



## Module 1.2 Study Guide

# HUD Housing Counselors Training



U.S. Department of Housing  
and Urban Development

## TABLE OF CONTENTS

---

Module Introduction.....	3
Module Introduction.....	3
Lesson Objectives.....	3
Credit Report Overview.....	4
Analyzing a Credit Report.....	4
Knowledge Check 1.....	7
Knowledge Check 2.....	8
Knowledge Check 3.....	8
Knowledge Check 4.....	8
Knowledge Check 5.....	8
Knowledge Check 6.....	9
How Credit Scores Work.....	9
Evaluating Credit Scores.....	9
Knowledge Check 7.....	12
Knowledge Check 8.....	12
Using Credit Wisely.....	13
Using Credit Wisely.....	13
Knowledge Check 9.....	16
Knowledge Check 10.....	16
Knowledge Check 11.....	16
Fair Credit Regulations.....	17
Understanding Fair Credit Regulations.....	17
Knowledge Check 12.....	19
Knowledge Check 13.....	19
Knowledge Check 14.....	19
Summary.....	20
Appendix.....	21
Knowledge Check Answer Key.....	21
Resources.....	25
Annual Credit Report.....	25
Equifax.....	25
Experian.....	25
Federal Trade Comission.....	25
FICO Website.....	25
Summary of FCRA Rights.....	25
Transunion.....	25

# MODULE 1.2 FINANCIAL MANAGEMENT/CREDIT

## MODULE INTRODUCTION

---

### MODULE INTRODUCTION

An important role of a housing counselor is to help clients understand the importance of establishing and maintaining a good credit history in order to achieve their financial goals. In this module, you'll learn how to analyze a client's credit report and explain the components of a credit score.

You'll also learn to advise clients on the pitfalls of bad credit and how to improve credit scores. Lastly, you'll become familiar with consumer rights protected by credit laws and how to explain these to clients.

Before we begin, let's take a look at the module learning objectives.

### LESSON OBJECTIVES

By the end of this module, you'll be able to:

1. Analyze a client's credit report in order to break down the information for the client into easily understood concepts.
2. Evaluate a credit score and be able to explain to a client how this score is calculated.
3. Advise a client on understanding credit challenges and methods to improve credit scores, including how to correct reporting errors, how much credit to have, and which types are better.
4. Comprehend consumer rights protected by the Fair Credit Reporting Act (FCRA), the Fair and Accurate Credit Transactions Act (FACTA), and the Fair Credit Billing Act (FCBA) and be able to explain these rights to clients.

## CREDIT REPORT OVERVIEW

---

### ANALYZING A CREDIT REPORT

Credit history can determine a client's ability to achieve personal and financial goals. Often housing counselors see clients who have faced challenges in either establishing credit or maintaining good credit. You can help clients by explaining credit-related concepts in simplified terms.

Let's start the module by taking a look at credit reports.

A credit report contains information that each credit bureau has on a consumer. Information collected by a credit bureau includes details such as:

- History of accounts.
- Number of inquiries.
- Number of collections.

Let's take a closer look at a credit report, highlighting and defining the components:

#### **Credit Report**

123 Credit Avenue  
City, State, Zip  
(800) 000-0000

#### **Personal Information**

Your Name  
123 Your Street  
City, State, Zip

Social Security #: 123-45-6789  
Birthdate:  
Spouse:

Addresses:  
789 Your Street, City, State, Zip  
10/2011  
456 Former Street, City, State, zip  
5/2008  
123 Old Street, City, State, Zip  
2/2006

Phone Numbers:  
(123) 456-7890  
(999) 888-7777  
Employers:  
Excellent Employer 3/2010  
Former Employer 8/2007

**Account/Trade Line Information**

Company	Date Open	High Credit	Type	Past Due	30	60	Status
Account	DLA	Balance	Terms	Monthly Review	90	120+	Source
ABC Credit	3/2013	\$3,000	OPEN	\$0	1	1	O1
123ABC	1/2014	\$1,567	\$50	10	0	0	TU/EX
123 School	1/2008	\$8,000	EDU	\$0	3	1	I1
100100100	12/2013	\$6,000	144/\$75	57	90	120+	TU/EQ/EX
Credit Card	11/2012	\$1,500	REV	\$100	1	0	R2
111-111-11	1/2014	\$900	\$35	14	0	0	EX/EQ

