Homebuyer
Education
Section 3
Understanding
Credit





American Economy Runs on Credit

- When lots of goods and services are sold
- You are encouraged to make payments over time so you will buy more now

Lenders Make Loan Decisions Based on Credit History

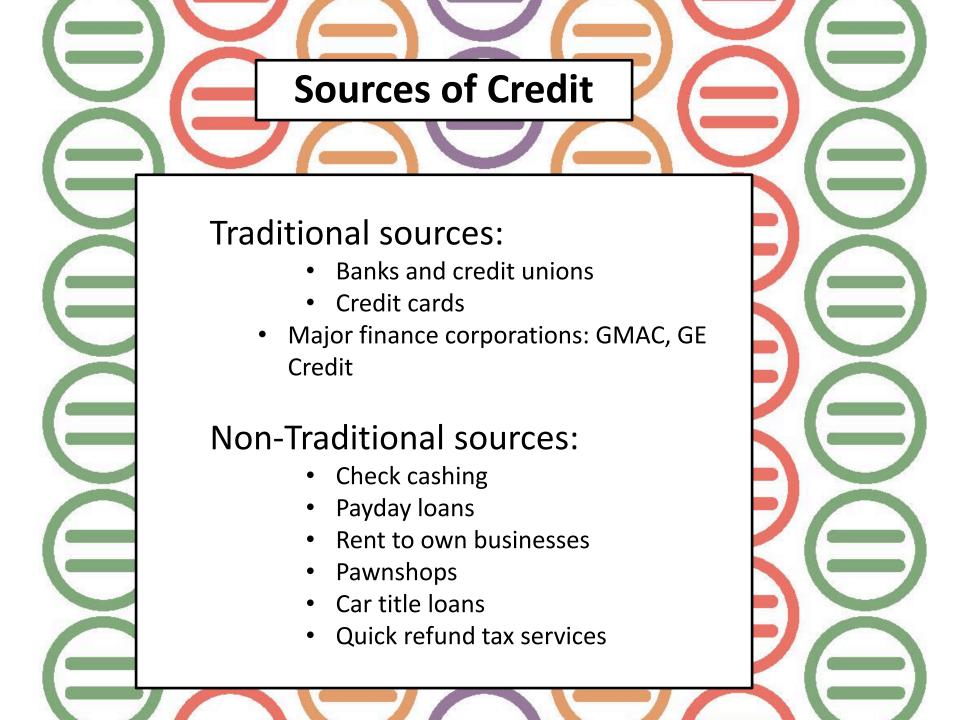
- Your creditors report your payment history to Credit Reporting Agencies
- CRA's assign a Credit Score (or Risk Score) based on a mathematical formula
- Loan Underwriters use credit scores and other factors in deciding to give loans



Credit Regulations and Legislation

- -The Equal Opportunity Act (ECOA)
- -Consumer Credit Protection Act (1968)
- -Fair Credit Reporting Act (1971)
- -Fair Credit Billing Act (1975)
- -Fair Debt Collection Practices Act (1978)
- -Fair and Accurate Credit Transaction Act (FACT Act or FACTA) (2003)
- -Credit Card Accountability, Responsibility, and Disclosure (CARD) or

Credit CARD Act of 2009





Types of transactions that are reported to credit bureaus for your credit record

- Bank loans
- Most care loans (From major lending companies- not companies that self finance- where you make payments to the car salesman)
- Loans from credit unions
- Credit cards



Things that usually do not show up on your credit bureau report

- -Rent payments
- -Utility payments
- -Non- traditional sources of credit
- -Cash payments

-Some lenders will consider additional information if hour credit record isn't established

- Letters from landlord
- -Letters from other places where you have made regular, timely payments
- -Letters from nontraditional lending sourcesif you can get one
- -Rent-to-own store car title loans

Correcting and Improving Your Credit Score

- -Your credit report may be wrong, or you may be able to improve it
- -Common mistakes on Credit Records
- -Steps to rebuilding your Credit Score
- -Ask your bank for a passbook savings loan



Correcting and Improving Your Credit Score

- Your credit report may be wrong, or you may be able to improve it
 - 1 in 4 credit reports contain an error
 - Obtain your free annual copy of your file and check it periodically
 - Credit counselors will help you obtain your credit history and rebuild your credit
- Common mistakes on Credit Records
 - Information in your file is from someone else with the same name
 - Former spouses appear on credit record
 - The balance listed is incorrect
 - Unauthorized inquiries into your credit are listed
- Steps to rebuilding your Credit Score
 - Request copy of credit record
 - Review record and make sure everything is accurate
 - Pay off all past due accounts
 - Write an explanation letter to become part of your permanent file
 - Negotiate with the creditors to get negative information cleared
 - Add positive information to the file. Not all info gets in your file
 - Establish credit in your own name
 - Start making payments on time
 - Work with local merchants to see if they are willing to establish an account for you

