

# **Understanding Credit and Credit Reports**

**Presented by: Jesse Ketterman**

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# Objectives

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- **Develop** an understanding of credit
- **Explain** the steps to obtain a copy of your credit report
- **Review** your credit report
- **Describe** factors that impact credit worthiness
- **Increase** confidence to use and manage credit responsibly

# Will you help us?

[https://ume.qualtrics.com/jfe/form/SV\\_3fN2QmP6dImkPyZ](https://ume.qualtrics.com/jfe/form/SV_3fN2QmP6dImkPyZ)



Thank you for attending this session today. Before we get started, we would like for you to answer a few questions about Understanding Credit and Credit Reports.

Please place a check (✓) in an answer box for each question. *We do not share your individual answers with anybody!*

### Pre-Assessment

I have the confidence to ...	Strongly Agree	Agree	Disagree	Strongly Disagree
Use and manage credit responsibly.				
Improve my credit history				

**Stop here! Minimize your screen (Do not close!) until the end of our program. The facilitator will let you know when to complete the survey.**



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# Credit, Credit Reports, & Credit Scores

- **Credit:** A contractual agreement in which the borrower receives something of value now and agrees to repay the lender at some later date.
- **Credit Reports:** A record (Snapshot) of how you borrowed and repaid debt.
- **Credit Scores:** A statistical number that evaluates a consumer's creditworthiness (risk level) based on credit history.

# Fair Credit Reporting Act-1970

- The act that regulates the collection of credit information and the access to credit reports. It ensures:
  - Fairness
  - Accuracy
  - privacyof the personal information contained in your credit files.

# Types of Credit



- **Revolving (Open): Variable Payments**

- **Installment (Closed):  
Fixed Payments**



- **Open (Charge) – Balance Paid in Full**

# Impact of Credit Reputation

**Positive Credit Reputation**

**Negative Credit Reputation**



- Low interest rates
- More options
- Saves you Money

- High interest rates
- Lack of options
- Spend more money
- Turned away from loans

# Ways to Damage Your Credit

- Irresponsible credit card use
- Late payments
- Missing payments
- Bankruptcy
- Owe lots of money



# Credit Bureaus

- Credit bureaus collect information from companies and lenders you do business with.
- They use that information to create your personal credit report.
- A credit report is comprised of four sections.

# Annual CreditReport.com

The only source for your free credit reports. Authorized by Federal law.

Home

All about credit reports

Request yours now!

What to look for

Protect your identity

Frequently asked questions

Contact us

## Spot identity theft early. Review your credit reports.

Suspicious activity or accounts you don't recognize can be signs of identity theft. Review your credit reports to catch problems early.

[Learn more about Identity Theft](#)



PAUSE ||

SPOT IDENTITY THEFT

GOOD CREDIT

DON'T BE FOOLED

MORE THAN A SCORE

NOT LIKE THE OTHERS

### Your credit reports matter.

- Credit reports may affect your mortgage rates, credit card approvals, apartment requests, or even your job application.
- Reviewing credit reports helps you catch signs of identity theft early.

### FREE Credit Reports. Federal law allows you to:

- Get a free copy of your credit report every 12 months from each credit reporting company.
- Ensure that the information on all of your credit reports is correct and up to date.

