

Instructor Guide

# *Money Smart*

To Your Credit



NATIONAL ASSOCIATION OF FEDERAL CREDIT UNIONS

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## **Instructor Information**

### **Before the Session**

To properly present the *To Your Credit* course, you should:

- Review all materials in the Instructor Guide and the Participant Take-Home Guide.
- Make copies of the Participant Take-Home Guide.
- Copy the slides (overheads) onto transparencies.
- Identify potential trouble spots in the exercises as well as hints for assisting participants.
- Select and prepare anecdotes from real-world experiences that can be used to illustrate special scenarios, generate discussions, and maintain participant interest.
- Prepare copies of the *Credit Report Sample* for participants.

### **Material and Equipment**

- Transparency projector
- *To Your Credit* transparencies
- Chart paper and easel
- Markers for chart paper and transparencies
- Pencils or pens for each participant
- Name Tents
- Credit Report Sample handouts
- Participant Take-Home Guides

## Instructor Steps

Step-by-step directions are provided for the instructor. The text below is an example of an instructor step:

Instructor Cue	Instructions
Slide 2	<ul style="list-style-type: none"><li>➤ Show Slide 2 (You Will Know).</li><li>➤ Review course objectives.</li></ul>

Generally, these steps enable the instructor to ask questions, provide explanations, show slides, hand out materials, and introduce exercises.

## Icons

Icons alert the instructor to discussion questions, exercises, transitions, and summaries. They appear in the left margin:



Ask questions or conduct a discussion.



Distribute a handout.



Give exercise information or record the results of a brainstorm.



Refer to activity material.



Indicate the beginning of an individual activity or exercise.



Indicate the beginning of a group activity or exercise.



Summarize an activity or check for understanding.



Summarize the course.



Transition to the next topic.

# To Your Credit

## Time



70 Minutes


## Objectives

By the end of this course, participants will be familiar with the importance of a credit history. To achieve this objective, the participants will be able to:



- Identify a credit report and how it is used
- Order a credit report
- Read a credit report
- Identify ways to start repairing credit
- Recognize credit repair scams
- Identify available resources

## Course Instruction

Instructor Cue	Instructions
	<ul style="list-style-type: none"> <li>➤ Before the start of the class, hand out the following materials to each participant:               <ul style="list-style-type: none"> <li>• Participant Take-Home Guide</li> <li>• Pencil or pen</li> <li>• Name tent</li> </ul> </li> </ul>
Slide 1	<ul style="list-style-type: none"> <li>➤ Show Slide 1 (To Your Credit).</li> <li>➤ <b>“Welcome to <i>To Your Credit!</i>”</b> Introduce yourself (e.g., your name and experience as an instructor or credit union employee).</li> </ul>
	<ul style="list-style-type: none"> <li>➤ Ask: <b>“How many of you have seen your credit report?”</b></li> <li>➤ Have participants respond by a show of hands.               <ul style="list-style-type: none"> <li>• Explain: <b>“This course provides general information on credit reports, ways to repair credit, and available resources.”</b></li> </ul> </li> </ul>

Instructor Cue	Instructions
Slide 2	<ul style="list-style-type: none"> <li>➤ Show Slide 2 (You Will Know).</li> <li>➤ Explain: <b>“By the end of the course, you will be familiar with the importance of your credit history. You will know:</b> <ul style="list-style-type: none"> <li>• <b>What a credit report is and how it is used</b></li> <li>• <b>How to order a credit report</b></li> <li>• <b>How to read a credit report</b></li> <li>• <b>How to start repairing credit</b></li> <li>• <b>How to recognize credit repair scams, and</b></li> <li>• <b>Available resources.”</b></li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>➤ Show the Participant Take-Home Guide to the class.</li> <li>➤ Explain: <b>“Each of you has a copy of the <i>To Your Credit</i> Take-Home Guide which contains highlights of the course. Take it home and use it as a reference.”</b></li> </ul>



## What Do You Know

Instructor Cue	Instructions
	<ul style="list-style-type: none"> <li>➤ Explain: <b>“Take out the last page of your Take-Home Guide, the What Do You Know form.”</b></li> </ul>
	<ul style="list-style-type: none"> <li>➤ Explain: <b>“The What Do You Know form lets you measure how much you have learned from the course.”</b></li> </ul>
	<ul style="list-style-type: none"> <li>➤ Read the instructions and walk the participants through each statement.</li> <li>➤ Explain: <b>“Complete the Before-the-Course column only. You will complete the other column at the end of the course.”</b></li> </ul>
	<ul style="list-style-type: none"> <li>➤ Provide enough time for participants to complete the What Do You Know form. (1-2 minutes)</li> </ul>
	<ul style="list-style-type: none"> <li>➤ Transition: <b>“Now, let’s start by explaining what is a credit report.”</b></li> </ul>

## What is a Credit Report?




Instructor Cue	Instructions
	<ul style="list-style-type: none"><li>➤ Explain: <b>“A credit report is a record of how you’ve paid your debts. A credit report shows how much debt you have and whether you’ve made payments on time.”</b></li></ul>
?	<ul style="list-style-type: none"><li>➤ Ask: <b>“Do you know what’s in your credit report?”</b></li><li>➤ Acknowledge participants’ responses.</li></ul>
Slide 3	<ul style="list-style-type: none"><li>➤ Show Slide 3 (What is in a Credit Report).</li><li>➤ Explain: <b>“A credit report contains information about you. The report indicates where you live, where you work, and whether you make credit payments on time.”</b></li></ul>

