

Managing Money

A Consumer Action
Financial Education Project

“Building and Keeping Good Credit” Seminar Lesson Packet

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BUILDING AND KEEPING GOOD CREDIT Seminar Lesson Plan

Course Purpose:

- To provide workshop participants with an understanding of what credit is and the impact of credit on one's financial status
- To provide participants with skills for establishing and maintaining good credit

Course Objectives: By the end of the training participants will understand:

- How credit can impact an individual's financial status
- The importance of good credit
- How to establish credit
- How to maintain good credit
- How to request and read a consumer credit report
- What credit scoring is
- What their rights as borrowers are

Materials:

Participant's folder, which includes:

- "Good Credit" pamphlet
- Sample credit reports from credit reporting agencies (CRAs)
- Credit Evaluation Worksheets (set of four sample profiles)
- Credit Self-Evaluation Worksheet
- Evaluation of Good Credit Seminar

For trainer:

- "Good Credit" Leader's Guide
- Participant's folder
- Easel, paper and pens

Seminar Duration: There will be two sessions of two hours each. Each two hour session will include a 20-minute break.

Training Overview

First Session (Two Hours)

<u>Suggested Time Allotment:</u>	<u>Segment:</u>
10 mins.	Welcome & Training Overview
10 mins.	Group Introductions
20 mins.	Good Credit
20 mins.	Break
30 mins.	Establishing Credit
30 mins.	Credit Reports

Second Session (Two Hours)

30 mins.	Review of Sample Credit Reports
15 mins.	Know Your Rights
20 mins.	Break
30 mins.	Credit Evaluation Activity
20 mins.	Question and Answers
5 mins.	Wrap-Up and Evaluation

First Session (Two Hours)

(Note: Before conducting the training, familiarize yourself with the “Good Credit” fact sheet and Leader’s Guide.)

Welcome & Training Overview (10 mins.)

Welcome participants and review the purpose of the seminar and the day’s agenda. Hand out folders to participants.

Group Introductions (10 mins.)

Ask participants to introduce themselves and say what they hope to get out of the seminar.

(This activity is designed to serve as a brief icebreaker to help workshop participants get to know each other and feel more comfortable, and to give you an idea of what participants’ expectations are.)

Good Credit (20 mins.)

Encourage the group to discuss and define good credit and what it means to each person. (See Leader’s Guide, page 1.) Direct attention to the “Good Credit” fact sheet in participants’ folders.

Questions to generate discussion:

- What is credit?
- What does it mean to have good credit?
- What does it mean to have bad credit?
- What can good credit help you to do?

TIP: Write down this list on easel pad:

- Buy a home
- Get a job
- Get telephone service
- Rent an apartment
- Spread out payments for big items (furniture, electronics, etc.)
- Finance an automobile
- Qualify for insurance
- Get a loan
- Obtain a credit card

Break (20 mins.)

Announce a 20-minute break.

Establishing Credit (30 mins.)

Review ways consumers can build credit and why consumers are turned down for credit. (See Leader's Guide, page 9.)

Questions to generate discussion:

- How does a person get credit?
- Do you know if you have a credit history?
- Why are people turned down for credit?
- Is there a way to find out why you have been turned down for credit?

Ideas on how to establish credit (see Leader's Guide, pages 9-10):

- Opening a bank account
- Working with a local bank officer
- Finding a co-signer
- Applying for a secured credit card

Also review the issues associated with:

- High-cost "unsecured" credit cards (see brochure)
- Optional credit card services (e.g. credit insurance) (see brochure)
- Marriage, divorce and credit (see Leader's Guide, page 13)

Reasons for being denied credit (see brochure and Leader's Guide, page 2):

- No credit history
- Fraud (see brochure and Leader's Guide, page 15)
- Past credit mistakes or mismanagement of credit (see brochure and Leader's Guide, page 2)
- Too much credit or debt (see brochure)

Talk about how to get a free credit report if you have been turned down for credit (see Leader's Guide page 8).

Credit Reports (30 mins.)

Ask participants to take out the sample credit reports in their folders. Using the samples, lead a discussion to help participants understand credit reports. (also see Leader's Guide, page 3.)

Review:

- What's in a credit report (see brochure.)
- How to get a copy of your credit report, and how often to get it (once a year) (see Leader's Guide, page 4)
- Who can request a copy of your credit report (see Leader's Guide, page 4)
- What's not included in your report (see Leader's Guide, page 3)
- Who does not have a credit report on file (see Leader's Guide, page 4)

Session Two (Two Hours)

Review of Sample Credit Reports (30 mins.)

(Leader preparation: Review attached sample credit reports.)

