, applying for a personal loan, or even when you're opening a phone account at Verizon (Luthi, 2024). Having multiple hard inquiries in a short period can have a negative, compounding effect on your score (Luthi, 2024).	This is when you view your own credit report, apply for a loan pre-qualification, or request utilities (Luthi, 2024). Ultimately, soft inquiries should not impact your credit score. When you request your credit report through **AnnualCreditReport.com** it is considered a soft inquiry/pull.

[New Page] A credit inquiry is different from checking your credit score. When you check your credit score, you're only seeing your "educational score" or "e-score." This is different from what a lender might see when they request to view your credit report.
[Insert excerpt below from Weapons of Math Destruction by Cathy O'Neil]

- *"Since Fair and Isaac's pioneering days, the use of scoring has proliferated wildly. Today, we're added up in every conceivable way as statisticians and mathematicians patch together a mishmash of data, from our zip codes and Internet surfing patterns to our recent purchases. Many of their pseudoscientific models attempt to predict our creditworthiness, giving each of us so-called "e-scores"...Unlike the FICO Scores they resemble, e-scores are arbitrary, unaccountable, unregulated, and often unfair…"* (O'Neil, 2017)

[New Page] Many major credit card companies and other lenders provide credit scores for their customers. Some services make money from advertising and don't charge you a fee.

- Credit scores from private companies (such as Credit Karma) are often referred to as "educational scores" because they help consumers understand their trustworthiness as borrowers more broadly. But they are pulled from public data and represent a "best guess." They are not the same scores that lenders rely on to determine creditworthiness (What is a credit score?, 2023).
- The reality is - we don't know our credit score at any given time, unless a lender provides us with the information. A lender would only provide us with this information in the context of completing a **hard inquiry/pull** when you apply for a credit application (e.g., auto loan, student loan, car loan).
- And lenders are legally obligated to provide you with this information.

[New Page] This might seem unfair, and we can understand why you might think this. It's an example of **information asymmetry**, a term we've introduced before in relation to the credit system, which institutionalizes a power dynamic between the borrower and the lender (McKenzie, 2023).

[New Page] While this is the case, one aspect that we have control over and recommend you do regularly is to monitor your credit report.

- Remember, the three credit bureaus we introduced in Unit 2 collect and store financial data about you and sell the information from their credit files to end-users, such as lenders or employers, in the form of credit reports (Credit Reporting Agencies and You, 2019).
- [Visual representing three credit bureaus collecting and storing data, which can be represented by file icons and then arrows to various end uses represented by icons]
    - If the idea of mass amounts of data being collected about you to determine your credit score doesn't sit well with you, we understand. In Unit 5, we'll focus on data collection methods and where the credit system is potentially headed.

[New Page] One of the main reasons it is recommended to check your report regularly is that it is a great way to spot inaccuracies, especially those related to identity theft.

- That's when someone uses your personal information — like your name and address, credit card or bank account numbers, Social Security number, or medical insurance account numbers — without your permission.
- They might buy things with your credit cards, get new credit cards in your name, open a phone, electricity, or gas account in your name, steal your tax refund, or use your health insurance to get medical care (Disputing Errors on Your Credit Reports, 2023).
- **[Sub Page]** This can get really messy. If bills aren't paid, the account is reported on your credit report as unpaid and delinquent. This could ultimately affect your ability to get credit, insurance, or even a job (Disputing Errors on Your Credit Reports, 2023)!
    - If you think someone might be using your personal information, go to **IdentityTheft.gov** to report it and get a personalized recovery plan.

[New Page] In the event that your identity is stolen, you can use a credit freeze to protect yourself.

- A credit freeze keeps people from accessing your report. While it's in place, hard inquiries are declined, which means nobody can open a new credit account. Placing a freeze is free, and it doesn't affect your credit score (Credit Freeze or Fraud Alert: What's Right for Your Credit Report?, n.d.)
- You freeze your credit report for free at all three major credit bureaus.
    - Equifax - www.equifax.com/CreditReportAssistance
    - Experian - www.experian.com/freeze
    - TransUnion - https://freeze.transunion.com
    - [Include logos for each credit bureau and embed links]

[New Page] But this wasn't always the case! Free security freezes were available in some states and under certain circumstances, but a federal law passed in 2018 mandated their nationwide availability (Federal Trade Commission, 2018).

