Workshop: Credit Scores and Reports*
Version: 2.0.0
Audience: Adult Learners
Time: 45 – 60 minutes (approximately)
Principal Learning Objectives: In this workshop, participants will...
  • Explore the importance of credit scores and reports.
  • Learn how to access information about credit scores and reports.
  • Discuss strategies to build and improve credit.
  • Identify how to protect credit from incorrect claims and fraud.

* The information contained in this workshop is for educational and informational purposes only and should not be construed as financial or investment advice.
Program Overview

This program is designed to help volunteers provide highly engaging instruction to reach consumers across the country.

This Facilitator Guide contains the materials and tools that will help you provide an interactive and engaging session for your participants. This guide includes references to a PowerPoint presentation that you may choose to use as a support throughout the workshop. If you are not in a facility with display capabilities, you may print out copies of the PowerPoint presentation as a reference for participants.

The Facilitator Guide and Participant Guide provide a suggested structure, but also allow individual facilitators the flexibility to tailor each session to the needs or interests of their participants and potential facility limitations.

Overview of Materials

Below is a list of materials you will need to facilitate the session. Review this list before you arrive for the session to verify that you have everything you need and that everything functions properly.

Facilitator Materials

- Facilitator Guide
- **Optional:** PowerPoint deck
- **Optional:** Whiteboard or large sticky notes (to display notes and questions)

Participant Materials

- Participant Registration Form (if you have no internet connection, print one copy for each anticipated participant)
- Participant Guide (print one copy for each anticipated participant)
- Pre- and Post-Assessments (print one copy for each anticipated participant)
- **Optional:** PowerPoint slides (print one copy for each anticipated participant)
Workshop Timeline

This workshop is designed to be completed in approximately 45 to 60 minutes. The following outline provides a suggested order and timing for your session; however, you may restructure as you feel is appropriate to best meet the needs or interests of your participants.

Table of Contents

Workshop Introduction (1 minute) ................................................................. 7
What Is a Credit Score? (1 minute) ................................................................. 8
Strategies to Build Credit (2 minutes) ............................................................ 9
A Tale of Two Friends (7 minutes) ................................................................. 11
Credit Bureaus (2 minutes) ........................................................................... 13
Calculating a Credit Score (3 minutes) ......................................................... 14
Costs of Co-signing and Sharing Credit (7 minutes) ....................................... 16
What Is a Credit Report? (2 minutes) ............................................................. 19
Getting Your Free Credit Report (5 minutes) .................................................. 20
Getting Your Credit Score (2 minutes) ........................................................... 21
Reading Your Credit Report (5 minutes) ......................................................... 22
Important Dates to Review (3 minutes) .......................................................... 23
Credit Repair Organizations Act (3 minutes) .................................................. 25
Steps to Repair Your Credit (2 minutes) ......................................................... 26
Special Circumstances for Repairing Credit (3 minutes) ............................... 27
Credit Repair Scams (5 minutes) ................................................................... 28
Credit Counseling Services (2 minutes) ......................................................... 32
Strategies to Improve Credit (4 minutes) ....................................................... 33
Conclusion (1 minute) .................................................................................... 34
Key to the Facilitator Guide

The Facilitator Guide for this workshop is divided into topic areas, each containing a script, associated Participant Guide pages, and PowerPoint slides.

- Learning objectives/outcomes relating to the workshop are listed at the start of each guide.
- Suggested timing, slide numbers, and slide images are in order and above instructions for that slide.
- Facilitator scripts and instructions accompany each slide image.
- Facilitator scripts/talking points are in normal type.
- Facilitator instructions, actions, and notes are in bold type.
- PowerPoint and Participant Guide cues and page numbers are bolded and underlined.

There are six types of facilitator-led sections within each topic of this workshop:

- **Facilitator notes:** This section is provided for facilitators to use for note-taking and annotating as they prepare to teach the workshop.
- **Introduction:** This section includes the introduction to the topic.
- **Instruction:** This section includes the content of each topic.
- **Discussion:** This section includes topics for discussion with participants, including sample questions and possible participant responses.
- **Activity:** This section includes the learning activity that participants will engage in, including a step-by-step guide to the activity, as well as solutions for the activity.
- **Transition:** This section includes scripting to allow the facilitator to move smoothly from one topic to the next.
Preparation

Before the Workshop
- Download and print/copy all relevant materials for the session you are facilitating.
  - If you are in a facility without display capabilities, consider printing copies of the PowerPoint for distribution to participants.
  - As you read through the workshop content, you may choose to use the space provided at the beginning of each topic, entitled “Facilitator notes,” for notes or reminders to support your instruction.
- Determine logistics for the workshop location:
  - Will computers/internet be available?
  - What display hardware options are available?
  - How many participants do you expect?

