

## Credit Report Basics: Analyzing and Disputing Information

### LESSON DESCRIPTION (Background for the Instructor)

In this lesson, students will learn about the purpose of credit reports and the types of information contained within a credit report (e.g., personal identification information, credit use history information, public record information such as bankruptcies, and inquiries). They will also learn about the importance of disputing inaccurate credit report entries and the process for doing this.

The lesson includes five activities that instructors can select from. In these activities, students will:

- ◆ View the YouTube video *Understanding Your Credit Report* and answer debriefing questions
- ◆ Play a *Credit Report Fact or Myth?* polarity activity to identify correct information about credit reports
- ◆ Watch a spoof video and read an article about “free” credit reports and answer debriefing questions
- ◆ Analyze an infographic about how to read a credit report and answer debriefing questions
- ◆ Conduct a *Web Quest* to learn about how to dispute inaccurate credit report information

The lesson also contains 10 assessment questions (5 multiple choice and 5 True-False), learning extensions (i.e., suggested learning activities beyond the scope of the lesson plan), and references and resources.

### INTRODUCTION (Background for the Instructor)

A credit report is like a financial “report card.” It contains information about how well consumers are performing with respect to their use of credit. A credit report will be checked by lenders before they approve any loans or credit cards. It provides valuable insights about consumers’ creditworthiness.

A credit report includes basic *personal identification information* such as a person’s Social Security number, employer, and current address. It also includes information on a person’s *credit use history* such as the types of credit that they have used and if they have paid on time. A credit report will also contain *public record information*, if any, related to consumer finances, that is obtained from public or courthouse records. Examples include foreclosures and bankruptcy. A credit report also shows *inquiries* made by potential credit grantors and others accessing a credit file for marketing purposes (i.e., to send pre-approved credit card offers) or for review purposes (e.g., periodic reviews by existing creditors).

Every consumer should request their credit report on a regular basis because the information in the report will change. It is important for consumers to know what their creditors know and to make sure that the information in their report is accurate. Individuals can request and receive a free copy of their credit report every 12 months from each credit reporting agency (CRA); a.k.a., credit bureau. There are three major CRAs (the “Big 3”): Equifax, Experian, and TransUnion. Instead of requesting one report from each CRA every 12 months, experts recommend staggering the requests to get one report from a different CRA every 4 months. This way, people are checking their credit card frequently for errors and evidence of identity theft. If consumers are denied credit, they can order an extra report for free within 60 days of the denial.

To get a free credit report, individuals should go online to [www.annualcreditreport.com](http://www.annualcreditreport.com). This is the approved site that was developed to comply with a federal government law. They can also order a report via the phone (877-322-8228) or by mail using a credit report [request form](#) found on the above web site.

Each person's credit report is different. Some are long (e.g., older adults with a long history of credit use and multiple creditors) and some are short (e.g., young adults just starting to use credit). In addition, credit report layouts vary among CRAs. Credit reports can also vary for the *same* person across the three major CRAs. This is because different CRAs vary with respect to which creditors they choose to do business with (i.e., which creditors they receive consumers' payment history from and report consumers' credit payment history to). For example, a specific creditor may decide to report and receive information from Equifax, but not from Experian or vice versa. Therefore, CRAs will likely have different pieces of information about an individual consumer in their reports. Credit scores based on credit report content will also likely vary.

Once consumers receive their credit report, it is important to review it carefully. There are codes and abbreviations in the report that need to be reviewed and key terms such as "current" or "paid as agreed," which mean that someone has made timely payments to creditors. Specific pieces of information that consumers should review in a credit report include: the accuracy of their personal identification information, notations about late payments (usually reported in increments of 30, 60, 90, and 120+ days late) and collection activity by creditors, information from public records (e.g., mortgage foreclosures and bankruptcies), the status of credit accounts that were closed (to make sure that they are reported correctly), and evidence of identity theft (e.g., large debt balances or active accounts that were never opened).

Another item to check is inquiries made to see a credit report. *Hard inquiries* occur when consumers request new credit and can affect their credit score. *Soft inquiries* are made when a credit report is reviewed for marketing or creditor review purposes and they don't affect a person's credit score. People with negative information in their credit file also want to check that it is removed after 7 years (10 years for bankruptcy).

Under the Fair Credit Reporting Act, CRAs and the creditors that provided them with credit payment information about consumers are responsible for correcting credit report errors. If there is incorrect information in their credit report, consumers should report the error(s) to the CRA that sent it (i.e., Experian, Equifax, or TransUnion). Forms for this purpose are typically sent with credit reports that are requested and received via U.S. mail and are also available online. Consumers should complete the form and attach copies of relevant documentation to support their case. CRAs are required to investigate the disputed information and to report back to consumers within a certain time frame, typically about 30 days. The Federal Trade Commission ([FTC](#)) has good information on how to dispute errors in a credit report.

