



KEY 2 Facilitator Guide

Understanding Credit History to Open the Door to Housing, Jobs and More

JIM CASEY YOUTH OPPORTUNITIES INITIATIVE

THE ANNIE E. CASEY FOUNDATION

KEY 2 UNDERSTANDING CREDIT HISTORY TO OPEN THE DOOR TO HOUSING, JOBS AND MORE

FACILITATOR GUIDE



Read the *Guide to Facilitating Keys to Your Financial Future* if you have not already done so. This important resource will provide you with information and tips to effectively and efficiently use this curriculum.

Introduction

This facilitator guide includes complete instructions for leading activities to provide a highly interactive training for young people. All instructions are next to their corresponding pages in the participant guide — instructions on the left and the participant guide on the right. The participant guide pages included in the facilitator guide have answers to activities and exercises — the answers are NOT included in the participant guides. This is meant to help you as a facilitator understand the range of answers that may come from participants and highlight answers that participants may not have considered.

Where you are prompted to provide information, use the text within the participant guide on the right side. The same information is NOT repeated in the instructions on the left side to keep the instructions as streamlined as possible with a focus on setting up, facilitating and processing activities.

Finally, you may be tempted to cut activities or small group work to save time and present the information instead. Avoid this. If you are pressed for time, cover less material in the key. Discussions, exercises and activities in pairs or small groups are more engaging and therefore, more effective.

Before the training:

Set up the room so small groups of participants are sitting around tables.

Make sure you have flipcharts or a whiteboard and the appropriate markers. Only use black, blue, brown, purple and dark green markers.

Please download and print copies of *Key 2: Credit Score Activity*. You will need one set for every three participants. So, if you have 18 participants, you will need six sets. They are formatted to be printed on perforated business card stock or you can print them on card stock and cut them.

Review the facilitator guide. This includes reading the corresponding page in the participant guide. Remember, most content is contained in the participant guide — the right side of this document. Develop your own examples to augment information provided in the participant guide and facilitator guide.

Identify local resources where prompted so you can share and discuss them with the participants.



KEY 2 Participant Guide

Understanding Credit History to Open the Door to Housing, Jobs and More

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Introduction (continued)

List of training activities:

TRAINING METHOD	TOPIC	TIME ESTIMATE
Presentation	Welcome and Session Objectives	5 minutes
Individual Activity and Large Group Discussion Note: There are two options for the individual activity. Select one option in advance of training.	Your Financial Reputation	10–20 minutes, depending on option selected
Small or Large Group Exercise Scenario (Optional) Note: Select small or large group option before the training.	Key Activity: Saif Secures a Financial Reputation (Optional)	7–10 minutes
Individual Activity	Key to Your Financial Future: Your Financial Reputation	5 minutes
Vote With Your Body and Presentation	What Is a Credit History?	10 minutes
Presentation and Facilitated Discussion	What Is a Credit Report?; Where Do You Get Your Credit Reports?; Getting Your Credit Reports if You Are Under 18 Years Old; and How Does Information Get On Your Credit Reports?	12 minutes
Facilitated Discussion, Presentation and Small Group Exercise	Why Get and Review Your Credit Reports?; How Do You Read a Credit Report?; and Key Activity: Reading a Credit Report	20 minutes
Presentation	Key to Your Financial Future: Order and Review Your Credit Reports	2 minutes
Small Group Exercise (Optional)	Key Activity: Jadarius Disputes an Error (Optional)	10 minutes
Presentation (Optional)	Key to Your Financial Future: Disputing Errors on Your Credit Report (Optional)	2 minutes
Facilitated Discussion and Exercise in Triads	What Is a Credit Score? and Key Activity: What Makes Your Credit Score Go Up or Down? <i>Need props — please download Key 2: Credit Score Activity from the website</i>	20 minutes
Stand Up/Sit Down Review	What's in Your Score?	5 minutes
Teach Back by Creating Commercials, Billboards, Raps or Jingles (Optional)	Repairing and Improving Credit History, Building a Credit History and Maintaining a Positive Credit History (Optional)	15 minutes
Large Group Activity	Key to Your Financial Future: Getting Help With Your Credit History	5 minutes
Individual Activity (Optional)	Wrap Up: Understanding Credit History to Open the Door to Housing, Jobs and More (Optional)	5 minutes
Closing	Key Information From This Section	2 minutes
Closing Activity (Optional)		5 minutes
TOTAL TIME ESTIMATE		Approx. 1.5 to 2 hours, not including optional activities



KEY 2 Participant Guide

Understanding Credit History to Open the Door to Housing, Jobs and More

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PRESENTATION

Welcome and Session Objectives



5 minutes

- Welcome participants.
- Explain the following:
 - o ***Keys to Your Financial Future*** is designed to help you plan how to get, manage and use money now and in the future so you can have the life you envision for yourself.
 - o This second section of ***Keys to Your Financial Future*** is about your credit history.
 - o A good credit history can open doors.
 - o A poor credit history can create financial roadblocks that could keep you from getting loans, a job, an apartment, utilities, a cell phone and even insurance.
- Quickly orient participants to the contents in the key using the table of contents on page 2 of the participant guide.

Note: The terms “key” is used instead of module or chapter throughout this curriculum.

- Explain the following:
 - o We will be talking about many Key Concepts as a group, but we will also do some activities in pairs or small groups.
 - o Working with a partner or in small groups will help keep this training more interesting and help you practice some of the ideas we are learning together.

Note: Before training, read through the facilitator guide and figure out how to identify the pairs and small groups for each activity. There is guidance with many of the activities, but you may want to think about: group dynamics — consider moving participants to different groups during the training to improve the training environment; group size — if there are only five participants, breaking into small groups may not make sense, but working with a partner may; and room arrangement — everyone around one table, participants seated around tables or participants sitting at desks. (Participants sitting at desks is not advisable but may be unavoidable, depending on the resources you have in your community for training space.)

KEY 2

Understanding Credit History to Open the Door to Housing, Jobs and More



“Understanding Credit History to Open the Door to Housing, Jobs and More” is the second key in *Keys to Your Financial Future*, a financial capability curriculum for young people. This key covers understanding your credit history, the reasons your credit history matters, getting and reviewing your credit reports, understanding your credit scores and improving or building your credit score.

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PRESENTATION (continued)

- Review the session objectives on page 3 of the participant guide — What You're Going to Know or Be Able to Do.

Note: Paraphrase them; don't read them.

Visual aid: Put objectives on a PowerPoint slide, flipchart or whiteboard for visual reinforcement throughout the training.

SUMMARIZE/TRANSITION

- *Before we discuss credit, however, we're going to look at what a financial reputation is.*

What You're Going to Know or Be Able to Do

By the end of this key, you'll know or be able to do the following:

- ☐ **EXPLAIN** what makes a positive credit history, how this relates to your financial reputation and why your credit history matters.
- ☐ **GET AND REVIEW** your credit reports.
- ☐ **IDENTIFY** errors and file a dispute advocating for yourself with credit reporting agencies when there are errors.
- ☐ **DESCRIBE** what credit scores are and how they are used.
- ☐ **DESCRIBE** actions that make credit scores go up, go down or remain unchanged.
- ☐ **EXPLAIN** the steps to build, repair, improve and maintain credit history.
- ☐ **KNOW** where to get help with understanding and fixing your credit history as well as credit repair businesses to avoid and scams to watch out for.



INDIVIDUAL ACTIVITY

Your Financial Reputation



10–20
minutes with
following
large group
discussion

- Invite participants to describe their reputations as the person closest to them would describe it.
 - Option 1: Use three words.
 - Option 2: Draw three pictures
 - Consider giving participants flipchart paper and markers if selecting “option 2.”

Note: You can either let participants choose an option or select one for the whole group in advance.

LARGE GROUP DISCUSSION

Your Financial Reputation

- Invite participants to share the words or pictures that describe their reputations.

Note: Only do this if you feel the group is comfortable enough with one another.

ASK: *Can you change your reputation? Raise your hand if you think you can.*

- Invite participants to share the reasons they think you can.
- Write participant responses on a flipchart or whiteboard.

Note: See possible or example answers on corresponding page in the participant guide.

ASK: *If you think you CANNOT change your reputation, why not?*

- Write participant responses on a flipchart or whiteboard.
- Explain that you also have a financial reputation.

ASK: *What do you think goes into your financial reputation?*

- Write participant responses on a flipchart or whiteboard.



YOUR FINANCIAL REPUTATION

Have you ever thought about your reputation? **How would the person closest to you describe your reputation in three words? You can also draw three pictures.**

Answers will vary.



Can you change your reputation? **If you think yes, how do you do it?**

Answers will vary, but in general the answer is: Yes, but it takes time, and it takes consistent performance of a new behavior. If you are known for always being late, you will have to show up consistently, over time, on time, for example. If you are known to gossip, you will have to stop gossiping for a long time before people will stop thinking of you this way.

Have you ever
thought about
YOUR
reputation?

Did you know you also have a financial reputation? **What do you think goes into your financial reputation?**

Answers will vary, but may include:

- paying your bills on time
- paying back friends and family you borrow money from
- doing what you say you're going to do
- showing up to work on time, every shift
- credit scores

SMALL or LARGE GROUP EXERCISE SCENARIO (optional)

Key Activity: Saif Secures a Financial Reputation



7–10
minutes

- Ask participant to read Saif Secures a Financial Reputation.
- Ask participants to describe Saif's financial reputation (large or small group).
- Ask participants how he can change his financial reputation (large or small group).

Note: If using small groups, provide time to discuss participant responses to the two questions about Saif.

INDIVIDUAL ACTIVITY

Key to Your Financial Future: Your Financial Reputation



5 minutes

- Explain the following:
 - Financial reputations can be changed, but it takes an understanding of what makes up a good financial reputation, time and commitment.
 - Credit history is a big part of your financial reputation.
 - Invite participants to complete Key to Your Financial Future: Your Financial Reputation.
- After 5 minutes, ask participants if they want to share what they wrote or drew.

SUMMARIZE/TRANSITION

- *We're going to focus the rest of this training on learning about your credit history — a key part of your financial reputation.*
- *Learning about it can help you take care of it and make sure it says what you want it to say about you.*

KEY ACTIVITY

Saif Secures a Financial Reputation (Optional)

SAIF HAS BEEN LIVING INDEPENDENTLY FOR THREE YEARS. He has an apartment he shares with three friends. Saif's roommate, Logan, pays the bills once he has collected everyone's share of the rent and utilities. Saif is commonly late with his share, leading to arguments in the apartment. He borrowed \$1,000 from his aunt to cover living expenses when he first started living on his own. To date, he has not repaid her — not even a little bit. Saif pays his mobile phone bill on time and has never missed a car payment, though.

How would you describe Saif's financial reputation?

Answers will vary. Among Saif's friends and family, his financial reputation is not likely to be very positive. For items reported on his credit reports, his reputation is positive.

How can he change it?

Continue making on-time payments for phone and car payment. He needs to pay his share of rent and utilities on time and start repaying his aunt.

