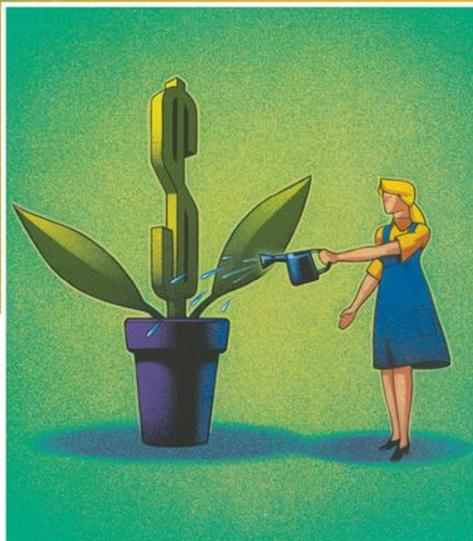


MODULE 5

Establishing and Maintaining Good Credit

This page intentionally left blank.



Freddie Mac CreditSmart®

Module 5: Establishing and Maintaining Good Credit

Dear Workshop Participant:

Welcome to CreditSmart, Freddie Mac's premier financial education curriculum, designed to help you learn how to build and maintain better credit, and prepare for successful long-term homeownership. Freddie Mac's curriculum is designed to help you increase your financial literacy by providing life-long money management skills. It provides important information about credit and money management and how to avoid financial traps; insight into how lenders assess credit histories; and how credit plays a profound role in achieving your financial goal of buying a home and ensuring successful long-term homeownership.

As a participant, you'll be using a Participant Presentation to follow along through the 12 modules with your instructor. In addition to attending a workshop like this one, you can also complete all 12 modules at your leisure by accessing the Web-Based Training (WBT) online at www.freddiemac.com/creditsmart/consumer_training.

On behalf of Freddie Mac and our CreditSmart affiliates, thank you for participating in our CreditSmart workshop. We wish you great success as you gain the skills and information necessary to achieve homeownership and build a sound financial future.

Module 5: Establishing and Maintaining Good Credit



CreditSmart®

Module 5: Establishing and Maintaining Good Credit

Module Introduction

This module will provide you with the knowledge to establish a credit presence along with tips on how to maintain a good credit history.

You will also learn about the contents of your credit report, as well as the primary credit and consumer protections laws.

Upon completing this module, you should be able to:

- Outline the steps you can take to establish and maintain good credit.
- Describe the types of information contained in your credit report.
- Identify the three credit reporting agencies.
- Identify five "credit" laws and describe the protections they offer.



Module 5: Establishing and Maintaining Good Credit

How to Establish Credit

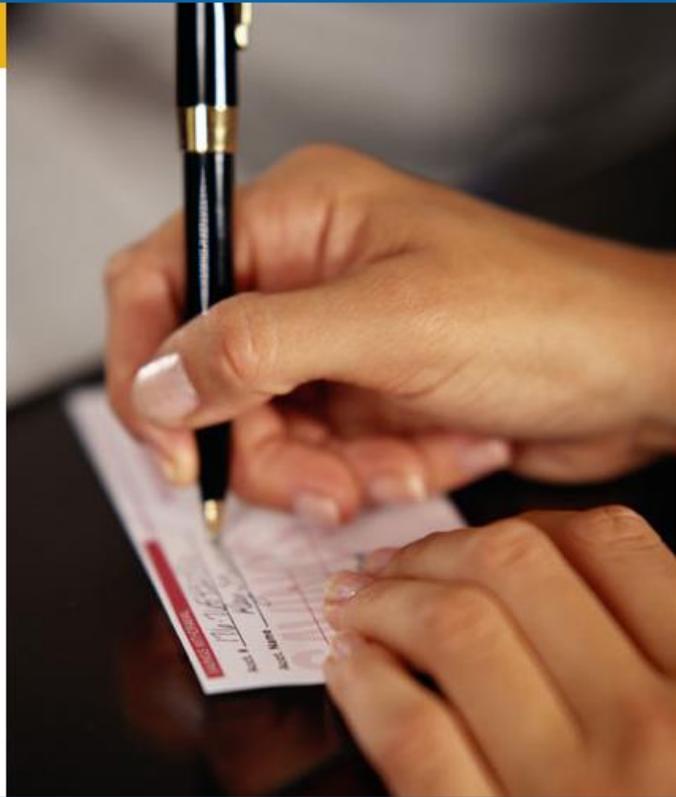
What is the real deal on establishing **good credit**? What does it take? What does it really mean? How do you begin?