Having an accurate credit report is important because it is accessed by institutions that make lending and other financial decisions. A credit report can be accessed, not only by potential credit card issuers, but by landlords, sellers of major items such as cars, homes, and furniture, potential employers, and insurance companies. If a credit report has been used to deny consumers a job or a rental unit, they must be advised of this. Some [states](#) have passed laws that limit the use of credit reports in making hiring decisions.

Millions of credit reports contain [errors](#) such as co-mingled information from another person, debts wrongly listed as being delinquent, or fraudulent accounts opened as a result of identity theft. Some of these errors are serious enough to lower credit scores (a three-digit number that is calculated by a formula using information contained within a person's credit report) enough to result in increased borrowing costs or other negative outcomes. That is why consumer should check their credit reports regularly.

To summarize by returning to the report card analogy, every day millions of people are "graded" with credit reports. Credit scores are like a GPA. Like school grades, credit "grades" have a powerful impact on people's future. They influence whether or not consumers are approved to borrow money and the interest rate that will be charged if they are. The better people's credit history, the better chance they have of obtaining a loan or credit card and lower-cost credit that can save thousands of dollars of interest over time.

**Note:** Related information about credit scores can be found in the New Jersey Department of Education Standard 9.1.12.C6 lesson plan [#3](#), *Know the Score: Credit Score Modeling and Impacts*.

## OBJECTIVES

Students will be able to:

- ◆ Describe the difference between a credit report and a credit score.
- ◆ List five or more pieces of information contained within a credit report.
- ◆ Distinguish between facts and myths about credit reports.
- ◆ Compare and contrast the free central credit report request web site with alternative providers.
- ◆ Describe the three ways that a free credit report can be obtained (online, by phone, and by U.S. mail).
- ◆ Describe the steps that need to be taken when a credit report has inaccurate information.

## NEW JERSEY PERSONAL FINANCIAL LITERACY STANDARD

- ◆ Standard 9.1.12.C.5: Analyze the information contained in a credit report and explain the importance of disputing inaccurate entries.  
See <http://www.state.nj.us/education/aps/cccs/career/FLFAQ.htm#gradcredit> and <http://www.state.nj.us/education/cccs/2014/career/91.pdf> for information about Standard 9.1

## TIME REQUIRED

45 to 180 minutes (depending upon student progress and content depth and number of activities used)

## MATERIALS

- ◆ YouTube Video (2:19): *Understanding Your Credit Report* (MyFICO): <https://www.youtube.com/watch?v=kWgLooCkx4> and video debriefing questions
- ◆ *Credit Report Fact or Myth?* polarity activity handout
- ◆ YouTube Video (0:45): *Free Credit Report Commercial* (FTC spoof video): <https://www.youtube.com/watch?v=4GC9dobzEKc>
- ◆ Article: *Get a Free Credit Report Without Getting Scammed*: <https://www.thebalance.com/avoid-paying-for-your-free-credit-report-960500> (Back-Up Articles: *Free Credit Reports That Aren't Free*: <http://www.consumersdigest.com/departments/free-credit-reports-that-arent-free> and *'Free' Credit Reports Sometimes Aren't Free*: <http://abcnews.go.com/Business/story?id=3923518&page=1> )
- ◆ *How to Read Your Credit Report Like a Pro* infographic: <https://www.suntrust.com/resourcecenter/article/infographic-how-to-read-your-credit-report-like-a-pro#.WZ2DOYfrs5u> and activity handout
- ◆ *Web Quest: How to Dispute an Inaccurate Credit Report*
- ◆ *Credit Report Quiz* (ASSESSMENT)

*Teachers are encouraged to use as many of the student learning activities as time permits to provide a fuller understanding of credit reports. The activities can also be used for extra credit assignments, homework, or after-school activities.*

## PROCEDURE

1. Ask students to explain the difference between a credit report and a credit score.

*Answers will likely vary. Review the difference with an analogy to student grades. A credit report is a detailed report of a person's credit use performance (history). It is similar to a "report card," which is a detailed report of a student's school performance. Both report cards and credit reports generally contain codes that are used to explain information. A credit score is a three-digit number that is calculated using information contained within a credit report. It is similar to a grade point average (GPA), which is based on student performance data contained within a report card.*

2. **Activity 1:** Show the MyFICO video *Understanding Your Credit Report* (see the video link on page 3) and debrief the following questions (based on video content) with students:

### **What is a credit report?**

A credit report is a detailed report of a person's credit use history that is prepared by a credit reporting agency (a.k.a., credit bureau). Credit reports are used by creditors to make lending decisions. Included in an individual's credit report are: personal information (name, address, employer), detailed credit account information (e.g., bill payment history, credit limit, current balance), information from public records (e.g., wage garnishments and bankruptcy), and a list of credit account inquiries. Negative information generally remains in a credit report for seven years (10 years for bankruptcy filings). Under the Fair and Accurate Credit Transactions Act (FACTA), consumers are entitled to request one free credit report annually from each of the "big three" credit bureaus via [www.annualcreditreport.com](http://www.annualcreditreport.com).