**Public Records**

Judgment, Case #111A111, Amount: \$587, Plaintiff: Credit Collection, Filed: 1/2016, Released: 4/2016

**Inquiries**

ABC Credit 1/12/2018	Retail Store Card 10/1/2017
123 Mortgage 8/20/2018	Credit Card Company 7/7/2017

**Consumer Rights**

*Para información en español, visite [www.ftc.gov/credit](http://www.ftc.gov/credit) o escriba a la Consumer Response Center, Room 130-A, Federal Trade Commission, 600 Pennsylvania Avenue N.W., Washington, D.C. 20580.*

**A Summary of Your Rights Under the Fair Credit Reporting Act**

The federal Fair Credit Reporting Act (FCRA) promotes the accuracy, fairness, and privacy of information in the files of consumer reporting agencies. There are many types of consumer reporting agencies, including credit bureaus and specialty agencies (such as agencies that sell information about check writing histories, medical records, and rental history records). Here is a summary of your major rights under the FCRA.

For more information, including information about additional rights, go to [www.ftc.gov/credit](http://www.ftc.gov/credit) or write to: Consumer Response Center, Room 130-A, Federal Trade Commission, 600 Pennsylvania Avenue N.W., Washington, D.C. 20580.

## **Personal Information**

Consumer identification information, including name, social security number, addresses, phone numbers, and employers

## **Account/Trade Line Information**

Information about each consumer credit account, including payment history, account dates, credit limits, and balances owed

## **Public Records**

Items that are listed in the public record, including bankruptcy, judgments, tax liens, and wage garnishments

## **Inquiries**

Requests initiated by a company or person for a consumer's credit profile information

## **Consumer Rights**

Information about consumer rights and protection for reference (included in credit reports from the major credit reporting agencies, but not in most tri-merge reports)

*Note: Bankruptcy, and its impact on credit and credit scores, will be discussed in further detail in Module 1.4.*

It's not only important for your client to understand the components of a credit report, but also to understand indicators of good and bad credit. Let's take a look at some of these factors and their impact on borrowers.

- Payment History
- Capacity Used
- Length of Credit History
- Type of Credit Used
- New Credit

## **Payment History**

Positive: Timely payment history demonstrates reliability.

Negative: Late payment history demonstrates higher risk of future delinquency.

Negative Examples: Lien, judgment, collection account, charge-off account, repossession, bankruptcy

## Capacity Used

Positive: Low credit utilization demonstrates good financial management.

Negative: High credit card balances demonstrate poor financial management (i.e., client needs more access to credit).

Negative Examples: Maxed out credit cards

## Length of Credit History

Positive: Longer credit history provides more information for lenders, which means lower risk.

Negative: Shorter credit history provides little to no information for lenders, which means higher risk.

Negative Examples: No credit history

## Type of Credit Used

Positive: Different types of credit show variety. Variety shows lenders that consumers can manage different types of credit.

Negative: Fewer types of credit show limited profile information to lenders, which means a higher risk.

Negative Examples: *Only* having a student loan or *only* having credit cards

## New Credit

Positive: Credit applications can lead to new credit accounts or loans, which can establish history over time.

Negative: Too many inquiries or new credit accounts in a short period of time will raise questions for lenders.

Negative Examples: New inquiry each month or several new lines of credit within a few months

## KNOWLEDGE CHECK 1

Which section of a credit report will contain employer details?

- A. Consumer rights
- B. Account information
- C. Personal information
- D. Public records
- E. Inquiries

## **KNOWLEDGE CHECK 2**

Which section of a credit report will contain information about a student loan?

- A. Personal information
- B. Public records
- C. Inquiries
- D. Consumer rights
- E. Account information

## **KNOWLEDGE CHECK 3**

Which section of a credit report will contain court information such as bankruptcy?

