



MODULE 3

Mastering Credit Basics

Key topics covered in this module include:

- Reviewing Your Credit Report
- Understanding Your Credit Score
- Improving Your Credit Score
- Understanding Bankruptcy



Mastering Credit Basics

This module explains how to access and read your credit report and better understand your credit score. In addition, it will share strategies on how to improve your credit score.

Please note that the information in this curriculum is intended to be general advice for individuals. However, not everyone's situation is the same. So, if you need specific advice regarding your particular situation, you should contact a domestic violence advocate, financial advisor or attorney.



Stand up. Speak Out.

National Domestic Violence Hotline: 1-800-799-SAFE (7233)



Story of Survival

Vivian is a domestic violence survivor who has left her abusive partner. She is a low-income, working mother who is on public assistance with considerable debt. She cannot afford childcare or rent. Her 40-hour work week often expands to 50 hours when she adds in time for commuting and running errands. In addition, she cooks, cleans and cares for her family which is a full-time job in itself. Vivian dreams of going to college, but to qualify for financial aid, she is required to take a minimum of 6 credits of coursework. With commuting time and homework, this adds up to about 20 hours a week.

Vivian is uncertain about how to manage the money she earns, the debt she has accumulated and her dreams of going to college. She is considering filing for **bankruptcy**.

Vivian's story is similar to many domestic violence survivors, but there is hope. There are people, programs and organizations willing and ready to help her.

The bright side to this story is that Vivian did seek help and worked with an advocate through her local domestic violence program. (She found her advocate through the National Domestic Violence Hotline).

Vivian and her advocate worked closely together to review her credit report, create strategies to reduce her debt and save money. After much worry and contemplation, Vivian did not file for bankruptcy. She was able to get financial aid to get an advanced degree by using the resources available to her and taking action.

If your situation is similar to Vivian's in any way, read this module to learn how to review and improve your credit, manage your debt and avoid bankruptcy. This curriculum, along with supportive partners in your local community, is designed to help you do just that: gain personal and financial independence.



Reviewing Your Credit Report

Good Credit

Having good credit is important for anyone. It is especially important if you plan to leave an abusive relationship and build your own financial independence. In addition to learning how to read your credit report, this section also addresses the most popular credit report questions.

Why is good credit important?

Good credit allows you to obtain loans and credit cards with the best interest rates. It can also improve your ability to rent an apartment, buy insurance coverage, get a job, obtain a mortgage, etc. Landlords, insurance companies and even some employers can have limited access to your credit report. They can:

- Verify your personal information.
- View your payment history.
- See whether you've been sued or have declared bankruptcy.
- See how often you have recently applied for credit.

Some states have enacted legislation that restricts employers from using credit information for making hiring and other employment related decisions, unless the credit is particularly relevant to the job description.

What is on my credit report?

Your credit report shows whether or not you've paid credit card bills and loans on time. It also shows how much you owe to creditors and whether you have unpaid loans. Remember to review your credit report at least once per year and prior to applying for any new credit accounts.

Does checking your credit report lower your credit score?

It depends. The following credit checks do not affect your scores:

- Checking your score yourself.
- If you are working with an agency and it pulls your credit report for financial education or for credit counseling purposes.
- Credit inquiries that credit card companies or mortgage lenders make in order to send you preapproved offers.

However, some credit checks do affect your credit score. For example, if you apply for a credit card or mortgage, the company will check your credit report. When it does, your credit score will be affected. Applications for new credit affect approximately 10% of your credit score.

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Best practices: Only apply for credit when you need it. Try to limit your applications to no more than two times per year.

Tip: Avoid applying for an unneeded retail credit card, just to save 10% on your purchase.

If you are shopping for a major purchase such as a home or a car, multiple inquiries made in a 14 day period counts as just one inquiry. Therefore, if you are shopping for a mortgage or car loan, apply with various lenders within the same week to protect your credit score and to compare the best rates.

Reviewing Your Credit Report

The first step to mastering credit basics is to access and review your credit report. A credit report provides information about you and your history of paying debts.

Once a year, you can request a free copy of your credit report from each of the three credit reporting agencies (Equifax, Experian and TransUnion). A central website handles requests for the three agencies. You may order your reports online, by phone or by mail.

Be aware that while you can obtain a copy of your **credit report** for free, the free report does not give you your **credit score**. To obtain your credit score, you will have to pay a small fee. It is not always necessary to know your credit score – knowing what’s in your reports is most important. However knowing your credit score is helpful if you are getting ready to apply for a loan or another line of credit.

There are lots of free ways to access a free credit score through several websites. Many credit card companies are now offering free credit scores to their customers, and there are also many

consumer websites available where you can access free credit scores.