### **What are the three largest credit reporting agencies (a.k.a., credit bureaus) in the United States?**

Experian, Equifax, and TransUnion are known as the "Big 3" because they are the largest credit reporting agencies (CRAs) in the country. It should be noted that these companies are not the only CRAs, however. In addition, there are dozens of smaller CRAs that provide regional or industry-specific credit reports. For example, there are so-called specialty credit reporting agencies that provide reports about tenant history, insurance claims, and check-writing history.

### **Where do credit reporting agencies (a.k.a., credit bureaus) get credit history information?**

Credit reports compile data about consumers' past and current use of credit from a variety of sources. Borrowers' past record of payment of debts is known as their credit history. Credit history information sources for credit reports include financial institutions (e.g., banks and credit union), credit card issuers, retailers, mortgage lenders, collection agencies, and public court records (e.g., bankruptcy).

### **How do lenders use information contained within a credit report?**

Many lenders today only review credit scores, which are three-digit numbers calculated by using formulas that weight various pieces of information contained within a credit report. Bill payment history and amount of credit used (both shown in credit reports) are key factors. Therefore, it is very important to review credit reports regularly to make sure that they are accurate. Lenders use credit report information to determine whether or not to issue credit to consumers and to determine what interest rate to charge. Generally, consumers with a better credit history receive more favorable loan terms than those with blemishes in their credit report (e.g., late payments and charged-off debts).

### **What information is contained within a credit report?**

A credit report includes basic *personal identification information* such as a person’s Social Security number, employer, and current address. It also includes information on consumers’ *credit use history* such as the types of credit that they have used and timeliness of payments. Credit reports also contain *public record information*, if any, related to consumer finances obtained from public or courthouse records. Examples include foreclosures and bankruptcy. A credit report also shows *inquiries* made by potential credit grantors and others accessing a credit file for marketing or review purposes.

### **What are tradelines in a credit report?**

Tradelines are described in the video as “the heart of a consumer’s credit report.” The term “tradeline” is an industry term that refers to actual consumer accounts that are listed in a credit report. Information about these consumer accounts is collected by credit reporting agencies from the creditors that they do business with. Specific information included within tradelines includes the name of credit accounts, the date when accounts were opened, the loan amount, the current balance, and payment history (e.g., notations for late payments and words like “current” or “paid as agreed” for on time payments).

### **What are inquiries in a credit report?**

The inquiries section of a credit report lists specific times that a consumer’s credit report was reviewed and the name of the entity that conducted the review. *Hard inquiries* occur when consumers, themselves, have requested new credit and can affect their credit score. *Soft inquiries* are made when a credit report is reviewed externally by others for marketing purposes (e.g., in advance of receiving a pre-approved credit card offer) or by existing creditors, and they don’t affect a person’s credit score.

### **What is a credit score?**

Credit scores are a three-digit number derived from information contained within a credit report. Ranging from 300 to 850 (for FICO scores), lenders use credit scores as a measure of a person’s creditworthiness and to determine interest rates charged for a loan or credit card. The higher a credit score number (e.g., 760 versus 550), the better a loan risk an individual is judged to be. Credit scores incorporate a number of key factors that have been shown to be associated with debt repayment.

3. **Activity 2:** Distribute the 10-question *Credit Report Fact or Myth?* activity handout to have students identify true and false information about credit reports. Read each question and have students decide whether the statement is correct (hold up the *Fact* card) or false (hold up the *Myth* card). The *Fact* and *Myth* cards should be printed on different colors of paper or on different color index cards. See the sample below. Debrief each question using descriptions of the correct answers found below.

### **Fact or Myth?**



**A person's credit score will drop if they make a request to see their credit report.**

MYTH

There is no credit score penalty for consumers who check their own credit reports. This type of credit report inquiry is referred to as a "soft inquiry" and it does not impact credit scores.

**To request a copy of their credit report, consumers must provide their Social Security number.**

FACT

To request a credit report, consumers must provide some sensitive personal information (date of birth and Social Security number). These key pieces of data are needed by credit reporting agencies to pull the correct information about their credit history.

**U.S. consumers can request a free credit report annually from the "Big 3" credit bureaus.**

FACT

Consumers can request free credit reports via the web site [www.annualcreditreport.com](http://www.annualcreditreport.com). This is the web site that was developed to comply with a federal government law. They can also order a report via the phone (877-322-8228) or by mail using a credit report [request form](#) found on the above web site.

**Consumers must request credit reports from each of the "Big 3" credit bureaus at the same time.**

MYTH

While it is certainly possible to simultaneously request credit reports from each of the "Big 3" credit reporting agencies (a.k.a., credit bureaus), consumers don't have to. Instead of requesting credit reports from each CRA every 365 days (12 months), experts recommend staggering the requests to get one report from a different CRA every four months. This way, someone is checking their credit card frequently for errors and evidence of identity theft.