- This law was largely triggered by a huge data breach at Equifax.
- [Include excerpt and embed link below]
- "*The breach compromised the personal information, including Social Security numbers, birth dates, and other sensitive details, of more than 145 million people — nearly half the population of the United States*" (Carrns, 2018). Access the article here.

[New Page] Even though **credit reports**, which are the products that credit bureaus compile and sell, are comprised of our personal data, we don't have authority or control over their access.

- Credit bureaus are not government agencies. They are for-profit institutions that collect, store, and update credit information on consumers and sell that information to lenders, such as banks, mortgage lenders, credit card companies, and other financing companies (Bennett, 2017).
- As for-profit institutions, they prioritize profit and compete for market share by providing accurate information to lenders at a competitive price (Bennett, 2017).

[New Page] If this is the first time you're hearing this, and if you have no idea how to check your credit report, it's okay! We'll show you the step-by-step process.

[New Page] You have the right to get free copies of your credit reports from each of the three major credit bureaus (Experian, Equifax, TransUnion) every 12 months from **annualcreditreports.com**!

- This is the only **authorized** online source, as mandated by federal law, that provides free credit reports from the three major national credit reporting agencies.
- The standard industry recommendation is to check your credit reports at least once a year.

[New Page] So what are the steps you need to take to get your free credit report?

[Computer screen graphic showing the home screen of annualcreditreports.com]
[New Page] Step 1 → Go to annualcreditreports.com to get your annual, free credit reports from the three major national credit reporting agencies.

[Computer screen graphic showing the home screen of annualcreditreports.com with arrows pointing to the tabs mentioned]
[New Page] Step 2 → Click through the tabs 'all about credit reports', 'frequently asked questions', or any other tabs if you would like more information before requesting your credit reports.

[Computer screen graphic showing the home screen of annualcreditreports.com with arrows pointing to the green "request" report button]
[New Page] Step 3 → When you are ready to request your reports, click 'Request your free credit reports'.

[Computer screen graphic showing the three steps on annualcreditreports.com to get your free credit report]
[New Page] You will fill out the form for each credit report one at a time.

[New Page] Step 5 → When you fill out the form, you will be asked about your personal information to verify your identity. You will list your address, and then there will be multiple-choice questions about what is likely to appear on your credit report.

- In this process, false information might be included as a way to verify your identity. This way, it makes it harder for people to guess the answer. For example, the form might suggest that you have a mortgage; if you don't, select the response that indicates you don't. Take your time to ensure that your answers are correct!
- [Call out text above as a note or caution before proceeding]

[Computer screen graphic showing the home screen on annualcreditreports.com and highlighting where the "contact us" section is located]

[New Page] Step 6 → Once you have answered those questions, you will receive your credit report from that credit agency. You'll have the option to print or save it.

- If you do not receive your credit report, it may be because you answered one of the identifying questions incorrectly. It's ok if this happens! You won't be locked out forever.
- If that is the case, you can go back to the home page and click 'Contact us.' You will likely have to verify your identity with a representative from each bureau.
- [Call out text above as a note or caution before proceeding]

[New Page] So you access your credit report, have the chance to review it in detail, and notice there is an error. What should you do?

[New Page] The inaccuracy you see on one report may not show up on others.

- It's frustrating and time-consuming, but if you see the discrepancy on more than one report, you have to dispute it at each of the bureaus based on which report the inaccuracy is on.
- We encourage you to do this because errors are much more common than you might think. More than ⅓ or 34% of Americans found at least one error on their report credit (Fox, 2021).
- [Show percentage as large, bold text on the screen with explanatory text underneath. Embed link to the article so students can click on the stat to learn more. Article link.]
- About 29% found personal information errors, and 11% found account information errors. Mistakes about personal information may not hurt your credit score, but they do make it difficult to access your credit report. Mistakes about account information can damage your credit score (Fox, 2021).
- [Show percentage as large, bold text on the screen with explanatory text underneath. Embed link to the article so students can click on the stat to learn more. Article link.]