- A. Public records
- B. Inquiries
- C. Personal information
- D. Consumer rights
- E. Account information

## **KNOWLEDGE CHECK 4**

Which section of a credit report will show recent attempts to open a credit card?

- A. Personal information
- B. Public records
- C. Consumer rights
- D. Inquiries
- E. Account information

## **KNOWLEDGE CHECK 5**

Which section of a credit report will contain information about how to correct inaccuracies?

- A. Personal information
- B. Consumer rights
- C. Public records
- D. Inquiries
- E. Account information



## KNOWLEDGE CHECK 6

Indicate which of the following concepts would generate a positive effect on a credit report and which would have a negative effect by putting a check mark (✓) before each positive item or an “X” before each negative item.

- A. Paying bills early
- B. Filing for bankruptcy
- C. Applying for a new credit card every month
- D. High credit card balances

## HOW CREDIT SCORES WORK

---

### EVALUATING CREDIT SCORES

Explaining credit scores in simplified terms may aid clients in understanding the importance of taking responsibility for improving and maintaining a good credit rating. Let’s see how a counselor can do it effectively.

Recall from the previous module that Stella is a client who wants to buy a home. She is still working toward her goal and saving money to purchase a home but was denied credit once already and wants to understand more about the process to be approved for a mortgage. She visits Rebecca to understand more about her credit report and credit score.

Rebecca wants to explain credit scores in simplified terms to help Stella understand the importance of taking responsibility for improving and maintaining a good credit rating.

Let’s look in on their session where Rebecca is defining credit score terms and breaking down a credit score into easy-to-explain parts.

**REBECCA.** Hi, Stella, it looks like you are doing well with the goals you set for your budget!

**STELLA.** I am starting to pay off my debt, but I’m having a problem. I know my credit score is not great, but I don’t know why.

**REBECCA.** Yes, credit can set you back in a goal to buy a home. Let me take a few minutes to teach you about how credit works.

**STELLA.** Okay.



*Stella, a Client, and Rebecca, a Housing Counselor*

**REBECCA.** First, let's look at some terms and their definitions. Then we'll break down the important parts that make up the credit score.

**STELLA.** Sounds good.

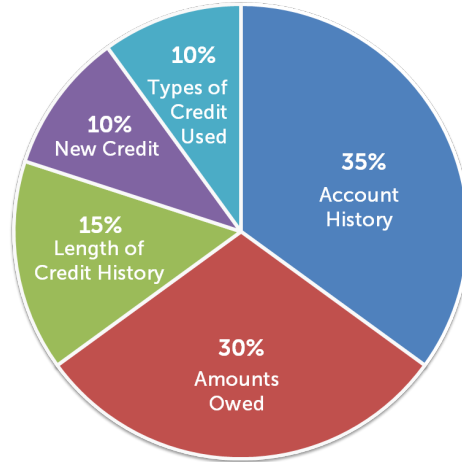
### **Credit Score**

A numerical interpretation of a consumer's creditworthiness based on information in his/her credit report

### **FICO Score**

Credit scores are often referred to simply as FICO scores. FICO (Fair Isaac Corporation) is the most commonly used scoring model for lending and credit decisions in the U.S., though other scoring modules do exist. FICO scores range from 300 to 850 where higher is better. Consumers have a FICO score from each of the three credit reporting agencies—Equifax, Experian, and Transunion. Other credit scoring models do exist, so not all credit scores available for purchase online are FICO scores.

Next, Rebecca helps Stella understand more about how credit scores are calculated. She lets her know that the data in her credit report, both positive and negative, determines her credit score and that a credit score has five main components, each with its own weight. They take a moment to explore each component.



