



MODULE 6

Building Your Credit History



MONEY SMART
FOR YOUNG ADULTS



Pre-Training Survey

See page 43 in your participant guide.

Pre-Training Survey

Your instructor may ask you to complete this pre-training survey.

Please answer these questions:

1. Which of the following can review your credit reports and scores to make decisions about you?
 - a. Landlords
 - b. Financial institutions
 - c. Cell phone companies
 - d. Employers (in some states)
 - e. All of the above and others

2. You can improve your credit reports, but your credit scores will always stay the same.

True False

SECTION 1

Credit Reports

See page 2 in your participant guide.



SECTION 1

Key Takeaway

Your credit history can affect your access to credit, loans, jobs, housing, insurance, and other important services.



What Is a Credit Report?



Document that contains your credit history, your track record of paying your debts

Who Has Credit Reports?

- **People who have taken financial actions included on credit reports**
- **Generally, people under age 18 do not have credit reports, except:**
 - **Authorized users on others' credit card accounts**
 - **Student loan borrowers**
 - **Victims of identity theft or fraud**
- **Foster care agencies help foster youth check credit reports and address issues**

Try It
Is This on a Credit Report?

See page 3 in your participant guide.

 **TRY IT:**

Is This on a Credit Report?

Check the correct answers during the group exercise.

Item	Is it included?		Notes
	Yes	No	
Your name	<input type="checkbox"/>	<input type="checkbox"/>	
Arrests and convictions	<input type="checkbox"/>	<input type="checkbox"/>	

What Is Listed on a Credit Report?

- ▶ **Identifying information**
- ▶ **Debts and some bills**
- ▶ **Public record information**
- ▶ **Applications for new credit and other “inquiries”**

Nationwide Credit Reporting Agencies

- ▶ Equifax
- ▶ Experian
- ▶ TransUnion



What Is A Credit Score?



- ▶ **A number based on information on credit reports**
- ▶ **Predicts payment of bills and debts as agreed**

People with higher credit scores tend to present less risk to creditors

Who Uses Credit Reports and Scores?

- **Financial institutions**
- **Some landlords**
- **Some utility companies**
- **Some cell phone companies**
- **Insurance companies (in some states)**
- **Employers (in some states)**
- **Some state agencies or affiliated organizations**

Risk-Based Pricing

- **Credit reports and scores may be used as one factor in risk-based pricing**
- **Lenders set interest rates and other terms based on estimated risks**
 - **Must tell you if they used your credit reports or credit scores to deny your application or offer you less favorable terms**
 - ✓ Adverse action notices
 - ✓ Risk-based pricing notices

Having No Credit Reports or Scores

- **“Credit invisible”**
- **May result in having a harder time:**
 - **Getting credit or a loan**
 - **Renting an apartment**
 - **Getting a favorable cell phone plan**
 - **Obtaining some jobs**
 - **Turning on utilities without paying a large deposit**

Try It

Do Credit Reports Matter?

See page 5 in your participant guide.

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 credit reports did not matter. She did not plan to get a credit card or a loan. She used cash for everything.

Yardley recently moved and needed to find an apartment. Even though she promised to pay her rent



Remember the key takeaway

“Your credit history can affect your access to credit, loans, jobs, housing, insurance, and other important services.”



SECTION 2

Credit Scores

See page 6 in your participant guide.



SECTION 2

Key Takeaway

You can take steps to maintain and improve your credit scores. This includes paying your bills on time.



The Basics of Credit Scoring



- **Number calculated from information on credit reports**
- **Generally, the better your credit history, the higher your credit score.**
- **Predicts likelihood of paying credit obligations on time and as agreed**
- **Two significant factors affect credit scores:**
 1. Whether debts repaid on time and as agreed
 2. Credit utilization rate

More Basics of Credit Scoring

Multiple producers of credit scores



FICO®
(Fair Isaac Corporation)

