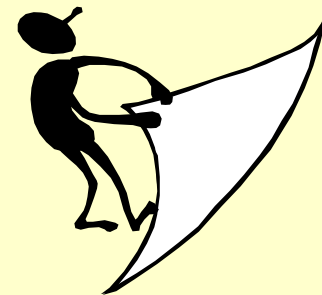


Chapter 4

Your Credit Report

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Why should I be concerned about my credit Report?



- To qualify for a promotion
- To pass a job screening
- To qualify for insurance
- To rent an apartment
- To qualify for low rate loans
- To qualify for a loan

If I divorce, I am liable for my ex-spouses debts on my credit report?

Yes! If the debt is a joint debt with both names on it you are still liable



If I get a divorce, what should I do concerning my credit report?

- Make payments on debts for which you are liable
- Take your name off of any debt that you can

Can someone else use my name and damage my credit report?

Yes!



Anyone can get a copy of your credit report and you can become the victim of a scam

What can I do to protect myself from a scam?

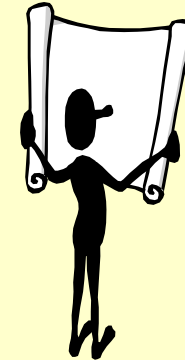
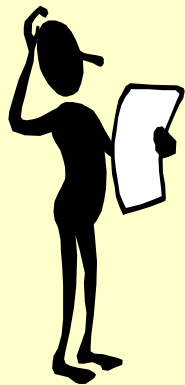
Get a copy of your credit report at least once a year, if you are concerned, at least once every six months

Who are the three big credit reporting bureaus?

Experian

Trans Union

Equifax



How do I know which one is in my area?

Look in the phone book under credit bureaus

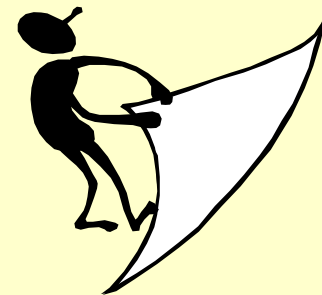


What is on my credit report?

- Your name
- Marital status
- Address (past & present)
- Social security number
- Employment history



**What accounting
information is on my
credit report?**



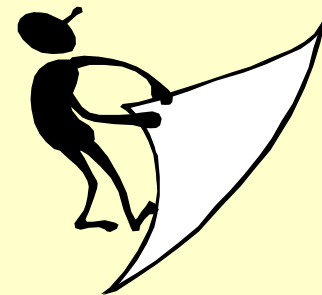
- Types of accounts & ID numbers
- Name and type of creditors with whom you have done business
- List of individual & shared accounts
- Credit limit, present balance, highest amount charged

What is a bad credit report?

Each person who has reason to look at a credit report has their own standards



What are looked for on a credit report?



- Delinquent child support
- Judgments
- Charge-offs (uncorrectable loan)
- Past credit difficulties
- Criminal convictions
- Collection efforts
- Lost credit cards
- Foreclosures
- 30, 60, or 90 days past due?
- Civil suits
- Number of late payments and to whom paid
- Tax liens

I had a car repossessed, is this on my credit report?

Yes! Willing and unwilling repossessions are on your credit report



What is a willing repossession?

Takes place when you voluntarily return a car because you cannot make the payments

What is an unwilling repossession?

Takes place when your
creditor comes to you



If someone makes an inquiry on my credit report, is this bad?

It depends

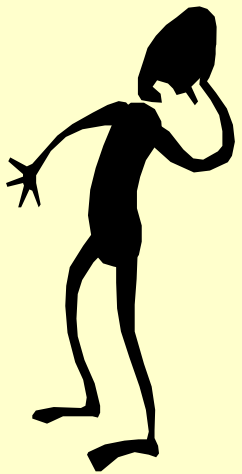


More than 6 inquiries in a 6 month period is generally considered bad

When I get a copy of my credit report is this considered an inquiry?

No!

An inquiry is only when other people request a copy of your credit report



Can anyone request a copy of my credit report?

However, inquiries are

Yes!

unlawful unless a person has a permissible business



What is an investigative report?

An detailed report on your lifestyle, character, and reputation based on the opinions of your neighbors, friends, relatives

Do I have any protection against an investigative report?

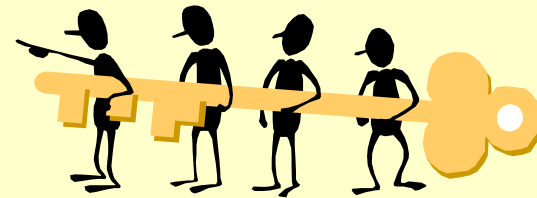
Yes!



