



KEY 2 Participant Guide
Understanding Credit History
to Open the Door to Housing,
Jobs and More

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KEY 2

Understanding Credit History to Open the Door to Housing, Jobs and More



“Understanding Credit History to Open the Door to Housing, Jobs and More” is the second key in *Keys to Your Financial Future*, a financial capability curriculum for young people. This key covers understanding your credit history, the reasons your credit history matters, getting and reviewing your credit reports, understanding your credit scores and improving or building your credit score.

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What You're Going to Know or Be Able to Do

By the end of this key, you'll know or be able to do the following:

EXPLAIN what makes a positive credit history, how this relates to your financial reputation and why your credit history matters.

GET AND REVIEW your credit reports.

IDENTIFY errors and file a dispute advocating for yourself with credit reporting agencies when there are errors.

DESCRIBE what credit scores are and how they are used.

DESCRIBE actions that make credit scores go up, go down or remain unchanged.

EXPLAIN the steps to build, repair, improve and maintain credit history.

KNOW where to get help with understanding and fixing your credit history as well as credit repair businesses to avoid and scams to watch out for.





YOUR FINANCIAL REPUTATION

Have you ever thought about your reputation? **How would the person closest to you describe your reputation in three words? You can also draw three pictures.**



Can you change your reputation? **If you think yes, how do you do it?**

Have you ever thought about
YOUR
reputation?

Did you know you also have a financial reputation? **What do you think goes into your financial reputation?**

KEY ACTIVITY

Saif Secures a Financial Reputation (Optional)

SAIF HAS BEEN LIVING INDEPENDENTLY FOR THREE YEARS. He has an apartment he shares with three friends. Saif's roommate, Logan, pays the bills once he has collected everyone's share of the rent and utilities. Saif is commonly late with his share, leading to arguments in the apartment. He borrowed \$1,000 from his aunt to cover living expenses when he first started living on his own. To date, he has not repaid her — not even a little bit. Saif pays his mobile phone bill on time and has never missed a car payment, though.

How would you describe Saif's financial reputation?

How can he change it?

The good news about your **financial reputation** is you can change it. Just like your reputation with your friends, peers, family and co-workers. But, it takes an understanding of what makes a good financial reputation — time and commitment. **Your credit history is a big part of your financial reputation.**



Key to Your Financial Future: Your Financial Reputation

What do you want your financial reputation to be? Describe it.



Your credit history is a big part of your financial reputation.



FINANCIAL REPUTATION

Generally held beliefs or opinions about the way someone manages his or her money.





CREDIT HISTORY

Credit History =
Credit Reports + Credit Scores



PRODUCTIVE ASSET

An asset is something you own that has value. A productive asset is something that helps you get and keep other assets.

Examples of productive assets are your education, your skills, good work habits and your networks. Your credit history is a productive asset IF it is positive.

WHAT IS A CREDIT HISTORY?

A **credit history** includes your **credit reports** and **credit scores**.

Banks, businesses, employers and others use your credit history to make decisions about you. A positive credit history is a key to your financial future, which opens doors. It is a productive asset, which means it helps you get other assets, like a car or a job.

A poor credit history may prevent you from getting the following:

- + a cell phone or data plan;
- + auto insurance;
- + a job;
- + an apartment;
- + utilities — like electricity, gas or cable;
- + a savings account; and
- + a loan or credit card.



So, you may be mistaken if you are thinking:

- + *“I am too young to worry about credit.”*
- + *“I never want to use any credit.”*
- + *“This information does not apply to me.”*

Credit matters to you especially if you want or think you may one day want any of the following:

- + a paycheck;
- + a place to live (and maybe a lower security deposit);
- + a car and insurance;
- + less costly utilities;
- + a more favorable mobile phone and data plan;
- + less expensive loans; and
- + a house.

WHAT IS A CREDIT REPORT?

A CREDIT REPORT DOCUMENTS SOME OF YOUR BILL-PAYING HISTORY.

It will include information about:

- + credit cards you have;
- + loans you have;
- + the amount of money you have borrowed through loans and credit cards;
- + on-time payments for credit cards and loans;
- + late payments for credit cards and loans;
- + a history of the places you have lived;
- + whether you have any payments outstanding; and
- + more.



KEY RIGHT

Fair Credit Reporting Act

Credit reporting agencies must follow the law when collecting and selling information about you. The law they have to follow is the *Fair Credit Reporting Act (FCRA)*.

For example, you must be informed if your credit file has been used against you — this means your credit report has kept you from getting a job, an apartment or a loan.

You have the right to know what is in your file. You can get your credit report anytime. You can get each of your reports for FREE every 12 months.

You have the right to dispute (challenge) incorrect information. You have to identify the inaccurate information and provide proof. The credit reporting agencies have 30 days to address your dispute.

Where Do You Get Your Credit Reports?

Credit reporting agencies, also called CRAs or credit bureaus, make credit reports. Credit reporting agencies sell the information in your reports to creditors, insurers, employers and other businesses. They use this information to evaluate your applications for credit, insurance, employment, renting a home or other products or services. The three nationwide credit reporting agencies are **Equifax**, **Experian** and **TransUnion**. You can order your credit reports by calling them directly or visiting their websites.

EQUIFAX

PO Box 740241, Atlanta, GA 30374-0241
1-800-685-1111 (to order a report)
1-877 784 2528 (to speak to a customer service representative)
www.equifax.com

EXPERIAN

PO Box 2104, Allen, TX 75013-0949
1-866 200-6020
www.experian.com

TRANSUNION

PO Box 1000, Chester, PA 19022
1-800-888 4213 (to order a report)
1-800-916 8800 (to speak to a customer service representative)
www.TransUnion.com

You can also get one free report every 12 months from all three credit reporting agencies. There are three options to get your free credit reports:

> **OPTION 1** Go to www.annualcreditreport.com

Be sure to go to this site. There are many sites that claim to be the site for “the annual credit report” or “free annual credit report.” They are generally trying to sell you a credit monitoring service, credit score or some other service. These other “free” credit report sites are called “imposter websites.”

> **OPTION 2** Call 1-877-322-8228

> **OPTION 3** Write to: **Annual Credit Report Request Service, PO Box 105281, Atlanta, GA 30348-5281**

Credit reporting agencies keep information on millions of people. To get yours, you will need to give them the following information:

- + your full name;
- + your address and your previous two or three most recent addresses;
- + your date of birth; and
- + your Social Security number.