Day of the Workshop
- If applicable, test your computer, internet connection, and display hardware.
- Facilitate participant registration:
  - Distribute and collect attendance/demographic sheets OR
  - Make online participant registration available on a device.
- Distribute Participant Guides (as well as PowerPoint printouts if you are using them).
- Deliver workshop and facilitate Pre- and Post-Assessments.
  - Before beginning the workshop, distribute Pre-Assessment sheets for the topics you will cover and have participants complete them to the best of their ability. Collect Pre-Assessment sheets.
  - After completing the workshop, distribute Post-Assessment sheets for the topic areas you covered and have participants complete them to the best of their ability. Collect Post-Assessment sheets.
Workshop Introduction (1 minute)

**Facilitator notes:**

Introduction

**Note to Facilitator: Go to Slide 1:**

Begin by introducing yourself and your organization. If the group is small, ask participants to introduce themselves as well.

Instruction

**Note to Facilitator: Go to Slide 2:**

Introduce the topic and goals of the workshop.

**Say:** Your credit can have a big effect on your financial life. Your credit report provides a snapshot of your financial habits that financial institutions, cell phone companies, credit card companies, and others use to get a sense of your creditworthiness. Understanding how credit scores and reports work will help you keep your finances healthy and help you achieve your financial goals, such as buying a home, leasing a car, or paying off debt.
Discussion

Note to Facilitator: To understand the level of familiarity that participants have with the topic of credit scores and credit reports, ask them to respond to some questions with a show of hands. Responses will help you gauge prior knowledge and structure discussions in a way that best helps the group.

Ask the following questions:
- Raise your hand if you’ve ever checked your credit score.
- Raise your hand if you’ve ever requested a copy of your credit report.
- Raise your hand if you’ve used a credit card.
- Raise your hand if you’ve ever taken out a loan to buy a house or car, go to college, start a business, or some other reason.

Note to Facilitator: Respond to and affirm participants’ responses as appropriate.

Transition

Say: Before we get into why credit scores are important, let’s discuss what they actually are.

What Is a Credit Score? (1 minute)

Facilitator notes:

Introduction

Note to Facilitator: Go to Slide 3:

Say: A credit score is a three-digit rating that tells a lender how likely you are to repay debt. Different lenders use different criteria to calculate it.
Instruction

Say:
- **Poor credit is less than 600**: People with a score of 600 or below could probably use help to rebuild their credit history.
- **Fair credit is between 580 and 670**: In this range, it may be difficult to qualify for loans. If you do get a loan, it may have a high interest rate.
- **Good credit is between 660 and 740**: If your credit is between 660 and 740, you may have blemishes on your credit report, and you might be restricted to higher-than-average interest rates on loans.
- **Very good credit is between 740 and 799**: A credit score between 740 and 799 is very good. You will qualify for most loans, and you probably have a solid credit history with a few missed or late payments, or your credit history may simply be shorter.
- **Exceptional credit is between 800 and 850**: If your credit score is above 800, you have the strongest credit history and qualify for the best loan terms and interest rates.

Remember, these credit score ratings are for informational purposes only. Later, we will learn how credit scores are calculated.

Transition

Say: Your credit score can be poor, fair, good, very good, or exceptional. But what if you don’t have a credit history at all?

### Strategies to Build Credit (2 minutes)

**Facilitator notes:**

Introduction

**Note to Facilitator: Go to Slide 4:**

---

Say: Many people, especially young people or people who have recently immigrated to this country, have no credit history. It’s not a bad thing. It’s not the same as having bad or poor credit, although people without credit history will face similar difficulties in getting loans or proving their creditworthiness. However, there are many steps you can take to start building credit.

**Instruction**

Say:

- **Step 1: Open a line of credit.** This could be a credit card through a bank or retail store, or a small loan that you can repay on time and in full. Special products such as secured credit cards and credit-builder loans are designed to help boost your credit, but they may have restrictions on how much money you can borrow or may require you to put down cash collateral. If you've recently immigrated to the US, you’ll need proof of address and some form of government-issued identification, such as a passport or foreign ID.

- **Step 2: Request that your payment history be reported.** If you pay your rent and utilities on time, you can request that your landlord or utility company report your positive payment history to the credit bureaus. However, remember that your landlord or utility company is not required to do so, even if you ask.

- **Step 3 (Optional): Open a joint account.** You may request a family member or friend with good credit to co-sign on a loan or credit application, but remember that your actions will also affect their credit. Also, make sure joint accounts are reported to the credit bureaus.

