

Understanding Credit and Credit Reports

Presented by: Jesse Ketterman

University programs, activities, and facilities are available to all without regard to race, color, sex, gender identity or expression, sexual orientation, marital status, age, national origin, political affiliation, physical or mental disability, religion, protected veteran status, genetic information, personal appearance, or any other legally protected class

UNIVERSITY OF
MARYLAND
EXTENSION



UNIVERSITY OF MARYLAND EXTENSION

University programs, activities, and facilities are available to all without regard to race, color, sex, gender identity or expression, sexual orientation, marital status, age, national origin, political affiliation, physical or mental disability, religion, protected veteran status, genetic information, personal appearance, or any other legally protected class.



AND JUSTICE FOR ALL

In accordance with Federal law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, this institution is prohibited from discriminating on the basis of race, color, national origin, sex (including gender identity and sexual orientation), age, disability, and reprisal or retaliation for prior civil rights activity.

Program information may be made available in languages other than English. Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, and American Sign Language) should contact the responsible State or local Agency that administers the program or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339.

To file a program discrimination complaint, a complainant should complete a Form AD-3027, USDA Program Discrimination Complaint Form, which can be obtained online, at <https://www.usda.gov/sites/default/files/documents/ad-3027.pdf>, from any USDA office, by calling (866) 632-9992, or by writing a letter addressed to USDA. The letter must contain the complainant's name, address, telephone number, and a written description of the alleged discriminatory action in sufficient detail to inform the Assistant Secretary for Civil Rights (ASCR) about the nature and date of an alleged civil rights violation. The completed AD-3027 form or letter must be submitted to USDA by:

mail:
U.S. Department of Agriculture
Office of the Assistant Secretary for Civil Rights
1400 Independence Avenue, SW
Washington, D.C. 20250-9410; or

fax:
(833) 256-1665 or (202) 690-7442; or

email:
program.intake@usda.gov.

This institution is an equal opportunity provider.

Conforme a la ley federal y las políticas y regulaciones de derechos civiles del Departamento de Agricultura de los Estados Unidos (USDA), esta institución tiene prohibido discriminar por motivos de raza, color, origen nacional, sexo (incluyendo identidad de género y orientación de sexual), edad, discapacidad, venganza o represalia por actividades realizadas en el pasado relacionadas con los derechos civiles.

La información del programa puede estar disponible en otros idiomas además del inglés. Las personas con discapacidades que requieran medios de comunicación alternativos para obtener información sobre el programa (por ejemplo, Braille, letra agrandada, grabación de audio y lenguaje de señas americano) deben comunicarse con la agencia estatal o local responsable que administra el programa o con el TARGET Center del USDA al (202) 720-2600 (voz y TTY) o comunicarse con el USDA a través del Servicio Federal de Transmisión de Información al (800) 877-8339.

Para presentar una queja por discriminación en el programa, el reclamante debe completar un formulario AD-3027, Formulario de queja por discriminación del programa del USDA, que se puede obtener en línea, en <https://www.usda.gov/sites/default/files/documents/ad-3027.pdf>, en cualquier oficina del USDA, llamando al (866) 632-9992, o escribiendo una carta dirigida al USDA. La carta debe contener el nombre, la dirección y el número de teléfono del reclamante, y una descripción escrita de la supuesta acción discriminatoria con suficiente detalle para informar al Subsecretario de Derechos Civiles (ASCR, por sus siglas en inglés) sobre la naturaleza y la fecha de la presunta violación de los derechos civiles. La carta o el formulario AD-3027 completado debe enviarse al USDA por medio de:

correo postal:
U.S. Department of Agriculture
Office of the Assistant Secretary for Civil Rights
1400 Independence Avenue, SW
Washington, D.C. 20250-9410; o

fax:
(833) 256-1665 o (202) 690-7442; o

correo electrónico:
program.intake@usda.gov.

Esta institución ofrece igualdad de oportunidades.

Form AD-3027—Annual Power Revised May 2022



UNIVERSITY OF
MARYLAND
EXTENSION



Objectives

- **Develop** an understanding of credit
- **Explain** the steps to obtain a copy of your credit report
- **Review** a credit report
- **Describe** factors that impact credit worthiness

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, Privacy** of the personal information contained in your credit files.

Adverse Action

- Must be given in writing, orally, or electronically
- Provide name, address, and phone number of company that provided the report
- Notify you of your right to receive a free copy of report (request within 60 days)
- Explain your right to dispute inaccurate info

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.