The key to establishing good credit is to carefully review your borrowing options and proceed cautiously. Start slowly and do not rush into anything.

To establish **credit**, you'll need to accomplish the following:

- Establish a financial presence by opening a checking and savings account at a financial institution
- Obtain a credit card (or two)
- Know your limits

Let's take a closer look.



Module 5: Establishing and Maintaining Good Credit



CreditSmart®

Module 5: Establishing and Maintaining Good Credit

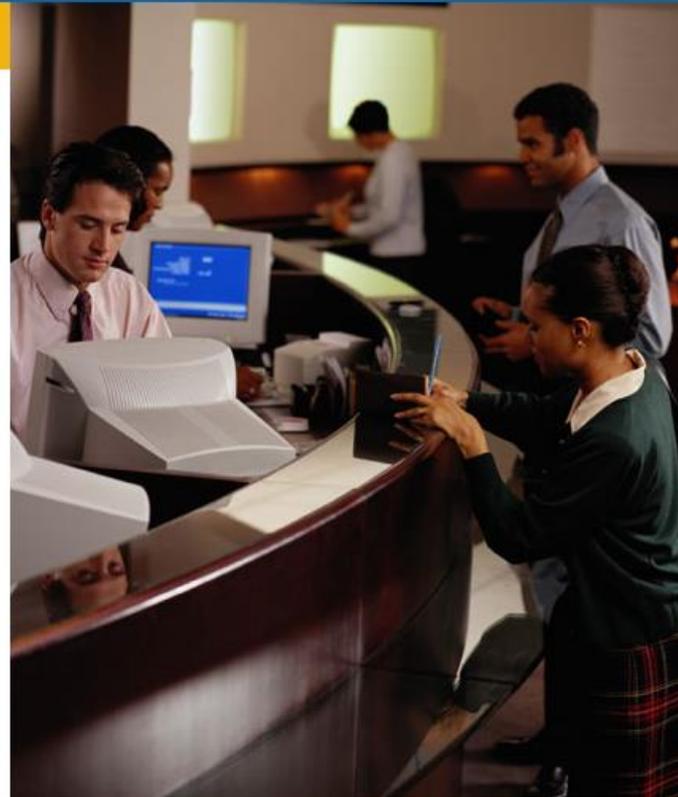
Establish a Financial Presence

First, you'll need to establish a financial presence by opening a [checking](#) and [savings](#) account at a [bank](#) or [credit union](#).

Shop around for free or low-cost checking account options.

Once you set up your accounts, use your checking account wisely:

- Try to keep a minimum balance of a couple of hundred dollars in the account to help avoid bouncing a check.
- Make regular deposits and contact or respond to the financial institution promptly if you experience any account problems.



Module 5: Establishing and Maintaining Good Credit



Obtain a Credit Card

Next, you'll want to obtain a credit card to start building your [credit history](#). Many banks and credit unions offer credit cards. When applying for a credit card:

- Review [interest rates](#) and [fees](#) carefully.
 - Do not be lured by low introductory rates, only to find that the rate goes up dramatically in a few months.
 - If you're not sure, ask questions before signing.
- Be sure to ask the credit card issuer if it reports how you pay your bills to a [credit reporting agency](#).
 - If it does not, this card will not be convenient for you, since you cannot establish credit using the card, even if you pay it off every month.
- Ask the credit card companies for the terms and procedures to extend credit to non-U.S. citizens with permanent residence (if applicable).

In most cases, one or two credit cards should suffice. Too many credit cards may lead a [creditor](#) to believe that you are overextended and that you might fall behind on future payments.



Module 5: Establishing and Maintaining Good Credit



Know Your Limits!