These websites can help you monitor progress towards your credit goals and get personalized information about how to improve your credit score. However, keep in mind that you will be required to supply personal information in order to access these websites. These sites may also include advertisements for loans and credit cards. Make sure to find out which credit score you are looking at, and know that it may be a different score than a lender or business may use to qualify you for a loan or service.

Annual Credit Report Request Service is the only source for the free federally legislated annual credit reports. You can contact them directly or work with your local domestic violence advocate to request a copy of your credit report.



Annual Credit Report Request Service

P.O. Box 105281 Atlanta, GA 303485281
1-877-322-8228
<http://www.annualcreditreport.com>

Equifax

1-800-525-6285
www.equifax.com

Experian

1-888-397-3742
www.experian.com

TransUnion

1-800-680-7289
www.transunion.com

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Obtaining a copy of your credit report and monitoring your credit is very important. Your credit score often determines the rate you pay on your credit cards and loans. This includes both mortgage loans and car loans. A mortgage loan is a loan that allows you to purchase a home.

Take a look at the chart below. It shows the interest rates on a \$200,000 house mortgage, to be paid in 30 years. The better the **credit rating**, the lower the rates. For someone with the highest credit rating, the monthly payments would be \$870 per month. But someone with the lowest credit rating would be charged a higher interest rate. At this higher rate, the monthly payment would be \$1,053. That's a difference of \$183 per month!

\$200,000 House Mortgage

Credit	Interest	Monthly
760-850	3.243%	\$870
700-759	3.465%	\$894
680-699	3.642%	\$914
660-679	3.856%	\$938
640-659	4.286%	\$988
620-639	4.832%	\$1,053

The following chart shows the interest rates and payments for a \$20,000 car loan, paid over 60 months. Notice the difference in monthly payments and in the total price of the car.

\$20,000 New Car Loan

Credit Rating	Interest Rate	Monthly Payments	Total Price of
750+	2.69%	\$357	\$21,420
700-749	2.69%	\$357	\$21,420
650-699	3.19%	\$361	\$21,660
600-649	5.79%	\$385	\$23,100
below 599	8.09%	\$406	\$24,360

The best way to learn about a credit report is to look at an example.

See page 70 for a sample credit report.



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Understanding Your Credit Report

All credit reports contain the same general information:



Personal Identifying Information

- Name
- Birth date
- Social Security number
- Current and previous addresses
- Employment information

Some information, such as addresses, new names and employment information usually gets updated only when someone applies for credit. Therefore, it is common to find some of this information out of date. It is important to check the accuracy of all the information to watch out for identity theft and errors.

When reading your credit report, be sure to confirm that all personal identifying information is actually yours. If any of this is wrong, it could be a simple error, or it could be a sign of identity theft (which was discussed earlier in Module 1).

Credit History

A credit history lists different types of credit accounts, such as mortgage (real estate), credit cards (**revolving credit**), and installment credit (personal or auto loans). For each account you should be able to find detailed information about:

- Payment history
- Balance information
- Creditor contact information
- Current status and more

Negative and collection accounts are often listed separately from accounts that are in good standing.

Public Records

- Bankruptcy filings
- Foreclosures
- Judgments
- Liens

Inquiries

This is a list of creditors and other authorized parties that have requested and received a copy of the credit report in the last 2 years.

All credit reports contain the same general information. However, different reports may display information differently and/or not display certain information. In addition, the credit reports that a lender, employer or other businesses see will be slightly different from what you see when you pull your own report. For example, credit reports sold to employers will not have personal information such as age, marital status, account numbers or other personal information that is protected under by Equal Credit Opportunity Act.

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Where can I get help to improve my credit?

There are organizations that can help you improve your credit. Locate a reputable (trustworthy) nonprofit community-based credit counseling or financial coaching organization. It's best to work with one that provides one-on-one assistance.

Be aware there are expensive credit repair clinics that are not reputable. Be careful of organizations that charge upfront fees, make unrealistic promises or lack accreditation credentials. Using non-reputable organizations can actually harm your credit. This topic will be further discussed later in this module.

What are some credit issues that are unique to domestic violence survivors?

Any time you apply for a new credit card or agree to purchase something 'same-as-cash,' you need to fill out an application. The application will ask for information such as current address, phone number, and employment information. This information may be included on your credit

report. If your partner still has your Social Security number, they can assume your identity, access your credit report and see your contact information.

Also, any joint accounts with your partner (even if you no longer access them) may affect your credit negatively, if your partner is irresponsible. If possible, have your name removed from any jointly held accounts.