[Request your free credit reports](#)

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

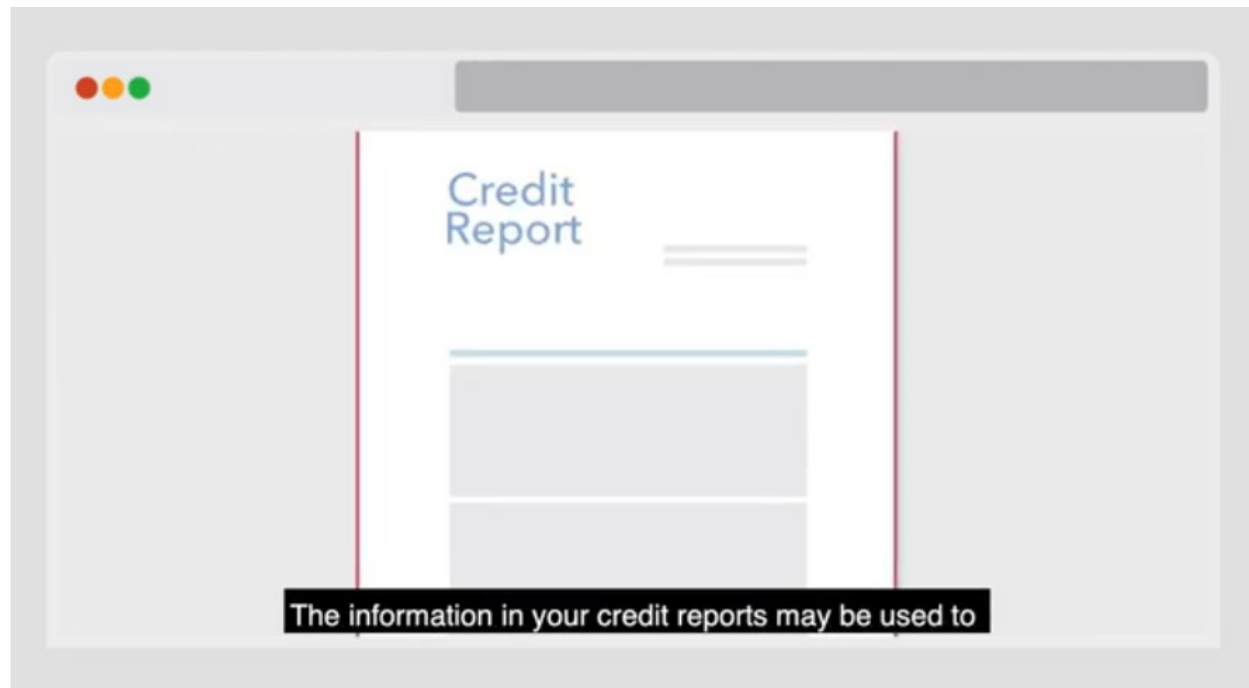
TransUnion.

EQUIFAX

experian.

UNIVERSITY OF
MARYLAND
EXTENSION





[Video Link: How do I get a copy of my credit report?](#)

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.

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

2016					2015					2014					2013					2012					2011					2010				
May	Apr	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	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	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

UNIVERSITY OF
MARYLAND
EXTENSION



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
 Header and identifying information	<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	
 Public record information	<input type="checkbox"/> My financial public record information, like bankruptcies, judgments, or tax liens	
 Collection agency account information	<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/

