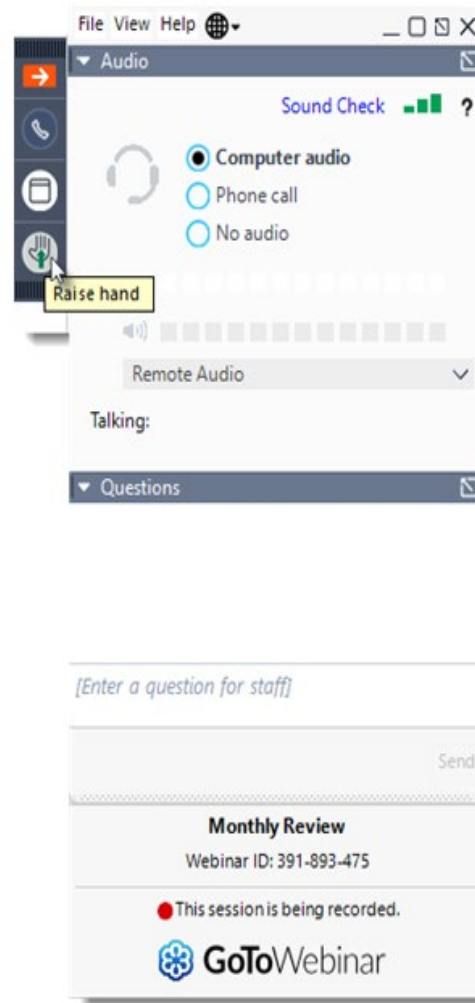




## Raise your hand (attendees)

To raise your hand, click the Hand icon in the Grab Tab of the Control Panel.



# Understanding Your Credit

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**Sheón Corley**

**Consumer Assistance Activities Supervisor**



*This webinar is for informational purposes only  
and does not constitute legal advice.*



## Agency Overview

# Texas Department of Banking

- Texas State-Chartered Banks and Holding Companies.
- Trust Companies.
- Foreign Banks and Representative Offices.
- Money Services Businesses (MSBs): Western Union, MoneyGram, etc.
- Perpetual Care Cemeteries and Prepaid Funeral Contract Sellers.
- Check Verification Entities: TeleCheck Services, Certegy, etc.
- Consumer Assistance Helpline: 877-276-5554.



# We Provide Financial Education Through:

- Informational seminars/webinars.
- Financial education materials.
- Department website ([www.dob.texas.gov](http://www.dob.texas.gov))
- Public service announcements and press releases.
- Partnerships with other education-oriented organizations.



# What is Credit? Why Does It Matter?



Credit is the ability to obtain goods or services before payment, based on the trust that payment will be made in the future.

When you are late on your payments or owe more on credit cards or loans than you can repay, lenders might not trust that you will pay them back.

## **Polling Question One**

**Landlords, Insurance Companies and Potential  
Employers Might Look at Your Credit History.**





# Why Do You Need Credit?

Credit affects everyone. The most obvious example is borrowing money for a mortgage or an auto loan.

Lenders will use your credit score to decide whether to approve your application.





## Understanding Your Credit

# What's in Your Credit Report?

- Your name, address, and Social Security number.
- Your credit cards.
- Your loans.
- How much money you owe.
- If you pay your bills on time or late.
- If you filed for bankruptcy.

### Sample Credit Report

Credit Reporting Agency  
P.O. Box 1234  
City, State Zip

#### Personal Sample Credit File

##### Personal Identifiable Information

Your Name Social Security #: 000-00-0000  
Current Address Date of Birth: May 2, 1977  
City, State Zip

##### Previous Address(es)

1234 Oak St., Anytown CA 92111  
4567 Grand Ave., Hometown IL 65432

Last Reported Employment: Uber Driver

A

##### Public Record Information

Bankruptcy Filed 3/2020: Any District Court Case or other ID number - 000AB0000,  
Liabilities: \$25,555; Personal: Individual; Discharged; Assets \$1,500

B

##### Collection Agency Account Information

Any Collection Agency 08/20: Assigned 9/20 to Any Collection Agency, Client -  
Top Department Store; Amount - \$930; Paid Collection Account

C

##### Credit Account Information

1	2	3	4	5	6	7	8	9	10	11	12
Company Name	Account Number	Whose Account	Date Opened	Monthly Review	Date of Last Activity	High Credit	Terms	Items as of Balance	Date Reported Past Due	Status	Date Requested
Car Dealer	90015	J	05-18	24	5-18	\$5000	\$400	\$1,000	\$250	14	
Department Store	12345	J	05-19	45	10-19	\$2,000	\$0	\$0		R	

D

Previous Payment History: 2 Times 30 Days Late; 3 Times 60 Days Late

E

##### Companies that Requested Your Credit File

02/21/19 - Department Store  
01/16/20 - Credit Card Company



### Did You Know?

Credit bureaus collect your financial information for which businesses pay to check your credit.

Your credit history describes how you use money. For example:

- How many credit cards do you have?
- How many loans do you have?
- Do you pay your bills on time?