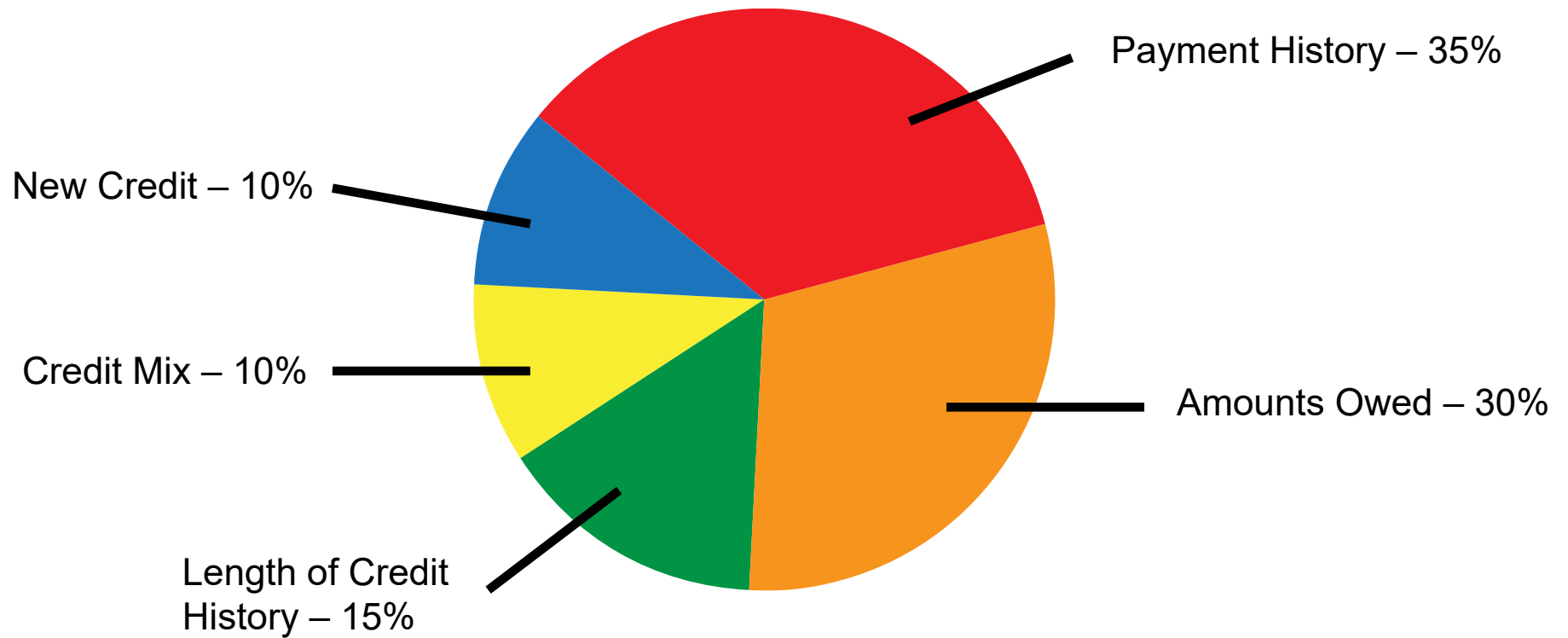


VantageScore®



And Others

Five Factors in General FICO® Model



Order Your Credit Scores



- ▶ **May not be the ones used**
- ▶ **If turned down for credit, you have the right to see the exact score used**
- ▶ **Make sure your credit scores reflect your credit history**
 - Get and review your credit reports and dispute errors

Try It

What Makes Credit Scores Go Up and Down?

See page 7 in your participant guide.

TRY IT:

What Makes Credit Scores Go Up and Down?

Read the scenario and then answer the questions.

SCENARIO:

Alex Learns About Credit Scores

Alex needs a new truck. Seven years ago, he paid cash and got a great deal on a 9-year old used truck. But now the truck is 16 years old and he needs something more reliable for his commute to work and school. It's breaking down too often.

He finds the perfect truck, but the dealer will only offer



What Is A Good Credit Score?