- **Step 4: Pay all your bills on time and in full. Never miss a payment.** If you think you are about to miss a payment, contact the creditor and see if options are available.

**Transition**

Say: But, how does your credit score affect your daily life and ability to achieve your financial goals? Let’s take a look at a scenario.
**A Tale of Two Friends (7 minutes)**

*Facilitator notes:*

---

**Introduction**

**Note to Facilitator: Go to Slide 5:**

Say: Let's meet Anna and Bella.

---

**Instruction**

**Note to Facilitator: Instruct participants to read the passage on PowerPoint Slide 5, “A Tale of Two Friends.” If you are not using display technology, instruct participants to listen carefully as you read the passage.**

Say: This is a tale of two friends.

Anna and Bella have been friends since middle school. They both own cars and have steady incomes to pay their bills.

Anna’s credit score is 530, while Bella’s is 700.

Anna and Bella decide to buy homes in their childhood neighborhood. One of them receives a loan without any trouble. Unfortunately, the other has a difficult time getting a loan. When she finally gets her loan approved, her interest rate and insurance premiums are higher than her friend’s.
Discussion

Say: Now that you know Anna and Bella’s story, let’s see if we can figure out a few details.

Note to Facilitator: Respond to and affirm or correct participants’ responses as appropriate.

Ask: Who has a better credit score, Anna or Bella?
   • Correct response: Bella has a better credit score.

Ask: Who is likely to have trouble getting the loan, Anna or Bella?
   • Correct response: Anna; people with bad credit scores have the most trouble getting loans, even though there are other factors that institutions consider.

Ask: Whose interest rates are likely higher, Anna’s or Bella’s?
   • Correct response: Anna’s; since Anna has bad credit, her interest rates would likely be higher.

Ask: Whose insurance rates are higher, Anna’s or Bella’s?
   • Correct response: Anna’s; since Anna has the bad credit score, reflecting a bad history, it is likely that her insurance rates would be higher.

Note to Facilitator: Discuss the effect of credit.

Ask: How did bad credit affect Anna’s and Bella’s dreams? Were they able to achieve them or did they have problems? What are two ways in which bad credit affected Anna?

Say: Credit scores are not the only factor that lenders consider. Factors such as the market, down payment amounts, loan terms, and lender loan policies can influence the cost of a loan. Still, experts and research show that one’s credit score has a large effect on the cost of a loan.

Instruction

Say: As you’ve seen, credit scores can affect your ability to get a loan, as well as your interest rates and insurance rates. But, they also can affect your eligibility for a rental home, as many homeowners and property managers check credit scores before renting to unknown persons. Your credit score can have an impact on many areas of your life, such as:

   • Getting a car: Your credit score is taken into account for an auto loan if you buy a car. It can also be difficult to qualify for a lease with poor credit, and late lease payments can negatively impact your credit.
   • Getting a job: In some cases, employers may check job candidates' credit scores to learn more about people’s reliability.
- **Setting up utilities and phone service**: With poor credit, it can be harder to set up an account with utility companies and internet and cell phone service providers. Deposits may be required.

Essentially, any persons or any organizations that you are seeking credit from may review your credit report to ensure that they’re lending to a responsible borrower.

**Transition**

**Say**: So much depends on a three-digit score! Who actually comes up with the credit-scoring system?

**Credit Bureaus (2 minutes)**

**Facilitator notes:**

- **Introduction**

  **Note to Facilitator: Go to Slide 6:**

  Ask participants if they know the names of the three credit-scoring companies.

  **Ask**: Can you name any credit-scoring companies that you have heard of?

  **Note to Facilitator: Allow participants 10 to 20 seconds to respond.**

- **Instruction**

  **Say**: There are many agencies that prepare credit scores, and they can use different models to calculate them. However, the most popular scoring models are FICO and
VantageScore.

There are three main credit bureaus in the United States:
- Experian,
- Equifax, and
- TransUnion.

They, along with lenders, use their own version of the FICO or VantageScore credit-scoring models.

The bureaus keep track of your credit history separately, so it's a good idea to utilize each one. If there are large variations or discrepancies among the reports, you should get in touch with the bureaus to figure out why.

Credit scores may also be different depending on the financial product you are applying for. For example, mortgage applications may yield a different score for you than if you were applying for a credit card.

Transition

Say: How are credit scores calculated?

Calculated a Credit Score (3 minutes)

Facilitator notes:

Introduction

Note to Facilitator: Go to Slide 7.

Say: As mentioned earlier, different credit bureaus calculate your credit score in different ways. While the bureaus do not disclose the exact methods or formulas they use to calculate your score, we do know the general factors that they consider.
The most important factors that affect your credit score are your payment history and the amount of debt you owe.

