

Credit Score & Credit Report



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Welcome



1. Agenda
2. Ground Rules
3. Introductions



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Objectives

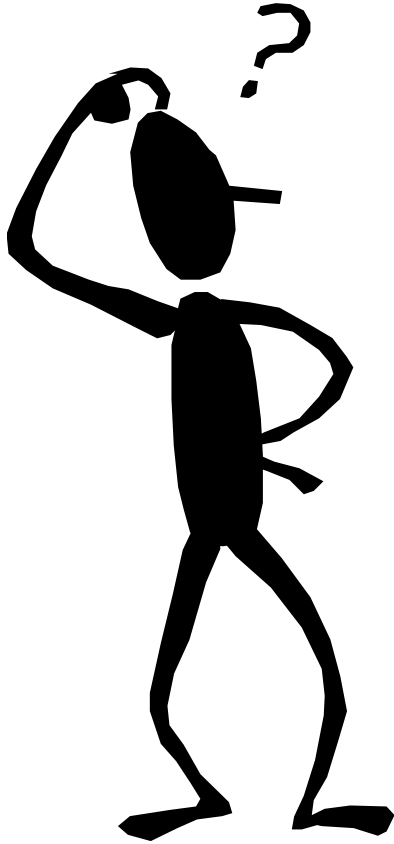


- Describe the purpose of a credit report
- Understand your credit score
- Benefits of a good credit score
- Identify ways to build and repair your credit history
- Recognize how to guard against identity theft



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What Do You Know?



What do you know or want to learn about credit reports and credit score?



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Credit Defined

- ***Credit* is:**
 - The ability to borrow money
 - Sometimes called a loan
 - A promise you make to pay back money you borrowed with interest



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Importance of Credit

- It is useful in times of emergencies
- To obtain loans and other credit
 - Car loan, Business loan and Student loan
- To get certain kinds of jobs
- For housing
 - Rental applications
 - Buy a house (mortgages)
- To obtain insurance



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What Creditors Look For

- **The Four Cs:**

- *Capacity:* Your present and future ability to meet your payment obligations
- *Capital:* The value of your assets and your net worth
- *Character:* How you have paid bills or debts in the past
- *Collateral:* Property or assets offered to secure the loan



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What Creditors Look For



Where do you think the creditors might find this information?



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What Is a Credit Report?

- **A credit report tells lenders:**
 - Who you are
 - How much debt you have
 - Whether you have made payments on time
 - Whether there is negative information about you in public records



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Credit Reports Do Not Contain What Information?

- Checking and savings account balances
- Income
- Rent and utility bills
- Purchases made with cash or check
- Race, gender, religion, or national origin



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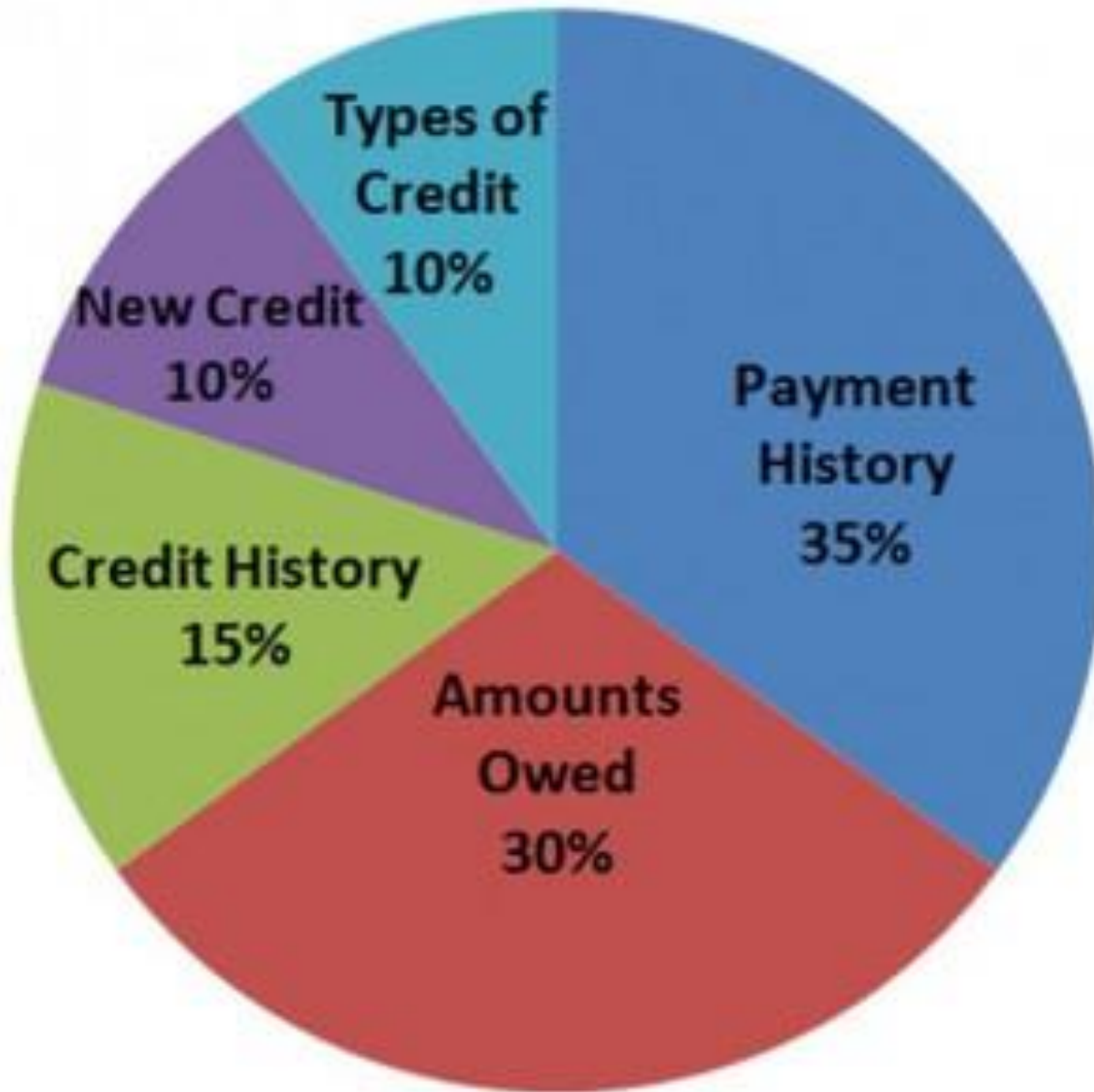
Credit Score