The good news about your **financial reputation** is you can change it. Just like your reputation with your friends, peers, family and co-workers. But, it takes an understanding of what makes a good financial reputation — time and commitment. **Your credit history is a big part of your financial reputation.**



Key to Your Financial Future: Your Financial Reputation

What do you want your financial reputation to be? Describe it.

Answers will vary.



Your credit history
is a big part
of your financial
reputation.



FINANCIAL REPUTATION

Generally held beliefs or opinions
about the way someone manages
his or her money.



VOTE WITH YOUR BODY AND PRESENTATION

What Is a Credit History?



- Before the training, write the following on individual pieces of paper and post them around the room.
 1. Get a credit card with a low interest rate
 2. Get a car loan with a low interest rate
 3. Get a low-cost cell phone plan
 4. Get the job I want — a paycheck
 5. Get security clearance in the military or in a job
 6. Pay less for electric and gas
 7. Open a savings account
 8. Get a mortgage for a home — someday
 9. Get auto insurance at a low cost
 10. Get the apartment I want
 11. Get cable or satellite television
- Give each participant three sticky notes.
- Instruct them to write their first name on each.
- Instruct them to vote for three items by placing their sticky notes on the paper that has the thing most important to them.
- After they have voted, ask them to stand under the paper that represents the one MOST important to them.
- Facilitate a short discussion about the reasons that item is most important to them.
- Transition by stating that having a good credit history is a key to getting every one of these items.
- Expand on this using the following key points:
 - o A poor credit history may prevent you from getting some of these items, like credit or loans with low interest rates or security clearance.
 - o It may limit the apartment or rental housing — or even job — you can get.
 - o In some cases, you may be able to get the credit, loan or services, but you will pay more because of your credit history.
 - o So, it's a mistake to think:
 - I am too young to worry about credit; or
 - this information does not apply to me.
- Explain what makes up a credit history (Key Concept) — credit reports and credit scores.

Visual aid: Put the following on PowerPoint slide, flipchart or whiteboard for visual reinforcement throughout the training: Credit History = Credit Reports and Credit Scores



CREDIT HISTORY

Credit History =
Credit Reports + Credit Scores



PRODUCTIVE ASSET

An asset is something you own that has value. A productive asset is something that helps you get and keep other assets.

Examples of productive assets are your education, your skills, good work habits and your networks. Your credit history is a productive asset IF it is positive.

WHAT IS A CREDIT HISTORY?

A **credit history** includes your **credit reports** and **credit scores**.

Banks, businesses, employers and others use your credit history to make decisions about you. A positive credit history is a key to your financial future, which opens doors. It is a productive asset, which means it helps you get other assets, like a car or a job.

A poor credit history may prevent you from getting the following:

- + a cell phone or data plan;
- + auto insurance;
- + a job;
- + an apartment;
- + utilities — like electricity, gas or cable;
- + a savings account; and
- + a loan or credit card.



So, you may be mistaken if you are thinking:

- + *"I am too young to worry about credit."*
- + *"I never want to use any credit."*
- + *"This information does not apply to me."*

Credit matters to you especially if you want or think you may one day want any of the following:

- + a paycheck;
- + a place to live (and maybe a lower security deposit);
- + a car and insurance;
- + less costly utilities;
- + a more favorable mobile phone and data plan;
- + less expensive loans; and
- + a house.

VOTE WITH YOUR BODY AND PRESENTATION (continued)

What Is a Credit History?

BACKGROUND FOR THE FACILITATOR — do not say this.

To help you understand context:

- o Credit reports are documents that contain some of your bill paying history. Only reliably reported data are included in credit reports — credit cards, loans from banks and credit unions, student loans, bankruptcies and so on.
- o Credit reports are developed and sold by three nationwide credit reporting agencies — Equifax, Experian and TransUnion. There are other credit reporting and consumer reporting businesses, but the three nationwide credit reporting agencies are most commonly used.
- o Credit scores are numbers generated using proprietary mathematical models that use as input the information in the three nationwide credit reports.
- o Credit scores predict whether someone will pay her debts and obligations as agreed. The higher the credit score someone has, the lower the risk they are to the lender. They will likely be approved for loans or other services and pay less for them, too. Low or very low credit scores may lead to denial of credit or other services or will lead to someone paying higher interest, fees or deposits.
- o Businesses and individuals use credit reports and scores to make decisions about potential customers. They pay for this information. They also provide information to the nationwide credit reporting agencies so they can develop credit reports.



CREDIT HISTORY

Credit History =
Credit Reports + Credit Scores



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- + a job;
- + an apartment;
- + utilities — like electricity, gas or cable;
- + a savings account; and
- + a loan or credit card.



So, you may be mistaken if you are thinking:

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- + a car and insurance;
- + less costly utilities;
- + a more favorable mobile phone and data plan;
- + less expensive loans; and
- + a house.

PRESENTATION

What Is a Credit Report?



3

minutes

- Review what a credit report is.
- Review Key Right: Fair Credit Reporting Act.

WHAT IS A CREDIT REPORT?

A CREDIT REPORT DOCUMENTS SOME OF YOUR BILL-PAYING HISTORY.

It will include information about:

- + credit cards you have;
- + loans you have;
- + the amount of money you have borrowed through loans and credit cards;
- + on-time payments for credit cards and loans;
- + late payments for credit cards and loans;
- + a history of the places you have lived;
- + whether you have any payments outstanding; and
- + more.



KEY RIGHT

Fair Credit Reporting Act

Credit reporting agencies must follow the law when collecting and selling information about you. The law they have to follow is the *Fair Credit Reporting Act (FCRA)*.

For example, you must be informed if your credit file has been used against you — this means your credit report has kept you from getting a job, an apartment or a loan.

You have the right to know what is in your file. You can get your credit report anytime. You can get each of your reports for **FREE** every 12 months.

You have the right to dispute (challenge) incorrect information. You have to identify the inaccurate information and provide proof. The credit reporting agencies have 30 days to address your dispute.

PRESENTATION

Where Do You Get Your Credit Reports?



- Review where to get your credit report.

Note: Do not read addresses, phone numbers and website addresses. Simply point out these are among the ways to contact the credit reporting agencies.

Visual aid: Put the following on PowerPoint slide, flipchart or whiteboard for visual reinforcement throughout the training:

Equifax

Experian

TransUnion

www.annualcreditreport.com

- Explain when you would contact the credit reporting agencies directly. Specifically, if you:
 - o want to buy a credit report from one of them;
 - o suspect or have been the victim of fraud (you only need to contact one agency, and it will contact the other two nationwide credit reporting agencies); or
 - o have a dispute — this is generally the result of finding errors on your credit report.

Note: Disputes will be covered in depth later in the training.

- Ask if anyone has other questions.
- Review Key Right: Free Credit Reports. Get credit reports from each of the three nationwide credit reporting agencies once every 12 months from annualcreditreport.com.

Note: If you have access to an internet connection and an LCD projector, considering going to the website and visiting sections of the site so participants can see it. You can also invite participants to do this on their phones and share their phones with participants who may not have them.

- Review the circumstances that allow you to get an additional free report.

Where Do You Get Your Credit Reports?

Credit reporting agencies, also called CRAs or credit bureaus, make credit reports. Credit reporting agencies sell the information in your reports to creditors, insurers, employers and other businesses. They use this information to evaluate your applications for credit, insurance, employment, renting a home or other products or services. The three nationwide credit reporting agencies are **Equifax**, **Experian** and **TransUnion**. You can order your credit reports by calling them directly or visiting their websites.

EQUIFAX PO Box 740241, Atlanta, GA 30374-0241 1-800-685-1111 (to order a report) 1-877-784-2528 (to speak to a customer service representative) www.equifax.com	EXPERIAN PO Box 2104, Allen, TX 75013-0949 1-866-200-6020 www.experian.com	TRANSUNION PO Box 1000, Chester, PA 19022 1-800-888-4213 (to order a report) 1-800-916-8800 (to speak to a customer service representative) www.TransUnion.com
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You can also get one free report every 12 months from all three credit reporting agencies. There are three options to get your free credit reports:

> OPTION 1 Go to www.annualcreditreport.com

Be sure to go to this site. There are many sites that claim to be the site for “the annual credit report” or “free annual credit report.” They are generally trying to sell you a credit monitoring service, credit score or some other service. These other “free” credit report sites are called “imposter websites.”

KEY RIGHT Free Credit Reports

You have the right to one free credit report every 12 months from each of the three nationwide credit reporting agencies — Equifax, Experian and TransUnion. This is because of a law called the **FACT Act**.

> OPTION 2 Call 1-877-322-8228

> OPTION 3 Write to: Annual Credit Report Request Service, PO Box 105281, Atlanta, GA 30348-5281

Credit reporting agencies keep information on millions of people. To get yours, you will need to give them the following information:

- + your full name;
- + your address and your previous two or three most recent addresses;
- + your date of birth; and
- + your Social Security number.

After you receive one free report from each credit reporting agency, there is usually a fee for any additional reports in a 12-month period unless you meet one of the following conditions:

- + You have been told you can't get credit, a job, an apartment or any other product or service based on your credit. The business or organization will send you an adverse action notice. This tells you which credit report they used and how to order your free report. You must request the report within 60 days of the denial.
- + You are receiving public assistance (TANF, SNAP, etc.) — then you are allowed an additional free report.
- + You are unemployed and plan to look for a job within the next 60 days.
- + Your report is inaccurate because of fraud, including identity theft.

PRESENTATION

Getting Your Credit Reports if You Are Under 18 Years Old



- Explain the following:
 - If you are under 18, you cannot get your credit reports through annualcreditreport.com because Equifax, Experian and TransUnion do not knowingly create a credit file for anyone under 18.
 - Each nationwide credit reporting agency has its own process for requesting the credit report of a minor.
 - TransUnion has an online portal where parents or guardians can fill out and submit a Child Identity Theft inquiry form.
 - Equifax and Experian require parents or guardians to send the specific information via mail. Complete instructions are on their websites.
- Review Key Right: Credit Report Review for Young People in Care.

FACILITATED DISCUSSION

How Does Information Get on Your Credit Reports?



ASK: *Does anyone know how information gets on your credit reports?*

- Add to participant responses using the information on page 9 of the participant guide.
- Explain the following:
 - Companies that provide information are called “information furnishers.”
 - Reporting is voluntary, but they do it because they use credit reports.
 - Reporting payments also provides incentives to their customers to pay — customers pay their bills to avoid negative entries on their credit reports.



CREDIT REPORTS IF YOU ARE 14 – 17

You should not have credit reports if you are under 18. There are some exceptions:

- You are an emancipated minor. In some states you may be able to enter into credit contracts before you are 17.
- You are an authorized user on someone's credit card.
- You have student loans.
- Your identity has been stolen and used by someone else to get credit — loans and credit cards — or other services — cell phone plans, medical services, utilities or cable service.

If you are under 18 and have a credit report due to identity theft, get help from child welfare staff in your community, nonprofit program staff, a legal services organization or bank or credit union.

PAYMENT PATTERNS

Credit reports include information about your payment patterns. Payment patterns, often abbreviated “PayPat” on credit reports, show how you paid an account each month. On-time payments and payments that are 30 days late, 60 days late and 90 days late are recorded.