After you receive one free report from each credit reporting agency, there is usually a fee for any additional reports in a 12-month period unless you meet one of the following conditions:

- + You have been told you can't get credit, a job, an apartment or any other product or service based on your credit. The business or organization will send you an adverse action notice. This tells you which credit report they used and how to order your free report. You must request the report within 60 days of the denial.
- + You are receiving public assistance (TANF, SNAP, etc.) — then you are allowed an additional free report.
- + You are unemployed and plan to look for a job within the next 60 days.
- + Your report is inaccurate because of fraud, including identity theft.

KEY RIGHT Free Credit Reports

You have the right to one free credit report every 12 months from each of the three nationwide credit reporting agencies — Equifax, Experian and TransUnion. This is because of a law called the **FACT Act**.



CREDIT REPORTS IF YOU ARE 14 – 17

You should not have credit reports if you are under 18. There are some exceptions:

- You are an emancipated minor. In some states you may be able to enter into credit contracts before you are 17.
- You are an authorized user on someone's credit card.
- You have student loans.
- Your identity has been stolen and used by someone else to get credit — loans and credit cards — or other services — cell phone plans, medical services, utilities or cable service.

If you are under 18 and have a credit report due to identity theft, get help from child welfare staff in your community, nonprofit program staff, a legal services organization or bank or credit union.

PAYMENT PATTERNS

Credit reports include information about your payment patterns. Payment patterns, often abbreviated “PayPat” on credit reports, show how you paid an account each month. On-time payments and payments that are 30 days late, 60 days late and 90 days late are recorded.

This section will also show whether a creditor has given up collecting payment from you and “charged off” your account.

Sometimes it will indicate your account has been sold to a collection agency.

Getting Your Credit Reports if You Are Under 18 Years Old

Accessing your credit reports if you are younger than 18 years old can be tricky. Each credit reporting agency has special instructions for minors ordering their credit reports. In most cases, a parent or legal or court-appointed guardian must make the request in writing or by calling.

Currently, there is no way to access your report through www.annualcreditreport.com. This is because the credit reporting agencies “do not knowingly create a credit file for anyone under 18.”

If there has been identity theft, there is likely to be a credit report. All three credit reporting agencies should be checked.



KEY RIGHT

Credit Report Review for Young People in Care

The child welfare agency in your state must check to see whether you have a credit report once a year starting when you are 14. This has to be done — it is required by law. Sometimes you will know they are doing this on your behalf. Sometimes they do this without your knowledge. This is to ensure inaccurate negative information is removed from your credit file before you leave care.

How Does Information Get on Your Credit Reports?

Individuals and businesses report your payment patterns to credit reporting agencies. They are called “**information furnishers.**” They report your payment patterns in a number of situations:

- + You make your payments on time.
- + You are late with your payments.
- + You miss a payment.
- + You miss many payments — by this time, your debt may be in collections.
- + You seem to have stopped paying altogether.

Not all of your bill paying is recorded. Many companies only report to the credit reporting agencies if you miss payments or are late. Utility companies, cell phone providers, rent-to-own businesses, payday lenders, medical providers (doctors, dentists and hospitals) and other businesses are among those that generally only report if you are **delinquent**. Delinquent means you've missed payments.

Why Get and Review Your Credit Reports?

Your credit reports affect many areas of your life. Getting credit, an apartment, a job, security clearance, insurance, a favorable cell phone plan, affordable utilities and other services are related to the information in your credit reports.

You have the right to accurate information in your credit reports. But, it's your responsibility once you are 18 years old to make sure it is correct. Getting and reviewing your reports is the only way to do this. You want to look for any of the following:

- + Mistakes in your name, address, Social Security number or other information about you.
- + Information from someone that is not you is on your credit report. This is more common if you have a common name or if you have the same name as someone else.
- + Account or accounts you do not recognize. This often happens when someone has stolen your identity and opened accounts in your name.
- + Information about an account that is wrong — a closed account is reported open; your account is reported as late or delinquent and it is not; or the balance owed is incorrect.
- + An account that shows up multiple times with different creditors listed — this is more common with accounts that have gone to collections.
- + Inaccurate collection account information — an account is listed in collections that does not belong to you or is not in collections.
- + Incorrect information put back onto in your credit report after it was corrected.
- + Negative information that is too old to be reported — generally seven and a half years after you started making late payments on an account is the limit for reporting negative information. There is no time limit for reporting positive information.

KEY RIGHT

Reporting Rent

Reporting on-time rent payments on credit reports is not widespread. But, you can pay a service that will report your rent payments to one of the three nationwide credit reporting agencies.

Examples of such businesses include the following:

- Rentalkharma.com
- Renttrack.com
- Paylease.com

In some cases, your landlord must also participate in the service.

Many credit scores do not factor rent payment in even if they are reported. You'll need to figure out if the cost is worth the benefit to you.

Your credit reports affect many areas of your life.



KEY RIGHT

Reporting Public Record Data

A *lien* is a right to your property until a debt is paid; liens are often placed because of unpaid taxes. A *civil judgment* is a ruling against you in court that allows a creditor to collect money from you using garnishment. *Garnishment* allows your money, assets or a portion of your wages to be seized to satisfy a debt.

Tax lien and civil judgment data must now include a person's name, address and either

a Social Security number or date of birth in order to be included in credit reports.

Additionally, the credit bureaus must continually verify public record information by making courthouse visits at least every 90 days.

Because of these changes, many liens and judgments will no longer be reported on credit reports.

How Do You Read a Credit Report?

THERE ARE FIVE SECTIONS IN A CREDIT REPORT:

1 PERSONAL INFORMATION

This section includes your name and any variations of your name you may have used, your Social Security number, your current address and phone number, your previous addresses and phone numbers and sometimes employment information.

2 PUBLIC RECORDS

This section includes bankruptcies and other judgments from court actions that are related to financial issues.

3 ACCOUNT INFORMATION

This section includes the names of all of the accounts opened under your name, account numbers, creditor contact information, balances, payment status, account types, terms, dates opened and payment patterns.

