



MONEY SMART FOR YOUNG ADULTS

An overhead photograph showing a person's hands typing on a silver laptop keyboard. The laptop is open and angled towards the bottom right. In the background, several cardboard boxes are stacked on a black and white checkered floor. One box has the number "11" written on it. To the left, there's an open box containing a dark-colored item, possibly a television or monitor, and some white packing material. Another box to the left contains some papers and a small white envelope. The scene suggests someone is working from home during a move or organizing their belongings.

MODULE 6

Building Your Credit History

Instructor Guide



FEDERAL DEPOSIT INSURANCE CORPORATION

FDIC-020-2022

The Federal Deposit Insurance Corporation is an independent agency created by Congress to maintain stability and public confidence in the nation's financial system. One way we do that is by providing free, non-biased financial education materials, including this instructor guide. For more information about our family of Money Smart products, visit **fdic.gov/moneysmart**.

Contents

Welcome	1
Module Purpose	1
Module at a Glance.....	1
Module Opening.....	3
Welcome Participants as They Arrive	3
Pre-Training Survey (Optional)	3
Parking Lot and Participant Guide	4
Section 1: Credit Reports	5
What Is a Credit Report?.....	6
Try It: Is This on a Credit Report?.....	7
<i>Try It: Is This on a Credit Report? – Answer Key.</i>	7
What Is Listed on a Credit Report?.....	9
What Is a Credit Score?.....	10
Having No Credit Reports or Scores	13
Try It: Do Credit Reports Matter?	14
<i>Scenario: Yardley Learns About the Importance of Having a Credit History.</i>	14
Section 2: Credit Scores	16
The Basics of Credit Scoring	16
Try It: What Makes Credit Scores Go Up and Down?.....	19
<i>Scenario: Alex Learns About Credit Scores.</i>	19
<i>Try It: What Makes Credit Scores Go Up and Down? – Answer Key.</i>	20
What Is a Good Credit Score?.....	24
Section 3: Getting and Understanding Your Credit Reports and Scores	25
Getting Your Credit Reports	25
Apply It: Getting My Credit Reports	27
What Sections Are in Credit Reports?	29
Try It: Reading a Credit Report	30
<i>Scenario: Ray Reviews His Credit Reports.</i>	30
<i>Try It: Reading a Credit Report – Answer Key.</i>	31
<i>Example Credit Report</i>	32
Apply It: Reviewing My Credit Reports	34
Getting Your Credit Scores	34
Section 4: Disputing Errors on Your Credit Reports.....	36
Errors on Your Credit Reports	37
How to Dispute Errors on Your Credit Reports.....	40
Apply It: Disputing Errors on My Credit Reports	42

Section 5: Build, Repair, and Maintain a Productive Credit History.....	43
A Productive Credit History	43
Try It: Developing a Productive Credit History	44
Scenario 1: Selena Needs to Pass a Background Check.....	45
Scenario 2: Max Wants an Apartment	46
Scenario 3: Vonnie Needs a Car Loan	47
Apply It: Building My Credit	48
Apply It: Creating My Alternative Credit History	48
Apply It: Repairing and Improving My Credit.....	49
Apply It: Maintaining My Productive Credit History.....	49
Apply It: Getting Help With My Credit.....	50
Credit Repair Scams	52
Protecting Your Credit History	53
Module Closing	55
Remember the Key Takeaways.....	55
Take Action	55
Post-Training Survey (Optional)	56
Answer Key for the Pre- and Post-Training Survey	57



Welcome

Welcome to the FDIC's Money Smart for Young Adults!

This is the instructor guide for **Module 6: Building Your Credit History**.

Module Purpose

This module helps participants understand, access, and improve their credit reports and scores. By the end of this module, participants will be able to:

- Define credit reports
- Identify information on credit reports, and information that is not
- Explain the importance of credit reports and scores
- Define credit scores
- Identify what makes credit scores go up and down
- Access free credit reports
- Explain the contents on credit reports
- List types of errors on credit reports
- Dispute errors on credit reports
- List strategies to repair, improve, and maintain credit
- Explain where to get help with credit reports and credit scores

Module at a Glance

We estimate you need three and a half hours to cover the entire module, not including breaks. You can train on all or select sections based on the time you have available and the needs of participants.

SECTION	SUBSECTIONS AND ACTIVITIES	ESTIMATED TIME (MINUTES)
Module Opening	<ul style="list-style-type: none">■ Welcome Participants as They Arrive■ Pre-Training Survey (Optional)■ Parking Lot and Participant Guide	10
Section 1: Credit Reports	<ul style="list-style-type: none">■ What Is a Credit Report?■ Try It: Is This on a Credit Report?■ What Is Listed on a Credit Report?■ What is a Credit Score?■ Having No Credit Reports or Scores■ Try It: Do Credit Reports Matter?	50



SECTION	SUBSECTIONS AND ACTIVITIES	ESTIMATED TIME (MINUTES)
Section 2: Credit Scores	<ul style="list-style-type: none"> ■ The Basics of Credit Scoring ■ Try It: What Makes Credit Scores Go Up and Down? ■ What Is a Good Credit Score? 	30
Section 3: Getting and Understanding Your Credit Reports and Scores	<ul style="list-style-type: none"> ■ Getting Your Credit Reports ■ Apply It: Getting My Credit Reports ■ What Sections Are in Credit Reports? ■ Try It: Reading a Credit Report ■ Apply It: Reviewing My Credit Reports ■ Getting Your Credit Scores 	45
Section 4: Disputing Errors on Your Credit Reports	<ul style="list-style-type: none"> ■ Errors on Your Credit Reports ■ How to Dispute Errors on Your Credit Reports ■ Apply It: Disputing Errors on My Credit Reports 	25
Section 5: Build, Repair, and Maintain a Productive Credit History	<ul style="list-style-type: none"> ■ A Productive Credit History ■ Try It: Developing a Productive Credit History ■ Apply It: Building My Credit ■ Apply It: Creating My Alternative Credit History ■ Apply It: Repairing and Improving My Credit ■ Apply It: Maintaining My Productive Credit History ■ Apply It: Getting Help With My Credit ■ Credit Repair Scams ■ Protecting Your Credit History 	45
Module Closing	<ul style="list-style-type: none"> ■ Remember the Key Takeaways ■ Take Action ■ Post-Training Survey (Optional) 	10

The FDIC created Real-Life Money Situations for Young Adults to strengthen the financial knowledge, skills, and self-efficacy of young adults ages 16 to 24. The five scenarios can be used with the Money Smart for Young Adults financial education curriculum, with other financial education curricula, or as stand-alone activities. Each scenario features a young adult facing realistic financial decisions. Young adults reflect on the scenarios and consider how they might respond in similar situations. The scenario titled Mei Finds a Place to Live features financial decisions that relate to the content of this module. Search fdic.gov for Real-Life Money Situations for Young Adults.

Module Opening

Time estimate for this section: 10 minutes

Welcome Participants as They Arrive

SHOW SLIDE 1



DO

- As participants arrive for the training, use this time to:
 - Welcome them and introduce yourself
 - Ask them to sign in for the training if you are using a sign-in sheet
 - Ensure that any requested reasonable accommodations are in place and make any necessary adjustments



Pre-Training Survey (Optional)

See page 18 in the participant guide.

Note to Instructor: Before training starts, you can ask participants to complete the pre-training survey in the back of the participant guide. You may want to give participants copies of the survey so they do not have to tear pages out of their guides. The questions are repeated in the post-training survey.

The answer key is at the end of this instructor guide, but do not share the answers now.

Using the pre- and post-training surveys allows you to estimate knowledge gains and get other feedback on the training. You may decide to compare pre-training surveys to post-training surveys to estimate knowledge gains of the entire group or for individual participants. To estimate by participant, ask them to write their name or some other unique identifier on both their pre- and their post-training surveys.

SHOW SLIDE 2



SAY

- Thank you for coming to this Money Smart training on “Building Your Credit History.”
- Please complete the pre-training survey on page 43 of your participant guide.
- It should take less than five minutes to complete.



DO

- Collect the completed surveys.

The image shows a slide titled "Pre-Training Survey" with the subtitle "See page 43 in your participant guide." The slide contains the following text:
Pre-Training Survey
Your instructor will ask you to complete this pre-training survey.
Please answer these questions.
1. Which of the following can review your credit reports and scores to make decisions about you?
a. Landlords
b. Financial institutions
c. Cell phone companies
d. Employers (in some states)
e. All of the above and others
2. You can improve your credit reports, but your credit scores will always stay the same.
 True False



Parking Lot and Participant Guide

SAY

- I will use a parking lot to capture questions, ideas, and other thoughts. We can add items anytime during the training. Time permitting, I will address them during breaks or at the end of training.
- You have a participant guide. You can write in it. It is yours to keep.



Section 1: Credit Reports

Time estimate for this section: 50 minutes

See page 18 in the participant guide.

Participants will be able to:

- Define credit reports
- Identify information on credit reports, and information that is not
- Explain the importance of credit reports and scores

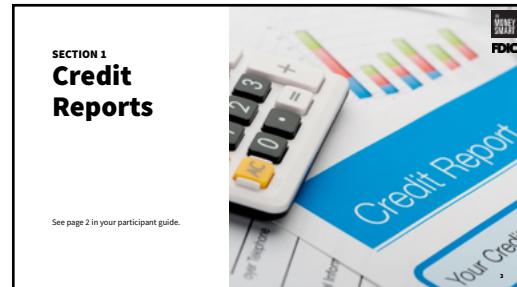
Note to Instructor: The nationwide credit reporting agencies are required by law to offer free credit reports every 12 months. However, the agencies sometimes offer free credit reports more often. See annualcreditreport.com for updates.

SHOW SLIDE 3



SAY

- We will discuss credit reports and how information on them can affect many areas of your life.



SHOW SLIDE 4



SAY

- The key takeaway for this section is: Your credit history can affect your access to credit, loans, jobs, housing, insurance, and other important services.





What Is a Credit Report?

Present information (2 minutes)

See page 2 in the participant guide.

SHOW SLIDE 5



SAY

- You may have heard the term credit report, but perhaps you've never looked at one.
- Maybe you've shopped for an apartment and been told the landlord first must look at your credit report.
- Or you were told a lender reviewed your credit report after you applied for a loan.
- Or you've heard how important it is to review your credit report.
- A credit report contains your credit history, your track record of paying debts.

What Is a Credit Report?

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Document that contains your credit history, your track record of paying your debts

SHOW SLIDE 6



SAY

- People have credit reports if they have opened a credit card account, borrowed to pay for school or a car, or have taken other financial actions included on credit reports.
- We will talk in more detail about what information is included on credit reports.
- Generally, people under age 18 do not have credit reports.
- However, there are exceptions. For example, people under 18 may have credit reports if:
 - They are authorized users on others' credit card accounts. Adults sometimes authorize minors to make purchases using a credit card even when the account holder is not there.
 - They took out a student loan before turning 18.
 - Their information was used for identity theft or fraud.
- State agencies that provide foster care must help foster youth who are aged 16 and older check their credit reports before they turn 18. They must help foster youth address issues with their credit, including disputing errors on credit reports and responding to identity theft and fraud.

Who Has Credit Reports?

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- People who have taken financial actions included on credit reports
- Generally, people under age 18 do not have credit reports, except:
 - Authorized users on others' credit card accounts
 - Student loan borrowers
 - Victims of identity theft or fraud
- Foster care agencies help foster youth check credit reports and address issues



Try It: Is This on a Credit Report?

Lead activity (15 minutes) – Vote

See page 3 in the participant guide.

SHOW SLIDE 7



SAY

- Sometimes people make assumptions about what is and is not on a credit report.
- Let's start with what information is on a credit report.



DO

- Ask participants to turn to "Try It: Is this on a Credit Report?" on page 3 in their participant guide.
- Read each item on the slide and ask for a "thumbs up" or "thumbs down." When participants disagree, or give you an incorrect answer, use the Answer Key to explain why that information is or is not on a credit report.

