

# Smart cents

## Credit and your Credit Report

CCCS of Greater Greensboro  
315 E Washington St.  
Greensboro, NC 27401  
(336) 373-8882  
1-888-755-2227  
[www.thedebtdoc.com](http://www.thedebtdoc.com)



  
CONSUMER CREDIT  
COUNSELING SERVICE  
A division of 

## **How to contact CCCS of Greater Greensboro**

To set up an appointment please call **(336) 373-8882**.

A member of our Trust Management Team will set up the next available appointment. We offer face-to-face, phone, mail-in, or Internet counseling. The Trust Management Team will provide directions and information about our services. Our office hours are from 8:30 am - 5:00 p.m. Monday – Friday. Evening hours are provided at branch locations for your convenience.

### **...in Greensboro**

315 E. Washington St., Greensboro NC 27401  
(336) 373-8882

### **...in High Point**

1401 Long St., High Point, NC 27217  
(336) 889-6108

### **...in Jamestown**

902 Bonner Drive., Jamestown, NC  
(336) 889-6105

### **...in Burlington**

719 Hermitage Rd., Burlington NC 27215  
(336) 226-4175

### **...in Asheboro**

513-C White Oak Street., Asheboro, NC 27203  
(888) 755-2227 (336) 633-1845

### **...in Yanceyville**

331 Piedmont Drive., Yanceyville, NC  
(888) 755-2227

### **...in Wentworth**

525 NC-65, Wentworth, NC 27375  
(336) 342-8247

### **...in Lexington**

235 E. Center St., Lexington, NC 27293  
(336) 243-8111

### **If you are outside of our calling area**

1-888-755-2227

[www.thedebt.doc.com](http://www.thedebt.doc.com)

## **Credit Quiz**

### **1. You can obtain a free credit report if**

- a) You have been denied credit, based on your credit history
- b) You have been denied a job, based on your credit history
- c) You have been denied insurance, based on your credit history
- d) You are unemployed but actively searching for a job
- e) All of the above

### **2. All recent medical and dental bills will show up on your credit report.**

- a) True
- b) False

### **3. If you dispute an item on your credit report, the credit-reporting agency has \_\_\_\_\_ days to respond to your dispute.**

- a) 7
- b) 30
- c) 60
- d) 90
- e) 120

### **4. An item will come off your credit report when paid in full.**

- a) True
- b) False

### **5. A Beacon score is based upon**

- a) Length of employment
- b) Your income
- c) Credit history
- d) Debt / Income ratio

### **6. An unpaid judgment can stay on your credit report**

- a) 7 years
- b) 10 years
- c) Until paid in full
- d) Up to 20 years

# What is a credit report?

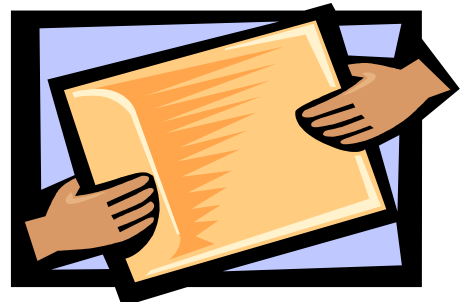
Your credit report is a payment history, showing whether or not you have paid outstanding debt as agreed. Based on this information creditors, will determine if you are a good credit risk.

## **Your Credit Report lists important and personal information:**

- A list of present and previous addresses
- Employment history
- A list of credit that you are using
- A list of the credit that you are seeking
- Public records such as judgments or bankruptcy status
- Social security number
- Date of birth

**Your credit report reflects the debt that you have and a payment history. It is a good idea to understand how long an item can be listed on your credit report.**

- Good information will be reported on your credit report for ten years.
- You are able to request for a creditor to put information on your credit report. (possible charge for this service)
- Negative information will stay on your credit report for seven years from the date of last activity. (There are exceptions.)
- Bankruptcy will stay on your credit report for ten years.
- Judgments will stay on your credit report for ten years and can be renewed for an additional ten years if they go unpaid.
- Inquiries are reported for two years



## How can I get a copy of my credit report?

You may receive a free copy of your credit report from a central source by visiting [www.AnnualCreditReport.com](http://www.AnnualCreditReport.com), or by calling 1- 877 322-8228. If you prefer to write, a request form is available on [www.AnnualCreditReport.com](http://www.AnnualCreditReport.com)

Consumers are entitled to get one free credit report from each of the three national credit reporting companies every twelve months. Otherwise, there is a charge of \$9.50 for your credit report.