This is where most information on a credit report is. **This is also the section where you are likely to see whether someone else has stolen your identity.**

4 ACCOUNTS IN COLLECTIONS

If an account has gone to collections, this means the creditor has given up trying to get payment from you. They have assigned or sold the debt to a collection agency or lawyer to collect. Special laws apply to debts that have been sold to collection agencies or lawyers.



CLOSED VERSUS CHARGED OFF

A creditor can charge off an account. This means they have given up collecting the debt. Often, they assign or sell the debt to a debt collector. If an account is charged off, you may still owe the debt.

A closed account is just that — closed. You can't use it anymore. Sometimes an account is closed because you paid off the debt. Sometimes an account is closed because you haven't used the account enough. In this case, the creditor closes it for nonuse. Sometimes an account is closed by you — you just don't want the account anymore. If you close an account with a balance, you must still pay off the balance.

5 INQUIRIES

Companies look at your credit reports when you apply for credit or services. They also review your accounts or use the information to make offers of credit.

KEY RIGHT

Debt Collections and Your Rights

When a creditor sells your information to a collection agency or a lawyer that specializes in collecting debt, you have rights under the *Fair Debt Collection Practices Act (FDCPA)*.

For example, they can only contact you between 8 a.m. and 9 p.m. They must send written notice of the debt they are trying to collect within five days after they first contact you. They cannot harass you, use obscene language, make false statements or threaten you. They can contact your friends, family and neighbors to ask about your address, phone number or where you work. But, they can only contact each person one time.

They must stop contacting you if you ask them to stop in writing. This does not make the debt go away, only the phone calls. They can contact you one more time to tell you what they intend to do. One of the things they can do is sue you.

IF YOU GET A NOTICE OF A LAWSUIT, DO NOT IGNORE IT. GET HELP IMMEDIATELY.

KEY RESOURCE

LEGAL AID

Write down the phone number for the legal aid program that serves your community. It can help if you are being sued by a creditor or are having trouble with a debt collector.

Legal aid: _____

Reading a Credit Report

Use this example credit report to answer the questions that follow.

EXAMPLE CREDIT REPORT

File Number: 987676543

Date Issued: 4/30/2019

PERSONAL INFORMATION

Name:	Jadarius Jay Jackson	SSN:	XXX-XX-1234
Other Names:	Jadarius J. Jackson JJ Jackson	Date of Birth:	11-1-1996
		Telephone:	555-123-4567

Addresses Reported

765 Rose Avenue, Apt. C Anywhere, IA 78617
2100 First Street, Unit 4 Little City, IA 81736
1212 Redbird Land, New City, IA 19826

Employment Data Reported

Employer Name:	Al Jones Restaurants	Position:	Manager
Date Reported:	3/2019	Hired:	11/2018
Employer Name:	Little City University	Position:	Food Services
Date Reported:	8/2018	Hired:	6/2017

PUBLIC RECORDS

Big City Wisconsin Court Docket# 200900001467 515 C St, NE, Big City, WI 43528	Date Filed:	8/15/2016
	Type:	Chapter 7 Bankruptcy
	Amount:	\$8,500
	Responsibility:	Individual

Estimated month and year that this item will be removed: 9/2026

COLLECTIONS

Results Collections (Y12345)	Account #	0918
Original Creditor: SaveMart Electronics	Amount Placed:	\$1,500
Opened: 5/1/2018	Account Type:	Open
Balance: \$1,545	Responsibility:	Individual

EXAMPLE CREDIT REPORT

ACCOUNT INFORMATION

SMALLTOWN BANK (BI92837)

Balance: \$11,055
 Date Updated: 4/28/2019
 High Balance: \$12,000
 Past Due: 0
 Terms: \$293/month 48 months

ACCOUNT # 7000892019
 Pay Status: Paid as agreed
 Account Type: Automobile
 Responsibility: Individual
 Date Opened: 1/8/2019
 Payment Received: \$293
 Last Payment Made: 4/12/2019

	4/12/19	3/12/19	2/12/19
Balance	11,372	11,687	12,000
Scheduled Payment	293	293	293
Amount Paid	293	293	293
Past Due	0	0	0
Rating	OK	OK	OK

BANK OF IOWA (B27310A)

Balance: \$692
 Date Updated: 3/30/2019
 High Balance: \$1,000 10/17
 Credit Limit: \$1,000
 Past Due: \$28

ACCOUNT# 230234823481Y
 Pay Status: 30 days past due
 Account Type: Revolving; Credit Card
 Responsibility: Individual
 Date Opened: 9/1/2017
 Terms: Minimum 4% of Balance

	3/2019	2/2019	1/2019	12/2018	11/2018	10/2018	9/2018	8/2018	7/2018
Balance	692	719	745	771	797	821	840	904	924
Scheduled Payment	28	29	30	31	32	33	34	37	38
Amount Paid	0	40	40	40	40	40	34	80	38
Past Due	28	0	0	0	0	0	0	0	0
Rating	30	OK	30	30	OK	OK	OK	OK	OK

	6/2018	5/2018	4/2018	3/2018	2/2018	1/2018	12/2017	11/2017	10/2017
Balance	935	863	882	903	923	934	956	978	1,000
Scheduled Payment	38	35	36	37	38	38	39	40	41
Amount Paid	0	35	36	37	38	0	39	40	41
Past Due	38	0	0	0	0	38	0	0	0
Rating	30	OK	30	30	OK	OK	OK	OK	OK

EXAMPLE CREDIT REPORT

SAVEMART ELECTRONICS (D 45908)

Balance: \$1,545
Date Updated: 2/29/2019
High Balance: \$1,500 10/17
Credit Limit: \$1,500
Past Due: \$1,545

ACCOUNT# 5748392000017
Pay Status: Charged Off
Account Type: Revolving; Credit Card
Responsibility: Individual
Date Opened: 9/7/2017
Terms: Minimum 2% of Balance

	3/2018	2/2018	1/2018	12/2017	11/2017	10/2017
Balance	1,545	1,530	1,515	1,500	0	0
Scheduled Payment	305	228	151	75	0	0
Amount Paid	0	0	0	0	0	0
Past Due	0	0	151	75	0	0
Rating	Charge Off	90	60	30	OK	OK

REGULAR INQUIRIES

The following companies have received your credit report. Their inquiries remain on your credit report for two years.