[New Page] If you suspect that the error on your report is a result of identity theft, visit **IdentityTheft.gov**, the federal government's resource to help you report and recover from identity theft.

[New Page] Now that you've identified an error, here are the steps you can take to dispute your credit report at each of the bureaus.

[Computer screen graphic showing the home screen and highlighting "start a dispute" button]
[New Page] Step 1 → Go to the dispute section of the credit bureau's website. Below is **Experian**.

[Computer screen graphic showing the home screen and highlighting "start a dispute" button]
[New Page] Step 1 → Go to the dispute section of the credit bureau's website. Below is **Equifax**.

[Computer screen graphic showing the home screen and highlighting "start a dispute" button]
[New Page] Step 1 → Go to the dispute section of the credit bureau's website. Below is **TransUnion**.

[New Page] Step 2 → Complete the form on the respective websites. You will be asked to explain in writing what you think is wrong, why, and include copies of documents that support your dispute.

- Sometimes, there may not be a form, and you may need to submit your request in writing.

- If that is the case, we recommend using the **Consumer Financial Protection Bureau's template letter.** [Embed link to downloadable template.]

[New Page] Step 3 → If you mail a dispute, your letter should include the following:
[Make the points a checklist]

1. Your contact information, including complete name, address, and telephone number.
2. Credit report confirmation number, if available.
3. Clearly identify each mistake, such as an account number for any account you may be disputing.
4. Explain why you are disputing the information.
5. Request that the information be removed or corrected.
6. Enclose a copy of the portion of your credit report that contains the disputed items and circle or highlight the disputed items.
7. Include copies (not originals) of documents that support your position.

- You may choose to send your letter of dispute to credit reporting companies by certified mail and request a return receipt, so that you will have a record of when your letter was received. You can find contact information for all three credit bureaus on the **Consumer Financial Protection Bureau's website.**

[New Page] You've submitted your dispute. Now what?

- Credit reporting companies must investigate your dispute, forward all documents to the **furnisher**, and report the results back to you unless they determine your claim is without merit (How do I dispute an error on my credit report?, 2024). Examples of furnishers include your bank, your landlord, and your credit card company.
- If the consumer reporting company or furnisher determines that your dispute is without merit, it may choose not to investigate the dispute, provided it sends you a notice within five days (How do I dispute an error on my credit report?, 2024). If the furnisher corrects your information after your dispute, it must notify all of the credit reporting companies to which it sent the inaccurate information, so they can update their reports accordingly (How do I dispute an error on my credit report?, 2024).
    - We want to pause here and acknowledge that finding an inaccuracy can be very distressing and possibly damaging; yet, the onus remains on the individual to reach out, follow up, and identify the proper resources and channels to utilize. The burden falls on the individual, rather than the bureau (the source of the inaccuracy), to manage the process.
    - [Visually differentiate point above as a sidebar or in a text box so students can read, pause, and process]
- If the furnisher determines that the information is accurate and does not update or remove the information, you can request the credit reporting company to include a statement explaining the dispute in your credit file (How do I dispute an error on my credit report?, 2024). This statement will be included in future reports and provided to whoever requests your credit report.

[New Page] That was a lot of tactical information, but we hope it was helpful and makes you feel equipped to navigate a broad spectrum of financial scenarios while being proactive in your approach.

- Our goal is to ensure you are always equipped with relevant, reputable content and supporting context.

- Next, we're going to zoom out again and consider how the credit system has evolved and what it might look like in the future, with a specific focus on alternative data and lending products, and their impact on people, communities, and the system as a whole.

[New Page] Okay, let's take a break to see if you are tracking.
[This is a content check-in, meant to check for student understanding and allow them a moment to reflect on what they've learned and how they are feeling.]