### BROUGHT TO YOU BY

TransUnion<sup>tu</sup>

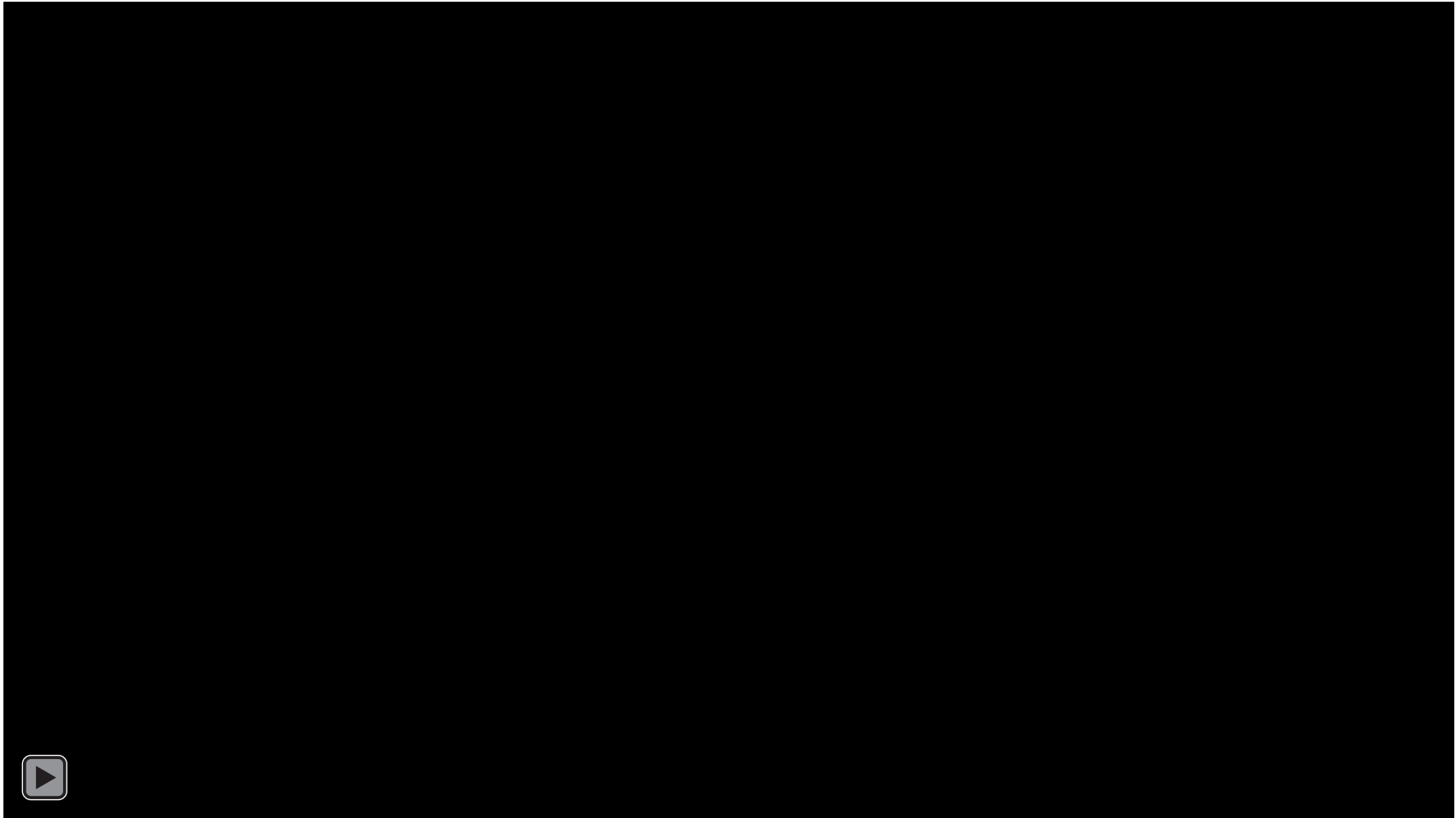
EQUIFAX<sup>®</sup>

experian.

[Request your free credit reports](#)

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# Components of Credit Report

- Personal Information
- Credit History
- Public Records
- Inquires

# Sample Credit Report: Personal Information

- Name
- Address
- Social Security Number
- Date of Birth

Personal Information			
Name(s) associated with your credit			
Name	Name identification number		
JON CONSUMER	3055		
JONATHAN CONSUMER	25152		
J CONSUMER	20726		
Address(es) associated with your credit			
Address	Address identification number	Residence type	Geographical code
1475 MAIN ST ANYTOWN USA 12345-1475	0122937323	Single family	0-70010-17-2520
1036 MAIN ST APT143 ANYTOWN USA 12345-3043	0122868660	Apartment complex	0-1020410-17-2520
Other personal information associated with your credit			
Social Security number variation(s)			
XXX-XX-2538			
XXX-XX-1680			
Year of birth			
1991			
Spouse or co-applicant			
JANE			
Notices			

# Sample Credit Report: Payment History

- Includes all of your open and closed credit accounts and how you've done repaying them.
- When your account is at least 30 days late, your report will reflect that on your account by placing a "30, 90, or 120 in place of the "okay".
- Acronyms may be used for collection or charged off accounts or other items.
- Each credit report has a key.