If your partner uses one of your credit accounts without your permission, you can file charges with the police. This may not lead to a criminal case, but having a police report filed may assist you in repairing any damage that is done. You should not be held accountable by a creditor. You can use a copy of the police report to dispute any claims.

In addition, some collection claims may have arisen due to domestic violence. For example, a survivor may have had to flee housing suddenly. In this situation, a property management company can't file for collection.





Understanding Your Credit Score

As was stated earlier, your credit score is calculated from the information in your credit report. However, it is important to note that there is not just one credit score. There are many different types of credit scores that are used for different purposes. Plus, when you receive a credit score, it will be based on information from one of the three credit bureaus. So, your Experian credit score might be different from your TransUnion or your Equifax score.

The two most common credit scores that you might come across are FICO® Scores and VantageScores. FICO® Scores are still the most popular credit scores used by lenders. However, VantageScores are growing in popularity and these are often the scores that you receive when you access your own score.

While both FICO® and VantageScores use slightly different ranges and calculations, it is true for both that the higher the score the better. And generally, if you improve your VantageScore over time, your FICO® Score should also go up. The following resources and links might be helpful to learn more about FICO/Vantage and credit scores in general.

Credit.com – FICO vs. Vantage Score: 5 Differences You Should Know

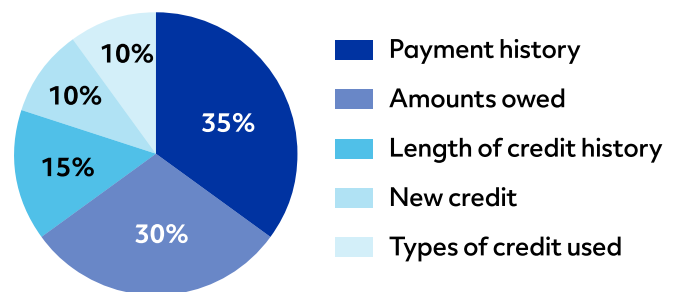
<http://blog.credit.com/2013/01/fico-v-vantagescore-5-differences-you-should-know-64279/>

NerdWallet – What is a Credit Score?

<https://www.nerdwallet.com/blog/finance/what-is-my-credit-score/>

Your Credit Score

There are five key factors that make up most credit scores.



According to FICO®, these percentages are based on the importance of the five categories for the general population. For particular groups (for example, people who have not been using credit long) the importance of these categories may be somewhat different.

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Payment History

Payment history is THE most important factor in your credit score.

- Payment information on specific types of accounts (credit cards, retail accounts, installment loans, finance company accounts, mortgage, etc.).
- Presence of adverse (negative) public records (bankruptcy, judgments, suits, liens, wage attachments, etc.), collection items, and/or delinquency (past due items).
- Amount past due on **delinquent** accounts or collection items.
- Severity of delinquency (how long past due).
- Time since there were items past due, adverse public records, or any collection items.
- Number of past due items on file.
- Number of accounts paid as agreed (in good standing).

Amounts Owed

Your score considers how much debt you currently owe as a factor to help lenders decide if you are capable of taking on new debt.

- Number of accounts with balances.
- Amount owing on accounts.
- Amount owing on specific types of accounts.
- Whether you have a balance on certain accounts.
- Proportion of credit lines used (proportion of balances to total credit limits on certain types of revolving accounts).
- Proportion of installment loan amounts still owing (proportion of balance to original loan amount on certain types of installment loans).

Length of Credit History

Just as your resume can tell employers your experience in the work world, your credit score factors in how much time and experience you have using credit.

- How long you have been using credit: the date that you opened your oldest account, the date that you opened your newest account, and the average age of all of your accounts.
- Time since accounts opened, by specific type of account.
- Time since account activity.

New Credit

Credit scores consider how often you are applying for new loans.

- Number of recently opened accounts, and proportion of accounts that are recently opened, by type of account.
- Number of recent credit inquiries.
- Time since recent account opening(s), by type of account.
- Time since credit inquiry(s).
- Reestablishment of positive credit history following past payment problems.

Types of Credit Used

Credit scores also consider if you have experience managing different types of credit accounts such as credit cards, auto loans and home mortgages.

- Your mix and number of credit accounts (revolving, installment, etc.).

Your credit score is based on all these categories of information, not just one or two. No one piece of information or factor alone will determine your score. The importance of any factor

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depends on the overall information in your credit report. For some people, a given factor may be more important than for someone else with a different credit history. In addition, as the information in your credit report changes, so does the importance of the different factors in determining your credit score.

