

Managing Your Credit

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NAVIGATING YOUR
FINANCIAL FUTURE

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For additional information and resources on Managing Your Credit, visit our Web site at www.navigatingyourfuture.org.

Introduction

Establishing and maintaining good credit can provide many benefits to your financial future. Good credit can help you obtain a car or home loan, a lease on a rental property, and even in some cases a desirable job. While balancing school expenses with the more day-to-day expenses of transportation, food, and shelter can be a challenge, maintaining good credit while in school is one of the most important things you can do for your financial future.

Establishing Credit

Establishing good credit starts with adhering to a realistic budget and keeping a vigilant watch over debts and credit cards. Most people will go into debt at some point, whether it is through a car loan, a credit card, or a student loan. Those who keep up with their payments are able to establish a good credit history.

Basic Steps to Establish Good Credit

- Set up a realistic budget, and stick to it.
- If you haven't done so already, open up a checking account and a savings account. Many banks offer sign-up incentives to students. Check with your school to see about programs with local banks.
- Evaluate your credit situation. If you don't have a major credit card, apply for one. If you already have a credit card, consider choosing a different card with a lower interest rate, no monthly fee, or other advantages like cash back on purchases.
- Pay your monthly bills on time.
- Review your credit report once a year to make sure it's accurate. If something seems incorrect, there are specific steps to follow in correcting those errors. Check the Web site www.navigatingyourfuture.org.

Establishing Credit

As a student, having a credit card is an important step to building your credit. On the other hand, failing to keep up with your payments is a good way to damage your credit. Consider these important guidelines:

- Charge only what you can afford to repay.
- Try to make a payment larger than the minimum amount due in order to reduce the balance and pay off the card at a faster rate.
- Protect yourself from credit card fraud. Sign your card right away. Keep your card in a safe place. Shred credit card receipts once your monthly statement has been verified against the receipts.
- Keep your address current with the credit card company so the bill gets delivered promptly, and you can more easily make your payment on time.



Your Credit Report

When you apply for a credit card, a student loan, a car loan, a personal loan, or a mortgage, the financial institution lending you the money wants to know your credit risk level. Your risk level tells the financial lender how likely it is that you will repay a loan in a timely fashion.

When a lender reviews your credit background to determine how much credit, if any, to grant you, they usually look for “The Three Cs”: character, capacity, and capital. “Character” summarizes a lender’s sense of how responsibly you handle credit obligations. Character is established over a long period of time and is contingent upon whether you promptly pay the principal and interest on your mortgage, student loans, credit cards, or other debts. The lender needs to see a “good-faith” effort to repay your bills and debts in a timely fashion. “Capacity” is defined as the financial ability to assume a certain amount of debt. This is why on your student loan application or other loan applications they want to know your income, type of employment, savings, and investments. “Capital” consists of the financial assets at your disposal to pay off debt if your character and capacity do not prove sufficient. This might be your car, home, stocks, bonds, mutual funds, etc.

Your Credit Report

Credit Scoring

Today, credit scoring is the most popular method that creditors use to evaluate a person’s potential to pay back a debt. A credit score comes from information collected by credit agencies about a consumer’s financial history, including number and type of accounts, late payments, rent or mortgage payment history, collection, actions, or outstanding debt. This information is compared to the credit performance of others with similar profiles, and a formula is used to award points for each factor predicting the likelihood that the consumer will repay his or her debts. The total number of points creates the credit score.

Credit Scoring Range Table							
550	600	650	700		750		800
* Average US Consumers fall in the range of 550-735					Best Score 750-800		
Highest Risk				→ Lowest Risk			

Your Credit Report

Credit Reports and Credit Reporting Agencies

Landlords, banks, potential employers, and credit card companies may request a copy of your credit report in order to access your credit score and other data about your accounts. By federal law, your credit report cannot contain information on your medical history, race, gender, religion, national origin, or political affiliations.

In order to know what others see on your credit report, it's important to request and evaluate your own credit report at least once a year.

There are three major credit reporting agencies, and you can obtain a copy of your credit report once a year at no charge in all 50 states. See www.annualcreditreport.com for detailed information by state on how to obtain a copy of your credit report. You may also contact the three major national credit reporting agencies by visiting these Web sites: www.equifax.com, www.experian.com, and www.transunion.com, or by calling Equifax toll-free at 1-800-685-1111, Experian toll-free at 1-888-397-3742, and TransUnion toll-free at 1-877-322-8228.

Your Credit Report

What Do You Need to Verify on the Credit Report?

Personal identifying information – name, social security number, date of birth, current and previous addresses, and employers.

- Credit account information – date opened, credit limit or loan amount, balances carried, if any, and payment history.
- Public record information – bankruptcy, tax and other liens, judgments, and (in some states) overdue child support payments, and overdue alimony support payments.
- Negative information stays on your credit report for seven years. Positive information stays indefinitely. Records of inquiries stay on for six months to two years, depending on the type of inquiry.
- You may access any of the credit reporting agencies' Web sites to see a sample of a credit report. Most of these sites have excellent explanations and descriptions of how to interpret the credit report. Also see www.navigatingyourfuture.com for a sample credit report and explanations.