<b>Account name</b> 123 CREDIT CARDS	<b>Account number</b> 40034424804....	<b>Recent balance</b> \$273 as of 06/03/2015	<b>Date opened</b> 11/2013	<b>Status</b> <b>Open.</b>
2000 MAIN ST ANYTOWN, USA 12345 <i>No phone number available</i>	<b>Type</b> Credit card	<b>Credit limit or original amount</b> Not reported	<b>Date of status</b> 06/2015	
<b>Address identification number</b> 0122868651	<b>Terms</b> Revolving	<b>High balance</b> \$14,219	<b>First reported</b> 12/2013	<b>Responsibility</b> Individual
		<b>Monthly payment</b> \$10		
		<b>Recent payment amount</b> \$0		
		<b>Past due amount</b> \$20		

Account history																							
2015	Apr	Mar	Feb	Jan	2014	Dec	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	2010	Dec	Nov	Oct	Sep	Aug
30	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK

Payment history guide
30 days past due as of Jun 2015

# Sample Credit Report: Public Records Related to Finances

- Public Records
  - Property Liens
  - Bankruptcies
- Bankruptcies
  - **Chapter 13** (partial debt forgiveness with debt payment plan) (stays on your credit report for 7 years)
  - **Chapter 7**- full debt forgiveness (not including student loans(some exceptions) (stays on your credit report for 10 years)

## PUBLIC RECORDS >>

FLORIDA FEDERAL COURT - Docket #: XXXXXXXXXX (PO BOX 559, JACKSONVILLE, FL 32201, (904) 301-6490)

Date Filed: 11/19/2009

Type: CHAPTER 13 BANKRUPTCY DISMISSED

Court Type: US Bankruptcy Court

Date Paid: 11/19/2010

Responsibility: Individual Debt

Plaintiff Attorney:

Date Updated: 11/19/2009

Estimated month and year that this item will be removed: 10/2016

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# Inquires (Stays on your credit report for two years)

## Hard Inquires: Impacts your credit

- Ones that you initiated by filling out a credit application for:
  - Credits Cards
  - Loans
  - Insurance

## Soft Inquires: Does not impact credit

- Companies that want to send out promotional offers to a pre-qualified group
- Pre-employment checks
- Checking your own credit

### REGULAR INQUIRIES >>

**PLAIN GREEN LLC** ( 93 MACK RD STE 600, PO BOX 255, BOX ELDER, MT 59521, Phone number not available )  
Requested On: 05/22/2012

**DRIVE TIME** ( PO BOX 29018, PHOENIX, AZ 85038, Phone number not available )  
Requested On: 03/07/2011, 02/03/2011

**FIRST PREMIER BANK** ( 3820 N LOUISE AVE, SIOUX FALLS, SD 57104, (605) 357-3440 )  
Requested On: 08/30/2010

**CAPITAL ONE BANK USA NA** ( PO BOX 30281, SALT LAKE CITY, UT 84130, (800) 955-7070 )  
Requested On: 08/30/2010

**GECRB/STEIN MART DC** ( PO BOX 965005, ORLANDO, FL 32896, (866) 864-2149 )  
Requested On: 07/31/2010

### PROMOTIONAL INQUIRIES >>

**GOLD STAR MORTGAGE FINAN** ( 1451 W CYPRESS CRE, #375, FORT LAUDERDAL. FL 33309, (800) 784-1074 )  
Requested On: 04/15/2012, 12/15/2011

**MUTUAL OF OMAHA** ( MUTUAL OF OMAHA PL, OMAHA, NE 68175-0001, Phone number not available )  
Requested On: 03/15/2012

### ACCOUNT REVIEW INQUIRIES >>

**BAC HOME LOANS SERV LP** ( 450 AMERICAN WAY, SIMI VALLEY, CA 93065-6285, Phone number not available )  
Requested On: 06/07/2012

**BANK OF AMERICA HOME via COUNTRYWIDE** ( 1515 WALNUT GROVE, RM-162, ROSEMEAD, CA 91770, (800) )  
Permissible Purpose: TO ACQUIRE/SERVICE/INSURE ACCOUNT  
Requested On: 06/04/2012, 04/14/2011



# Credit Report Review Checklist



Monitor and find errors by **Reviewing your credit reports** regularly

1. Make a copy of this tool, one for each of the three nationwide credit reporting companies.
2. Use the checklist to review the five sections of each of your credit reports.
3. Write down any questions you have or incorrect information you need to dispute.