Finally, once you have your card(s), make sure you use them wisely! Ensure you:

- **Don't charge to the limit of one card (i.e., don't "max out" a credit card).**
 - It's better to charge less on both cards with room to spare.
- **Don't charge more than you can afford based on your monthly income.**
 - Get into the habit of paying off the card in full, or as much as you can, each month.
 - Make absolutely certain that your payments are made *on time* (i.e., on or before the [payment due date](#)!)
- **Don't accept every credit card solicitation.**
 - Be wary of taking out credit cards that you do not plan to use just to get a small one-time discount or promotional item like a T-shirt, watch, or toy.

Prudent credit card usage that stays within your limits will help you build a good credit history and will be positively reflected in your [credit report](#).



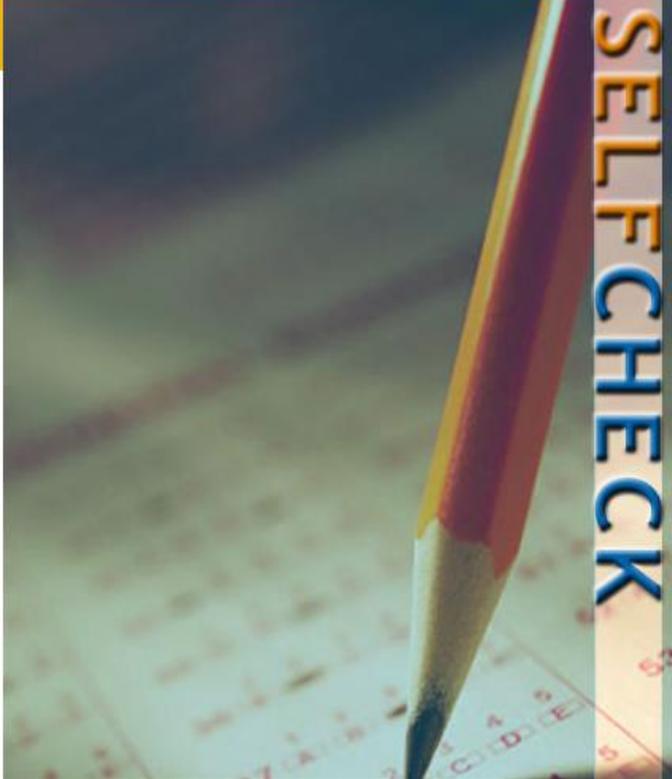
Module 5: Establishing and Maintaining Good Credit

Knowledge Check

True or False:

If you have too many credit cards, a creditor may think that you are overextended and that you might fall behind on future payments.

- True
- False



Module 5: Establishing and Maintaining Good Credit

Payment Information		
New Balance:	\$3,760.08	
Minimum Payment Due:	\$108.00	
Payment Due Date:	6/23/2013	
Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay up to a \$35.00 late fee.		
Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example:		
If you make no additional charges using this card each month you pay...	You will pay off the balance shown on this statement in about...	And you will end up paying an estimated total of...
Only the minimum payment	16 years	\$9,598
\$145	3 years	\$5,220 (Savings=\$4,378)

Module 5: Establishing and Maintaining Good Credit



Your Credit Report

Your credit report is a listing of the information in your credit record. It's a file, maintained by a credit reporting agency, that provides a history of your use of credit.

A copy of your credit report is "pulled" or requested any time you fill out an application for the extension of credit.

Credit reports may also be requested periodically by [lenders](#) or creditors with whom you have existing accounts.



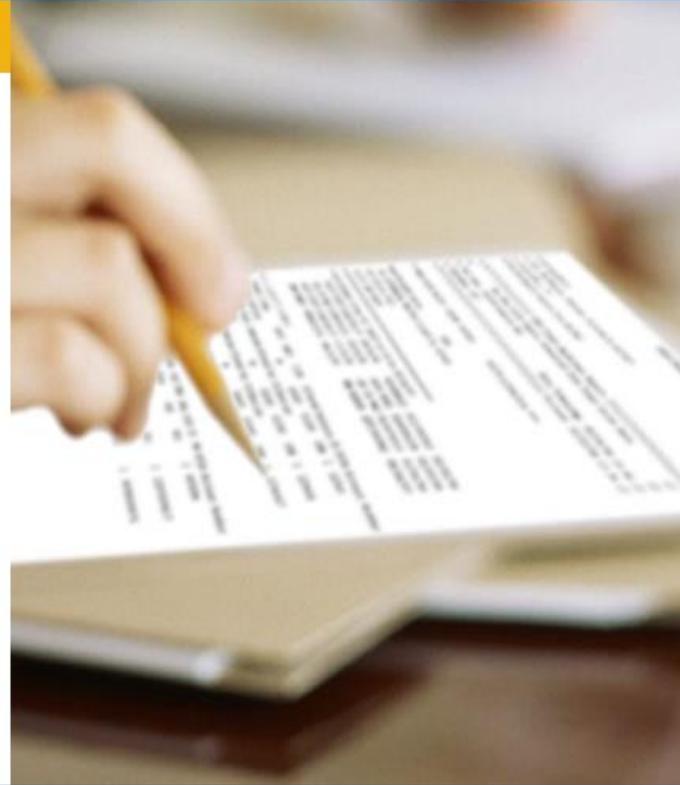
Module 5: Establishing and Maintaining Good Credit