Instructor Cue	Instructions
	<p>➤ Explain: <b>“The reports from each of the credit agencies look different but contain the same basic information. Typically a credit report contains:</b></p> <ul style="list-style-type: none"> <li>• <b>First, identifying information including:</b> <ul style="list-style-type: none"> <li><b>Name</b></li> <li><b>Social Security number</b></li> <li><b>Current and previous addresses</b></li> <li><b>Telephone number</b></li> <li><b>Birth date</b></li> <li><b>Current and previous employers</b></li> <li><b>Spouse’s name</b></li> </ul> </li> <li>• <b>Second, a credit report contains your credit history. Your credit history is your account record with different creditors. It will show how much credit has been extended and how you have repaid it.</b></li> <li>• <b>Third, a credit report contains inquiries, or a list that identifies creditors and other authorized parties who have requested and received your credit report.</b></li> <li>• <b>Fourth, a credit report contains public record information. These are items that are matters of public record such as collection accounts, bankruptcies, foreclosures, tax liens, civil judgments, and late child support payments.”</b></li> </ul>

Instructor Cue	Instructions
	<ul style="list-style-type: none"> <li>➤ Transition: <b>“Let’s take a moment to talk about some of these public record items.”</b></li> </ul>
	<ul style="list-style-type: none"> <li>➤ Ask: <b>“Can anyone explain a tax lien?”</b></li> <li>➤ Acknowledge participants’ response.</li> </ul>
<p style="text-align: center;">Slide 4</p>	<ul style="list-style-type: none"> <li>➤ Show Slide 4 (Definitions).</li> <li>➤ Explain: <b>“A tax lien is a claim against property, or assets, filed by the taxing authority for unpaid taxes. For example, since Mary did not pay her taxes, the taxing authority could make a claim against her home.”</b></li> <li>➤ Explain: <b>“A judgment is a court order placing a lien on a debtor’s property as security for a debt owed to a creditor.</b></li> <li>➤ <b>For example, John stopped paying his property taxes last year. After the county sent him several notices about the non-payment, the county went to court and got a judgment lien.</b></li> <li>➤ <b>By getting a judgment lien, the county can claim proceeds for the sale of John’s house to cover the amount of the taxes he owes.”</b></li> </ul>

Instructor Cue	Instructions
	<ul style="list-style-type: none"> <li data-bbox="565 275 1414 520">➤ Explain: <b>“A collection account is a past due account that has been referred to a specialist to collect part of all of the debt. For example, since Pamela is not making payments on her car loan, the credit union or bank will ask a collection agency to collect the amount she owes.”</b></li> <li data-bbox="565 573 1414 737">➤ Explain: <b>“Bankruptcy is a legal proceeding that can legally release a person from repaying debts. For instance, Sam had a personal loan and large credit card debt.</b></li> <li data-bbox="565 789 1414 1035">➤ <b>Sam lost his job and filed a petition for Chapter 7 bankruptcy because he could not pay back his loans. The court accepted his petition and he was no longer required to pay back the loans. However, the bankruptcy remained on his credit report for 10 years.”</b></li> </ul>

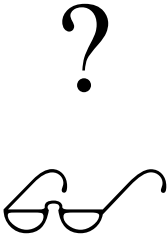

Instructor Cue	Instructions
Slide 5	<ul style="list-style-type: none"> <li data-bbox="565 306 1273 338">➤ Show Slide 5 (Negative Credit Report Information).</li> <li data-bbox="565 384 1414 590">➤ Explain: <b>“In Chapter 13 bankruptcy the debtor keeps all of his or her property and makes regular payments on the debts, even after filing for bankruptcy. To qualify for Chapter 13, the debtor needs to have a regular income.</b></li> <li data-bbox="565 636 1393 842">➤ <b>In Chapter 7 bankruptcy the debtor gives up all nonexempt property. The debtor keeps exempt property. Exempt property is property that state law determines is needed for the support of the debtor and his or her dependents.</b></li> <li data-bbox="565 888 1398 1136">➤ <b>It’s important to understand that bankruptcy has a negative impact on your credit! Depending on the type of bankruptcy, it will stay on your credit report from 7 to 10 years. Having a bankruptcy on your credit report will make it hard to get credit in the future.”</b></li> </ul>

Instructor Cue	Instructions
	<ul style="list-style-type: none"> <li>➤ Ask: <b>“Can you think of some items a credit report would not include?”</b></li> <li>➤ <b>Write the participants responses on chart paper. If participants do not respond, give one or two items to get them started. Write the following items on chart paper if the participants did not provide them.</b></li> <li>➤ Credit reports <b>do not</b> contain: <ul style="list-style-type: none"> <li>• Checking and savings account balances</li> <li>• Income</li> <li>• Medical history</li> <li>• Purchases made with cash or check</li> <li>• Business account information</li> <li>• Race, gender, religion, or national origin</li> <li>• Driving record</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>➤ Check for understanding.</li> <li>➤ Ask: <b>“Are there any questions about the public record items or anything else we’ve covered so far?”</b></li> <li>➤ Answer questions.</li> </ul>
	<ul style="list-style-type: none"> <li>➤ Transition: <b>“Now let’s talk about how and why a lender would look at your credit report.”</b></li> </ul>