**Instruction**

**Note to Facilitator:** Instruct participants to turn to page 3, “Calculating a Credit Score,” of the Participant Guide, to follow along.

**Say:** Let’s take a closer look at these factors and others that make up your credit score.

- **Payment history:** Payment history primarily includes looking at whether or not you pay your bills on time. Do you always pay at least the minimum amount? If you do, then you’re in good shape. If you make even one late payment, though, it will likely have a negative impact. That’s why it’s so important that you always pay your bills on time and pay at least the minimum amount when you do so.

- **Amounts owed:** The amount you owe depends on two major factors:
  - How much you actually owe on your credit card or loans. Owing money doesn’t necessarily mean you’re a risk to lenders – the most important thing is showing that you make regular, on-time payments toward your debts. By the way, if you are an authorized user on a credit card or have authorized someone else on your own credit card, their payment history will affect both individuals’ (the card owner’s and the authorized user’s) credit scores. More on sharing credit will come a bit later.
  - What percentage of your available credit are you using? Typically, people who are using less than 30 percent of their total available credit would be a lower risk for a lender than people who are using 90 percent of their available credit. Simply put, maxing out your credit card can negatively impact your credit score.

- **Length of credit history:** Credit history is affected by how long you’ve been managing credit. The longer your credit history, the more information a lender has about your repayment habits and reliability. People with a short credit history, even if it’s steady and good, may be at a disadvantage because lenders may consider them to be a higher risk. So, it’s important to build and maintain good credit early.

- **New credit:** New credit or credit that you’ve recently applied for accounts for a smaller part of your credit score. Each time you apply for new credit, a lender runs a check on your credit score, and it temporarily decreases your score. It signals that you might be using too much of your available credit. There are limited exceptions. For example, applying for many mortgages to buy a house in a short period of time doesn’t tend to affect your score negatively.

- **Types of credit:** A smaller portion of your credit score depends on the types of credit you have. People with a mix of credit types, like credit cards, an auto loan, and a mortgage may have a slightly higher score than those with only one type.

**Transition**
Say: Credit scores are extremely complex, and your actions and everyday decisions can influence your finances. How about someone else’s actions? Can they affect your credit score?

**Costs of Co-signing and Sharing Credit (7 minutes)**

*Facilitator notes:*

---

**Introduction**

**Note to Facilitator: Go to **Slide 8**: Introduce the effect of co-signing and merging credit.**

Say: Many people think co-signing on a loan is a helpful action to take, especially if the person is your child, significant other, parent, or close friend. Similarly, many married couples or people in long-term relationships decide to merge their finances. It’s important to know how this decision may affect your own credit score.

**Discussion**

Ask the following questions:

- Have you ever co-signed on a loan or asked someone to co-sign a loan for you?
- Have you ever signed a joint credit application with a spouse or other family member? Have you ever been added as an authorized user on someone else’s credit card, or added an authorized user to your own?

**Note to Facilitator: Discuss responses as appropriate. Ask participants to share their experiences if they are comfortable doing so.**

Say: Let’s look at a few scenarios to see how co-signing, merging finances, and sharing lines of credit can affect your credit score.
Discussion

Note to Facilitator: Instruct participants to read the passage on PowerPoint Slide 8, “Costs of Co-signing.” If you are not using display technology, instruct participants to listen carefully as you read the passage.

Say: Anna’s house is in foreclosure. She has taken some steps to improve her credit and is now eligible for a loan. Anna wants to use the loan to try to stop the foreclosure process, but she has a problem: she needs someone to co-sign.

Ask: Should her best friend Bella co-sign on a loan with Anna? How will co-signing affect Bella’s credit score?

Note to Facilitator: Discuss the consequences of co-signing the loan.

Ask the following questions:

- Will co-signing affect Bella’s credit score?
  - If yes, will it affect her score positively or negatively?
- Why will co-signing affect Bella’s credit score?

Note to Facilitator: Respond to and affirm or correct participants’ responses as appropriate.

Correct Response: No. It won’t necessarily impact Bella’s credit score, but the loan will appear on her credit report.

Say: When you co-sign a loan, you are promising to repay a loan if the other person does not do so. If Anna pays off her loan on time, it could actually help improve both of Anna’s and Bella’s credit scores. If she does not repay her loan or she misses payments, it will affect both of their credit scores negatively.

Instruction

Note to Facilitator: Go to Slide 9.

Instruct participants to read the passage on PowerPoint Slide 9, “Costs of Sharing Credit.” If you are not using display technology, instruct participants to listen carefully as you read the passage.