If you would like your FICO score typically known as the Beacon score with your credit report, the cost is \$14.50 each from Equifax, Experian or TransUnion.

### The three major credit reporting agencies are...

#### **Equifax**

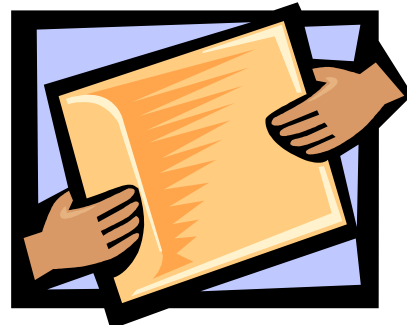
PO Box 740241  
Atlanta, GA 30374  
(800) 685-1111  
[www.equifax.com](http://www.equifax.com)

#### **Experian**

PO Box 949  
Allen, TX 75013  
(888) 397-3742  
[www.experian.com](http://www.experian.com)

#### **TransUnion**

760 West Sproul Rd  
PO Box 390  
Springfield, PA 19064  
(800) 916-8800



## What does all this information mean?



Your credit report is broken down into separate sections. Depending on which type of credit report that you ordered, you may run into a few differences. You will receive a key to help you determine what the different codes mean. In general, your credit report will break down into 5 separate sections. Remember that they could be in a different order than listed below.

### **Section #1: Personal Information**

This will list all your personal information such as your name, social security number, address, previous address, and previous job history. Make sure that you check over this information and that it is all correct.

### **Section #2: Public Record Information.**

This section will list any liens, bankruptcies, or judgments that are filed against you.

- Bankruptcy: A Chapter 13 will stay on your credit report for 7 years if it is successfully completed. If the Chapter 13 was not completed, it will be reported for ten years. A Chapter 7 will be reported for ten years.
- A judgment reflects when a creditor takes action through the court system for an unpaid debt. A creditor has the option of renewing a judgment so, if unpaid, it could be on your credit report up to twenty years. If you pay off your judgment, it will be on your credit report ten years from the date of last activity.
- A lien is also an unpaid debt that has been taken to court. You are required to pay a lien off before you buy or sell property. A lien has a lifetime of ten years on your credit report.

**Please remember that all public record information is listed at the courthouse even if it does not show up on your credit report.**

### **Section #3: Collection Accounts**

All collection accounts will be listed together. A collection account reflects when the original creditor was not successful in collecting a debt and they chose to sell the account to a collection agency. If you want to pay the debt, you pay the collection agency. The Credit Bureau acts as a collection agency and as a place to get your credit report. Collection accounts will stay on your credit report seven years from the date of last activity. Although all collection accounts are negative, it looks much better to a lender to pay off old collection accounts than to show that you still owe a balance.

- Examples of bills that would show up as a collection account are unpaid medical bills, utility services, etc.

#### **Section #4: Credit Accounts**

This is the bulk of your credit report. All secured and unsecured credit accounts and loans are listed with a detailed payment history. Typically, your account, account number, when you opened the account, date of last activity, credit line, high credit, payment status, and payment history will be listed.

**It is important to read the key that comes with your credit report to understand the payment status and payment history.**

Example: A credit card will be listed as a “R”. This stands for a revolving account meaning, as you pay off your balance, you have more credit available. Your status will reflect how you pay your account.

For an Equifax credit report

- (1) paying on time
- (2) 30 days delinquent
- (3) 60 days delinquent
- (4) 90 days delinquent

- Your payment history can improve if you start paying on time. It is never too late to improve your credit report.
- Negative information will stay on your credit report for seven years from the date of last activity.
- Positive information will stay on your credit report for ten years.  
Example: Your car that was financed and paid off will be reflective on your credit report.
- Your mortgage payment that you make on time each month will also be listed on your credit report.

#### **Section #5: Inquiries**

Inquiries reflect any creditor that has pulled your credit report. Your existing creditors will look at your credit report from time to time but you have to sign for anyone to review your information. When you review this section make sure that you know everyone that is looking at your credit report.

There is one exception. When you pull your credit report you will notice inquires with a PRM listed behind it. This is a promotional inquiry. The creditor has only seen a profile of your credit report and sent you a solicitation for a credit account. Unless you apply for credit, that creditor will not see your credit report. Promotional inquiries are not disclosed to lenders and they do not count against your credit score. A promotional inquiry is listed so you know who is soliciting you.