<b>Instructor Cue</b>	<b>Instructions</b>
	<ul style="list-style-type: none"> <li>➤ Explain: <b>“A lender generally checks your credit report to decide whether to offer you a loan. The lender uses companies called credit reporting agencies.</b></li> <li>➤ <b>There are three major credit reporting agencies:</b> <ul style="list-style-type: none"> <li>• <b>Equifax</b></li> <li>• <b>Experian, and</b></li> <li>• <b>TransUnion.”</b></li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>➤ Explain: <b>“Credit reporting agencies receive information from a variety of creditors, usually monthly, about whether you and other borrowers are making loan payments on time.</b></li> <li>➤ <b>Information about bankruptcy filings, court-ordered judgments, tax liens and other public record information is collected by agencies from courthouse records.”</b></li> </ul>

Instructor Cue	Instructions
	<ul style="list-style-type: none"> <li>➤ Explain: <b>“Your credit report can affect whether you get your next loan.”</b></li> <li>➤ Explain: <b>“Let’s look at three people applying for loans. You are going to act as lenders.</b> <ul style="list-style-type: none"> <li>• <b>Bob: Bob has been working for several years and has never applied for a loan. Bob has no credit history.</b></li> <li>• <b>Michael: Michael has been working several years. He has been late on making his car payments and recently stopped paying them all together. There is a tax lien on his house.</b></li> <li>• <b>David: David has been working for several years. He took out a car loan last year. He has been making the payments on time and has a good credit history.</b></li> </ul> </li> </ul>
<p style="font-size: 2em;">?</p>	<ul style="list-style-type: none"> <li>➤ Ask: <b>“Based on this information alone, if you were a loan officer, which applicant poses the most risk—Bob, Michael or David?”</b></li> <li>➤ Guide a brief discussion about how your credit report can affect your ability to get a loan.</li> <li>➤ Answer: <b>“Both Bob and Michael would be considered risky. Michael has a poor record and has not paid his loans. Bob, on the other hand, has no history, so we don’t know whether or not he would be a good borrower.</b></li> <li>➤ <b>The credit report is an important factor, but not the only consideration, in making a credit decision.”</b></li> </ul>

Instructor Cue	Instructions
	<ul style="list-style-type: none"> <li>➤ Explain: <b>“If you have never applied for a loan, you will probably not have a credit history. Creditors might deny a loan application if you have no credit history because it is unknown whether you will make the loan payments.</b></li> <li>➤ <b>Creditors might also deny a loan application if you have had credit problems in the past, since this indicates there is a greater chance you might not repay the loan.</b></li> <li>➤ <b>If you are paying your loans on time and have had no problems in the past, lenders will be more willing to make you a loan. A good credit record indicates you will most likely pay back the loan.”</b></li> </ul>
	<ul style="list-style-type: none"> <li>➤ Explain: <b>“Lenders might use a credit score to help decide whether to make a loan. A credit score is a tool that helps lenders assess your credit risk. The score is based on information contained in your credit report.”</b></li> </ul>
	<ul style="list-style-type: none"> <li>➤ Explain: <b>“Keep in mind credit reporting agencies do not make credit decisions. Credit reporting agencies simply report the information provided by creditors. This information helps lenders make loan decisions.</b></li> <li>➤ <b>Lenders have different requirements for approving loans. Their decision might be based on other factors.”</b></li> </ul>


Instructor Cue	Instructions
	<ul style="list-style-type: none"> <li>➤ Ask: <b>“Can you think of some other factors that might influence a lender’s decision to make a loan?”</b></li> <li>➤ Answer: Write participants’ answers on chart paper and fill in the factors listed below that were not mentioned. <ul style="list-style-type: none"> <li>• Income</li> <li>• Length of residence</li> <li>• Employment</li> </ul> </li> <li>➤ Explain: <b>“These are just a few of the factors that can affect getting a loan.”</b></li> </ul>
	<ul style="list-style-type: none"> <li>➤ Explain: <b>“Your credit report can be viewed by other organizations with a legitimate business need. For example, your employer, insurance agent, or apartment manager can view your credit report. A poor credit history might affect your ability to get a job, be approved for insurance, or rent an apartment.”</b></li> </ul>
	<ul style="list-style-type: none"> <li>➤ Transition: <b>“Now that you know what a credit report is and how a credit report is used, let’s talk about how to get a copy of your credit report.”</b></li> </ul>

## Getting a Copy of your Credit Report


Instructor Cue	Instructions
	<ul style="list-style-type: none"> <li>➤ Explain: <b>“You can get a copy of your credit report by contacting any or all of the three major credit reporting agencies. You might want to get copies of your report from each agency. Each agency might have slightly different information since lenders might not report to all three agencies.</b></li> <li>➤ <b>Page 11 in your Take-Home Guide has a list of the credit reporting agencies and how to contact them.”</b></li> <li>➤ <b>Depending on the company, you can request your credit report over the phone, in writing, or through the Internet. Be sure to call the credit reporting agencies or look up information on the Internet to verify specific requirements needed to get your credit report.”</b></li> </ul>
	<ul style="list-style-type: none"> <li>➤ Explain: <b>“If you plan to request your credit report through the mail, call the credit reporting agency’s toll-free number in case their address has changed.</b></li> <li>➤ <b>You should also check whether you will have to pay a fee to get your credit report. In most states, the charge is \$10 or less. However, in some states there is no charge.”</b></li> </ul>