Note to Instructor: If the thumbs up/thumbs down method will not work well for your participants, consider having them vote with a verbal "yes" or "no" or a similar method.



SAY

- Think about whether each item is included on a credit report.
- As I read them off, indicate with a "thumbs up" or "thumbs down" what you conclude.
- Keep track of the answers in your participant guide.

Try It: Is This on a Credit Report? – Answer Key

Item	Yes, it is included	No, it is not included
1. Your name	Yes. Your full legal name is in the personal or identifying information section.	
2. Arrests and convictions		No. Arrests and convictions are not listed on credit reports. They may be on employment background reports made by other consumer reporting agencies.
3. Credit card payments	Yes. Credit card payments and the name of the company that issued the card and other account information are listed on your credit report.	
4. Income		No. Your income is not listed on your credit report.



Item	Yes, it is included	No, it is not included
5. Cell phone plan payments		No. However, if you don't pay your bills on time, your provider may report that your account is delinquent or send your account to a debt collector. That information will appear on your credit report.
6. Rent payments		No. Landlords rarely report rent payments to credit reporting agencies. However, if your landlord sends your account to a debt collector because of overdue rent, the collection appears on your credit report.
7. Student loan payments	Yes. Payment history for federal and private student loans is included on a credit report. These loans are also included on the credit reports of anyone who co-signs a student loan.	
8. Credit limits on your credit cards	Yes. Every credit card has a credit limit—the maximum amount you can borrow on the card. Card limits are on credit reports along with the total balance and the estimated minimum payment owed.	
9. Traffic tickets and fines		No. These are not included on credit reports. However, if you don't pay on time, the agency that issued the ticket or fine may send your account to a debt collector. That information will appear on your credit report.
10. Savings account balance		No. These are not on a credit report. Checking account balances are also not on a credit report.
11. Debit card purchases		No. Debit card purchases are withdrawals from your checking account. These purchases are not on a credit report.
12. Payday loans		No. A payday or payday advance loan is a short-term, small-dollar loan. When you borrow money, it is expected you'll pay off the loan with your next paycheck. However, if the lender sends your account to a debt collector because you have not repaid what you owe, that appears on your credit report.





What Is Listed on a Credit Report?

Present information (10 minutes)

See page 4 in the participant guide.

SHOW SLIDE 8



SAY

- Credit reports list:
 - **Identifying information**, such as your name and address.
 - **Debts and some bills you pay** to businesses, financial institutions, or other organizations and agencies that extended you credit.
 - » Credit card information, including your credit limit (the maximum amount you can borrow), your balance (the amount owed), and amounts you paid by month.
 - » Home mortgage information, including the original mortgage amount, current mortgage balance, and amounts you paid by month.
 - » Rent payments are seldom included on credit reports. However, if your landlord transfers your overdue rent amount owed to a debt collector, the overdue rent will be included on your credit report.
 - › There are exceptions. Some landlords report rent payments to credit reporting companies, either automatically for all tenants or in response to a specific tenant request.
 - › In addition, third-party apps report payment of rent to credit reporting companies. You can find these apps by searching for “report rent to credit agency.” The apps typically charge a monthly fee for this service.
 - » Many of your regularly paid bills or debts are not listed on a credit report. In some cases, such as utility bills, the information is only reported if you do not pay a bill as agreed.
 - » Accounts in collections are on credit reports. This includes when a creditor assigns or sells the debt to a debt collector, known as “charging off the debt.”
 - › Assigning a debt means a debt collector is hired to collect the debt on the creditor’s behalf.
 - › Debts that have gone to collections have their own section on a credit report.
 - › Medical debts that have gone to collections are included on a credit report after six months.
 - **Public record information.** Bankruptcy is the only public record information included on credit reports.
 - **Applications for new credit and other “inquiries”** when lenders or other businesses request a copy of your credit report.

What Is Listed on a Credit Report?

- Identifying information
- Debts and some bills
- Public record information
- Applications for new credit and other “inquiries”



SHOW SLIDE 9



SAY

- There are three nationwide credit reporting agencies that make credit reports: Equifax, Experian, and TransUnion. They may be called credit reporting agencies, credit bureaus, or credit reporting companies.
- If you have a credit history, you likely have three separate credit reports—one from each nationwide credit reporting agency. You have a right to see these reports, which we will talk about later in the training.
- Besides the three nationwide credit reporting agencies, there are other consumer reporting companies.
 - These consumer reporting companies provide specialized reports on your history as a consumer that the nationwide credit reporting agencies may not. These reports help other companies decide whether to provide consumers with products and services. The reports may include information about your accounts at financial institutions, employment, rental housing, insurance, or cell phone plans.
 - You have a right to see specialty consumer reports with information about you. For more information, visit consumerfinance.gov and search for “consumer reporting companies.”



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What Is a Credit Score?



Lead discussion (10 minutes)

See page 4 in the participant guide.



ASK

- What is a credit score?



DO

- Write participant responses on a flip chart or whiteboard.

SHOW SLIDE 10



SAY

- Credit scores are numbers based on information on your credit reports.
 - They predict the likelihood you will pay your bills and debts as agreed.
- People with better (higher) credit scores tend to present less risk to creditors than people with credit scores that are not as good (lower).
- Higher credit scores indicate you have paid your bills and debts as agreed in the past and are likely to continue to do so.



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SHOW SLIDE 11



ASK

- Who might use credit reports and scores? Why do you think they use them?



DO

- Write participant responses on a flip chart or whiteboard in two columns.
 - In the left column, write who might use credit reports and scores.
 - In the right column, write why they might use them.



DO

- Add the following if not contributed:
 - **Financial institutions** use them to determine whether you can get a credit card or loan and to determine your credit limit—the maximum amount they will loan to you.
 - **Landlords** may use them to decide if they will rent an apartment to you and perhaps to set your security deposit.
 - » Individuals with credit reports that have negative information may not be able to rent some apartments or may need to pay a high security deposit or have someone co-sign the apartment lease.
 - **Utility companies** may use them to decide whether you must pay a security deposit and the amount.
 - **Cell phone companies** may use them to determine your eligibility for their plans.
 - » Individuals with credit reports that have negative information and low credit scores may only be offered prepaid or month-to-month phone plans.
 - **Insurance companies**, if allowed by state law, may use information from your credit reports to decide whether they will sell you insurance and how much it will cost.
 - **Employers**, if allowed by state law, may include them in background checks for potential employees. Federal law also provides protections for consumers when employers would like to use credit reports for employment purposes.
 - To find out if credit information can be used in employment decisions in your state, contact your state's department of labor.
 - When an employer uses consumer reports to make employment decisions like hiring, promotion, reassignment, and retention, the Fair Credit Reporting Act requires the employer to take important steps.
 - Depending on where you live, your city or state may offer additional protections.
 - **State agencies or affiliated organizations** may use them to determine eligibility for professional licenses, such as licenses for mortgage loan originators.

Who Uses Credit Reports and Scores?

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- Financial institutions
- Some landlords
- Some utility companies
- Some cell phone companies
- Insurance companies (in some states)
- Employers (in some states)
- Some state agencies or affiliated organizations



SAY

- Under the Fair Credit Reporting Act, when you apply for a credit card, loan, apartment, or utility service, your application gives the company permission to access your credit report. When you apply for a job, the potential employer must get your permission to access your credit report.
- Companies that deny you credit, service, an apartment, or employment due to information on your credit reports are required to provide you with an “adverse action notice.” It notifies you of your right to get a free copy of the report that led to your denial. You have 60 days to order the free copy.
- Companies must also send an adverse selection notice when they grant you credit on materially less favorable terms compared to other consumers. An example of materially less favorable terms is a telephone company or utility requiring you to pay a higher deposit to receive services based on your credit history.

SHOW SLIDE 12



SAY

- Credit reports and scores may be used as one factor for **risk-based pricing**. Other factors can include your employment history and outstanding debts.
 - With risk-based pricing, lenders set interest rates and other loan terms based on the estimated risk that a particular consumer will not repay the loan as agreed.
 - Lenders may charge you a higher interest rate if they view you as a high-risk borrower—perhaps because you are several payments behind on a mortgage or credit card, you don’t have reliable income, or you have declared bankruptcy.
 - Lenders may offer you a lower interest rate if they view you as a lower risk—perhaps because you have a high credit score and stable employment.
- A lender must tell you if they used your credit reports or scores to make a lending decision about you. If the lender declines to offer you credit or if they offer you less favorable terms than other borrowers based on your credit reports or scores, the notice you receive will include:
 - Information about how you can get a free credit report if requested within 60 days. This report is in addition to the free credit report you are entitled to every 12 months from each of the nationwide credit reporting agencies.
 - Information regarding your right to dispute the accuracy or completeness of any information provided by the consumer reporting agency.
 - The specific credit score used to make the credit decision and the credit reporting agency that was the source of the score.
 - Key factors that negatively affected the score.
- There are other requirements that may apply to these notices.

 **Risk-Based Pricing**

• Credit reports and scores may be used as one factor in risk-based pricing
• Lenders set interest rates and other terms based on estimated risks

- Must tell you if they used your credit reports or credit scores to deny your application or offer you less favorable terms
 - ✓ Adverse action notices
 - ✓ Risk-based pricing notices





Having No Credit Reports or Scores

Present information (3 minutes)

See page 4 in the participant guide.

SHOW SLIDE 13



SAY

- If you don't have a credit history, you won't have credit reports or scores.
- Having no credit reports or scores may not sound so bad. But, you miss out on opportunities if you don't have credit reports and scores.
- Some people call this being "credit invisible."
- Without a credit history, you may have a harder time:
 - Getting credit or a loan when you need it.
 - Renting an apartment of your choice.
 - Getting a favorable cell phone plan.
 - Obtaining jobs.
 - Turning on utilities without having to pay a large deposit.
- Not having a credit history may result from circumstances, or it could be a choice.

Having No Credit Reports or Scores



- "Credit invisible"
- May result in having a harder time:
 - Getting credit or a loan
 - Renting an apartment
 - Getting a favorable cell phone plan
 - Obtaining some jobs
 - Turning on utilities without paying a large deposit





Try It: Do Credit Reports Matter?

Lead activity (10 minutes) – Scenario

See page 5 in the participant guide.

SHOW SLIDE 14



DO

- Ask participants to turn to “Try It: Do Credit Reports Matter?” on page 5 in their participant guide.
- Read the scenario to participants or ask for a volunteer to do so.

The slide is titled "Try It: Do Credit Reports Matter?" and includes the FDIC logo. It says "See page 5 in your participant guide." Below the title is a section titled "TRY IT: Do Credit Reports Matter?" with the instruction "Read the scenario and then answer the questions." A "SCENARIO" box contains the text: "Yardley Learns About the Importance of Having a Credit History". It describes her situation: "Yardley recently moved and needed to find an apartment. Even though she promised to pay her rent each month in cash, some landlords would not rent to her because she had no credit history. When she found an apartment she liked and a willing landlord, she had to pay a higher security deposit because she did not have a credit history. She also had to pay a deposit for her utilities because she had no credit history. She learned more about credit reports and why having no credit history created obstacles and additional costs for her." To the right is a photo of a woman with long dark hair looking thoughtful. The slide is numbered "14" in the bottom right corner.

Scenario: Yardley Learns About the Importance of Having a Credit History

Yardley was convinced credit reports did not matter. She did not plan to get a credit card or a loan. She used cash for everything.

Yardley recently moved and needed to find an apartment. Even though she promised to pay her rent each month in cash, some landlords would not rent to her because she had no credit history. When she found an apartment she liked and a willing landlord, she had to pay a higher security deposit because she did not have a credit history.

She also had to pay a deposit for her utilities because she had no credit history. She learned more about credit reports and why having no credit history created obstacles and additional costs for her.



DO

- Give participants five minutes in small groups to discuss the questions listed below the scenario.
- After five minutes, review the questions with participants.



ASK

- What would you tell Yardley about credit reports?