Note: This is an example based on FICO®

	Exceptional	800 – 850
	Very Good	740 – 799
	Good	670 – 739
	Fair	580 – 669
	Poor	300 – 579

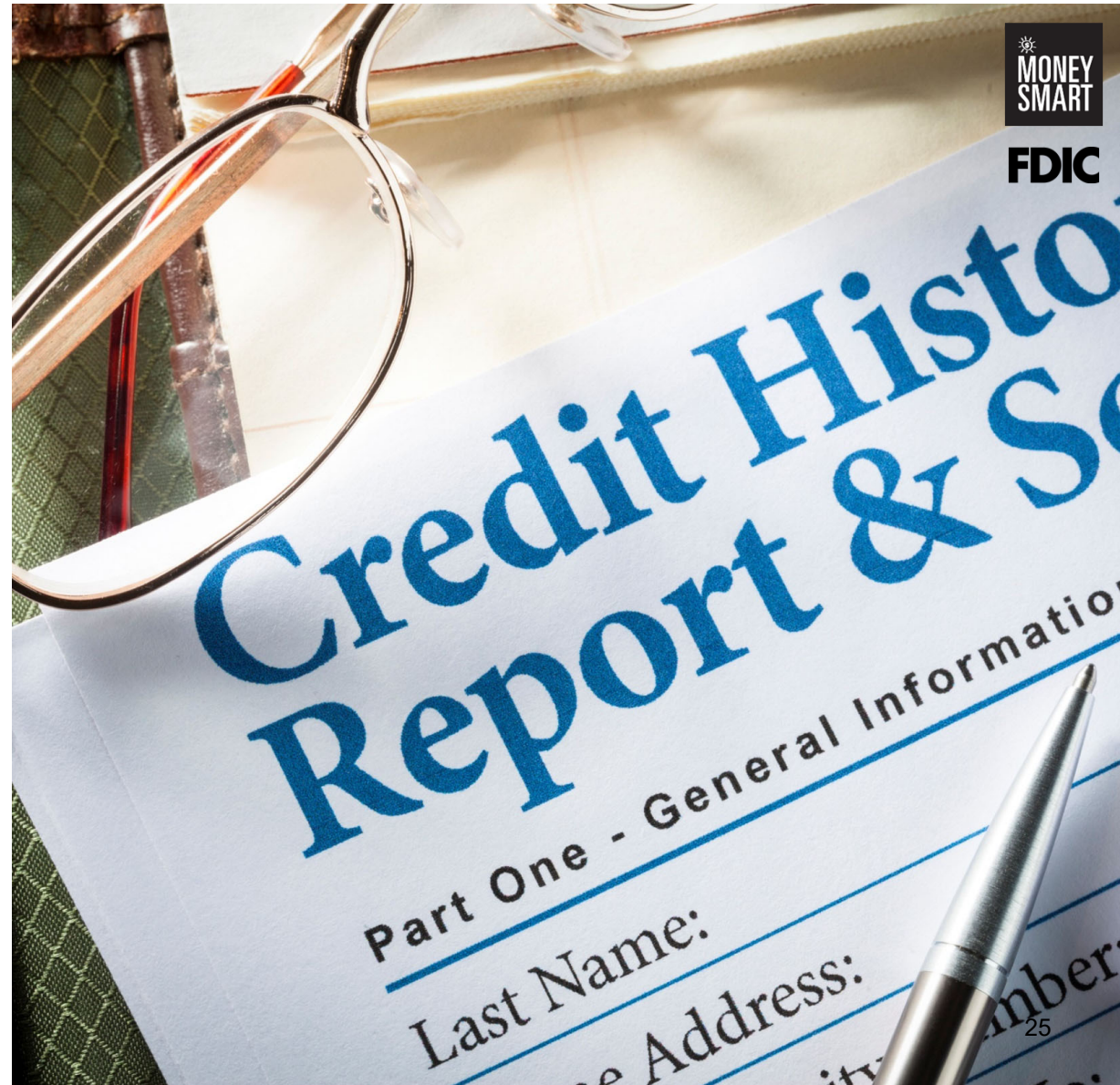
Remember the key takeaway

“ You can take steps to maintain and improve your credit scores. This includes paying your bills on time.”



SECTION 3
Getting and
Understanding
Your Credit
Reports and
Scores

See page 11 in your participant guide.



SECTION 3

Key Takeaway

Get and review your credit reports at least once every 12 months to make sure the information is accurate.



What Is a Productive Credit History?