**Inquires stay on your credit report for 2 years.**

# Why should I care what is on my credit report?

- The information on your credit report can affect you in obtaining a car or mortgage loan, getting a job, or receiving additional credit or insurance.
- A good credit history will help you to get lower interest rates on future loans.
- Banks often look at your credit report to
- determine if you can open up a checking or savings account.
- The information on your credit report is yours. In turn, it will only affect you. Make sure that you check your credit report and update it when necessary.





## How do I establish a good credit history?

Sometimes it is necessary to start non-traditional forms of credit if you do not have credit or your credit is not very good.

- Establish a checking account at your bank. Make sure that you maintain this account and balance your checkbook. By showing your bank that you are stable and responsible with your finances, you can prove that you are a good candidate for a credit card. Bouncing a check is a red flag that you cannot manage your money.
- Start a savings account. Try to make monthly deposits. This builds confidence in your bank that you are a responsible customer.
- Apply for a credit card at your bank. They can take into consideration your payment history on your checking or savings account.
- Obtain a credit card from a retail store. Department stores want your business. They are often times more willing to grant you credit. Make sure when you make a purchase that you make payments on a regular basis. This will form a solid payment history. Also, make sure that the creditor is reporting the information to the credit reporting agencies.
- Apply for a gas card. These are easier to obtain and will allow you to build your credit history.
- Join a credit union. Again, you can prove to them that you are responsible with a checking or savings account. They are designed to help you establish your credit and they have competitive interest rates.
- When shopping for credit cards, make sure to read the fine print on interest rates and annual fees. Shop around for the best rate. If you cannot get a good rate, ask the creditor if they will consider lowering interest after a year of consistent payments.

**Remember not to apply for too much credit at one time. Your credit report will show a listing of all credit inquires. If you apply for too many credit cards at one time, you could be denied because you are requesting more credit than you can handle.**

## How do I pay off old debts on my credit report?

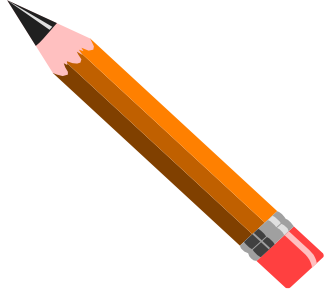
- The credit-reporting agency that supplied your credit report can give you phone numbers or addresses for the creditors that you owe. Contact that creditor and try to work out a payment arrangement.
- If you feel overwhelmed or just need some help organizing your credit debt, contact CCCS of Greater Greensboro.
- Our counselors can help you start a budget and review your credit report. With this information your counselor can help you create an action plan to become debt-free.
- CCCS offers a Debt Management Plan as an option to repay debt. This is a way for you to pay off all of your unsecured creditors. A Debt Management Plan is an alternative to bankruptcy that allows you a responsible way to repay your creditors and become debt-free within 48-60 months.
- You can also put a personal statement on your credit report. Let's say you lost your job and went several months without paying your creditors. But once you started working again, you began paying your debts back. Or you went through a divorce and now your income has been cut in half and you were unable to pay certain debts. You can put a personal statement on your credit report that states what happened. If you have started to pay off your debts, your credit report will support the claim that you have made. Your statement also tells a lender that you care about your credit.

**Remember that you do have the ability to improve your credit report. It is only a matter of understanding the information, paying off old debts, and starting a good payment history.**

## How can I get incorrect information off my credit report?

You can write a letter to explain the situation or fill out the dispute form enclosed when you receive your credit report. Remember to attach copies of any documentation that you have such as a receipt of payment. The credit-reporting agency will investigate your dispute and respond back to you within 30 days.

**Use the sample dispute letter below to contact the credit reporting agencies.**

Date	
Your Name	
Address	
City State, Zip	
Complaint Department	
Name of Credit Reporting Agency	
Address	
City State, Zip	
To whom it may concern:	
I am writing you in regard to incorrect information on my credit report. I have enclosed a copy of my report and circled those items, which are of concern.	
The following debt _____ is incorrect because _____.	
(Do this for each disputed item.)	
I have enclosed the following documentation (receipts, payment records, court documents) that support my position. Please investigate these errors and remove them from my credit report.	
Sincerely,	
Your Name	
Enclosures: (List all materials you are sending)	

# What Is Credit Scoring?

Credit Scoring is a method lenders use to determine whether or not you are a good credit risk.

It is important to remember that each lender can have their own credit scoring system. The most common credit scoring system is the Fair Isaac or FICO score. This is the credit scoring system that the three Credit Reporting Agencies use. Each agency has a different name for the FICO score.