DO

- Write participant responses on a flip chart or whiteboard.
- Add the following if not contributed:
 - Credit reports are important.
 - A credit history gives lenders, landlords, and other businesses information so they can make certain decisions about you.
 - Not having a credit history can mean you won't have access to products, services, apartments, and possibly jobs.
 - Without a credit report, you won't have credit scores, which are used to make many decisions.





ASK

- Should she try to build credit? Or, is she better off without a credit history?



DO

- Facilitate a discussion. This is an opinion question with no right or wrong answer.
- Most participants are likely to say “yes.”
- Some participants may say “no” because they believe that no credit history is better than a credit history that has negative information.
- Others may say they were taught to avoid debt and that has worked well for them.

SHOW SLIDE 15



SAY

- Remember the key takeaway: Your credit history can affect your access to credit, loans, jobs, housing, insurance, and other important services.

SECTION 1

Remember the key takeaway

“Your credit history can affect your access to credit, loans, jobs, housing, insurance, and other important services.”



Section 2: Credit Scores

Time estimate for this section: 30 minutes

See page 6 in the participant guide.

Participants will be able to:

- Define credit scores
- Identify what makes credit scores go up and down

SHOW SLIDE 16



SAY

- We will discuss credit scores and what makes them go up and down.

SECTION 2
Credit Scores

See page 6 in your participant guide.



SHOW SLIDE 17



SAY

- The key takeaway for this section is: You can take steps to maintain and improve your credit scores. This includes paying your bills on time.

SECTION 2
Key Takeaway

You can take steps to maintain and improve your credit scores. This includes paying your bills on time.



The Basics of Credit Scoring

Present information (10 minutes)

See page 6 in the participant guide.

SHOW SLIDE 18



SAY

- A credit score is a number calculated from information on your credit reports.
- Generally, the better your credit history, the higher your credit score.
- Each company that provides credit scores has its own proprietary calculation or model. FICO® score is one model that you may have heard of. There are others.

The Basics of Credit Scoring



- Number calculated from information on credit reports
- Generally, the better your credit history, the higher your credit score.
- Predicts likelihood of paying credit obligations on time and as agreed
- Two significant factors affect credit scores:
 1. Whether debts repaid on time and as agreed
 2. Credit utilization rate



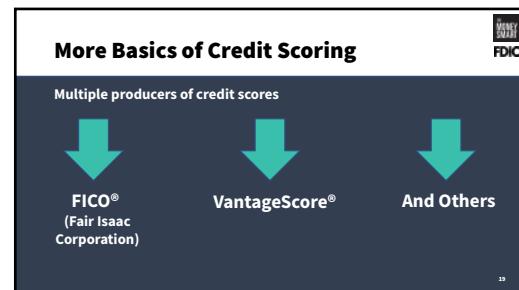
- Lenders and others use credit scores to predict the likelihood you will pay your credit obligations on time and as agreed.
 - The models calculate your scores based on your credit history.
 - More recent information has greater weight in the models. The older the information, the less it affects your scores.
- **Two significant factors** affect your credit scores:
 - Whether you repay debts on time and as agreed.
 - How much you owe on each account compared to the credit limit or original loan amount, which is called your credit utilization rate.
- Other factors include how long you have had your current loans and credit cards and the types of credit accounts you have.
 - For example, managing multiple types of credit accounts can result in higher credit scores. Having both a credit card and an installment loan, such as for a car loan, may be viewed more favorably than having only one of the two. The different types of credit accounts you have is called your “credit mix.”
- People with better (higher) credit scores tend to present less risk than people with lower credit scores.
- Financial institutions, financial service providers, and other businesses use credit scores because it makes the decision-making process more efficient. Rather than reading through one or more credit reports, they can simply look at a number.

SHOW SLIDE 19



SAY

- There are multiple producers of credit scores.
- Therefore you likely have multiple credit scores, not just one.
- One well-known company already mentioned is Fair Isaac Corporation or FICO®.
- VantageScore® is an example of another scoring model some lenders use.
- There are others.

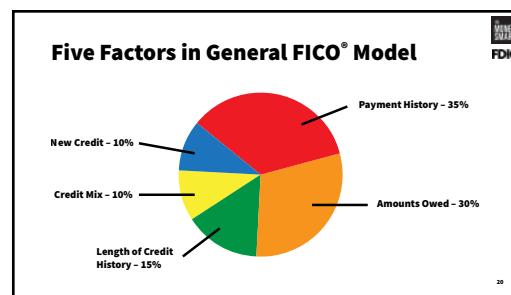


SHOW SLIDE 20



SAY

- FICO® scores are based on five types of data from your credit reports:
 - Payment history (repayment of past debt) determines about 35% of your score.
 - Amounts owed (available credit being used/borrowed) determines about 30% of your score.
 - Length of credit history (length of time for all credit accounts) determines about 15% of your score.
 - Credit mix (the combination of credit cards, retail accounts, installment loans, finance company accounts, and mortgage loans) determines about 10% of your score.
 - New credit (opening new credit accounts) determines about 10% of your score.
- Remember that FICO® is one model, and there are others.

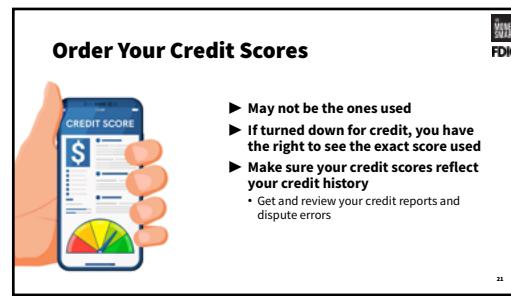


SHOW SLIDE 21



SAY

- You can order your credit scores.
 - The credit score you order may not be the one used to make certain decisions about you, but it may be in the general range.
 - If you get turned down for credit, you have the right to see the exact score used to make the decision.
- Let's discuss what makes credit scores go up and down.



Note to Instructor: Knowing about scores is empowering, but in general it's more important to focus on credit reports. Scores are generated from the information in reports. If the information in the reports is accurate, the scores should reflect that. Individuals are not likely to know in advance which particular credit score a lender or other user of credit scores is going to look at to make a decision.



Try It: What Makes Credit Scores Go Up and Down?

Lead activity (15 minutes) – Exercise

See page 7 in the participant guide.

SHOW SLIDE 22



DO

- Ask participants to turn to “Try It: What Makes Credit Scores Go Up and Down?” on page 7 in their participant guide.
- Read the scenario to participants or ask for a volunteer to do so.

The slide contains the title "Try It: What Makes Credit Scores Go Up and Down?", a note to "See page 7 in your participant guide.", and a scenario titled "ALEX LEARNS ABOUT CREDIT SCORES". The scenario describes Alex needing a new truck, getting a great deal on a 9-year-old used truck, but now it's 14 years old and unreliable. He finds a perfect truck but is shocked by the low credit score. The slide also includes the FDIC Money Smart logo.

Scenario: Alex Learns About Credit Scores

Alex needs a new truck. Five years ago, he paid cash and got a great deal on a 9-year old used truck. But now the truck is 14 years old and he needs something more reliable for his commute to work and school. It's breaking down too often.

He finds the perfect truck, but the dealer will only offer an expensive loan. He is shocked. He learns that the reason he was not offered better terms is because his credit scores are low.

Alex learns more about credit scores before buying a new truck.



SAY

- Take seven minutes to work in pairs to complete the table below the scenario. What effect do you think each situation likely had on his credit scores? Consider each situation on its own, assuming that nothing else on Alex's credit reports changed.
- Use an up arrow ↑ for actions you think likely made his credit score go up, a down arrow ↓ for actions you think likely made his credit score go down, and an equal sign = if you think there was likely no change in his score.



DO

- After seven minutes, use the Answer Key to share answers with participants.
- Time permitting, involve participants by asking what answers they came up with, and why, before sharing the correct answers.
- The Answer Key has bolded instructions indicating what you can write on a flip chart or whiteboard to explain the relative weights the FICO® model gives to different types of information.

Note to Instructor: There are many producers of credit scores. This exercise is based on the general FICO® score model, but can use VantageScore® or another credit score model. Actions generally cause scores from other models to trend in the same direction. The difference is in the general weight applied to each action in different models. While FICO® scores are most commonly used, be sure participants understand there are other scores and models too.

The answers are based on what will likely happen due to the action Alex took in each particular situation, considered on its own. In reality, there are likely other actions or considerations happening at the same time.



Try It: What Makes Credit Scores Go Up and Down? – Answer Key

Situation Alex Faced and What He Did	Likely Effect on Credit Scores	How It Relates to Composition of FICO® Scores
1. Alex's hours at work are cut unexpectedly, so his take-home pay is reduced. He is late with his credit card and cell phone payments for a few months.	 Down	<ul style="list-style-type: none"> ■ Being late with payments can have a significant negative effect on credit scores. ■ Payment history accounts for 35% of FICO® scores. ■ Write: 35%—Payment History
2. Alex isn't able to increase his hours or find another job. He nearly reaches his credit limit on one of his two credit cards. He makes the minimum payment on it each month.	 Down	<ul style="list-style-type: none"> ■ This situation affects the credit utilization rate—the percentage of available credit used at any time during the month (even if you pay the balance in full by the due date). ■ Carrying high balances on credit cards compared to available credit limits can significantly reduce credit scores. Some experts advise using no more than 30% of your available credit while others advise using no more than 20%. While keeping balances at or below those percentages may be a goal you cannot reach right now, it helps to use as little of your credit limit as possible. ■ Your credit utilization rate combined with outstanding debt account for 30% of FICO® scores. ■ Write: 30%—Amounts Owed
3. Alex has a younger sister who needs to find an apartment—she is moving out on her own. Her credit needs a lot of work. He agrees to cosign for an apartment. The landlord does not pull Alex's credit report.	 NO CHANGE	<ul style="list-style-type: none"> ■ Co-signing for an apartment does not significantly affect your credit. ■ If the landlord pulls your credit history, it will count as an inquiry on your credit report. In this situation, the landlord did not pull a credit report, so there is no change. ■ If, however, the renter fails to pay rent on time and you do not pay it on their behalf, then your credit could be negatively affected.



Situation Alex Faced and What He Did	Likely Effect on Credit Scores	How It Relates to Composition of FICO® Scores
4. While buying groceries, Alex is asked to fill out an application for the store's credit card in exchange for 20% off the groceries. He applies for the credit card to get the discount. This is in addition to the credit cards he already has. His application is approved.	 Down, but only slightly	<ul style="list-style-type: none"> ■ Alex generated a new inquiry. This is when someone looks at your credit in response to a credit application you submitted. ■ If you apply for credit or give someone permission to access your credit as part of an application process, the inquiry may cause your score to drop a few points. ■ Too many inquiries can indicate that you could be accumulating a large amount of much debt. ■ With the FICO® model, this inquiry affects your score for 12 months. Note that this only applies to inquiries, other items can impact your score for much longer. ■ Write: 10% - New Credit
5. Alex files his taxes and receives a tax refund. He uses his refund to pay off his credit card balances.	 Up	<ul style="list-style-type: none"> ■ While the amount he paid is unknown, any payment made to reduce a credit card balance is good. ■ Positive behavior will not instantly increase scores but can make it trend upward. ■ Missing payments, using too much credit, and generating inquiries can cause instant decreases in scores. Increasing scores takes longer. ■ Write: 35% - Payment History ■ Write: 30% - Amounts Owed
6. Alex takes a financial education class and learns about the importance of reviewing his credit reports. He orders a free credit report from annualcreditreport.com .	 NO CHANGE	<ul style="list-style-type: none"> ■ Reviewing your credit reports does not affect your credit scores.
7. Alex closes his oldest credit card account.	 Down	<ul style="list-style-type: none"> ■ Closing old accounts reduces the length of your credit history in the FICO® model. ■ Write: 15% - Length of Credit History



Situation Alex Faced and What He Did	Likely Effect on Credit Scores	How It Relates to Composition of FICO® Scores
8. Alex applies for a credit-builder loan from his bank ¹ . His application is approved. He takes out the loan.	 Up	<ul style="list-style-type: none"> ■ The FICO® model rewards having diverse credit. Having a mix of revolving credit (such as credit cards) and installment credit (such as a credit-builder loan, automobile loan, student loan, or mortgage) will increase your credit score if you make timely payments. ■ Write: 10% - Credit Mix
9. Alex notices he has an account in collections from a medical visit 13 months ago. The amount he owes is \$600. He calls the medical clinic where the debt originated and asks them about it.	 NO CHANGE	<ul style="list-style-type: none"> ■ While medical debt affects credit reports and scores one year after it is sent to collections, asking about an account or other information on your credit report does not affect credit scores.
10. Alex works more hours at his job. He pays his credit card bills consistently and on time.	 Up	<ul style="list-style-type: none"> ■ Paying consistently and on time has a positive effect on your credit score. The positive effect will be gradual. ■ Write: 35% - Payment History
11. Alex receives a prescreened offer for a credit card in the mail. He does not apply for it.	 NO CHANGE	<ul style="list-style-type: none"> ■ Inquiries made by companies to decide if they will send you prescreened offers of credit do not affect your credit scores.
12. Alex decides he can wait no longer to get a new truck. He goes shopping for a loan over a three-week period. Several lenders look at his credit reports.	 Down, but only slightly	<ul style="list-style-type: none"> ■ Alex generated a new inquiry. This is when someone looks at your credit in response to a credit application you submitted. ■ The FICO® credit score model treats multiple loan-related inquiries within 45 days of each other as one inquiry. Shopping for the best loan within this period will not hurt his credit score. ■ Write: 10% - New Credit
13. Alex just had a birthday. He hopes his credit scores will increase now that he's older.	 NO CHANGE	<ul style="list-style-type: none"> ■ Your age does not affect your credit scores.