**Negative information, such as late payments, stays in a credit report for five years.**

MYTH

Negative information, such as late payments, charged-off accounts, car loan defaults and repossession, home foreclosures, and completed Chapter 13 bankruptcies, typically remains in a person's credit report for seven years. The time limit for reporting Chapter 7 bankruptcies is even longer: up to 10 years. Negative information can come from current or previous credit accounts. Older negative credit information has less impact on credit scores than more recent negative data.

**Paying off a debt that had late payments does not automatically remove negative information.**

FACT

Negative information about late payments does not automatically get removed from credit reports when consumers catch up on making payments. However, it may be possible for consumers to contact their original creditor (e.g., the retail store whose credit card they used and fell behind on) and request that the creditor remove the late payment notation from their credit history. Negotiation strategies work best if the late payment in question was a one-time event and not a regular pattern of behavior.

**Credit reporting agencies (a.k.a., credit bureaus) make lending decisions such as approving loans.**

MYTH

Credit reporting agencies do not make lending decisions. They simply provide data to potential lenders.



**Credit reports are free to people who have been denied credit within the past 60 days or are victims of fraud such as identity theft.**

FACT

Under the Fair Credit Reporting Act, consumers in the two situations noted above (i.e., people denied credit within the past 60 days and fraud victims) are entitled to a free credit report *in addition to* their free annual credit report. Other consumers who are eligible for an additional free credit report are those who are unemployed but plan to seek employment within 60 days, those receiving public assistance, and those who reside in states (including New Jersey) that have laws requiring free credit reports.

**Credit reports include a person's race and religion.**

MYTH

Personal characteristics that are unrelated to consumers' use of credit are not included in credit reports. This includes race, religion, marital status (although this may become evident through a listing of credit accounts that are held jointly with others), political party affiliation, and medical history.

**Credit reporting agencies (a.k.a., credit bureaus) typically have about 30 days to respond to consumer disputes about information in their credit report.**

FACT

Under the Fair Credit Reporting Act, credit reporting agencies (CRAs) typically have about 30 days to investigate and respond to consumer disputes about information contained within their credit reports. CRAs will investigate the dispute with the organization (e.g., a retailer) that originally provided the CRA with a consumer's credit history information. The information provider then researches the case and reports back to the CRA. Consumers should expect to receive a written report about the results of the investigation. The CRA must also provide a free credit report if the dispute results in a change.

4. **Activity 3:** Show the Federal Trade Commission video *Free Credit Report Commercial*: <https://www.youtube.com/watch?v=4GC9dobzEKc>. Then have students read a print or online version of an article about "free" credit cards with "strings" attached such as *Get a Free Credit Report Without Getting Scammed*: <https://www.thebalance.com/avoid-paying-for-your-free-credit-report-960500>. Ask students to explain the take-away message from both the video and the article.

*The take-away message from the video and article is that there is only one truly free source of credit reports: [www.annualcreditreport.com](http://www.annualcreditreport.com). This web site was created as a result of a federal government law, the Fair and Accurate Credit Transactions Act (FACTA), that gives consumers the right to request a free credit report every year (defined as a 365-day time period). The video is a spoof of commercials that encourage consumers to go elsewhere for credit reports. Some of these other web sites trick people into paying for credit reports or expensive credit monitoring services with monthly fees.*

5. **Activity 4:** Direct students to the SunTrust *How to Read Your Credit Report Like a Pro* infographic: <https://www.suntrust.com/resourcecenter/article/infographic-how-to-read-your-credit-report-like-a-pro#.WZ2DOYfrs5u> and distribute the accompanying activity handout. Have students work together in small groups to answer the questions listed below about the content of the infographic. Debrief the answers to the questions about credit reports with the total class.

**What are five pieces of personal information found in a credit report?**

The five pieces of data are full name, address, name of employer, date of birth, and Social Security number.

**What are two pieces of personal information that are not a factor in credit scores?**

The two pieces of data are age and marital status.

**What five pieces of credit use information are found in credit report tradelines?**

The five pieces of data are type of account, date opened, credit limit or loan amount, account balance, and loan history.

**What type of information found in a credit report accounts for 35% of a person's FICO credit score?**

Payment history, which is the largest single factor (35% formula weighting) in the calculation of FICO credit scores. Other factors used in the calculation of credit scores have a lower percentage weighting. For example, having a mix of different credit types has a 10% FICO credit score weighting.

**What are three examples of revolving accounts?**

Bank credit cards (e.g., Visa and Mastercard), retail store credit cards, and home equity lines of credit.

**What are three examples of installment accounts?**

Home mortgages, student loans, and auto loans.

**How long can credit inquiries stay on a person's credit report?**

An inquiry (request to access a person's credit history) can appear in a credit report for 12 to 24 months. Inquiries include account monitoring inquiries, promotional inquiries, and "hard inquiries" made when consumers apply for a new line of credit and a potential lender reviews their credit history.

**What are three pieces of public record information found in a credit report?**

Examples shown in the infographic are bankruptcies, tax liens, and judgments.

**How long can bankruptcies remain listed in a credit report?**

10 years.

**How long can collections on past-due accounts remain listed in a credit report?**

7 years.