This section will also show whether a creditor has given up collecting payment from you and “charged off” your account.

Sometimes it will indicate your account has been sold to a collection agency.

Getting Your Credit Reports if You Are Under 18 Years Old

Accessing your credit reports if you are younger than 18 years old can be tricky. Each credit reporting agency has special instructions for minors ordering their credit reports. In most cases, a parent or legal or court-appointed guardian must make the request in writing or by calling.

Currently, there is no way to access your report through www.annualcreditreport.com. This is because the credit reporting agencies “do not knowingly create a credit file for anyone under 18.”

If there has been identity theft, there is likely to be a credit report. All three credit reporting agencies should be checked.



KEY RIGHT

Credit Report Review for Young People in Care

The child welfare agency in your state must check to see whether you have a credit report once a year starting when you are 14. This has to be done — it is required by law. Sometimes you will know they are doing this on your behalf. Sometimes they do this without your knowledge. This is to ensure inaccurate negative information is removed from your credit file before you leave care.

How Does Information Get on Your Credit Reports?

Individuals and businesses report your payment patterns to credit reporting agencies. They are called “**information furnishers**.” They report your payment patterns in a number of situations:

- + You make your payments on time.
- + You are late with your payments.
- + You miss a payment.
- + You miss many payments — by this time, your debt may be in collections.
- + You seem to have stopped paying altogether.

Not all of your bill paying is recorded. Many companies only report to the credit reporting agencies if you miss payments or are late. Utility companies, cell phone providers, rent-to-own businesses, payday lenders, medical providers (doctors, dentists and hospitals) and other businesses are among those that generally only report if you are **delinquent**. Delinquent means you’ve missed payments.

FACILITATED DISCUSSION

Why Get and Review Your Credit Reports?



3
minutes

ASK: *Why do you think you should get and review your credit reports?*

- Write participant responses on a flipchart or whiteboard.
- Add to participant responses using the information from page 10 of the participant guide.
- Review Key Right: Reporting Rent and Key Right: Reporting Public Record Data.

SUMMARIZE/TRANSITION

- *Now that you know what's in a credit report, you're going to learn how to read them.*

Why Get and Review Your Credit Reports?

Your credit reports affect many areas of your life. Getting credit, an apartment, a job, security clearance, insurance, a favorable cell phone plan, affordable utilities and other services are related to the information in your credit reports.

You have the right to accurate information in your credit reports. But, it's your responsibility once you are 18 years old to make sure it is correct. Getting and reviewing your reports is the only way to do this. You want to look for any of the following:

- + Mistakes in your name, address, Social Security number or other information about you.
- + Information from someone that is not you is on your credit report. This is more common if you have a common name or if you have the same name as someone else.
- + Account or accounts you do not recognize. This often happens when someone has stolen your identity and opened accounts in your name.
- + Information about an account that is wrong — a closed account is reported open; your account is reported as late or delinquent and it is not; or the balance owed is incorrect.
- + An account that shows up multiple times with different creditors listed — this is more common with accounts that have gone to collections.
- + Inaccurate collection account information — an account is listed in collections that does not belong to you or is not in collections.
- + Incorrect information put back onto in your credit report after it was corrected.
- + Negative information that is too old to be reported — generally seven and a half years after you started making late payments on an account is the limit for reporting negative information. There is no time limit for reporting positive information.

KEY RIGHT

Reporting Rent

Reporting on-time rent payments on credit reports is not widespread. But, you can pay a service that will report your rent payments to one of the three nationwide credit reporting agencies.

Examples of such businesses include the following:

- Rentalkharma.com
- Renttrack.com
- Paylease.com

In some cases, your landlord must also participate in the service.

Many credit scores do not factor rent payment in even if they are reported. You'll need to figure out if the cost is worth the benefit to you.

Your credit reports affect many areas of your life.



KEY RIGHT

Reporting Public Record Data

A *lien* is a right to your property until a debt is paid; liens are often placed because of unpaid taxes. A *civil judgment* is a ruling against you in court that allows a creditor to collect money from you using garnishment. *Garnishment* allows your money, assets or a portion of your wages to be seized to satisfy a debt.

Tax lien and civil judgment data must now include a person's name, address and either

a Social Security number or date of birth in order to be included in credit reports.

Additionally, the credit bureaus must continually verify public record information by making courthouse visits at least every 90 days.

Because of these changes, many liens and judgments will no longer be reported on credit reports.

PRESENTATION

How Do You Read a Credit Report?



- Explain that each credit reporting agency has its own format — the way it looks — but they all have the same five sections of information in their credit reports.
- Review the five sections of credit reports using the information on page 11 from the participant guide.

Visual aid: Put the following on PowerPoint slide, flipchart or whiteboard for visual reinforcement throughout the training:

Personal Information
Public Records
Account Information
Accounts in Collections
Inquiries

- Have the young people circle and label each section of the example credit report starting on page 12 in their guides as you review each section.

Note: The credit report contained in the participant guide follows this section.

- Remind participants that if they are sued by a creditor or are having issues with a debt collector, they can get legal help (Key Right).
- Explain the difference between closed and charged off (Key Concept).
- Provide information about legal aid or other low-/no-cost legal services in your community (Key Resource).
- Instruct participants to fill the information in the Key Resource box on page 11 in their guides.

How Do You Read a Credit Report?

THERE ARE FIVE SECTIONS IN A CREDIT REPORT:

1 PERSONAL INFORMATION

This section includes your name and any variations of your name you may have used, your Social Security number, your current address and phone number, your previous addresses and phone numbers and sometimes employment information.

2 PUBLIC RECORDS

This section includes bankruptcies and other judgments from court actions that are related to financial issues.

3 ACCOUNT INFORMATION

This section includes the names of all of the accounts opened under your name, account numbers, creditor contact information, balances, payment status, account types, terms, dates opened and payment patterns.

This is where most information on a credit report is. **This is also the section where you are likely to see whether someone else has stolen your identity.**

4 ACCOUNTS IN COLLECTIONS

If an account has gone to collections, this means the creditor has given up trying to get payment from you. They have assigned or sold the debt to a collection agency or lawyer to collect. Special laws apply to debts that have been sold to collection agencies or lawyers.



CLOSED VERSUS CHARGED OFF

A creditor can charge off an account. This means they have given up collecting the debt. Often, they assign or sell the debt to a debt collector. If an account is charged off, you may still owe the debt.

A closed account is just that — closed. You can't use it anymore. Sometimes an account is closed because you paid off the debt. Sometimes an account is closed because you haven't used the account enough. In this case, the creditor closes it for nonuse. Sometimes an account is closed by you — you just don't want the account anymore. If you close an account with a balance, you must still pay off the balance.

5 INQUIRIES

Companies look at your credit reports when you apply for credit or services. They also review your accounts or use the information to make offers of credit.

KEY RIGHT

Debt Collections and Your Rights

When a creditor sells your information to a collection agency or a lawyer that specializes in collecting debt, you have rights under the *Fair Debt Collection Practices Act (FDCPA)*.

For example, they can only contact you between 8 a.m. and 9 p.m. They must send written notice of the debt they are trying to collect within five days after they first contact you. They cannot harass you, use obscene language, make false statements or threaten you. They can contact your friends, family and neighbors to ask about your address, phone number or where you work. But, they can only contact each person one time.

They must stop contacting you if you ask them to stop in writing. This does not make the debt go away, only the phone calls. They can contact you one more time to tell you what they intend to do. One of the things they can do is sue you.

IF YOU GET A NOTICE OF A LAWSUIT, DO NOT IGNORE IT. GET HELP IMMEDIATELY.

KEY RESOURCE

LEGAL AID

Write down the phone number for the legal aid program that serves your community. It can help if you are being sued by a creditor or are having trouble with a debt collector.

Legal aid: _____

SMALL GROUP EXERCISE

Key Activity: Reading a Credit Report



12
minutes

- Have participants work with one or two partners to answer the questions on pages 15 and 16 of the participant guide in Key Activity: Reading a Credit Report.

Note: This is the first page of the credit report.

Reading a Credit Report

Use this example credit report to answer the questions that follow.

EXAMPLE CREDIT REPORT

File Number: 987676543

Date Issued: 4/30/2019

PERSONAL INFORMATION

Name: Jadarius Jay Jackson
Other Names: Jadarius J. Jackson
JJ Jackson

SSN: XXX-XX-1234
Date of Birth: 11-1-1996
Telephone: 555-123-4567

Addresses Reported

765 Rose Avenue, Apt. C Anywhere, IA 78617
2100 First Street, Unit 4 Little City, IA 81736
1212 Redbird Land, New City, IA 19826

Employment Data Reported

Employer Name: Al Jones Restaurants
Date Reported: 3/2019
Employer Name: Little City University
Date Reported: 8/2018

Position: Manager
Hired: 11/2018
Position: Food Services
Hired: 6/2017

PUBLIC RECORDS

Big City Wisconsin Court Docket# 200900001467
515 C St, NE, Big City, WI 43528

Date Filed: 8/15/2016
Type: Chapter 7 Bankruptcy
Amount: \$8,500
Responsibility: Individual

Estimated month and year that this item will be removed: 9/2026

COLLECTIONS

Results Collections (Y12345)
Original Creditor: SaveMart Electronics
Opened: 5/1/2018
Balance: \$1,545

Account #: 0918
Amount Placed: \$1,500
Account Type: Open
Responsibility: Individual

SMALL GROUP EXERCISE (continued)

Key Activity: Reading a Credit Report

- Have participants work with one or two partners to answer the questions on pages 15 and 16 of the participant guide in Key Activity: Reading a Credit Report.

Note: This is the second page of the credit report.

ACCOUNT INFORMATION

SMALLTOWN BANK (BI92837)

Balance: \$11,055
 Date Updated: 4/28/2019
 High Balance: \$12,000
 Past Due: 0
 Terms: \$293/month 48 months

ACCOUNT # 7000892019
 Pay Status: Paid as agreed
 Account Type: Automobile
 Responsibility: Individual
 Date Opened: 1/8/2019
 Payment Received: \$293
 Last Payment Made: 4/12/2019

	4/12/19	3/12/19	2/12/19
Balance	11,372	11,687	12,000
Scheduled Payment	293	293	293
Amount Paid	293	293	293
Past Due	0	0	0
Rating	OK	OK	OK

BANK OF IOWA (B27310A)

Balance: \$692
 Date Updated: 3/30/2019
 High Balance: \$1,000 10/17
 Credit Limit: \$1,000
 Past Due: \$28

ACCOUNT# 230234823481Y
 Pay Status: 30 days past due
 Account Type: Revolving; Credit Card
 Responsibility: Individual
 Date Opened: 9/1/2017
 Terms: Minimum 4% of Balance

	3/2019	2/2019	1/2019	12/2018	11/2018	10/2018	9/2018	8/2018	7/2018
Balance	692	719	745	771	797	821	840	904	924
Scheduled Payment	28	29	30	31	32	33	34	37	38
Amount Paid	0	40	40	40	40	40	34	80	38
Past Due	28	0	0	0	0	0	0	0	0
Rating	30	OK	30	30	OK	OK	OK	OK	OK

	6/2018	5/2018	4/2018	3/2018	2/2018	1/2018	12/2017	11/2017	10/2017
Balance	935	863	882	903	923	934	956	978	1,000
Scheduled Payment	38	35	36	37	38	38	39	40	41
Amount Paid	0	35	36	37	38	0	39	40	41
Past Due	38	0	0	0	0	38	0	0	0
Rating	30	OK	30	30	OK	OK	OK	OK	OK

SMALL GROUP EXERCISE (continued)

Key Activity: Reading a Credit Report

- Have participants work with one or two partners to answer the questions on pages 15 and 16 of the participant guide in Key Activity: Reading a Credit Report.

