

# Session Overview

## ***Building and Rebuilding Your Credit - Instructor Notes***

### **Thank you for teaching the Building Your Credit Class :D**

The instructor notes contain suggestions for you on how to teach this class. We have included a sample lesson plan that lists the relevant sections of this curriculum with instructions for you, handouts and materials needed, as well as proposed time-frames for each part of the lesson.

It is most important to us, however, that you are comfortable teaching according to your own style. So, if you have ideas as to how you would like to change certain aspects of the lesson, please go ahead. If your session focuses more on questions from participants and you adapt your plan accordingly, that is GREAT! Our materials are always work-in-progress; if you have suggestions and ideas for improvement, please share your feedback with the Lifelong Learning Coordinator ☺

**Ideally, our classes will not just disseminate knowledge, but will lead to changes in participants' behavior that will result in better money management habits on their part. To this end, most examples suggested throughout this curriculum focus on money participants LOSE if they choose the less preferable option. Behavioral economics experiments have shown that *loss aversion* is a stronger motivator than potential gains. In short – people HATE TO LOSE money! We hope that by phrasing our examples in terms of potential losses, we will encourage participants to avoid less preferable behaviors.**

To ensure a comfortable learning atmosphere for your participants, try to arrive early at the location to set up and prepare for your class. Greet participants as they arrive and introduce yourself. At the beginning of the session, introduce yourself and ask participants to briefly introduce themselves to their neighbors (or the whole group, depending on the class size). Provide an overview of the session before you start teaching.

**Please ensure that participants complete both the *PRE-CLASS* as well as the *POST-CLASS* evaluations. In addition, we have developed an instructor feedback form and ask that you take a few minutes after the class to provide us with feedback on your teaching experience. This will help us continually improve the experience for both participants and volunteers.**

If you have any questions while you prepare for your class or need additional materials, feel free to contact the Lifelong Learning Coordinator at 425-644-7911.

Thank you again for your time and efforts – enjoy your class!

*DISCLAIMER:* Many of the materials we use were adapted from other sources. For this session we are particularly indebted to the FDIC *Money Smart* curriculum. A complete list of sources for materials and further reference is attached at the end of the instructor guide.

## Building and Rebuilding Your Credit

### *Lesson Plan*

<b>Topic</b>	<b>Activity</b>	<b>Notes</b>	<b>Materials</b>	<b>Time</b>
Introduction	Briefly introduce yourself and start "reach activity"			5
Reach	Learning Goals		Handout - Pre-Class Assessment	10
Reach	If you were a banker	refer to section "Reach Activity - IF You Were A Banker"	Handout - IF You Were a Banker	10
Teach / Try	What is a Credit Report & How to Read It	refer to section "Introduction - What is a Credit Report"	Handout - How to Get a Free Credit Report Once a Year / Handout - Sample Credit Report / Handout - Sample Dispute Letter	30
Teach / Try	How Your Credit Report Is Used & Credit Scores	refer to section "How Your Credit Report Is Used"	Handout - The 4 C's of Lending / Handout - Understanding Credit Scores / Handout - Credit Scoring Myths / Handout - IF You Were a Banker	30
Teach / Try	Building & Repairing Your Credit	refer to section "Building and Repairing Your Credit"	Handout - How To Build Your Credit History / Handout - How To Repair Your Credit History / Handout - For Further Information / Handout - FTC Deter, Detect, Defend BROCHURE	25
Apply	Wrap Up Session	refer to section "Session Wrap-Up"	Handout - Post-Class Assessment	10
			Total	<b>120</b>

# Introduction – What Is A Credit Report?

## *Building Your Credit - Instructor Notes*

### Objective

- Participants will be able to order their own credit report
- Participants will be able to read their credit report and find all relevant information
- Participants will be able to start the initiate the process of correcting errors on their credit report

### Instructor Notes

- Ask participants who has ordered their credit report before
  - For those who have and brought their report with them, encourage them to use it throughout the session to find information if they would like
  - Let participants know that for the purpose of practicing during the session you will provide everybody with a generic credit report, so nobody will have to share their personal information
  - Distribute *handout* – **How to Get A Free Credit Report Once a Year** and briefly review the information on how to order a credit report
    - Ask participants to share their experience ordering a free report
    - **Stress** – by ordering only from ONE bureau at a time, participants could order 3 reports each year, one every 4 months, and continuously monitor their credit for free
- TEACH – What is A Credit Report
  - Ask participants what they know about information contained in a credit report – note responses on the board
  - **Define:** a credit report is a record of how you have paid your debts in the past. It tells lenders:
    - Who you are
    - How much debt you have
    - Whether you have made payments on time
    - Whether there is negative information about you in public records
  - Ask participants if they know the names of the companies that issue credit reports
    - Equifax
    - Experian
    - TransUnion
  - Ask participants how they think these companies receive information
    - Usually from a variety of creditors on a monthly basis (i.e. banks file reports for each loan they have etc.)
    - From public records – bankruptcy filings, court-ordered judgments, tax liens etc. from courthouse records
- **TEACH** – information contained in the credit report