**According to a survey, what fraction (%) of Americans have never checked their credit report?**

26 percent according to a May 2015 survey by Bankrate.

6. **Activity 5:** Distribute the *Web Quest: How to Dispute an Inaccurate Credit Report* activity handout and ask students to use an online search engine (e.g., Google, Bing) and search for words such as "credit report errors," "correcting credit report errors," "inaccurate credit reports," and "credit report disputes." Give students about 15 to 20 minutes to find, read, and summarize information from unbiased sources (e.g., the Federal Trade Commission, Federal Reserve Board, and non-profit consumer organizations) that are not selling credit report-related services. Call the entire class back together and debrief the activity and what was learned about disputing inaccurate credit report information.



*Student answers will vary but should include the fact that credit reporting agencies will contact the original creditors that consumers have a dispute over information with. The time frame to resolve disputes is approximately 30 days unless a CRA considers a dispute to be frivolous. Technically, response time can take up to 45 days. The Fair Credit Reporting Act requires CRAs to investigate a consumer's dispute with the original creditor within 30 days after the CRA gets the dispute documentation. The law then allows an additional five business days for a CRA to respond to the consumer. The 45 day upper limit estimate takes into consideration weekends and mail delivery time.*

## **CLOSURE**

Ask students if they have any remaining questions about credit reports. Remind them that, like report cards, credit reports can have big impact on their future. Personal behaviors matter for both types of reports. Just like it is important to study to get good grades and lots of As on a report card, it is also important to repay debts promptly to maintain a good credit history and avoid any negative information (e.g., late payments).

## **GLOSSARY**

**Bankruptcy-** A legal process where a judge and court-appointed trustee review the income, assets, and debts of indebted individuals or households to make decisions about debt repayment and debt discharges. Federal and state bankruptcy laws provide a “fresh start” to people who have become overwhelmed by debt. Bankruptcy is generally considered a “last resort” method to deal with an overwhelming amount of debt because it is a very negative notation in credit reports and severely damages credit scores.

**Credit Limit-** The maximum amount of money that a consumer is allowed to borrow as a line of credit. An example is a \$1,000 limit on a credit card.

**Credit Report-** A detailed report of a person's credit use history that is prepared by a credit reporting agency (a.k.a., credit bureau). Credit reports are used by creditors to make lending decisions.

**Credit Reporting Agency (a.k.a., Credit Bureau)-** A business that receives and distributes information about the credit use experience of individuals. Information is collected from and shared with businesses such banks and retailers. There are three major CRAs (the “Big 3”): Equifax, Experian, and TransUnion.

**Credit Score-** A three-digit number that is derived from information contained within a credit report. FICO credit scores range from 300 (worst) to 850 (best). Lenders use credit scores as a measure of a person's creditworthiness and to determine the interest rates charged for a loan or credit card.

**Current (Paid as Agreed)-** Words used in a credit report to indicate that a credit account is in good standing and that consumers have been making payments according to the terms of their loan agreement. These words are the best status that can be listed in the tradelines section of a credit report. They mean that consumers have been paying at least their minimum required payment by their billing statement due date.

**Foreclosure-** The legal process used by mortgage lenders to take possession of a mortgaged property (e.g., a single-family home or condo) when borrowers fail to make mortgage payments. After foreclosure, the property belongs to the bank and the homeowner will eventually have to leave the premises. Foreclosure processes vary from state to state with respect to disclosures and time limits for homeowners to pay back what they owe (e.g., court costs and unpaid principal and interest) to avoid the loss of their home.

**Identity Theft-** The use of someone’s personal identification information (e.g., name, Social Security number, and bank or credit account numbers) to commit a crime (e.g., steal money from a bank account and make fraudulent purchases). Checking a credit report regularly is a recommended strategy to look for evidence of identity theft such as unauthorized credit accounts or purchases.

**Inquiries-** Requests that are made to see a person’s credit report. *Hard inquiries* occur when consumers request new credit and can affect their credit score. *Soft inquiries* are made when a credit report is reviewed for marketing or creditor review purposes and they don’t affect a person’s credit score.

**Judgment-** A decision made by a court of law to settle a dispute between two parties. Successful judgment cases often result in a plaintiff or creditor being owed a specific amount of money.

**Lien-** A legal claim on the property of another person as collateral to secure the payment of a debt or court settlement. An example is a tax lien for the payment of back taxes.

*Following a July 2017 policy [change](#), many liens and most judgments are excluded from credit reports.*

**Personal Identification Information-** Very specific information that is unique to individuals such as their name, current address, Social Security number, name of employer, and date of birth.

**Public Record Information-** Information about credit use that can be obtained from public or courthouse records. Examples include liens, foreclosures, and bankruptcy. Depending upon the type of public record information, it may or may not be recorded in a credit report.

**Repossession-** The process of a lender taking possession of property that was used by a borrower as collateral to secure a loan (e.g., a car). Repossession often occurs following nonpayment of the amount owed and is an example of negative information found in credit reports.

