Credit Report Forensics

Boston University Financial Assistance
February 15, 2012
Christina Coviello, Senior Assistant Director
Today’s Agenda:

- What is credit?
- What is a credit report?
- How to get a copy of your credit report?
- Understanding your credit report
- Tips to protect your credit
- Basic credit score information
- Tips for improving your credit
What is Credit?

Providing money, goods, or services with the expectation of future payment.
Types of Credit

- Installment Account
  - Fixed amount
    - Student Loans, Car Loans, Mortgage Loans, etc.

- Revolving Account
  - Variable amount
  - Balance can change from month-to-month
    - Credit cards
What is a credit report?

- Detailed information regarding a person’s credit history
  - i.e. credit card accounts, loans, & payment history
- Used by lenders and others to determine an applicant’s credit worthiness
Where to get it?

Request your free annual credit report. It's QUICK, EASY and SECURE.

START HERE to view and print your credit report now.

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Credit Reporting Agencies

- National Consumer Reporting Agencies:
  - Experian: experian.com
  - Equifax: equifax.com
  - TransUnion LLC: transunion.com

- FICO® Scores (Fair Issac Corporation)
  - myFICO.com

- Federal Trade Commission (FTC)
  - ftc.gov
Likely To Be Included In Your Report

- Credit Summary
- Account Information
- Credit Inquiries
- Negative Information
- Personal Information
- Dispute File Information
- Summary of Rights
- Remedying the effects of identity theft
- Your Rights Under Applicable Law
Let’s take a look…

**Payment History Key**

<table>
<thead>
<tr>
<th>Meaning</th>
<th>Symbol</th>
<th>Meaning</th>
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<tbody>
<tr>
<td>Pays or Paid as Agreed:</td>
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<td>180+ Days Past Due:</td>
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<td>30-59 Days Past Due:</td>
<td>30</td>
<td>Collection Account:</td>
<td>CA</td>
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<td>60-89 Days Past Due:</td>
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<td>Foreclosure:</td>
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<td>90-119 Days Past Due:</td>
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<td>150-179 Days Past Due:</td>
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## How does this example look?

<table>
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<th>Year</th>
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</table>
What if something doesn’t look right?

- Inaccuracies and Disputing Items
  - Contact the credit bureau, in writing, and detail the information you believe is inaccurate
  - Write to the appropriate creditor or information provider, explaining that you are disputing the information provided to the bureau
  - Expect the process to take between 30 and 90 days
Identity Theft vs. Identity Fraud

- **Identity Theft**
  - Identity thieves use stolen personal information, such as a Social Security number or bank account number, to open accounts or initiate transactions in your name. Identity theft may cause financial loss or damaged credit.

- **Identity Fraud**
  - Identity fraud is usually limited to an isolated attempt to steal money from an existing account, such as a charge on a stolen credit card.
Who is impacted by identity crime?

- Young adults (18-25) are at the greatest risk for identity fraud.
- In the US the reported fraud rate overall for all adults is 3.7%, and it is 5.3% for those who are 18-25.
- More than half of the young adults who are victims of identity crime reported knowing their perpetrators, which included friends and neighbors.

*http://www.checkfreecorp.com/cda/corp/L5.jsp?layoutId=50020&contentId=50058&menuId=50059&pld=50021
How do thieves get your information?

- Dumpster Diving
- Skimming
- Phishing/Smishing
- Hacking – Spyware
- Trolling Social Media Sites
- Old-fashioned stealing
Vulnerability of Social Media Sites

- Identity fraud is twice as common for people who have been on social networking sites for five years or more.
- Keys to your identity are often found on social media profiles – once fit together they can open your financial door.
Protecting Yourself Online

- Antivirus and spyware software – get it and keep it up to date.
- Make sure your web accounts – financial services and online or shopping – are secure.
- Avoid e-paying bills or shopping online via unsecured or unknown networks
- Avoid storing passwords in laptops and mobile phone devices.
- Avoid using links imbedded in emails or responding to emailed requests for personal information, even if the email appears legitimate.
- Limit the personal information you share online, particularly through social networks
Protecting Yourself Offline

- Don’t carry your Social Security Card with you
- Know Your Wallet
- Secure your mail
- Lock your phone and laptop
- Avoid using public computers to access financial accounts
- Know your bank accounts and your credit history
- Know how the institutions you are a part of are protecting you
Has your identity been compromised?