Right to Free Credit Reports

- **One free credit report every 12 months from each nationwide credit reporting agency**
 - Equifax, Experian, and TransUnion
- **Annualcreditreport.com fills orders for free credit reports**

Watch Out for Imposters

- **Others advertising free credit reports, credit scores, or credit monitoring are not part of the legally mandated free annual credit report program**
- **Often, “free” services convert to ones you have to pay for after the trial period**
- **Go directly to annualcreditreport.com**

Apply It

Getting My Credit Reports

See page 12 in your participant guide.

✓ APPLY IT:

Getting My Credit Reports

Use this information to order your credit reports.

You can order the free credit reports you are entitled to by law from the three nationwide credit reporting agencies either online, by mail, or by phone.

There are also “specialty” consumer reporting agencies that track, for example, a person’s history of handling a checking account. For information, visit consumerfinance.gov and search for “list of consumer reporting companies.”

Online Go to annualcreditreport.com. This is the only place authorized to provide the free credit reports you are entitled to every 12 months under the law.

Right to Additional Free Credit Reports

- **Receive public assistance**
- **Are unemployed and looking for a job**
- **Were victim of identity theft or financial fraud**
- **Are provided free credit reports under state law**
- **Are denied credit, service, an apartment, or employment**

What Sections Are in Credit Reports?

- **Personal or identifying information**
- **Public records**
- **Accounts assigned or sold**
- **Credit accounts**
- **Inquiries**

Try It

Reading a Credit Report

See page 16 in your participant guide.

TRY IT:

Reading a Credit Report

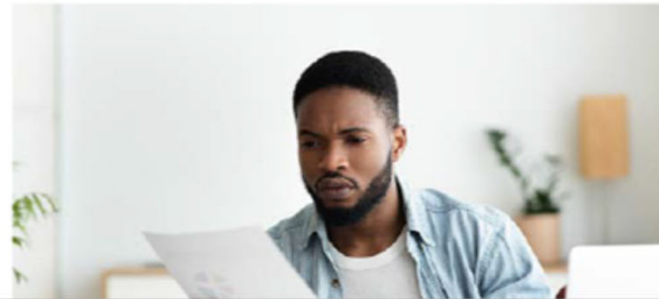
Read the scenario and answer the questions based on Ray's credit report. You can find it after the questions.

SCENARIO:

Ray Reviews His Credit Reports

Ray wants to buy a house. He has money set aside for a down payment.

He attended a homebuyer education class. He knew his credit score is important to getting a mortgage. He didn't realize that his credit reports and scores were connected.



Apply It Reviewing My Credit Reports

See page 19 in your participant guide.

✓ APPLY IT:

Reviewing My Credit Reports

You can use this checklist to review your credit reports. Rows with “no” checked indicate a potential issue, such as inaccurate or outdated information. Section 4 in this module discusses how to dispute errors on your credit reports.

PERSONAL INFORMATION

Yes	No	Item to Check
<input type="checkbox"/>	<input type="checkbox"/>	Name(s) correct?
<input type="checkbox"/>	<input type="checkbox"/>	Address(es) correct?
<input type="checkbox"/>	<input type="checkbox"/>	Social Security number correct?
<input type="checkbox"/>	<input type="checkbox"/>	Date of birth correct?
<input type="checkbox"/>	<input type="checkbox"/>	Phone number(s) correct?

PUBLIC RECORDS

Yes	No	Item to Check
<input type="checkbox"/>	<input type="checkbox"/>	Do you recognize these?
<input type="checkbox"/>	<input type="checkbox"/>	Do the amounts listed as owed seem accurate?
<input type="checkbox"/>	<input type="checkbox"/>	Are Chapter 7 bankruptcies listed 10 years old or newer?

Getting Your Credit Scores



- ▶ **Some nonprofit organizations**
- ▶ **Credit card statements or your financial institution’s website or customer service**
- ▶ **When you have a right to a score**
- ▶ **FICO® at myfico.com**
- ▶ **VantageScore® at vantagescore.com**
- ▶ **Three nationwide credit reporting agencies**

Remember the key takeaway

“ Get and review your credit reports at least once every 12 months to make sure the information is accurate.”



SECTION 4

Disputing Errors on Your Credit Reports

See page 21 in your participant guide.