Note: This is the third and final page of the credit report.

EXAMPLE CREDIT REPORT

SAVEMART ELECTRONICS (D 45908)

Balance: \$1,545
Date Updated: 2/29/2019
High Balance: \$1,500 10/17
Credit Limit: \$1,500
Past Due: \$1,545

ACCOUNT# 5748392000017
Pay Status: Charged Off
Account Type: Revolving; Credit Card
Responsibility: Individual
Date Opened: 9/7/2017
Terms: Minimum 2% of Balance

	3/2018	2/2018	1/2018	12/2017	11/2017	10/2017
Balance	1,545	1,530	1,515	1,500	0	0
Scheduled Payment	305	228	151	75	0	0
Amount Paid	0	0	0	0	0	0
Past Due	0	0	151	75	0	0
Rating	Charge Off	90	60	30	OK	OK

REGULAR INQUIRIES

The following companies have received your credit report. Their inquiries remain on your credit report for two years.

CARS R US
3333 21st Ave, Anywhere, IA 78616

Requested On: 12/2018

BIG TRUCK SUPER STORE
45 Fifth Street, Anywhere, IA 78616

Requested On: 12/2018

PROMOTIONAL INQUIRIES

The following companies received your name, address and other limited information about your credit history, so they could make a firm offer of credit or insurance. They did not receive your full credit report. These are not seen by anyone but you and do not affect your credit scores.

SMALLTOWN BANK
400 Hillside Road, Little City, IA 81742

Requested On: 12/2018

SUPERFAST LOAN CENTER
23000 Long Road, New City, IA 19832

Requested On: 12/2018

ACCOUNT REVIEW INQUIRIES

The companies listed below obtained information from your consumer report for the purpose of an account review of business transaction. These are not seen by anyone but you and do not affect your credit scores.

BANK OF IOWA
2314 Main Street, Metropolis, IA 49876

Requested On: 11/2018

SMALL GROUP EXERCISE (continued)

Key Activity: Reading a Credit Report

- After 5–7 minutes, review the answers.
- Rotate from group to group asking them to share an answer. Give each group the opportunity to answer one question.
- Use the answer key to the right to ensure answers provided are correct.

KEY ACTIVITY: READING A CREDIT REPORT

1. Who does this credit report belong to?

Jadarius Jay Jackson also known as Jadarius J. Jackson and JJ Jackson.

2. Where does the person live?

765 Rose Ave., Apt. C Anywhere, IA 78617

3. How many places has the person lived?

Three recorded.

4. Has the person had a bankruptcy?

Yes. Chapter 7 in August 2016.

5. Does the person have an account in collections? What company was the original creditor? Why is the amount he owes larger than the amount he originally owed?

Yes. SaveMart Electronics. The balance is \$1,545, which is higher than the amount placed due to fees.

6. How many credit accounts does this person have open?

Three.

7. What is the balance on each account?

He owes SmallTown Bank \$11,055 for a car loan. He owes Bank of Iowa \$692 for a credit card debt. He owes SaveMart Electronics \$1,545 for department store credit card debt.

SMALL GROUP EXERCISE (continued)

Key Activity: Reading a Credit Report

ASK: *Now that you've read Jadarius's credit report, how do you feel about reading your own?*

- Listen to participant responses.

BACKGROUND FOR THE FACILITATOR — do not say this.

In response to question 11, different participants may have different perspectives.

Likewise different lenders, creditors and service providers will have different responses to the credit situation presented in this credit report. For example, Jadarius could qualify for an auto loan, but he would probably be offered a loan with a high interest rate.

He could potentially qualify for a credit card, but it would likely be one with a very high interest rate, potentially carry a high annual fee and possibly require a security deposit.

So, even if he is approved, he is likely to pay more and potentially a lot more for the credit and services than someone with a credit report containing fewer issues.

Does this mean Jadarius has no hope? The answer is no — as long as he continues to pay his bills on time, keeps the amount of credit he is using on his credit card low compared to the credit limit and uses other strategies to improve and build his credit.

8. How many accounts are currently late? How late are they?

One. Bank of Iowa is 30 days late. He was also late with this payment in December and January.

9. Look at the account in collections. Find the entry from the original creditor in the “Account Information” section. What error do you see?

The balance is reported in both places. It looks like he owes \$3,090, not \$1,545, to the Collection Agency.

10. How would you describe this person’s financial reputation?

Answers will vary, but generally:

He has struggled in the past as indicated by his bankruptcy. Chapter 7 is sometimes called "walk away" bankruptcy — the court collects and liquidates all eligible assets, pays creditors out of this money and discharges any eligible debts not paid.

Due to bankruptcy, late payments and an account in collections, his financial reputation is not strong and needs to be improved.

Liquidates means sells and discharges means forgives. When a debt is discharged in bankruptcy, the individual is no longer responsible for it. This is generally seen as less responsible than Chapter 13.

11. Would you extend more credit to this person? Why or why not?

Answers will vary.

PRESENTATION

Key to Your Financial Future: Order and Review Your Credit Reports



- Explain the following:
 - This is something for you to do for your financial future.
 - Order and review your credit reports.
 - Keep track of when you accessed, printed or received your reports from each of the three nationwide credit reporting agencies.
 - Review your reports each time you get them using this checklist.
- Review the contents of the checklist.

Note: You may want to connect the contents of this checklist with the errors to watch for on page 10 of the participant guide.

- Remind participants to keep credit reports in a safe place. If time allows, brainstorm a list of safe places participants have access to. Write these on the flipchart or whiteboard.

SUMMARIZE/TRANSITION

- *When you review your credit reports, you may find errors.*
- *You have the right to file a dispute with the credit reporting agency reporting the error.*
- *Sometimes disputing errors can improve your credit history, so we're going to spend a few minutes learning about filing a dispute.*

Key to Your Financial Future: Order and Review Your Credit Reports

Be sure to get your report from each of the three credit reporting agencies every 12 months.

Go to www.annualcreditreport.com to get started.

EQUIFAX	EXPERIAN	TRANSUNION
Date credit report accessed and printed:	Date credit report accessed and printed:	Date credit report accessed and printed:

BE SURE TO KEEP YOUR CREDIT REPORT IN A SAFE AND SECURE PLACE. THIS DOCUMENT HAS A LOT OF PERSONAL INFORMATION. IF YOU DO NOT HAVE A SAFE AND SECURE PLACE TO KEEP IT, REVIEW IT AND SHRED IT, OR GET SOME HELP.

Use this form to check your credit reports. Keep this form with your credit reports. Also, be sure to keep any correspondence about the credit report such as dispute letters. If you do find mistakes, highlight them using a highlighter on your actual credit report.

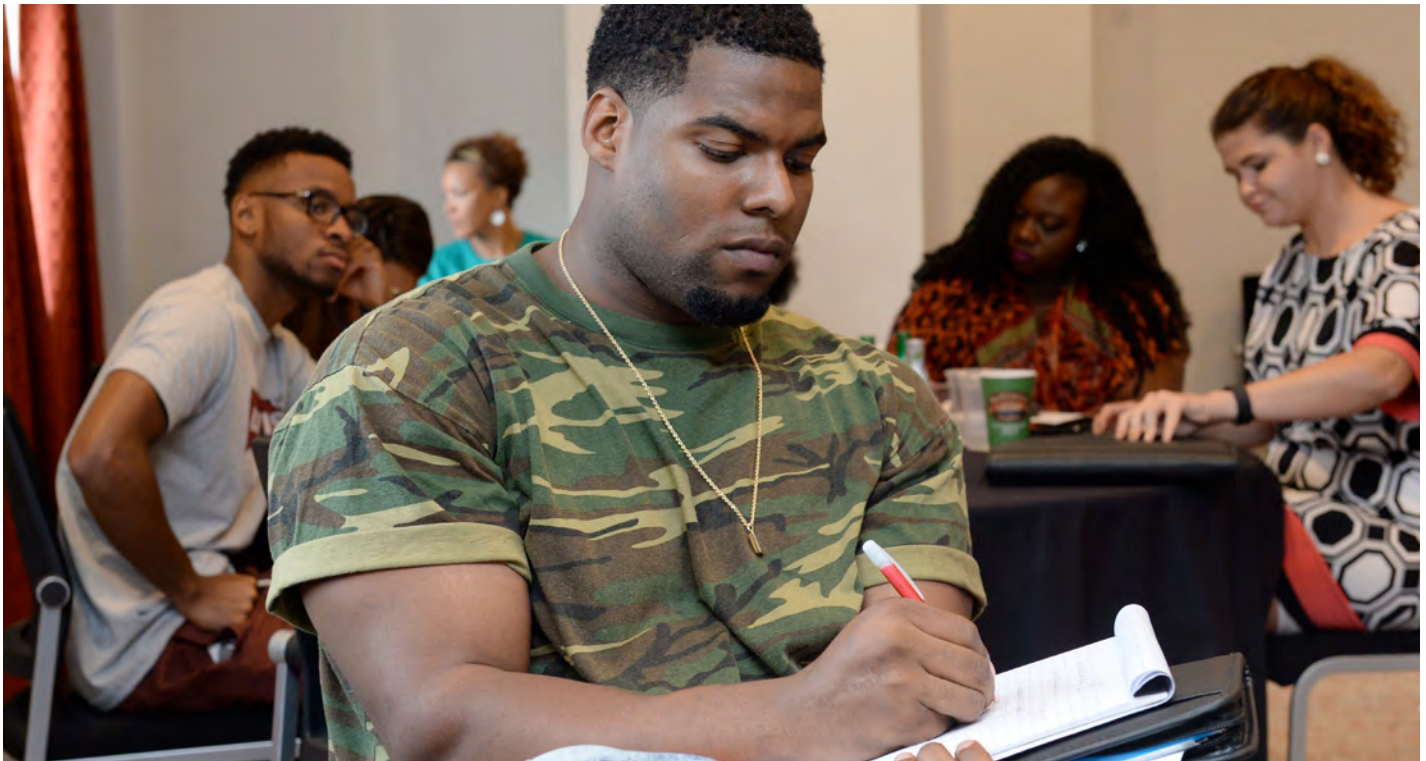
	EQUIFAX	EXPERIAN	TRANSUNION
Date You Reviewed Your Report			
Is your name correct? (Check aliases they may have listed for you, too.)	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
Is your Social Security number correct?	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
Is your address correct?	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
Are your previous addresses correct?	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
Is there anything listed in the public records section? If yes, is this information correct?	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
Do you have anything listed in the collections section? If yes, is this correct?	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
If something is listed in the collections section, has it been noted as closed or charged off in the accounts section?	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
Review each entry in the accounts section. Do they all belong to you?	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
Check the account name, account number, loan amount and current balance. Are these correct?	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
Check payment patterns. Are there payments outstanding? Are there payments marked as late? If yes, are these correct?	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
If you answered “no” to any of the questions, you may need to file a dispute. Do you need to file a dispute?	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO

SMALL GROUP EXERCISE (optional)

Key Activity: Jadarius Disputes an Error



- Explain what to do if mistakes are found in a credit report.
- Ask participants to work in small groups.
- Instruct them to read Key Activity: Jadarius Disputes an Error and answer the questions that follow.