- **[New Page - Content Check in] Question 1 of 4:** True or False. We don't know our credit score at any given time, unless a lender provides us with that information.
    - True
    - False
        - [Correct answer is true]
- **[New Page - Content Check in] Question 2 of 4: _________** is another word for the institutionalized power dynamic between the borrower and the lender.
    - Information Asymmetry
    - Unfairness
    - Risk Tolerance
    - Creditworthiness
        - [Correct answer is information asymmetry]
- **[New Page - Content Check in] Question 3 of 4:** True or False. You can freeze your credit report for free at all three major credit bureaus.
    - **True**
    - **False**
        - [Correct answer is true]
- **[New Page - Content Check in] Question 4 of 4: Let's check in to see how you're feeling.** Look at this color wheel and identify what emotions you are experiencing having learned all of this. [Allow users to click the word "Feelings Wheel" and show the static image of of the wheel that they can look at; Provide a hyperlink to the source: FeelingsWheel.com]
    - [Open text forum]

[New Page] Works Cited and Consulted for this Unit

Unit 5: The Rise and Reach of Credit Scoring

[Intro Text] In this unit, we aim to peel back the layers of the credit system. Specifically, we'll delve into advancements in the collection, storage, and analysis of vast volumes of data, as well as the role of AI in making credit scoring decisions. We'll focus on the implications of this "big data" approach and the rapid rise of **financial technology companies (fintech)** that attempt to utilize data and AI to create efficiencies for lenders and eliminate inequality for consumers—and the implications of it all.

[New Page] But first, let's play a game.

- Welcome to fact or fiction, where we'll share a few credit system tales, and it's your job to determine if they're based on real events (fact) or fabricated information (fiction). Let's get started.

[New Page] Upstart Network is a company that utilizes alternative data to inform credit underwriting and pricing decisions, and it has experienced rapid growth. It claims to have pioneered the application of artificial intelligence in lending. It also promotes more accurate, efficient, and inclusive lending. But a watchdog group found that Upstart Network has been charging higher interest rates on student loans to graduates of historically black colleges or those from predominantly Hispanic backgrounds.

- [Would love for this to be in a storybook graphic to make it feel like students are reading a story or imagining a proposed scenario]
- **Button] Fact**
- **[Button] Fiction**

[Once the student selects an answer, they should be directed to a new page that shows the correct answer and associated explanation]

[New Page] The answer is: Fact

- Upstart Network is an alternative credit scoring company that was founded in 2012. On its website, it claims to have "pioneered the application of artificial intelligence in lending." It also promotes "more accurate, efficient, and inclusive lending" (Our Story, n.d.). Upstart's business model considers an applicant's school when making credit decisions. It uses the school the applicant attended as one of the variables to determine "creditworthiness." In 2020, the watchdog group discovered that Upstart was charging higher interest rates on student loans to graduates of historically black colleges or those from predominantly Hispanic backgrounds (Arnold, 2020). This means that Upstart's credit scoring algorithm has disparate impacts on minority borrowers, devaluing their educational background compared to white borrowers with similar educational backgrounds (Brown et al., 2020).

[New Page] If that scenario makes you feel upset and wonder how this is possible, that's ok. It's just the tip of the iceberg and exemplifies what we aim to discuss in this unit.

[New Page] But first, as we've learned, access to credit in the US is contingent on having the "right" score, or at least one that classifies you as "trustworthy" in the eyes of lenders (Hiller, Jones, 2022).

- And this is inherently problematic because 'trustworthy' or 'creditworthy' are shame-inducing terms - we are all worthy.
- Even so, a favorable credit rating is necessary to purchase a home or car, start a business, gain access to employment, rental housing, and insurance, among other things (Johnson, 2019).

[New Page] And as previous units have shown, we have very little control or visibility into how we are scored.

[New Page] The opaque scoring system makes it incredibly challenging for people to build credit and break out of the cycle of low credit ratings and prevents them from participating in and experiencing the benefits of the US economy (Hiller, Jones, 2022).

- In 2015, the **Consumer Financial Protection Bureau (CFPB)** published a report finding that 26 million Americans have no credit history, and an additional 19 million consumers have "unscorable" credit files, which means they have insufficient credit history or lack any recent credit history. According to this research, there are 45 million consumers who may be denied access to credit because they do not have credit records that can be scored (Scarbrough, 2016)
- More recent analysis by private consulting companies estimates that there are 28 million Americans with no credit history and 21 million with an insufficient credit history, totaling 49 million (Hepinstall, Chandrasekhar, Dykstra, & Ulucay, 2022).