**Wage Garnishment-** A legal process where creditors can collect money owed to them via a payroll deduction from debtors’ wages. Wage garnishments often show up in credit reports via public records.

## LEARNING EXTENSIONS

If time permits, the following activities can be used to extend the depth of this lesson:

- ◆ Invite a credit counselor as a guest speaker to discuss the importance of maintaining a good credit history and what happens when people have negative information in their credit report.
- ◆ Show and discuss the following YouTube videos:  
*Credit Scores and Reports 101* (2/3, MoneyCoach): <https://www.youtube.com/watch?v=71iaNlSkCc0>  
*What are Credit Reports and Credit Scores?* (Home Buyer Channel):  
<https://www.youtube.com/watch?v=iCTxIUTAxBg>
- ◆ Have students write a summary of what they learned about credit reports for the school newspaper.
- ◆ Have students review the Federal Reserve Board publication *Credit Reports and Credit Scores* at [https://www.federalreserve.gov/creditreports/pdf/credit\\_reports\\_scores\\_2.pdf](https://www.federalreserve.gov/creditreports/pdf/credit_reports_scores_2.pdf) and summarize the information in a creative way (e.g., graphic images, videos, display case exhibits, social media posts).

- ◆ Have students analyze and discuss information contained within the following infographics:  
*How to Check Your Credit Report* Infographic (Experian): <https://www.experian.com/blogs/news/2014/04/01/how-to-check-your-credit-report-infographic/>  
*Credit Check: Review Your Credit Report* Infographic (CreditDonkey.com): <http://www.infographicsarchive.com/economics/credit-check-review-your-credit-report/>  
*Credit Report 101* Infographic (YourWealthPuzzle.com): <http://www.dailyinfographic.com/credit-report-101-infographic>  
*Building Your Credit* Infographic (Radius Financial Group Inc.): <http://www.radiusgrp.com/wp-content/uploads/building-credit-infographic-FINAL.pdf>
- ◆ Review the credit file request form (used to request credit reports via U.S. mail) available at <https://www.consumer.ftc.gov/articles/pdf-0093-annual-report-request-form.pdf>.
- ◆ Review and teach material from the following lesson plans about credit reports:  
*My Credit Report Card* Lesson Plan (NC Public Schools): <http://www.ncpublicschools.org/docs/pfl/educators/resources/secondary/supplement/credit.v2.pdf>.  
*All About Credit* [Topic 5- *Hands On Banking*] (Wells Fargo Bank): [http://www.handsonbanking.org/en/resources/5\\_YA\\_About\\_Credit.pdf](http://www.handsonbanking.org/en/resources/5_YA_About_Credit.pdf)  
*Credit Reports* Lesson (TX): <http://economicstexas.org/wp-content/uploads/2013/08/Grade-6-Lesson-3-R3.pdf>
- ◆ Have students discuss credit reports with their parents (e.g., whether parents regularly check reports).

### **ASSESSMENT: *Credit Report Quiz***

Instructors are encouraged to use the questions below for content review or as a pre-and/or post-test to determine gains in student knowledge about credit reports and disputing inaccurate credit report entries after teaching this lesson.

Correct answers to the multiple choice and True-False questions are shown in boldface type.

#### **Multiple Choice Questions**

1. Which federal law protects consumers by requiring credit reporting agencies (a.k.a., credit bureaus) to furnish correct and complete information in credit reports?
  - a. Truth in Lending Act
  - b. Fair Credit Reporting Act**
  - c. Equal Credit Opportunity act
  - d. Fair Credit Billing Act
2. What web site should consumers use to request the free credit report that they are entitled to once a year under federal law?
  - a. [www.ftc.gov](http://www.ftc.gov)
  - b. [www.econsumercreditreport.com](http://www.econsumercreditreport.com)
  - c. [www.annualcreditreport.com](http://www.annualcreditreport.com)**
  - d. [www.freeannualcreditreport.com](http://www.freeannualcreditreport.com)

3. How long can information about a Chapter 7 bankruptcy be listed in a person's credit report?
  - a. 3 years
  - b. 5 years
  - c. 7 years
  - d. 10 years**
  
4. Which of the following companies is *not* a "Big 3" credit reporting agency (a.k.a., credit bureau)?
  - a. TransUnion
  - b. Fair Isaac**
  - c. Experian
  - d. Equifax
  
5. Which of the following is *not* a piece of information found in a credit report?
  - a. Race or nationality**
  - b. Name of employer
  - c. Social Security number
  - d. Previous address

### True-False Questions

1. Most negative information, such as late payments, remains in credit reports for no more than five years (**FALSE: The correct answer is seven years. Generally, negative credit information stays in a credit report for seven years and up to 10 years for a Chapter 7 bankruptcy. Negative information can come from current or previous credit accounts. Older negative credit information has less impact on credit scores than more recent negative data**)
  