SECTION 4

Key Takeaway

If you find errors on your credit reports, file a dispute right away. Keep records and follow up.



Errors on Your Credit Reports

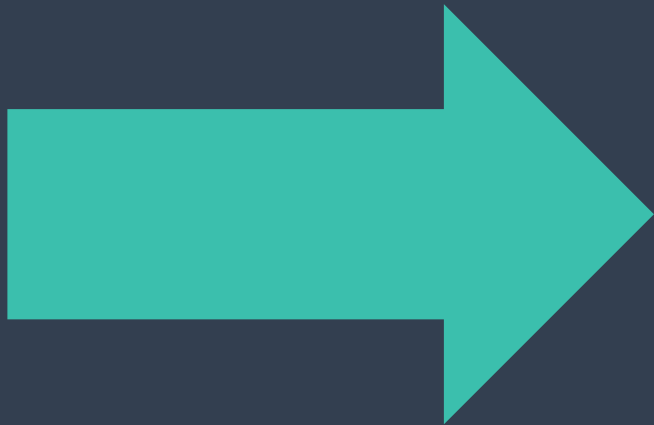
- **Identity errors**
- **Account status errors**
- **Data management errors**
- **Balance errors**
- **Outdated information errors**

Time Limits on Negative Information

- ▶ **Generally can be reported on credit reports for only seven years**
- ▶ **Some bankruptcies are an exception**



No Time Limits



No time limits for negative information when someone applies for:

- 1. A job with yearly salary of \$75,000 or more**
- 2. More than \$150,000 of credit**
- 3. Life insurance with a face value of \$150,000 or more**

The Seven-Year Reporting Period

- ▶ **Can be confusing**
- ▶ **Generally starts 180 days after you stopped paying on the debt**



Seven-Year Reporting Example

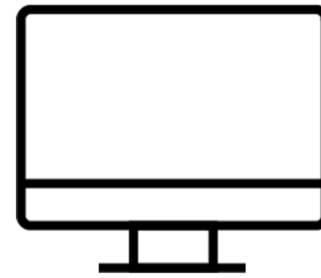
- **August 2025: 30 days late**
- **November 2025: 120 days late and creditor closes account**
- **Delinquency started in August**
- **July 2025 is the month before that**
- **July 2025 + 180 days = January 2026**
- **January 2026 + 7 years = January 2033**
- **January 2033: the last month the debt can be reported**

Medical Debt and Credit Reports

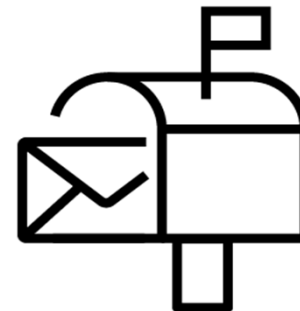
- **Medical debt not on credit reports until 1 year overdue**
- **Provides time to:**
 - **Resolve billing disputes**
 - **Make payments**
 - **Make payment arrangements**
- **Medical debts of less than \$500 do not appear on credit reports**
 - **Paid medical collections debt do not appear on credit reports**

How to Dispute Errors on Your Credit Reports

Option 1: Online



Option 2: By mail



What to Include in Dispute Letters



1. **Your complete name and address**
2. **Clear description of each item you are disputing and reason for each dispute**
3. **A request for correction or removal**

Also Include Supporting Information

- **Send copies—not originals**
- **Receipts**
- **Credit card or account statement**
- **Image of a check**
- **Screenshot of online transaction or automatic bill payment**

After You File a Dispute

- ▶ **Credit reporting agency sends you a letter**
- ▶ **Incorrect information cannot be put back**
 - **Check for it**
- ▶ **You can request notices of corrections to be sent to individuals or businesses that received your report**

Apply It

Disputing Errors on My Credit Reports

See page 23 in your participant guide.

✔ APPLY IT:

Disputing Errors on My Credit Reports

Use this list to help you dispute errors or outdated information on your credit reports. Use the notes section to track what you do and when. Keep this with a copy of the dispute.

WHAT TO DO	NOTES
<p>Get and review your credit reports.</p> <p>Highlight or circle any incorrect or outdated information.</p>	

Remember the key takeaway

“ If you find errors on your credit reports, file a dispute right away. Keep records and follow up.”



