Building and maintaining your credit during the coronavirus pandemic

CFPB FinEx Program| April 2021

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CFPB’s mission and vision

MISSION

The Consumer Financial Protection Bureau (CFPB) is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives.
Resources for financial educators

We help you help the people you serve. For adult financial educators, the tools here show our latest thinking on consumer financial behavior and effective financial education practices.

Recent Trends in Credit Counseling and Debt Management - Part 1
Thursday, October 22, 2020, 2:00 p.m. - 3:30 p.m.

Recent Trends in Credit Counseling and Debt Management - Part 2
Thursday, October 29, 2020, 2:00 p.m. - 3:15 p.m.
View details and access previous webinars

Tools and resources to use with the people you serve

Find it at consumerfinance.gov/adult-financial-education/
Key links for you

- Protecting Your Finances During the Coronavirus Pandemic: consumerfinance.gov/coronavirus

- To order free, bulk copies of CFPB publications: http://promotions.usa.gov/cfpbpubs.html

- To sign up for the CFPB Financial Education Exchange: CFPB_FinEx@cfpb.gov

- To sign up for the CFPB Financial Education Discussion Group: linkedin.com/groups/5056623

Rapid response—Financial protection during the coronavirus pandemic

Protecting your finances during the coronavirus pandemic

The CFPB is committed to providing consumers with up-to-date information and resources to protect and manage their finances during this difficult time.

Resources to help you make financial decisions

- Mortgage and housing assistance
  - If you’re concerned about how to pay your mortgage or rent, we have information on what to do now, and what your options are for mortgage and rental relief.
  - Learn about mortgage and housing assistance

- Student loans
  - Student loan borrowers now have more benefits to consider when planning for the potential financial impact from coronavirus.
  - Find resources for student loan borrowers

- Managing your finances
  - We have resources to help you protect and manage your finances if you are facing financial difficulties as a result of the pandemic.
  - See resources to help manage your finances

- Avoiding scams
  - Scammers are taking advantage of the coronavirus pandemic to con people into giving up their money.
  - Learn how to protect yourself from scams

Featured videos

consumerfinance.gov/coronavirus
Your Money, Your Goals
Understanding Credit Reports and Scores (Module 7)

consumerfinance.gov/practitioner-resources/your-money-your-goals
What is credit?

- Credit is the ability to borrow money and repay it later.
- Debt is the money that you have to repay when you’ve used credit.
- You can have credit available to use without having debt.
What is credit?

Use of credit -> Creates credit history -> Compiled into credit reports -> Used to calculate credit scores
Why do credit reports and scores matter?

A poor credit history can make it difficult for you to:

- Get a job
- Get and keep a security clearance for a job, including a military position
- Get an apartment
- Get insurance coverage
- Pay lower deposits on utilities and get better terms on cell phone plans
- Get a credit card
- Improve your credit score
What’s in a credit report?

- Header/identifying information
- Public record information
- Collection agency account information
- Account information
- Inquiries made to your account
Fact or fiction:

Everything falls off your credit report in seven years.
Fact or fiction answer:

**Everything** falls off your credit report in seven years.

**Answer:** This is fiction, some bankruptcies take 10 years to be removed from your credit report.

Positive information can stay on indefinitely.
Negative information

- Negative information can appear on your credit report for a specified period of time—seven years for most items.
- Bankruptcy can stay on your credit report for up to 10 years.
- Civil suits and judgments can be reported on your credit report for seven years or until the statute of limitations has expired, whichever is longer.
- There is no time limit to the length of time that positive information can stay on your credit report.
Fact or fiction:

I only need look at one credit report annually, because they all have the same information.
Fact or fiction answer:

I only need look at one credit report annually, because they all have the same information.

Answer: There are many different credit reporting agencies and each of them have multiple products and versions, so it is important to check a variety of credit reports.
Nationwide credit reporting companies

- Equifax
- Experian
- TransUnion

You can get a free credit report from each of the three nationwide credit reporting companies once every week during the pandemic at [www.annualcreditreport.com](http://www.annualcreditreport.com)
Credit reports for minors

If you’re under 18, you won’t have a credit report unless you:

▪ Are an authorized user or joint owner on an account
▪ Are an emancipated minor
▪ Live in a state that allows you to enter contracts below the age of 18 and you’ve done so
▪ Have student loans
Fact or fiction:

If I pull my own credit report it will impact my score.
Fact or fiction answer:

If I pull my own credit report it will impact my score.