2. A bad credit report with negative entries, such as late payments, can affect a person's chances for renting an apartment (**TRUE: Many landlords or rental property managers will check a potential tenant's credit history by requesting a credit report from at least one credit reporting agency. Information contained within a credit report can tell a landlord how responsible rental applicants have been in managing money and making debt payments on time. Applications that prospective tenants sign generally contain language that gives landlords permission to check their credit history**)
  
3. Under federal law, consumers are entitled to request a free credit report every two years (**FALSE: Free credit reports can be requested every year, which is defined as a 365-day time period. To do this, consumers should go online to [www.annualcreditreport.com](http://www.annualcreditreport.com). This is the approved site developed to comply with a federal government law. They can also order a credit report by phone or mail**)
  
4. Credit reports should be reviewed regularly for errors (**TRUE: Errors to look for in a credit report are misspelled names or other personal data, co-mingled information from another person, debts wrongly listed as being delinquent, and fraudulent accounts opened as a result of identity theft**)
  
5. A summary of a person's use of credit is found in the tradelines section of a credit report (**TRUE: Specific information included within tradelines includes the name of credit accounts, the date when accounts were opened, the loan amount, the current balance, and payment history (e.g., notations for late payments and words like "current" or "paid as agreed" for on-time payments)**)

## REFERENCES AND RESOURCES

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*Credit Reporting Agencies: Big 3 and Alternative Bureaus* (WalletHub): <https://wallethub.com/edu/credit-reporting-agencies/25518/>

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*Requesting a Credit Report After Credit Denial* (Debt Consolidation Care): <https://community.debtcc.com/letters/sample10.html>

*States Step in to Stop Poor Credit from Limiting Job Opportunities* (Finance Solutions): <https://financesolutions.org/states-step-in-to-stop-poor-credit-from-limiting-job-opportunities/>

# *Understanding Your Credit Report*

## **Debriefing Questions**

After watching the video *Understanding Your Credit Report*, answer the following questions:

**What is a credit report?**

**What are the three largest credit reporting agencies (a.k.a., credit bureaus) in the United States?**

**Where do credit reporting agencies (a.k.a., credit bureaus) get credit history information?**

**How do lenders use information contained within a credit report?**

**What information is contained within a credit report?**

**What are tradelines in a credit report?**

**What are inquiries in a credit report?**

**What is a credit score?**



# Fact or Myth?

## Instructions:

Answer the questions below and be prepared to defend your responses during the class discussion.

**A person's credit score will drop if they make a request to see their credit report.**

**To request a copy of their credit report, consumers must provide their Social Security number.**

**U.S. consumers can request a free credit report annually from the "Big 3" credit bureaus.**

**Consumers must request credit reports from each of the "Big 3" credit bureaus at the same time.**

**Negative information, such as late payments, stays in a credit report for five years.**

**Paying off a debt that had late payments does not automatically remove negative information.**

**Credit reporting agencies (a.k.a., credit bureaus) make lending decisions such as approving loans.**

**Credit reports are free to people who have been denied credit within the past 60 days or are victims of fraud such as identity theft.**

**Credit reports include a person's race and religion.**

**Credit reporting agencies (a.k.a., credit bureaus) typically have about 30 days to respond to consumer disputes about information in their credit report.**

# How to Read Your Credit Report Like a Pro

Source:

SunTrust: <https://www.suntrust.com/resourcecenter/article/infographic-how-to-read-your-credit-report-like-a-pro#.WZ8bcIfrs5u>

**HOW TO READ YOUR CREDIT REPORT LIKE A PRO**

Your credit report is a summary of your financial history—make sure it's telling the right story

Your credit history plays a major role in your financial life. Even so, many consumers are confused about what information is included in their credit report and how it affects their credit score. Here's what you need to know about the four sections that make up your credit report to spot errors (21 percent of people have found some) and take steps to improve your creditworthiness.<sup>1</sup>

**Identifying Information<sup>2</sup>**  
This section of your credit report includes your personal information:

**CREDIT REPORT**  
Full name  Date of birth   
Address  Social Security number   
Employment information

**DID YOU KNOW?**  
Personal information is not used to calculate your credit score, although people often assume it is.<sup>3</sup> 43% of consumers incorrectly believe age is a factor. 40% incorrectly believe marital status affects your score.<sup>4</sup>

**Tradelines**  
Each tradeline, or credit account, you have established with your lenders will appear on your credit report and include the following details:<sup>5</sup>

Type of account  Date opened   
Credit limit or loan amount  Account balance   
Payment history

Payment history accounts for 35% of your FICO credit score.<sup>6</sup> 9% of consumers who checked their credit report found a late payment they didn't know about!<sup>7</sup>

There are different types of credit accounts:<sup>6</sup>

**Revolving accounts:** Credit cards, retail cards and home equity lines of credit

**Installment accounts:** Mortgage, student and auto loans

**Open accounts:** Utilities

Your credit mix determines 10% of your FICO credit score.<sup>7</sup>

**Credit Inquiries**  
Any request to access your credit history is an inquiry and can appear on your credit report for 12 to 24 months. There are two types:<sup>8</sup>