SECTION 5
**Build, Repair,
and Maintain a
Productive Credit
History**

See page 27 in your participant guide.



SECTION 5

Key Takeaway

Your credit history does not have to be your credit future.



Create a Productive Credit History



- ▶ **Build your credit**
- ▶ **Build an alternative credit history**
- ▶ **Repair or improve your credit**
- ▶ **Maintain your credit**

Try It

Developing a Productive Credit History

See page 28 in your participant guide.



TRY IT:

Developing a Productive Credit History

Read your group's scenario and answer the questions.

SCENARIO 1:

Selena Needs to Pass a Credit Check

Selena made decisions that led to credit issues she could handle. She has two accounts with late payments, a department store credit card and a credit card with a high interest rate. She has multiple late payments on four of her credit cards. She has used nearly all of the credit on two of the credit cards. She also has a credit card with a high interest rate.

Try It: Developing a Productive Credit History continued

SCENARIO 2:

Max Wants an Apartment

Max wants to get his own apartment. He has a steady income. He has never had to apply for a loan.

His mid-level job in a manufacturing plant provides a steady income. He has a good credit score and has never had a credit problem. He has never had a credit problem.

Max pays all of his bills on time. He has a good credit score. He has never had a credit problem. He has never had a credit problem.

Try It: Developing a Productive Credit History continued

SCENARIO 3:

Vonnie Needs a Car Loan

Vonnie recently earned her GED. She's an assistant manager at a local restaurant. Vonnie hopes to attend college within the next few years. Meanwhile, she wants to buy a car. She hasn't saved enough money yet so she knows she will need a car loan.

She's never borrowed money before. She knows having a credit history is important for getting a car loan.

What should Vonnie focus on first? Choose one.

- Building her credit (See the Apply It on page 31.)
- Creating her alternative credit history (See the Apply It on page 33.)



Repair and Improve Credit



- ▶ **Get and review your credit reports**
- ▶ **Dispute and correct any errors**
- ▶ **Make sure anything in the collections section belongs to you**
- ▶ **Pay all your bills on time and as agreed**
- ▶ **Use as little of your credit limit as possible**
- ▶ **Use a credit-builder strategy**
- ▶ **Keep old accounts open if you can**
- ▶ **Apply for credit only if you need it**
- ▶ **Negotiate different terms**
- ▶ **Ask for a “good will” deletion**

Build Alternative Credit History

Document other payments you regularly make, such as:

- Rent
- Child care/elder care
- Spousal/child support
- Cell phone
- Electric
- Gas
- Water, sewage, and garbage
- Cable/satellite/TV viewing services
- Internet service
- Insurance
- Loan from friend or family member
- Savings

Build Credit

- ▶ **Get a secured credit card**
- ▶ **Get a credit-builder loan**
- ▶ **Become an authorized user on an account**
- ▶ **Get a co-signer**
- ▶ **Apply for a credit card at a store or gas station**
- ▶ **Make a large down payment and negotiate a loan for the balance**



Apply It Building My Credit

See page 31 in your participant guide.

✓ APPLY IT: Building My Credit

BUILDING CREDIT	WHAT IT IS	WHAT TO WATCH OUT FOR
<p>Get a secured credit card</p> <p><input type="checkbox"/> This is an option for me.</p>	<p>To get a secured credit card, you must make a deposit with the financial institution that issues the credit card. Often it is around \$500, which is usually the credit limit. The credit limit is the maximum you can charge on the credit card.</p>	<p>Fees. Secured credit cards often have fees: annual fees, monthly fees, and others. The credit card issuer cannot charge fees that add up to over 25% of the credit limit in the first year. Read the fine print. Make sure the fee structure does not increase after the first 12 months.</p> <p>Credit utilization rate. Keep the amount you charge low compared to your credit limit. Borrowers with large balances in proportion to their credit limits may see their</p>

Apply It

Creating My Alternative Credit History

See page 33 in your participant guide.

✓ APPLY IT:

Creating My Alternative Credit History

Use this worksheet to build an alternative credit history.