[New Page] Building credit to be able to participate in the economy can feel almost impossible.

- Consider first-time loan applicants. To establish a credit score, you must have a credit history, and to qualify for most loans, you typically need a credit score. It's a vicious cycle (Hiller, Jones, 2022)
- [Show graphic of this cycle and how it can be shame/trauma-inducing]

[New Page] Enter an explosion of financial technology (fintech) startups trying to address this problem.
[Insert quilt of logos showing all the fintech companies in this space]

- In response to tens of millions of consumers left out of traditional scoring and to create a solution that expands access to credit, established players like credit bureaus and start-ups like fintech companies are collecting "alternative data" and factoring it into credit decision-making (Bernard, 2021). This movement began with good intentions, but we will show you the adverse, unforeseen outcomes of this approach.

[New Page] What does **alternative data** mean?

- This refers to "any data that is not directly related to a consumer's credit behavior" (Gaskin, 2012).
- Traditional data is from a credit bureau, a credit application, or a lender's own files on an existing customer.
- Alternative data sources include, but are not limited to:
    - Transaction data → How customers use their credit and debit cards
    - Telecom, utility, and rental data → This doesn't appear in most credit reports
    - Social media profile data → Mining Facebook, LinkedIn, Twitter, Instagram, Snapchat, or other social media sites. Value is derived from analyzing metadata, such as the number of posts and their frequency, or the size of their social graph.
    - Clickstream data → How a consumer or applicant moves through your website.
    - Audio and text data → Information found on credit applications, in recorded customer service or collections calls.
    - Social network analysis → Identifying an individual's connections with other people, and in the case of someone with no or little financial history who is applying for credit, evaluating the credit ratings of the individual's network to assess their risk.
    - Survey/questionnaire data → Lenders rate the credit risk of someone with little or no credit history through psychometrics, which is an assessment that "analyzes character traits and proven relationship to credit risk."
    - [For each of the definitions above, students should be able to click or hover and the definition drops down.]
    - Source: *How to Use Alternative Data in Credit Risk Analytics*. (2024, November 4). https://www.fico.com/blogs/how-use-alternative-data-credit-risk-analytics

[New Page] You may be thinking - yikes - and your mind might be running through all the implications of this "all data is credit data" approach. That makes sense, and we're about to dig into it.

[New Page] But before we do, back to fact or fiction. Consider the following credit system tale.

[New Page] Facebook is taking on the credit scoring system. They've met with executives of several lending startups and credit data agencies requesting access to consumers' financial transaction data. They've also registered for a patent for technology that assesses users based on social network connections to determine if they're responsible loan candidates.

- [Would love for this to be in a storybook graphic to make it feel like students are reading a story or imagining a proposed scenario]

- **Button] Fact**
- **[Button] Fiction**

[Once student selects answer, they should be directed to a new page that shows the correct answer and associated explanation]

[New Page] The answer is: Fact

- Facebook filed a patent application in 2015 related to a method of assessing and authenticating based on people's social networks. According to the patent application, when someone applies for a loan, the lender can examine the credit ratings of the individuals in the applicant's social network. If the average credit rating of the members meets the minimum credit score requirement, the lender can proceed with processing the loan application. Otherwise, it would be rejected. It is unclear whether this tool is operational, but critics argue that it could perpetuate systemic biases in the credit scoring system (Johnson, 2019).

[New Page] What do supporters say?

- Credit bureaus, like Experian, believe that using alternative data for **credit underwriting** has a few benefits (Burrows, 2024):
    a. It can give you a better understanding of a person's financial position
    b. It helps improve the speed and accuracy of credit decisions
    c. It can increase financial inclusion by analyzing data that is not used in conventional scoring models
- Generally, supporters also argue that alternative data, such as evaluating a consumer's network of friends, neighbors, and individuals with similar interests, income levels, and backgrounds, is an effective way to determine factors like the likelihood of a consumer defaulting on payment obligations (Johnson, 2019).