It's impossible to say exactly how important any single factor is in determining your score. Even the levels of importance shown here are for the general population, and will be different for different credit profiles. What's important is the mix of information, which varies from person to person, and for any one person over time.

Your credit score only considers information from your credit report. However, lenders may consider many factors beyond the credit report and score when making a credit decision, including:

- Your income.

- How long you have worked at your present job.
- The kind of credit you are requesting.
- Collateral you may have to secure the loan and many other pieces of information.

Your score considers both the positive and negative information in your credit report. Late payments will lower your score. Establishing or reestablishing a good track record of making payments on time will raise your score.

Your credit report and score does not include or consider:

- Race
- Religion
- National origin
- Sex
- Marital status
- Income
- Age

Notes



Improving Your Credit Score

It's important to note that establishing a credit score or improving a poor credit score is a bit like losing weight. It takes a lot of time and there is no quick fix. The best advice is to manage credit responsibly over time.

Below are some strategies to help improve your credit score.

Payment History Tips

Pay your bills on time.

Delinquent (late) payments, accounts that turn into collections and public records can have a major negative impact on your credit score.

If you have missed payments, get current and stay current.

The longer you pay your bills on time, the better your credit score. Be aware that paying off a collection account will not remove it from your credit report. It will stay on your report for seven years from the first date that the account became delinquent. New to both FICO® and Vantage, very small collection or paid accounts are not considered or weighed.

If you are having trouble making ends meet, contact your creditors or see a legitimate credit counselor.

This won't improve your credit score immediately, but if you can begin to manage your credit and pay on time, your score will get better over time.

Amounts Owed Tips

Keep balances low on credit cards and other types of revolving credit.

High outstanding debt can affect a credit score. A best practice is to use no more than 30% of your revolving credit available. For example, if you have a credit card with a \$1000 limit, keep your outstanding balance below \$300 at any given time.

Pay off debt rather than move it around.

In addition to paying all of your credit accounts and bills on time, paying down your revolving debt is the second biggest factor impacting your score.

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Don't close unused credit cards as a short-term strategy to raise your score.

Consider following the 30% rule (mentioned above). Credit reports look at all your accounts and their total balance. Look at the comparison below. Examples 1 and 2 show two ways of paying \$100 of credit card debt. In Example 1, Card B was paid in full and the account closed. In Example 2, Card B was partially paid. Note the different balance-to-limit ratios.

Original	Balance	Limit
Card A	\$500	\$1000
Card B	\$100	\$1000
Total	\$600	\$2000
Balance-to-Limit Ratio	30%	

Example 1

	Balance	Limit
Card A	\$500	\$1000
Card B	paid	account closed
Total	\$500	\$1000
Balance-to-Limit Ratio	50%	

Example 2

	Balance	Limit
Card A	\$400	\$1000
Card B	\$100	\$1000
Total	\$500	\$2000
Balance-to-Limit Ratio	25%	

In addition, closing unused credit cards will negatively affect your length of credit history. If you are not using your credit cards, make sure that they are securely stored. And try to use them at least once every 6 months so that they don't go inactive. Make sure that you are not incurring any annual fees for cards that you are not using.

Don't open a number of new credit cards that you don't need, just to increase your available credit.

This could negatively impact your length of credit history and increase your number of credit applications. Only apply for credit that you need.

Length of Credit History Tips

If you have been managing credit for a short time, don't open new accounts too rapidly.

New accounts will lower your average account age. This will have a larger effect on your score if you don't have a lot of other credit information. Also, rapid account buildup can look risky if you are a new credit user.

Again, don't close old inactive accounts in good standing.

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New Credit Tips

When seeking a loan, shop around for the best rates. Keep your search within a focused period of time.

Credit scores distinguish between a search for a single loan and a search for many new credit lines and the time over which inquiries occur.

Reestablish your credit history if you have had problems.

Opening new accounts responsibly and paying them off on time will raise your credit score in the long term.

Note that it's OK to request and check your own credit report.

This won't affect your score, as long as you order your credit report directly from the credit reporting agency or through an organization authorized to provide credit reports to consumers.

Types of Credit Use Tips

Apply for and open new credit accounts only as needed.

Don't open accounts just to have a better credit mix.

Use credit cards but manage them responsibly.

In general, having credit cards and loans (and paying timely payments) will raise your credit score. Someone with no credit cards, for example, is a higher risk than someone who has managed credit responsibly.



Keep In Mind

Closing an account doesn't make it go away.

A closed account will still show up on your credit report, and may be considered by the score.

Opening up a line of credit under a child's name is not a solution.

Using a child's credit may seem harmless but may result in damaging their credit, limit their ability to get a job, rent and apartment or buy a car. Not to mention, that it's a form of identity theft and illegal.

