

Justine PETERSEN

Building Assets. Changing Lives

Credit Report Basics and Definitions

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Credit Building Training

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Included Topics

- Who reports to the credit bureaus
- Statute of Limitations
- Types of Inquiries
- Definition of an Active Line of Credit
- Difference Between a 30 day late and a past due
- Collections vs. Charge off

Account Information:

Who Reports to the Credit Bureaus

- Large creditors who offer loans and credit cards
 - Credit cards and loans coming from banks, credit unions and dealerships.
 - Small lenders like Buy-Here, Pay-Here or Rent-to-own places might not report

Account Information:

Who Doesn't Report

- Cell phone companies, utility companies (in most states) and landlords don't report positive/active payment history.

They will report defaulted payments once it goes to collections

Know the Report Statue of Limitations

Open accounts in good standing	Indefinitely
Closed accounts in good standing	10 years from date of closure
Late or missed payments	7 years from date of 1 st delinquency
Collections or charge offs	7 years from date of charge off
Bankruptcy	10 yrs. (Chap 7); 7 years (Chap 13)
Civil judgment	Depends on state statue
Foreclosure	7 years from date of foreclosure
Tax Liens	7 years from paid date or no limit if not paid
Inquiries	2 years

Inquiries

- Two main types of inquiries
 1. **Soft or consumer inquiries:** credit check in which it is not being reviewed by a lender.
 - Ex: when a consumer checks his/her own credit sites might include: annualcreditreport.com, credit karma, [freecreditscore](http://freecreditscore.com), etc...
 - These inquiries don't hurt the credit score.

Inquiries

- Two main types of inquiries

2. Hard inquiry: This is when a consumer requests a lender to check the credit usually due to a credit application like a credit card, car loan, mortgage loan, and more.

Hard inquiries do have an impact on the credit score and can be anywhere from 2-5 points (sometime less and sometimes more) Their impact can last 2-3 months and then the client will rebound.

Why do hard inquiries hurt the credit score: because the client is shopping around for credit and they are at a risk – if approved will they pay back on time?

Inquiries

- More on inquiries:
 - A client can shop around for hard inquiries but only on specific loans
 - Car loans, student loans, business loans, etc... = 14-30 days (14 days to be safe)
 - Mortgage loans = 30 days
 - If they go to 30 different car lenders within 10 days, all 30 inquiries will show up on the credit report but it will only bring the score down once.

Inquiries

Regular Inquiries

Regular Inquiries are posted when someone accesses your credit information from TransUnion. The presence of an inquiry means that the company listed received your credit information on the dates specified. These inquiries will remain on your credit file for up to 2 years.

CONGRESSIONAL BANK via CBC INNOVIS

PO BOX 1667
PITTSBURGH, PA 15230
(877) 237-8317

Requested On: 05/15/2013, 03/28/2013
InquiryType: Individual
Permissible Purpose: CREDIT
TRANSACTION

CAPITAL ONE BANK USA NA

PO BOX 30281
SALT LAKE CITY, UT 84130
(800) 955-7070

Requested On: 03/09/2012
InquiryType: Individual

Promotional Inquiries

The companies listed below received your name, address and other limited information about you so they could make a firm offer of credit or insurance. They did not receive your full credit report. These inquiries are not seen by anyone but you and do not affect your score.

GECRB

PO BOX 965037
ORLANDO, FL 32896
Phone number not available

Requested On: 05/18/2013

ELAN VISA

4325 17TH AVE S
FARGO, ND 58103
Phone number not available

Requested On: 04/30/2013, 11/06/2012, 09/05/2012

Account Review Inquiries

The listing of a company's inquiry in this section means that they obtained information from your credit file in connection with an account review or other business transaction with you. These inquiries are not seen by anyone but you and will not be used in scoring your credit file (except insurance companies may have access to other insurance company inquiries and users of a report for employment purposes may have access to other employment inquiries, where permitted by law).