CARS R US

3333 21st Ave, Anywhere, IA 78616

Requested On: 12/2018

BIG TRUCK SUPER STORE

45 Fifth Street, Anywhere, IA 78616

Requested On: 12/2018

PROMOTIONAL INQUIRIES

The following companies received your name, address and other limited information about your credit history, so they could make a firm offer of credit or insurance. They did not receive your full credit report. These are not seen by anyone but you and do not affect your credit scores.

SMALLTOWN BANK

400 Hillside Road, Little City, IA 81742

Requested On: 12/2018

SUPERFAST LOAN CENTER

23000 Long Road, New City, IA 19832

Requested On: 12/2018

ACCOUNT REVIEW INQUIRIES

The companies listed below obtained information from your consumer report for the purpose of an account review of business transaction. These are not seen by anyone but you and do not affect your credit scores.

BANK OF IOWA

2314 Main Street, Metropolis, IA 49876

Requested On: 11/2018

KEY ACTIVITY: READING A CREDIT REPORT

1. Who does this credit report belong to?

.....

2. Where does the person live?

.....

3. How many places has the person lived?

.....

4. Has the person had a bankruptcy?

.....

**5. Does the person have an account in collections? What company was the original creditor?
Why is the amount he owes larger than the amount he originally owed?**

.....

6. How many credit accounts does this person have open?

.....

7. What is the balance on each account?

.....

8. How many accounts are currently late? How late are they?

9. Look at the account in collections. Find the entry from the original creditor in the “Account Information” section. What error do you see?

10. How would you describe this person’s financial reputation?

11. Would you extend more credit to this person? Why or why not?

Key to Your Financial Future: Order and Review Your Credit Reports

Be sure to get your report from each of the three credit reporting agencies every 12 months.

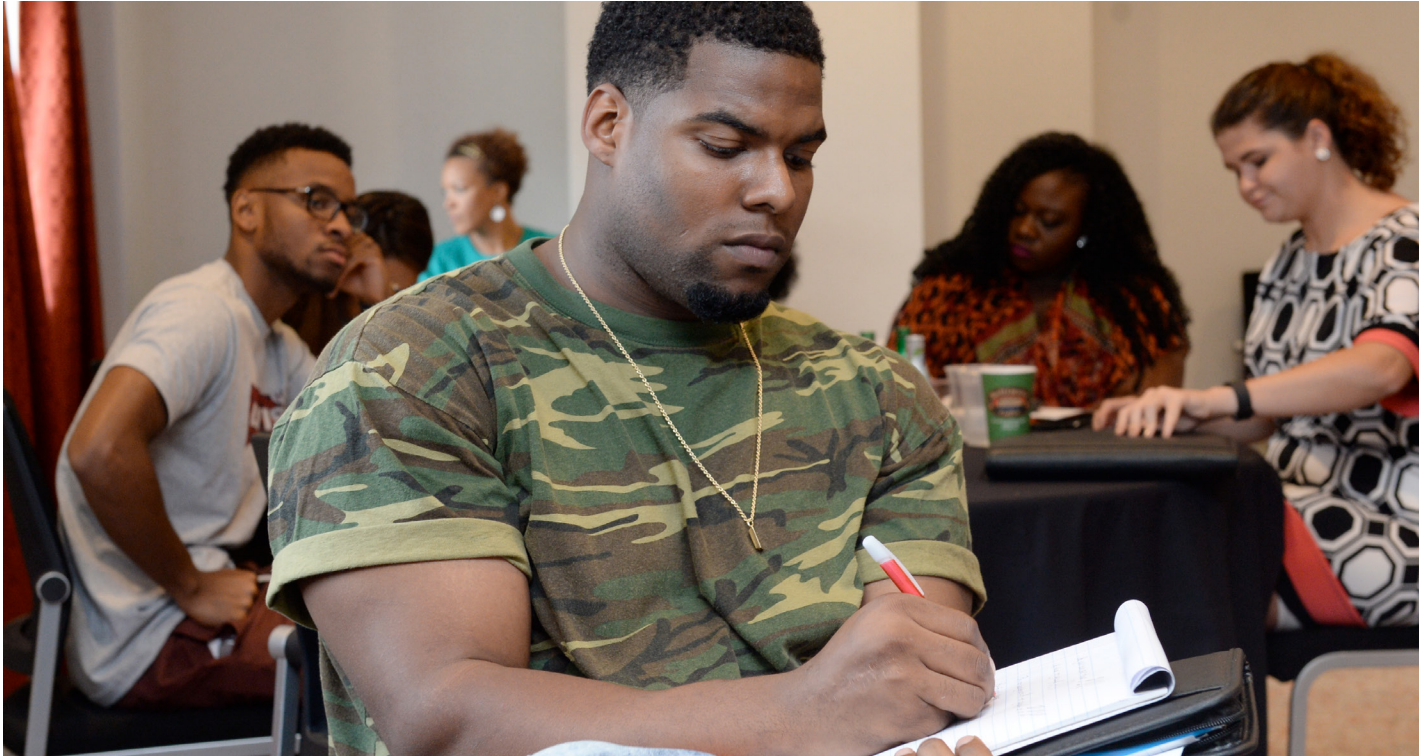
Go to www.annualcreditreport.com to get started.

EQUIFAX	EXPERIAN	TRANSUNION
Date credit report accessed and printed:	Date credit report accessed and printed:	Date credit report accessed and printed:

BE SURE TO KEEP YOUR CREDIT REPORT IN A SAFE AND SECURE PLACE. THIS DOCUMENT HAS A LOT OF PERSONAL INFORMATION. IF YOU DO NOT HAVE A SAFE AND SECURE PLACE TO KEEP IT, REVIEW IT AND SHRED IT, OR GET SOME HELP.

Use this form to check your credit reports. Keep this form with your credit reports. Also, be sure to keep any correspondence about the credit report such as dispute letters. If you do find mistakes, highlight them using a highlighter on your actual credit report.

