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The South Carolina  
Department of Consumer  
Affairs presents:

CREDIT 101

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# First, a word from our sponsor

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- ❑ South Carolina Department of Consumer Affairs
  - ❑ Mission: To protect consumers from inequities in the marketplace through advocacy, mediation, enforcement and education
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# CREDIT 101

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- Understanding your credit report
  - Self-help credit repair
  - Credit counseling
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# Credit Report

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- Contains information about your credit history, address, place of employment
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# Credit Report Tidbits

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- ❑ Lenders generally look at the last two years – they are looking for trends
  - ❑ Some estimates show 80% of credit reports have misinformation
  - ❑ You are entitled to a free report if negative action has been taken due to something on report
  - ❑ The three major credit reporting agencies may have different information – so your score may be different at each agency
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# Credit Scores

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- ❑ Predictors of future payment
  - ❑ Lenders base approval and interest rate on the score
  - ❑ Several names are used, most frequently it is called FICO
  - ❑ Lowest possible FICO is 300 – highest is 850
  - ❑ New name: Vantage – consists of a number and a letter grade
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# How The Number Is Figured

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- ❑ Payment History (35%)
  - ❑ Length of credit history (15%)
  - ❑ New credit (10%)
  - ❑ Types of credit used (10%)
  - ❑ Debt (30%)
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# Free Annual Credit Report

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- You are entitled to a free copy of your credit report annually
  - [www.annualcreditreport.com](http://www.annualcreditreport.com)
  - 877-322-8228
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# How To Read The Report

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- Usually divided into four sections: identifying information, credit history, public records, and inquiries
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# Identifying Information

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- ❑ Includes current and previous addresses, date of birth, telephone numbers, driver's license number, employer and spouse names
  - ❑ Review carefully – sometimes incorrect information may indicate attempted or actual identity theft
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# Credit History

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- ❑ Credit accounts are listed - may be referred to as trade lines
  - ❑ Name of creditor and account number
    - When you opened the account
    - Kind of credit
    - Individual or joint
    - Total amount of loan/high credit
    - How much presently owed
    - Fixed monthly payment/minimum monthly payment
    - Status
    - How well you have paid
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# Public Records

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- Best if this section is blank!
  - Financial-related data: bankruptcies, judgments, tax liens
  - Does not include criminal activities or arrests
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# Inquiries

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Two sections under this heading

- “Hard” inquiries – consumer initiates this by filling out credit application
  - “Soft” inquiries – companies want to send promotional information to pre-qualified groups – or – current creditors who are monitoring your account
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# Impact of Inquiries on Your Score

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- Not much
  - Usually ignores inquiries within the last 30 days of getting a mortgage or a vehicle loan
  - Counts two or more “hard” inquiries in the same 14 day period as just one inquiry
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# Reviewing Your Credit Report

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- Date of last activity: Last payment made (plus 30 days). If more than 7 years, delete.
  - Accuracy of information: amount owed, when last payment made, status, payment history
  - Is it your debt?
  - Any other issues or disputes?
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# Credit Report Reality

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- No one can remove information that is accurate and timely
  - You can request an investigation of information that is inaccurate
  - You are entitled to a free credit report if you have been denied credit, insurance or employment based on an item on your credit report
  - Disputes are free
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# How To Dispute

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- Send letter to credit reporting agencies as well as company that provided the information
  - Clearly identify yourself – use report ID number, if available
  - Be specific as to inaccuracy
  - Explain why it is in error
  - State how it needs to be corrected
  - Keep copy of letter
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# If Your Dispute is Not Resolved

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- ❑ You have the right to place information in your report, 100 words or less, explaining why you dispute the item
  - ❑ You can go to court – must be done within 2 years of item appearing on report
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# Avoid Credit Repair Scams

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- The company claims that they will help you repair your credit
  - You pay hundreds or thousands of dollars
  - The company is not able to accomplish what they claim
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# Warning Signs

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- ❑ The company demands payment prior to any services
  - ❑ They do not tell you about your legal rights and what you can do for yourself (for free)
  - ❑ They encourage you to cease all contact with your creditors
  - ❑ The company suggests that you create a new credit report or identity by applying for an employer ID number
  - ❑ They suggest that you dispute all items on your report and/or take action that might be illegal
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# Questions to Ask BEFORE Signing a Contract

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- Are you licensed with the SC DCA?
  - What are the qualifications of your counselors?
  - What services do you offer?
  - What are your fees?
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# Requirements of the Contract

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- ❑ Company must provide written disclosures: your right to dispute inaccurate information and that accurate information cannot be removed until it is 7 years old. Judgments remain for 10 years.
  - ❑ Written confirmation of specific payment information, how long payments must be made, description of services provided
  - ❑ You must be told you have 3 days to rescind the contract
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# If You Have Been Defrauded by a Credit Repair Company

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- Contact the South Carolina Department of Consumer Affairs to file a complaint
  - Contact the Federal Trade Commission to file a complaint
  - See an attorney. The statute allows for attorney's fees to be awarded through a successful action.
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# Self Help May Be The Best Help

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## □ Take control of your finances

Review your debt

Keep a log of your spending

Cut spending

Pay more than the monthly  
minimums

Create a budget – and stick to it

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# Repayment and Elimination of Debts

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Prioritize repayment: many theories

- Pay off smaller debts first

- Pay off high interest credit cards first

When a card is paid off, close the account

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# Other Ideas

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- Contact your creditors on your own to set up alternative payment arrangements.

Some companies have divisions that assist debtors.

Try to work out a payment plan, but get it in writing and follow through

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# If You Have “Old Debt”

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- ❑ Statute of limitations for unsecured credit accounts: 3 years from delinquency
  - ❑ Statute of limitations on store credit cards: 6 years from date of delinquency
  - ❑ Negative items remain on credit report: 7 years from date of delinquency
  - ❑ It is possible to revive old debts! Any payment (cash, electronic, credit card, checks) or other acknowledgment in writing will start the statute of limitations running again!
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# Avoid a Predatory Loan

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- Shop around
  - Ask questions
  - Ignore high pressure tactics
  - Look at all aspects of the loan – not just the monthly payment
  - NEVER sign papers that are not true and accurate
  - Be wary of promises to refinance in the future
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# New Identity Theft Legislation

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- ❑ Beginning December 31, 2008 South Carolina consumers can place security freeze on their credit reports
  - ❑ This means the report cannot be accessed without consumer's permission
  - ❑ **No cost** to place, thaw or remove a security freeze
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# Resources

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- ❑ [www.scconsumer.gov](http://www.scconsumer.gov)
  - ❑ [www.ftc.gov/consumer](http://www.ftc.gov/consumer)
  - ❑ [www.bankrate.com](http://www.bankrate.com)
  - ❑ [www.moneycentral.msn.com](http://www.moneycentral.msn.com)
  - ❑ <http://www.fdic.gov/quicklinks/consumers.html>
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