Name of credit reporting company: \_\_\_\_\_

SECTION	IS THIS INFORMATION CORRECT?	QUESTIONS OR ERRORS
<b>Header and identifying information</b>	<input type="checkbox"/> My name (including spelling)	
	<input type="checkbox"/> My Social Security number	
	<input type="checkbox"/> My current telephone number	
	<input type="checkbox"/> My current address	
	<input type="checkbox"/> My previous addresses	
	<input type="checkbox"/> My employment history	
<b>Public record information</b>	<input type="checkbox"/> My financial public record information, like bankruptcies, judgments, or tax liens	
<b>Collection agency account information</b>	<input type="checkbox"/> My accounts, if any, in collections	

# Length on Report

Type of Account	Time Frame
Credit Inquires	2 Years
Late/Missed payments	7 Years
Collection Accounts	7 Years
Chapter 13 Bankruptcy	7 Years
Chapter 7 Bankruptcy	10 Years
Closed Accounts in good standing	10 Years
Open Accounts in good standing	Indefinitely

# Who Can See Your Credit Report?

- Banks
- Collection Agencies
- Creditors
- Employers
- Government Agencies
- Insurance Companies
- Landlords
- Utility Companies (including cell phone)

**\* In some cases you sign a release for access!**

# Errors!

- Complete online form
  - <https://www.experian.com/disputes/main.html>
  - <https://www.equifax.com/personal/disputes/>
  - <https://www.transunion.com/credit-disputes/dispute-your-credit>
- They have 30 Days to resolve the dispute
- Complaints: Contact Consumer Financial Protection Bureau
  - [www.consumerfinance.gov/complaint/](http://www.consumerfinance.gov/complaint/)

# Fraud!

- Contact the credit bureaus and request that they place a fraud alert (Good for 12 months) on your account. They will need to take steps to verify the information surrounding the suspicious activity.
- File a report with the police and the Federal Trade Commission (FTC). [www.ftccomplaintassistant.gov](http://www.ftccomplaintassistant.gov)

# Fraud Alerts & Credit Freezes

## Fraud Alerts & Credit Freezes:

### What's the Difference?

Looking for ways to protect your identity?  
Here are two options to consider.



#### Fraud Alert

- ✓ Makes lenders verify your identity before granting new credit in your name. (Usually, they'll call you to verify your identity.)
- ✓ Free
- ✓ Available to anyone who is or suspects they may be affected by identity theft
- ✓ Lasts one year
- ✓ To place: Contact **one** of the three credit bureaus. That bureau must tell the other two.

#### Credit Freeze

- ✓ Restricts access to your credit report to help prevent identity theft. (Usually, you'll need a PIN or password to place or lift the freeze.)
- ✓ Free
- ✓ Available to anyone
- ✓ Lasts until you lift it
- ✓ To place or lift: Contact **all three** credit bureaus. (If you know which bureau a lender will use, you can lift for only that one.)

# Credit Freeze

- Freeze and Unfreeze your file for free
- Available for kids under 16
- Contact each of the credit bureaus