	EQUIFAX	EXPERIAN	TRANSUNION
Date You Reviewed Your Report			
Is your name correct? (Check aliases they may have listed for you, too.)	YES NO	YES NO	YES NO
Is your Social Security number correct?	YES NO	YES NO	YES NO
Is your address correct?	YES NO	YES NO	YES NO
Are your previous addresses correct?	YES NO	YES NO	YES NO
Is there anything listed in the public records section? If yes, is this information correct?	YES NO	YES NO	YES NO
Do you have anything listed in the collections section? If yes, is this correct?	YES NO	YES NO	YES NO
If something is listed in the collections section, has it been noted as closed or charged off in the accounts section?	YES NO	YES NO	YES NO
Review each entry in the accounts section. Do they all belong to you?	YES NO	YES NO	YES NO
Check the account name, account number, loan amount and current balance. Are these correct?	YES NO	YES NO	YES NO
Check payment patterns. Are there payments outstanding? Are there payments marked as late? If yes, are these correct?	YES NO	YES NO	YES NO
If you answered “no” to any of the questions, you may need to file a dispute. Do you need to file a dispute?	YES NO	YES NO	YES NO



What Should You Do if There Are Mistakes?

If you find mistakes on any of your credit reports, you should get the mistakes corrected. This is called filing a dispute. Each credit reporting agency has an online form you can complete. You can also write a letter explaining the error. If you have evidence, you can include copies of this evidence with the letter. **NEVER SEND ORIGINAL DOCUMENTS — SEND ONLY COPIES.**

KEY ACTIVITY

Jadarius Disputes an Error (optional)

Jadarius is 22 years old. He aged out of foster care at 18. He wants to open a business after completing his associate degree, but he needs financing. He also wants to own his own home one day. He's struggled a bit financially. When only 19, he filed for bankruptcy and currently has an account in collections. But, he is focused on getting his credit on track.

He ordered his credit report and noticed two mistakes. The first mistake was late payments on his credit card from Bank of Iowa. These payments were made on time. Since he pays that

bill online, he contacted his bank. The bank provided him with a confirmation number of the payments marked late on the credit report.

He ordered his credit report and noticed two mistakes.

The second mistake was that SaveMart Electronics had charged off his account and sold it to a collection agency, but it was still showing a \$1,500 balance. The collection agency was also showing this balance. It looked like he owed \$3,000, not \$1,500.

With this information, he wrote the following letter to the credit reporting agency.

Jadarius Jackson
765 Rose Avenue, Apt. C
Anywhere, IA 78617

Your name and address

May 31, 2019

Date you write and send the letter

TransUnion
PO Box 1000
Chester, PA 19022

Name and address of the credit reporting agency that made the mistake you are disputing

Dear Sir or Madam:

I am writing to dispute the following information in my file. I have highlighted the items I dispute on the attached copy of the report I ordered online 04/30/19.

Date you ordered the credit report with the incorrect information

The information indicating I made late payments to Bank of Iowa on account 230234823481Y is incorrect. In December 2018 and January 2019, these payments are marked late. These payments were made on time. Please see the attached information from my bank indicating when the payments were made using online bill payment.

Description of evidence being provided

Also, SaveMart Electronics is showing a balance of \$1,500. This account was charged off and sold to Results Collection (account number Y12345), which is also showing a balance of \$1,500. The SaveMart Electronics balance should be \$0.

A complete description of the mistakes

I am requesting these items be adjusted to correct the information. Please investigate this matter and correct the disputed items as soon as possible.

Sincerely,
Jadarius Jackson
555-123-4567

Your name and signature

Enclosures: Confirmation of payment from Bank of Peoria

List of evidence you're including

KEY ACTIVITY: JADARIUS DISPUTES AN ERROR

What is Jadarius disputing?

What evidence did he provide?

How do you think this dispute will affect his credit history?

Once you mail your letter to the credit reporting agency, they have 30 days to investigate your dispute unless it was filed through www.annualcreditreport.com. Then they have 45 days.

Once the investigation is complete, the following will occur:

- + The **creditor** who provided the misinformation must notify all the credit reporting agencies.
- + The credit reporting agency must send you the results in writing as well as a free copy of your credit report if the dispute results in a change.

If the investigation does not resolve your dispute, you can ask that a statement of dispute be included in your file and on future reports.

In addition to writing to the credit reporting agency, send a dispute letter directly to the creditor (information furnisher) that provided the misinformation.

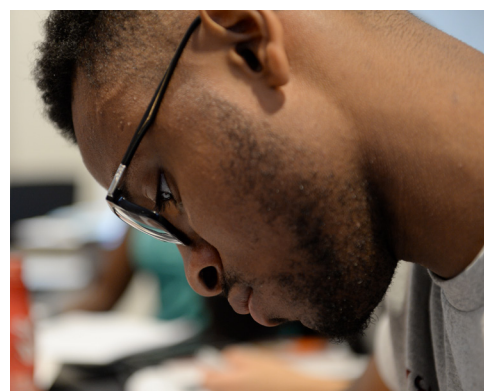
Send copies of evidence. The creditor must provide notice of the dispute to the credit reporting agency to which it reported the misinformation. If it finds you are correct, the information furnisher may never again report this information.

Key to Your Financial Future: Disputing Errors on Your Credit Report

If you have errors on your credit report, use this checklist and the example letter Jadarius wrote to dispute them. Be sure to replace your information everywhere sections of Jadarius's letter are underlined.

Correcting mistakes may improve your credit history.

STATUS	TASK
	Write a letter to the credit reporting agency that sent you the report.
	Provide the account number for the item you feel is not accurate.
	For each item, explain concisely why you believe it is not accurate.
	If you can, include copies of bills or statements that show you have paid them on time. Send copies only. NEVER SEND ORIGINAL DOCUMENTS.
	Provide your address and telephone number on the letter so the credit reporting agency can contact you for more information if necessary.
	Make a copy of your letter before you send it to the credit reporting agency.
	Send the letter and copies of evidence certified mail, return receipt requested. You will be notified when the credit reporting agency receives your dispute letter. They have 30 days to investigate.
	Send a letter to the creditor or information furnisher who has misreported the information to the credit reporting agency.
	If you can, include copies of bills or statements that show you have paid them on time. Send copies only. NEVER SEND ORIGINAL DOCUMENTS.
	Send the letter and copies of evidence certified mail, return receipt requested. You will be notified when the creditor receives your dispute letter.
	Attach all correspondence related to this dispute to this checklist and keep it in a safe place.



WHAT IS A CREDIT SCORE?

A credit score is a number that summarizes information from your credit reports. A special mathematical formula is used to come up with the number.