[New Page] Many of these new, innovative products and providers claim to expand access to credit, but what do consumer advocates say? Well, they have raised many concerns.

- 1) Yes, federal laws protect consumers and prohibit credit discrimination, but there is no protection for how credit entities use alternative data forms to create inferences about credit and other risks (Hiller & Jones, 2022).
- 2) Without regulation, alternative data sources have the potential to perpetuate and deepen the discrimination that is already deeply embedded in a lot of the socioeconomic structures in our society (Hiller & Jones, 2022).

[New Page] Ok, but what does the law say?

[New Page] Back to fact or fiction. Consider the following credit system tale.

[New Page] Some learning algorithms view timing, such as applying for a loan at 3 am, or location, like being in a high-crime area, as bad signals that negatively impact your credit score.

- [Would love for this to be in a storybook graphic to make it feel like students are reading a story or imagining a proposed scenario]
- **Button] Fact**
- **[Button] Fiction**

[Once student selects answer, they should be directed to a new page that shows the correct answer and associated explanation]

[New Page] The answer is: Fact.

- Learning algorithms aim to identify variables that simplify and expedite the sorting, classification, and ranking of individuals. Therefore, they commonly rely on proxies or traits that help them determine someone's **risk profile**.
- [Students should be able to click on term and definition drops down or pops out. **Risk profile** - Lenders assess borrowers credit scores to evaluate their likelihood of failing to repay a debt (Borrower risk profiles, n.d.)]
- Under the **Equal Credit Opportunity Act**, intentional discrimination based on a **protected trait** is prohibited (Equal Credit Opportunity Act, 2019). Protected traits refer to: race, color, religion, national origin, sex, marital status, age, because an applicant receives income from a public assistance program, or because an applicant has in good faith exercised any right under the Consumer Credit Protection Act (The Equal Credit Opportunity Act, n.d.).
- However, this becomes complicated in practice because most established players and fintech platforms utilize learning algorithms. And with the way learning algorithms work, it can be unclear whether they are relying on a trait that functions as a proxy for a legally protected trait (Johnson, 2019).
- But what we do know about learning algorithms is that they seek to identify variables that simplify and expedite the sorting, classifying, and ranking of people (Johnson, 2019). That means that learning algorithms may rely on proxies or traits that are **highly correlated** with protected traits (Johnson, 2019). The examples provided are from a 2019 report analyzing LendingClub, a consumer lending platform that facilitates loans between borrowers and investors (Jagtiani & Lemieux, 2019).

[New Page] Again, let's think about the importance of credit scores. They are not only used to make loan decisions; they are also used to determine insurance rates, employment decisions, and may even be used in health treatment algorithms (Hiller & Jones, 2022).

- The potential for wide-scale discrimination through the use of learning algorithms is especially alarming, as we are already seeing this happen today within the bounds of the traditional credit scoring system.

[New Page] And while most people understand the importance of a high credit rating to participate in the economy, most are unaware of how much of their personal data is available and accessed (Hiller & Jones, 2022).

- And most are unaware of how it is being used to produce rankings and ratings that determine credit access and terms (Hiller & Jones, 2022).
- [Insert what? gif]

[New Page] And as we learned with the earlier Upstart Network example, discrimination based on this data and the use of AI is clearly possible. So, you may be thinking, how are these platforms still operating and growing?

- Yes, there are enacted laws that regulate the consumer credit industry, which we've mentioned, but there are gaps when it comes to alternative credit data (Hiller & Jones, 2022). Consider these excerpts from an article in the American Business Law Journal.
- [Topics should be listed on the left of the screen, and the student can hover or click on each theme, and the associated excerpt from the report can pop up on the screen.]
    - **Opaque Credit Scoring Algorithms**
        - *"Consumers' chief complaint about credit scoring is that no one knows exactly how their score is calculated. Although an individual may be turned down for a loan, a lease, or a job because of this number, the formula used for its calculation is protected as intellectual property and is not even accessible to government regulators. This secrecy is justified as*

a means to prevent competitors from copying the protected formulas and individuals from manipulating their scores" (Hiller & Jones, 2022).

