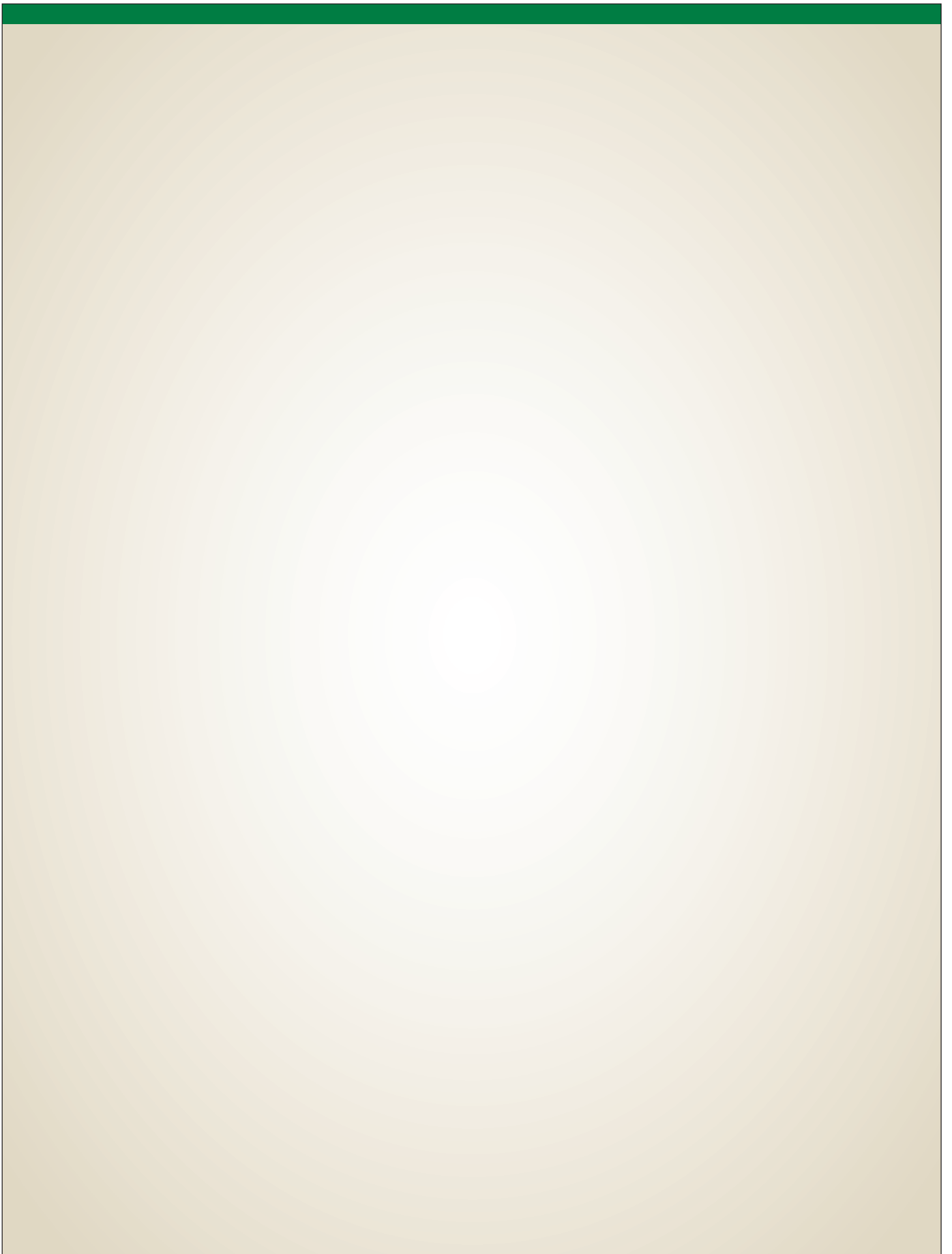


# GREENPATH FINANCIAL WELLNESS SERIES

## UNDERSTANDING YOUR CREDIT REPORT & SCORE



*"Empowering people to lead financially healthy lives."*



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### CHECK YOUR KNOWLEDGE

Look for this icon throughout the workbook for important information.

## UNDERSTANDING CREDIT REPORTS

### THINK OF A CREDIT REPORT AS YOUR FINANCIAL REPORT CARD

When you apply for a credit card, a loan to buy a house or car, or a line of credit to pay for a large purchase, the lender will review your credit report. A credit report is basically like your financial report card, and it is used to evaluate your creditworthiness and help calculate your credit score. Most Americans have a credit report; generally, once you turn 18 and start to enter the world of banking and credit, you will automatically have a file established for you.