Initial fraud alerts, credit freezes, and credit locks: What's the difference?			
What you should know about	Initial fraud alerts	Credit freezes	Credit locks
<b>Purpose</b>	Verify your identity before extending new credit	Restricts access to credit file to prevent identity theft	
<b>Legal protections</b>	Based on federal law (Fair Credit Reporting Act)	Based on state law	Based on consumer's lock agreement with each credit reporting agency (CRA)  Varies by CRA & may change over time
<b>Fees</b>	Free	<ul style="list-style-type: none"> <li>• Free from Equifax until January 31, 2018</li> <li>• Free for id theft victims &amp; in some states free for people over age 62</li> <li>• Otherwise, \$5-\$10 per credit reporting agency (CRA) each time you freeze or unfreeze</li> </ul>	<ul style="list-style-type: none"> <li>• Free from Equifax, as part of free credit monitoring service</li> <li>• Otherwise, CRAs may charge monthly fees</li> <li>• Monthly fees may change</li> </ul>
<b>Links</b>	Place a fraud alert with any one of the three: <ul style="list-style-type: none"> <li>• <a href="#">Transunion</a></li> <li>• <a href="#">Equifax</a></li> <li>• <a href="#">Experian</a></li> </ul>	Place a credit freeze with all three: <ul style="list-style-type: none"> <li>• <a href="#">Equifax</a></li> <li>• <a href="#">Experian</a></li> <li>• <a href="#">TransUnion</a></li> </ul>	Place a credit lock with all three: <ul style="list-style-type: none"> <li>• <a href="#">Experian</a></li> <li>• <a href="#">TransUnion</a></li> <li>• <a href="#">Equifax</a></li> </ul>
<b>Turning them on and off</b>	A fraud alert: <ul style="list-style-type: none"> <li>• Lasts 90 days</li> <li>• Can be renewed for free for an additional 90 days, as many times as you want</li> </ul>	To freeze or unfreeze: <ul style="list-style-type: none"> <li>• Online or by phone</li> <li>• Requires a PIN</li> </ul>	To lock or unlock: <ul style="list-style-type: none"> <li>• Online only</li> <li>• No PIN required</li> </ul>

# Credit Freeze

- Freeze and Unfreeze your file for free
- Available for kids under 16
- Contact each of the credit bureaus

CREDIT PROTECTION AND REQUIREMENTS	SECURITY FREEZE	INITIAL ALERT	EXTENDED ALERT
Lender is required to verify your identity before approving new credit		✓	✓
Completely prevents your report from being shared with most third parties unless lifted	✓		
Triggers heightened verification procedures for the people who use your credit report		✓	✓
Request if you believe you're a victim of ID theft	✓	✓	
Requires an identity theft report			✓
Extra free credit report		✓	✓
Exclusion from prescreening lists			✓
Free in every state	✓	✓	✓



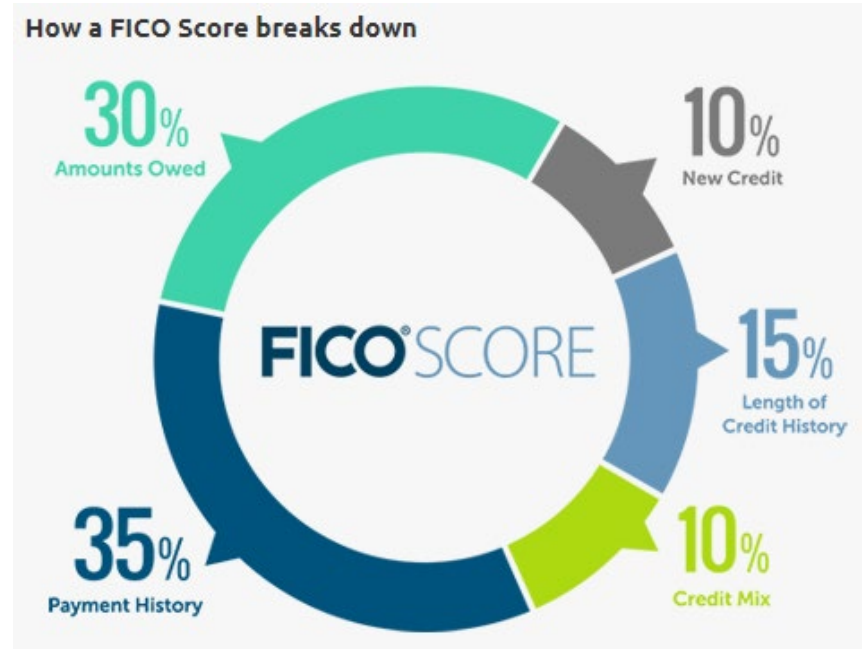
# Credit Scores

- FICO (Fair Issacs Corporation)
- Vantage



# FICO Pie Chart

- Payment History
- Amount Owed
- Length of History
- New Credit
- Types of Credit Used