Understand how to read your credit card statement.

Make sure you know where to find the minimum amount due, total due, due date, interest rate, etc. This will enable you to better prioritize when to pay each creditor.

See page 71 for a sample credit card statement.

How to Build Healthy Credit

You may have no credit at all, may be trying to improve poor credit or already have good credit. Regardless, having healthy active credit is essential. Even if you have had excellent credit in the past, if you are no longer using credit accounts (such as loans and credit cards) your credit score will eventually drop.

Managing debt is important and often essential. But building credit is equally important to a healthy credit score. The only way to build credit is by having credit accounts, like loans and credit cards that are being used regularly, paid on-time each month and reported to at least one of the major credit bureaus.

What are active credit accounts?

Installment account (such as a loan):

- Has a balance.
- Has a monthly payment.
- Is not closed.
- Examples: Personal loans with a fixed term (6 months, 12 months, etc.), Auto loans.
- Once a loan is paid-off and closed, it will no longer be building credit.

Revolving account (credit card):

- Doesn't need to have a balance or monthly payment.
- Needs to be used at least once every six months, but ideally every month.
- Best practice: use a credit card for regular, budgeted monthly expenses and pay the balance in full at the end of the month.

Example: Sharon has credit card with a \$1000 limit. She uses her card to pay for gas for her

car throughout the month (about \$300/month) When Sharon receives her paycheck at the end of the month, she pays the balance of her credit card in full. Sharon does not pay any interest on her gas purchases because she does not carry a balance from month to month.

The key to building good credit is to always pay on-time. If a payment is missed, get back on track immediately. The credit score will eventually recover from the missed payment as time goes on with on-time payments.

Best practice: Have 3 active credit accounts, at least one installment and one revolving, and use credit monthly.

How do I find good financial products for building credit?

Start with what you know. If you already have a relationship with a bank or credit union, start there. Ask your banker what products they have available that you might qualify for. Many credit unions now offer secured credit cards and other starter credit building products for people who are establishing or reestablishing a credit history.

Find nonprofit financial institutions and community lenders who offer safe and affordable products.

Questions to ask when applying for credit:

- Are the monthly payments affordable?
- What credit bureaus are being reported to?
- What are the terms and conditions of the account?
- Are there any hidden fees or unexpected charges?
- Do I know who to contact if there is a problem with the account?

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Do my rent payments get reported on my credit report?

Rent payments were not previously reported to credit bureaus, but that is slowly changing. Generally, rent reporting depends on the landlord's participation and willingness to report payments. However, there are some services, like Rental Karma, that can provide rent reporting for individuals. However, these services charge a monthly fee to participants. Check with your property management company/landlord to see if they can report your rent payments to demonstrate good credit.

Learn more about resources on Rent Reporting here: <https://www.nerdwallet.com/blog/finance/credit-report-rent-payments-incorporated/>

Correcting Errors

If you discover errors on your credit report, it is important to take action to correct these errors as soon as possible. Errors on your credit report are potentially very damaging to your credit score. You can dispute errors online, which is usually quick and easy, however, you can also follow these steps:

- Make a copy of your credit report and circle every item you believe is incorrect.
- Write a letter to the credit reporting agency (the address is printed on the report). Tell the credit reporting company, in writing, the information you feel is inaccurate. Include copies (NOT originals) of documents that support your position. Explain each dispute and request an investigation to resolve the issues.
- Send a similar letter to the creditor you believe reported incorrect information.
- Send all materials by certified mail, return receipt requested, so you have proof the information was received.

The reporting agency must begin an investigation by contacting creditors within 30 days of the date of the dispute. They do this to verify the accuracy of the information. If the creditor can't verify that the entry is correct, it must remove the error. If any changes result from the investigation, you have the right to access a free copy of your credit report. This is in addition to the report that you are entitled to each year.

If the investigation reveals an error, you have the right to ask that a corrected version of your credit report be sent to everyone who received the report during the past six months.

Accurate negative information, such as a bankruptcy or delinquent account, typically remains on your credit report for at least seven years. Remember that just because an item falls off your report, if it is unpaid, the creditor may still be able to legally pursue collection, subject to laws that vary from state to state.

An example of a letter to a credit agency disputing an inaccuracy on a credit report can be found on page 72.

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Finding Help

If you are unable to make a payment, contact your creditor as soon as possible to work out a payment plan. If you need help with this or with setting up a budget, contact a credit counseling service or a reputable nonprofit financial coaching or counseling organization. Also, take time to learn more by visiting the Federal Trade Commission (www.ftc.gov) to better understand your collection rights. Contact the National Consumer Law Center (www.NCLC.org) or the Texas Center for Consumer Law (www.TexasCCC.com) to learn more about your personal rights as a consumer.

