

Section 1: Credit Reports

We will discuss credit reports and how the information in your credit reports can affect many areas of your life.



Key Takeaway



Your credit history can affect your access to credit, loans, jobs, housing, insurance, and other important services. Understanding your rights helps you know how to protect your credit history.

What is a Credit Report?

A credit report is a document that contains your credit history.



Try It: Is This in a Credit Report?

Check off the correct answer during the group exercise.

| Item | Is it included? | | Notes |
|--------------|--------------------------|--------------------------|-------|
| | YES | NO | |
| 1. Your name | <input type="checkbox"/> | <input type="checkbox"/> | |
| 2. Your age | <input type="checkbox"/> | <input type="checkbox"/> | |

Try It: Is This in a Credit Report? *continued*

| Item | Is it included? | | Notes |
|------------------------------|--------------------------|--------------------------|-------|
| | YES | NO | |
| 3. Arrests and convictions | <input type="checkbox"/> | <input type="checkbox"/> | |
| 4. Your credit card payments | <input type="checkbox"/> | <input type="checkbox"/> | |
| 5. Your income | <input type="checkbox"/> | <input type="checkbox"/> | |
| 6. Bankruptcies | <input type="checkbox"/> | <input type="checkbox"/> | |
| 7. Cell phone plan payments | <input type="checkbox"/> | <input type="checkbox"/> | |
| 8. Debt-to-income ratio | <input type="checkbox"/> | <input type="checkbox"/> | |

Try It: Is This in a Credit Report? *continued*

| Item | Is it included? | | Notes |
|-------------------------------|--------------------------|--------------------------|-------|
| | YES | NO | |
| 9. Student loan payments | <input type="checkbox"/> | <input type="checkbox"/> | |
| 10. Credit card limits | <input type="checkbox"/> | <input type="checkbox"/> | |
| 11. Traffic tickets and fines | <input type="checkbox"/> | <input type="checkbox"/> | |
| 12. Savings account balance | <input type="checkbox"/> | <input type="checkbox"/> | |
| 13. Debit card purchases | <input type="checkbox"/> | <input type="checkbox"/> | |

What is Listed in a Credit Report?

Credit reports are documents that list:

- Your identifying information
- Your debts and some of the bills you pay
- Public record information
- Your applications for new credit and other “inquiries” when lenders or other businesses request a copy of your credit report

Companies that make credit reports may be called credit reporting agencies, credit bureaus, or credit reporting companies.

Equifax, Experian, and TransUnion are the three nationwide credit reporting agencies. If you have a credit history, you will likely have at least three separate credit reports.

In addition to the three nationwide credit reporting agencies, there are also "specialty" consumer reporting companies.

What is a Credit Score?

Credit scores are numbers based on information in your credit reports. Credit scores predict how likely you are to pay your bills and debts as agreed. There are multiple producers of credit scores. If you have a credit history, you will likely have several different credit scores.

People with better (higher) credit scores are likely to present a lower risk to creditors than people with lower credit scores. Higher credit scores indicate you have paid your bills and debts as agreed in the past and are likely to do so in the future.

Who Uses Credit Reports and Scores?

Credit reports and scores may be used by:

- Financial institutions
- Landlords
- Utility companies
- Cell phone companies
- Insurance companies, depending on state law
- Employers, depending on state law
 - To learn if credit information can be used in employment decisions in your state, you can contact your state's department of labor.
- Some state agencies or affiliated organizations

Lenders must tell you if they used your credit reports or scores to make a lending decision about you or if they offer you less favorable terms than other borrowers based on your credit reports or scores.

Having No Credit Reports or Scores

Without a good credit history, you may have a harder time getting a loan, renting an apartment, getting a favorable cell phone plan, obtaining some jobs, or turning on utilities.



Try It: Do Credit Reports Matter?

Read the scenario and then answer the questions.

Scenario: Yardley Learns about the Importance of Having a Credit History

Yardley was convinced that credit reports did not matter. She did not plan to get a credit card or any kind of loan. She used cash for everything.

Yardley recently moved and needed to find an apartment. Some landlords would not rent to her because she had no credit history, even if she promised to pay her rent each month in cash. When she found an apartment she liked and a willing landlord, she had to pay a higher security deposit because she did not have a credit history.

She also had to pay a deposit for her utilities because she had no credit history. So, she decided to find out more about credit reports and why having no credit history seemed to create some obstacles and additional costs for her.



What would you tell Yardley about credit reports?

Do you think she should try to build credit? Or, is she better off without a credit history? Be ready to explain your answer.

The Fair Credit Reporting Act

The Fair Credit Reporting Act (FCRA) is a federal law that provides you with rights related to credit and other consumer reporting.



Try It: Credit Reporting and Your Rights

Review each Fair Credit Reporting Act (FCRA) right. Think about what this right means to you.

| Summary of Fair Credit Reporting Act (FCRA) Right | What Action Can You Take? |
|---|---------------------------|
| <p>1. Anyone who uses a credit report to deny your application or offer you less favorable terms for credit, insurance, or employment must tell you they did so. They must give you the contact information for the credit reporting agency they used.</p> | |
| <p>2. You have the right to know what is in each of your credit reports. You will be required to prove you are who you say you are when you request to see your reports.</p> | |
| <p>3. You have the right to dispute incomplete or inaccurate information. The credit reporting agency must investigate unless your dispute is frivolous.</p> | |
| <p>4. Credit and other consumer reporting agencies must correct or delete inaccurate, incomplete, or unverifiable information usually within 30 days after they receive a dispute.</p> | |