What Should You Do if There Are Mistakes?

If you find mistakes on any of your credit reports, you should get the mistakes corrected. This is called filing a dispute. Each credit reporting agency has an online form you can complete. You can also write a letter explaining the error. If you have evidence, you can include copies of this evidence with the letter. **NEVER SEND ORIGINAL DOCUMENTS — SEND ONLY COPIES.**

KEY ACTIVITY

Jadarius Disputes an Error (optional)

Jadarius is 22 years old. He aged out of foster care at 18. He wants to open a business after completing his associate degree, but he needs financing. He also wants to own his own home one day. He's struggled a bit financially. When only 19, he filed for bankruptcy and currently has an account in collections. But, he is focused on getting his credit on track.

He ordered his credit report and noticed two mistakes. The first mistake was late payments on his credit card from Bank of Iowa. These payments were made on time. Since he pays that

bill online, he contacted his bank. The bank provided him with a confirmation number of the payments marked late on the credit report.

He ordered his credit report and noticed two mistakes.

The second mistake was that SaveMart Electronics had charged off his account and sold it to a collection agency, but it was still showing a \$1,500 balance. The collection agency was also showing this balance. It looked like he owed \$3,000, not \$1,500.

With this information, he wrote the following letter to the credit reporting agency.

SMALL GROUP EXERCISE (continued)

Key Activity: Jadarius Disputes an Error

- Ask participants to work in small groups.
- Instruct them to read Key Activity: Jadarius Disputes an Error and answer the questions that follow.

Jadarius Jackson
765 Rose Avenue, Apt. C
Anywhere, IA 78617

Your name and address

May 31, 2019

Date you write and send the letter

TransUnion
PO Box 1000
Chester, PA 19022

Name and address of the credit reporting agency
that made the mistake you are disputing

Dear Sir or Madam:

I am writing to dispute the following information in my file. I have highlighted the items I dispute on the attached copy of the report I ordered online 04/30/19.

Date you ordered the credit report with the incorrect information

The information indicating I made late payments to Bank of Iowa on account 230234823481Y is incorrect. In December 2018 and January 2019, these payments are marked late. These payments were made on time. Please see the attached information from my bank indicating when the payments were made using online bill payment.

Description of evidence being provided

Also, SaveMart Electronics is showing a balance of \$1,500. This account was charged off and sold to Results Collection (account number Y12345), which is also showing a balance of \$1,500. The SaveMart Electronics balance should be \$0.

A complete description of the mistakes

I am requesting these items be adjusted to correct the information. Please investigate this matter and correct the disputed items as soon as possible.

Sincerely,
Jadarius Jackson
555-123-4567

Your name and signature

Enclosures: Confirmation of payment from Bank of Peoria

List of evidence you're including

SMALL GROUP EXERCISE (continued)

Key Activity: Jadarius Disputes an Error

- After 7–10 minutes, review the answers.
- Rotate from group to group asking them to share an answer. Give as many groups as possible the opportunity to answer one question.
- Use the answer key to the right to ensure answers provided are correct.

PRESENTATION

- Provide additional information about filing disputes using the information on page 20 in the participant guide.

What is Jadarius disputing?

Late payments to the Bank of Iowa in December 2018 and January 2019.

The balance owed shown on SaveMart Electronics account, as it has been sold to Results Collection.

What evidence did he provide?

Information from bank showing online bill payments were made to Bank of Iowa. Error on credit report highlighted.

How do you think this dispute will affect his credit history?

When these errors are fixed, it will improve his credit history. Because he has a bankruptcy and an account in collections, his credit history will still take time to be positive overall.

Once you mail your letter to the credit reporting agency, they have 30 days to investigate your dispute unless it was filed through www.annualcreditreport.com. Then they have 45 days.

Once the investigation is complete, the following will occur:

- + The **creditor** who provided the misinformation must notify all the credit reporting agencies.
- + The credit reporting agency must send you the results in writing as well as a free copy of your credit report if the dispute results in a change.

If the investigation does not resolve your dispute, you can ask that a statement of dispute be included in your file and on future reports.

In addition to writing to the credit reporting agency, send a dispute letter directly to the creditor (information furnisher) that provided the misinformation.

Send copies of evidence. The creditor must provide notice of the dispute to the credit reporting agency to which it reported the misinformation. If it finds you are correct, the information furnisher may never again report this information.

PRESENTATION (optional)

Key to Your Financial Future: Disputing Errors on Your Credit Report



2

minutes

- This is something else for you to do for your financial future.
- But, you'll only need this checklist once you've ordered your credit report, reviewed it and identified errors.

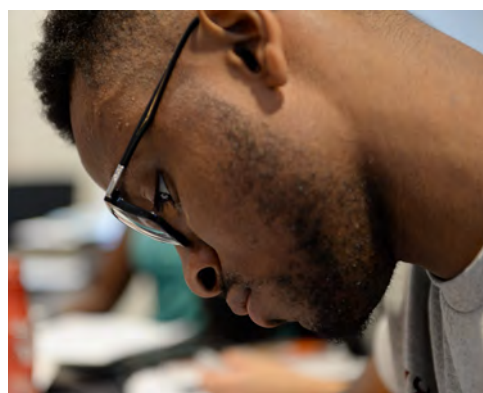
Note: Review the contents of the checklist.

Key to Your Financial Future: Disputing Errors on Your Credit Report

If you have errors on your credit report, use this checklist and the example letter Jadarius wrote to dispute them. Be sure to replace your information everywhere sections of Jadarius's letter are underlined.

Correcting mistakes may improve your credit history.

STATUS	TASK
	Write a letter to the credit reporting agency that sent you the report.
	Provide the account number for the item you feel is not accurate.
	For each item, explain concisely why you believe it is not accurate.
	If you can, include copies of bills or statements that show you have paid them on time. Send copies only. NEVER SEND ORIGINAL DOCUMENTS.
	Provide your address and telephone number on the letter so the credit reporting agency can contact you for more information if necessary.
	Make a copy of your letter before you send it to the credit reporting agency.
	Send the letter and copies of evidence certified mail, return receipt requested. You will be notified when the credit reporting agency receives your dispute letter. They have 30 days to investigate.
	Send a letter to the creditor or information furnisher who has misreported the information to the credit reporting agency.
	If you can, include copies of bills or statements that show you have paid them on time. Send copies only. NEVER SEND ORIGINAL DOCUMENTS.
	Send the letter and copies of evidence certified mail, return receipt requested. You will be notified when the creditor receives your dispute letter.
	Attach all correspondence related to this dispute to this checklist and keep it in a safe place.



FACILITATED DISCUSSION

What Is a Credit Score?



5

minutes

ASK: *What is the difference between a credit report and credit score?*

- Write participant responses on a flipchart or whiteboard.
- Add to participant responses:
 - A credit report is a document that contains some of your bill-paying history as well as information from the courts and collection agencies.
 - A credit score is a number.

ASK: *What is a credit score?*

- Listen to participant responses.
- Add to their responses or summarize:
 - A credit score is a number generated entirely from information on your credit reports. It is supposed to predict the likelihood that you will pay your bills on time and in full.

ASK: *Why should you care about your credit scores?*

- Listen to participant responses.
- Add to their responses or summarize:
 - Businesses use them to make decisions about you — banks, credit unions and other creditors or lenders, landlords and insurance agencies. They use them because it's quicker to understand a score than it is to read an entire credit report. It saves them time and money.

ASK: *Who makes them?*

- Write participant responses on a flipchart or whiteboard.
 - Add to participant responses using Key Concept: Who Makes Credit Scores? on page 22 in the participant guide.

WHAT IS A CREDIT SCORE?

A credit score is a number that summarizes information from your credit reports. A special mathematical formula is used to come up with the number.

If you have a high number for your credit score, lenders and creditors are more likely to believe that you will pay back what you owe on time and as agreed. If you have a low number, lenders and creditors are more likely to believe that you may not pay back what you owe on time or as agreed.

After all of the information on credit reports, you may be wondering why this information matters to you.

Creditors and lenders use scores to decide:

- if they are going to give you credit;
- how much credit they are going to give you — the amount of the loan or credit limit; and
- how much they are going to charge you for the credit — the interest rate and fees.

If you have a lower credit score, creditors may still give you credit. Your interest rate and fees may be higher. And in some situations, MUCH HIGHER.

While the lending industry has been the biggest user of credit scoring, other businesses use credit scores. They use credit scores as a “short cut” to making decisions. So, who else uses credit scores?

- + **Insurance providers.** In general, lower credit scores result in higher rates for coverage or even possibly denial of coverage.
- + **Property owners and landlords.** Often, the lower the credit score, the higher the deposit. Or, you may not be eligible for the apartment at all.
- + **Utility companies.** Utility companies that require consumer deposits are using credit scores to help determine deposit levels. The lower the credit score, the higher the deposit.
- + **Cell phone and other service providers.** The lower your scores, the more limited your options for service and the more these services will cost.

Credit scores are made by companies that collect and sell data and information about consumers. The most widely used credit scores are the ones produced by Fair Isaac Corporation. Fair Isaac Corporation makes and sells the FICO scores.

FICO scores range from 300 to 850. People with FICO scores between 720 and 850 have the very best credit scores. They will get the lowest rates for credit and loans. The cost of credit can be very different depending on your FICO score range.



WHO MAKES CREDIT SCORES?

Fair Isaac Corporation (FICO) scores are used 80 percent to 90 percent of the time to make decisions about consumers. There are other companies that make and sell credit scores.

Equifax, Experian and TransUnion developed the VantageScore together.

The three credit reporting agencies have their own credit scores, too. These are marketed directly to consumers.

With FICO, VantageScore and credit reporting agency scores, there are many different models available. For example, FICO has approximately 50 different scoring models according to a 2012 study by the Consumer Financial Protection Bureau.

FACILITATED DISCUSSION (continued)

What Is a Credit Score?

ASK: *Using the charts on page 23, what are good credit scores?*

Note: Provide some orienting information. This example is based on a 60-month new car loan of \$36,270. (This is the national average cost of a new car as of January 2018 according to Kelley Blue Book.)