# Introduction – What Is A Credit Report?

## *Building Your Credit - Instructor Notes*

- **Stress:** credit reports from each of the 3 bureaus will look somewhat different, but they all contain the same general information
- **Identifying information about who you are:**
  - Name, social security number, current and previous addresses, telephone number, birth date, current and previous employers, if married, spouse's name
- **Credit History**
  - Account record with different creditors, how much credit has been extended and how you have repaid it
- **A list of inquiries from creditors and other authorized parties**
  - Lists those organizations that have accessed / read your credit report
- **Public Record Information (briefly explain each in more detail!)**
  - *Judgments* – court order placing a lien on your property as security for a debt you owe; under certain conditions the creditor can take your property as payment for the debt (like court-ordered collateral); if you sold your property, the lien holder can claim the money to repay your debt first
  - *Tax Liens* – are liens filed by the taxing authority if you do not pay your taxes; they work just like other judgments
  - *Collection account* – past-due accounts that have been referred to a specialist to collect part or all of the debt
  - *Bankruptcy* – legal proceeding that can release a person from repaying debts
    - **STRESS: bankruptcy will stay on your record for 10 years and will make it very difficult to get credit afterwards!**
- **TEACH** – Information NOT included in a credit report
  - ask participants what information they can think of now that is NOT included in their credit report (note answers on the board)
    - checking and savings account balances
    - income
    - medical history
    - purchases made with cash or check
    - business account information
    - race, gender, religion, or national origin
    - driving record
  - **stress:** since ONLY your credit history and personal information (for identification) is reported, you can only build your credit history by using credit responsibly
- **How to Read Your Credit Report**
  - Repeat that credit reports from the different companies may look somewhat different

# Introduction – What Is A Credit Report?

## *Building Your Credit - Instructor Notes*

- **Stress:** not all lenders report to all 3 credit bureaus, so some of the information may be different, too
- Use *handout* – **Sample Credit Report**; allow some time for participants to familiarize themselves with the handout
- Ask participants the following questions to make sure they can find relevant information on the report – help where needed (!)
  - John Consumer has an account that has been sent to a collection agency. Where on his credit report would you find this information? (**Answer:** potentially negative items)
  - Who is the original creditor for the account that went to collections? (**Answer:** Televis Cable Comm.)
  - In August 2000, an account was closed at John's request. What was the high balance on this account? (**Answer:** \$3,228)
  - Where did you find this information? (**Answer:** Accounts in good standing)
  - Who does John work for? Where did you find this information? (**Answer:** ABCDE Engineering Corp. / Personal information section)
- Address any questions participants have about the credit report, section, or information contained
- **How to Correct Errors on your credit report**
  - **Stress:** nobody is perfect and there can always be mistakes on your credit report
  - **Examples for common mistakes:**
    - Misspelled name – or an account from a person with the same name
    - **Identity fraud accounts – somebody else opened an account in your name** (stress – identity theft is a big problem and refer questions to later in the session!)
    - Accounts that have been closed for longer than 7 years
  - **TEACH:** if you find an error on your report, it will only get corrected if **you** contact the credit reporting agency – if you notify them in writing, they have to investigate the concern within 30 days (!)
  - Use *handout* – **Sample Dispute Letter**
    - **Stress** – contact the reporting agency in writing and **keep a copy of the letter** – this way, you can proof that you sent them a letter
    - Suggest that with the letter participants send a copy of their credit reports where they circled the mistakes (!)
    - Walk participants through the sample letter – and explain that there are “space holders” for the real information they would have to fill in
- **Transition** – now that we know what a credit report looks like, let's see how it is used by creditors

# How Your Credit Report Is Used

## *Building Your Credit Skills Training- Instructor Notes*

### Objective

- Participants will be able to describe the 4 C's of Lending
- Participants will be able to explain how a credit report is used by a lender
- Participants will be able to describe basic factors that influence their credit score