Say: Michael and Tameka are getting married in two weeks. They are thinking about merging their finances by opening a joint checking account and applying for a joint credit card. Tameka has a good credit score, but Michael does not.

Ask: Should they sign up for joint credit?
Discussion

Note to Facilitator: Discuss the consequences of merging finances.

Ask the following questions:

- Will having a joint credit card or checking account affect Tameka's credit score?
  - Will it affect her score positively or negatively?
- How will merging finances with Michael affect Tameka’s ability to get a loan?

Note to Facilitator: Respond to and affirm or correct participants as appropriate.

Responses may include the following:

- No, merely having a joint account doesn’t affect a credit score.
- Yes, it will affect Tameka’s credit score if Michael doesn’t pay his bills.
- It will affect her credit score negatively.
- It will affect her ability to borrow, since she may be considered a higher risk.

Instruction

Say: Many couples choose to get joint accounts because they’re convenient. It’s important to remember that even if a couple merges their finances, they will still have their own individual credit scores. They will not receive a joint credit score.

In this case, Michael’s credit score may not negatively affect Tameka’s credit score, but it could negatively affect Tameka in other ways. They may receive a higher interest rate on a car or a house because lenders may evaluate both of their credit scores to calculate the risk of lending to them.

It’s not always the case, as some lenders may only look at the highest score, the lowest score, or both. But it’s important to be aware that a partner’s poor or bad score may affect the amount you pay in some cases.

Transition

Say: Applying for credit on your own or with someone else can affect your credit score. Be mindful of your own credit score before making decisions to co-sign a loan or merge accounts with someone else. Their actions, like not paying back a loan, can damage your credit. Also, their credit score can affect the cost of financial products for both of you. Adding an authorized user to a credit card is also a common way to share credit, but keep in mind that the primary cardholder is responsible for paying the bills. If you both use the card responsibly, it can increase both of your credit scores. However, adding an authorized user can be a risk for the primary cardholder if they overspend.
What Is a Credit Report? (2 minutes)

Facilitator notes:

Introduction

Note to Facilitator: Go to Slide 10:

Say: We’ve talked a lot about credit scores, but what about credit reports? Are they different?

Instruction

Say: Your credit report is a snapshot of your credit profile, including your history. Every time you take out a personal loan or apply for a credit card, those actions will appear on your credit report.

Transition

Say: It’s important to review your credit report regularly. It’s one of the tools to build and maintain good credit.
Facilitator notes:

Introduction

Note to Facilitator: Go to Slide 11:

Say: The three nationwide credit reporting bureaus calculate your credit score based on the factors that affect it. Many people wrongly assume that checking their credit score or report will affect it negatively. Not true.

In fact, keeping an eye on your credit report can help you in many ways. It can help you detect fraud and maintain or work toward a better credit score.

Instruction

Say: You can get one free credit report from each of the three credit bureaus per year online or by phone. To get your free annual credit reports, you can go to Annual Credit Report at https://www.annualcreditreport.com, which is the only website that is federally authorized to give you your credit report for free. The Federal Trade Commission maintains it. You can also request your credit report for free via telephone at 1-877-322-8228.


Say: Because you can only request your Equifax, Experian, and TransUnion credit reports for free once a year, think about spacing out your requests to maintain an eye on your credit reports every four months.
Discussion

Note to Facilitator: Ask participants if they know of other instances when they can get a free credit report.

Responses may include the following:
- In cases of reported fraud;
- If they need to apply for welfare; or
- If they are denied a loan or credit application.

Discuss participants’ responses as appropriate.

Instruction

Say: You are entitled\(^2\) to one extra, free credit report under certain circumstances to verify the information. For example:
- **Fraud:** If you review your credit report and notice inaccuracies as a result of fraud (such as identity theft);
- **Denial of credit:** If you have been denied a loan, credit, insurance, or employment, and if that denial was based on your credit report;
- **Unemployment:** If you are unemployed but plan to look for a job within 60 days; or
- **Welfare:** If you are on welfare.

Transition

Say: But what about your credit score? Is that included in your free credit reports?

---

\(^2\) [https://www.consumer.ftc.gov/articles/0155-free-credit-reports](https://www.consumer.ftc.gov/articles/0155-free-credit-reports)
Instruction

Note to Facilitator: Go to Slide 12. Instruct participants to refer to page 4, “Getting Your Credit Score,” of the Participant Guide.

Say: Credit scores, unlike your credit history, are not currently included in the free credit reports available. You can get your credit score by requesting it from various companies, including the different credit bureaus. They all charge fees.

Transition

Say: Once you’ve requested and received your free credit report, how do you make sense of it?