Instructor Cue	Instructions
	<ul style="list-style-type: none"> <li>➤ Explain: <b>“Now let’s look at one scenario: Maria is requesting a copy of her credit report before she applies for a home loan. She calls one of the credit reporting agencies to verify the mailing address and to check on specific requirements.</b></li> <li>➤ <b>Maria finds out the cost to get a copy of her credit report is \$9, but free copies are given in certain situations.”</b></li> </ul>
Slide 6	<ul style="list-style-type: none"> <li>➤ Show Slide 6 (When Your Credit Report is Free).</li> <li>➤ Explain: <b>“Maria found that credit reporting agencies will provide a free copy of your credit report if you:</b> <ul style="list-style-type: none"> <li>• <b>Have been denied credit recently based on your credit history</b></li> <li>• <b>Have been denied employment or insurance recently based on your credit history</b></li> <li>• <b>Suspect someone has been fraudulently using your account</b></li> <li>• <b>Are unemployed and intend to apply for employment within 60 days</b></li> <li>• <b>Receive public welfare assistance, or</b></li> <li>• <b>Live in certain states.”</b></li> </ul> </li> </ul>

Instructor Cue	Instructions
	<p>➤ Explain: <b>“Maria decides to write for a copy of her credit report. By calling the credit reporting agency, Maria found she needed to provide her:</b></p> <ul style="list-style-type: none"> <li>• <b>Full name, including Jr., Sr., or II</b></li> <li>• <b>Social Security number</b></li> <li>• <b>Current and previous addresses within the last five years</b></li> <li>• <b>Birth date</b></li> <li>• <b>Signature, and</b></li> <li>• <b>Telephone number.”</b></li> </ul> <p>➤ Explain: <b>“The information you will generally need to provide to get your credit report is in your Take-Home Guide on page 4. Remember to verify what information is needed with the credit reporting agency before requesting your report.”</b></p>
	<p>➤ Explain: <b>“Since Maria was applying for the home loan with her husband, she wanted her credit report to include her husband’s credit history. Maria learned that credit information is maintained on an individual basis. Spouses must request their own credit report.</b></p> <p>➤ <b>If you are married, your spouse’s information might be different if you or your spouse opened accounts individually. If both spouses are co-borrowers, the loan information should be shown on both credit reports. If Maria and her husband get the home loan, the information for that loan will go on both of their credit reports.”</b></p>

Instructor Cue	Instructions
	<p>➤ Transition: <b>“Now that you know where and how to get a copy of your credit report, we will talk about how to read a credit report.”</b></p>

## How do I Read a Credit Report?


Instructor Cue	Instructions
	<ul style="list-style-type: none"> <li>➤ Hand out the Credit Report Sample.</li> <li>➤ Explain: <b>“In our scenario, Maria wrote to the credit reporting agency for her credit report. She has received it in the mail. This handout is a sample of what her credit report might look like.”</b></li> </ul>
<p>Slide 7</p>	<ul style="list-style-type: none"> <li>➤ Show Slide 7 (Credit Report Sample).</li> <li>➤ Point on the slide to the first section, Personal Identification Information, and have participants follow along with their handout.</li> <li>➤ Explain: <b>“The first section is Identifying Information. This information includes your name, current and previous addresses, Social Security number, date of birth, and other identifying information reported by creditors.</b></li> <li>➤ <b>Look at your handout on the left side of the page. This column is How to Read Your Credit File. This column identifies each section of your credit report. We will go over each section.”</b></li> </ul>
	<ul style="list-style-type: none"> <li>➤ Point on the slide to the second section, Public Record Information, and have participants follow along with their handout.</li> <li>➤ Explain: <b>“The next section is Public Record Information. This section contains information from local, state, and federal courts.”</b></li> </ul>

Instructor Cue	Instructions
?	<ul style="list-style-type: none"> <li>➤ Ask: <b>“What public record items are listed on Maria’s credit report?”</b></li> <li>➤ Answer: A lien and bankruptcy.</li> </ul>
	<ul style="list-style-type: none"> <li>➤ Point on the slide to Collection Agency Account Information and have participants follow along with their handout.</li> <li>➤ Explain: <b>“This next section shows your credit history including accounts that creditors have turned over to a collection agency. Maria’s credit report shows there was a collection reported in July 1999 by ABC Hospital.”</b></li> </ul>
?	<ul style="list-style-type: none"> <li>➤ Ask: <b>“What was the amount reported?”</b></li> <li>➤ Answer: \$878.</li> <li>➤ Explain: <b>“In this example, the collection account was paid.”</b></li> </ul>
	<ul style="list-style-type: none"> <li>➤ Point on the slide to Credit Account Information and have participants follow along with their handout.</li> <li>➤ Explain: <b>“This section contains both open and closed accounts. See the column under Box 1. This column lists the creditor reporting the information. For example, the lender can be a store, credit union, bank, hospital, auto finance company, etc.</b></li> <li>➤ <b>The column under Box 2 is the account number reported by the creditor. In this example, it would be Maria’s credit union, store and auto account numbers.”</b></li> </ul>