Unless the report is handled in-house by the investigator, you must be notified first

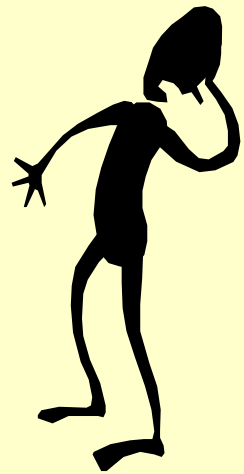
Who might do an investigative report?

Prospective employers and
insurance companies are
the most common



Is a credit report with little on it a good report?

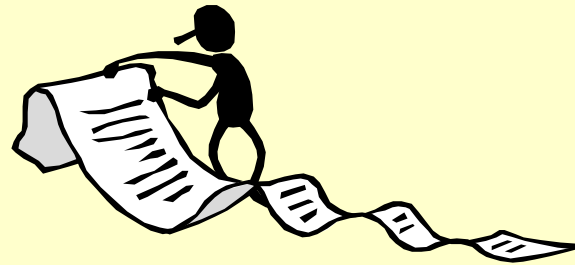
No!



A report with nothing or little on it is a bad credit report

How do I establish a good credit report?

Put a lot of good stuff on your credit report



How do I put good stuff on my credit report?

- Apply for a secured credit card if need be
- Open accounts at retail stores and pay off what you charge each month

What is a secured credit card?

The card is secured by money
in your savings account



Where can I get a list of banks offering secured cards?

Secured Card Report

P.O. Box 1700

Frederick, Maryland 21702

**Where on the web
can I find a list of
secured cards?**

[http://www.ramresearch.com/
cardtrak/homepage.html](http://www.ramresearch.com/cardtrak/homepage.html)

What is a debit card?

Funds are drawn against your bank account. With some overdrafts are refused, with others your credit card is debited.

What happens if I have an overdraft with a debit card?

With some overdrafts are refused, with others your credit card is debited

How can I repair a bad credit report?

The key to repairing a bad credit report is to bury bad news with good news



Give me examples of eliminating bad news

Do not have more than four credit cards and be aware of the debt limit on each

Are high limits are my credit cards bad?

This shows potential
for excessive debt

Yes!



What is a high debt limit?

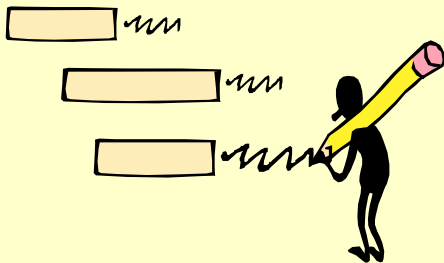
It depends



Higher income persons have higher permissible debt limits

If I have more than four cards what should I do?

Write a letter to the company and request cancellation of the card



Do I need a zero balance before I can cancel a card?

Yes, otherwise you cannot cancel the card



**My credit limits are high
on some of my cards,
what should I do?**

Refuse any increases in your
debt limit and request other
limits to be lowered

Should I take out a loan from a finance company?

- Because finance companies specialize in lending money to high risk people, you may be guilty by association
- The interest rate, hidden costs, insurance and general fees tend to be very high

If I have questionable information on my credit report what can I do?

The credit bureau will attempt to verify entries on your credit report which you question

Must a creditor respond?

After receiving notice the creditor has 30 days to respond, if he cannot substantiate the negative entry or fails to respond, the entry is deleted from your report

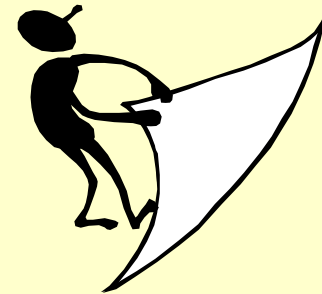
**I disagree with an entry
but am unable to have it
taken off, what can I do?**

You can write a less than
100 word statement and
have it appended to your
credit report

I have some past due debts on my report, what can I do?

Negotiate with your creditor to have the negative entries removed in exchange for making timely payments or paying off the debt

How do creditors score my credit profile?