Your Credit Report (cont.)

Because credit reports are a "history" of your credit activity, they will contain both current and past account data. Your credit report includes:

- Your name, date of birth, and Social Security number or tax identification number.
- Your current and previous addresses.
- Your current and previous employers.
- Your **debts**.
- Your payment history with companies that have loaned you money under an agreement to pay it back, such as banks, credit card companies, or department stores, including whether you pay your bills on time, and you pay the proper amounts due.
- Public record information, such as tax liens, **bankruptcies**, or **foreclosures**, even if these happened several years ago.
- **Inquiries** made by potential creditors each time you apply for credit, whether you were granted or denied credit.
- A list of your accounts, if any, that have been referred to a collection agency for default.



Module 5: Establishing and Maintaining Good Credit



Freddie Mac
We make home possible*

CreditSmart®
Module 5: Establishing and Maintaining Good Credit

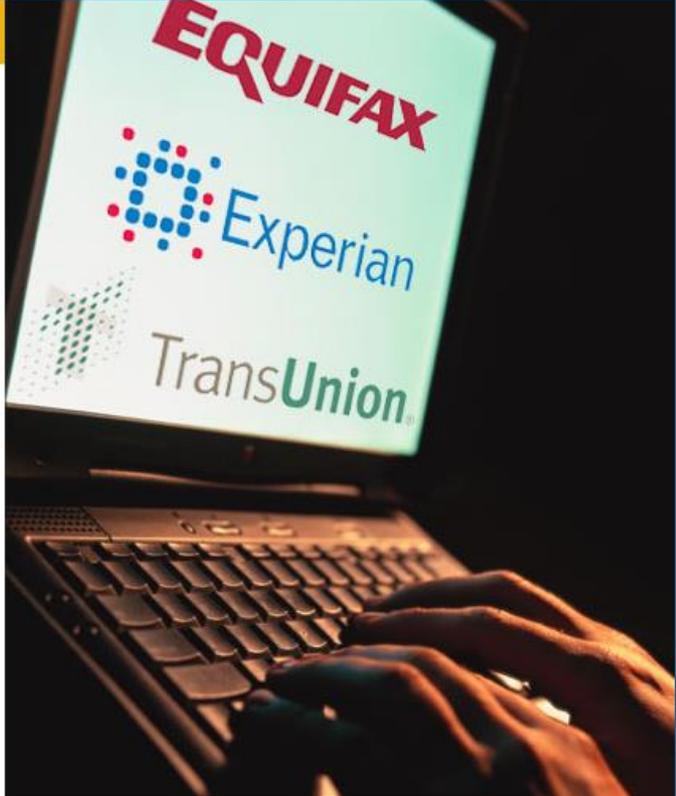
Credit Reporting Agencies

Credit reporting agencies are companies that gather information on potential **borrowers** and provide that information in the form of a credit report to **credit grantors** for a fee.

These agencies keep records of consumer debt and how regularly these debts are paid. Data include information on whether the payments are up to date or overdue and whether any action has been taken to collect overdue bills.

Three major credit reporting agencies maintain a record of your credit history. They are:

- Equifax
- Experian
- TransUnion



Module 5: Establishing and Maintaining Good Credit



Credit Reporting Agencies (cont.)

It's important to note that inquiries or applications will show up on your credit report, even if you are denied credit or decide to decline the credit.

