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AS SEEN IN USA TODAY NOVEMBER 24, 2003

Credit info changes likely to get Bush OK

House, Senate approve revisions to reporting law

By Thomas A. Fogarty
USA TODAY

President Bush is expected to sign into law major revisions in the 30-year-old law governing consumer credit, the Fair Credit Reporting Act. House and Senate negotiators agreed Friday on sweeping changes that give consumers more control of credit information.

Q: What are some of the big changes?

A: Consumers will get the right to obtain a free copy of their credit reports once a year. Creditors will be required to notify a consumer before submitting a negative report to a credit bureau. When applying for credit, consumers must be informed if they're being approved on terms less favorable than what is being offered to other applicants.

Q: Don't consumers have a right to see their credit files?

A: Yes, but under existing law, free access to the file is limited to specific circumstances, such as when a loan has been denied.

Q: How will I get free access?

A: The Federal Trade Commission is charged with setting a one-stop system for obtaining reports from the three national bureaus – Experian, TransUnion and Equifax.

Q: When?

A: It's at least a year away.

Q: What does the bill say about credit scores?

A: Credit scores are lenders' way of reducing the complicated information in your credit file to a single number that purports to predict the likelihood of timely repayment. You won't be able to get a score free with your credit report. But you'll be able to buy the score for a fee (probably about \$4). The act establishes your legal right to get your credit score. Scores have been put to controversial uses, including screening job applicants and pricing property-casualty insurance. The act authorizes a study of credit score uses.

Q: Why is Congress doing this?

A: One reason is to combat growing identity theft problems.

Presented by:



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Q: How does the legislation do that?

A: The idea is to get more information to consumers about their accounts, quickly. The bill makes it easier for victims to limit damage once identity theft has been discovered. For example, when one credit bureau is notified of possible identity theft, it must share the information with other bureaus.

Q: Why else is Congress doing this?

A: Opportunity. Business lobbyists have been desperate to extend the life of a federal law that prohibits states from enacting tougher credit regulations. That law is to expire Dec. 31. With expiration near, Congress was in a position to extract consumer-friendly concessions that business lobbyists would otherwise try to block.

Q: What do lobbyists get?

A: This legislation permanently bars states from enacting credit rules tougher than those in federal law. It limits their ability to enact measures to fight identity theft.

Q: Does the legislation deal with financial privacy?

A: Yes. You'll be given an opportunity to tell your creditors not to share your information with their affiliated companies for purposes of pitching their products.

Q: What do consumer advocates say about the bill?

A: Consumers Union favors much of the bill, but faults its privacy provisions. For example, sharing of financial data among affiliates can go on for purposes other than marketing pitches. "Congress must revisit this (privacy protection) issue," says CU's Rob Schneider.

Equifax	Experian	TransUnion
<p>Web site: www.equifax.com.</p> <p>Credit report and score: \$12.95.</p> <p>What you get: Your current credit record and FICO score. The FICO score is a mathematical model created by California research firm Fair Isaac. It remains the industry standard, although many other models provide a similar measure of credit risk.</p> <p>Once you've purchased your credit report and score from Equifax, the password-protected information is available online for one month.</p> <p>Details: Along with your FICO score, Equifax provides a list of the top positive and negative factors that contributed to your score. A section titled "How Lenders See You" explains how creditors view borrowers within your score range, and features a graph illustrating the delinquency rate for borrowers in your group. For example, the delinquency rate for borrowers with a score of 800 or higher is just 1%; for borrowers in the 500-549 range, it's 71%.</p> <p>Tools: A FICO Score Simulator lets you test how various actions – from making a late payment to paying off your balances – could raise or lower your score. Some of the answers are ambiguous: When we checked "Apply for instant credit at a department store," the simulator suggested our score could rise by 10 points – or fall by 10 points.</p> <p>Useful features:</p> <ul style="list-style-type: none"> ▶ A pull-down box lets you take a closer look at specific loans and credit card accounts, a nice feature if some of them are unfamiliar to you. You can check for recent activity, a good way to monitor your account for identity theft. ▶ Links to subsets of a credit report – employment history, personal data, collection accounts – help you look for errors. And a link at the bottom of the page titled "Request Information" explains how to dispute errors online or over the phone. 	<p>Web site: www.experian.com.</p> <p>Credit report and score: \$14.95.</p> <p>What you get: Your credit report and a credit score based on Experian information. However, make sure you have a printer handy, because Experian doesn't give you a 30-day window to view your report.</p> <p>Like its competitors, Experian offers lots of enhanced credit-monitoring products. But Experian wins points for offering an easily accessible link to the basic credit report and score, which we didn't find on its competitors' sites.</p> <p>Details: Experian offers lots of tips on how to review your credit report. Items are organized under helpful headers, such as "negative information" and "accounts in good standing."</p> <p>Experian provides a score simulator that lets you test how different actions will affect your score. However, the simulator isn't as specific as the one provided by Equifax.</p> <p>The "Personal Information" section was the most extensive of the three reports we reviewed, with home addresses dating back several years. We found an incorrect name and address, indicating our files might have gotten crossed with those belonging to someone with a similar name.</p> <p>While Experian's Web site says it allows you to request an investigation online, we discovered it doesn't apply to errors in the "Personal Information" section. After numerous attempts to find the online investigation link, we gave up and called Experian's customer service number. A helpful representative – after verifying our identity – told us he would remove the incorrect information from our report.</p> <p>Biggest inconvenience: If you accidentally log out, or leave the site for more than 20 minutes, you'll have to buy another credit report.</p>	<p>Web site: www.transunion.com.</p> <p>Credit report and score: \$12.75.</p> <p>What you get: Your current credit report and a score based on TransUnion analysis. A password-protected score and credit report is available online for one month. TransUnion's score is similar to a FICO score, rating borrowers on a scale ranging from 350 to 850. If you'd rather buy your FICO score, TransUnion will sell you that score and a credit report for \$12.95. Like the Equifax credit score, TransUnion will tell you where you rank compared with other borrowers and how lenders view individuals in your score range.</p> <p>Details: Some of the factors that contribute to a lower score might surprise consumers, and TransUnion does a good job of taking out some of the mystery. For example, your score might be hurt if you rarely use your credit cards. While many people would view that as a positive attribute, lenders want to see a history of how a potential borrower uses credit, TransUnion says.</p> <p>TransUnion also wins points for putting your score into context. For example, most borrowers know that a late bill payment can hurt their credit scores. But our credit analysis explained that not all late payments are viewed the same by lenders. For example, missing payments on one account might not be as harmful as missing them on several accounts, TransUnion says.</p> <p>Other features:</p> <ul style="list-style-type: none"> ▶ TransUnion's credit report lists each of your accounts, along with a graph showing your history of payments. If late payments have depressed your score, this feature helps you identify the delinquencies, which is helpful if you plan to dispute information on your report. ▶ TransUnion also offers the option of disputing inaccuracies online.