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# Action Items

- Correct Errors
- Work with the Creditor
- Address Student Loan Defaults
- Check Public Records
- Delete Old Information
- Explain Damaging Items
- Threats (Know Your Rights)
- Avoid Credit Repair Agencies



7 yrs – Collections,  
Judgements, Tax Liens,  
Criminal Records  
10 yrs – Bankruptcies  
Life – Convictions

# Rebuilding Credit

- Stabilize (Pay Your Bills On Time)
- Establish New Accounts (Secured Credit)
- Build Credit in Your Name
- Explain Damaging Items

# Improving Your Score

- Pay bills on time.
- Reduce debt.
- Keep balances low (30%)/credit limits.
- Apply for & open new lines only when you need them.
- Check your credit report for accuracy and clear errors as soon as possible.

# How Much Credit Can You Afford?

Percent	For Current Debt (Does not include mortgage)	Take on Additional Debt?
10% or less	Safe limit; borrower feels little debt pressure	Could be undertaken cautiously
11 – 15%	Possibly safe limit; borrower feels some pressure	Should not be undertaken
16 – 20%	Fully extended; borrower hopes that no emergency arises	Only the fearless or foolhardy ask for more
21 – 25%	Overextended; borrower worries about debts	No, borrower should see a financial counselor
26% or more	Disastrous; borrower may feel desperate	Impossible; borrower will probably declare bankruptcy

# How Much Credit Can You Afford?

Consumer Debt Ratio (CDR) = Consumer Debt Repayments

Debt to Income Ratio (DTI) = All Debt Repayments

## Example:

- \$1800/mo. - disposable income
- \$200 – Credit cards
- \$190 – Car Payment
- \$500 - Mortgage payment

## CDR calculation:

$$\text{\$390.00} \div \text{\$1800} = \text{21.6\% (CDR)}$$

## DTI calculation:

$$\text{\$890.00} \div \text{\$1800} = \text{49.4\% (CDR)}$$

### HOMEOWNERS

36%  
or less

Consider maintaining a debt-to-income ratio for all debts of 36 percent or less. Some lenders will go up to 43 percent or higher. Your home mortgage is included in this ratio.

### RENTERS

15-20%  
or less

Consider maintaining a debt-to-income ratio for all debts of 15-20 percent or less. Your rent is not included in this ratio.



# Summary - Program Highlights

- You have a better understanding of credit
- You know where to obtain a copy of your credit report
- You know what is contained in your credit report
- You are confident that you can use and manage credit responsibly
- You understand factors that impact credit worthiness

# Will you help us?



Please complete the following six post-program questions.

I have the confidence to use and manage credit responsibly.

- Strongly agree
- Agree
- Disagree
- Strongly disagree

I have the confidence to improve my credit history.

- Strongly Agree
- Agree
- Disagree
- Strongly disagree

As a result of my experience in this program, I intend to pay attention to the factors that affect my credit worthiness.

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

As a result of my experience in this program, I intend to request and review my credit report every year.

- Strongly Agree
- Agree
- Disagree
- Strongly disagree

As a result of my experience in this program, I intend to pay bills on time.

- Strongly agree
- Agree
- Disagree
- Strongly disagree



Thank you for attending the session today. Please answer the following questions so we know if the information provided will help with understanding credit and credit reports

Please place a check (✓) in an answer box for each question. We do not share your individual answers with anybody

## POST ASSESSMENT

I have the confidence to ...	Strongly Agree	Agree	Disagree	Strongly Disagree
Use and manage credit responsibly.				
Improve my credit history.				
As a result of my experience in this program, I intend to ...	Strongly Agree	Agree	Disagree	Strongly Disagree
Pay attention to the factors that affect my credit score.				
Request my credit report every year.				
Pay bills on time.				
Take the proper steps if identify theft, fraud or scam occurs to me.				

# Understanding Credit and Credit Reports

Thank you for being here today!

**Jesse Ketterman**  
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