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**TRAIN THE TRAINER: Financial Education****ADULTS LEARN DIFFERENTLY.***Improve your direct service skills with methods for teaching adults financial literacy.***Webinar #3: Effective Credit and Debt Management**

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Sponsored by:

Massachusetts Financial Literacy Trust Fund

The Office of Massachusetts State Treasurer & Receiver  
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## Training Goals

- To identify methods of obtaining free credit reports
- To learn how to read a credit report
- To identify methods to resolve poor credit
- To identify methods to improve credit
- To identify methods to obtain credit

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## Why this approach to credit and debt management?

- When a person's housing is unstable, the opportunity for compromised identity is increased
- People unknowingly give access to their credit by signing documents they don't fully understand
- Identity theft of children's identities by family members can be an issue preventing young adults from acquiring credit, housing, post secondary education, and other services.

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## Obtain a copy of your credit report

- Free credit report by Federal mandate  
(877) 322-8228 [www.annualcreditreport.com](http://www.annualcreditreport.com)
- Three major credit bureaus
  - Experian - (888) 397-3742  
[www.experian.com](http://www.experian.com)
  - Equifax – (800) 685-1111  
[www.equifax.com](http://www.equifax.com)
  - TransUnion – (800) 916-8800  
[www.transunion.com](http://www.transunion.com)

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## When you receive your report

- Check the reports for accuracy
  - Verify name, address, social security number
  - Verify accounts and history
  - Review inquiries
  - Review previous names and addresses

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## Reading the credit report

- Current name, address, social security number, spouse, employment
- Negative credit history
  - Suits, judgments, liens, bankruptcies, court orders of support (Public record)
  - Accounts charged off
  - Accounts with late payments

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## Reading the credit report

- Positive credit history
  - Account may be opened or closed
  - Accounts may be individually owned, jointly owned, or the consumer may be an authorized user

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## What you should know

- Negative information can be reported for up to seven years
- Paid liens will remain on the credit report for up to seven years after it is paid.
- Chapter 7 bankruptcy appears on the credit report for 10 years

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## What you should know

- Chapter 13 bankruptcy remains on the credit report for 7 years
- Unpaid student loans and taxes remain on the credit report for as long as they are not paid
- Inquiries initiated by the consumer are on the credit report for 2 years

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## Resolve issues

- Dispute any incorrect information to the credit bureau according to the dispute procedures listed at the end of the credit report.
  - Disputes may be handled online, by phone, and by mail.
  - Repeated request should be registered mail, delivery receipt requested
- Notify the creditor directly of the dispute(s)
- Prepare a budget to determine how much the client may have available to repay debt.

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## Poor Credit?

- Call all creditors with whom you have issues
- Negotiate a realistic payment plan
- Document the payment agreement
  - Name of collector
  - Date
  - Time of call
- Send in good faith payment-collector will require money within 7-10 days
- Make all payments on time!

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## Poor credit must be re-established

- Make all payments on time
- If all accounts have been closed:
  - Get a secured credit card or loan
  - Get a small loan from a credit union
  - Get a store credit card
  - Establish utilities

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## Warning!

- Beware of credit repair companies that promise to erase bad credit. Individuals can correct errors and negotiate repayment
- Investigate debt consolidation companies with the attorney general's office before giving them business

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## What about bankruptcy?

### Chapter 7

- Complete discharges debt
- Negatively impacts credit for 10 years
- Some companies will still extend credit after the discharge but the interest rates will not be favorable

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## What about bankruptcy?

### Chapter 13

- You repay debt pennies on the dollar
- Discharge is granted after all payments are made to the court
- Negatively impacts credit for 7 years
- Some companies will still extend credit after the discharge but the interest rates will not be favorable

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## Debts not dischargeable by bankruptcy

- Student Loans
- Court judgments
- Child support and alimony
- Criminal fines and penalties
- Taxes



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## Identity theft

- File a report with the FTC (Identity Theft Affidavit)
- File a police report using the Identity Theft Affidavit
- The 2 documents form the Identity Theft Report used to work with the creditors:
  - Notify Credit Bureaus to have Fraud Alert and Credit Freeze placed on your file
  - Work on repairing credit file

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## How to improve your credit score

- Make all payments on time
- Do not request credit unnecessarily
- Keep the oldest credit line open – it shows the most history
- Unless there are financial difficulties, do not consolidate debt
- Pay more than the minimum monthly payment
  - Ideally no more that 10% gross monthly income

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## How to improve your credit rating (cont'd)

- Use no more than 50% of your credit line – 30% ideal
- Have at least one major credit card
- Limit open lines of credit to 3
- Use credit only for major purchases or purchase that can be paid that month

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## In Review

- Obtain a free credit report
- Review the credit report for accuracy
- Dispute inaccurate information
- Be aware of Bankruptcy and Identity Theft
- Improve the credit rating

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## Resources

- Solve Your Money Troubles: Debt, Credit & Bankruptcy (NOLO)
- [www.consumer.ftc.gov](http://www.consumer.ftc.gov)
- Credit Smart
- Money Smart
- [www.powerpay.org](http://www.powerpay.org)

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Questions?