If you have a high number for your credit score, lenders and creditors are more likely to believe that you will pay back what you owe on time and as agreed. If you have a low number, lenders and creditors are more likely to believe that you may not pay back what you owe on time or as agreed.

After all of the information on credit reports, you may be wondering why this information matters to you.

Creditors and lenders use scores to decide:

- if they are going to give you credit;
- how much credit they are going to give you — the amount of the loan or credit limit; and
- how much they are going to charge you for the credit — the interest rate and fees.

If you have a lower credit score, creditors may still give you credit. Your interest rate and fees may be higher. And in some situations, MUCH HIGHER.

While the lending industry has been the biggest user of credit scoring, other businesses use credit scores. They use credit scores as a “short cut” to making decisions. So, who else uses credit scores?

- + **Insurance providers.** In general, lower credit scores result in higher rates for coverage or even possibly denial of coverage.
- + **Property owners and landlords.** Often, the lower the credit score, the higher the deposit. Or, you may not be eligible for the apartment at all.
- + **Utility companies.** Utility companies that require consumer deposits are using credit scores to help determine deposit levels. The lower the credit score, the higher the deposit.
- + **Cell phone and other service providers.** The lower your scores, the more limited your options for service and the more these services will cost.

Credit scores are made by companies that collect and sell data and information about consumers. The most widely used credit scores are the ones produced by Fair Isaac Corporation. Fair Isaac Corporation makes and sells the FICO scores.

FICO scores range from 300 to 850. People with FICO scores between 720 and 850 have the very best credit scores. They will get the lowest rates for credit and loans. The cost of credit can be very different depending on your FICO score range.



WHO MAKES CREDIT SCORES?

Fair Isaac Corporation (FICO) scores are used 80 percent to 90 percent of the time to make decisions about consumers. There are other companies that make and sell credit scores.

Equifax, Experian and TransUnion developed the VantageScore together.

The three credit reporting agencies have their own credit scores, too. These are marketed directly to consumers.

With FICO, VantageScore and credit reporting agency scores, there are many different models available. For example, FICO has approximately 50 different scoring models according to a 2012 study by the Consumer Financial Protection Bureau.

THIS EXAMPLE IS BASED ON A 60-MONTH NEW CAR LOAN OF \$36,270.

(This is the national average cost of a new car as of January 2018 according to Kelley Blue Book.)

Loan Savings Calculator
Interest Rates as of 2/27/2019

step ONE
Select the type of loan

60-month new auto ▼

step TWO
Select the state you live in

National ▼

A 60-month loan for a new automobile in which the interest rate does not change during the entire term of the loan.

step THREE
Enter the loan principal amount

\$ 36270

FICO Score	APR	Monthly Payment	Total Interest Paid
720-850	4.553 %	\$677	\$4,353
690-719	5.896 %	\$699	\$5,697
660-689	8.201 %	\$739	\$8,065
620-659	11.311 %	\$794	\$11,384
590-619	16.01 %	\$882	\$16,663
500-589	17.186 %	\$905	\$18,032

THIS EXAMPLE IS BASED ON A 30-YEAR MORTGAGE OF \$210,000. A mortgage is a loan for a home.

(Approximately \$210,000 is the national average mortgage according to The Balance based on the 2017 National Profile of Homebuyers and Sellers.)

Loan Savings Calculator
Interest Rates as of 2/27/2019

step ONE
Select the type of loan

30-Year Fixed ▼

step TWO
Select the state you live in

National ▼

A 30-year loan in which the interest rate does not change during the entire term of the loan.

step THREE
Enter the loan principal amount

\$ 210000

FICO Score	APR	Monthly Payment	Total Interest Paid
760-850	4.051 %	\$1,009	\$153,152
700-759	4.273 %	\$1,036	\$162,925
680-699	4.45 %	\$1,058	\$170,811
660-679	4.664 %	\$1,085	\$180,456
640-659	5.094 %	\$1,139	\$200,191
620-639	5.64 %	\$1,211	\$225,912

KEY ACTIVITY

What Makes Your Credit Score Go Up or Down?

Complete the exercise to see what makes your credit score go up or go down. Figure out your ending credit score.

YOUR STARTING CREDIT SCORE		750
What Did You Do?	Does Your Score Go Up or Down? By How Much?	What Is Your New Credit Score?
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		
YOUR ENDING CREDIT SCORE		

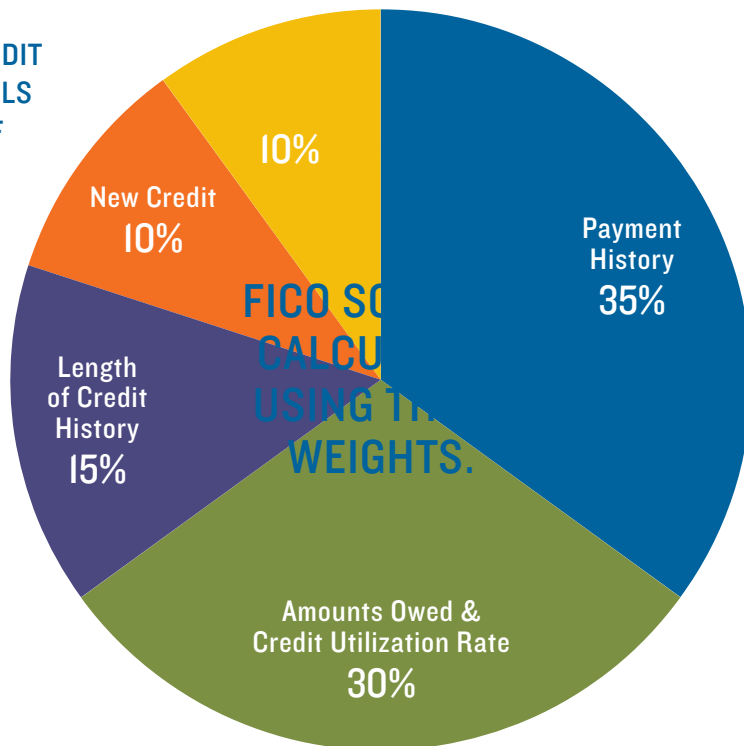
Example based on information from the Consumer Federation of America and Fair Isaac Corporation.

What's in Your Score?