Don't be fooled by companies who claim they can erase bad credit. There is no quick fix for improving credit. A counselor should never suggest any of these actions:

- Make false statements on a loan or credit application.
- Dispute information that you know is accurate.
- Misrepresent your Social Security number.
- Obtain an Employer Identification Number from the Internal Revenue Service (IRS) under false pretenses.

If one does, find a new counselor. If you were to commit any of these acts, you would be guilty of committing fraud.

Nonprofit organizations in every state offer credit guidance at little or no cost. Your employer, credit union or housing authority may also offer no-cost credit counseling programs.

If you need additional credit advice and assistance, the Federal Trade Commission suggests that you ask the following questions to a potential counseling service.

What services do you offer?

Look for an organization that offers a range of services. Services could include budget and credit counseling, plus classes in savings and debt management provided by trained and certified counselors.

Counselors should discuss your entire financial situation. They should help you develop a personalized plan to solve your current money problems and prevent future ones. The first counseling session typically lasts an hour, with follow up sessions.

Avoid organizations that push **debt management plans (DMP)**. DMPs are not for everyone. Sign up for a DMP only after a certified credit counselor has reviewed your financial situation thoroughly and has offered customized advice about managing your money. If you had a DMP with an organization that closed, ask the new credit counselors how they can help you retain the benefits.

Are you licensed to offer your services in my state?

Many states require that an organization register or obtain a license before offering credit counseling, debt management plans and similar services. Be sure to work with an organization that has met your state's requirements.

Do you offer free information?

Avoid organizations that charge for information about their services.

Will I have a formal written agreement or contract with you?

Don't commit to participate in a DMP over the telephone. Get promises in writing. Read documents carefully before you sign them. If you're told you need to act immediately, consider finding another organization.

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What are the qualifications of your counselors? Are they accredited or certified by an outside organization? If so, which one? If not, how are they trained?

Find an organization whose counselors are trained by a group that is not affiliated with the firm that provides credit.

Have other consumers been satisfied with the service they received?

Once you've identified credit counseling organizations that suit your needs, check them out with your state attorney general, local consumer protection agency and Better Business Bureau (www.bbb.org). These organizations can tell you if any consumer complaints are on file. Be aware that the absence of complaints doesn't guarantee legitimacy. However, if there are consumer complaints, be very careful.

What are your fees? Do you have setup and monthly fees?

Get a detailed price quote in writing. Ask specifically whether all fees are covered in the quote. If you cannot afford to pay the fees, ask whether the organization waives or reduces fees

to consumers in your situation. If an organization won't help you because you can't afford to pay, look for help elsewhere.

How are your employees paid? Do the employees or the organization receive commissions if I sign up for certain services, pay a fee or make a contribution to your organization?

Employees who recommend that you purchase certain services may receive commissions. And many credit counseling organizations receive compensation for enrolling consumers in DMPs. If the organization won't disclose whether it receives compensation from creditors, or how their employees are compensated, go elsewhere for help.

How do you keep personal information including name, address, phone number and financial information confidential and secure?

Credit counseling organizations handle your most sensitive financial information and should have safeguards in place to prevent misuse.

Notes



Understanding Bankruptcy

Bankruptcy is a last resort. It cannot clean up a bad credit record and will be part of your credit record for up to 10 years. It usually does not eliminate:

- Child support
- Alimony
- Fines
- Past due taxes
- Some student loan obligations

Unless you have an acceptable plan to catch up on your debt under Chapter 13, bankruptcy usually does not permit you to keep property when a creditor has an unpaid mortgage or lien on it.

Before considering bankruptcy, consult a nonprofit credit counselor.

There are different forms of bankruptcy:

Chapter 7 wipes out all allowable debts and provides certain personal property exemptions. The **debtor** gives up all property unless the state finds that the debtor needs it to support his or her dependents.

Chapter 13 is a court approved repayment plan. The debtor keeps all property and makes regular payments on the debts after filing for bankruptcy.

Declaring bankruptcy has long term affects:

- It could determine whether or not you get the job you want. Some businesses use credit reports to make employment decisions.
- Your insurance rates may increase.
- It may be difficult to rent an apartment or qualify for a home loan.
- Bankruptcies stay on your credit report for 10 years.

Phone companies and other utility and service providers may look at your credit history before providing service. According to legislation passed in 2005, many debtors will not be able to use Chapter 7 to wipe out debt. Instead, they must establish plans to repay debt within five years under Chapter 13.