Too many creditor inquiries on your credit report indicate that you are overextending yourself. Inquiries stay on your credit report for 24 months. Therefore, it's important to keep the number of inquiries to a minimum.

When shopping for a car or a home **mortgage**, however, you do have the flexibility of checking out your financing options within a short period of time. Doing so will show that you were comparison-shopping versus desperately seeking credit.

Requesting a copy of your own credit report for your personal review is strongly encouraged and does not negatively impact your credit history.



Module 5: Establishing and Maintaining Good Credit



CreditSmart®

Module 5: Establishing and Maintaining Good Credit

Managing Your Credit

The key to successfully managing credit is to first establish credit by securing a [loan](#) and/or credit card, and second to make payments on time, as stipulated by the [terms](#) and conditions of the loan or credit card company.

All lenders and creditors want to be sure that you are a good credit risk and you'll pay your bills on time. Having both past (i.e., paid-off loans) and current credit, with payments being paid on time, will provide lenders with the confidence that you handle credit responsibly.

Here are a few ways you can manage your credit to demonstrate your [creditworthiness](#) to potential lenders/creditors:

- Demonstrate your stability;
- Know what's in your credit report;
- and -
- Pay your bills on time.

Let's take a closer look.



Module 5: Establishing and Maintaining Good Credit



Demonstrate Your Stability

One of the primary considerations when it comes to extending credit is stability. Lenders and creditors are interested in things like how long you've been employed, how frequently you move, do you own or rent your home, do you have money in the bank, etc.

You can demonstrate stability through:

- Your employment history
- Your income history
- The length of time you've lived at your current address
- Owning a home
- Establishing and maintaining a savings account



Module 5: Establishing and Maintaining Good Credit

CreditSmart®
Module 5: Establishing and Maintaining Good Credit

Know What's in Your Credit Report

You should know what's in your credit report to be sure that all of your identifying information and accounts are correct. Review your credit reports from each of the three credit reporting agencies - Equifax, Experian, and TransUnion - at least once a year to make sure they are accurate. Your credit report may vary from one company to the other.

Here's how you can contact each company:

- **Equifax:** 800-685-1111, www.equifax.com
- **Experian:** 888-397-3742, www.experian.com
- **TransUnion:** 800-888-4213, www.transunion.com

If you've been denied credit, you can get your report for free by following instructions in the written notice you received denying you credit. Moreover, due to changes in the federal Fair Credit Reporting Act (FCRA), consumers throughout the U.S. are able to ask for a free copy of their credit report once every 12 months from each of the credit reporting agencies.

For more information, log onto www.annualcreditreport.com or call 877-322-8228.



Module 5: Establishing and Maintaining Good Credit



Know What's in Your Credit Report (cont.)

If Your Credit Report Contains Mistakes

If you believe that any one of your credit reports contains mistakes and you wish to correct the mistake, contact the company that developed the report at the telephone number or website previously listed.

Under the Fair Credit Reporting Act (FCRA), the company must complete an investigation of your disputed items (generally within 30-45 days) and provide you written notice of the results of the investigation within five days of its completion.

The notice should include a copy of your credit report if it has changed based on the dispute, or if you have requested a copy. If you're in the process of applying for a loan, tell the lender immediately about the incorrect information.

Negative information stays on a credit report for seven years; public record information such as bankruptcy and foreclosure can stay on a credit report for up to 10 years. With time and a history of on-time payments, you can improve your credit record.



Module 5: Establishing and Maintaining Good Credit

Freddie Mac
We make home possible®

CreditSmart®
Module 5: Establishing and Maintaining Good Credit

Pay Your Bills On Time

How you've paid your bills in the past is usually the best indicator of how you'll pay in the future. **Late payments** recorded on your credit history are one of the primary barriers to credit.

Be sure to pay at least the minimum amount required by the date it is due on your account statement or invoice. You can always pay more, but you should never pay less than the minimum.

Remember, being late on a payment is a negative mark on your credit report even if you make up the payments later or provide extenuating circumstances, such as job loss. Also, if you are late making payments, you may be charged a penalty fee.