**Data from Pie Chart**

Percentage	Type	Explanation
35%	Account History	Portion of score based on the payment history of accounts, including late payments, delinquencies, judgments, and liens
30%	Amounts Owed	Portion of score based on the ratio of total credit extended to the amount of credit owed
15%	Length of Credit History	Portion of score based on the overall length of credit history in the report, as well as the average age of accounts
10%	New Credit	Portion of score based on the number of recent credit inquiries, as well as new credit accounts
10%	Types of Credit Used	Portion of score based on the variety of accounts (e.g., credit card, auto loan, mortgage)

Rebecca lets Stella know that she can visit the Credit Education section of the [FICO website](#) for more information.

*Note: Though there are various scoring models, the majority of lenders continue to rely on FICO scores to determine creditworthiness. Note that there are many sites that will offer credit scores for purchase or sale, but many of these scores will be consumer education scores, also referred to as FAKO scores. While FICO scores are available for purchase on the FICO website, lenders may use various versions of FICO credit scores, so consulting with a lender will provide the most accurate information.*

## KNOWLEDGE CHECK 7

Match the correct term with the item that defines it.

- |                             |  |
|-----------------------------|--|
| A. Account History          | ___ 1. Ratio of total credit extended to the amount of credit owed                               |
| B. Amounts Owed             | ___ 2. Variety of accounts (e.g., credit card, auto loan, mortgage)                              |
| C. Length of Credit History | ___ 3. Number of recent credit inquiries, as well as new credit accounts                         |
| D. Types of Credit Used     | ___ 4. Overall length of credit history in the report, as well as the average age of accounts    |
| E. New Credit               | ___ 5. Payment history of accounts, including late payments, delinquencies, judgments, and liens |

## KNOWLEDGE CHECK 8

The following clients are having trouble obtaining credit. Based on the information provided about each client's credit situation, match the issue on the right with the corresponding section of the FICO credit score on the left.

- |                             |  |
|-----------------------------|--|
| A. Account History          | ___ 1. Roger has maxed out his credit card.  |
| B. Amounts Owed             | ___ 2. Molly is a recent college graduate trying to apply for her first credit card.   |
| C. Length of Credit History | ___ 3. Kate's credit report displays several judgments and collection accounts.  |
| D. Types of Credit Used     | ___ 4. Chris has three credit cards but no other accounts on his report.   |
| E. New Credit               | ___ 5. April has applied for and received several credit cards and loans in the past six months, talking with a new lender each month. |

## USING CREDIT WISELY

---

### USING CREDIT WISELY

Let's look in again on the session with Stella. After learning how scores are calculated, Stella remembers to share a letter from a creditor that may point to a problem with her credit.

She says she had stopped making payments on an old credit card a few years ago. She received a few notices from the company and then a letter from a lawyer, but she didn't hear from them again after she moved to a new apartment.

Stella now understands that if the company filed a judgment, this legal action would have a negative impact on her credit score. They begin to look into the matter by reviewing a summary of her credit information.

#### Credit Summary

Company	TransUnion	Equifax	Experian
Accounts	4	4	5
Credit Limit	\$4000	\$4000	\$4000
Balance	\$3000	\$3000	\$4000
Payments	30	30	30
Delinquent	2	2	3
Earliest Account Opened	2/2017	1/2017	6/2016
Public Records	1	1	2
Inquiries	3	3	3

**REBECCA.** Okay. So based on the credit summary, we can determine that you have the following negative items:

- A public record on file and several delinquent accounts
- High ratios of credit used
- A short credit history
- Several inquiries

**STELLA.** Oh, that sounds bad.

**REBECCA.** You're right. Each of these does impact your score. However, to be sure we know what is going on, we need more than a credit summary to obtain more information about the specific accounts.

**REBECCA.** Let's get your full credit report next. We can also talk about general ways to improve credit standing.

STELLA. Okay. Where do I obtain my credit report?

REBECCA. You are entitled to at least one free credit report from each major credit bureau every twelve months.

STELLA. Oh, great, I never knew that! I thought I had to pay for my credit information.

REBECCA. No, it's free. There are a few ways you can order the report, but the easiest way is to request it from [AnnualCreditReport.com](http://AnnualCreditReport.com).

A credit report helps us identify potential issues and know what to focus on to improve credit standing.