Correcting Errors on Your Credit Report

If you believe your credit report does not accurately reflect the current status of your accounts, you have the right to file a “Consumer Dispute” with the credit bureaus. Credit bureaus are obligated to verify the accuracy of their reports when notified of such disputes.

Your Credit Report

Disputing Charges with Individual Credit Card Companies

In the event that you discover a discrepancy or mistake in your monthly credit card statement, you must contact the issuer of that card, not a credit reporting agency.

Some common issues you may encounter are:

- Your statement includes charges that you or anyone you authorized to use your account never made.
- Your statement lists an incorrect dollar amount for a purchase.
- You never agreed to accept delivery of the goods listed because they were defective or you returned them.
- Your statement does not reflect payments you have already made.

In order to take advantage of the protections found in the Fair Credit Billing Act you must write a letter within 60 days of your statement's postmark explaining the perceived error. You can call the card issuer, and have the representative note your complaint, but no investigation will begin until the company receives your letter.

Many people call but forget to follow up with the letter. While the credit agency investigates your complaint, you do not have to pay the disputed charges. The creditor must answer your complaint within 30 days. They may resolve the matter in your favor, or may determine the claim needs further investigation and more information from you. Once a decision is made, the charges will either need to be paid or will be removed from your account by the creditor.

Identity Theft

According to the Credit Education Foundation, identity theft occurs when someone obtains and uses your identifying information, such as your name, address, date of birth, social security number, or mother's maiden name to commit fraud. An imposter can open a new credit card account, drain bank accounts, purchase automobiles, apply for loans or open utility services all in another's name.

The Identity Theft Resource Center (ITRC), a national non-profit organization, acts as an information resource and advisory center for victims of identity theft. Every week, the ITRC helps approximately 250 identity theft victims, and that number is steadily increasing. For additional resources and helpful information, visit www.idtheftcenter.com.

Things You Can Do to Protect Your Identity

- Leave important documents at home. Don't carry unnecessary credit cards or identification. Carry only your important student information—your student ID card and student cash card.
- Keep all documents with personal information, like canceled checks, in a safe place and shred them when you no longer need them. You should shred credit card receipts, copies of credit applications, insurance forms, and old credit or debit/ATM cards.

Identity Theft

- Use a post office box or a mailbox at your student union to avoid any concerns about a thief taking important information.
- Don't give your social security number or account numbers to anyone over the phone unless you initiated the call and are certain you are speaking to a representative of a reputable organization or government institution.
- Protect your PIN numbers and computer passwords. Use a random combination of letters and numbers. Change them every six months or so. Don't use family or pet names, or dates that can be easily deduced. Never carry this information with you.
- Always pick up newly ordered checks at the bank to avoid having blank checks in your mailbox. Do not put any personal information on your checks, such as your driver's license number, address, or telephone number unless it is required.
- Check your credit report annually. Fill out a consumer dispute form if you find any inaccuracies.
- If you suspect someone is using your driver's license number, call the Florida Department of Highway Safety and Motor Vehicles (DHSMV) or your state's equivalent organization. The DHSMV can tell you if another license has been issued in your name. If this is the case, get a new number and ask the DHSMV to investigate the identity theft. The DHSMV can block your information from being released based on verifying identification.
- If your social security number was used fraudulently, report the problem to the Social Security Administration Fraud Hotline at 1-800-269-0271. Call Social Security to verify the accuracy of your reported earnings, and to verify that your identifying information is reported correctly.

Identity Theft

If Your Identity Is Stolen

Record Keeping- Make sure to keep records of all correspondence with creditors, student loan guarantors, and government agencies, in addition to keeping all federal student aid loan documents. Follow up all telephone contacts with a letter and keep a copy. Maintain a written chronological record of dates, times, and names of contacts.

Creditors- Notify all creditors and financial institutions in writing and by phone that your name and accounts have been used without your permission. If personal checks were stolen, close all checking accounts. Close all current credit card accounts, and request a statement of information about the last five to ten purchases on your credit card accounts to check for fraudulent activity.

Local Law Enforcement- Immediately file a report with your local police. Provide them with as much documentation as possible, and make sure all accounts are listed on the report. Also, get a personal copy of the police report. This is a very important step. This report may initiate an investigation with the goal of identifying, arresting, and prosecuting the offender.

Federal Law Enforcement- Report the crime to the Federal Trade Commission (FTC). The FTC collects complaints about identity theft from consumers and businesses, and stores them in a secure online database. This database is called the "Consumer Sentinel" and is available to law enforcement agencies worldwide.

Federal Trade Commission Consumer Response Center
600 Pennsylvania Ave. N.W.
Washington, D.C. 20580
1-877-IDTHEFT
www.ftc.gov/idtheft