- A number that helps lenders determine your credit risk
- The Fair Isaac Corporation (FICO) Score



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Factors in credit score



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BAD

FAIR

GOOD

BEST

300

640

680

720

850



Only secured loans are given for people in this range

Creditors will give you a loan, but with high interest rates

You will be approved almost everywhere with good rates

You will get the best interest rates everywhere.



MyBankTracker.com

Payment history	35%
Amounts owed	30%
Length of credit history	15%
New credit	10%
Types of credit used	10%



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Check your credit report

- Review your credit report regularly
- Check it before you make a large purchase (to ensure you have enough time to correct any mistakes)

Credit Reporting Agencies

TransUnion

Experian

Equifax



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Other Factors Influencing Lenders

- What else might influence a lender's decision to make a loan (besides your credit report and credit score)?

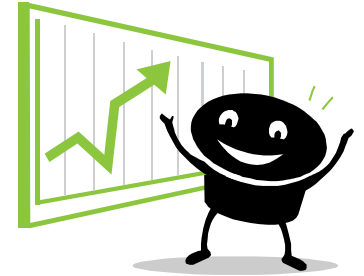


- Income
- Length of residence
- Employment



Benefits of a Good Credit Score

- **The higher your credit score, the more likely you are to:**
 - Lower car insurance premiums
 - Lower home insurance premiums
 - Qualify for lower interest rates on all kinds of loans
 - Easier to get a job (many employers check credit history)
 - Easier to get credit when you need it
 - Pay less for borrowing money



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Building Your Credit History



- Apply for a secured credit card
- Apply for a small bank loan
- Apply for credit at a local store
- Make large down payments and negotiate credit payments
- Pay your bills on time
- Keep your debt levels low



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Repairing Your Own Credit

- **Get a copy of your credit report (*it is free at: www.annualcreditreport.com*)**
- **Contact the credit reporting agency and creditors to report errors**
- **Contact your lenders to renegotiate payment plans**
- **Consider opting out of unsolicited offers to avoid getting into more debt**



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Credit Repair Scams

- **No one can remove accurate information from your credit report**
- **It can take years to repair bad credit legitimately**
- **No one can create a new identity for you**
- **Legitimate companies provide a service before requesting payment**



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If Your Credit Request Is Denied

- A denial notice, or adverse action notice, lists reasons for credit denial
- Credit card companies must give you reasons why your credit was denied
- Contact the credit bureau within 60 days of receiving the denial for a free copy of your credit report
- Dispute any inaccuracy in your credit report



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Keep Good Records

1. **Keep your credit card receipts to compare with monthly statements**
2. **Report mistakes right away**
3. **It is your responsibility to contact the credit reporting agency**



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Minimize Your Risk of Identity Theft

- Protect your personal information (SSN, PINs, passwords, credit/debit cards)
- Protect your incoming/outgoing mail
- Sign up for direct deposit
- Keep your financial trash “clean”
- Keep an eye on your bank statements and credit card bills
- Avoid identity theft on the Internet



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Conclusion

- **You learned about:**
 - What is a credit report
 - What is a credit score
 - Building and repairing your credit
 - Protecting yourself from identity theft and credit repair scams



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