A credit report contains information about your credit history and the status of your credit accounts. This information includes how often you make your payments on time, how much credit you have, how much credit you have available, how much credit you are using, and whether a debt collector is collecting on any debt you owe. Credit reports also can contain public records such as liens, judgments, and bankruptcies that provide insight into your financial status and obligations.

Lenders use these reports to help them decide if they will loan you money, what interest rates they will offer you, or to check the status of an existing loan. Companies can purchase these consumer credit reports to help inform them while making a wide range of business decisions such as providing or pricing insurance; renting you an apartment; and (if you agree to let them look at your consumer report) making employment decisions about you.

### KNOW WHAT LENDERS LOOK FOR

Understanding what types of information most lenders evaluate is important.

They will look at:

- Your bill-paying history
- How many accounts you have and what kind
- Late payments
- Longevity of accounts
- Collections actions
- Outstanding debt
- Public records





## WHAT'S IN A CREDIT REPORT?

A credit report lists your personal identifying information and includes a summary of all your past and present credit accounts, as well as inquiries made by lenders into your credit record. Most credit reports contain four different types of information:

### Personal Information

- Name
- Date of birth
- Social Security Number
- Telephone number
- Address
- Employment information

### Accounts summary

- Type of accounts (bank card, auto loan, mortgage, etc.)
- Date account was opened
- Credit limit or loan amount
- Account balance
- Payment history

### Credit Inquiries

- List of lenders who accessed your credit report within the last two years
- Dates of inquiries
- Company requesting your credit record

### Public Records (negative)

- Delinquency information
- Overdue debt from collection agencies
- Public record information (i.e., bankruptcies, foreclosures, tax liens, garnishments, and legal suits, etc.)

**Your Credit Report**

Please address all future correspondence to:  
Credit Reporting Agency  
Business Address  
City, State 00000

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**PERSONAL IDENTIFICATION INFORMATION**

Your Name  
123 Current Address  
City, State 00000

Social Security #: 123-45-6789  
Date of Birth: April 10th, 1940

GA 30000  
City, State 00000

Previous Address  
City, State 00000

Last Reported Employment:  
Engineer, Highway Planning

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**PUBLIC RECORD INFORMATION**

Lien Filed 03/93; Fulton CTY; Case or Other ID Number 1234567  
Class-State; Released 07/93; Verified 07/93

Bankruptcy Filed 12/92; Northern District CTY; Case or Other ID Number 7890123  
Class-State; Released 07/94; Verified 07/94

Consumer; Amount \$100,000; Assets-\$780

**ABC MORTGAGE, INC.**

OPENED JUNE 1998

**ABC Mortgage (800) XXX-XXXX**

Collection Reported 09/93; Assigned 09/93 to Pro Coll (800)XXX-XXXX; Client ABC Hospital; Amount \$978; Unpaid; Balance \$978; Date of Last Activity 09/93; Individual

Number 787652JC

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**CREDIT ACCOUNT INFORMATION**

COMPANY NAME	ACCOUNT NUMBER	TYPE OF ACCT.	DATE OPENED	MONTHS RECEIVED	DATE OF LAST ACTIVITY	HCA CREDIT	TERMS	BALANCE	PAST DUE	STATUS	DATE REPORTED
Department Store	32514	J	10/66	36	9/67	\$950	X	\$0	X	R1	10/97
Equifax	1004735	A	11/66	24	5/67	\$750	X	\$0	X	I1	4/97
PRM	441125	A	6/66	12	8/67	\$500	X	\$0	X	O1	4/97
Department Store	178	I	5/65	48	12/96	\$1100	\$50	\$300	\$200	I5	4/97

Previous Payment  
Previous Status

3 Times 30 days late; 4 Times 60 days late; 2 Times 90+ days late  
2, 02/97 - 03, 03/97 14

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**COMPANIES THAT REQUESTED YOUR CREDIT FILE**

09/06/97	Equifax	08/27/97	Department Store
07/29/97	PRM	07/03/97	ABC Hospital
04/10/97	Department Store	12/31/95	Equifax - Disclosure ACIS 123456789

## **CHECK YOUR CREDIT REPORT ANNUALLY**

There are three credit reporting agencies (sometimes referred to as “credit bureaus”) that can provide your credit report — Equifax, Experian, and TransUnion. You should view your credit report with all three credit bureaus.



Each credit bureau could potentially receive different info about you from different sources. For the most part, all of the major banks and lenders all report to all three of the credit reporting agencies. However, some creditors like a utility or a medical service provider may only report to one or two of the credit bureaus.

## **HOW TO REQUEST YOUR FREE CREDIT REPORT**

Under federal law you are entitled to a copy of your credit report annually from all three credit reporting agencies — once every 12 months. Every consumer should check their credit reports from each of the 3 bureaus annually. Doing so will make sure your credit report is up-to-date and accurate. Each reporting agency collects and records information in different ways and may not have the same information about your credit history.