Module 5: Establishing and Maintaining Good Credit

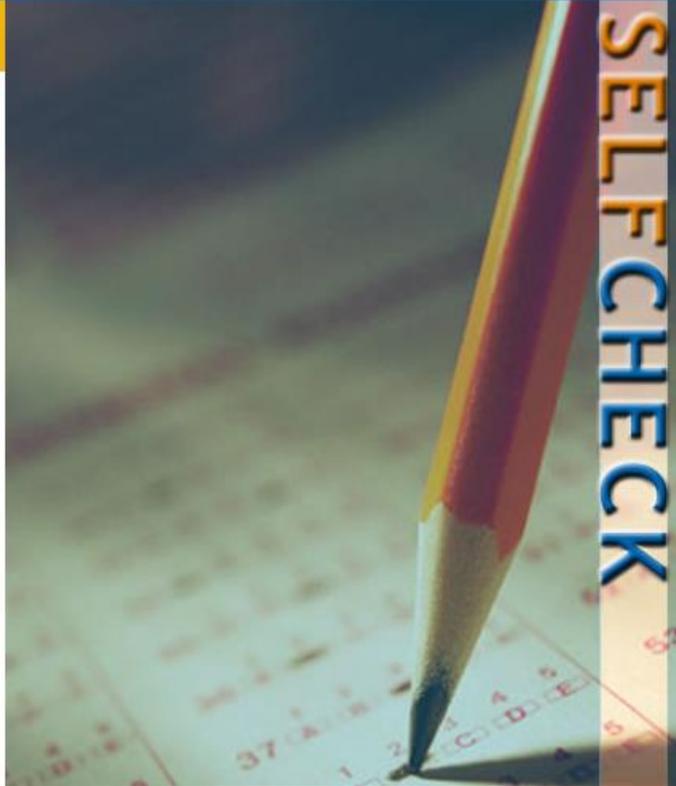
 CreditSmart®
Module 5: Establishing and Maintaining Good Credit

Knowledge Check

True or False:

Length of employment, stable income, length of residence, and savings all help demonstrate stability.

- True
- False



Module 5: Establishing and Maintaining Good Credit

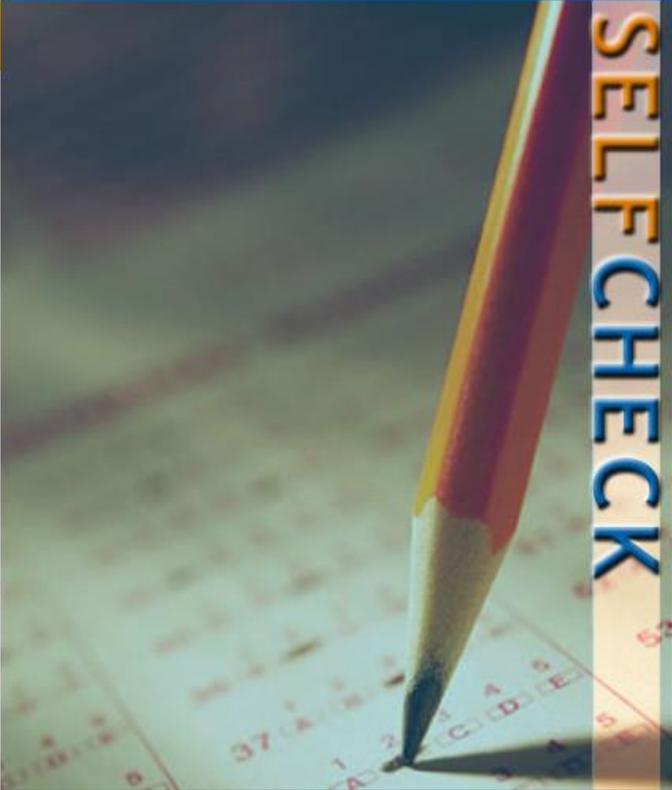
 CreditSmart®
Module 5: Establishing and Maintaining Good Credit

Knowledge Check

True or False:

If your credit report has errors, the law puts the responsibility on the credit reporting agency to conduct an investigation and correct any errors.

- True
- False



Module 5: Establishing and Maintaining Good Credit

Freddie Mac
We make home possible®

CreditSmart®
Module 5: Establishing and Maintaining Good Credit

Apply for Credit in Your Own Name

It is common practice for both partners in a marriage or relationship to establish their own credit to protect their family from unforeseen circumstances like death, divorce, or other life changes and to achieve financial goals.