Ask participants to take the three sample credit reports from Equifax, Experian and Trans Union from their folders.

Review the sample reports with the group. Point out the differences in the three credit reporting agencies' reports. Talk about:

- How to review the personal identification information for accuracy.
- Potentially negative items shown on the sample reports.
- One-hundred word statement. (see Leader's Guide, page 6)

Know Your Rights (15 mins.)

Explain the borrower's credit rights. (see Leader's Guide, pages 17-19) Discuss the following rights in detail:

- Right to see what is in your report
- Right to have an accurate report
- Right to have mistakes corrected
- Right to tell your side of the story
- Right to know who has seen your report

Filing a dispute (see Leader's Guide, pages 6-7)

- Contacting credit bureaus
- Correcting inaccurate credit information
- 100-word statement

Reporting fraud (see Leader's Guide, pages 15-16)

- You may need to fill out a police report
- Credit reporting agencies have a special 1-800 number to call if you are a victim of fraud

TAKE-HOME ACTIVITY: Point out the "Credit Self-Evaluation Worksheet" to participants. Suggest that they take it home to work on.

Break (20 mins.)

Announce a 20-minute break

Credit Evaluation Activity (30 mins.)

Ask participants to break into four groups and take out the Credit Evaluation Worksheets from their folders.

Participants will review sample credit profiles and discuss reasons why the potential applicant may or may not be approved for credit or a loan. Each group will choose a spokesperson to explain why they approved or rejected each request for credit.

After about 15 minutes, ask the groups to come back together and ask each spokesperson to explain their groups' decisions.

(In the discussion that results, be sure to emphasize that there is no "perfect" credit profile. Each person's credit report is different and each lender has different rules for granting credit. Even if your credit is not perfect, you may find a lender who will work with you.)

Questions and Answers (20 mins.)

Open the floor to questions. The Leader's Guide is written in Q&A format to help you anticipate frequently asked questions.

Wrap Up and Evaluation (5 mins.)

Congratulate participants on their attention and participation in the day's training. Ask them to fill out the Seminar Evaluation Form and leave it with you on their way out.

Credit Self-Evaluation

How does your credit stack up?

1. Have you ever had a credit card or a loan of any kind from a bank or finance company? _____

If you have had a credit card or a loan from a financial institution, you probably have a credit record on file with one or all of the three major credit reporting agencies.

2. In the past seven years, were you ever late with your credit cards or loan payments? _____

If the payment was just a few days late it might not show up as a negative mark on your credit report.

If the payment is more than 30 days late it probably shows up on your credit report and could negatively affect your credit. If you've had only one late payment in many months and otherwise pay on time, the negative effect on your credit will be lessened.

If the payment is more than 60 days late, or if you have more than late payment in six months, it could seriously affect your credit.

3. Have you ever been contacted by a collection agency about an overdue bill?

If you have debts that you did not pay, the company you owe money to might turn your account over to collection. If the collection agency reported your debt to the credit reporting bureaus, it will have a negative effect on your credit.

4. Are the total balances on all your credit cards more than 50% of your total lines of credit? _____

While credit card issuers like consumers who carry a balance and pay on time, they often frown on you when you let outstanding balances get close to the credit limit. If you have accessed more than 50% of the total credit available to you, you may have trouble being approved for new credit.

5. In the past 10 years, have you ever filed bankruptcy? _____

Most lenders see a past bankruptcy as a reason to deny you credit. However, there are some lenders and secured credit card issuers who will consider you if your bankruptcy was discharged more than a year ago.

So, what does all this mean to me?

- If you have had credit in the past and handled it responsibly, you probably have good credit.
- If you have late payments, high balances and/or a bankruptcy, you probably will find it difficult to get new credit until you pay down the balances and establish at least a year's worth of on-time payments.

My ideas for building a better credit history: _____

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Credit Evaluation Worksheets

This series of four credit profiles is to be used by participants during a break-out session. These worksheets will help participants consider the credit histories of different people and how their lack of credit or past use of credit affects them.

Instructions to trainer:

Ask participants to organize into small groups and take out the Credit Evaluation Worksheet from their folders.

Participants will review sample credit profiles and discuss reasons why the applicants may or may not be approved for credit or a loan. Ask the groups to choose a spokesperson to explain why they approved or rejected each credit request.

After about 15 minutes, call the groups back together. Ask the spokespeople to explain their group's decisions. In the discussion that results, emphasize that there is no "perfect" credit profile. Each person's credit report is different and each lender has different rules for granting credit. Even if your credit is not perfect, you may find a lender who will work with you.