¹ Credit-builder loans are designed for consumers looking to establish or improve their credit history, while building their savings.

Situation Alex Faced and What He Did	Likely Effect on Credit Scores	How It Relates to Composition of FICO® Scores
14. Alex co-signs for his best friend's loan. She is now 60 days late with a payment, and Alex cannot make the payment either.	 Down	<ul style="list-style-type: none"> ■ When you co-sign a loan, you are responsible for it. If the borrower does not make payments and you don't make them, your credit score drops. ■ Write: 35% - Payment History
15. Alex gets new furniture. He uses his debit card to pay for it.	 NO CHANGE	<ul style="list-style-type: none"> ■ Using a debit card for purchases does not affect your credit score, either positively or negatively.





What Is a Good Credit Score?

Present information (5 minutes)

See page 10 in the participant guide.

SHOW SLIDE 23



SAY

- Different lenders, businesses, and service providers use different criteria for what they consider a “good” credit score.
- FICO® scores range from 300 to 850. FICO® offers this chart to estimate what score ranges mean:
 - Exceptional (800 to 850)
 - Very Good (740 to 799)
 - Good (670 to 739)
 - Fair (580 to 669)
 - Poor (300 to 579)
- The higher your credit scores, the more likely you are to qualify for credit, housing, insurance, and, in certain circumstances, employment. Your credit scores can determine if you are able to borrow money and how much it will cost you.
 - People with “Good,” “Very Good,” or “Exceptional” credit scores can access the most financial products and services.
 - People with “Exceptional” scores will likely be offered lower interest rates and better loan terms than people with “Good” scores.
 - People with “Fair” or “Poor” scores may not qualify for some products and services or may have to pay more.
- It’s important to note that your credit scores are not a reflection of who you are. Rather, they reflect how you have handled financial obligations.



SHOW SLIDE 24



SAY

- Remember the key takeaway: You can take steps to maintain and improve your credit scores. This includes paying your bills on time.

SECTION 2

Remember the key takeaway

“ You can take steps to maintain and improve your credit scores. This includes paying your bills on time.”





Section 3: Getting and Understanding Your Credit Reports and Scores

Time estimate for this section: 45 minutes

See page 11 in the participant guide.

Participants will be able to:

- Access free credit reports
- Explain the contents of credit reports

SHOW SLIDE 25



SAY

- We will discuss how to get, review, and understand your credit reports and scores.

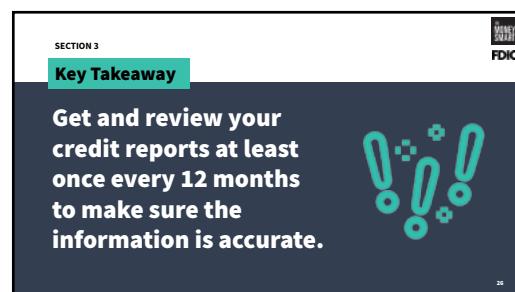


SHOW SLIDE 26



SAY

- The key takeaway for this section is: Get and review your credit reports at least once every 12 months to make sure the information is accurate.



Getting Your Credit Reports

Present information (5 minutes)

See page 11 in the participant guide.

SHOW SLIDE 27



ASK

- What is a productive credit history?



DO

- Write participant responses on a flip chart or whiteboard.
- Expand on the responses using the information below.
- Let participants know they can take notes on page 11 in their participant guide.





SAY

- A productive credit history can make your financial life easier.
 - Money Smart for Young Adults uses the term “productive” instead of “good” or “positive.”
 - “Productive” in this context means it can help you do the things you want to do. This could include getting a loan, renting an apartment, not having to pay a large deposit to turn on utilities, and possibly qualifying for certain jobs.
 - “Good” or “positive” are relative terms, and their opposites are “bad” or “negative.” That can be a discouraging way to think about credit reports and scores.
- A productive credit history starts with getting and reviewing your credit reports.

SHOW SLIDE 28



SAY

- You have the right to accurate information on your credit reports.
- The only way to determine if the information is accurate is to get and review your credit reports regularly.
- The law gives you the right to one free credit report every 12 months from each of the three nationwide credit reporting agencies—Equifax, Experian, and TransUnion.
- You can get your credit reports from the three nationwide credit reporting agencies a few different ways.
 - **Annualcreditreport.com** is the only place where people can get the free credit reports from the three nationwide credit reporting agencies they are entitled to by law every 12 months.
 - » You can order them by visiting **annualcreditreport.com**, by calling 1-877-322-8228, or by requesting them through the mail. That information is provided in “Apply It: Getting My Credit Reports,” which we will review.
 - » Some people order their three credit reports all at once. Others order one of their credit reports every four months.
 - » By ordering them throughout the year, you can catch errors or spot evidence of identity theft more quickly.
 - » An easy way to remember to order your credit reports is to order one on New Year’s Day, another on Memorial Day, and another on Labor Day—in January, May, and September.
 - **Annualcreditreport.com** is the official website for getting the free annual credit report you are entitled to under law. You can also get them directly from Equifax, Experian, and TransUnion. However, if you order from their websites, you may be charged a fee.
 - You can also get them from a third-party website.
 - » These websites often advertise free credit reports or scores.
 - » These sites are not required by federal law to provide free credit reports.

Right to Free Credit Reports

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- One free credit report every 12 months from each nationwide credit reporting agency
 - > Equifax, Experian, and TransUnion
- Annualcreditreport.com fills orders for free credit reports

- There are no joint credit reports or scores. Credit reports and scores are always for individuals. If you submit a joint credit application, each person's credit reports and scores are reviewed.
- When in doubt, use **annualcreditreport.com** to order your credit reports.

SHOW SLIDE 29



SAY

- Watch out for imposters.
- Other websites that advertise free credit reports, free credit scores, or free credit monitoring are not part of the federally mandated free annual credit report program. Sometimes the free product from other websites comes with strings attached.
- For example, some sites offer a free service that automatically converts to a paid one after a trial period.
- If you are offered credit monitoring services or other credit-related products, understand how these products work and how much they cost so you can determine whether the value of the product justifies the cost.
- Sites other than **annualcreditreport.com** use terms such as “free credit report” in their names or have addresses that purposely misspell **annualcreditreport.com**, hoping that a typographical error will lead you to their sites. These sites sometimes direct you to other sites that try to sell you something or collect your personal information.
- Remember, go to **annualcreditreport.com**.

Watch Out for Imposters



- Others advertising free credit reports, credit scores, or credit monitoring are not part of the legally mandated free annual credit report program
- Often, “free” services convert to ones you have to pay for after the trial period
- Go directly to annualcreditreport.com

»



Apply It: Getting My Credit Reports

Present information (5 minutes)

See page 12 in the participant guide.

SHOW SLIDE 30



SAY

- Turn to “Apply It: Getting My Credit Reports” on page 12 in your participant guide.
- You can use it after today’s training to order your credit reports.

Apply It Getting My Credit Reports



See page 12 in your participant guide.

APPLY IT: Getting My Credit Reports

Use this information to order your credit reports.
You can order the free credit reports you are entitled to by law from the three nationwide credit reporting agencies either online, by mail, or by phone.
There are also “specialty” consumer reporting agencies that track, for example, a person’s history of handling a checking account. For information, visit consumerfinance.gov and search for “list of consumer reporting companies.”

Online Go to annualcreditreport.com. This is the only place authorized to provide the free credit reports.

»



SHOW SLIDE 31



SAY

- The Apply It has other information, which we'll go over now.
- In addition to the free credit reports you are entitled to every 12 months, you can get another free credit report directly from each nationwide credit reporting agency every year in several specific instances, including:
 - If you are receiving public assistance.
 - If you are unemployed and looking for a job.
 - If you believe your credit report is inaccurate due to fraud.
 - If your state's laws provide for an additional free credit report.
 - » Some state laws entitle residents to an additional free credit report from each of the three nationwide credit reporting agencies every 12 months.
 - If you have been denied credit, service, an apartment, or employment due in part or in full to information on your credit reports.
 - » In this case, you should receive an "adverse action notice." It notifies you of your right to get a free copy of the report that led to your denial. You have 60 days to order the free copy.
 - » Companies must also send a "risked-based pricing notice" when they grant you credit on materially less favorable terms compared to other consumers. An example of materially less favorable terms is a telephone company or utility requiring you to pay a higher deposit to receive services based on your credit history.
- There are procedures for getting free annual credit reports if you are deaf or hard of hearing, blind, a minor, or if you are requesting a credit report for someone who is deceased. For more information, see the Apply It in your participant guide and annualcreditreport.com.

Right to Additional Free Credit Reports

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- Receive public assistance
- Are unemployed and looking for a job
- Were victim of identity theft or financial fraud
- Are provided free credit reports under state law
- Are denied credit, service, an apartment, or employment



ASK

- Have you looked at your credit reports before today?
- Did you use annualcreditreport.com?
- What was the experience like—easy? Hard?
- What other experiences do you have with credit reports?



SAY

- Getting your credit reports at least every 12 months is important for your financial health.
- But getting them isn't enough. You have to review them, dispute anything that is incorrect, and follow through to make sure the corrections are made. We will talk about that in the next section.





What Sections Are in Credit Reports?

Present information (4 minutes)

See page 15 in the participant guide.

SHOW SLIDE 32



SAY

- Credit reports have different formats. Equifax, Experian, and TransUnion all have their own formats.
- Regardless of format, credit reports have five sections in common, though these sections may be presented in a different order than listed here or use different titles.
 - Personal or identifying information, sometimes called consumer information.
 - Public records.
 - Assigned or sold accounts, sometimes called collections.
 - Credit accounts, sometimes called accounts, trades, or trade lines.
 - Inquiries.
- The **personal or identifying information section** establishes your identity as separate from everyone else. It includes:
 - Your name and any name you used in the past for a credit account, including nicknames.
 - Current and former addresses.
 - Birth date.
 - Social Security number.
 - Phone number(s).
 - Employment information, in some cases.
- The **public records section** includes bankruptcies.
- **Accounts assigned or sold** to collection agencies make up their own section.
 - When the original creditor decides it's no longer worth trying to collect payment from you, the original creditor or company it transfers the debt to may have a collection agency try to collect the debt.
- The **credit accounts section** includes:
 - Current and closed accounts.
 - The types of accounts you have, including installment accounts like auto loans and mortgages, and revolving accounts like credit cards.
 - Credit limits on accounts or the amount owed on a loan.
 - Terms of the arrangement and the payment amount due.
 - Account balances.
 - Account payment history, often called the payment pattern.
 - The date the account was opened and, if applicable, the date it was closed.
 - The name of the creditor.