Follow these guidelines to become better prepared for life's changes:

- Establish credit in your own name so that you have your own credit history. Even with no income of your own, having separate savings, checking, and credit accounts will enable you to establish your own credit history. In this way, you will be responsible for managing your own accounts since no one can supervise your accounts better than you.
- With credit cards, you need to oversee the card's use. Make sure that others who have access to the card do not run up an excessive amount of charges that none of you can repay. You can do this by regularly discussing household and personal expenditures with all cardholders and calling the credit card company or setting up online access to regularly check the status of the account.



Module 5: Establishing and Maintaining Good Credit

Freddie Mac
We make home possible®

CreditSmart®
Module 5: Establishing and Maintaining Good Credit

Apply for Credit in Your Own Name (cont.)

Follow these guidelines to become better prepared for life's changes: (cont.)

- If you have had credit before under a different name or a different location, make sure your local credit reporting agencies have complete and accurate information about you in a file under your current name.
- If you were married or divorced recently and changed your name, ask your creditors to change your name on your accounts.
- If you have shared accounts with other family members, creditors should be reporting information about these accounts to credit reporting agencies under all names, but check with the credit reporting agencies to make sure.



Module 5: Establishing and Maintaining Good Credit

Freddie Mac
We make home possible®

CreditSmart®
Module 5: Establishing and Maintaining Good Credit

Apply for Credit in Your Own Name (cont.)

Follow these guidelines to become better prepared for life's changes: (cont.)

- If you co-sign for loans, it is important that you have some control over the source of income used for repayment.

For example, couples owning a small business, such as a professional practice, are sometimes required by lending institutions to co-sign or guarantee the business loans. Generally, these loans are controlled by the spouse who operates the business and the other spouse may have little input into the decisions affecting the company. If the business fails and you have co-signed the loans, you must assume shared responsibility for repayment of the loans.

Let's take a closer look at some of the considerations you should keep in mind if you are asked to co-sign for a loan.



Module 5: Establishing and Maintaining Good Credit

Freddie Mac
We make home possible®

CreditSmart®
Module 5: Establishing and Maintaining Good Credit

Think Carefully Before You Co-Sign for a Loan

If a family member or good friend asks you to co-sign for a loan or credit account know what you are getting into!

Co-signing can negatively impact your credit if the primary borrower (your family member or friend) doesn't pay.

As a result, other creditors may believe that you have not successfully managed your credit, and thereby, not give you a credit card or loan.



Module 5: Establishing and Maintaining Good Credit

Freddie Mac
We make home possible®

CreditSmart®
Module 5: Establishing and Maintaining Good Credit

Think Carefully Before You Co-Sign for a Loan (cont.)

Make sure that you understand what co-signing involves:

- As **co-signer**, you are being asked to guarantee the debt. Think carefully before you do. If the primary borrower does not pay the debt, you will have to pay. Be sure you can afford to pay if you have to, and that you want to accept this responsibility
- You may have to pay up to the full amount of the debt if the primary borrower does not pay. You may also have to pay late fees, or legal or collection costs, which increase this amount. The creditor can collect this debt from you without first trying to collect from the borrower.
- The creditor can use the same collection methods against you that can be used against the primary borrower, such as suing you, garnishing your wages, etc. If this debt is ever in **default**, that fact may become a part of your credit record. Even if you're not asked to repay the debt, your liability for the loan may keep you from getting other credit because creditors will consider the co-signed loan as one of your obligations.



Module 5: Establishing and Maintaining Good Credit

Freddie Mac
We make home possible®

CreditSmart®
Module 5: Establishing and Maintaining Good Credit

Think Carefully Before You Co-Sign for a Loan (cont.)

Make sure that you understand what co-signing involves: (cont.)

- Before you pledge property to secure the loan, such as your car or furniture, make sure you understand the consequences. If the borrower defaults, you could lose these items.
- Ask the lender to agree, in writing, to notify you if the borrower misses a payment. That will give you time to deal with the problem or make back payments without having to immediately repay the entire amount.
- Make sure you get copies of all important papers, such as the loan contract and warranties, if you're co-signing for a purchase.
- