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PEAK FINANCIAL ACTIVITY 4c: Credit Reports and Credit Reporting Agencies *(see answers on the last page)*

Your credit report tells lenders about your credit history and from that, they determine your credit worthiness.

A credit report is broken into different sections:

- **Basic consumer information**: Name, address, birthday, social security number
- **Public records**: Bankruptcies, foreclosures, judgments, liens
- **Credit contacts**: Names, address, phone numbers of Creditors
- **Inquiries**: Who has inquired into your credit, including "hard" or "soft" inquiries
- **Account histories**: Describes the accounts, when opened, balance, line available, payment history
- **Consumer statement**: Consumer fraud alerts, statement describing dispute between consumer and creditor

When you miss a payment, change your name, change employers, open a new account, or apply for new credit, the relevant section should be updated. The old information will stay on your report for about seven years. Not all creditors report to all three agencies, TransUnion, Equifax and Experian. The agencies don't share their information, and reports from the three agencies could be very different. To insure accuracy, it's important to check your three credit reports with regularity.

There are 3 credit reporting agencies: TransUnion, Experien, and Equifax.

The reporting agencies work with lenders, creditors, insurers and employers to update and distribute your information to the right institutions. Here's an example of how the system works when you apply for a mortgage - see the diagram below.

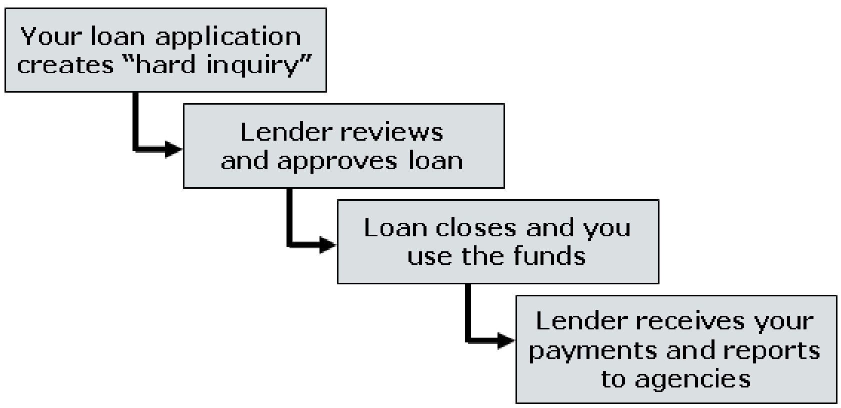
1. When you apply for a new loan the lender will get a copy of your credit history from all three agencies. This is called a Tri-Merge Credit Report. Information in your Consumer Information File flows from the Credit Reporting Agency to the Lender making the request. This will cause a "hard inquiry" to be added to your credit report.

2. The mortgage lender then uses your credit reports and credit scores along with a calculation that compares your recurring debt payments to your current income in order to make a credit decision.

3. If you are approved, you are offered the loan or credit. The loan terms are disclosed to you and you sign the disclosures accepting the terms.

4. The loan is then "closed" and you get the money. Once you have a balance owing on the loan, you then begin to make your payments "as agreed."
5. The lender receives your payment and records the relevant details in their records. The lender then reports that information to the credit agencies every 30 days.
6. The credit reporting agencies will use the information provided by the lender to update your consumer credit information.

Your credit profile changes based upon the activity reported by the lender. The next time you apply for a credit card or loan, the process will be the same and a new credit profile will be used to determine your credit worthiness and what rates and terms are offered.



1.) A good credit report will show:

- ☐ **That you pay your bills**
- ☐ **That you pay your debts as agreed**
- ☐ **That you have been given loans before**
- ☐ **None of the above**

In your own words, describe what a lender looks for when reviewing a credit report.

What role does a historical record of credit play in a lender's decision to extend credit?

2.) Look at the list of entities and reasons below. Check all that can put a negative reference on your credit report for the reason stated:

- ☐ A landlord for breaking a lease
- ☐ A utility company for unpaid charges
- ☐ A telephone phone company for unpaid charges
- ☐ A water company for unpaid charges
- ☐ A newspaper for unpaid charges
- ☐ A gym for breaking a contract
- ☐ A cable company for not returning a digital receiver
- ☐ A video rental company for unreturned movies

3.) Typically, when you apply for credit, a Lender will obtain what kind of credit report?

- ○ A merged report
- ○ A triple summary
- ○ A Tri-merge report
- ○ A consumer information file

4.) What causes changes to your consumer credit profile? (Select all that apply)

- ☐ Increase in Prime Rate
- ☐ Activity reported by your lender
- ☐ Additional Principle Payments
- ☐ APR

ANSWERS to questions (DON'T PEEK!)

1.) That you pay your debts as agreed
2.) ALL of these can create a negative entry in your credit report
3.) A Tri-merge report
4.) Activity report by your lender
