



## Part 2, Module 8: Your Credit Report

### Lesson Overview:

The purpose of this lesson is to help students understand the content and purpose of a credit report. In the online learning module, students will learn about the 5 sections of a credit report, ways information on a credit report is used, how to obtain a free copy of their credit report, and how to correct mistakes on a credit report.

### As a result of this lesson, students will:

- Know how to obtain a free credit report
- Identify different parts of their credit report
- Differentiate between a “hard” credit inquiry and a “soft” credit inquiry

### Materials you will need to teach this lesson include:

- Chalkboard, dry-erase board, or alternative method for taking notes that all students can view (optional)

### Students will need:

- Notebook and pen
- Access to the Internet for completion of homework

### Activity 1:

Break the students into small groups and have them brainstorm and list out some different accounts that show up on credit reports. For each account type, have them identify positive and negative indicators that may show up (for example: On a credit card, a positive indicator would be a low balance compared to the credit limit and a negative indicator may be a late payment). The types of credit accounts are listed below along with the type of information that is made available on each account.

- Credit Accounts
  - Mortgages, which are loans used to purchase a home
  - Installment loans, which are usually loans with a set monthly payment that lasts for a defined time period - such as a car or student loan
  - Revolving charge accounts - these are credit cards or store charge cards
- Each account on your credit report has the following information:
  - Lender name
  - A partial account number
  - The credit limit or original loan amount
  - The date the account was established
  - Payment history
  - Account balance



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### Activity 2:

Give the students the different types of inquiries listed below and have them place each inquiry type into the correct category. This can be accomplished with a discussion or by having students write the inquiry type on a board under the correct category.

- "Hard" Inquiries:
  - Application for a car loan
  - Application for a credit card
  - Mobile phone contract
  - Apartment rental
  - Student Loans
- "Soft" Inquiries:
  - Checking your own credit report
  - Promotional offers or "pre-approved" offers of credit
  - Inquiries from employment applications
  - Inquiries from companies where you already have an account

### Homework Assignment:

Have students go to [annualcreditreport.com](http://annualcreditreport.com) and follow the directions for obtaining a free credit report from at least one of the credit agencies. They will need to answer questions about their address and loan history to access the report. Encourage students to review these reports for accuracy and to identify items that may not be correct. After obtaining and reviewing their credit report, students should write a one-page action plan that discusses steps they will take over the next year to increase their credit-worthiness. Students may also discuss actions they plan on avoiding over the next year to improve their credit report.

### Variations on this lesson:

For homework assignments, you can have the students obtain all three credit reports and compare and contrast the information contained within the reports. A class discussion can follow the homework assignment to have the students reflect on what it was like to gain this information about themselves.