Instructor Cue	Instructions
	<ul style="list-style-type: none"> <li>➤ Explain: <b>“The column under Box 3 shows who is responsible for the account.”</b></li> <li>➤ Have participants look at the bottom left corner of their handout in the box that is labeled “Whose Account.”</li> <li>➤ Explain: <b>“Many different types of accounts are listed. You will generally see a “J” for “Joint” or and “I” for “Individual” on most credit reports. “Joint” means you own the account with another person, and “Individual” means you own the account on your own.”</b></li> </ul>
?	<ul style="list-style-type: none"> <li>➤ Ask: <b>“Is Maria’s store account a joint or individual account?”</b></li> <li>➤ Answer: Maria’s store account is a joint account.</li> </ul>
	<ul style="list-style-type: none"> <li>➤ Explain: <b>“The column under Box 4 shows the month and year the creditor opened the account. As you can see on Maria’s credit report, Maria’s store account was opened in December 2000.</b></li> <li>➤ <b>The column under Box 5 is for the number of months the account payment history has been reported.</b></li> <li>➤ <b>The column under Box 6 is for the date of the last payment, change, or occurrence.”</b></li> </ul>
?	<ul style="list-style-type: none"> <li>➤ Have participants look at their handout.</li> <li>➤ Ask: <b>“The column under Box 7 contains what information?”</b></li> <li>➤ Answer: The highest amount charged or the credit limit.</li> </ul>


Instructor Cue	Instructions
	<ul style="list-style-type: none"> <li>➤ Explain: <b>“Column 8 is for the number of installment or monthly payments, and Column 9 shows the amount owed as of the date reported.”</b></li> </ul>
<p style="font-size: 2em;">?</p>	<ul style="list-style-type: none"> <li>➤ Ask: <b>“What is the amount Maria owes on her credit union loan?”</b></li> <li>➤ Answer: Maria doesn’t owe anything on her credit union loan.</li> </ul>
	<ul style="list-style-type: none"> <li>➤ Explain: <b>“Column 10 has the amount past due as of the date reported. Maria has \$200 past due on her auto loan.”</b></li> <li>➤ Have participants look on their handout at the bottom middle box, Status – Type of Account.</li> <li>➤ Explain: <b>“Column 11 refers to the status of the account and the timeliness of payment. The Status of “O” for open, “R” for revolving, and “I” for Installment.</b></li> <li>➤ <b>The timeliness of payments is numbered zero through nine. As you can see in the middle box, Status – Type of Account, zero means the account is too new to rate. A one means the account is paid as agreed. A two means the account is 30 or more days past due, a three means it is 60 or more days past due, and so on.”</b></li> </ul>

Instructor Cue	Instructions
?	<ul style="list-style-type: none"> <li>➤ Ask: <b>“Column 11 shows that Maria’s credit union account is an I1. What does this mean about the status of this account and the timeliness of payment?”</b></li> <li>➤ Answer: The status of the account is Installment and the account is paid as agreed.</li> </ul>
	<ul style="list-style-type: none"> <li>➤ Explain: <b>“Column 12 shows the date the account was last updated.”</b></li> </ul>
	<ul style="list-style-type: none"> <li>➤ Point on the slide to the last section, Inquiries. Have participants follow along with their handout.</li> <li>➤ Explain: <b>“The Inquiries section lists companies that requested your credit file.”</b></li> </ul>
?	<ul style="list-style-type: none"> <li>➤ Ask: <b>“What companies received Maria’s credit file?”</b></li> <li>➤ Answer: A bureau, two credit card companies, and a department store. A bureau inquiry is when the agency researches a question about an account. For example, if Maria disputed an item, the bureau would pull her file to research her question. This does not count against Maria in a credit score.</li> </ul>
✓	<ul style="list-style-type: none"> <li>➤ Check for understanding.</li> <li>➤ Ask: <b>“Are there any questions?”</b></li> <li>➤ Answer questions.</li> </ul>

Instructor Cue	Instructions
Slide 8	<ul style="list-style-type: none"> <li>➤ Show Slide 8 (Credit Report Comparison).</li> <li>➤ Explain: <b>“As we discussed in the beginning of this course, there are three major credit agencies, Equifax, Experian, and TransUnion.</b></li> <li>➤ <b>Each agency has a different format for its credit reports. This slide shows a sample of the different credit report formats. Notice that, although the formats are different, they contain basically the same information.”</b></li> <li>➤ <b>Point out on the slide where the account or company name is located on each report. Point out the account number and how each report shows that the account is individual. Show where the date opened is found on each report.</b></li> </ul>
	<ul style="list-style-type: none"> <li>➤ Transition: <b>“Now that you know how to read a credit report, what would you do if there was an error in your report? How would you repair your credit history if you needed to?”</b></li> </ul>


