
	
<p><b>Realizing <i>the</i> American Dream</b></p> <p><b>Understanding Credit</b></p>	

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<p><b>Agenda</b></p> <ul style="list-style-type: none"><li>• How is your credit rating?</li><li>• Credit reporting agencies and credit reports</li><li>• What is a credit score?</li><li>• Improving your credit record</li></ul>
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<p><b>Agenda</b></p> <ul style="list-style-type: none"><li>● What if you don't have a credit history?</li><li>● Managing debts so they don't manage you</li><li>● Identity theft</li><li>● Know your rights</li></ul>
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## Your Credit Rating

- How much you have borrowed
- From whom you borrowed
- How well you have repaid your debts
- How you are handling current debts

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## Why Is Good Credit Important?

- To rent or buy things you want or need
- To save money by borrowing at a lower interest rate
- To get a job
- To lease property

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## Why Is Good Credit Important?

- To open a checking account
- To establish utility services in your name
- To obtain insurance at a lower rate

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### Credit Reporting Agencies

- Experian                      www.experian.com  
   (888) EXPERIAN  
   (397-3742)
- TransUnion                    www.transunion.com  
   (800) 888-4213
- Equifax                        www.equifax.com  
   (800) 685-1111

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### Types of Credit Reports

- Consumer credit report
- Infile credit report
- Residential mortgage credit report

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### Reviewing Your Credit Report

- Identifying information
- Credit information
- Public record information
- Inquiries

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### Types of Accounts

Use and responsibility    Payment arrangement

- Individual
- Joint
- Installment
- Revolving
- Open 30-day

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### Credit Scores

Credit Reporting Agency	FICO Score	Range
Equifax	BEACON	300-850
Experian	Experian/Fair Isaac Risk Model	340-820
TransUnion	EMPIRICA	150-934

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### What Does a Credit Score Consider?

- Payment history                      35%
- Amount of outstanding debt        30%
- Length of credit history            15%
- Types of credit                        10%
- New credit                             10%

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### Tips for Improving Your Credit Score

- Correct any inaccurate information
- Pay your bills on time
- Minimize outstanding debt

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### Tips for Improving Your Credit Score

- Apply for and open new accounts only as needed
- Manage credit cards responsibly
- Re-establish credit if you've had problems

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### Correcting Errors and Omissions

- Follow the instructions provided with the credit report
- Send additional information to correct the error
- Explain the problem in a brief letter
- Contact the creditor directly if the credit reporting agency does not find the error
- Write a consumer statement if the issue remains unresolved

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## Common Credit Problems

- Pattern of late payments on current debts
- Past poor credit performance
- Bankruptcies
- Judgments or liens

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## Common Credit Problems

- Past due and collection accounts
- Charge-offs
- Foreclosures or repossessions

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## How Long Does Information Remain?

- Negative information            7 years
- Bankruptcies                    10 years
- Judgments                        7 years or statute of limitation
- Student loans                    7 years after guarantor actions
- Inquiries                         2 years

Generally, the period runs from the date the event took place

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**Solving Credit Problems**

- Prepare a realistic spending plan
- Contact creditors
- Seek professional help
- Pay past due accounts

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**Solving Credit Problems**

- Negotiate discounted payoffs
- Negotiate a workout plan
- Write an explanation letter
- Negotiate a debt-management plan

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**Debt-Management Plans**

- At start, accounts may be paid late
- Not all creditors “re-age” accounts
- Some creditors report the plans
- Many lenders view the plans as Chapter 13 bankruptcy

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**Credit Counseling**

- NeighborWorks® organizations
- Consumer Credit Counseling Services

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**Danger Signals of Quick Credit Fixes**

- Asking you to pay for credit repair before services are provided
- Advising you to dispute all negative information
- Over-promising
- Helping you get a new identity

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**Nontraditional Credit**

- Rent payments
- Gas, electric and other utility payments
- Child care or child support payments
- Any other large, recurring expense

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## Establishing Credit

- Always pay bills on time
- Open checking and savings accounts
- Apply for a loan using savings as collateral
- Apply for a limited-use credit card
- Apply for a loan with a co-signer

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## Managing Your Debts

- Be honest about your debts
- Add up what you owe to all creditors
- Figure out why you have money problems
- Decide how many credit cards you really need

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## Managing Your Debts

- Pay off or pay down debts
- Consider consolidating credit card bills
- Make or revise a family spending plan
- Pay cash for everything you buy

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## Managing Your Debts

- Give each family member “mad” money
- Establish or maintain savings
- Automate to be on time
- Give up luxuries temporarily
- Look to the future

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## Pizza Cost Comparison

Payment Methods	Terms	Cost to Consumer
Cash	Pay now	\$10
Credit Card with Balance	Pay off over 18 months with 18% interest	\$42.40

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## Opt Out to Avoid Debt

Direct Marketing Association  
888-567-8688

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### Reducing Your Risk of Identity Theft

- Only provide your Social Security number as needed
- Be cautious with personal information
- Shred documents
- Keep mail safe
- Store personal information in a safe place

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### Reducing Your Risk of Identity Theft

- Don't carry extra credit cards or paperwork
- Create unique passwords and PINS for accounts
- Pay attention to billing cycles
- Order credit reports once a year
- Opt out

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### If You're a Victim

- Contact CRAs' fraud departments
- Contact all creditors involved
- File a police report
- Contact the FTC
- Keep records of contacts

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## How Consumer Laws Protect You

- Prevent discrimination by companies that give credit
- Require credit companies to give reasons for denials
- Require credit companies to answer consumers' questions

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## Equal Credit Opportunity Act

- Prevents lender discrimination on the basis of age, sex, race, marital status, religion or national origin
- Requires disclosures of reason for denial within 30 days

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## Truth in Lending Act

- Requires lenders to provide complete and accurate information about credit costs and terms
- Requires companies to send monthly billing statements showing balance, billing cycle, rate, payments, and other information

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### Fair Credit Billing Act

- Provides a 60-day right to question any item on your credit card bill you think is wrong
- Requires creditors to begin research within 30 days
- Requires creditors to supply an answer within 90 days
- Allows you to skip payments on disputed items until you hear back from the creditor

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### Fair Credit Reporting Act

Protects your rights to know  
what is in your credit report  
and to fix mistakes

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### Fair Debt Collection Practices Act

- Prevents collection agency employees from:
- using harmful or hurtful language
  - calling your home too early or too late (before 8 a.m. or after 9 p.m.)
  - calling over and over again
  - saying they will tell your boss or friends
  - trying to collect more money than you owe
  - going to your home under false pretenses
  - sending you letters that look like they are from a government agency or a court of law

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## Summary

- What credit reports and scores are and how lenders use them
- The importance of a good credit rating
- How to check your credit report and score
- How to correct errors
- What to do if you have had credit problems

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## Summary

- What to do if you have never used credit
- How to change your spending habits and manage debts
- How to minimize your risk for identity theft, and what to do if your identity is stolen
- The laws that protect your consumer rights

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