What Sections Are in Credit Reports?



- Personal or identifying information
- Public records
- Accounts assigned or sold
- Credit accounts
- Inquiries



- The **inquiries section** includes requests to review your credit. An inquiry is created when a creditor reviews your file. The inquiry section generally lists the company that requested your credit report and the date of the request. There are two types of inquiries.
 - Hard inquiry** – When a lender checks your credit in response to a credit card or loan application. Hard inquiries also occur when you offer to co-sign a loan. Hard inquiries may affect your credit scores.
 - Soft inquiry** – When an employer views your information for reasons other than making a decision on a loan application. For example, employers may check your credit before offering you a job. Lenders sometimes offer credit cards or other financial products based on a soft inquiry, even though you did not apply for them. Soft inquiries do not affect your credit scores. You may opt out of receiving these type of “pre-screened” offers.



Try It: Reading a Credit Report

Lead activity (20 minutes) – Scavenger Hunt

See page 16 in the participant guide.

SHOW SLIDE 33



DO

- Ask participants to turn to “Try It: Reading a Credit Report” on page 16 in their participant guide.
- Read the scenario to participants or ask for a volunteer to do so.

**Try It
Reading a Credit Report**

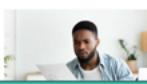
See page 16 in your participant guide.

**TRY IT:
Reading a Credit Report**

Read the scenario and answer the questions based on Ray's credit report. You can find it after the questions.

SCENARIO:
Ray Reviews His Credit Reports

Ray wants to buy a house. He has money set aside for a down payment. He attended a homebuyer education class. He knew his credit score is important to getting a mortgage. He didn't realize that his credit reports and scores were connected.



Scenario: Ray Reviews His Credit Reports

Ray wants to buy a house. He has money set aside for a down payment.

He attended a homebuyer education class. He knew his credit score is important to getting a mortgage. He didn't realize that his credit reports and scores were connected.

Ray has never ordered a credit report. He learned during class about the right to get free credit reports. But, he is nervous. He's had some credit struggles in the past. He's not sure how to approach reading his report.

He knows that getting his credit reports and reviewing them carefully are important. He can check for errors and dispute them. He can also take time to build and improve his credit before he looks for a house.



SAY

- We will learn more about credit reports by reading a credit report.
- In small groups, take 10 minutes to answer the questions below the scenario by going on a scavenger hunt in the example credit report.

Note to Instructor: The example credit report starts on page 32 in this instructor guide. The participant guide includes the questions listed in the Answer Key below, followed by the example credit report.



DO

- Give groups 10 minutes to complete the exercise.
- After 10 minutes, use the Answer Key to share answers with participants.
- Time permitting, involve participants by asking them what they came up with and why before sharing the correct answers.

Try It: Reading a Credit Report – Answer Key

1. Whom does this credit report belong to?

Answer: Ray E. Davis, also known as R.E. Davis

2. Where does he live?

Answer: 123 24th Street NE, Mytown, NE 12345

3. Has he ever had a debt in collections? If yes, what?

Answer: Yes. Loan that originated with 123 Bank was referred or sold to Mytown Collections, but Ray has paid it off

4. Does he always pay his bills on time?

Answer: No. While he usually pays on time, he has made a few late payments.

5. What kinds of credit does he have open?

Answer: Two credit cards, one mortgage, and one automobile loan.

6. Has he ever had a bankruptcy?

Answer: No, the public records section states there are no bankruptcies on file.

7. What do his inquiries tell you?

Answer: He shopped for a mortgage at three lenders.

8. How can he improve his credit?

Answer:

- Keep paying his bills on time
- Review his credit reports regularly to make sure old information drops off when it should and that the current information is accurate
- Pay down his ZXY Bank credit card because his credit utilization rate is high: $2,580/4,000 = 65\%$



Example Credit Report

Note: This example is designed for training only. Unlike a real credit report, this example shows the last 12 months of history only. The dates in the trades section are from oldest to most recent. Real credit reports may show dates from most recent to oldest.

Date:	Time:
9/20/22	12:15 p.m.

1. CONSUMER INFORMATION

Name:	Davis, Ray E.	Social Security Number:	XXX-XX-1234		
Also Known As:	Davis, R.E.	Birthdate:	1/27/00		
Current Address:	123 24th Street Mytown, NE 12345	Telephone:	(555) 111-1111		
Former Address:	1234 Maple Street Mytown, NE 12345				
Employer and Address:		Anytown Supplies, LLC 47 First Street, Mytown, NE 12345			

SPECIAL MESSAGES					
None.					

2. PUBLIC RECORDS

You have no bankruptcies in your file.

3. COLLECTIONS

Name:	Mytown Collections	Opened:	6/18	Amount Placed:	\$2,780
Account#:	09247501	Verified:	7/20	Balance:	\$0
Responsibility:	Individual	Status:	Closed		
Creditor:	123 Bank				



4. TRADES

Name:	ZXY Bank			Opened:			7/18	High Balance:			\$3,500	
Account#:	123478901234			Verified:			8/22	Credit Limit:			\$4,000	
Responsibility:	Individual			Closed/Paid:				Balance:			\$2,580	
Description:	Revolving			Status:			Open	Term:			\$200	
Payment History:	9/21	10/21	11/21	12/21	1/22	2/22	3/22	4/22	5/22	6/22	7/22	8/22
	OK	OK	OK	OK	OK	OK	OK	60	30	OK	OK	OK
Name: Your Bank			Opened:			1/21	High Balance:			\$220,000		
Account#:	12-34567890			Verified:			8/22	Credit Limit:				
Responsibility:	Joint			Closed/Paid:				Balance:			\$218,021	
Description:	Mortgage			Status:			Open	Term:			360 Months	
												\$1,141
Payment History:	9/21	10/21	11/21	12/21	1/22	2/22	3/22	4/22	5/22	6/22	7/22	8/22
	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK
Name:	DepartmentStore			Opened:			4/19	High Balance:			\$500	
Account#:	676518276152			Verified:			8/22	Credit Limit:			\$1,500	
Responsibility:	Individual			Closed/Paid:				Balance:			\$150	
Description:	Revolving			Status:			Open	Term:			\$15	
Payment History:	9/21	10/21	11/21	12/21	1/22	2/22	3/22	4/22	5/22	6/22	7/22	8/22
	OK	OK	30	OK	OK	OK	OK	OK	OK	OK	OK	OK
Name:	Bank			Opened:			12/19	High Balance:			\$20,000	
Account#:	9863522			Verified:			8/22	Credit Limit:				
Responsibility:	Individual			Closed/Paid:				Balance:			\$10,204	
Description:	Installment Automobile			Status:			Open	Term:			60 Months	
												\$396
Payment History:	9/21	10/21	11/21	12/21	1/22	2/22	3/22	4/22	5/22	6/22	7/22	8/22
	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK

5. INQUIRIES

Date:	Name:
11/20	123 Mortgage Co.
11/20	ZXY Bank Mortgage
11/20	456 Bank MTG





Apply It: Reviewing My Credit Reports

Present information (1 minute)

See page 19 in the participant guide.

SHOW SLIDE 34



SAY

- Turn to “Apply It: Reviewing My Credit Reports” on page 19 in your participant guide.
- When you order credit reports, use this checklist to help you identify inaccurate or outdated information.

Apply It
Reviewing My Credit Reports

See page 19 in your participant guide.

**APPLY IT:
Reviewing My Credit Reports**

You can use this checklist to review your credit reports. Boxes with “yes” checked indicate a potential issue, such as inaccurate or outdated information. Section 4 in this module discusses how to dispute errors on your credit reports.

PERSONAL INFORMATION		PUBLIC RECORDS			
Yes	No	Item to Check	Yes	No	Item to Check
<input type="checkbox"/>	<input type="checkbox"/>	Address correct?	<input type="checkbox"/>	<input type="checkbox"/>	Dishonored debts?
<input type="checkbox"/>	<input type="checkbox"/>	Addressed correct?	<input type="checkbox"/>	<input type="checkbox"/>	Bank accounts listed as owned seem accurate?
<input type="checkbox"/>	<input type="checkbox"/>	Social Security number correct?	<input type="checkbox"/>	<input type="checkbox"/>	Are Chapter 7 bankruptcies listed 10 years old or newer?
<input type="checkbox"/>	<input type="checkbox"/>	Date of birth correct?			

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Getting Your Credit Scores

Present information (8 minutes)

See page 20 in the participant guide.

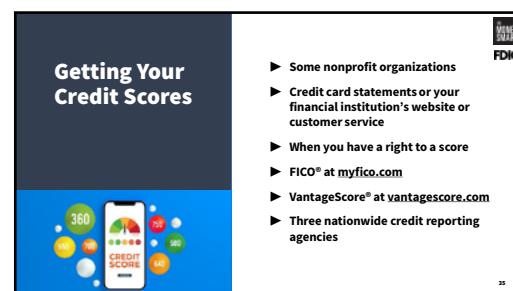
SHOW SLIDE 35



SAY

- Credit scores are numbers that give a snapshot of your credit history at a point in time.
- If you have a credit history, you have more than one credit score.
- The information used to generate these credit scores comes from your credit reports.
- If you do not have credit reports, you do not have credit scores.
- Your credit scores can change as new information is added to your credit reports and old or incorrect information is removed.
- You are not guaranteed free credit scores like you are free credit reports, but you can still get them. You may be able to get them for free or you may have to pay a fee.
- Several companies make and sell credit scores. A frequently used score is from FICO®—Fair Isaac Corporation. VantageScore® is another company that makes and sells credit scores.
- You may be able to access your FICO® or VantageScore® general credit scores for free. Ways to access them for free include:
 - Contacting nonprofit organizations that offer credit counseling, housing counseling, and other financial counseling services. These organizations can sometimes provide clients access to their credit scores for free.
 - Reviewing your credit card statements, visiting your financial institution’s website, or asking a customer service representative at your financial institution. Sometimes, these are sources of free credit scores.

Getting Your Credit Scores



FDIC

- ▶ Some nonprofit organizations
- ▶ Credit card statements or your financial institution's website or customer service
- ▶ When you have a right to a score
- ▶ FICO® at [myfico.com](#)
- ▶ VantageScore® at [vantagescore.com](#)
- ▶ Three nationwide credit reporting agencies

- Waiting until you have a right to see your scores. For example, if a lender used your credit scores to make an adverse lending decision, you have the right to see the specific credit score or scores it used.
- Companies may advertise subscription plans when you obtain your score. Carefully consider how much these services cost before signing up, even if a company offers a free trial.
- You can access general credit scores from FICO® and VantageScore® from their websites, but you may have to pay for them.
- The three nationwide credit reporting agencies sell credit scores on their websites.
- You may see advertisements for free credit scores, along with credit monitoring or other credit-related products. Find out what is provided, how it works, and how much it costs. Then decide if the value justifies the cost.

SHOW SLIDE 36



SAY

- Remember the key takeaway: Get and review your credit reports at least once every 12 months to make sure the information is accurate.

SECTION 3

Remember the key takeaway

“Get and review your credit reports at least once every 12 months to make sure the information is accurate.”



FDIC

Section 4: Disputing Errors on Your Credit Reports

Time estimate for this section: 25 minutes

See page 21 in the participant guide.

Participants will be able to:

- List types of errors on credit reports
- Dispute errors on credit reports

SHOW SLIDE 37

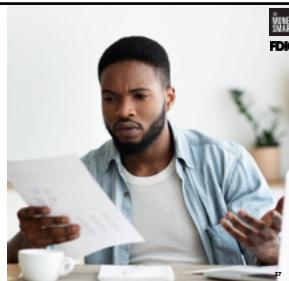


SAY

- We will discuss how to dispute errors on your credit reports.

SECTION 4
Disputing Errors on Your Credit Reports

See page 21 in your participant guide.