## Building and Repairing your Credit History


Instructor Cue	Instructions
	<ul style="list-style-type: none"> <li>➤ Explain: <b>“In our scenario, Maria reviewed her credit report and found the Public Record Information listed was not correct. Maria never had a lien or filed for bankruptcy. Maria decided to write a dispute letter.”</b></li> </ul>
	<ul style="list-style-type: none"> <li>➤ Explain: <b>“If you think there is an error on your credit report, contact the credit reporting agency and write a dispute letter. Contact each credit reporting agency that is showing inaccurate information. Remember to keep a copy of the dispute letter.</b></li> <li>➤ <b>The credit reporting agencies are required to conduct an investigation within 30 days of receiving your letter.</b></li> <li>➤ <b>It is your responsibility to ensure that your credit report is accurate. Remember, credit reporting agencies do not investigate the accuracy of reported information unless you ask them to.</b></li> <li>➤ <b>You should review your credit report regularly. Some financial advisors recommend reviewing your credit report every year or, at a minimum, before you apply for a large loan.”</b></li> </ul>

Instructor Cue	Instructions
Slide 9	<ul style="list-style-type: none"> <li>➤ Show Slide 9 (Sample Dispute Letter).</li> <li>➤ Read the letter on the slide.</li> <li>➤ Explain: <b>“Turn to the <i>Sample Dispute Letter</i> on page 5 in your Take-Home Guide. The letter in the Take-Home guide gives you the basic structure, and shows in parentheses what information you will need to provide. This can be used as a guide to write a dispute letter.”</b></li> </ul>
	<ul style="list-style-type: none"> <li>➤ Transition: <b>“Another thing to be aware of is identity theft.</b></li> <li>➤ Ask: <b>“Has anyone heard of identity theft?”</b></li> </ul>
	<ul style="list-style-type: none"> <li>➤ Explain: <b>“Identity theft occurs when thieves take personal information about you, such as your Social Security number, birth date, or credit card numbers.</b></li> <li>➤ <b>The thieves might then open a new credit card account using your name, birth date, and Social Security number or open a new financial institution account in your name. If bad checks are written or bills are not paid, it will show up on your credit report.”</b></li> </ul>

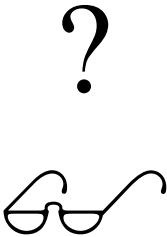
Instructor Cue	Instructions
	<ul style="list-style-type: none"> <li>➤ Explain: <b>“If you feel you are a victim of identity theft, you can call the Federal Trade Commission’s, or FTC’s, Identity Theft Hotline at 1-877-IDTHEFT (438-4338). The FTC also recommends that you:</b> <ol style="list-style-type: none"> <li><b>1. Contact the fraud department of the three major credit reporting agencies. Tell them you are an identity theft victim. Ask them to place a “fraud alert” in your file. Ask for a copy of your credit report. They must give you a free copy of your report if your report is inaccurate because of fraud.</b></li> <li><b>2. Contact your creditors about any accounts that have been changed or opened fraudulently. Ask to speak with someone in the security or fraud department.</b></li> <li><b>3. File a report at your local police station. Get a copy of the police report, so you have proof of reporting the crime.</b></li> </ol> </li> <li>➤ <b>Remember to take action immediately! Keep records of your conversations. Include the date, the name of the organizations and people you spoke with, and all correspondence.”</b></li> </ul>
Slide 10	<ul style="list-style-type: none"> <li>➤ Show Slide 10 (Identity Theft Resources).</li> <li>➤ Explain: <b>“For more information regarding identity theft, check out these websites. This information is located on page 11 of your Take-Home Guide.”</b></li> </ul>

Instructor Cue	Instructions
<p data-bbox="370 298 418 394">?</p>	<ul style="list-style-type: none"><li data-bbox="565 277 1404 436">➤ Explain: <b>“We discussed how your credit report can affect whether you get a loan and how building a good credit history can improve the chances of getting a loan.”</b></li><li data-bbox="565 487 1404 604">➤ Remember from an earlier example, <b>Bob had been working for several years and never applied for a loan.”</b></li><li data-bbox="565 655 1404 772">➤ Ask: <b>“Can anyone think of some ways someone like Bob could build or demonstrate his credit history?”</b></li></ul>

Instructor Cue	Instructions
	<p>➤ Write the participants' responses on chart paper and fill in the following tips that were not mentioned by the participants.</p> <ul style="list-style-type: none"> <li>• Apply for a small loan at the credit union or bank where you have checking and share or savings accounts.</li> <li>• Apply for credit with a local store, such as a department store. They typically have a lower credit limit and a higher annual percentage rate (APR) but are generally more willing to lend you money. There is usually no fee for department store cards.</li> <li>• Make a large downpayment on a purchase and negotiate credit payments for the balance. If you don't have a credit history but have a large downpayment, there is less risk you will not make the payments. For example, if you are buying a used car for \$5,000 and have enough cash, you might consider making a downpayment of \$1,000-\$3,000. Although the loan will be very small, it can prove you make your payments on time.</li> <li>• You might ask a friend or relative with an established credit history to be a co-signer for you. A co-signer promises to repay the loan if you don't. The lender should report the payment information for both you and the co-signer to the credit reporting agencies."</li> <li>• Pay your bills on time. This will help establish a good credit history, so you can get credit in the future.</li> <li>• You might ask the lender to review your history of making rent and utility payments to demonstrate your ability to pay.</li> </ul>
	<p>➤ Explain: <b>“These tips for building a credit history are listed in your Take-Home Guide on page 7.”</b></p>