Most credit scoring models include information about:

- + how you have handled your accounts, including your repayment history — if you paid on time and in full;
- + whether you are paying down balances on loans and other credit consistently;
- + the rate at which you are using credit versus the amount of credit you have available — the **credit utilization rate**;
- + how many different kinds of credit you have (revolving versus installment loans, secured versus unsecured loans); and
- + length of credit history.

DIFFERENT CREDIT SCORING MODELS WEIGH EACH OF THESE ITEMS DIFFERENTLY.



Building Your Credit Score

You may have noticed your scores drop quickly, but they take longer to rebuild. Your score drops when you don't do what you promised — make credit card or loan payments in full and on time or pay your other bills on time. Or do something creditors consider risky — use too much of your credit limit or apply for too much new credit.

When you don't do what you promised or do something "risky," creditors trust you less. Rebuilding your credit and creditors' trust takes time. They want to be sure you are able to handle more credit or other financial responsibilities. A track record of paying your credit cards, loans and bills on time and avoiding risky credit behavior is what they use to make decisions about trust.



CREDIT UTILIZATION RATE

One thing that can make your credit score drop is using too much of the credit you have available. This is especially true with credit cards.

If you have a credit card, you should never use more than 30 percent of the credit limit at any time during the billing cycle.

Figuring out your credit utilization rate is easy. Take the amount you have charged and divide it by your credit limit. As long as it is below 0.3, or 30 percent, your credit score is not likely to be affected.

KEY ACTIVITY

Know the 30% Limit

Calculate the maximum you should ever charge on these credit cards given their credit limits.

Credit Limit	Max Amount to Charge to Credit Card
\$250	
\$500	
\$1,000	

REPAIRING AND IMPROVING CREDIT HISTORY

If you have problems on your credit reports, you may decide to fix them. If you do not fix them, you may not be able to get credit. Or, the credit you can get will be very expensive. Remember, a positive credit history is a **productive asset** — something that can help you get other assets such as a car, an apartment or a loan. Here are some steps to take in **repairing and improving your credit**. Check them off as you complete them.

Get and review your credit reports. Be sure to order and review your reports from Equifax, Experian and TransUnion. You can do this all at once or order one of them every four months. Use [annualcreditreport.com](https://www.annualcreditreport.com) to get your free reports. Get help in reviewing your credit report if you have never done it before.

Identify any mistakes. Take immediate action to correct those mistakes. You may send a letter, call the credit reporting agency or use the online dispute system at each of the credit reporting agency websites.

If you have any payments that are late, get current. And make sure you stay current.

Confirm anything listed in the public records or collections sections belongs to you. Not all collections records are accurate. Make sure the original account (in the accounts section of the credit report) is showing a balance of zero.

If you have any outstanding judgments or collection accounts you want to pay, use your budget to find ways to pay those off.

Be aware of your rights with debt collectors. Understand the length of time creditors have to sue you for the money you owe. Sometimes your actions can extend the amount of time they legally have to sue you.

Contact creditors that you did not pay in the past using the information on your credit report.

Sometimes this means contacting a collection agency. See if the company will work with you. They may set up a payment plan with you and help you get back on track. If they set up a payment plan with you, get the agreement to this payment plan in writing from them. Be sure to check the statute of limitations on the debt. Contacting a creditor or debt collector can extend or restart the amount of time a debt can be legally collected.

Once you have paid off an old debt or something in collections, order a credit report. Check to make sure the payments you made are on the report.

If you have balances on credit cards, use the following list to help prioritize those to pay down first.

- Where you have used 30 percent or more of your available credit.
- Highest rates of interest — these are costing you more.

Call your creditors to try to negotiate a lower rate if:

- you have paid them regularly; or
- you have seen a lower rate advertised by them for new customers.

Send a letter to the card issuer asking them to close those accounts you no longer use or want to remain open. Make sure you say **effective immediately** and cut up the card. Inactive credit accounts run the risk of being closed *by the credit card issuer* — it looks better on your credit history if the account is closed at your request rather than vice versa.

Use a credit-building strategy. This strategy has its own checklist on page 27.

KEY RESOURCE

STATUTE OF LIMITATIONS

How long a debt can be collected is based on state law. **Find out the statute of limitations in your state.** Note that “promissory” generally means an installment loan like for a car or home. “Open” is for revolving credit like a credit card.

Statute of limitations in my state for promissory note debt: _____ years

Statute of limitations in my state for open debt: _____ years

AVOID ANY BUSINESS OR ANY PERSON THAT CLAIMS THEY CAN FIX YOUR CREDIT. IT IS NOT TRUE.

No one can remove negative information from your credit report if the information is accurate. Only you can improve your credit history and your reputation with creditors through building credit and making regular monthly payments.

BUILDING A CREDIT HISTORY

Building your credit is different from repairing your credit. Building your credit is about using specific products to create a positive credit history. Check off those you plan to explore.

Get your credit report.

This is the same first step if you are repairing your credit, too. You may not have a credit report especially if you are not yet 18. And, even if you haven't used credit, you could have credit reports or scores — if you missed cell phone plan payments, have not paid medical bills, missed rental payments or have been the victim of identity theft.

Follow the steps to maintaining a positive credit history.

Remember that the key to building a credit history is to start with just one account. Use the account to buy a few things that you can afford. Then pay it back each month, on time. Pay at least the minimum balance, if not more.

Get a secured credit card.

This is a credit card that is secured with money. Your money! The money is put in an account that is dedicated to pay the debts on the card if you do not. There is little risk for the bank or credit union here. They have your money as security to cover the debt. And, you get the chance to show that you can pay on time.

- Usually, these credit cards have low credit limits, so **you must be very careful to only use 30 percent of the available credit limit to prevent your credit scores from dropping.** If you use more than 30 percent of your credit limit, you run the risk of lowering your credit scores.

Get a credit-building loan.

Many banks and credit unions offer credit-building loans. You will usually need to deposit the amount of money you want to borrow in an account to get this kind of loan. This deposit is security for the bank. Sometimes, banks or credit unions will allow you to deposit the loan into an account and actually use the deposit to pay back the loan. **BE SURE THE BANK OR CREDIT UNION REPORTS TO A CREDIT REPORTING AGENCY.** Otherwise, your efforts will not factor into your credit reports or scores. Be sure to compare interest rates and fees for these loans at two or three banks or credit unions.

Become an authorized user.