## **WHAT ARE THE OPTIONS?**

1. You may contact the Central Source by visiting [www.annualcreditreport.com](http://www.annualcreditreport.com).
2. You can request by phone by calling 877-322-8228.
3. You can complete the Request Form available on the website and mail it to:  
Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281

When you order, you will need to provide your name, address, Social Security number, and date of birth. To verify your identity, you may need to provide some information on your credit report, such as the amount of your monthly mortgage payment.

The free annual credit report does not include a credit score. A credit score is an additional service that can be purchased when getting your credit report. Along with knowing your credit score you will learn what factors positively or negatively impact your credit risk.

## HOW TO DISPUTE INCORRECT DATA ON YOUR REPORT

Since your credit score is a calculation based on the detailed data appearing in your credit report, it's important to verify that everything included in the reports is correct.

**Fix errors in your credit report.** The information in your credit report affects whether you can get a loan – and how much you will have to pay to borrow money. So if you find something wrong with your credit report, dispute it. Be on the lookout for loans or credit cards listed that you never opened, misspelled names, erroneous late payments, or collection items that were not updated after a settlement was reached and satisfied. Also, be on the lookout for duplicates of the same debt appearing on your report. There should only be one listing of each debt you owe.

Credit reporting agencies don't share files, so you'll need to contact each reporting agency to make sure the information about you is correct.

You can dispute the information by visiting the website of the credit reporting bureaus:



### Contact information for disputes

- Equifax ([www.equifax.com](http://www.equifax.com))
- Experian ([www.experian.com](http://www.experian.com))
- TransUnion ([www.transunion.com](http://www.transunion.com))

The creditor has 30 days to respond to the dispute and remove any error that is discovered.



## WHY IS IT IMPORTANT FOR ME TO REVIEW MY CREDIT REPORT?

You should check your credit report at least once a year to make sure there are no errors that could keep you from getting credit or best available terms on a loan. You should also check your report before making a major purchase that would involve a loan, such as a house or a car. Be sure the information in the report is accurate and up-to-date.

It is also a good idea to review your credit information regularly to guard against identity theft. Identity theft occurs when someone uses your personal or financial information to commit fraud. For example, an identity thief may use your information to open a new credit card account in your name. When they do not pay the bills, the delinquent account is reported on your credit report, damaging your ability to get credit in the future and subjecting you to calls from bill collectors.

In addition to checking your credit report, you should review any reports that specialty reporting companies have relating to your: medical records or payments, residential or tenant history, checking writing history, employment history, or insurance claims.

## CREDIT SCORES 101

Your credit score is a three-digit number generated by a mathematical algorithm using information in your credit report. It's designed to predict risk, specifically, the likelihood that you will become seriously delinquent on your credit obligations in the 24 months after scoring. There are a multitude of credit-scoring models in existence, but there's one that dominates the market: the FICO credit score. FICO scores range from 300 to 850, where a higher number indicates lower risk.

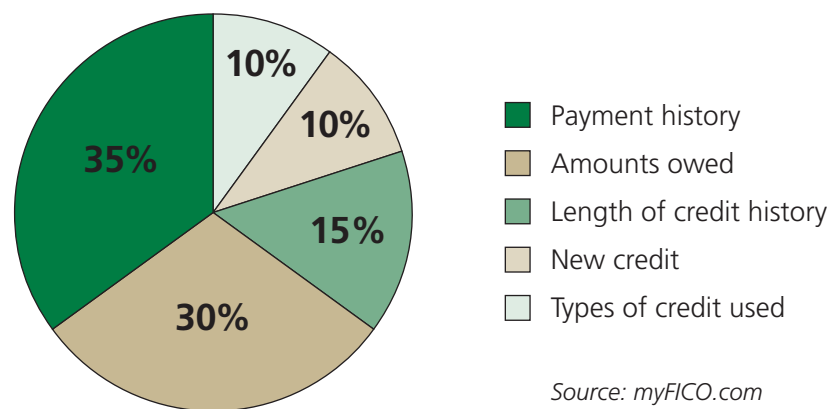




## WHAT GOES INTO A CREDIT SCORE?

Data from your credit report goes into five major categories that make up a FICO score. The scoring model weighs some factors more heavily, such as payment history and debt owed.

### Elements of your credit score



**Payment history:** (35 percent) -- Your account payment information, including any delinquencies and public records.

**Amounts owed:** (30 percent) -- How much you owe on your accounts. The amount of available credit you're using on revolving accounts is heavily weighted.

**Length of credit history:** (15 percent) -- How long ago you opened accounts and time since account activity.

**Types of credit used:** (10 percent) -- The mix of accounts you have, such as revolving and installment.

**New credit:** (10 percent) -- Your pursuit of new credit, including credit inquiries and number of recently opened accounts.