Instructor Cue	Instructions
	<ul style="list-style-type: none"> <li>➤ Explain: <b>“Remember our example of Michael. Michael had been working several years, but he had been late making his car payments and then stopped making payments. There was a lien on his house. What can Michael do to repair his credit history?”</b></li> <li>➤ Explain: <b>“Michael can begin repairing his credit on his own or get help from a credit counseling agency.”</b></li> </ul>
	<ul style="list-style-type: none"> <li>➤ State: <b>“Turn to page 8 of your Take-Home Guide and follow along as we discuss credit repair.”</b></li> <li>➤ Explain: <b>“To repair credit on your own:</b> <ul style="list-style-type: none"> <li>• <b>Start by contacting credit reporting agencies to get a copy of your credit report.</b></li> <li>• <b>If there are errors on your credit report, you can contact the credit reporting agency to request the investigation.</b></li> <li>• <b>Contact your lenders to renegotiate payment plans.”</b></li> </ul> </li> </ul>

Instructor Cue	Instructions
	<ul style="list-style-type: none"> <li data-bbox="565 275 1390 394">➤ Explain: <b>“If you have trouble paying your bills or have had problems getting a loan in the past, you might consider getting credit counseling.</b></li> <li data-bbox="565 436 1398 646">➤ <b>Credit counseling agencies can help you budget and negotiate with your lenders to make loan payments more manageable. Some of these agencies might suggest you consolidate your loans into a debt repayment plan.</b></li> <li data-bbox="565 688 1398 814">➤ <b>In this type of program, you make monthly payments to the agency, and the agency pays your creditors during the term of the agreement.</b></li> <li data-bbox="565 856 1360 1024">➤ <b>See the <i>For Further Information</i> section in your Take-Home Guide on page 12, for additional information on national credit counseling agencies.”</b></li> </ul>

Instructor Cue	Instructions
	<p>Explain: <b>“If you decide to use a credit counseling agency, the FTC has several tips to help you choose the right one:</b></p> <ul style="list-style-type: none"> <li>➤ <b>Interview several credit counseling agencies before signing a contract.</b></li> <li>➤ <b>Check with your state attorney general, local consumer protection agency, and the Better Business Bureau to find out if consumers have filed complaints about the agency you are considering.</b></li> <li>➤ <b>Ask for information from the agency about itself and its services. A reputable agency will send you this type of information free without requiring you to provide any details about your situation. If the agency won’t do this, find another agency.</b></li> <li>➤ <b>Ask questions about services and fees and the repayment plan.”</b></li> </ul>
	<ul style="list-style-type: none"> <li>➤ Ask: <b>“First, what are some questions you could ask about services and fees?”</b></li> <li>➤ <b>Write participants’ responses on chart paper and fill in the questions below that are not provided.</b></li> </ul>

Instructor Cue	Instructions
	<ul style="list-style-type: none"> <li>• What services do you offer?</li> <li>• Do you have educational materials? If so, will you send them to me? Are they free? Can I access them on the Internet?</li> <li>• In addition to helping me solve my immediate problem, will you help me develop a plan for avoiding problems in the future?</li> <li>• What are your fees? Do I have to pay anything before you can help me? Are there monthly fees? What is the basis for the fees?</li> <li>• What is the source of your funding?</li> <li>• Will I have a formal agreement or contract with you?</li> <li>• How soon can you take my case?</li> <li>• Who regulates, oversees, or licenses your agency? Is your agency audited?</li> <li>• Will I work with one counselor or several?</li> <li>• What are the qualifications of your counselors? Are they accredited or certified? If not, how are they trained?</li> <li>• What assurance do I have that information about me (including my address and phone number) will be kept confidential?</li> </ul> <p>➤ Explain: <b>“These questions from the FTC are listed on page 9 of your Take-Home Guide.”</b></p>




<b>Instructor Cue</b>	<b>Instructions</b>
	<ul style="list-style-type: none"> <li>➤ Explain: <b>“Next, let’s talk about some questions to ask about repayment plans. You can follow along on page 9 of your Take-Home Guide.</b></li> <li>➤ <b>These are questions you should ask credit counseling agencies you are considering.</b> <ul style="list-style-type: none"> <li>• <b>How much debt must I have to use your services?</b></li> <li>• <b>How do you determine the amount of my payment? What happens if this is more than I can afford?</b></li> <li>• <b>How does your debt repayment plan work? How will I know that my creditors have received payments? Is client money put into a separate account from operating funds?</b></li> <li>• <b>How often can I get status reports on my accounts? Can I get access to my accounts online or by phone?</b></li> <li>• <b>Can you get my creditors to lower or eliminate interest and finance charges or waive late fees?</b></li> <li>• <b>Is a debt repayment plan my only option?</b></li> <li>• <b>What if I can’t maintain the agreed-upon plan?</b></li> <li>• <b>What debts will be excluded from the debt repayment plan?</b></li> <li>• <b>Will you help me plan for payment of these debts?</b></li> </ul> </li> </ul>