<b>Equifax</b>	<b>= Beacon Score</b>
<b>Experian</b>	<b>= The Experian/ Fair Isaac Model</b>
<b>Trans Union</b>	<b>= Emperica</b>



Your FICO score is determined solely from information on your credit report. The credit score is evaluated based on both negative and positive information. Your credit score does not consider your ethnic group, religion, gender, marital status or nationality.

It is important to remember that it is the information on your credit report that makes up your score. It is this information that you can improve and, in turn, improve your credit score. As we have discussed, paying your bills on time and using credit responsibly is the road to an outstanding credit report.

**There are five areas that the FICO score evaluates.**

(go to [www.myfico.com](http://www.myfico.com) for more information on your FICO score)

**1. Your Payment History**

The credit score considers whether you pay your creditors on time. Your score can be lowered if you have frequently missed payments, judgments or bankruptcy.

- **How to improve this area:** Pay your creditors on time!

**2. Amount of Debt Owed**

The credit score will evaluate your potential debt from open lines of credit that you might not even use. Also, if all of your credit lines are at their maximum, it shows lenders that you are always at your credit limit.

- **How to improve this area:** Keep your balances low on credit cards. Do not charge up to your limits. Do not move your debt around but start a plan to pay it off. Closing out accounts or opening new accounts in the short term will not help raise your score.

**3. Length Of your Credit History**

The credit score assesses how long you have used a creditor.

It may bring your score down if all of your credit is new.

- **How to improve this area:** If you are young and establishing credit, do not worry if your credit is all new; you cannot help it. You can, however, be responsible with the credit you get in order to build a solid credit history with one or two creditors.

**4. New Credit**

The credit score takes a look at inquires and new accounts to determine if you are trying to get more credit at one time than you can afford.

- **How to improve this area:** Do not apply for credit every chance you get. You are not saving money when you get your first purchase at 10% off. Think about the interest you will pay on that card if you carry a balance. Only apply for credit that you need. Be choosy when you apply for credit; look for low interest and no annual fees.

**5. Types Of Credit**

The credit score reviews what kind of accounts you have on your credit report. Your score could be lowered if they all account from finance companies as opposed to banks or credit unions.

- **How to improve this area:** Have different forms of credit on your report (i.e., a car loan and a major credit card like visa or MC). Remember, you are not trying to have credit everywhere, just a few accounts in good standing that you pay and use on a regular basis.

## **Should I believe ads that claim to clear up my credit report or erase bad credit?**

**NO!** Only time and effort on your part will improve your credit report. This service will cost you money and cannot do anything that you can't do yourself.

- Accurate information, good or bad will stay on your credit report for seven years to ten years.
- Bankruptcy will stay on for ten years.
- Judgments will stay on for ten years and can be renewed to stay on longer.

**Remember, if you have questions or concerns, a credit counselor at CCCS will be happy to sit down and review your credit report. We will help you devise the most productive way to pay off old debts and re-establish your credit. You can also receive counseling online.**



## Understanding credit

### Credit Cards

You probably receive credit card offers every day through the mail, telling you that you are pre-approved for hundreds or thousands of dollars. Be choosy when you decide to get a credit card. You want the credit to enhance your life, not cause you stress with fees and high interest.

### What is a Grace period?

A grace period is the time that you make a purchase until your due date. During this period you do not accumulate finance charges. If you pay off your credit card every month then you are using credit wisely. If you continue to carry a balance you are probably paying for that purchase many years over.

**An individual carrying a balance of \$2000 with an interest rate of 19%, and paying a minimum payment of \$25.**

It will take **10.9 years** to pay off the credit card and they will have paid **\$3,900**. That is **\$1,900** in interest!

### Should I sign up for credit card protection or insurance?

Your creditors will send you many offers when they send you a bill. The most popular is credit insurance charged monthly. This is a high cost insurance that many people typically never use. Make sure you read about it before you sign up. The insurance may only cover specific situations, and may be hard to use.

### Should I help my friend and be a Co-signer?

Be very careful if you co-sign on any one account. As a co-signer, you are responsible for that person's account. If they default then it will be your responsibility to pay. Co-signing can negatively affect your credit report.

### If I transfer my balances I can keep a low interest rate.

Be careful if you transfer balances. It can be helpful to lower your interest rate, but it can affect your credit report negatively if you have all new credit or many inquiries. Also, if you do not close out old accounts, you have the potential to charge additional debt.

Instead of spending the time to transfer, ask your creditor for a lower interest rate. They would rather keep your business if you are a good customer.