ASK: *How much more interest would you pay if your FICO score was between 590–619 versus 660–689?*

- Give calculators to participants or suggest they use the calculators on their phones.
- Share correct answer if participants don't: \$16,663 (interest paid for score ranging 590 to 619) - \$8,065 (interest paid for a score ranging 660 to 689) = \$8,598

Visual aid: Write the answer on a flipchart or whiteboard.

ASK: *Are any of you surprised about the difference in total interest paid even though the difference in scores is only 41 points?*

- Review who uses scores and how they use them, referring to information on page 22 in the participant guide.

THIS EXAMPLE IS BASED ON A 60-MONTH NEW CAR LOAN OF \$36,270.

(This is the national average cost of a new car as of January 2018 according to Kelley Blue Book.)

Loan Savings Calculator

Interest Rates as of 2/27/2019

step ONE
Select the type of loan

60-month new auto ▼

step TWO
Select the state you live in

National ▼

step THREE
Enter the loan principal amount

\$ 36270

A 60-month loan for a new automobile in which the interest rate does not change during the entire term of the loan.

FICO Score	APR	Monthly Payment	Total Interest Paid
720-850	4.553 %	\$677	\$4,353
690-719	5.896 %	\$699	\$5,697
660-689	8.201 %	\$739	\$8,065
620-659	11.311 %	\$794	\$11,384
590-619	16.01 %	\$882	\$16,663
500-589	17.186 %	\$905	\$18,032

THIS EXAMPLE IS BASED ON A 30-YEAR MORTGAGE OF \$210,000. A mortgage is a loan for a home.

(Approximately \$210,000 is the national average mortgage according to The Balance based on the 2017 National Profile of Homebuyers and Sellers.)

Loan Savings Calculator

Interest Rates as of 2/27/2019

step ONE
Select the type of loan

30-Year Fixed ▼

step TWO
Select the state you live in

National ▼

step THREE
Enter the loan principal amount

\$ 210000

A 30-year loan in which the interest rate does not change during the entire term of the loan.

FICO Score	APR	Monthly Payment	Total Interest Paid
760-850	4.051 %	\$1,009	\$153,152
700-759	4.273 %	\$1,036	\$162,925
680-699	4.45 %	\$1,058	\$170,811
660-679	4.664 %	\$1,085	\$180,456
640-659	5.094 %	\$1,139	\$200,191
620-639	5.64 %	\$1,211	\$225,912

EXERCISE IN TRIADS

Key Activity: What Makes Your Credit Score Go Up or Down?



Note: Before this training, download *Key 2: Credit Score Activity* and print enough sets of cards so that every group of three participants gets a full set of cards.

- Give each group of three participants one set of cards.

Note: If participants have been working in the same groups in training up to this point, consider having them count off to form the groups of three for this activity. If you have 15 participants, you will have the participants count off to five to get groups of three. This gives them the chance to work with other participants.

- Use the following talking points and instructions to facilitate Key Activity: What Makes Your Credit Scores Go Up or Down?
 - o You are going to calculate a credit score for one person over the course of many months.
 - o You need to appoint one person the reader. This person will read each card. **DO NOT READ WHETHER THE SCORE GOES UP OR DOWN OR BY HOW MUCH UNTIL AFTER YOUR TWO TEAMMATES HAVE HAD A CHANCE TO GUESS.**
 - o After each card is read, the other two people will guess whether the score goes up or down as a result of the individual.
 - o One of the guessers should also be a recorder and keep track of each transaction, how much it made the score go up or down and the ending score after each transaction.

Visual aid: Summarize instructions on a PowerPoint slide, flipchart or whiteboard as follows:

1. Appoint a team member to read the cards.
 2. Read each card, but NOT the answer, one at a time.
 3. Guess if the credit score will go up, go down or not change based on the action.
 4. Write what happened in the "What Did You Do?" column.
 5. Write how much the score went up or down in the next column.
 6. Figure out the new balance by adding or subtracting your answer in the final column.
 7. Get a final credit score after reading through all 15 cards.
- Following the exercise, ask participants to share their final credit score.

Note: While the triads should come up with the same result, they may not due to math errors. This should be overlooked because the purpose of the exercise is about experiencing what makes scores go up and down. See the answer key to the right for the correct score.

KEY ACTIVITY

What Makes Your Credit Score Go Up or Down?

Complete the exercise to see what makes your credit score go up or go down. Figure out your ending credit score.

YOUR STARTING CREDIT SCORE		750
What Did You Do?	Does Your Score Go Up or Down? By How Much?	What Is Your New Credit Score?
1. Two credit cards to their limits.	- 80	670
2. Miss credit card payment; late with rent payment.	- 60	610
3. Bring credit utilization rate down to 30% due to new job.	+ 40	650
4. Max out credit cards for car repairs.	- 60	590
5. Steadily pay down credit card balances and stay current.	+ 40	630
6. Auto loan shopping.	- 8	622
7. Apply for department store credit card.	- 8	614
8. Turn 23 years old.	0	614
9. Pull credit reports.	0	614
10. Close old credit card.	- 15	599
11. Miss medical bill that is nine months past due.	- 30	569
12. Miss payment on student loans due to new job.	- 50	519
13. Catch up on past due bills.	+ 20	539
14. Friend is late on auto loan cosigned for.	- 60	479
15. Friend catches up and pays down debts and stays current.	+ 30	509
YOUR ENDING CREDIT SCORE		509

Example based on information from the Consumer Federation of America and Fair Isaac Corporation.

EXERCISE IN TRIADS (continued)

Key Activity: What Makes Your Credit Score Go Up or Down?

ASK: *What made your score go up?*

- Write participant responses on a flipchart or whiteboard.

ASK: *What made your score go down?*

- Write participant responses on a flipchart or whiteboard.

Note: Ensure participants understand the example contained ESTIMATED effects. (These are loosely based on an example developed by FICO and the Consumer Federation of America.) Explain that it is impossible to predict exactly how much one transaction will affect a score overall because the score is actually calculated using a series of complex mathematical formulas called algorithms. Computers do the calculating. Any action is calculated based on everything else happening in your report as well as how you compare to others.

- Go over the composition of the score and relate their contributions to one of the pieces of the pie chart on page 25 of the participant guide, using the following information:
 1. Having two credit cards to their limits contributes negatively to amounts owed and credit utilization rate.
 2. Missing credit card payment or being late with rent payment contribute negatively to payment history.
 3. Bringing credit utilization rate down to 30 percent due to new job contributes positively to amounts owed and credit utilization rate.
 4. Maxing out credit cards for car repairs contributes negatively to amounts owed and credit utilization rate.
 5. Steadily paying down credit card balances and staying current contribute positively to payment history.
 6. Shopping for auto loans generates inquiries. Shopping around is rewarded as each inquiry is not counted separately but as one. This has a slightly negative effect on the new credit portion of the score.
 7. Applying for department store card also slightly negatively affects the new credit portion of the score.
 8. Turning 23 years old has no effect on the score.
 9. Ordering credit report has no effect on the score.
 10. Closing old credit card negatively affects the length of credit history portion of the score and could also affect the credit utilization rate as the credit limit of the closed credit card is no longer factored.
 11. Missing medical bill that is nine months past due contributes negatively to payment history.
 12. Missing payment on student loans due to new jobs contributes negatively to payment history.
 13. Catching up on past due bills contributes positively to payment history.
 14. Having a friend who is late on auto loan co-signed for contributes negatively to payment history.
 15. Having a friend who catches up and pays down debts for co-signed loans contributes positively to payment history.

KEY ACTIVITY

What Makes Your Credit Score Go Up or Down?

Complete the exercise to see what makes your credit score go up or go down. Figure out your ending credit score.

YOUR STARTING CREDIT SCORE		750
What Did You Do?	Does Your Score Go Up or Down? By How Much?	What Is Your New Credit Score?
1. Two credit cards to their limits.	- 80	670
2. Miss credit card payment; late with rent payment.	- 60	610
3. Bring credit utilization rate down to 30% due to new job.	+ 40	650
4. Max out credit cards for car repairs.	- 60	590
5. Steadily pay down credit card balances and stay current.	+ 40	630
6. Auto loan shopping.	- 8	622
7. Apply for department store credit card.	- 8	614
8. Turn 23 years old.	0	614
9. Pull credit reports.	0	614
10. Close old credit card.	- 15	599
11. Miss medical bill that is nine months past due.	- 30	569
12. Miss payment on student loans due to new job.	- 50	519
13. Catch up on past due bills.	+ 20	539
14. Friend is late on auto loan cosigned for.	- 60	479
15. Friend catches up and pays down debts and stays current.	+ 30	509
YOUR ENDING CREDIT SCORE		509

Example based on information from the Consumer Federation of America and Fair Isaac Corporation.

EXERCISE IN TRIADS (continued)

Key Activity: What Makes Your Credit Score Go Up or Down?

- Ensure participants understand credit utilization rate. Explain that percentage of credit used on revolving accounts should be 30 percent or below.

Note: This concept is discussed a little further below.

Visual aid: Draw a simplified version of the FICO model on a flipchart or whiteboard.

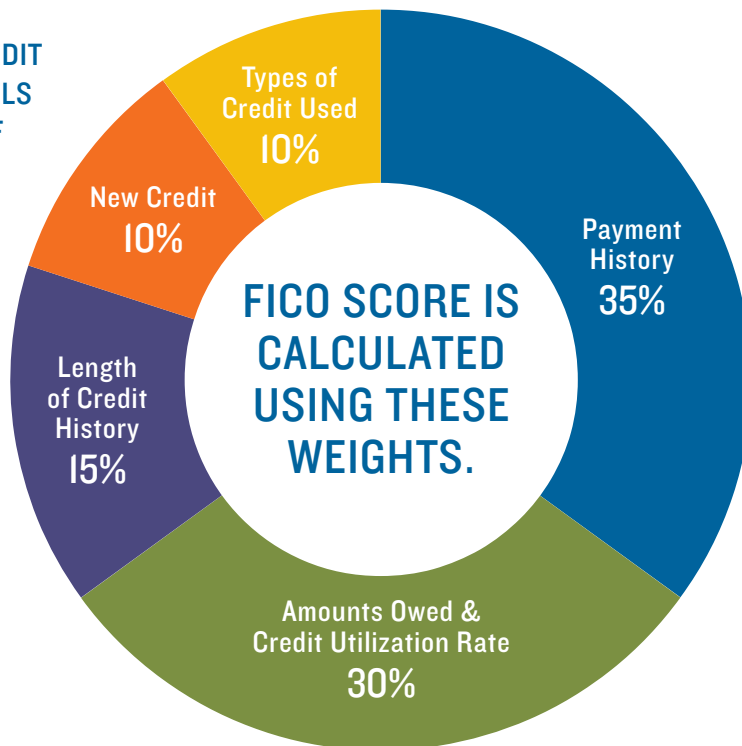
- Review Key Concept: Credit Utilization Rate. Write one or two examples on a flipchart or whiteboard. Use these:
 - o Credit card with a limit of \$2,000
 - + \$900 charged on the credit card.
 - + Credit utilization rate = $\$900/\$2,000$, which is .45 or 45 percent.
 - This would likely make scores drop.
 - o Credit card with a limit of \$500.
 - + \$100 charged on the credit card.
 - + Credit utilization rate = $\$100/\500 , which is .20 or 20 percent.
 - This would likely not affect scores or make them increase.