- **Lack of Control Over Personal Data**
  - *"Americans neither consent to nor have the right to opt out of the traditional credit reporting and scoring system. Upon birth, individuals become involuntary financial data providers. Unbeknownst to them, [credit reporting agencies] maintain credit files on children, which leaves minors vulnerable to identity theft even before they enter into their first transaction. According to one study, more than one million children were victims of identity fraud in 2017, and two-thirds of the victims were younger than eight" (Hiller & Jones, 2022).*
- **Imbedded Bias**
  - "*On its face, payment history as a variable is neutral with respect to race. Access to the means necessary to build a strong credit history, however, is not race-neutral. The historic practice of redlining by conventional lenders, combined with the fact that predatory lenders are more likely to target minorities, makes it more difficult for minorities to build a strong history of repayment" (Hiller & Jones, 2022).*
- **Lack of Privacy**
  - *"Over recent years, consumer surveillance has grown to a multi-billion-dollar industry. Some consumer advocates are concerned that the combination of traditional and alternative data creates a complete digital profile of an individual that extends far beyond what is necessary or even relevant to determine creditworthiness. The resulting dossiers not only include credit scores, but also thousands of details about individuals obtained by scouring web searches, social networks, purchase histories, and public records. In response to a Senate inquiry, Equifax reported that it maintains approximately 75,000 individual data points, including information as specific as whether a consumer purchased a particular soft drink or shampoo in the last six months, used laxatives or yeast infection products, visited an obstetrician-gynecologist within the last year, and the number of miles traveled in the last four weeks and whiskey drinks consumed in the past thirty days" (Hiller & Jones, 2022).*
- **Alternative Uses and Impacts**
  - *"As [credit reporting agencies] have diversified their operations into risk scoring and consumer profiling, they are no longer merely concerned with creditworthiness. They also operate in the more expansive business of consumer data. In addition, [credit reporting agencies] have long been selling credit reports for noncredit decisions, such as setting insurance premiums and even employment decisions…The continued consolidation of data, combined with many regulatory loopholes, opens the door for a greater expansion of consumer data uses" (Hiller & Jones, 2022).*

[New Page] Okay, let's take a break to see if you are tracking.
[This is a content check-in, meant to check for student understanding and allow them a moment to reflect on what they've learned and how they are feeling.]

- **[New Page - Content Check in] Question 1 of 4:** Which of the following are alternative data sources?
  - Snapchat or other social media sites
  - Audio and text data
  - Telecom, utility, and rental data

- Clickstream data
- All of the above
  - [Correct answer is all of the above]
- **[New Page - Content Check in] Question 2 of 4:** Under the **Equal Credit Opportunity Act**, intentional discrimination based on ___________is prohibited.
  - Credit history
  - Loan amounts
  - Protected traits
  - Financial literacy
    - [Correct answer is protected traits]
- **[New Page - Content Check in] Question 3 of 4:** Which credit bureau reported that it, "*...maintains approximately 75,000 individual data points, including information as specific as whether a consumer purchased a particular soft drink or shampoo in the last six months, used laxatives or yeast infection products, visited an obstetrician-gynecologist within the last year, and the number of miles traveled in the last four weeks and whiskey drinks consumed in the past thirty days."*
  - Experian
  - TransUnion
  - Equifax
    - [Correct answer is Equifax]
- **[New Page - Content Check in] Question 4 of 4: Let's check in to see how you're feeling.** Look at this color wheel and identify what emotions you are experiencing. [Allow users to click the word "Feelings Wheel" and show the static image of the wheel that they can look at; Provide a hyperlink to the source: FeelingsWheel.com]
  - [Open text forum]

[New Page] Now, let's focus specifically on alternative data. It can include very sensitive information! This raises significant concerns about the use and distribution of it. (Johnson, 2019).

- As you can imagine, financial transactions and social media data are big targets for hackers.
- [Take screenshots of a series of headlines about this event, showing its scale, visually make it look like newspaper clippings]
- In September 2017, Equifax was the target of a major cybersecurity attack. It announced that a data breach had exposed the personal information of 147 million people, including Social Security numbers, birth dates, addresses, and driver's license numbers. Its lack of monitoring and security left millions of consumers more vulnerable to identity theft (Pritcher & Srinivasan, 2019).