- If your wallet is lost or stolen cancel your credit and debit cards and notify your bank ASAP.
  - The longer you wait the greater exposure you have to financial losses!
- If you have been robbed, call the police.
  - Filing a police report may help with protecting your money and your property down the road.
- Report fraudulent emails and websites.
- Report suspicious activity to lenders and other authorities.
Inquiries

- Any request for your credit history
- Who can make inquiries?
  - Lending institutions or other companies making loan decisions (i.e. auto finance, department stores, etc.)
  - Landlords
  - Employers
  - Insurance Companies
  - Service Companies (i.e. internet or cell phone providers)
- Inquiries can be “hard” or “soft”
  - Hard – when you have applied for credit with a lender
    - Too many hard inquiries can impact your credit score
  - Soft – when you request your credit report, inquiries by employers, landlords, etc.
    - These types of inquiries will not have a significant impact on your score
Negative Information

- Generally remains on your credit report for 7-10 years
- Late payment history comments generally remain on your credit report for 7 years
- An account with a late payment history may be turned over to a Collection Agency by the merchant
What if you’re already in trouble?

- Get on a budget and stick to it!
  - When you plan and budget, you are in control!
  - Don’t know where to start? Check out the budgeting calculators on our Smart Money 101 site, or the many other sites available.

- Pay with cash or use a debit card
  - Don’t build up more debt if you’re having trouble paying what you’ve already acquired.

- Inquire about alternatives
  - Call the company and ask if they are willing to create a new payment schedule for you
What is a Credit Score?

- A numerical rating used as an indicator of a borrower’s credit worthiness
- Method was developed by Fair Issac Corporation (FICO®).
- The standard method for calculating the score involves a number of weighted factors*:
  - 35% Payment History
  - 30% Amounts Owed
  - 15% Length of History
  - 10% New Credit
  - 10% Account Mix
What is a Credit Score?

- A FICO® score ranges from approximately 300 to 850.
  - Purchase your score at myFICO.com
  - Obtain an estimate at myFICO.com/FICOCreditScoreEstimator/Estimator.aspx

![National Distribution of FICO Scores](chart_image)
What does that mean for me?

- You are buying a new car and financing $15,000.
- You live in Massachusetts and choose a 60-month loan (5 years)

<table>
<thead>
<tr>
<th>FICO Score</th>
<th>APR</th>
<th>Monthly Payment</th>
<th>Total Interest Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>720-850</td>
<td>4.08%</td>
<td>$277</td>
<td>$1,607</td>
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<tr>
<td>690-719</td>
<td>5.67%</td>
<td>$288</td>
<td>$2,262</td>
</tr>
<tr>
<td>660-689</td>
<td>7.95%</td>
<td>$304</td>
<td>$3,225</td>
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<tr>
<td>620-659</td>
<td>10.89%</td>
<td>$325</td>
<td>$4,521</td>
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<tr>
<td>590-619</td>
<td>16.88%</td>
<td>$372</td>
<td>$7,311</td>
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<tr>
<td>500-589</td>
<td>17.77%</td>
<td>$379</td>
<td>$7,742</td>
</tr>
</tbody>
</table>

Having good credit can save you more than $6,000!

*Source: myfico.com*
Do you have what it takes?

- To get credit, usually you must…
  - Show a history of managing credit
  - Show assets you currently hold that could be used to repay debt, if necessary
  - Show a steady source of income
- Not having these doesn’t mean you won’t get credit, it just may be more difficult or expensive
- Credit is important, so start early to get off on the right foot!
Tips on Maintaining Good Credit

- Pay bills on time
- Pay down high balances, don’t just pay the minimum (if you can)
  - Reduce your overall debt-to-credit limit ratio
- Only request a credit limit that you need
- Monitor your savings/checking accounts
- Don’t open or close accounts excessively
  - Be careful about closing zero balance accounts (this will impact your debt-to-credit ratio), or accounts that are old (this will impact your credit history)
- Never share personal data unless you initiated the contact
  - Reputable companies will never ask for your password in an email (so don’t provide it, under any circumstance)
- Check your credit report on an annual basis and report discrepancies; mistakes can be made
- Only use credit for purchases with a lasting value (i.e. education, home, car, major appliance, etc.)
- Minimize opening new accounts
Questions?