SHOW SLIDE 38



SAY

- The key takeaway for this section is: If you find errors on your credit reports, file a dispute right away. Keep records and follow up.

SECTION 4
Key Takeaway

If you find errors on your credit reports, file a dispute right away. Keep records and follow up.





Errors on Your Credit Reports

Present information (12 minutes)

See page 21 in the participant guide.

SHOW SLIDE 39



SAY

- Credit reporting agencies can make mistakes. There can be errors on your credit reports.
- You are the best person to identify errors on your credit reports.
- There are common errors to look for when reviewing your credit reports.

- **Identity errors.**

- » Check the credit accounts or trade line section and the collections section of your credit reports for errors such as:
 - › Errors in your identifying information (wrong name, phone number, address, or Social Security number).
 - › Accounts belonging to another person with the same or a similar name.
 - › Incorrect accounts resulting from identity theft; these errors could be anywhere on your credit reports.

- **Account status errors.**

- » Check the credit accounts or trade line section and the collections section of your credit reports for errors such as:
 - › Closed accounts reported as open.
 - › Open accounts reported as closed.
 - › Accounts showing you as the owner when you are only an authorized user.
 - › Accounts incorrectly reported as late or delinquent.
 - › Incorrect date of last payment, date opened, or date of first delinquency.
 - › Same debt listed more than once, possibly with different names.

- **Data management errors.** These can include:

- » Incorrect information that reappears after it had been corrected.
- » Accounts that appear multiple times with different creditors listed. This is a common error for accounts in collections.
- » Duplicate balances. Make sure the balance is listed as zero with the original creditor if there is a balance in the collections section for the same account.

- **Balance errors.** These can include:

- » Accounts with an incorrect balance, which is the amount you currently owe.
 - › When a payment is reflected in the balance depends on when you make the payment, when the payment is posted by the creditor, and when the information is transmitted to the credit reporting agency.
- » Accounts with an incorrect credit limit.

Errors on Your Credit Reports



- Identity errors
- Account status errors
- Data management errors
- Balance errors
- Outdated information errors



- **Outdated information errors.**
 - » For most accounts, negative information can be reported for only seven years.
 - » Some bankruptcies can be reported for up to 10 years.
- Federal law governs how long something can be reported on a credit report.
- State law governs how long a debt collector has to sue someone for an unpaid debt. This is called the **statute of limitations**.
 - Most state laws permit debt collectors to collect unpaid debts even after the statute of limitations ends.
 - This means that, depending on your state's laws, an unpaid debt may no longer be on your credit report, but a creditor legally may still try to collect it from you.
 - The reverse can also be true: An unpaid debt may be on your credit report, but a debt collector may not legally be permitted to sue you to collect it.

SHOW SLIDE 40



SAY

- Some challenges with your credit will not always count against you.
- By law, negative information can be reported on credit reports for only seven years, although there are exceptions.
 - The law does not set time limits on reporting positive information.
- Generally, bankruptcies are reported for up to 10 years from the date of entry of the adjudication.

Time Limits on Negative Information

FDIC

► Generally can be reported on credit reports for only seven years
► Some bankruptcies are an exception

SHOW SLIDE 41



SAY

- In some situations, credit reporting agencies can report negative credit information no matter how long ago the events occurred. Those situations include applications for:
 - A job with a yearly salary of \$75,000 or more.
 - More than \$150,000 of credit.
 - Life insurance with a face value of \$150,000 or more.

No Time Limits

FDIC

No time limits for negative information when someone applies for:

1. A job with yearly salary of \$75,000 or more
2. More than \$150,000 of credit
3. Life insurance with a face value of \$150,000 or more



SHOW SLIDE 42



SAY

- It can be confusing to figure out when the seven-year period starts and ends since a debt can be sold and resold.
- It generally starts 180 days, or about six months, after you stopped paying on that debt, also referred to as the date of first delinquency.

The Seven-Year Reporting Period

- ▶ Can be confusing
- ▶ Generally starts 180 days after you stopped paying on the debt



SHOW SLIDE 43



SAY

- Here's an example:
 - Let's assume that in August 2020 an account is 30 days late. It doesn't matter which day in August—only months are counted, not days.
 - In November 2020, the account is 120 days late and the creditor closes the account.
 - Let's look at how long this can be reported on a credit report.
 - » The delinquency started in August, so July is the month before the account became delinquent.
 - » Count six months after July 2020 (August, September, October, November, December, January), which is January 2021.
 - » Add seven years to January 2021, or January 2028.
 - » January 2028 is the last month the debt can be reported on a credit report.

Seven-Year Reporting Example

- August 2025: 30 days late
- November 2025: 120 days late and creditor closes account
- Delinquency started in August
- July 2025 is the month before that
- July 2025 + 180 days = January 2026
- January 2026 + 7 years = January 2033
- January 2033: the last month the debt can be reported

SHOW SLIDE 44

- The nationwide credit reporting agencies have agreed not to report medical debt on your credit report until the debt is one year overdue.
- That gives you time to resolve billing disputes directly with your medical provider.
 - You can also use this time to make payments or payment arrangements before medical debts and collections damage your credit reports and scores.
- As with other bills, carefully review medical bills to ensure the services you are charged for match what you received.
 - Medical bills can be confusing. Get help from your medical provider or medical insurance provider to understand information and bills from them.
- Medical debts of less than \$500 do not appear on credit reports.
 - Paid medical collections debt do not appear on credit reports.

Medical Debt and Credit Reports

- Medical debt not on credit reports until 1 year overdue
- Provides time to:
 - Resolve billing disputes
 - Make payments
 - Make payment arrangements
- Medical debts of less than \$500 do not appear on credit reports
- Paid medical collections debt do not appear on credit reports



How to Dispute Errors on Your Credit Reports

Present information (10 minutes)

See page 22 in the participant guide.

SHOW SLIDE 45



SAY

- There are two common ways to dispute errors on your credit reports.
 - Option 1: Use online forms on the websites of Equifax, Experian, and TransUnion.
 - » Go to the website of the credit reporting agency with incorrect or outdated information on your report.
 - » If the same incorrect information is on more than one of your reports, dispute it on each agency's website.
 - Option 2: Send a certified letter, return receipt requested, to the credit reporting agency reporting the incorrect information.
 - » If the same incorrect information is on more than one of your credit reports, send a separate letter to each agency.
- Many financial counselors recommend sending a certified letter, return receipt requested. Keep a copy so you have a paper trail detailing when the credit reporting agency received your dispute.
- Why is this important? Credit reporting agencies must investigate your dispute within 30 days from receipt of your dispute unless they consider the dispute frivolous.
- They may consider a dispute frivolous if:
 - You don't provide enough information or evidence to investigate it.
 - You dispute everything on your credit file. This is called a blanket dispute and is a common tactic used by for-profit credit repair businesses.
 - You ask for investigation of the same item multiple times, but you do not provide additional information.
- If your dispute is considered frivolous, the credit reporting agency will tell you in writing and should provide the reasoning.
- The credit reporting agencies must send information about your dispute to the company that provided the disputed information. You can do this, too.
- You can file a dispute with the company reporting the inaccurate information at the same time you file a dispute with the credit reporting agencies. You may be able to do this online or by letter.

How to Dispute Errors on Your Credit Reports

Option 1: Online

Option 2: By mail



SHOW SLIDE 46



SAY

- Your letter should include:
 - Your complete name and address.
 - A clear description of each item you are disputing and the reason for each dispute.
 - A request that the information be corrected or removed.

What to Include in Dispute Letters



1. Your complete name and address
2. Clear description of each item you are disputing and reason for each dispute
3. A request for correction or removal

SHOW SLIDE 47



SAY

- Also include copies—not originals—of documents that support your dispute, like receipts, credit card or account statements showing payment, an image of a check from your financial institution, or a screenshot of a transaction completed through online banking or automatic bill payment.

Also Include Supporting Information

- Send copies—not originals
- Receipts
- Credit card or account statement
- Image of a check
- Screenshot of online transaction or automatic bill payment

SHOW SLIDE 48



SAY

- After you file a dispute:
 - The credit reporting agency must send you a letter when its investigation is complete. The letter will describe the results of the investigation and include a copy of your corrected credit report if the credit reporting agency agreed with your dispute.
 - Once an item is changed or deleted, it should not be put back in your file unless the source of the information can verify the information was correct.
 - You can request that the credit reporting agency send notice of the correction to any individual or business that received your report in the past six months, or anyone who received your report for employment purposes in the past two years.
- Knowing how to recognize and dispute errors on your credit reports empowers you to make sure the information on your credit reports is complete and accurate. Because credit scores are based on information on your credit reports, this also ensures your credit scores are accurate.
- Remember, the dispute process takes time. Keep records, follow up, and don't give up.

After You File a Dispute

- Credit reporting agency sends you a letter
- Incorrect information cannot be put back
 - Check for it
- You can request notices of corrections to be sent to individuals or businesses that received your report





Apply It: Disputing Errors on My Credit Reports

Present information (1 minute)

See page 23 in the participant guide.

SHOW SLIDE 49



SAY

- Turn to “Apply It: Disputing Errors on My Credit Reports” on page 23 in your participant guide.
- If you order one or more of your credit reports and notice any errors, use this checklist to help dispute the errors.

Apply It
Disputing Errors on My Credit Reports
See page 23 in your participant guide.

APPLY IT:
Disputing Errors on My Credit Reports
Use this list to help you dispute errors or outdated information on your credit reports. Use the notes section to track what you do and when. Keep this with a copy of the dispute.

WHAT TO DO	NOTES
Get and review your credit reports. Highlight or circle any incorrect or outdated information.	

SHOW SLIDE 50



SAY

- Remember the key takeaway: If you find errors on your credit reports, file a dispute right away. Keep records and follow up.

SECTION 4
Remember the key takeaway

“If you find errors on your credit reports, file a dispute right away. Keep records and follow up.”**”**



Section 5: Build, Repair, and Maintain a Productive Credit History

Time estimate for this section: 45 minutes

See page 27 in the participant guide.

Participants will be able to:

- List strategies for how to repair, improve, and maintain credit
- Explain where to get help with credit reports and credit scores

SHOW SLIDE 51



SAY

- We will discuss strategies to build, repair, and maintain a productive credit history.

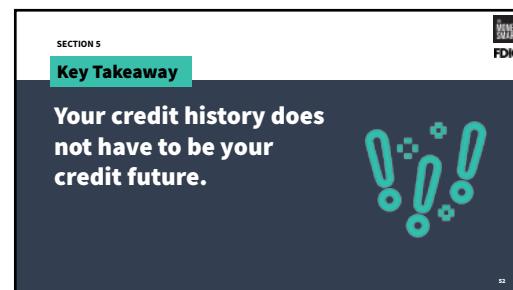


SHOW SLIDE 52



SAY

- The key takeaway for this section is: Your credit history does not have to be your credit future.



A Productive Credit History

Present information (2 minutes)

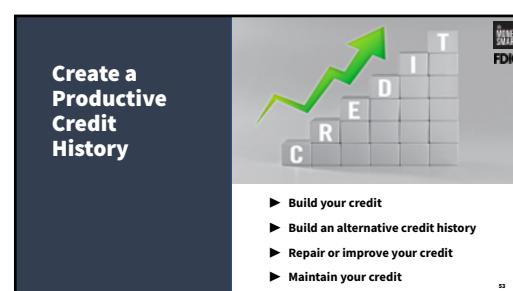
See page 27 in the participant guide.

SHOW SLIDE 53



SAY

- A productive credit history helps you do the things you want to do. For example, you may want to:
 - Get a car loan.
 - Buy a house.
 - Qualify for an apartment.
 - Get a job.



- Depending on your situation, creating a productive credit history may mean taking steps to:
 - Build your credit.
 - Build an alternative credit history.
 - Repair or improve your credit.
 - Maintain your credit.



Try It: Developing a Productive Credit History

Lead activity (23 minutes) – Scenarios

See page 28 in the participant guide.