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Credit Profile: Lupita

Lupita, 47, got her first credit card when she was 25. She always pays her bills on time. Lupita currently has 4 credit cards:

- A bank credit card. On this card, she carries a current balance of \$2,200.
- A department store card. There is no balance on the card. Lupita usually uses it only at Christmas and pays the balance in full.
- A gasoline company card. Lupita uses this card to buy all her gas. She pays the balance in full every month.
- A frequent flyer card. Lupita uses it to pay for all her day-to-day expenses, totaling about \$2,000 per month, and pays the balance in full on each due date.

In addition, Lupita has the following credit accounts:

- Her \$175,000 fixed-rate mortgage. The monthly payment is \$1,467.
- A \$27,000 car loan. Her monthly payment is \$325.
- A \$40,000 loan for her daughter’s college tuition. The monthly payment is \$480.

Lupita is an upper manager at a phone company. She has worked there for 22 years. Her annual salary is \$80,000.

Lupita wants to finance a new \$23,000 car for her daughter.

Do you think Lupita will get the loan? Yes No

Why do you think Lupita will /will not get her second car loan?

Score Lupita’s credit: Poor Passable Good Excellent

Credit Profile: Hai Ying

Hai Ying, 22, just graduated from a two-year computer school. After high school, Hai Ying lived with her parents and worked as a waitress while she saved enough to pay for computer school.

Hai Ying has never had a credit card.

Hai Ying was hired for an entry level position (salary \$32,000 per year) at a computer company in a nearby city. She found an apartment to rent for \$850 per month. The landlord checked Hai Ying’s credit with a national credit reporting agency. He told her that she did not have a credit history on file. He suggested that she ask her parents to co-sign the lease. Her parents agreed.

Hai Ying’s employer asked her to travel for work. Hai Ying’s company does not have company credit cards—all employees must charge travel expenses on their personal credit cards and the company will reimburse them.

Hai Ying decided to apply for a credit card.

Do you think Hai Ying will be approved for a credit card? Yes No

Can you suggest other ways for Hai Ying to get a credit card?

Score Hai Ying’s credit: Poor Passable Good Excellent

Credit Profile: Henry

Henry, 33, has been married and divorced twice. He has two children from each marriage. Henry has had a good job as an auto mechanic since he was 20. He makes \$45,000 per year.

At the time of Henry’s second divorce, he had built a good credit history and had four credit cards. On two cards, he owed balances totaling \$2,100.

Henry always made his child support payments on time. But when his second wife moved away, Henry received a notice from family court in another state that his paycheck would be garnished for the child support payments.

One day on the job, a car jack collapsed and Henry’s foot was badly injured. He went on disability leave. Henry managed to pay the minimum payments on his credit cards and his child support obligations. But he could not afford his car payments and his car was repossessed.

Henry did not go back to work for almost a year. When he did, he took the bus to work for a while. Then he decided to apply for an \$11,000 loan to buy a decent used car.

Do you think Henry’s car loan will be approved? Yes No

How do you think Henry’s personal troubles affected his credit?

Score Henry’s credit: Poor Passable Good Excellent

Credit Profile: Carolyn

Carolyn, 24, recently graduated from a state university. During her college years, Carolyn had four credit cards and used them to buy many items she did not have the money for. Often Carolyn was late with the payments on her card by a few days. A couple of times she missed one payment entirely and paid it 60 days after it was due.

When Carolyn left college, she had combined balances of \$3,000 on her credit cards. She also must pay \$250 per month on her school loans.

Carolyn works at a bank, earning \$65,000. She learns that she could finance her own one-bedroom condominium for about the same amount she pays in rent each month.

Carolyn has a \$30,000 inheritance from her grandmother that she can use as a down payment on a condo. After looking at places for a month or two, Carolyn finds a \$150,000 condo that she wants to buy. She fills out all the paperwork required by the mortgage lender and waits to hear if she is going to get the home loan.

Do you think Carolyn will get her mortgage? Yes No

In what ways could Carolyn have handled credit more responsibly?

Score Carolyn’s credit: Poor Passable Good Excellent

Evaluation of the Good Credit Seminar

Thanks for attending!

Before you leave today, please help us improve future presentations by giving us your opinion of today's seminar.

Circle the number that reflects your feelings about each statement:

1 = Strongly Agree

2 = Agree

3 = Disagree

4 = Strongly Disagree

I learned ways to build a healthy credit history.

1 2 3 4

I have a better understanding of what a credit report is and why it is important.

1 2 3 4

I have a better understanding of my rights as a borrower.

1 2 3 4

The instructor was well informed.

1 2 3 4

The materials I was given are easy to read and understand.

1 2 3 4

I would like to attend another class like this.

1 2 3 4

What else would you like to tell us about how we could improve future seminars?

Thank you for giving us your thoughts.