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

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

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	✓	✓	✓

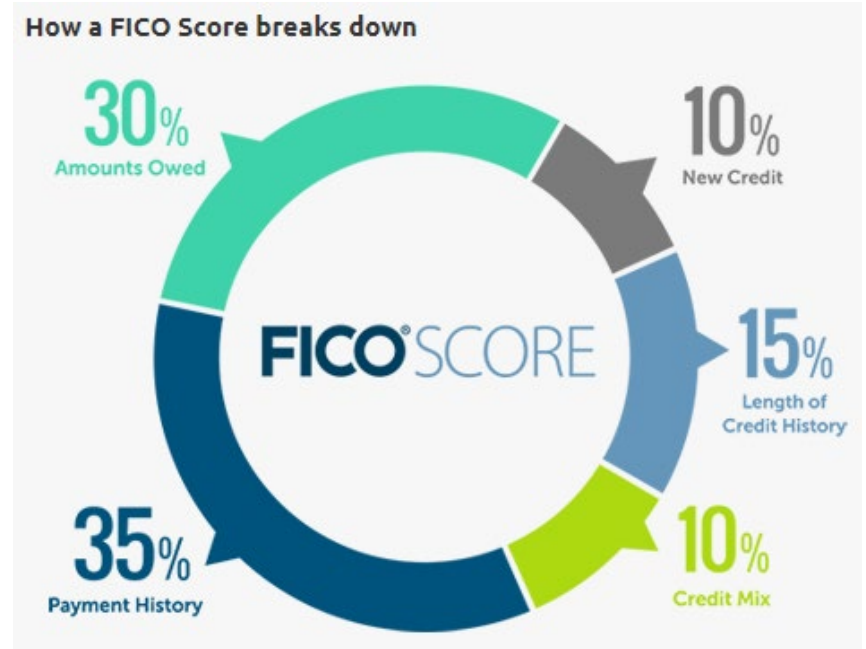
Credit Scores

- FICO (Fair Issacs Corporation)
- Vantage
- 580-690 Considered Fair for Rentals / 620 Usually Minimum



FICO Pie Chart

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





[Video Link: Understanding Your FICO score](#)

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



[Video link:](#)
[What is the best way to negotiate with a debt collector?](#)

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.

Renting with Bad Credit

- Look for apartments that don't check credit
- Letters of Recommendation (Especially prior landlords)
- Find a Co-Signer or Roommate
- Explore larger deposits
- Show your income

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?

CDR and DTI Ratio

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

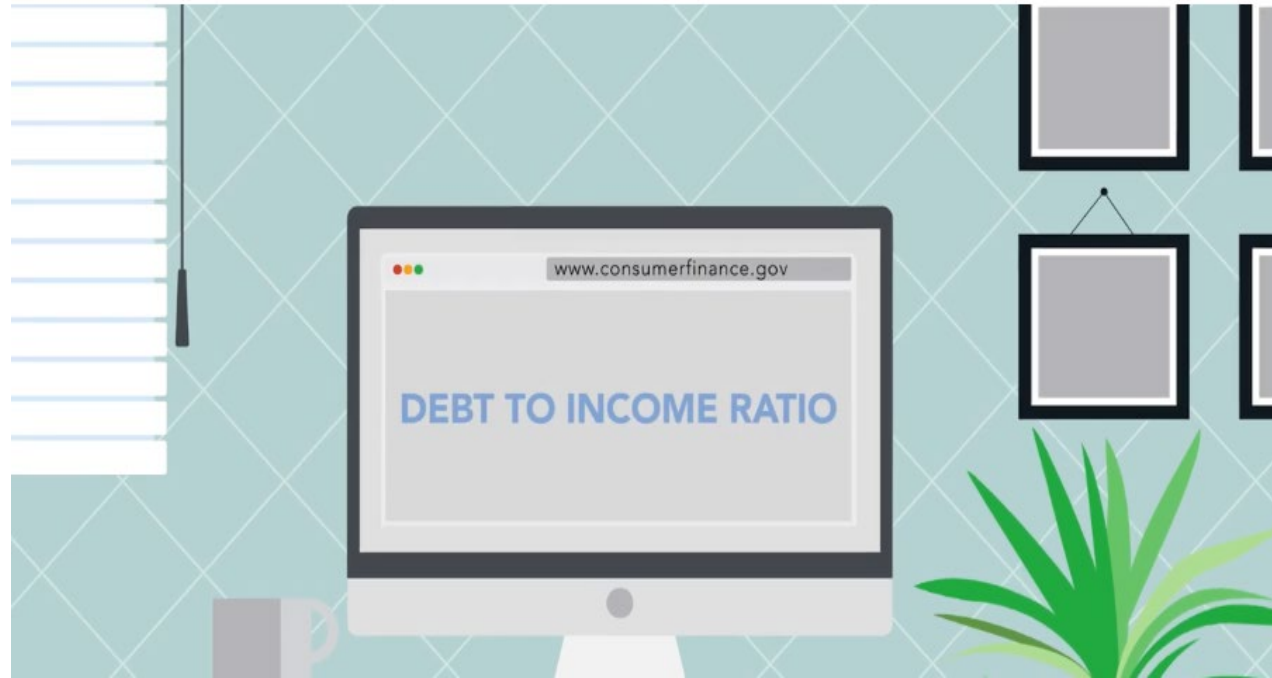
36%
or less

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.



Video Link:
What is Debt-To-Income Ratio
and why does it matter?

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

Understanding Credit and Credit Reports

Thank you for being here today!

Jesse Ketterman
jketterm@umd.edu