## **When choosing a credit card think about some simple facts.**

### **Why do I need a credit card?**

#### PRO

Credit cards can help you to reserve a hotel or car when traveling.

Credit cards are convenient.

Credit Cards can be helpful for an emergency.

#### CON

A credit card is money that I do not necessarily have.

I may be more tempted to make rash purchases if I have a credit card in my wallet.

### **Am I receiving the best interest rate?**

Interest rates can be fixed or variable. The fixed rate will stay the same over time. A variable rate will go up or down. Understand the fine print on the credit card application. Most creditors can change your interest rate if you miss a payment or are even late with a payment.

### **Should I pay annual fees to have a credit card?**

Some creditors require customers to pay an annual fee to use credit, but many credit cards do not require this fee. Always shop around for the best deal. Read the fine print on the credit card application to see what kind of late fees or over-the-limit fees a creditor could charge you.

### **Debit Cards**

Debit cards work with your checking account. When you use your debit card, your checking account is automatically deducted. Debit cards can be very helpful in managing your money, but you must remember to write your charges down. Debit cards carry the same convince of not carrying cash around.

### **Some simple Tips:**

- Keep up with your charges so you do not overdraw your account.
- When using ATM machines, use your bank; other tellers will charge fees that can be avoided.
- Do not give out your card numbers over the phone unless you know exactly what company you are working with and why they need your information.
- If your card is lost or stolen, report it immediately to your bank. You may be responsible for the charges if you do not follow up with your bank. Review the handouts from the FTC for additional information.



# Types of credit

Credit can be convenient and effective. When you use credit responsibly you are building your credit history and your purchasing power. Using credit wisely will help you to get lower interest rates and additional credit in the future. Let's look at the different forms of credit that are available:

## **Installment credit**

This type of credit is usually a loan set with a specific monthly payment. The interest is determined at the beginning of your loan and is part of your monthly payment.

Example: Car Loan, Home Loan, Education Loan

## **Revolving Credit**

This type of credit has a set limit that you can borrow. As you pay back, you are able to use the credit again up to your limit. You can pay off the balance in full or by smaller payments. If you do not pay off the balance in full as you use it, you are charged interest for borrowing the money. Interest will be calculated by the balance that you carry and taken out of each of your monthly payments. Make sure that you understand the interest rate and how it is calculated.

Examples: Credit cards, gas cards and department store cards.

## **Secured Credit**

This type of credit requires that you provide something of value to secure the loan. You may put up property such as furniture, a car, or a home as collateral that you will pay back the loan. Your payments will usually be at a set amount each month. Make sure that you understand the terms of your loan; with a secured loan, if you miss payments, the lender can take your property.

Examples: Home loan, car loan.

## **Unsecured Credit**

This type of credit has no collateral. The lender may only give you a small amount of credit or may need to see credit history before approving you for the loan.

## Should I use credit?

If you use cash or credit, always think before you purchase.

It is important to develop a list of questions to not only help you decide if you need a product or service, but also how you should purchase it.

Listed below are a few items. First, label the item as a want or as a need. Next, think about how you would pay for each item: cash or credit. Write down and evaluate the reason.

Item	Want	Need	Cash	Credit	Reason
Car					
Clothes (kids have outgrown everything)					
Groceries					
Nice meal out					
House					
Car repairs					
Medications					
Vacation					
Jewelry					
College Education					
Entertainment system					
Haircut					
Utilities					

## What do I do if I fall behind with creditors?

**If you fall behind with your credit payments, it is very important to communicate with your creditors. They cannot help if they are not aware of your financial situation.**

**Remember these important steps if you fall behind with credit card or unsecured debt:**

### **Step #1**

Contact your creditor and explain what has happened. This is the most important step. Let your creditor know that you want to pay on your debt but at this time you are facing a financial hardship and are unable to pay. Explain that you will continue to call them each month to update your progress and inform them when you will make a payment.

### **Step #2**

Ask your creditor if they have a program that can help you. Creditors may offer a 3 or 6-month plan to help you through a financial hardship.

### **Step #3**

Contact CCCS of Greater Greensboro. We can help you to review a budget and reduce expenses during your transition. CCCS offers a Debt Management Plan that you can use once you are able to pay your creditors. The DMP is an alternative to bankruptcy, providing a consolidated and responsible way to pay creditors and become debt-free with in 48 - 60 months.