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Before you decide to file bankruptcy, try the strategies below:

- **Reduce your spending**

Consider a smaller home or vehicle. If you reduce spending, you may be able to find the money to repay your debt.

- **Talk with your creditors**

Creditors are often willing to work out a payment plan to help you pay off what you owe.

- **Talk with a nonprofit counseling agency**

These agencies can help you create a plan to handle all of your debts.

- **Talk to an attorney**

Expert advice can help you understand the consequences of declaring bankruptcy.

- **Consider debt consolidation**

To pay your debt, you may be able to borrow against equity in your home, retirement savings, stocks or other securities, or the cash value of your life insurance policy. Analyze the risks and consequences of this action thoroughly as they can be considerable.

Each state has laws defining exempt and nonexempt property. Creditors cannot seize exempt property. Some property is entirely exempt, while the exemption for other property may be limited to a certain dollar amount. Examples of exempt property include:

- Household furniture and furnishings
- Clothing and jewelry
- Tools of a trade or business

Social Security and other such benefits, including life insurance, may also be exempt property. Some states exempt all or a portion of one's home and adjoining land. To learn more about which assets are protected in your state, contact a lawyer or local nonprofit legal organization.

As you have learned in this module, it's important to have a thorough understanding of your credit score. This understanding will have a tremendous impact on your ability to gain financial independence. Remember, work with your local domestic violence advocate on securing your credit report and improving your score. Also, you can visit the links below to learn more about the impact of your credit score.



FICO

www.scoreinfo.org

Vantage Score

<http://your.vantagescore.com>

**Credit Builders Alliance –
Credit Reports & Scores
Made Simple**

<http://learnaboutcreditreports.org/>

MODULE 3 | Mastering Credit Basics

How to read a credit report

1 Name: Bob Buyer
Address: 2204 First Avenue, San Diego CA 92122
DOB: 08/14/1966

2 Reference #: 1:0-00027-0000000-00
3 Date of Report: 02/11/2002

4 Account Type: Real Estate

Account Type	Count	Balance	Payment	Percent	Closed
Real Estate	1	\$0	\$1,200	0	1
Installment	1	\$1247	\$200	1	0
Revolving	1	\$684	\$35	1	0
Other	1	\$181	\$10	1	0

5 Inquiries: Public Records, Collections, Accounts

6 Delinquencies: Now, Prior

7 Derogatory Information

8 Account Information

Account: Citibank
Acct#: 123456789 XXXX
Type: Revolving

Bureau	Open	Limit	High	Monthly Payment	Account Status	Amount Past Due
XPB	1	0/92	75	N/A	Closed	10/01

9 History

Days Past Due	30+	60	90+	120+	150+	180+	210+	240+
XPB	2	2	1					

10 Date which credit history began.

11 Shows the type of account (Real Estate, Installment, Revolving or Other).

12 Shows the total number of accounts reported for each type of account.

13 Shows the total balance of all types of accounts.

14 Shows the total number of account reported closed.

15 Shows the total number of current accounts.

16 Shows the total account type payments.

17 Shows the number of accounts that are currently delinquent or derogatory.

18 Shows the number of accounts ruined over to a collection agent.

19 Account Status shows if your account is current or past due. If past due, the amount past due will appear in the next column.

20 The last date the account was updated by the creditor.

21 The balance owed when the credit report was pulled or obtained.

22 Indicates whether the account was past due or current during past 24 months.

23 Check to see that your name, current address, former address, and date of birth are correct.

24 Refer to this number when making inquiries to your creditors.

25 Sums current credit accounts, balances, and notes delinquent or overdue amounts.

26 Indicates which of the three main credit reporting agencies (Equifax, Experian, TransUnion) reported the information.

27 Shows the number of public records (bankruptcies, tax liens, etc.) reported by the credit agencies.

28 Shows the total number of inquiries about your credit that were reported.

29 Shows the delinquent and derogatory information that has been reported by the credit agencies.

30 The creditor with whom you have or had an account with, the account number, and the type of account.

31 Displays the date when the account was opened.

32 This is the designation as to who is responsible for each account.

33 Shows your credit limit or the most you have ever charged on the account.

34 Indicates which of the three main credit reporting agencies reported the information.

35 Indicates the number of times the account was 30/60/90 days past due.

MODULE 3 | Mastering Credit Basics

How to read a credit card statement

Account Summary:

This section summarizes your transactions for this statement, including purchases, interest charged and fees.

Credit Line:

Your credit line is your spending limit on the credit card. As you continue to use the credit card, this limit may be increased by the provider.

Transactions:

This section includes a list of all the transactions – charges and payments – you’ve made.

