Veronica Herrera

Veronica Herrera is a Director of Product Management at Experian, working with lenders of all sizes to help incorporate analytical tools into their decisioning processes. Over the last 12 years Veronica has helped educate thousands of consumers about credit reports and scores, through the Experian Credit Ambassador program.
Disclaimer

• The purpose of this presentation is to help you better understand credit reporting and to provide general information about how you can manage your credit report so that you can get the credit you need and want.

• For legal reasons I:
  • Cannot discuss issues specific to your personal credit report
  • Cannot advise individuals about how to improve their personal credit report or credit scores

• Cannot submit disputes regarding your personal credit report on your behalf

• Information regarding Experian policies and processes is current as of the date of this presentation, but may change.
Learning objectives

• Understand what credit is
• Understand what a credit report is and the contents of credit reports
• Understand how information is collected and how long it remains on your credit report
• Learn who has access to reports and where to access your own
• Understand the role of credit reporting in our lives and the benefits of maintaining a positive history
• Learn how to build, use and manage credit to build a positive history
• Know where to go to get helpful and accurate information about credit reports and the questions you may have about them
What is credit?

Obtaining goods or services and paying for them at a later date under agreed upon terms

- Credit cards, mortgages and car loans
- Service contracts: cable television, telephone, utility service
- Your financial references
Credit reporting companies serve consumers and businesses by making possible:

• Instant credit
• Lower-cost credit
• Nationwide credit
• Widespread availability
• Account management
Credit reporting companies are like libraries

Credit reporting company clients check out information . . .

. . .only if they have a permissible purpose under the law.
The Fair Credit Reporting Act
Permissible Purposes

- Open or manage credit accounts
- Offers of credit
- Employment purposes
- Underwrite insurance
- A business transaction initiated by the consumer
- Court order or federal jury subpoena
- Valuation of risk of an investor
- Eligibility for government license
- Disclosure to consumer
Defining credit reports and their importance

What is a credit report?

• Your personal credit report includes a record of your financial accounts and obligations and the identification information associated with them

• This report is sometimes called a credit file or a credit history

• Credit reporting companies collect and organize data about your credit history from your creditors and public records
Defining credit reports and their importance

Why is it important?

• Lenders use credit reports and credit scores to gauge the likelihood that you will pay back a loan

• A strong credit history enables you to obtain a credit card, home and auto loans and many other valuable credit services, and can affect the amount that you pay for those services

• Reports are also used in other non-lending situations – employment checks, apartment rental applications, utilities, cellular phones, etc.

• Your credit report serves as your financial references to companies with whom you want to do business
Information you provide in an application for credit, housing, or insurance is reported to credit reporting companies.
What's in a credit report?

- Identifying information
- Account information
- Bankruptcy public records
- Inquiries
- Dispute instructions
What’s **NOT** in a credit report?

**Credit reporting companies do NOT store:**

- Criminal background
- Medical information
- Buying habits / transaction data
- Income
- Bank account information
- Credit scores
How long is information kept on a report?

<table>
<thead>
<tr>
<th>Type of account</th>
<th>Time frame</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open accounts in good standing</td>
<td>Indefinitely</td>
</tr>
<tr>
<td>Closed accounts in good standing</td>
<td>10 years</td>
</tr>
<tr>
<td>Late or missed payments</td>
<td>7 years</td>
</tr>
<tr>
<td>Collection accounts</td>
<td>7 years</td>
</tr>
<tr>
<td>Chapter 7 bankruptcy</td>
<td>10 years</td>
</tr>
<tr>
<td>Chapter 13 bankruptcy</td>
<td>7 years</td>
</tr>
<tr>
<td>Credit inquiries</td>
<td>2 years</td>
</tr>
</tbody>
</table>
Experian Boost

• Experian Boost, introduced in March, 2019 is a first in credit reporting history
• Add positive utility, telecom and streaming service payments to instantly improve your credit scores
• Payment information from your checking or savings account
• Only with your permission
• Most effective for people with thin credit files or credit scores below 680
• Average score boost of 13 points

Real customers paid for participation.
What is a credit score?

• Used instead of a manual “score sheet”
• Valuable risk management tool
• Many different models, with many different scales available from many different sources
• Credit reporting companies often “apply” the model selected by the creditor when delivering the credit report; however, the credit scoring model, or formula, is proprietary to the developer
VantageScore® 3.0
Characteristics Contributions

VantageScore 3.0 contributions

- Payment History, 40%
- Utilization, 20%
- Balances, 11%
- Depth of credit, 21%
- Recent credit, 5%
- Available credit, 3%
Risk factors are the key

- Generated when a risk score is calculated
- Tell the consumer what to address in their credit history to become more creditworthy
- Are largely consistent from model-to-model
- Are usually included in or described in an adverse action notice
- Experian provides risk factors to consumers with the scores it provides through its direct-to-consumer services
Ten Rules for Managing Credit

1. Establish a credit report
2. Always pay as agreed
3. Get a credit card
4. Use caution in closing accounts
5. Apply for credit judiciously
6. Time is key
7. Demonstrate stability
8. Have a plan
9. Put credit to work for you
10. Share your knowledge
Improving credit scores
There is no silver bullet

• Time is the key
• You can’t “fix” the number
• Address the risk factors
Centralized source for free reports
www.annualcreditreport.com

• One free report from each of the three bureaus is available every twelve months

• Single contact point:
  • Telephone – 877.322.8228
  • Mail
  • Internet

• Fee for credit score disclosure
Experian education resources
On the Web

• Free annual FACT Act credit report
  • www.annualcreditreport.com
    Access to free report from each of the three credit reporting companies

• Experian
  • www.experian.com/education
    Comprehensive Blog with advice for consumers on everything related to credit, credit cards, loans and identity theft protection.
  • www.experian.com/crediteducation
    Ask Experian advice column, sample consumer report, frequently asked questions
  • www.experian.com/consumereducation
    Electronic versions of our published materials, sample credit report, videos, PowerPoint presentations with talk notes and more