What's in Your Score?

Most credit scoring models include information about:

- + how you have handled your accounts, including your repayment history — if you paid on time and in full;
- + whether you are paying down balances on loans and other credit consistently;
- + the rate at which you are using credit versus the amount of credit you have available — the **credit utilization rate**;
- + how many different kinds of credit you have (revolving versus installment loans, secured versus unsecured loans); and
- + length of credit history.

DIFFERENT CREDIT SCORING MODELS WEIGH EACH OF THESE ITEMS DIFFERENTLY.



Building Your Credit Score

You may have noticed your scores drop quickly, but they take longer to rebuild. Your score drops when you don't do what you promised — make credit card or loan payments in full and on time or pay your other bills on time. Or do something creditors consider risky — use too much of your credit limit or apply for too much new credit.

When you don't do what you promised or do something “risky,” creditors trust you less. Rebuilding your credit and creditors' trust takes time. They want to be sure you are able to handle more credit or other financial responsibilities. A track record of paying your credit cards, loans and bills on time and avoiding risky credit behavior is what they use to make decisions about trust.



CREDIT UTILIZATION RATE

One thing that can make your credit score drop is using too much of the credit you have available. This is especially true with credit cards.

If you have a credit card, you should never use more than 30 percent of the credit limit at any time during the billing cycle.

Figuring out your credit utilization rate is easy. Take the amount you have charged and divide it by your credit limit. As long as it is below 0.3, or 30 percent, your credit score is not likely to be affected.

KEY ACTIVITY

Know the 30% Limit

Calculate the maximum you should ever charge on these credit cards given their credit limits.

Credit Limit	Max Amount to Charge to Credit Card
\$250	\$75
\$500	\$150
\$1,000	\$300

STAND UP/SIT DOWN REVIEW

What's in Your Score?



5
minutes

- Have participants stand up if they think the item read is factored into their credit scores.

Note: Do not read the answer until people have stood up or remained in their seats.

- Read each item relatively quickly.

READ THIS ITEM	YES Participants Should Be Standing
Age	
Salary	
On-time payments	YES
Religion	
How long you have had credit	YES
Different kinds of credit — both installment loans and revolving credit	YES
Receiving public assistance	
Inquiries to open new credit accounts	YES
Employment history	
Participation in credit counseling services	
Percentage of available credit used	YES
Late payments	YES

Note: If you are unfamiliar with the difference between installment loans and revolving credit, see Key 3.

SUMMARIZE/TRANSITION

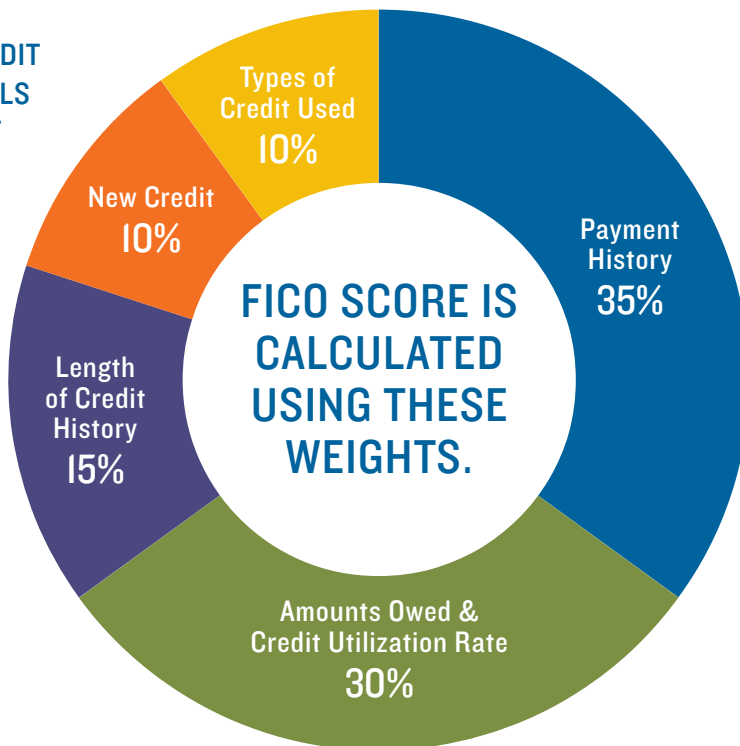
- *The information in your scores comes from what is in your credit reports. If you are under 18 and don't have a credit report, then you don't have credit scores.*
- *Remember, you may have many credit scores if you have information in credit reports.*
- *Focus on getting and reviewing your reports and disputing any errors you find in them. Don't worry too much about any one specific score as it's unlikely to be the same score a business would use to make a decision about you.*
- *You can use the strategies for repairing and improving, building or maintaining credit to increase your scores if that is something you want to do.*

What's in Your Score?

Most credit scoring models include information about:

- + how you have handled your accounts, including your repayment history — if you paid on time and in full;
- + whether you are paying down balances on loans and other credit consistently;
- + the rate at which you are using credit versus the amount of credit you have available — the **credit utilization rate**;
- + how many different kinds of credit you have (revolving versus installment loans, secured versus unsecured loans); and
- + length of credit history.

DIFFERENT CREDIT SCORING MODELS WEIGH EACH OF THESE ITEMS DIFFERENTLY.



Building Your Credit Score

You may have noticed your scores drop quickly, but they take longer to rebuild. Your score drops when you don't do what you promised — make credit card or loan payments in full and on time or pay your other bills on time. Or do something creditors consider risky — use too much of your credit limit or apply for too much new credit.

When you don't do what you promised or do something "risky," creditors trust you less. Rebuilding your credit and creditors' trust takes time. They want to be sure you are able to handle more credit or other financial responsibilities. A track record of paying your credit cards, loans and bills on time and avoiding risky credit behavior is what they use to make decisions about trust.



CREDIT UTILIZATION RATE

One thing that can make your credit score drop is using too much of the credit you have available. This is especially true with credit cards.

If you have a credit card, you should never use more than 30 percent of the credit limit at any time during the billing cycle.

Figuring out your credit utilization rate is easy. Take the amount you have charged and divide it by your credit limit. As long as it is below 0.3, or 30 percent, your credit score is not likely to be affected.

KEY ACTIVITY

Know the 30% Limit

Calculate the maximum you should ever charge on these credit cards given their credit limits.

Credit Limit	Max Amount to Charge to Credit Card
\$250	
\$500	
\$1,000	

TEACH BACK BY CREATING COMMERCIALS, BILLBOARDS, RAP OR JINGLES (optional)

Repairing and Improving Credit History, Building a Credit History and Maintaining a Positive Credit History



- Use the following talking points and instructions to facilitate the teach back.
- Arrange the participants into three groups.

Note: If you have more than 18 participants, put participants into two sets of each group. Each small group should have no more than six participants and no less than three.

- Explain to them that they will have 10 minutes to prepare a commercial highlighting the key points of their group's assignment. It can be a poster/billboard, a rap or jingle or some other way to creatively and memorably convey the information quickly to the rest of the group.
- Assign group 1, Repairing and Improving Credit History (page 26).
- Assign group 2, Building a Credit History (page 27).
- Assign group 3, Maintaining a Positive Credit History (page 28).
- After 10 minutes, have each group present.
- Use the relevant checklist to add any key strategies missing from each group's presentation.
- Consider having some kind of reward for the groups for their effort and creativity.

Visual aid: Summarize instructions and group assignments on flipchart or whiteboard.

Note: Rewards or prizes for this activity or others can include Payday candy bars, 100 Grand candy bars or a bag of chocolate coins. More expensive options include: prepaid debit cards, books about finances, gift cards for iTunes or apps, restaurant or movie gift cards, budgeting software or an Amazon.com gift card.

- Cover the Key Resource. To find out your state's statute of limitations, see www.bankrate.com/credit-cards/state-statutes-of-limitations-for-old-debts.

Or, invite participants to find the information using their phones — encourage small groups in case not all participants have phones.

REPAIRING AND IMPROVING CREDIT HISTORY

If you have problems on your credit reports, you may decide to fix them. If you do not fix them, you may not be able to get credit. Or, the credit you can get will be very expensive. Remember, a positive credit history is a **productive asset** — something that can help you get other assets such as a car, an apartment or a loan. Here are some steps to take in **repairing and improving your credit**. Check them off as you complete them.

- ☐ **Get and review your credit reports.** Be sure to order and review your reports from Equifax, Experian and TransUnion. You can do this all at once or order one of them every four months. Use annualcreditreport.com to get your free reports. Get help in reviewing your credit report if you have never done it before.
- ☐ **Identify any mistakes.** Take immediate action to correct those mistakes. You may send a letter, call the credit reporting agency or use the online dispute system at each of the credit reporting agency websites.
- ☐ **If you have any payments that are late, get current.** And make sure you stay current.
- ☐ **Confirm anything listed in the public records or collections sections belongs to you.** Not all collections records are accurate. Make sure the original account (in the accounts section of the credit report) is showing a balance of zero.
- ☐ **If you have any outstanding judgments or collection accounts you want to pay, use your budget to find ways to pay those off.**
- ☐ **Be aware of your rights with debt collectors.** Understand the length of time creditors have to sue you for the money you owe. Sometimes your actions can extend the amount of time they legally have to sue you.
- ☐ **Contact creditors that you did not pay in the past using the information on your credit report.** Sometimes this means contacting a collection agency. See if the company will work with you. They may set up a payment plan with you and help you get back on track. If they set up a payment plan with you, get the agreement to this payment plan in writing from them. Be sure to check the statute of limitations on the debt. Contacting a creditor or debt collector can extend or restart the amount of time a debt can be legally collected.
- ☐ **Once you have paid off an old debt or something in collections, order a credit report.** Check to make sure the payments you made are on the report.
- ☐ **If you have balances on credit cards, use the following list to help prioritize those to pay down first.**
 - Where you have used 30 percent or more of your available credit.
 - Highest rates of interest — these are costing you more.**Call your creditors to try to negotiate a lower rate if:**
 - you have paid them regularly; or
 - you have seen a lower rate advertised by them for new customers.
- ☐ **Send a letter to the card issuer asking them to close those accounts you no longer use or want to remain open.** Make sure you say **effective immediately** and cut up the card. Inactive credit accounts run the risk of being closed *by the credit card issuer* — it looks better on your credit history if the account is closed at your request rather than vice versa.
- ☐ **Use a credit-building strategy.** This strategy has its own checklist on page 27.

KEY RESOURCE

STATUTE OF LIMITATIONS

How long a debt can be collected is based on state law. Find out the statute of limitations in your state. Note that “promissory” generally means an installment loan like for a car or home. “Open” is for revolving credit like a credit card.

Statute of limitations in my state for promissory note debt: _____ years

Statute of limitations in my state for open debt: _____ years

AVOID ANY BUSINESS OR ANY PERSON THAT CLAIMS THEY CAN FIX YOUR CREDIT. IT IS NOT TRUE.