Instructor Cue	Instructions
	<ul style="list-style-type: none"> <li>• <b>Who will help me if I have problems with my accounts or creditors?</b></li> <li>• <b>How secure is the information I provide to you?</b></li> <li>• <b>Will this appear on my credit report?</b></li> </ul>
	<p>➤ Transition: <b>“It’s important to choose your credit repair agency carefully. Some businesses promise things they cannot deliver.”</b></p>
<p>Slide 11</p>	<p>➤ Show Slide 11 (True Statements about Credit Repair).</p> <p>➤ Explain: <b>“Only consistent efforts and making payments on your debts will improve your credit. Remember:</b></p> <ul style="list-style-type: none"> <li>• <b>No one can have accurate information removed from your credit report.</b></li> <li>• <b>If you have had credit problems in the past, it can take years to repair your credit legitimately.</b></li> <li>• <b>No one can create a new identity for you. Don’t let anyone talk you into making false statements or using a fake Social Security number. You will be committing fraud.</b></li> <li>• <b>You can order your credit report yourself. If you see errors on your report, you can also request that the credit reporting agencies make appropriate changes.”</b></li> </ul>



Instructor Cue	Instructions
?	<ul style="list-style-type: none"> <li>➤ Explain: <b>“I’m going to read a few credit repair scams. You tell me which true credit repair statement on the slide indicates the statement I read might be a scam.”</b></li> <li>➤ Question: <b>“The credit repair agency promises to erase negative credit information and remove bankruptcies and judgments from your credit file. Which statement on the slide indicates this could be a scam?”</b></li> <li>➤ Answer: No one can have accurate information removed from your credit report.</li> </ul>
?	<ul style="list-style-type: none"> <li>➤ Question: <b>“The credit repair agency offers to create a new identity for you. Which statement on the slide indicates this could be a scam?”</b></li> <li>➤ Answer: “If you make false statements on loan applications or use a fake Social Security number, you will be committing fraud.</li> <li>➤ Explain: <b>“You can also be charged for mail or wire fraud if you use the mail or telephone to apply for credit and provide false information.”</b></li> </ul>
?	<ul style="list-style-type: none"> <li>➤ Question: <b>“This credit repair agency promises you fast and easy credit repair. Which statement on the slide indicates that this is a scam?”</b></li> <li>➤ Answer: If you have negative information on your credit report, it can take years to repair your credit legitimately.</li> </ul>

Instructor Cue	Instructions
	<ul style="list-style-type: none"> <li>➤ Explain: <b>“Also keep in mind, if a credit repair agency wants you to pay before providing any services, the company might not be legitimate.</b></li> <li>➤ <b>Many states have laws that regulate credit repair companies.</b></li> <li>➤ <b>Before signing a contract, check with your local Better Business Bureau, state attorney general’s office, or local consumer protection agency to find out whether there have been complaints filed against the company.”</b></li> </ul>
<p style="font-size: 2em; margin: 0;">?</p>	<ul style="list-style-type: none"> <li>➤ Ask: <b>“As we discussed, it might take years to repair your credit history. For example, how long do you think it could take to clear a paid tax lien from your credit report?”</b></li> <li>➤ Answer: 7 years.</li> </ul>
<p>Slide 5</p>	<ul style="list-style-type: none"> <li>➤ Show Slide 5 (Negative Credit Report Information) again.</li> <li>➤ Explain: <b>“As previously stated, accurate negative information stays on your report for seven years from the date of first delinquency. Some information remains up to ten years.”</b></li> <li>➤ If necessary, read the information on the slide—types of negative information and the maximum time on a credit report.</li> <li>➤ <b>Instructor Note:</b> In Chapter 13 bankruptcy the debtor keeps all of his or her property and makes regular payments on the debts, even after filing for bankruptcy. To qualify for Chapter 13, the debtor needs to have a regular income.</li> <li>➤ In Chapter 7 bankruptcy the debtor gives up all nonexempt property. The debtor keeps exempt property. Exempt property is property that state law determines is needed for the support of the debtor and his or her dependents.</li> </ul>

## Course Summary

Instructor Cue	Instructions
	<p>➤ Summarize the course: <b>“Congratulations! You’ve completed the <i>To Your Credit</i> course. We’ve covered a lot of information about credit reports and credit history including how to:</b></p> <ul style="list-style-type: none"> <li>• <b>Identify a credit report and how it is used</b></li> <li>• <b>Order a credit report</b></li> <li>• <b>Read a credit report</b></li> <li>• <b>Identify ways to start repairing credit</b></li> <li>• <b>Recognize credit repair scams, and</b></li> <li>• <b>Identify available resources.</b></li> </ul> <p>➤ <b>You should now be familiar with the importance of your credit history.</b></p>
	<p>➤ Ask: <b>“Are there any questions?”</b></p> <p>➤ Answer questions as time permits.</p>
	<p>➤ Transition: <b>“To improve the course, we will need your feedback. The After-the-Course column and Course Evaluation will identify changes that can make this course better.”</b></p>

## End of Course Evaluation

Instructor Cue	Instructions
	<ul style="list-style-type: none"><li>➤ Explain: <b>“Please complete the After-the-Course column and the Course Evaluation. These forms are the last two pages of your Take-Home Guide.”</b></li></ul>
	<ul style="list-style-type: none"><li>➤ Allow time for participants to complete it.</li></ul>
	<ul style="list-style-type: none"><li>➤ Collect the What Do You Know and Course Evaluation forms.</li></ul>
	<ul style="list-style-type: none"><li>➤ Conclusion: <b>“Great job on completing the <i>To Your Credit</i> course! Thank you for participating.”</b></li></ul>