Give me a little credit
Credit reports and credit scores

Presented to UT Health San Antonio
Presented by Veronica Herrera
October 10, 2017
Disclaimer

• The purpose of this presentation is to help you better understand credit reporting and to provide general information about how you can manage your credit report so that you can get the credit you need and want

• For legal reasons I:
  • Cannot discuss issues specific to your personal credit report
  • Cannot advise individuals about how to improve their personal credit report or credit scores

• Cannot submit disputes regarding your personal credit report on your behalf

• Information regarding Experian policies and processes is current as of the date of this presentation, but may change
Credit
It is a privilege you earn

The choice is yours
What is credit?

Obtaining goods or services and paying for them at a later date under agreed upon terms

- Credit cards, mortgages and car loans
- Service contracts: cable television, telephone, utility service
- Your financial references
Credit does not equal debt

Build a positive credit history so you can get the best terms when you invest in debt
Credit reporting companies serve consumers and businesses by making possible:

- Instant credit
- Lower-cost credit
- Nationwide credit
- Widespread availability
- Account management
The credit cycle

1. You pay lender
2. Lender updates records
3. Lender shares history with credit reporting companies
4. Credit reporting companies share with new lenders
Credit reporting companies are like libraries

Credit reporting company clients check out information...

...if they have a permissible purpose under the law
The Fair Credit Reporting Act
Permissible purposes

- Open or manage credit accounts
- Offers of credit
- Employment purposes
- Underwrite insurance
- A business transaction initiated by the consumer
- Court order or federal jury subpoena
- Valuation of risk of an investor
- Eligibility for government license
- Disclosure to consumer
Defining credit reports and their importance

What is a credit report?

• Your personal credit report includes a record of your financial accounts and obligations and the identification information associated with them

• This report is sometimes called a credit file or a credit history

• Credit reporting companies collect and organize data about your credit history from your creditor's and public records
Defining credit reports and their importance

Why is it important?

• Lenders use credit reports and credit scores to gauge the likelihood that you will pay back a loan
  • A strong credit history enables you to obtain a credit card, home and auto loans and many other valuable credit services, and can affect the amount that you pay for those services

• Reports are also used in other non-lending situations – employment checks, apartment rental applications, utilities, cellular phones, etc.

• Your credit report serves as your financial references to companies with whom you want to do business
The players in the credit cycle
What’s in a credit report

- Identifying information
- Account information
- Public record information
- Inquiries
- Dispute instructions
What’s NOT in a credit report?

Credit reporting companies do not store:

• Criminal background
• Medical information
• Buying habits / transaction data
• Bank account information
• Credit scores
Rental payment history data

What is it?
• On-time, as well as late payments
• Bad checks and / or insufficient funds (NSF)
• Unfulfilled lease terms
• Outstanding balances / write-offs
• Previous collections activity

Why is it important?
• About 110 million of 310 million U.S. residents rent
• Positive rental data not previously on credit report
• 64 million U.S. consumers have no / limited credit
• Consumers can now build credit history with paid-as-agreed rent payments
Initiating a dispute

- We encourage consumers to get a report directly from Experian
  - Toll-free number on report gives you access to customer service
  - Report number identifies you and your record
  - You and the customer service representative will be looking at the same information in the same order

- Can dispute online, by telephone or by mail

- Dispute must be specific
Processing a dispute

- Credit reporting company verifies with the source of the information (creditor or court)
- Must allow up to 30-45 days for processing
- Source verifies, corrects or updates
- Secure, encrypted electronic system is used
- Creditors required to report corrections to all databases
- Consumer can add statement of dispute if issue is not resolved with source
Information you provide in an application for credit, housing, or insurance is reported to credit reporting companies.
### How long is information kept on a report?

<table>
<thead>
<tr>
<th>Type of account</th>
<th>Time frame</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open accounts in good standing</td>
<td>Indefinitely</td>
</tr>
<tr>
<td>Closed accounts in good standing</td>
<td>10 years</td>
</tr>
<tr>
<td>Late or missed payments</td>
<td>7 years</td>
</tr>
<tr>
<td>Collection accounts</td>
<td>7 years</td>
</tr>
<tr>
<td>Civil judgments</td>
<td>7 years</td>
</tr>
<tr>
<td>Chapter 7 bankruptcy</td>
<td>10 years</td>
</tr>
<tr>
<td>Chapter 13 bankruptcy</td>
<td>7 years</td>
</tr>
<tr>
<td>Unpaid tax liens</td>
<td>10 years</td>
</tr>
<tr>
<td>Paid tax liens</td>
<td>7 years</td>
</tr>
<tr>
<td>Credit inquiries</td>
<td>2 years</td>
</tr>
</tbody>
</table>
Common myths about credit reporting

When paid, the bad debt will go away

The credit reporting company denied me credit

I’m not responsible for those charges on our account

A divorce decree separates joint accounts

Consumers must give their permission for a report to be issued
(employment is the exception)

Requesting your own report and preapproved offers harm your credit history

There is only one credit score and it is on every report
What is a credit score?

- Used instead of a manual “score sheet”
- Valuable risk management tool
- Many different models, with many different scales available from many different sources
- Credit reporting companies often “apply” the model selected by the creditor when delivering the credit report; however, the credit scoring model, or formula, is proprietary to the developer
Risk factors are the key

- Generated when a risk score is calculated
- Tell the consumer what to address in their credit history to become more creditworthy
- Are largely consistent from model-to-model
- Are usually included in or described in an adverse action notice
- Experian provides risk factors to consumers with the scores it provides through its direct-to-consumer services
VantageScore® 3.0
Characteristics contributions

VantageScore 3.0 contributions

- Payment History, 40%
- Utilization, 20%
- Balances, 11%
- Depth of credit, 21%
- Recent credit, 5%
- Available credit, 3%
Improving credit scores
There is no silver bullet

• Time is the key
• You can’t “fix” the number
• Address the risk factors and every risk score will improve
Ten rules for managing credit

1. Establish a credit report
2. Always pay as agreed
3. Get a credit card
4. Use caution in closing accounts
5. Apply for credit judiciously
6. Time is key
7. Demonstrate stability
8. Have a plan
9. Put credit to work for you
10. Share your knowledge
Centralized source for free reports
www.annualcreditreport.com

- One free report from each of the three bureaus is available every twelve months
- Single contact point
  - Telephone – 877.322.8228
  - Mail
  - Internet
- Fee for credit score disclosure
Experian education resources
On the Web

Free annual FACT Act credit report

www.annualcreditreport.com
Access to free report from each of the three credit reporting companies

Experian

www.experian.com/crediteducation
Ask Experian advice column, sample consumer report, frequently asked questions

www.livecreditsmart.com
Credit trends and information to inspire consumers to use credit wisely

www.experian.com/consumereducation
Electronic versions of our published materials, sample credit report, videos, PowerPoint presentations with talk notes and more