Reading Your Credit Report (5 minutes)

Facilitator notes:

Introduction

Note to Facilitator: Go to Slide 13:

Say: Your credit report will contain four major sections. Review each section thoroughly for accuracy. Make a note of any inaccuracies, or unknown or suspicious details.

We’ll get into disputing and correcting those errors shortly.
Instruction

Say: There are four major sections in a credit report.
- **Personal information:** This section contains your name, birth date, Social Security number, and address, as well as the name of your spouse and your employer.
- **Public records:** This section contains information about bankruptcies, judgments, and any delinquent or unpaid taxes.
- **Credit accounts:** This section contains information about your debts and whether you have been paying your bills and loans back on time, or you have been missing payments and are at risk for delinquency. It can include information about both open and closed accounts.
- **Credit inquiries:** This section includes information about organizations, people, or agencies that have requested to verify your credit in the past two years.

There is some information that won’t be included, such as
- Medical information;
- Information about religion, race, or sex;
- Information about your checking or savings accounts;
- Information about any debit or prepaid cards; and
- Private loans you’ve received from benefactors, friends, or family.

Transition

Say: Requesting and reviewing the information on your credit report is the first step toward maintaining and building healthy credit. What are some important things to look for? Let’s find out.

**Important Dates to Review (3 minutes)**

Facilitator notes:

---

Introduction
Note to Facilitator: Go to Slide 14:

Say: It’s important to review your credit report regularly to make sure the information is accurate and up to date. Your credit report contains information about your credit history and how well you manage debt.

It can also be affected by public records such as bankruptcies, unpaid debts or bills, or how much of your available credit you’re using. Most of these types of information can remain on your credit report for up to seven years. Bankruptcies can remain on your credit report for up to 10 years, and certain tax liens can remain on your credit report indefinitely if not paid off.

Instruction

Say: Look at the following dates carefully.³

- **Date your account was opened**: Remember, the length of your credit history accounts for a good part of your credit score. Make sure that the opening or closing dates of accounts are listed correctly.
- **Date of delinquency**: Review delinquent loans and check that the dates are accurate and less than seven years old.
- **Dates of public records**: Any public records of legal activity should be erased from your credit score after seven years (10 years for bankruptcies).
- **Dates of credit requests**: Whenever anyone—a lender, financial institution, employer, or homeowner—requests your credit report, your credit score may be affected. Check the dates to make sure they correspond with your events.

Transition

Say: If you have noticed any errors, you must dispute the errors with the credit bureaus. Some people choose to work with credit repair companies, but before you do, it’s good to know your rights.

---

³ [https://www.myhorizontoday.com/bankruptcy101/four-important-dates-and-what-they-mean-to-your-credit-score](https://www.myhorizontoday.com/bankruptcy101/four-important-dates-and-what-they-mean-to-your-credit-score)
Credit Repair Organizations Act (3 minutes)

Facilitator notes:

Introduction

Note to Facilitator: Go to Slide 15:

Say: Reviewing your credit reports thoroughly is good practice. If you come across information that is incorrect or fraudulent, you can take action. The first step is knowing your rights.

Discussion (Optional)

Note to Facilitator: Ask participants if they have ever noticed errors on their credit reports (if they have requested them before), or on other financial statements such as bills or bank statements.

Ask them what steps they have taken to correct these errors.

Instruction

Say: Credit repair companies will offer to fix your credit for a fee. However, know that the Credit Repair Organizations Act prevents credit repair organizations from engaging in deceptive practices, such as false advertising, that can cause you harm. It requires these organizations to be transparent about what they can do for you.

In other words, credit repair organizations may not overpromise, for example, to delete all bad credit irrespective of whether it is a legitimate debt that you have accrued. Also,
credit repair services cannot demand advance payment, must put contracts in writing, and must offer consumers contract cancellation rights.

**Transition**

**Say:** Your rights as a consumer are protected. But what can you do if you have bad credit? Let’s find out.

**Steps to Repair Your Credit (2 minutes)**

**Facilitator notes:**

**Introduction**

**Note to Facilitator: Go to Slide 16:**

**Say:** Repairing your credit means that you’ll have to take a hard look at your finances, bills, and spending habits. As you know, unpaid debt, tax liens, and judgments can negatively affect your credit score. What can you do to repair your credit once it has been damaged?

**Discussion**

**Say:**

- **Step 1:** Contact the credit reporting bureaus and inform them of any errors or false entries. Include your credit report, list the items that are disputed, and clearly state your reasons for disputing the items. Include copies, not originals, of any documents that support your request for correction. Mail this request via certified mail and request a return receipt to ensure that it has been received.