Answer: Pulling your own credit report will not impact your credit score.
What are credit scores?

- Credit scores are calculated using the information in credit reports.
- A higher score makes it easier to qualify for a loan or lower interest rates.
- You have many credit scores
Credit scores: Example based on FICO

These percentages reflect how much each category determines a typical FICO score.

- Payment history, 35%
- Amounts owed, 30%
- Length of credit history, 15%
- Types of credit, 10%
- New credit, 10%
Credit utilization

Calculating your credit utilization rate

- $5,000 total available credit
- $3,500 charged
- Utilization rate: $3,500 (amount charged) ÷ $5,000 (available credit) = 0.7 or 70%
Tool: Requesting your free credit reports

- Pick a method to order your credit reports
  - Online
  - Phone
  - Mail

- Decide when you’ll order each report

- If you get a report from a different credit reporting company every four months, you can monitor your credit for free
Tool: Requesting your free credit reports, continued

- To order through the website, visit: [www.annualcreditreport.com](http://www.annualcreditreport.com)
  - Complete a form with basic information (name, Social Security number, address, etc.).
  - Select the report(s) you want—Equifax, Experian, and/or TransUnion.
  - Answer security questions: former addresses, amount of a loan you have, phone numbers that have belonged to you, counties you may have lived in, etc.
    - If you are unable to answer these questions, you will have to use another method.
- Save a PDF version of your report, print the report, or both.
- Be sure you do this in a safe and secure location. Avoid doing this on public computers (library).
Your Money, Your Goals
Dealing with Debt (Module 6)
Good debt, bad debt

- Loan from friend or family member
- Auto loan
- Student loan
- Payday loan
- Mortgage (loan for a home)
- Auto title loan
- Pawn shop loan
Tool: Debt log

- On the debt log, you will include:
  - The person, business, or organization you own money to;
  - The amount you owe them;
  - The amount of your monthly payment; and
  - The interest rate you are paying and other important terms.

- To complete this tool, you may need to get all of your bills, credit card statements, court orders, mortgage and loan agreements, together in one place and a copy of your credit report.
Tool: Debt action plan

- The two ways to reduce debt:
  - Pay smallest debt first
  - Pay highest interest rate first
- Consider the pros and cons of each.
Dealing with debt collectors

▪ Take action to verify whether the claim is valid
▪ Know how to dispute the claim if you do not owe the debt
▪ Know what to do next if you do owe the debt
Know your rights

The Fair Debt Collection Practices Act protects consumers from harassment:

- Repeated phone calls intended to annoy, abuse, or harass
- Obscene or profane language
- Threats of violence or harm
- Publishing lists of people who refuse to pay their debts
- Calling you without telling you who they are
- Using false, deceptive, or misleading practices
Your Money, Your Goals

Protecting your Money
Identity theft

▪ What can you do to prevent your identity from being stolen?
▪ How can you tell if your identity has been stolen?
▪ What steps can you take if your identity has been stolen?
▪ What questions do you have about identity theft?
### Handout: How to handle identity theft

<table>
<thead>
<tr>
<th>CREDIT PROTECTION AND REQUIREMENTS</th>
<th>SECURITY FREEZE</th>
<th>INITIAL ALERT</th>
<th>EXTENDED ALERT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lender is required to verify your identity before approving new credit</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Completely prevents your report from being shared with most third parties unless lifted</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Triggers heightened verification procedures for the people who use your credit report</td>
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<td>X</td>
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<tr>
<td>Request if you believe you’re a victim of ID theft</td>
<td>X</td>
<td>X</td>
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</tr>
<tr>
<td>Requires an identity theft report</td>
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<td>X</td>
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<td>Extra free credit report</td>
<td></td>
<td>X</td>
<td>X</td>
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<tr>
<td>Exclusion from prescreening lists</td>
<td></td>
<td></td>
<td>X</td>
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<tr>
<td>Free in every state</td>
<td>X</td>
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<td>X</td>
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Handout: Submit a complaint

Online
consumerfinance.gov/complaint

By phone (180+ languages)
M-F, 8 a.m. - 8 p.m. ET
(855) 411-CFPB (2372)
(855) 729-CFPB (2372) TTY/TTD

By mail
Consumer Financial Protection Bureau
P.O. Box 2900
Clinton, IA 52733

By fax
(855) 237-2392
Your Money, Your Goals
Closing