Personal or demographic information such as age, race, address, marital status, income and employment don't affect the score.

## GOOD CREDIT HABITS CAN HELP YOU GET THE CREDIT YOU DESERVE

It's a fact of life: If you want access to credit - whether through a loan or a credit card — you have to show the lender that you're willing and able to pay back what you borrow. But to get the credit you deserve, you have to do more than act responsibly. You have to make sure that your activities are recorded properly in the credit reporting system.

Here are some tips on how to make that happen.

### 1. Pay on time, every time.

On-time payments - for all your bills, not just credit accounts - are the foundation of a good credit history. To help make sure you pay on time, you can:

Double-check the due date each month when your billing statement arrives. It's easy to remember, since your payment is always due on the same date each month.

- Consider paying online to avoid delays in the mail.
- Sign up to have alerts sent to your computer or mobile device to remind you when your payment is due.
- If you've got too many bills due at the same time, ask your credit card company to change your future due dates to a more convenient time of the month. (Be aware that the change can take up to a month to take effect.)

### 2. Borrow enough, but not too much.

If you never borrow at all, lenders have no way of knowing about your repayment habits. But if you borrow too much, you could find yourself in trouble. It's all about finding the right balance.

A few good rules of thumb to follow are:

- Make a budget, and keep your credit card and other loan payments - not including rent or mortgage — at less than 20 percent of your net monthly income.
- Stay within your total credit line, and avoid using the full amount of your available credit. Maxing out your cards can make it seem like you're having trouble with repayment.
- Manage your available credit. Too much available credit is risky for both you and your lender. Work with your credit card company to keep your total credit line at a level that you can reasonably repay.
- Over time, use different types of credit, including credit cards, installment loans or a mortgage. This shows you can handle different types of financial situations.



### **3. Pay more than the total minimum payment.**

Substantial payments are a good sign of your willingness to repay a debt. Plus, if you only pay the total minimum payment on your credit card each month, you could be in debt for a long time, you'll pay a lot more in interest, and your debt could grow instead of shrink. Strategies to help keep your debt under control include:

- Pay your balance in full each month to minimize interest charges.
- If you can't pay in full, pay as much as you can.
- If money is tight, try paying the amount of new charges plus the interest charge. This will at least keep your balance from growing.

### **4. Maintain old accounts.**

Keep at least one account open that you've had for a while. Use it occasionally — and pay it off in full — to show you have a long history as a responsible borrower.

### **5. Guard your good name.**

Don't let errors, fraud or identity theft ruin your reputation as a trustworthy borrower. The best way to do that is to prevent problems when you can, and correct any that you can't prevent.

Make it a habit to:

- Check all billing statements each month for accuracy.
- Review your credit report from each of the three major credit reporting agencies at least once a year and promptly report any errors.
- Take precautions to protect your credit card and account numbers from fraud.

### **6. Deal with problems promptly.**




Even the most responsible people can get into credit trouble when they lose a job or have health problems. If you're in a situation that's making it difficult to manage your credit card payments, talk to your creditors immediately. They may be willing to work with you to come up with a solution.



### **Conclusion: Take action now.**

A good credit history can help you save money while you work to achieve your financial goals. So make good credit habits part of your financial plan.



## CREDIT MYTHS AND MISCONCEPTIONS

	TRUTH	MYTH
<b>Your score drops if you check your own credit.</b> This widespread credit misconception fools a lot of people, but viewing your credit report and score is counted as a “soft inquiry” and doesn’t change the score one way or another. Hard inquiries by a lender or creditor, from applying for credit, can slightly lower your score. If you have multiple loan inquiries within a period of a couple weeks, it’s usually treated as a single inquiry to minimize impact.		
<b>It helps to leave old accounts open and active.</b> People tend to think that closing old and inactive accounts will hike up their credit score, but it’s actually the opposite. When you close accounts your credit history appears shorter.		
<b>Paying off a negative record means it’s taken off your credit report.</b> Generally, negative records, such as collection accounts and late payments, will remain on your credit report for up to seven years from the date of first delinquency. Paying off the accounts will not remove them from your credit report, but it will show that they are paid.		

	TRUTH	MYTH
<p><b>Co-signing means you are responsible for the account</b></p> <p>If you open an account jointly or co-sign a loan, you will be held legally responsible for the account. Activity on the joint account is displayed on the credit reports of both account holders. If you are a co-signer and the main account holder fails to make a payment, your credit profile will be hurt and vice versa.</p>		
<p><b>Paying off a debt boosts your score by 50 points.</b></p> <p>Credit reporting agencies and other companies like FICO determine your credit score via a complex algorithm that uses hundreds of factors and values to calculate it. It's almost impossible to calculate the difference in points changing one factor might make.</p>		



## NOTES

[illegible]

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