  The credit reporting bureaus are obligated to respond to you, usually within 30
days. However, if they decide that your dispute is based on unfounded claims, they may not do so. Make sure you include all the supporting documentation for your request.

- **Step 2:** At the same time, you need to contact the company that provided the information to the credit reporting bureaus and inform it of any errors. The company could be a credit card company, a financial institution, or an employer that denied you service based on information in your credit report.

Include the same information: your credit report, a list of the disputed items, and a clear statement of your reasons. Include copies, not originals, of any documents that support your request for correction. Mail this request via certified mail and request a return receipt to ensure that it has been received.

### Transition

**Say:** Preventing fraud and fixing incorrect information are important reasons for reviewing and checking your credit report regularly. But, what happens if you have experienced an unexpected life event, such as a bankruptcy or a divorce?

### Special Circumstances for Repairing Credit (3 minutes)

**Facilitator notes:**

### Introduction

**Note to Facilitator: Go to Slide 17:**

**Say:** If you’ve been through a bankruptcy, foreclosure, or divorce, there are steps you can take to reestablish your credit. They are very similar to how to establish credit.
Instruction

Say:

- **Step 1:** Monitor your credit report and scores.
- **Step 2:** Pay your bills on time and regularly. Nothing builds credit faster than regular and consistent payments.
- **Step 3:** Get credit counseling. Not-for-profit agencies advise people about money and debt management, help create financial plans, and offer workshops.
- **Step 4:** Consider financial products. As discussed, getting a secured loan or credit card can build your credit. However, there may be trade-offs, such as fees or minimum deposit amounts, that you should understand and ask the financial institution about before applying.

Transition

Say: How can you identify potential scams from credit repair companies?

Credit Repair Scams (5 minutes)

Facilitator notes:

Introduction

Note to Facilitator: Go to Slide 18:

Say: Let’s return to Anna. She has been unable to pay her mortgage, and her house has fallen into foreclosure. She researched several credit repair companies. Let’s see if we can help her recognize the good from the bad.
Activity

Note to Facilitator: Instruct participants to read the passage from page 5, “Credit Repair Scams,” of the Participant Guide. Ask participants to watch for any red flags in the scenario, and to circle or underline them.

Say: After her house falls into foreclosure, Anna researches several credit repair companies.

The first company promises to remove bad credit information from Anna’s report. All she has to do is pay an up-front fee. Anna is worried about her bad debts, but the company assures her that it can scrub all negative information from her report. The company also advises Anna not to contact the credit bureaus directly since doing so will negatively affect the company’s efforts.

Discussion

Note to Facilitator: Discuss the scenario with participants.

Ask: How many red flags did you catch in this scenario?

Note to Facilitator: Responses could range from none to four. The correct answer is four.

Discuss Red Flags 1 and 2.

Say: The company that Anna found in her research promised to remove bad credit information from her credit report and required her to pay fees to remove bad credit notes from her report. Should she do it?

Note to Facilitator: Ask participants for a show of hands for “Yes,” and then ask participants for a show of hands for “No.”

Discuss the responses:
- Why do you think Anna should accept the company’s offer?
  - Are there any red flags?
- Why do you think Anna should reject the company’s offer?
  - Is there any reason she should distrust them?

Listen and respond to the participants’ answers appropriately and discuss the answers.

Say: Anna should not trust the company’s promise to remove her bad credit notes from her credit report for an up-front fee. According to the federal Credit Repair Organizations Act, credit repair companies must successfully remove the credit inaccuracies from an individual’s report and provide proof that the report has been
changed before they can request payment for services. It can take up to six months. That’s a red flag!

Anna should also be suspicious of any company that promises or guarantees to remove all bad credit information. That’s a red flag!

Anna should not pay anyone fees up-front or before the services have been delivered.

Note to Facilitator: Discuss Red Flag 3.

Say: Anna was worried that some of her bad debt would continue to bring her credit score down, but the company assured her that it could remove all of her bad credit, including the items that were legitimate. Should Anna take up the company on its offer?

Note to Facilitator: Ask participants for a show of hands for “Yes,” and then ask participants for a show of hands for “No.”

Discuss the responses:
- Why do you think Anna should accept the company’s offer?
  - Are there any red flags?
- Why do you think Anna should reject the company’s offer?
  - Is there any reason she should distrust the agency?

Listen and respond to the participants’ answers appropriately and discuss the answers.

Say: Anna should not trust any company that promises to remove negative credit information that is legitimate. Credit repair companies can only remove negative credit information if it is incorrect or a result of fraud. If a company requires you to claim that accurate negative information on your credit report is false, that’s a red flag, too.