SHOW SLIDE 54



DO

- Ask participants to turn to “Try It: Developing a Productive Credit History” on page 28 in your participant guide.
- Have participants form small groups and assign each group one of the three scenarios. Try to have the same number of small groups working on each scenario.
- The three scenarios are:
 - Scenario 1: Selena Needs to Pass a Background Check
 - Scenario 2: Max Wants an Apartment
 - Scenario 3: Vonnie Needs a Car Loan



SAY

- There are three scenarios. Have someone read your group’s scenario out loud to the rest of the group. Then discuss the first question under your scenario with your group.
- Decide what the person should focus on first:
 - Building credit.
 - Building an alternative credit history.
 - Repairing and improving credit.
 - Maintaining credit.
- To better understand what is involved in each of those four things, look at each Apply It on those topics in your participant guide.
 - “Apply It: Building My Credit”
 - “Apply It: Creating My Alternative Credit History”
 - “Apply It: Repairing and Improving My Credit”
 - “Apply It: Maintaining My Productive Credit History”



- After your group chooses its first question, answer the second question, which is: **Review the Apply It that relates to the topic you chose. Which two strategies are most relevant to this scenario?**

You have 10 minutes for this part of the activity.

Note to Instructor: There is no need to read the scenarios to participants. They are provided for your reference during the discussion. The four Apply Its in this activity are not included in this instructor guide.

Scenario 1: Selena Needs to Pass a Background Check

Selena made decisions that led to more debt than she could handle. She has two accounts in collections: a department store credit card and a payday loan. She has multiple late payments on four other credit card accounts. She has used nearly all of her credit limit on two of the credit cards. She also has a car loan she's paid regularly, so she feels good about that.

Selena knows she will be eligible for a promotion at work within the next two years. Her employer runs a background check on employees being considered for promotions to that level. The background check includes a review of her credit history. Concerns raised by the background check could jeopardize the promotion.

DO

- After 10 minutes, invite a few participants who worked on Selena's scenario to share what they chose for the first question. Ask them to briefly explain why.
 - **Answer:** Selena should focus first on **repairing and improving her credit**. Negative information from her credit reports may affect her ability to get a security clearance.

SHOW SLIDE 55

SAY

- This slide lists strategies from "Apply It: Repairing and Improving My Credit" on page 34 in your participant guide. It's for reference during our discussion.



DO

- Invite a few participants who worked on Selena's scenario to share the strategies from the Apply It they believe are most relevant to the scenario.
- Write participant responses on a flip chart or whiteboard.
- Add the following if not contributed:
 - Get and review your credit reports.
 - » Selena should order copies of her credit reports from **annualcreditreport.com**. She should make sure the collections information is accurate and the balances are not also being reported as outstanding with the original creditors.
 - Pay all your bills on time and as agreed.
 - » Selena should pay her bills in full and on time.
 - » Selena also has two accounts in collections. She may want to get legal guidance, depending on the age of the accounts. Paying them off will not likely affect her credit scores, but may improve how her credit reports look.

- Use as little of your credit limit as possible.
 - » Selena should try to reduce the balance on her credit cards. Carrying high balances on credit cards compared to available credit limits can significantly reduce credit scores. Some experts advise using no more than 30% of your available credit, while others advise using no more than 20%. This is your credit utilization rate.
- Keep old accounts open if you can.
 - » Although we can't tell how long Selena has had all of her credit cards, we know she has at least four active cards. Once she pays off the balances on those cards, she may not want to close the accounts. Older accounts create a longer credit history.

Scenario 2: Max Wants an Apartment

Max wants to get his own apartment within the next two months. He's always rented from a friend. So, he's never had to apply for an apartment or sign a lease.

His mid-level job in a manufacturing company provides a steady income. He bought his used car with savings and has never had a credit card. He's only borrowed money once, from his foster parents.

Max pays all of his bills on time, including for his cell phone, internet service, rent, and child support. He recently learned that landlords can look at credit reports to decide if they will rent to someone.

DO

- Invite a few participants who worked on Max's scenario to share what they chose for the first question. Ask them to briefly explain why.
 - **Answer:** Max should focus most on **creating an alternative credit history**. He may not have credit reports because he has not used credit before.
 - Note that some participants may select "building his credit." This is a good medium-term strategy, and Max may want to do this. But, because Max wants to get an apartment in two months, he does not have time to build a credit history.

SHOW SLIDE 56

SAY

- This slide lists examples of payments that can build an alternative credit history, as shown in "Apply It: Creating My Alternative Credit History" on page 33 in your participant guide.

DO

- Invite a few participants who worked on Max's scenario to share the strategies from the Apply It they believe are most relevant to the scenario.
- Write participant responses on a flip chart or whiteboard.
- Add the following if not contributed:
 - Max could use these payments to build his alternative credit history:
 - » His part of the rent paid to his friend who is named on the lease
 - » Cell phone bill
 - » Internet service bill



The slide is titled "Build Alternative Credit History". It features a teal header and footer. The main content area is white with a dark blue sidebar on the left. The title is centered above the sidebar. Below the title, a section titled "Document other payments you regularly make, such as:" is followed by a list of items. The sidebar on the right contains the FDIC logo.

Document other payments you regularly make, such as:	
Rent	Cable/satellite/TV viewing services
Child care/elder care	Internet service
Spousal/child support	Insurance
Cell phone	Loan from friend or family member
Electric	Savings
Gas	
Water, sewage, and garbage	

- » Loan repayments to friends or family members
- » Child support payments
- Add that when Max goes apartment hunting, he needs to find a landlord willing to consider an alternative credit history. Many landlords only consider credit reports or credit scores.

Scenario 3: Vonnie Needs a Car Loan

Vonnie recently earned her GED. She's an assistant manager at a local restaurant. Vonnie hopes to attend college in the next few years. Meanwhile, she wants to buy a car. She hasn't saved enough money yet so she knows she will need a car loan.

She's never borrowed money before. She knows having a credit history is important for getting a car loan.

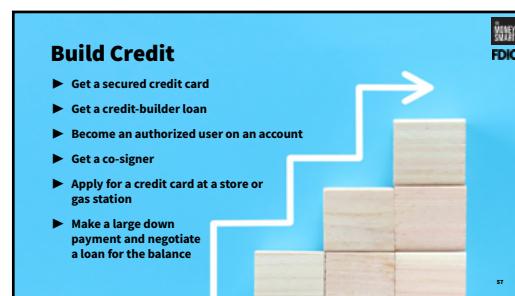
DO

- Invite a few participants who worked on Vonnie's scenario to share what they chose for the first question. Ask them to briefly explain why.
 - **Answer:** Vonnie should focus first on **building her credit**. She has never borrowed money before. Lenders will want to review her credit history when they consider whether to offer her a car loan. She may need to wait to buy the car until she's had time to build her credit.

SHOW SLIDE 57

SAY

- This slide lists strategies from "Apply It: Building My Credit" on page 31 in your participant guide. It's for reference during our discussion.



DO

- Invite a few participants who worked on Vonnie's scenario to share the strategies from the Apply It they believe are most relevant to the scenario.
- Write participant responses on a flip chart or whiteboard.
- Add the following if not contributed:
 - **Get a secured credit card.**
 - » Vonnie should make sure she pays the credit card bill on time and in full. The lender must receive payment by the due date. And, she should use only a small portion of the credit limit during a billing cycle.
 - **Get a credit-builder loan.**
 - » These are installment loans usually for \$1,000 or less. It's important that Vonnie makes all payments on time and as agreed. Credit-builder loans are a great way to build your credit, but they can also harm your credit if you don't make payments on time.
 - **Apply for a credit card at a store or gas station.**
 - » These credit cards typically have a lower credit limit and a higher annual percentage rate than other types of credit cards. It may be easier for Vonnie to be approved for one of these credit cards than other types.
 - » As with the other strategies, Vonnie needs to pay the credit card bill on time and as agreed. She should use only a small portion of the credit limit during a billing cycle.



Apply It: Building My Credit

Present information (1 minute)

See page 31 in the participant guide.

SHOW SLIDE 58



SAY

- Turn to “Apply It: Building My Credit” on page 31 in your participant guide.
- Some of you used this tool in the previous activity.
- You can use this checklist after today’s training if you do not have a credit history and want to explore options for building one.

The screenshot shows a teal-themed worksheet titled "Apply It: Building My Credit". At the top right are the "MONEY SMART" and "FDIC" logos. Below the title is a note: "See page 31 in your participant guide." The main section is titled "APPLY IT: Building My Credit". It includes a "BUILDING CREDIT" checklist with two items: "Get a secured credit card" (with a checkbox) and "This is an option for me". To the right of the checklist is a "WHAT TO WATCH OUT FOR" column. It discusses fees, noting that secured credit cards often have high annual fees, monthly fees, and others. It also mentions that fees can add up to over 25% of the credit limit in the first year. The credit limit does not increase after the first 12 months. Another section discusses credit utilization rate, stating that it should be kept low compared to your credit limit. Borrowers with large balances in proportion to their credit limits may see their credit scores drop.



Apply It: Creating My Alternative Credit History

Present information (1 minute)

See page 33 in the participant guide.

SHOW SLIDE 59



SAY

- Turn to “Apply It: Creating My Alternative Credit History” on page 33 in your participant guide.
 - Some of you may be familiar with this tool from the previous activity.
- You can use this worksheet after today’s training to create your alternative credit history.
- Many businesses and service providers will not accept an alternative credit history, but some might. Check if they will accept an alternative credit history instead of or in addition to a credit report.

The screenshot shows a teal-themed worksheet titled "Apply It: Creating My Alternative Credit History". At the top right are the "MONEY SMART" and "FDIC" logos. Below the title is a note: "See page 33 in your participant guide." The main section is titled "APPLY IT: Creating My Alternative Credit History". It includes a note: "Use this worksheet to build an alternative credit history." There are two rows for "Payment or item": "Rent" and "Child care/elder care". To the right of these rows is a column for "Payment/deposit frequency/Length of payment history?" and "What documentation can I provide?". The "Rent" row has a "Child care/elder care" entry in the "What documentation can I provide?" field. The "Child care/elder care" row has a "Spouse/child" entry in the "What documentation can I provide?" field.





Apply It: Repairing and Improving My Credit

Present information (1 minute)

See page 34 in the participant guide.

SHOW SLIDE 60



SAY

- Turn to “Apply It: Repairing and Improving My Credit” on page 34 in your participant guide.
- This resource is also familiar to some of you.
- You can use this checklist after today’s training to work on repairing your credit if your credit reports and scores are not as strong as you want them to be.

The slide is titled "Apply It: Repairing and Improving My Credit". It includes a sub-section title "APPLY IT: Repairing and Improving My Credit" with a list of three items:

- Get and review your credit reports. Go to [annualcreditreport.com](#) for the free credit reports you are entitled to every 12 months from each of the three nationwide credit reporting agencies.
- Dispute and correct any errors. Look for inaccurate information, information that does not belong to you, and outdated information still being reported.
- Make sure anything in the collections section of your reports belongs to you. And, if something appears in the collections section, make sure it is not already reported in another section.



Apply It: Maintaining My Productive Credit History

Present information (6 minutes)

See page 35 in the participant guide.

SHOW SLIDE 61



SAY

- Turn to “Apply It: Maintaining My Productive Credit History” on page 35 in your participant guide.
- Once you have a productive credit history, maintain it.

The slide is titled "Apply It: Maintaining My Productive Credit History". It includes a sub-section title "APPLY IT: Maintaining My Productive Credit History" with a list of three items:

- Continue to pay your bills on time and as agreed. This has the greatest impact on both your credit reports and scores. It is the most important strategy for maintaining a productive credit history.
- Continue to pay down your debt balances. If you are paying your bills on time and as agreed, this is likely already occurring. Make sure it is reflected in the balances on your credit reports.
- Use as little credit as possible compared to your credit limits. This applies to credit cards and lines of credit. Only use what you need.

SHOW SLIDE 62



SAY

- This Apply It offers practical steps to maintaining your productive credit history. Many strategies for maintaining productive credit are the same as those for repairing and improving credit. Let’s review this Apply It.