Let me add that your report does *not* include your credit *score*. A credit score is available for purchase. And, although it is good to know your score, it is not needed to begin the process of improving credit.

Here's a short brochure with more information:

## Annual Credit Report

The only federally authorized source for your free credit report.

Online:	<a href="http://www.AnnualCreditReport.com">www.AnnualCreditReport.com</a>
By phone:	877-322-8228
Mail Form:	Annual Credit Request Service PO Box 105281, Atlanta, GA 30348

**Helpful Credit Tips:**

- Your free annual credit report does **not** include your credit score.
- Many imposter sites advertise “free” credit reports, but they may only provide a report after consumers register for a membership or free trial or after purchase of other products.
- Additional free credit reports are available to consumers in certain circumstances, including those unemployed and seeking employment, those receiving public assistance benefits, and those who are victims of fraudulent credit activity or identity theft.
- Consumers can contact the credit bureaus directly to purchase additional reports.

Understanding credit can be difficult, and as a result, clients frequently face challenges establishing credit or maintaining a positive credit profile.

Bad credit may hinder a client's ability to achieve financial goals either because of credit denial or poor payment history.

Many clients face both financial and personal distress. As a housing counselor, you have the opportunity to teach clients ways to use credit wisely and explain methods to improve credit standing.

Rebecca reminds Stella that improving a credit score may take considerable time and diligence but that the effort often results in higher scores. With this in mind, Rebecca shows Stella some methods to improve her credit score.

### **Incorrect Information on Credit Report**

Review credit report and dispute inaccuracies:

- Notify credit reporting agencies of inaccuracies and provide supporting documentation to correct error.
- Keep records of dispute documentation.

### **Delinquencies/Collections/Judgments**

Get current and pay on time moving forward:

- Set up payment reminders.
- Adjust budget to factor in all monthly payments.

### **Credit Card Maxed Out/Too Much Debt**

- Pay down debt and keep balances low moving forward.
- Pay more than minimum.
- Know what the balance is.
- Check statements.

### **No Credit/Poor Credit/Limited Credit**

- Open a credit card account or other line of credit (i.e., **secured credit card** or personal loan).

Rebecca takes a look at the numbers in the lender report. She lets Stella know that it seems as though Experian may be reporting inaccurate information.

#### **Secured Credit Card**

A product offered by some financial institutions to allow consumers to build credit history. A secured credit card requires an upfront deposit (usually about \$300-\$1000) and typically provides a credit limit equal to the deposit. By design, it does not provide any actual credit to the consumer, but it functions the same as a regular credit card and allows the consumer to build credit history through regular monthly payments.

Now let's get back to our session with Stella.

Rebecca recommends that Stella take the following steps:

1. Check the Experian credit report.
2. Verify all information and note any inaccuracies.
3. If there is any incorrect information, notify Experian to dispute the inaccuracy.
4. Send supporting documentation and keep records during the investigation.

### KNOWLEDGE CHECK 9

Place the letters in the correct sequence from the MOST important factor to the LEAST important factor that impacts the determination of a credit score.

- |  |       |
|--|-------|
| A. Amount of total credit used                   | _____ |
| B. Number of inquiries on record                 | _____ |
| C. History of delinquent payment                 | _____ |
| D. Length of time accounts have been established | _____ |

### KNOWLEDGE CHECK 10

Where should a client go to obtain free credit reports?

- A. [www.freecreditreport.com](http://www.freecreditreport.com)
- B. [www.myfico.com](http://www.myfico.com)
- C. [www.annualcreditreport.com](http://www.annualcreditreport.com)
- D. [www.experian.com](http://www.experian.com)

### KNOWLEDGE CHECK 11

The following clients need to improve credit. Match each client situation with an appropriate way to improve credit.