Note to Facilitator: Discuss Red Flag 4.

Say: The credit repair company advised Anna not to contact the credit bureaus directly, as that could negatively affect its efforts. Should Anna listen to the company?

Note to Facilitator: Ask participants for a show of hands for “Yes,” and then ask participants for a show of hands for “No.”

Discuss the responses:
- Why do you think Anna should accept the company’s offer?
  - Are there any red flags?
- Why do you think Anna should reject the company’s offer?
  - Is there any reason she should distrust the agency?

Listen and respond to the participants’ answers appropriately and discuss the
Say: Anna should not trust any company that recommends or advises against contacting the credit bureaus. That’s a red flag.

Note to Facilitator: Go to Slide 19:

Note to Facilitator: Summarize the red flags of a credit repair scam for participants.

Say: To recap, there are many red flags you can spot in a credit repair scam. They include the following:

- Requiring up-front fees for a credit repair service,
- Promising to remove all negative credit information from a credit report,
- Offering to scrub or alter legitimate credit information, and
- Instructing you not to contact the credit bureaus directly. You are entitled to dispute errors for free and it is your legal right to do so.

Note to Facilitator: Summarize other signs of credit repair scams for participants.

- **Asking for a signature on blank paperwork**: If an agency asks you to sign blank paperwork so it can act on your behalf, it is a scam. Never sign paperwork, especially legal paperwork, without reading it thoroughly, ideally with the help of a lawyer.
- **Credit profile number scams**: Promises of a new credit identity by issuing a credit profile number or a credit privacy number that is similar to a Social Security number is a scam.
- **Fake Social Security number scams**: Any agency that encourages you to use a fake Social Security number or apply for an Employer Identification Number (EIN) for tax purposes is a scam. EINs are typically used by businesses and not individuals.

Transition

Say: Credit repair companies can help you spot and remove incorrect or fraudulent information on your credit reports. Credit counseling agencies can also help you improve your credit.
Credit Counseling Services (2 minutes)

*Facilitator notes:*

---

**Introduction**

**Note to Facilitator:** Go to Slide 20.

**Say:** If your credit report is poor, you may consider taking advantage of credit counseling services. Many agencies offer a free initial session. These agencies may help you create a financial plan to decrease your debts.

---

**Instruction**

**Note to Facilitator:** Instruct participants to turn to page 6, “My Debt Management Plan,” of the Participant Guide,

Give participants 30 to 60 seconds to review the plan.

**Optional:** Participants may complete the activity in the workshop or at home. Encourage them to discuss the plan with family members.

Answer any questions that participants may have about their Debt Management Plan.

---

**Discussion**

**Say:** If you choose to use credit counseling agencies,⁴

- Look for agencies accredited with either the National Foundation for Credit Counseling or the Financial Coaching Association of America;

---

⁴ https://www.consumerfinance.gov/ask-cfpb/what-is-credit-counseling-en-1451/
• Look for services such as better money management techniques, debt reduction strategies, and financial plan development; and
• Get information about their services (and possible fees) before paying anything or providing private information.

Ask: What other steps can you take to improve your credit?

### Strategies to Improve Credit (4 minutes)

#### Facilitator notes:

### Introduction

Note to Facilitator: Go to Slide 21:

#### Say: We covered a lot of things that could potentially affect your credit. The good news? A few good habits and strategies around managing your credit and debt can go a long way toward helping keep your credit score high.

### Instruction

#### Say: Here are some basic strategies.

- Use your available credit wisely. Use less than 30 percent of your available credit and do not max out your credit cards.
- Pay your bills on time. Pay off your credit card bills each month in full, if possible. Doing so shows agencies that you are responsible and lowers the total amount of money you owe.
- Pay off your loans on time. Not only does defaulting on your debt cost you in fees, it will quickly damage your score.
- Do not apply for several credit accounts in a short period of time.
● Make a financial plan or a debt management plan to reduce debt.
● Create and follow a monthly budget.
● Periodically review your credit report for accuracy.

Transition

Say: Being mindful of your spending and monitoring your credit are good habits to develop when building and maintaining credit.

Conclusion (1 minute)

Summary

Note to Facilitator: Go to Slide 22:

When there are only a few minutes remaining in the session, wrap up.

Say: Your credit score is something that can affect your entire financial life—so make sure to take good care of it!

A good credit score can help you achieve more of your financial dreams. If you have bad or poor credit, don’t be discouraged. Keep track of your credit reports on a regular basis and adopt responsible credit habits, so your credit score can be as high as possible.

It can be an uphill battle and may seem like it’s taking a long time, but making small changes now can have a big payoff later.