No one can remove negative information from your credit report if the information is accurate. Only you can improve your credit history and your reputation with creditors through building credit and making regular monthly payments.

**TEACH BACK BY CREATING COMMERCIALS, BILLBOARDS,
RAPS OR JINGLES (optional) (continued)**
**Repairing and Improving Credit History, Building a Credit History and
Maintaining a Positive Credit History**

Note: Use the corresponding page from the participant guide to add to group presentation(s) on building a credit history.

BUILDING A CREDIT HISTORY

Building your credit is different from repairing your credit. Building your credit is about using specific products to create a positive credit history. Check off those you plan to explore.

☐ Get your credit report.

This is the same first step if you are repairing your credit, too. You may not have a credit report especially if you are not yet 18. And, even if you haven't used credit, you could have credit reports or scores — if you missed cell phone plan payments, have not paid medical bills, missed rental payments or have been the victim of identity theft.

☐ Follow the steps to maintaining a positive credit history.

Remember that the key to building a credit history is to start with just one account. Use the account to buy a few things that you can afford. Then pay it back each month, on time. Pay at least the minimum balance, if not more.

☐ Get a secured credit card.

This is a credit card that is secured with money. Your money! The money is put in an account that is dedicated to pay the debts on the card if you do not. There is little risk for the bank or credit union here. They have your money as security to cover the debt. And, you get the chance to show that you can pay on time.

- Usually, these credit cards have low credit limits, so **you must be very careful to only use 30 percent of the available credit limit to prevent your credit scores from dropping.** If you use more than 30 percent of your credit limit, you run the risk of lowering your credit scores.

☐ Get a credit-building loan.

Many banks and credit unions offer credit-building loans. You will usually need to deposit the amount of money you want to borrow in an account to get this kind of loan. This deposit is security for the bank. Sometimes, banks or credit unions will allow you to deposit the loan into an account and actually use the deposit to pay back the loan. **BE SURE THE BANK OR CREDIT UNION REPORTS TO A CREDIT REPORTING AGENCY.** Otherwise, your efforts will not factor into your credit reports or scores. Be sure to compare interest rates and fees for these loans at two or three banks or credit unions.

☐ Become an authorized user.

If someone you know has good credit, they can name you an authorized user. The credit history related to this account will go on your credit report, too — both positive and negative information.

☐ Get a department store charge card.

Many department stores have credit cards you can use when you shop at their stores. The credit limit is generally lower and the interest rate higher than credit cards. Be sure not to open too many of these accounts. Remember, too much new credit can make your score drop.

☐ Keep records to make your own credit history.

You can create an alternative credit history. You document your history of payment on utilities, phone bills, child care, child support and other regular bills you pay. This can serve as alternative proof of your payment behavior and help you qualify for some credit products or other services.



**TEACH BACK BY CREATING COMMERCIALS, BILLBOARDS,
RAPS OR JINGLES (optional) (continued)**
**Repairing and Improving Credit History, Building a Credit History and
Maintaining a Positive Credit History**

Note: Use the corresponding page from the participant guide to add to group presentation(s) on maintaining a positive credit history.

MAINTAINING A POSITIVE CREDIT HISTORY

There are no secrets to maintaining a positive credit history or good credit scores. Here is a checklist:

☐ **Review your credit reports every year.**

Be sure to print out or order your report from all three credit reporting agencies — Equifax, Experian and TransUnion. Use the tools provided in this key to review your credit reports.

☐ **Correct any errors.**

No one will do this for you once you are 18. It is your responsibility to make sure the information in your credit reports — all three of them — is accurate.

☐ **Pay all of your bills on time and in full every month.**

☐ **If you are going to be late with any bill, contact your creditor immediately.**

They may be willing to work with you — let you make two small payments within a billing cycle or interest only for one month.

☐ **Keep paying down any debt balances.**

☐ **If possible, diversify your credit.**

Have a credit card and a credit-building loan. This shows you can handle both kinds of credit — revolving credit and installment credit.

☐ **Never use more than 30 percent of your credit limit.**

☐ **Avoid applying for too many credit cards at one time.**

Every inquiry is reported on your credit report. It can appear as if you are looking for quick money.

☐ **Pay child support and taxes.**

If you don't, this may appear in the public records section of your credit reports. Nonpayment of child support and taxes could also lead to wage or account garnishment. This means the government will take the money from your wages or bank account. They will present your employer or bank with an order that allows them to do this.

☐ **Keep strong financial records.**

Financial records give you proof of payment. If you use online or mobile payment systems, checks, debit cards, prepaid cards or credit cards to pay bills, you will have a record. If you use cash or money orders, you will have to collect and store receipts.



LARGE GROUP ACTIVITY

Key to Your Financial Future: Getting Help With Your Credit History



5
minutes

- This is something else for you to do for your financial future.
- As a large group, brainstorm local resource contact information.
- Invite participants to look up information on their phones.
- Review businesses or individuals to avoid for credit repair services.

WHERE CAN YOU GET HELP?

There are many reputable businesses and organizations that can help you get and read your credit reports.

Key to Your Financial Future: Getting Help With Your Credit History

Use the following list to identify local resources you can use if you need help getting and understanding your credit reports and scores.

Business or Organization Type	Local Resource Contact Information
Child welfare staff	
Financial education nonprofit	
Nonprofit consumer credit counseling agency	
Bank or credit union	
HUD-approved housing counseling agency	
Other:	



AVOID ANY BUSINESS OR INDIVIDUAL THAT:

- ☐ Promises to fix your credit for you — no one can remove accurate information from your credit report.
- ☐ Demands a fee up front to repair your credit.
- ☐ Offers to create a new identity for you. This is illegal.
- ☐ Offers to sell you the opportunity to become an authorized user on the account of someone you do not know. This is called piggy-backing.
- ☐ Offers to sell you a debt consolidation loan to fix your credit. With debt consolidation loans, you use the new loan to pay off your other debt. If you want to consider debt consolidation, work with a reputable bank or credit union.
- ☐ Offers to settle your debts for you for a fee. Make arrangements with your creditors to pay only part of the money you owe. You can do this on your own. And there are downsides — debt settlement is a negative entry on your credit reports, and you may owe income tax on the portion of the debt you do not pay.

THESE BUSINESSES OR INDIVIDUALS ARE PROVIDING A HIGH COST SERVICE YOU CAN DO YOURSELF, OR THEY ARE SCAMS.

INDIVIDUAL ACTIVITY (optional)

Wrap Up: Understanding Credit History to Open the Door to Housing, Jobs and More



5
minutes

- Congratulate participants on finishing up.
- Instruct participants to complete the wrap-up activity.
- After 5 minutes, review the answers in a participatory way — ask individuals to shout out their responses.

WRAP UP:

Understanding Credit History to Open the Door to Housing, Jobs and More

Congratulations on finishing this section of *Keys to Your Financial Future*.

Let's check what you learned:

1. What makes up your credit history? (select all that apply)

- | | |
|------------------------------------------------------------|------------------------------------------------------------------|
| <input type="checkbox"/> a. Your financial reputation | <input type="checkbox"/> d. Your income |
| <input checked="" type="checkbox"/> b. Your credit scores | <input checked="" type="checkbox"/> e. What people say about you |
| <input checked="" type="checkbox"/> c. Your credit reports | |

2. Positive credit reports and high credit scores are productive assets.

- ☒ True ☐ False

3. You have to pay for every credit report you get.

- ☐ True ☒ False

4. You have the right to a free credit report every 12 months from each of the three nationwide credit reporting agencies.

- ☒ True ☐ False

5. Having a positive credit history can help you (select all that apply):

- | | |
|------------------------------------------------------------|---------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> a. Get credit | <input checked="" type="checkbox"/> e. Qualify for apartments |
| <input checked="" type="checkbox"/> b. Pay less for credit | <input checked="" type="checkbox"/> f. Select the most cost-effective cell phone plan |
| <input checked="" type="checkbox"/> c. Get employment | <input checked="" type="checkbox"/> g. Qualify for insurance |
| <input checked="" type="checkbox"/> d. Access utilities | |

6. Using more than 30 percent of your available credit on credit cards can make your credit scores go down.

- ☒ True ☐ False

7. What are two ways to build credit?

- | | |
|-------------------------------------------------------------------|--------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> a. Get a credit-building loan | <input type="checkbox"/> d. Use a debit card for all of your purchases |
| <input type="checkbox"/> b. Earn more income | <input checked="" type="checkbox"/> e. Get and use a secured credit card |
| <input type="checkbox"/> c. Increase your savings | |

8. Which action has the most effect on your credit scores?

- | | |
|----------------------------------------------------------------------------|-----------------------------------------------------|
| <input checked="" type="checkbox"/> a. Paying your bills on time as agreed | <input type="checkbox"/> d. Increasing your savings |
| <input type="checkbox"/> b. Using direct deposit for your paycheck | <input type="checkbox"/> e. Doing nothing |
| <input type="checkbox"/> c. Renting an apartment | |

CLOSING

Key Information From This Section

- Review the Key Information From This Section.



2
minutes

CLOSING ACTIVITY (optional)

- Give each young person a piece of paper.
- Instruct them to write the “one thing that most surprised you from the session.”
- Make it into an airplane.
- Tell young people to fly their planes.
- Instruct participants to pick up the plane that is closest to them and read what is on the airplane to end the session.
- Thank participants for their time and participation.



5
minutes

Key Information From This Section

- ☐ **YOU HAVE A FINANCIAL REPUTATION.** If you don't like it, take steps to change it.
- ☐ **YOUR CREDIT HISTORY** includes your credit reports and credit scores.
- ☐ **YOU CAN ORDER YOUR CREDIT REPORTS** every 12 months from each of the three nationwide credit reporting agencies for free. Use annualcreditreport.com and watch out for imposter websites. If you are not yet 18, work with each credit reporting agency to determine if you have a credit file. Generally, you shouldn't.
- ☐ **REVIEW YOUR REPORT.** If you find errors, dispute them. This can improve your credit history.
- ☐ **YOUR CREDIT SCORE** is calculated using information on your credit reports. Focus your energy on getting, reviewing and improving information in your credit reports. Your scores will follow.
- ☐ **YOU CAN GET HELP** in your community, but watch out for scams. Only time and effort from you can fix accurate negative information in your credit history.



ABOUT THE ANNIE E. CASEY FOUNDATION

The Annie E. Casey Foundation is a private philanthropy that creates a brighter future for the nation's children by developing solutions to strengthen families, build paths to economic opportunity and transform struggling communities into safer and healthier places to live, work and grow.

For more information, visit www.aecf.org.

ABOUT THE JIM CASEY YOUTH OPPORTUNITIES INITIATIVE

A unit of the Casey Foundation, the Jim Casey Youth Opportunities Initiative® works to improve outcomes for all young people in the United States ages 14 to 26 who have spent at least one day in foster care after their 14th birthday — a population of nearly 1 million.

Working with 17 sites across the country, the Jim Casey Initiative influences policy and practices to improve outcomes for teenagers and young adults who have experienced foster care as they transition to adulthood.