If someone you know has good credit, they can name you an authorized user. The credit history related to this account will go on your credit report, too — both positive and negative information.

Get a department store charge card.

Many department stores have credit cards you can use when you shop at their stores. The credit limit is generally lower and the interest rate higher than credit cards. Be sure not to open too many of these accounts. Remember, too much new credit can make your score drop.

Keep records to make your own credit history.

You can create an alternative credit history. You document your history of payment on utilities, phone bills, child care, child support and other regular bills you pay. This can serve as alternative proof of your payment behavior and help you qualify for some credit products or other services.



MAINTAINING A POSITIVE CREDIT HISTORY

There are no secrets to maintaining a positive credit history or good credit scores. Here is a checklist:

Review your credit reports every year.

Be sure to print out or order your report from all three credit reporting agencies — Equifax, Experian and TransUnion. Use the tools provided in this key to review your credit reports.

Correct any errors.

No one will do this for you once you are 18. It is your responsibility to make sure the information in your credit reports — all three of them — is accurate.

Pay all of your bills on time and in full every month.

If you are going to be late with any bill, contact your creditor immediately.

They may be willing to work with you — let you make two small payments within a billing cycle or interest only for one month.

Keep paying down any debt balances.

If possible, diversify your credit.

Have a credit card and a credit-building loan. This shows you can handle both kinds of credit — revolving credit and installment credit.

Never use more than 30 percent of your credit limit.

Avoid applying for too many credit cards at one time.

Every inquiry is reported on your credit report. It can appear as if you are looking for quick money.

Pay child support and taxes.

If you don't, this may appear in the public records section of your credit reports. Nonpayment of child support and taxes could also lead to wage or account garnishment. This means the government will take the money from your wages or bank account. They will present your employer or bank with an order that allows them to do this.

Keep strong financial records.

Financial records give you proof of payment. If you use online or mobile payment systems, checks, debit cards, prepaid cards or credit cards to pay bills, you will have a record. If you use cash or money orders, you will have to collect and store receipts.



WHERE CAN YOU GET HELP?

There are many reputable businesses and organizations that can help you get and read your credit reports.

Key to Your Financial Future: Getting Help With Your Credit History

Use the following list to identify local resources you can use if you need help getting and understanding your credit reports and scores.

Business or Organization Type	Local Resource Contact Information
Child welfare staff	
Financial education nonprofit	
Nonprofit consumer credit counseling agency	
Bank or credit union	
HUD-approved housing counseling agency	
Other:	



AVOID ANY BUSINESS OR INDIVIDUAL THAT:

Promises to fix your credit for you — no one can remove accurate information from your credit report.

Demands a fee up front to repair your credit.

Offers to create a new identity for you. This is illegal.

Offers to sell you the opportunity to become an authorized user on the account of someone you do not know. This is called piggy-backing.

Offers to sell you a debt consolidation loan to fix your credit. With debt consolidation loans, you use the new loan to pay off your other debt. If you want to consider debt consolidation, work with a reputable bank or credit union.

Offers to settle your debts for you for a fee. Make arrangements with your creditors to pay only part of the money you owe. You can do this on your own. And there are downsides — debt settlement is a negative entry on your credit reports, and you may owe income tax on the portion of the debt you do not pay.

THESE BUSINESSES OR INDIVIDUALS ARE PROVIDING A HIGH COST SERVICE YOU CAN DO YOURSELF, OR THEY ARE SCAMS.

WRAP UP:

Understanding Credit History to Open the Door to Housing, Jobs and More

Congratulations on finishing this section of *Keys to Your Financial Future*.

Let's check what you learned:

1. What makes up your credit history? (select all that apply)

- a. Your financial reputation
- b. Your credit scores
- c. Your credit reports
- d. Your income
- e. What people say about you

2. Positive credit reports and high credit scores are productive assets.

True False

3. You have to pay for every credit report you get.

True False

4. You have the right to a free credit report every 12 months from each of the three nationwide credit reporting agencies.

True False

5. Having a positive credit history can help you (select all that apply):

- a. Get credit
- b. Pay less for credit
- c. Get employment
- d. Access utilities
- e. Qualify for apartments
- f. Select the most cost-effective cell phone plan
- g. Qualify for insurance

6. Using more than 30 percent of your available credit on credit cards can make your credit scores go down.

True False

7. What are two ways to build credit?

- a. Get a credit-building loan
- b. Earn more income
- c. Increase your savings
- d. Use a debit card for all of your purchases
- e. Get and use a secured credit card

8. Which action has the most effect on your credit scores?

- a. Paying your bills on time as agreed
- b. Using direct deposit for your paycheck
- c. Renting an apartment
- d. Increasing your savings
- e. Doing nothing

Key Information From This Section

YOU HAVE A FINANCIAL REPUTATION. If you don't like it, take steps to change it.

YOUR CREDIT HISTORY includes your credit reports and credit scores.

YOU CAN ORDER YOUR CREDIT REPORTS every 12 months from each of the three nationwide credit reporting agencies for free. Use [annualcreditreport.com](https://www.annualcreditreport.com) and watch out for imposter websites. If you are not yet 18, work with each credit reporting agency to determine if you have a credit file. Generally, you shouldn't.

REVIEW YOUR REPORT. If you find errors, dispute them. This can improve your credit history.

YOUR CREDIT SCORE is calculated using information on your credit reports. Focus your energy on getting, reviewing and improving information in your credit reports. Your scores will follow.

YOU CAN GET HELP in your community, but watch out for scams. Only time and effort from you can fix accurate negative information in your credit history.



ABOUT THE ANNIE E. CASEY FOUNDATION

The Annie E. Casey Foundation is a private philanthropy that creates a brighter future for the nation's children by developing solutions to strengthen families, build paths to economic opportunity and transform struggling communities into safer and healthier places to live, work and grow.

For more information, visit www.aecf.org.

ABOUT THE JIM CASEY YOUTH OPPORTUNITIES INITIATIVE

A unit of the Casey Foundation, the Jim Casey Youth Opportunities Initiative® works to improve outcomes for all young people in the United States ages 14 to 26 who have spent at least one day in foster care after their 14th birthday — a population of nearly 1 million.

Working with 17 sites across the country, the Jim Casey Initiative influences policy and practices to improve outcomes for teenagers and young adults who have experienced foster care as they transition to adulthood.