**1 Soft inquiries include:**  
• Your own requests for your credit report  
• Account monitoring inquiries  
• Promotional inquiries

**2 Hard inquiries occur:**  
• When you apply for a new line of credit and a lender reviews your credit history

Soft inquiries do not impact your credit score, and lenders can't see them. 10% of your FICO credit score is based on new credit.<sup>9</sup>

**Public Records and Collections**  
Public record information includes:<sup>8</sup>

**Bankruptcies:** Bankruptcies can stay on your credit report for 10 years

**Tax liens:** Paid tax liens can remain on your credit report for 7 years from the date paid. Unpaid tax liens can remain on your credit report for 15 years

**Judgments:** Judgments can stay on your credit report for 7 years from the date filed, or until the statute of limitations runs out, whichever time period is longer

Collections are past-due accounts that are sent to a collection agency and can stay on your credit report for 7 years.<sup>8</sup> 10% of consumers who checked their credit report found a collection they didn't know about!<sup>7</sup>

**READY TO TACKLE YOUR CREDIT?**

Separate yourself from the 26 percent of people who have never checked their credit report by pulling a free copy from each of the three credit reporting agencies once a year through [annualcreditreport.com](http://annualcreditreport.com).<sup>8</sup>

How can we help you shine?  
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What is the take-away message from this infographic?

# **How to Read Your Credit Report Like a Pro**

## **Debriefing Questions**

**What are five pieces of personal information found in a credit report?**

**What are two pieces of personal information that are not a factor in credit scores?**

**What five pieces of credit use information are found in credit report tradelines?**

**What type of information found in a credit report accounts for 35% of a person's FICO credit score?**

**What are three examples of revolving accounts?**

**What are three examples of installment accounts?**

**How long can credit inquiries stay on a person's credit report?**

**What are three pieces of public record information found in a credit report?**

**How long can bankruptcies remain listed in a credit report?**

**How long can collections on past-due accounts remain listed in a credit report?**

**According to a survey, what fraction (%) of Americans have never checked their credit report?**

# Web Quest: How to Dispute an Inaccurate Credit Report

It is very important to dispute credit reports with inaccurate information. Otherwise, you may not be able to receive credit at the best possible terms and will pay more to borrow money than you have to. In this activity, you will conduct an online search to learn about the process of correcting credit report errors.

## Instructions:

1. Go to an online search engine (e.g., Google, Bing) and search for phrases such as “inaccurate credit reports,” “credit report errors,” and “credit report disputes.”
2. Read three articles (not paid advertisements) that describe actions that people can take to correct their credit report.
3. When you are done reading, complete the table below by listing three key pieces of information that you found.
4. Be prepared to discuss the information that you found with the entire class.

Information Source	Information About Correcting Your Credit Report

# Credit Report Quiz

## Multiple Choice Questions:

Circle the correct answer from among the four answers provided.

1. Which federal law protects consumers by requiring credit reporting agencies (a.k.a., credit bureaus) to furnish correct and complete information in credit reports?
  - a. Truth in Lending Act
  - b. Fair Credit Reporting Act
  - c. Equal Credit Opportunity Act
  - d. Fair Credit Billing Act
2. What web site should consumers use to request the free credit report that they are entitled to once a year under federal law?
  - a. [www.ftc.gov](http://www.ftc.gov)
  - b. [www.econsumercreditreport.com](http://www.econsumercreditreport.com)
  - c. [www.annualcreditreport.com](http://www.annualcreditreport.com)
  - d. [www.freeannualcreditreport.com](http://www.freeannualcreditreport.com)
3. How long can information about a Chapter 7 bankruptcy be listed in a person's credit report?
  - a. 3 years
  - b. 5 years
  - c. 7 years
  - d. 10 years
4. Which of the following companies is *not* a "Big 3" credit reporting agency (a.k.a., credit bureau)?
  - a. Trans Union
  - b. Fair Isaac
  - c. Experian
  - d. Equifax
5. Which of the following is *not* a piece of information found in a credit report?
  - a. Race or nationality
  - b. Name of employer
  - c. Social Security number
  - d. Previous address

## True-False Questions:

Mark "T" for True or "F" for False in the space before each question.

- \_\_\_ 1. Most negative information, such as late payments, remains in credit reports for no more than five years.
- \_\_\_ 2. A bad credit report with negative entries, such as late payments, can affect a person's chances for renting an apartment.
- \_\_\_ 3. Under federal law, consumers are entitled to request a free credit report every two years.
- \_\_\_ 4. Credit reports should be reviewed regularly for errors.
- \_\_\_ 5. A summary of a person's use of credit is found in the tradelines section of a credit report.

The *Credit Report Basics: Analyzing and Disputing Information* lesson plan was written by Dr. Barbara O'Neill, CFP®, Extension Specialist in Financial Resource Management for Rutgers Cooperative Extension ([boneill@njaes.rutgers.edu](mailto:boneill@njaes.rutgers.edu)).

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