# Fair Credit Reporting Tip



**TIP:** The credit bureaus must make sure that the information they collect about you is accurate. The Fair Credit Reporting Act (FCRA), a federal law, requires this. Review your credit reports regularly to be sure the collected information is accurate. If you find errors, you can dispute them.



## Understanding Your Credit

# How to Obtain Your Credit Report

### Who?

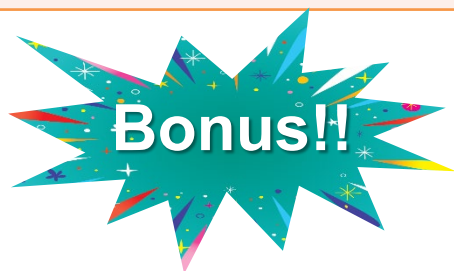
You have the right to get a free copy of your credit report every year from the three nationwide credit bureaus: TransUnion, Equifax, and Experian.

### How long?

Through December 2022, you can get a free credit report each week from all three nationwide credit bureaus.

### Where?

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



You can get six free credit reports per year through 2026 by visiting the Equifax website or by calling (866) 349-5191.

## Polling Question Two

Your Credit Score Does Not Affect Your Borrowing Power.





# What is a Credit Score?



- A number that represents a rating of how likely a consumer will repay a loan and make the payments on time.
- Lenders calculate your credit score using information in your credit report.
- History of repaying money you borrowed, the types of loans you have had, how long you have had a particular loan, and how much total debt you owe.



# What is a Credit Score?



- Ranges from 300 to 850.
- A **high score** is referred to as “good” credit, which means a consumer is less of a financial risk.
- A **low score** is referred to as “bad” credit, which means a consumer will have challenges in getting credit.



# FICO® Score

- Fair Isaac Corporation-Founded by William “Bill” Fair and Earl Isaac in 1956.
- Developed a credit score that is calculated using the FICO scoring system.
- The FICO® credit score is the most widely used credit scores by lenders.

FICO® SCORE	RANGE
300 - 579	Poor
580 - 669	Fair
670 - 739	Good
740 - 799	Very good
800 - 850	Exceptional

## Polling Question Three

A Credit Freeze Will Not Affect Your Credit Score.





# How Can You Protect Your Credit?

## Credit Freeze

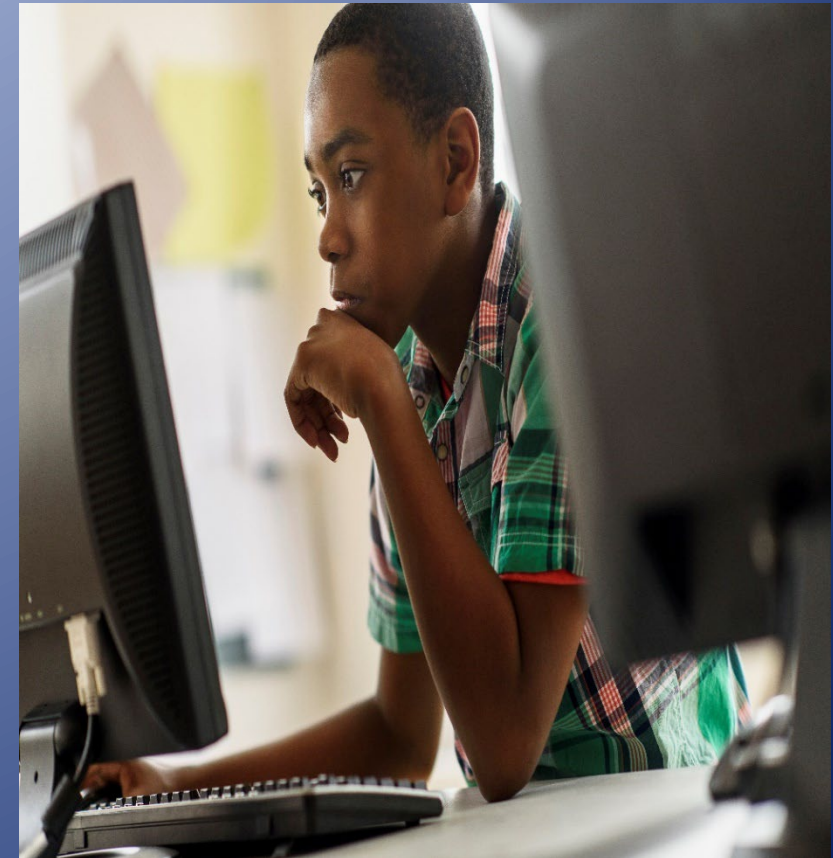
- A free way to limit who can see your credit report.
- Makes it harder for someone to open new accounts in your name.
- If you apply for credit you will need to temporarily lift the freeze. Many financial institutions and lenders do a credit check before approving new accounts.