### **Step #4**

Do not be a victim to scams! Beware of people or products that sound too good to be true. They may offer you a quick solution to bring your debt current but it will cost you in the future. If you have any questions or concerns, call CCCS of Greater Greensboro and talk to one of our counselors.



## What to do if you are behind with Mortgage Payments

Making your monthly mortgage payment on time and consistently is extremely important. Mortgage loans are not the same as unsecured loans or credit cards. When your mortgage goes unpaid, your lender can collect on the loan by foreclosure of your property.

FORECLOSURE MEANS THAT THE LENDER WILL TAKE YOUR PROPERTY, SELL YOUR PROPERTY AND STILL CHARGE YOU FOR THE REMANDING BALANCE OR FEES!!!

### **What to do if you foresee a financial problem.**

If you are facing a financial hardship or even if you feel strapped for cash each month, do not ignore it. Most Americans live paycheck to paycheck. When faced with a financial crisis, it is normal to feel overwhelmed. **But do not wait! Seek help immediately.** CCCS of Greater Greensboro can help to evaluate your budget, can make suggestions on working with your lender and other creditors, and can provide you community resources.

- Contact your Lender and explain why you are behind with the payment. Do not avoid your Lenders collection letters. If you are facing a financial hardship, your Lender can work with you to avoid foreclosure. Ask if you can fill out a financial workout or discuss options to bring your mortgage current. Your Lender can help, but only when they are informed of your financial hardship.
- Set up an appointment with CCCS of Greater Greensboro. It is important to review your budget if you have fallen behind with mortgage payments. CCCS of Greater Greensboro is a HUD housing counseling agency. We will review your situation and budget, and help to explain all of your options to avoid foreclosure. We will also help you set up a budget so that you can start saving and avoid a similar situation in the future.
- Stay in your property. If you abandon your home you may not qualify for assistance.
- If you have a VA loan, call the VA office that is closest to you.

Do not be a victim to scams! Beware of people or products that sound too good to be true. They may offer you a quick solution to bring your mortgage current, but it will cost you in the future. If you have any questions or concerns call CCCS of Greater Greensboro and talk to one of our counselors.

# Tips on Saving Money

**You cannot save money until you know where your money is going. Tracking your expenses, and continuing to re-evaluate your spending will be the smartest way to save.**

- Go grocery shopping with a list.
- Do not go to the grocery store hungry.
- Eat out less, take your lunch to work.
- Eat leftovers. Make casseroles and soups to freeze.
- Turn the heat down and put on a sweater.
- Make sure the heat is down when you leave the house for the day.
- When washing clothes, make sure your loads are full.
- Do not waste hot water, wash in cold or warm.
- Clean and replace air conditioning filters.
- Caulk and weather strip your home.
- Turn off lights when you're not in the room.
- Evaluate your phone bill; take off any extras.
- Check other long distance providers to make sure you are getting the best service.
- You will save on gas if you do regular oil changes and keep your tires inflated to the proper pressure.
- Carpool, use public transportation, or ride a bike.
- Make sure you have a trusted mechanic check out a used car before you buy.
- Ask your credit card companies to reduce your rates.
- Save your change.
- Pay more than minimum payments on your credit debt.
- Use a direct deposit program for your paycheck, so your money is automatically put into a savings account.
- Cut back to one credit card.
- Take your credit cards out of your wallet.
- Buy washable clothes, not "dry clean only" clothes.
- Have a potluck dinner instead of a dinner party.
- Make gifts instead of purchasing something expensive.
- Look for free and cheap family events.



CCCS of Greater Greensboro is a division of Family Service of the Piedmont. At CCCS of Greater Greensboro, our goal is to assist families and individuals resolve financial problems by avoiding bankruptcy. We can help you to achieve your financial goals and regain a sense of financial well-being.

**CCCS offers:**

- Professional Advice: all of our counselors are nationally certified by the National Foundation for Credit Counseling.
- Budget Counseling: to establish and meet financial goals through savings, and manage spending for basic expenses.
- Credit Counseling: to help families establish good credit, choose the right credit, and use credit wisely.
- Housing Counseling and Education: we are a HUD housing counseling agency providing advice before and after you buy your home, default resolution counseling, and reverse mortgage counseling.
- Debt Repayment Plan: a viable alternative to bankruptcy, providing a consolidated and responsible way to pay creditors and become debt-free within 48-60 months.
- Free workshops each month to help build a financially healthy community.

**All counseling services are free of charge and there are no eligibility requirements.**

**Anyone may access the variety of services at CCCS.**



**Working to build a financially healthy community**