- **Continue to pay your bills on time and as agreed.**

- » This has the greatest impact on both your credit reports and credit scores. It is the most important strategy for maintaining a productive credit history.

The slide is titled "Maintain Credit". It features a central graphic of four wooden blocks stacked vertically. To the left of the blocks is a list of five tips:

- Pay your bills on time and as agreed
- Continue to pay down your debt balances
- Use as little credit as possible compared to your credit limits
- Don't apply for too much credit

To the right of the blocks is another list of three tips:

- Check your credit reports and regularly dispute errors
- Keep good financial records



- **Continue to pay down your debt balances.**
 - » If you are paying your bills on time and as agreed, this is likely already occurring. Make sure it is reflected in the balances on your credit reports.
- **Use as little credit as possible compared to your credit limits.**
 - » This applies to credit cards and lines of credit. Only use what you need.
- **Don't apply for too much credit.**
 - » Applying for a lot of credit at once can suggest financial problems. Lenders may not view this favorably when you apply for credit.
- **Check your credit reports at least once every 12 months at annualcreditreport.com.**
- **Dispute errors on your credit reports.**
 - » It's not enough just to order your credit reports. You need to review them and dispute any errors.
- **Keep good financial records.**
 - » Good record-keeping gives you:
 - › Proof if there are any errors on your credit reports.
 - › Information if your identity is stolen and you have to contact your creditors quickly.
 - › Peace of mind.



Apply It: Getting Help With My Credit

Present information (5 minutes)

See page 36 in the participant guide.

SHOW SLIDE 63



SAY

- Turn to “Apply It: Getting Help With My Credit” on page 36 in your participant guide.
- You can get help building, repairing, and improving your credit history.

SHOW SLIDE 63

Apply It
Getting Help With My Credit
See page 36 in your participant guide.

APPLY IT: Getting Help With My Credit		
You may feel overwhelmed by the steps you need to take to get and review your credit reports and repair and build your credit. If so, you are not alone. You can get help. But be careful, because all help is not the same. Use this list to get help with your credit.		
PROVIDER Consumer Financial Protection Bureau FDIC	WHAT YOU CAN DO Get a credit report from a representative institution. If a counselor can help you understand information on your credit reports.	CONTACT INFORMATION www.consumerfinance.gov www.fdic.gov

SHOW SLIDE 64



SAY

- You may be able to get help from:
 - A financial institution.
 - A nonprofit consumer credit counseling service.
 - A housing counseling agency approved by the Department of Housing and Urban Development.
 - A financial education, counseling, or coaching nonprofit organization.
 - A certified financial planner.
- You can use this resource after today's training to write down the contact information of organizations in your community that may provide help.



SHOW SLIDE 65



SAY

- Understand what is provided by credit repair companies and debt consolidation businesses.
 - **Credit repair companies.**
 - » For a fee, these companies promise to fix your credit. This often involves disputing some or many items on your credit reports. This is something you can do on your own for free.
 - **Debt consolidation businesses.**
 - » These businesses offer different services, but often specialize in debt consolidation loans and debt settlement services.
- Research organizations you are not familiar with. Ask for local references. Read about others' experience with the companies through online rating and review sites or through third parties that rate businesses and charities.

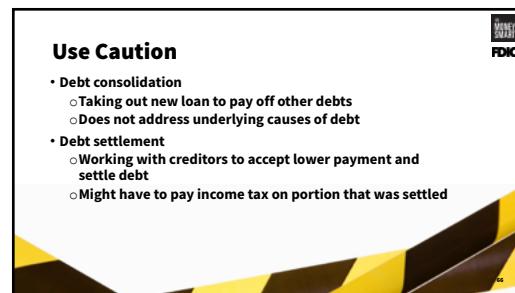


SHOW SLIDE 66



SAY

- Use caution when getting help. Know the difference between debt consolidation and debt settlement.
 - **Debt consolidation** is taking out a new loan to pay off some or all of your debts.
 - » You eliminate many payments with one usually higher payment. This may sound good, but you still have to pay off that new larger loan.
 - » Often people are in the same situation that led to the debt consolidation because they didn't address the underlying reasons they could not pay all their debts.



- **Debt settlement** is arranging with your creditors so you owe less money.
 - » The arrangement involves the creditor taking a smaller payment than what is due and calling the debt “settled” or finished. Again, this may sound good.
 - » But debt settlement can show up on your credit reports as a negative entry.
 - » You may also owe income tax on the portion of the debt that was settled—that is, the portion that was not paid.
- Many businesses that offer these services charge a lot of money—money you could use to pay down your debts.



Credit Repair Scams

Present information (2 minutes)

See page 38 in the participant guide.

SHOW SLIDE 67



SAY

- Beware of credit repair companies that:
 - **Promise to erase bad credit or remove other negative, but accurate, information from your credit report.**
 - » No one can have accurate information removed.
 - **Promise fast and easy credit repair.**
 - » It takes time to repair your credit legitimately.
 - **Offer to create a new identity for you.**
 - » If you provide false information or use a fake Social Security number to apply for a loan, you are committing a crime.
 - **Want you to pay for credit repair services before they provide any service.**
 - » Some companies running a scam take money upfront and never provide a service.
 - **Will not tell you your rights and what you can do yourself.**
 - » Remember, you can order your credit reports and scores yourself. If you see errors on your reports, you can file a dispute.
- Before signing a contract, check with your state attorney general’s office to see whether complaints have been filed against the company.

 <p>Credit Repair Scams</p>	<small>FDIC</small> Beware of credit repair companies that: <ul style="list-style-type: none"> ✓ Promise to erase bad credit or remove other negative, but accurate, information ✓ Promise fast and easy credit repair ✓ Offer to create a new identity for you ✓ Want you to pay upfront ✓ Will not tell you your rights
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Protecting Your Credit History

Present information (5 minutes)

See page 39 in the participant guide.

SHOW SLIDE 68



SAY

- There are important strategies if you are concerned about identity theft, have experienced fraud or identity theft, or know your credit information was exposed or stolen in a security breach.
- One option is an **initial fraud alert**.
 - This is a good option if you are concerned you may become the victim of identity theft or fraud.
- An initial fraud alert requires creditors and other businesses to verify your identity—this is the additional protection it provides.
- The nationwide credit reporting agency you place the initial fraud alert with must notify the other two nationwide credit reporting agencies to place an alert.
 - » To activate an initial fraud alert, you must provide proof of your identity.
 - » You can initiate a fraud alert online or over the phone.
 - » The nationwide credit reporting agencies' websites have specific links and designated phone lines for placing fraud alerts.
- The alert is free and stays in place for one year. After it expires, you can create another one.
- An **active duty military alert** is similar to an initial fraud alert except it's only available to active duty members of the military who are deployed.
 - The alert is free and stays in place for 12 months but can be renewed for the length of someone's deployment.
- If you have been the victim of identity theft, you can place an **extended fraud alert**.
 - It is free and provides the same protection as an initial fraud alert except it stays in place for seven years.
 - To place an extended fraud alert, you must provide proof of identity theft and a copy of an identity theft report.
 - You can create an identity theft report at the Federal Trade Commission's website, identitytheft.gov.



The slide features a teal header with the text "Protecting Your Credit History" and a white padlock icon below it. A vertical sidebar on the right lists five options with checkmarks: "Initial fraud alert", "Active duty military alert", "Extended fraud alert", "Credit freeze", and "Credit lock". The FDIC logo is in the top right corner of the slide area.



- If you want more protection than a fraud alert, consider a **credit freeze**.
 - You have a right to freeze your credit by law.
 - A credit freeze prevents access to your credit reports.
 - » This prevents new credit accounts from being opened. In some states, it stops the opening of new accounts for other services such as insurance and utilities.
 - » You must lift the freeze to apply for credit, a job, or something else that requires access to your credit reports.
 - » Plan ahead because it may take 24 to 48 hours to lift a freeze.
 - There is no cost to place or lift a freeze.
 - The credit freeze lasts for at least one year.
 - For a freeze to be most effective, you must place a freeze at each of the three nationwide credit reporting agencies.
 - » Unlike fraud alerts, placing a freeze at one nationwide credit reporting agency does not automatically extend to the other two.
- Finally, a **credit lock** may be an option.
 - A credit lock is similar to a credit freeze except it is a credit reporting agency product, not a right provided by law.
 - It may be easier to lock and unlock your credit than freeze and unfreeze it.
 - Credit reporting agencies may offer a credit lock for free or for a special price during an introductory period. After that introductory period, the cost of the credit lock may go up.

SHOW SLIDE 69



SAY

- Remember the key takeaway: Your credit history does not have to be your credit future.

SECTION 5

Remember the key takeaway

“Your credit history does not have to be your credit future.”



FDIC



Module Closing

Time estimate for this section: 10 minutes

Remember the Key Takeaways

Note to Instructor: Only mention key takeaways for sections you included in the training.



SAY

- Remember the key takeaways. These are also listed on page 41 in your participant guide. Let me know if you have questions about any of them.

Section	Key Takeaway
1: Credit Reports	Your credit history can affect your access to credit, loans, jobs, housing, insurance, and other important services.
2: Credit Scores	You can take steps to maintain and improve your credit scores. This includes paying your bills on time.
3: Getting and Understanding Your Credit Reports and Scores	Get and review your credit reports at least once every 12 months to make sure the information is accurate.
4: Disputing Errors on Your Credit Reports	If you find errors on your credit reports, file a dispute right away. Keep records and follow up.
5: Build, Repair, and Maintain a Productive Credit History	Your credit history does not have to be your credit future.

Take Action

See page 41 in the participant guide.

SHOW SLIDE 70



SAY

- You are more likely to act if you commit to taking action now.
- Consider writing down what you intend to do based on today's training.
- Take a few minutes to answer the questions under "Take Action" on page 41 in your participant guide.



DO

- If time permits, ask a few participants to share what they wrote.
- Remind participants about the activities in their participant guide they can complete after today's training.

Take Action
See page 41 in your participant guide.

After this training, what is one thing you will do?

Who will you tell about your planned action?

What additional information do you need?

- Refer participants to “Where to Get More Information or Help” on page 42 in their participant guide for a list of online resources.
- If this is the end of your training, thank participants for attending and administer the post-training survey.

Post-Training Survey (Optional)

See page 44 in the participant guide.

SHOW SLIDE 71

SAY

- Thank you for coming to this Money Smart training.
- Please complete the post-training survey on page 44 of your participant guide.
- It should take less than five minutes to complete.

DO

- Collect the completed surveys.

Post-Training Survey See page 44 in your participant guide.		<small>MONEY SMART FDIC</small>
<div style="border: 1px solid black; padding: 5px; background-color: #f9f9f9;"> <p>Post-Training Survey</p> <p>Your instructor may ask you to complete this post-training survey.</p> <p>Please answer these questions:</p> <ol style="list-style-type: none"> 1. Which of the following can review your credit reports and scores to make decisions about you? <ul style="list-style-type: none"> a. Landlords b. Financial institutions c. Cell phone companies d. Employers (in some states) e. All of the above and others 2. You can improve your credit reports, but your credit scores will always stay the same. <input type="checkbox"/> True <input type="checkbox"/> False </div>		



Answer Key for the Pre- and Post-Training Survey

1. Which of the following can review your credit reports and scores to make decisions about you?

- a. Landlords
- b. Financial institutions
- c. Cell phone companies
- d. Employers (in some states)
- e. All of the above and others

The answer is **e. All of the above and others.**

2. You can improve your credit reports, but your credit scores will always stay the same.

The answer is **false.**

3. You should check your credit reports every two years, but not more frequently than that.

The answer is **false.**

4. Who should regularly look for, identify, and dispute errors on your credit reports?

- a. Credit reporting agencies
- b. Companies that provide information to credit reporting agencies
- c. The individual, business, or organization that uses credit reports to make decisions about you
- d. You

The answer is **d. You.**

5. A secured credit card can help you build credit.

The answer is **true.**

Note to Instructor: There are no “right” or “wrong” answers to the remaining questions, which appear in the post-training survey and not in the pre-training survey.