- |   |  |
|---|--|
| A. Roger has maxed out his credit card.   | ___ 1. Review budget to help find funds so that all monthly payments can become current. |
| B. Molly is a recent college graduate trying to apply for her first credit card but has been denied.              | ___ 2. Make more than the minimum payment to pay down the balances.                      |
| C. Chris sees that a bankruptcy on his credit report actually belongs to his cousin, who has the same name.       | ___ 3. Apply for a secured credit card to establish history.                             |
| D. Kate's credit report displays several delinquencies, and she has received notices for repossession of her car. | ___ 4. Notify credit reporting agencies.   |



## FAIR CREDIT REGULATIONS

---

### UNDERSTANDING FAIR CREDIT REGULATIONS

Often a client is unaware of rights protected by a number of fair credit laws. Let's look at sample rights covered under three federal consumer credit laws. During the rest of this module, we will explore the rights that fair credit regulations provide to consumers.

#### Fair Credit Reporting Act (FCRA)

- You have the right to know what is in your file.

You may request and obtain all the information about you in the files of a consumer reporting agency (your "file disclosure"). In many cases, the disclosure will be free.

- You have the right to dispute incomplete or inaccurate information.

You have the right to dispute information in your file that is incomplete, inaccurate, or unverifiable. The consumer reporting agency must investigate unless your dispute is frivolous. Incorrect information must be removed or corrected, usually within 30 days; however, a consumer reporting agency may continue to report information it has verified as accurate. In most cases, a consumer reporting agency may not report negative information that is more than 7 years old or bankruptcies that are more than 10 years old.

- Access to your file is limited.

A consumer reporting agency may provide information about you only to people with a valid need -- usually to consider an application with a creditor, insurer, employer, landlord, or other business. You must give your consent for reports to be provided to employers. You may limit "prescreened" offers of credit and insurance you get based on information in your credit report.

- You may seek damages from violators.

If a consumer reporting agency, or, in some cases, a user of consumer reports or a furnisher of information to a consumer reporting agency, violates the FCRA, you may be able to sue in state or federal court.

- Additional State Rights

States may enforce the FCRA, and many states have their own consumer reporting laws. In some cases, you may have more rights under state law. For more information, contact your state or local consumer protection agency or your state Attorney General.

This is adapted from [A Summary of Your Rights Under the Fair Credit Reporting Act](#).

The Federal Trade Commission (FTC) provides more consumer information about [credit](#) and the FCRA.

## **Fair and Accurate Credit Transactions Act (FACTA)**

- You have the right to a free annual credit report.

Each of the three credit reporting agencies must, at a consumer's request, provide a credit report for free once per year. The agencies established [AnnualCreditReport.com](https://www.annualcreditreport.com) for consumers to request the reports.

- You have the right to place a fraud alert on your credit file.

If a consumer believes s/he has been a victim of fraud, identity theft, or another related crime, s/he can place a fraud alert on his/her credit report file for 90 days, which will require all access to credit information to be approved by the consumer.

- Credit card numbers must be truncated so the full number is not visible on receipts.

To minimize the potential for credit card numbers to be stolen, receipts from purchases made with credit cards cannot contain the full card number. Damages can range from \$100 to \$1,000.

## **Fair Credit Billing Act (FCBA)**

- You can dispute billing errors associated with your credit card account.

A dispute must be sent via mail within 60 days of the date on the credit card statement that shows an error. The creditor has 30 days to acknowledge the letter and 90 days to research the dispute and make a determination.

- You must be billed in a timely manner.

Creditors must send billing statements to consumers at least 14 days before the payment is due.

## KNOWLEDGE CHECK 12

Consumers have rights protected by fair credit laws. Indicate which credit regulation corresponds to each of the scenarios described below by placing the letter corresponding to the correct fair credit law on the appropriate line. You may use an act more than once.

- |  |     |   |
|--|-----|---|
| A. Fair Credit Reporting Act (FCRA)                  | ___ | 1. Amy sees a charge she did not make on her credit card statement and wants to dispute it.       |
| B. Fair Credit Billing Act (FCBA)                    |     |   |
| C. Fair and Accurate Credit Transactions Act (FACTA) | ___ | 2. Peter wants to dispute inaccurate information in his credit report.                            |
|  | ___ | 3. Jen has been the victim of identity theft and wants to place a fraud alert on her credit file. |
|  | ___ | 4. Mary wants to review her credit report for free.   |
|  | ___ | 5. Matt wants to limit his employers' access to his credit report.                                |

## KNOWLEDGE CHECK 13

Which complies with fair credit laws?