### Instructor Notes

- **How the Credit Report is Used**
  - Ask participants to reflect back to the initial activity – “IF you Were a Banker” and explain that the credit report really is the important tool that tells the banker about the customer and how well they have handled debt in the past
  - TEACH – The 4 C's of Lending
    - Use *handout* – **The 4 Cs of Lending**
    - Explain that it is an easy slogan to remember what creditors look at before making a decision about whom they will give money to
    - Creditors might ask questions – on the loan application, or while talking to you – about you before making a credit decision
    - Ask participants which of the 4 Cs a credit report mostly provides information on (**character**)
  - TEACH – Reasons a Loan Application may be denied:
    - Use the example of Bob and Rachael respectively
    - **Bob** - If you don't have credit history a lender might deny your loan application because it is unknown whether you will make loan payments ->
    - **Stress: some lenders will allow ALTERNATIVE methods of proving that you are reliable:** you could offer proof that you always pay your utility bills, rent, and phone bills on time and/or that you make regular deposits into a savings account – all of these things proof that you handle money well and are responsible
    - **Rachael** – lenders might deny your loan application if you had credit problems in the past since it indicates greater risk that you might not repay the loan; especially with negative information in the public records, such as bankruptcy or tax liens
    - **Stress** – we will take a look at how to repair your credit later in this session!
    - **Yin** – if you are paying your loans on time and have good credit, lenders will be more likely to approve your loan application and give you a better deal
- **Credit Scores**
  - TEACH: a credit score is a number that helps lenders determine how much credit risk you will be and lenders increasingly use this number to make loan decisions; the number is calculated based on information in your credit report and comparing that information to thousands of other people's information

# How Your Credit Report Is Used

## *Building Your Credit Skills Training- Instructor Notes*

- Use *handout* – **Understanding Credit Scores** to guide participants through the components that influence a credit score
- **Stress** – making late payments or no payments on loans you have will have lower your score; but so will carrying a high balance on your credit card and not having a long credit history
- **TEACH** – **rule of thumb for credit card balance NO MORE THAN 30%** of the credit limit
  - Illustrate with credit card example on the board (3 credit cards, \$2K, \$3K, and \$4K limits = total of \$9K limit; carry a balance on one of them of \$1,500 and another \$1,500 is ok)
- Answer questions participants might have
- Ask participants to look at the table at the bottom of the handout
  - **Stress** – lenders use different score ranges to decide who gets a loan and at which interest rate, but generally **the better your score, the better your interest rate**
  - Show how much MONEY a bad score could cost on a home purchase
  - **Stress** – the best way to improve your score is to always pay your bills on time
- Use *handout* – **7 Credit Scoring Myths** to address common misconceptions people have about credit scores
  - Refer back to credit card rule of thumb to illustrate the “closing old accounts will increase my score” myth – closing the \$4K card will result in using 60% of \$5K limit!
- Address any questions participants might have
- Use *handout*- **IF You Were a Banker** and refer students to the exercise at the bottom to check their understanding
  - Read through the scenarios and ask for volunteers to answer the questions
  - Scenario I – **No, Maria already received her free copy for the year and cannot receive a second free copy; she could, however, pay to receive another copy, usually about \$10**
  - Scenario II – **No, credit information is maintained on an individual basis (see credit scoring myths)**
  - Scenario III – **No, the credit score ignores inquiries made about home mortgages in a 30 day window. Shopping for the best deal on a home or car loan does not hurt your score.**
- **Transition** – let’s take a look at some things you can do to build your credit history or repair it if you had credit problems in the past

# Building & Repairing Credit

## *Building Your Credit Skills Training- Instructor Notes*

### Objective

- Participants will be able to describe actions they can take to build and/or repair their credit history
- Participants will be able to describe actions they can take to protect themselves from identity theft
- Participants will be able to opt-out of credit card offers