[New Page] Established players, like the three main credit bureaus, are also playing in this space. They offer scoring services with an opt-in structure, asking consumers for permission to access their checking, savings, or utility account histories directly. This is called **open banking**. [Allow student to click on or hover over "open banking" and have the definition pop out. **Open banking** - *Refers to systems that empower bank customers to share their financial data from their accounts in commercial banks with other entities via application programming interfaces or APIs (Hu & Xie, 2024). This form of data sharing has raised some big concerns, specifically privacy breaches, data security, and vulnerability to cybercrime and fraud (Hu & Xie, 2024).]*

- [Use screenshot from homepage of UltraFICO website that says "Your UltraFICO® Score. You're in control."]
- Example 1:

    - Equafax has partnered with FICO and Finicity to offer an alternative score, known as an UltraFICO score. To calculate this score, consumers must provide their login credentials. Once FICO has accessed the customer accounts, it then analyzes the length of time the accounts have been open, recency and frequency of transactions, evidence of consistent cash on hand, and history of positive account balances, together with traditional credit data to calculate an alternative credit score (Hiller, Jones, 2022).
    - On the website, it states, "Your UltraFICO® Score. You're in control" [Source]
- [Use screenshot from homepage of Experian Boost website that says "Instantly raise your credit scores for free. Get credit for bills like your cell phone, utilities, rent, and insurance with Experian Boost"]
- Example 2:
    - Experian also offers Experian Boost, which allows customers to link to payments on bills like Netflix, Disney+, and their mobile phone provider to raise their FICO scores (Introducing the UltraFICO® Score, n.d.)

[New Page] If you think about it, these "opt-in" options are usually presented to people when they are at their most vulnerable.
- Imagine you're stressed about building your credit history, and this option appears that can "instantly" help and make you feel "in control"
- It makes you think…are the products designed to help people improve their scores? Or are they also a means for credit bureaus to access additional data?

[New Page] As the credit scoring system becomes intertwined with the world of "big data," it gets even more challenging for the consumer to navigate.
- Yes, there are protections in place, such as the **Fair Credit Reporting Act**, which requires alternative credit scoring companies to provide consumers with the opportunity to access and correct information about themselves. But, when dealing with alternative credit data, it may become increasingly difficult for consumers to verify the accuracy of their scores and reports or to challenge decisions based on alternative models.
- Although it provides protections, the Fair Credit and Reporting Act's transparency and reporting requirements place the burden on individual consumers to identify and contest errors and inaccuracies they find on their reports and in the data that may impact their final scores (Johnson, 2019).
- This is another example of the burden or onus placed on the individual to navigate the system, which can sometimes feel like an impossible task.
- [Maybe some sort of visual that shows just how many players operate in this space and where they are accessing data to show the complexity and scale. Thinking of some sort of web or ecosystem visual. This could be a visual that shows the ripple effect of specific actions - for example, the Equifax data breach compromises a person's security, and they experience identity theft and need to dispute their report. Or, a person uses social media, and this data is being collected and sold to bureaus. Or a person is trying to build credit but is repeatedly being denied loans and credit card applications due to unfavorable credit scores or a lack of credit history.]

[New Page] Algorithms are increasingly influencing the terms and availability of credit. What is the long-term result of this?
- We already know that it perpetuates systemic biases (O'Neil, 2017).
- It also has the potential to continue operating in a gatekeeping function, essentially determining who receives access to credit. Additionally, it will determine the terms of credit arrangements, which dictate access to and the cost of key aspects of economic

functioning and daily living, such as car insurance policies, home mortgages, rent, and employment (Johnson, 2019).

[New Page] If you're feeling unsettled and left with even more questions than when we started, that's ok! [Insert confused gif]

- The system is complicated by design. Its opacity and complexity can be shame-inducing.
- Building credit may feel daunting, but it's essential to consider all the information you know and have learned, and then prioritize the best actions for you. That might mean learning more about a topic we mentioned in this module or opening a secured credit card to start building credit.

[New Page] Works Cited and Consulted for this Unit