- A. An employer can check a credit report at any time.
- B. A vendor can display part of the credit card number on the sales receipt.
- C. A credit reporting agency can list information about a collection over eight years old.
- D. A creditor can acknowledge a consumer dispute after two months.

## KNOWLEDGE CHECK 14

Which federal law protects a consumer's right to dispute a billing error associated with his or her credit card account?

- A. Fair and Accurate Credit Transactions Act (FACTA)
- B. Fair Credit Reporting Act (FCRA)
- C. Fair Credit Billing Act (FCBA)

## SUMMARY

---

In this module, you learned to:

1. Analyze a client's credit report in order to break down the information for the client into easily understood concepts.
2. Evaluate a credit score and be able to explain to a client how this score is calculated.
3. Advise a client on understanding credit challenges and methods to improve credit scores, including how to correct reporting errors, how much credit to have, and which types are better.
4. Comprehend consumer rights protected by the Fair Credit Reporting Act (FCRA), the Fair and Accurate Credit Transactions Act (FACTA), and the Fair Credit Billing Act (FCBA) and be able to explain these rights to clients.

### KNOWLEDGE CHECK ANSWER KEY

**1. (C) Personal Information**

Any information related to consumer employment will be in the personal information section, though there is no cause for concern if an employer is not listed.

Incorrect Answers: (A) Consumer rights, (B) Account information, (D) Public records, and (E) Inquiries.

**2. (E) Account Information**

Student loans, or any other details about general credit accounts, can be found in the account information section.

Incorrect answers: (A) Personal information, (B) Public records, (C) Inquiries, and (D) Consumer rights.

**3. (A) Public Records**

Items like bankruptcy are part of the public record section of the credit report.

Incorrect answers: (B) Inquiries, (C) Personal information, (D) Consumer rights, and (E) Account information

**4. (D) Inquiries**

Any authorization a client gives to check his/her credit profile in order to establish credit will appear in the inquiry section of the report.

Incorrect answers: (A) Personal information, (B) Public records, (C) Consumer rights, and (E) Account information

**5. (B) Consumer Rights**

Many credit reports contain information about disputing incorrect information and other consumer rights protected by law.

Incorrect answers: (A) Personal information, (C) Public records, (D) Inquiries, and (E) Account information.

**6. Correct matched items:**

Positive: (A) Paying bills early

Negative: (B) Filing for bankruptcy, (C) Applying for a new credit card every month, and (D) High credit card balances

**7. Correct matched items:**

(B) Amounts Owed: 1. Ratio of total credit extended to the amount of credit owed

(D) Types of Credit Used: 2. Variety of accounts (e.g., credit card, auto loan, mortgage)

(E) New Credit: 3. Number of recent credit inquiries, as well as new credit accounts

(C) Length of Credit History: 4. Overall length of credit history in the report, as well as the average age of accounts

(A) Account History: 5. Payment history of accounts, including late payments, delinquencies, judgments, and liens

**8. Correct matched items:**

(B) Amounts Owed: 1. Roger has maxed out his credit card.

(C) Length of Credit History: 2. Molly is a recent college graduate trying to apply for her first credit card.

(A) Account History: 3. Kate's credit report displays several judgments and collection accounts.

(D) Types of Credit Used: 4. Chris has three credit cards but no other accounts on his report.

(E) New Credit: 5. April has applied for and received several credit cards and loans in the past six months, talking with a new lender each month.

**9. Correct order:**

(C) History of delinquent payment

(A) Amount of total credit used

(D) Length of time accounts have been established

(B) Number of inquiries on record

**10. (C) [www.annualcreditreport.com](http://www.annualcreditreport.com)**

This is the federally authorized site for consumers to obtain free credit reports from each of the three main credit reporting agencies.