Payment or Item	Payment/deposit frequency? Length of payment history? What documentation can I provide?
Rent	
Child care/ elder care	
Spousal/child	

Apply It

Repairing and Improving My Credit

See page 34 in your participant guide.

✔ APPLY IT:

Repairing and Improving My Credit

Use this checklist to explore options for repairing and improving your credit.

- Get and review your credit reports.** Go to annualcreditreport.com for the free credit reports you are entitled to every 12 months from each of the three nationwide credit reporting agencies.
- Dispute and correct any errors.** Look for inaccurate information, information that does not belong to you, and outdated information still being reported.
- Make sure anything in the collections section of your reports belongs to you.** And, if something appears in the collections section, make sure it is not already reported in another section.

Apply It

Maintaining My Productive Credit History

See page 35 in your participant guide.


✔ APPLY IT:

Maintaining My Productive Credit History

Many strategies for maintaining productive credit are the same as those for repairing and improving credit. Use this checklist to keep your credit history productive after you have built, repaired, or improved it.

- Continue to pay your bills on time and as agreed.** This has the greatest impact on both your credit reports and scores. It is the most important strategy for maintaining a productive credit history.
- Continue to pay down your debt balances.** If you are paying your bills on time and as agreed, this is likely already occurring. Make sure it is reflected in the balances on your credit reports.
- Use as little credit as possible compared to your credit limits.** This applies to credit cards and lines of credit. Only use what you need.

Maintain Credit

- **Pay your bills on time and as agreed**
 - **Continue to pay down your debt balances**
 - **Use as little credit as possible compared to your credit limits**
 - **Don't apply for too much credit**
- 
- **Check your credit reports and regularly dispute errors**
 - **Keep good financial records**

Apply It

Getting Help With My Credit

See page 36 in your participant guide.

✓ APPLY IT:

Getting Help With My Credit

You may feel overwhelmed by the steps you need to take to get and review your credit reports and repair and build your credit. If so, you are not alone. You can get help. But be careful, because all help is not the same.

Use this list to get help with your credit.

PROVIDER	WHAT YOU CAN DO	CONTACT INFORMATION
Financial institution	Ask a customer service representative if someone can help you understand information on your credit reports.	

Get Help



- Financial institution
- Nonprofit consumer credit counseling service
- Housing counseling agency approved by Department of Housing and Urban Development (HUD)
- Financial education nonprofit organization
 - Certified financial planners (CFPs)
 - Other

Credit Repair and Debt Consolidation

- **Credit Repair Companies**
 - **Promise to fix your credit for a fee**
- **Debt Consolidation Businesses**
 - **Offer different services**
 - **Often specialize in debt consolidation loans and debt settlement services**



Use Caution

- **Debt consolidation**
 - **Taking out new loan to pay off other debts**
 - **Does not address underlying causes of debt**
- **Debt settlement**
 - **Working with creditors to accept lower payment and settle debt**
 - **Might have to pay income tax on portion that was settled**

Credit Repair Scams



Beware of credit repair companies that:

- ✓ **Promise to erase bad credit or remove other negative, but accurate, information**
- ✓ **Promise fast and easy credit repair**
- ✓ **Offer to create a new identity for you**
- ✓ **Want you to pay upfront**
- ✓ **Will not tell you your rights**

Protecting Your Credit History



- ✓ **Initial fraud alert**
- ✓ **Active duty military alert**
- ✓ **Extended fraud alert**
- ✓ **Credit freeze**
- ✓ **Credit lock**

Remember the key takeaway

“Your credit history does not have to be your credit future.”



Take Action

See page 41 in your participant guide.



After this training, what is one thing you will do?



Who will you tell about your planned action?



What additional information do you need?

Post-Training Survey

See page 44 in your participant guide.

A graphic with the words "THANK YOU!" in a large, bold, teal and black font, with a slight shadow effect.

Post-Training Survey

Your instructor may ask you to complete this post-training survey.

Please answer these questions:

1. Which of the following can review your credit reports and scores to make decisions about you?
 - a. Landlords
 - b. Financial institutions
 - c. Cell phone companies
 - d. Employers (in some states)
 - e. All of the above and others

2. You can improve your credit reports, but your credit scores will always stay the same.

True False