### Instructor Notes

- **Stress:** one of the most important steps participants can take to build and/or repair their credit history is to learn more about how credit scores work and how to check their own credit history → coming to the class was an important step ☺
- **Building Credit History** – if you didn't have credit before:
  - Ask participants to reflect back on Bob, from the initial "IF you Were a Banker" exercise – he had been working for several years and never applied for a loan or credit card, so no credit history
  - Ask participants how Bob might be able to show to a lender that he is responsible with money? Collect answers on the board
  - Use *handout* – **How To Build Your Credit History** to summarize strategies and actions participants with no prior credit history could employ
  - **Stress:** the backside of the handout has tips for paying all your bills on time (!)
- **Repairing Your Credit History** – if you had credit problems before
  - Ask participants to reflect back on Rachael, from the initial "IF you Were a Banker" exercise – she had been late making payments on her car and then stopped making payments
  - Ask participants to brainstorm ideas on how Rachael might be able to repair her credit history
  - Use *handout* – **How To Repair Your Credit History** to illustrate the two approaches (do it yourself vs. using a credit counseling agency)
  - **Stress:**
    - Working directly with a creditor is usually a good option – contact them to explain your situation and try to work out a payment plan with them (be persistent, if one person doesn't want to help you, hand up and call again ☺)
    - Avoid being scammed!
    - Try to avoid bankruptcy – it stays on your credit report for 10 years and will make it very difficult and expensive to get credit later!
    - Refer participants to *handout* – **For Further Information** for follow-up information and steps to opt-out of credit card offers



# Building & Repairing Credit

## *Building Your Credit Skills Training- Instructor Notes*

- **Protecting Your Credit**
  - **Stress** – we looked at many things you can do to build and repair your credit history and we saw it is a lot of hard work! One thing that can really hurt your credit history is identity theft!
  - Ask participants what they think identity theft means – collect answers on the board
    - Occurs when thieves steal personal information – such as SS#, birth date, or credit card numbers – and use it to open up new credit or bank accounts
    - This hurts YOUR credit history and credit score, because bad checks and late payments will get reported on your credit report!
  - Refer participants to **FTC Brochure** *Deter – Detect – Defend*
  - **Stress:**
    - **Keep your personal information safe (DETER)**
    - **Carefully Check Your Credit Report and Financial Statements (DETECT)** – we learned how today!
    - **Review steps to take if ID Theft is suspected** – read **DEFEND** section with participants (!)

# Session Wrap Up

## *Building Your Credit - Instructor Notes*

### Objective:

- participants review what they learned during the session
- participants provide feedback on the session

### Instructions

- Address any remaining questions
- Summarize for participants what you have covered during the session
- **Stress: we have covered a lot of information during the sessions!** Encourage participants to refer back to their handouts for more information.
- Ask participants to complete the *handout* – **Evaluation**
- **Thank participants for their time and efforts 😊**

# Bibliography

**Many partner organizations have generously agreed to share the curriculum materials they use for review and inspiration. We would like to acknowledge the following organizations for providing us with valuable input that helped improve our curriculum:**

*The American Center for Credit Counseling Education* for providing complimentary copies of their various course materials: **Check Wi\$e, Credit When Credit is Due, and Money in Motion**

*FDIC* for developing a great curriculum that is available to anybody free of charge at <http://www.fdic.gov/consumers/consumer/moneysmart/index.html>

*Neighborhood House* for sharing their **Money Matter\$** curriculum

*Port Jobs* for sharing their **Financial Tools for the Trades** curriculum

*Project Money* for allowing us to adapt their **Reach for Your Dreams: Start Saving Now** curriculum (find more information at [www.projectmoney.org](http://www.projectmoney.org))

*Solid Ground* for sharing their **Take Control of Your Money** curriculum

*Washington Mutual* for sharing their entire financial literacy curriculum series

*Washington Society of CPAs* for sharing their curriculum materials as well as their educational games

**Furthermore, a lot of great information is available online. Here is a list of sources that we found most helpful in developing our curriculum:**

[www.360financialliteracy.org](http://www.360financialliteracy.org) (American Institute of CPAs)

[www.ace.uiuc.edu/cfe/](http://www.ace.uiuc.edu/cfe/) (University of Illinois - Consumer and Family Economics Extension Program - *All My Money*)

[www.bankrate.com](http://www.bankrate.com)

[www.dontborrowtrouble.com/](http://www.dontborrowtrouble.com/) (Freddie Mac)

[www.fanniemaefoundation.org/publications/Growing\\_Your\\_Money.html](http://www.fanniemaefoundation.org/publications/Growing_Your_Money.html) (Fannie Mae)

[www.mindyourfinances.com](http://www.mindyourfinances.com) (INCharge Education Foundation)

[www.mymoney.gov](http://www.mymoney.gov) (US Financial Literacy and Education Commission)

[www.practicalmoneyskills.com/english/index.php](http://www.practicalmoneyskills.com/english/index.php) (VISA)

[www.powerpay.org](http://www.powerpay.org)

[www.thebeehive.org](http://www.thebeehive.org)