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Objectives:

Students groups will:

- read the article, “Credit info changes likely to get Bush OK.”
- gain an understanding of what credit reports are and how they affect consumers.
- complete a mock credit report.

Concepts:

- Credit score
- Bill payment
- Credit history
- Resources
- Cause and effect

Preparation:

- Organize the class into small groups.
- Give each student a copy of the article, “Credit info changes likely to get Bush OK.” Also distribute copies of the graphic organizer, “credit profile.”
- Ask students to read the article and discuss the attached questions.
- Direct individuals to complete the graphic organizer for homework.

Activity at a glance:

- Grade level: 9-12
- Subjects: personal finance, government
- Estimated time for this activity: 35-40 minutes

Materials:

- Reading: “Credit info changes likely to get Bush OK”
- Graphic organizer: credit profile

Additional resources:

- Visit one of the major credit-reporting agencies’ websites (www.equifax.com; www.experian.com; www.transunion.com) for more information on maintaining good credit.

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Discussion:

What were some of the changes to the Fair Credit Reporting Act proposed by members of Congress last year? Which of these measures do you support? Which do you oppose?

What is a credit score? How does it affect a person's ability to obtain loans and other types of credit?

How is Congress working to combat growing identity theft problems? How can identity theft affect a victim's credit?

Why is it important for consumers to stay informed about their credit records and reports?

Activity:

Compare and contrast the costs, details, features, useful tools and other information provided in the credit reports compiled by three major credit-reporting agencies. (See table.) Which do you think offers the most accurate, up-to-date information? Which would you prefer a lender to use when considering your credit worthiness? Why?

Next, complete the following "credit profile" based on your or your parents' financial and work history.

Activity extension:

- The Fair Credit Reporting Act is regulated by the Federal Trade Commission. Visit the FTC online at <http://www.ftc.gov/os/statutes/fcra.htm> to learn more about changes to the FCRA in the last 12 months. Which of the changes mentioned in the article were enacted? Which were rejected?

Credit profile

Personal Information

Name: _____

Address: _____

Social Security #: _____

Date of birth: _____

Current telephone #: _____

Current employer's name: _____

Previous employer's name: _____

Credit History

Fill in your (or your parents') credit history with the appropriate information. This includes credit cards, car loans, mortgages, etc. A sample has been completed for you.

Creditor's name	Account number	Amount borrowed	Amount owed	Credit limit	Date account was opened/updated/closed	Timeliness of payments	Late payments
Visa	4123-1234-5678-9100		\$433	\$1,500	October 21, 2001 (0)		

Public Records

A credit report's public records section includes information regarding:

- ▶ Tax liens
- ▶ Bankruptcies
- ▶ Court judgments (including child support obligations)

Credit reports do not contain information related to:

- | | |
|---|---|
| <ul style="list-style-type: none"> ▶ Race ▶ Gender ▶ Religion ▶ Sexual orientation ▶ National origin | <ul style="list-style-type: none"> ▶ Medical history ▶ Checking or savings accounts ▶ Political preferences ▶ Criminal record |
|---|---|