Interest Charge Calculation:

Here you’ll find the annual interest rates that apply to your account. Interest rates can’t increase during the first 12 months of a new card. Interest rates also cannot be increased because of a cardholder’s trouble paying other bills.

ACCOUNT SUMMARY		PAYMENT INFORMATION							
Previous Balance	\$6,770.89	New Balance	\$943.21						
Payments and Credits	\$5,836.00	Minimum Payment Due	\$35.00						
Purchases	\$7.82	Payment Due Date	December 18, 2019						
Balance Transfers	\$0.00	Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a late fee of up to \$35.00 and your purchase and balance transfer APRs for new transactions may be increased up to the Penalty APR of 24.99% variable.							
Cash Advances	\$0.00	Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example:							
Fees Charged	\$0.50	<table border="1"> <tr> <td>If you make no additional charges using this card and each month you pay...</td> <td>You will pay off the balance shown on this statement in about...</td> <td>And you will end up paying an estimated total of...</td> </tr> <tr> <td>Only the minimum payment</td> <td>3 years</td> <td>\$1,100</td> </tr> </table>		If you make no additional charges using this card and each month you pay...	You will pay off the balance shown on this statement in about...	And you will end up paying an estimated total of...	Only the minimum payment	3 years	\$1,100
If you make no additional charges using this card and each month you pay...	You will pay off the balance shown on this statement in about...	And you will end up paying an estimated total of...							
Only the minimum payment	3 years	\$1,100							
Interest Charged	\$0.00	If you would like information about credit counseling services, call 1-XXX-XXX-XXXX							
New Balance	\$943.21								
See Interest Charge Calculation section following the Transactions section for detailed APR information									
Credit Line	\$8,900								
Credit Line Available	\$7,956								
Cash Advance Credit Line	\$1,100								
Cash Advance Credit Line Available	\$1,100								
You may be able to avoid interest on purchases. See reverse for details.									
Transactions									
	Trans Date	Posts Date							
Payments and Credits	Nov 15	Nov 15	PAYMENT - THANK YOUI \$ -136.00						
	Nov 19	Nov 19	PAYMENT - THANK YOUI -5,700.00						
Merchandise	Oct 27	Oct 27	XXXXXXXXXXXX 888-888-8888 \$ 9.82 WH688QMSDG						
Fees	Nov 23	Nov 23	MINIMUM INTEREST CHARGE FEE \$ 0.50						
			TOTAL FEES FOR THIS PERIOD 0.50						
Interest Charged			TOTAL INTEREST FOR THIS PERIOD \$ 0.00						
2019 Totals Year-to-Date									
			TOTAL FEES CHARGED IN 2019 \$ 226.53						
			TOTAL INTEREST CHARGED IN 2019 \$ 0.00						
Interest Charge Calculation									
Your Annual Percentage Rate (APR) is the annual interest rate on your account. Current Billing Period 31 days									
TYPE OF BALANCE	ANNUAL PERCENTAGE RATE (APR)	BALANCE SUBJECT TO INTEREST RATE	INTEREST CHARGE						
Purchases	19.99% V	\$6.27	\$0.00						
Cash Advances	23.99%	\$0.00	\$0.00						
Balance Transfers	0.00%	\$5,812.89	\$0.00						
V = Variable Rate									

Minimum Payment Warning:

Card issuers must disclose how long it will take to pay off your minimum balance if only the minimum payment is made. They must also disclose the monthly payments needed to pay off the balance in three years.

Minimum Payment Due:

You must pay at least this much of the total you owe by the payment due date. You can always pay more than the minimum, up to the total balance.

Sample letter of dispute supplied by the Federal Trade Commission

Current Date
Your Name
Your Address
Your City, State, Zip Code

Complaint Department
Name of Company
Address
City, State, Zip Code

Dear Sir or Madam:

I am writing to dispute the following information in my file. The items I dispute also are encircled on the attached copy of the report I received.

This item (identify item(s) disputed by name of source, such as creditors or tax court, and identify type of item, such as credit account, judgment, etc.) is (inaccurate or incomplete) because (describe what is inaccurate or incomplete and why).

I am requesting that the item be deleted (or request another specific change) to correct the information.

Enclosed are copies of (use this sentence if applicable and describe any enclosed documentation, such as payment records, court documents) supporting my position.

Please investigate this (these) matter(s) and (delete or correct) the disputed item(s) as soon as possible.

Sincerely,
Your Name

Enclosures: (list what you are enclosing)

NOTE: You can also submit an electronic dispute through the credit reporting agencies on-line; however make sure to save all communication in a secure location.