- Living in the same geographic location for at least 6 years is a point
- Owning a house is 4 points, having a mortgage is 3 points, renting 1 point, living with parents 0 points
- Monthly debt obligations is a factor, above a certain level is 0 points
- A checking & savings account is worth a point
- A telephone in your name is a point

- The same job for more than a year is a point
- Age, less than 25 years and more than 65 is 0 points
- Marriage will earn you a point, single is 0 points
- How late have any late payments been?
- How many loans?
- Too many credit cards is bad and too high limits
- Have you made your payments on time?

Where can I seek help?

The Consumer Credit
Counseling Service

Look in the telephone book
or call 800-926-0042

I am being harassed by a creditor, what can I do?

According to the Fair

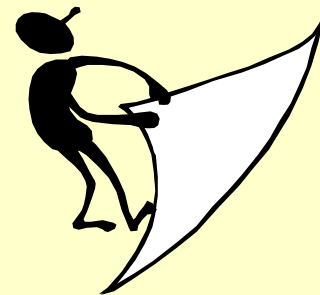


Debt Collection

Practices Act,

harassment is unlawful

What is unlawful according to the Fair Debt Collections Act?



- Threats of any kind
- Contacting you at work after being told not to
- Contacting you before 8:00 AM or after 9:00 PM
- Contacting others about your debt

I bought a television with no payments for 6 months, is this a good deal?

It depends



Any money owed at the 6 month point you will have to pay interest on going back to the date of purchase

**What else is the
problem if I do not pay
before 6 months?**

The interest rate will be
high & will probably be
based on the rule of 78s

What is the rule of 78s?

Most of the interest paid is stacked up-front, so if you pay off the loan early you still pay most of the interest

If I make all payments on time will I pay more interest than with a simple interest loan?

No!



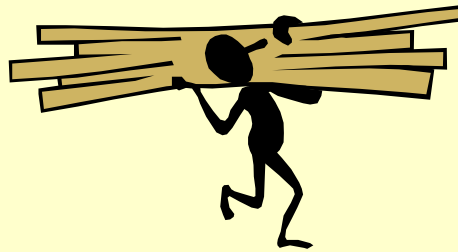
Interest you pay will be the same, the difference comes when you make larger than required payments

What is a simple interest loan?

The interest is calculated by multiplying the interest rate times the principle and is compounded monthly

**What is a an example of
a simple interest loan?**

Mortgage loans



With a simple interest loan do I get credit for making extra payments?

Yes!



You only pay interest on the principle owed each month

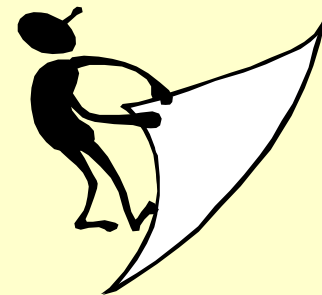
Do I get credit when I make early payments on my credit card?

Yes!



Every day you make a payment early you get credit for it, provided the loan is not based on the two-cycle method

**Give me some
general advice?**



- Borrow money from yourself, like a short term loan to yourself from your savings account
- Do not pay off a short term loan with a long term loan
- Pay off a loan based on the rule of 78s in the very early months, later than that, keep it
- Always try to pay off high interest loans with lower interest loans

Are consolidation loans a good idea?

It depends



If your improved monthly cash flow is used to make larger payments on debts, then a consolidation loan is a good idea

Is overdraft protection a good idea?

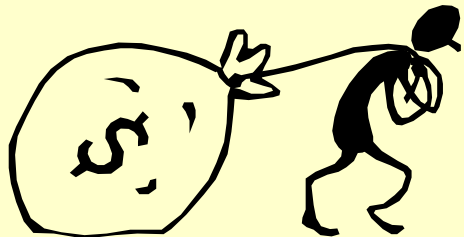
It depends



If it is tied to your credit card you could end up with a large debt you did not anticipate

When is overdraft protection a good idea?

When it is tied to your savings account



**I have a low income
and need legal advice,
where should I go?**

Legal Aid is a national
organization which offers
free legal advice for
people with low incomes

Where can I find Legal Aid?

Your local telephone book



I am considering declaring bankruptcy, is this a good idea?

- If you are desperate enough, bankruptcy may be your only option
- It is almost always better to negotiate with your creditors for reduced payments

**If I declare
bankruptcy, how long
is this on my record?**

Ten years



What are the two types of bankruptcy?

Chapter 7

Chapter 13



What is Chapter 7 bankruptcy?

Chapter 7 is when you are absolved from the debts you chose. There is a limit to what you are allowed to keep

What is Chapter 13 bankruptcy?

Chapter 13 is when you pay off your creditors according to a schedule determined by the court

END