# How Can You Protect Your Credit?

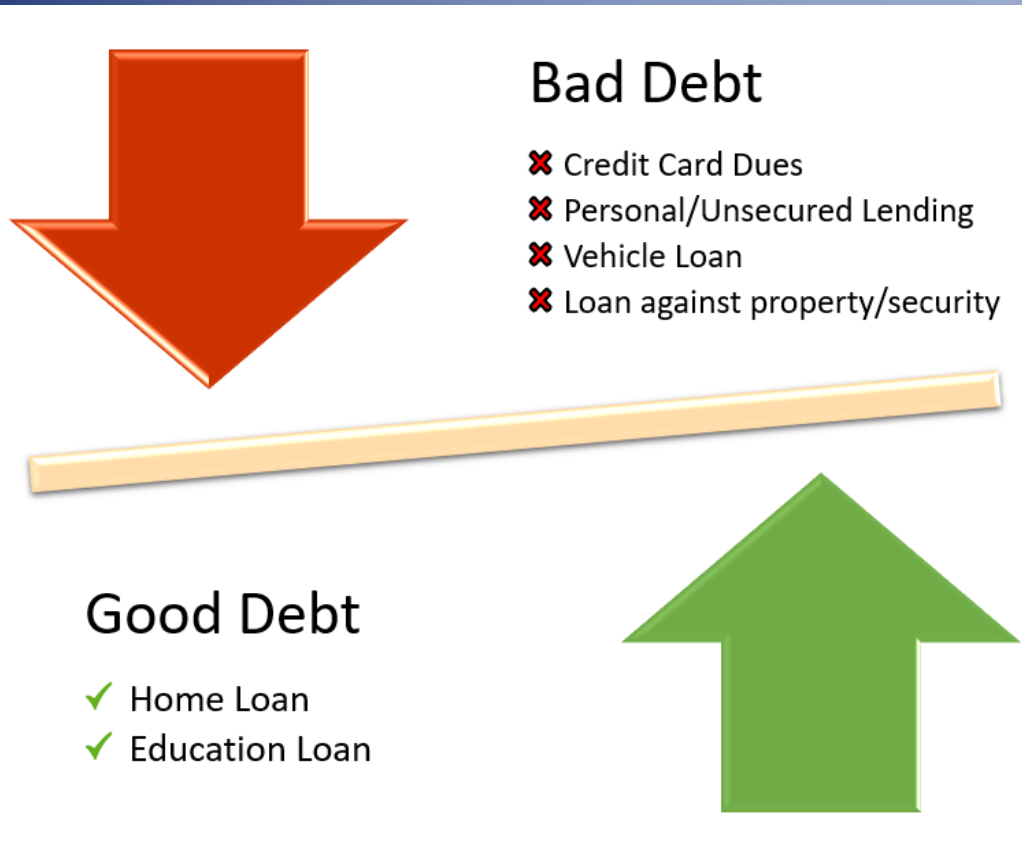
- Monitor your credit report.
- Request your free credit report. Review it for errors such as:
  - Someone else's information on your report.
  - Information about you older than seven years.
  - Payment history or accounts that are wrong.
  - Unauthorized accounts.





## Understanding Your Credit

### Good Debt vs. Bad Debt



- “Good Debt”- debt that you repay responsibly based on the loan agreement.
- “Bad Debt”- debt that you are unable to repay.



Not all debt can be easily classified as good or bad. It often depends on a consumer's financial situation or determining factors. Some debt may be good for some consumers but bad for others.



# Correcting Mistakes on Your Credit Report

If you find information your credit report that should not be there, take steps to fix it.

- Accept free credit monitoring offered to you after a data breach.
  - If your information was exposed by a data breach, many companies will offer you free credit monitoring.
- Active-duty military and members of the National Guard can get free electronic credit monitoring.
  - To sign up, contact the credit bureaus.



# What if My Information is Right, but it is Negative?

- Credit bureaus can report negative credit history on your credit report if it is correct.
- Most reported negative information stays on credit reports for seven years.
- Bankruptcy information is reported for 10 years.





# Can I Rebuild My Credit?

It is possible to rebuild credit. However, there are five factors that impact your credit score:

- Payment history.
- Amounts owed.
- Credit history length.
- Credit mix.
- New accounts.

Factors like payment history and overall credit history age are difficult to repair quickly.



## Understanding Your Credit

### Rebuilding Credit

Below are some suggestions to rebuild credit. Most options vary from person to person:

1. Get current with payments.
2. Pay down high balances.
3. Pay lenders on time.
4. Activate automatic payments.
5. Keep balances low.
6. Open a secured credit card.
7. Build a budget and stick to it.
8. Give it time.





## Understanding Your Credit

A man in a dark suit, light blue shirt, and striped tie is standing and holding a large whiteboard. He is smiling and looking towards the camera. The whiteboard has the text "Key Takeaways" written on it in a bold, dark blue font.

### Key Takeaways

- ✓ How you handled your money and bills in the past help lenders decide if they want to do business with you.
- ✓ Your credit history describes how you use money.
- ✓ The credit bureaus must make sure that the information they collect about you is accurate.
- ✓ Through December 2022, you can get a free credit report each week from all three nationwide credit bureaus.
- ✓ It is possible to rebuild credit.



# Thank you for attending the webinar!

Please email [financial.education@dob.texas.gov](mailto:financial.education@dob.texas.gov) to register or request a presentation for your business or organization.