BANK OF AMERICA

4161 PIEDMONT PKWY
GREENSBORO, NC 27410-8110
(800) 451-6362

Requested On: 06/05/2013

CAPITAL ONE BANK USA NA

PO BOX 30281
SALT LAKE CITY, UT 84130
(800) 258-9319

Requested On: 06/01/2013

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Definition of an Active Line of Credit

- An Active Installment (loan) :
 - Has a Balance
 - Has a monthly payment
 - Is not closed
- A car loan that was paid off last month is no longer active
- A student loan in deferment/forebearance is not active = no payments are being made monthly
- A collection/charge-off will never be active, even if monthly payments are being made.

Definition of an Active Line of Credit

- An Active Revolving (credit card):
 - Doesn't need to have balance or payment
 - A payment has been made in the past 6 months (date of last activity)
 - It's verified by the creditor every month
- A credit card with no balance and is closed is not active
- A credit card that hasn't been verified by the credit bureaus in 6-12 months is probably closed and is not active.

Payment History

Past Due vs 30 Day Late

A **past due** on an active line of credit hurts the credit score as much as a **30 day late** would hurt a credit score.

But if the client gets caught up with the **past due** before the creditor reports them 30 days late, the next time the on time payment is reported by the creditor the score will go back up (like the client was never past due). If the client goes from past due to 30 days late then the score will stay low.

See next slide for an example of a **30 day late payment** and a **past due**.

Payment History

**Late
payment**

TRADES										
SPRINGLF FIN (F 654N8LQ)				Account #:		Balance: \$4097		Opened: 7/12		
Type: Installment				Credit Limit:		Paid:		Closed:		
Loan Type: Automobile				High Credit: \$4,239		Past Due: \$0		Verified: 2/13		
Responsibility: I				Terms: 30x165						
Remarks										
Late Payments		1	0	0	Delinquency		Maximum	9/12	Payment Pattern	
(06 Months)		30	60	90			Amount	\$165	Months 1-12: 111121	
Months 13-24:										

Late payment: client was 30 days late (indicated by the 2) in 9/12

SUN LOAN (F 51GV135)									
Type: installment				Account #:		Balance: \$288		Opened: 7/11	
Loan Type: Note Loan				Credit Limit:		Paid:		Closed: 2/12	
Responsibility: I				High Credit: \$432		Past Due: \$174		Verified: 2/12	
Remarks:				Terms: 6M72					
Late Payments		0	0	0	Payment Pattern		Months 1-12: 1111		
(04 Months)		30	60	90			Months 13-24:		

Past Due

Past due: is currently \$174 past due but as of 1/2012 client had paid on time (indicated by the 1)

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Charge offs vs. collections

Definition of charge off:

* A declaration by the original creditor that they (the creditor) are unlikely to collect the debt. This declaration gives the creditor a tax deduction on the debt

*A charge-off is always from a creditor that reports as an active line of credit on the report (Ex: a mainstream credit card) you would not see a cell phone bill as a charge off because the cell phone company doesn't report positive payment history.

*If there is a balance, most likely the client still owes it.

***Charge off = profit and loss write off**

Trades			
KOHL'S/CAPONE ()	Account #:		Account Rating: R09
Type: Revolving	Credit Limit: \$300	Balance: \$519	Opened: 7/08
Loan Type: Credit Card	High Credit:	Past Due: \$477	Paid:
Responsibility: I	Terms:		Closed: 8/11
Remarks: PROFIT AND LOSS WRITEOFF			Verified: 3/13
Late Payments	Delinquency	Maximum:	Payment Pattern Months 1-12:
(Months) 30 60 90		Amount:	Months 13-24:

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Charge offs vs. collections

Definition of Collection:

- A defaulted debt that came from a creditor that most likely doesn't report to the credit bureaus as an active line of credit.

Collections			
Consumer Adj (Y 52LQ002)		Account Rating: 09B	
Original Creditor: Medical	Remarks: Placed for Collection	Amount Placed: \$479	Opened: 6/09
Account Type: Open		Balance: \$479	Paid
Responsibility: I		Past Due: \$479	Closed
		Late Payment	Verified: 7/11