Incorrect answers: (A) This site and other similar sites offer a "free" report under certain conditions—the client must register for a free trial period or purchase another type of product to obtain the "free" report; (B) A client would visit myfico.com to obtain a credit score, but FICO does not generate credit reports; and (D) While a consumer can obtain a credit report from Experian, there is a small fee. [annualcreditreport.com](http://annualcreditreport.com) allows the consumer to request reports from all three major credit bureaus free of charge.

**11. Correct matched items:**

(D) Kate's credit report displays several delinquencies, and she has received notices for repossession of her car: 1. Review budget to help find funds so that all monthly payments can become current.

(A) Roger has maxed out his credit card: 2. Make more than the minimum payment to pay down the balances.

(B) Molly is a recent college graduate trying to apply for her first credit card but has been denied: 3. Apply for a secured credit card to establish history.

(C) Chris sees that a bankruptcy on his credit report actually belongs to his cousin, who has the same name: 4. Notify credit reporting agencies.

**12. Correct matched items:**

(B) FCBA: 1. Amy sees a charge she did not make on her credit card statement and wants to dispute it—The Fair Credit Billing Act (FCBA) allows consumers to dispute billing errors associated with their credit card account.

(A) FCRA: 2. Peter wants to dispute inaccurate information in his credit report—The Fair Credit Reporting Act (FCRA) allows consumers to dispute inaccurate information and to limit access to their credit reports.

(C) FACTA: 3. Jen has been the victim of identity theft and wants to place a fraud alert on her credit file—The Fair and Accurate Credit Transactions Act (FACTA) allows consumers to request a free annual credit report and to place a fraud alert on their account.

(C) FACTA: 4. Mary wants to review her credit report for free—The Fair and Accurate Credit Transactions Act (FACTA) allows consumers to request a free annual credit report and to place a fraud alert on their account.

(A) FCRA: 5. Matt wants to limit his employers' access to his credit report—The Fair Credit Reporting Act (FCRA) allows consumers to dispute inaccurate information and to limit access to their credit reports.

**13. (B) A vendor can display part of the credit card number on the sales receipt.**

The Fair and Accurate Credit Transactions Act protects consumers from potential identity theft by limiting the information allowed on the sales receipt. The full card number cannot be shown on the receipt.

Incorrect answers: (A) Employer can check credit report at any time—The Fair Credit Reporting Act protects consumers from employer credit checks without prior consent from the employee. (C) Credit reporting agency can list information about a collection over eight years old—The Fair Credit Reporting Act protects consumers from having outdated negative information in their credit files. In most cases, negative information over seven years old or bankruptcies over 10 years old may not be reported. (D) A creditor can acknowledge a consumer dispute after two months—The Fair Credit Billing Act protects a consumer’s right to dispute billing errors on his/her account and specifies that the creditor must acknowledge the dispute letter within 30 days.

**14. (C) Fair Credit Billing Act (FCBA)**

The Fair Credit Billing Act protects a consumer’s right to dispute billing errors on his/her account.

Incorrect answers: (A) Fair and Accurate Credit Transactions Act (FACTA)—The Fair and Accurate Credit Transactions Act enables consumers to receive a free credit report from the three credit reporting agencies each year, to place a fraud alert on their credit file, and to safeguard credit card numbers on receipts, and (B) Fair Credit Reporting Act (FCRA)—The Fair Credit Reporting Act protects consumers from erroneous information being added to their credit file.



## RESOURCES

---

### **ANNUAL CREDIT REPORT**

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

### **EQUIFAX**

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

### **EXPERIAN**

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

### **FEDERAL TRADE COMMISSION**

[www.ftc.gov/credit](http://www.ftc.gov/credit)

### **FICO WEBSITE**

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

### **SUMMARY OF FCRA RIGHTS**

[www.consumer.ftc.gov/sites/default/files/articles/pdf/pdf-0096-fair-credit-reporting-act.pdf](http://www.consumer.ftc.gov/sites/default/files/articles/pdf/pdf-0096-fair-credit-reporting-act.pdf)

### **TRANSUNION**

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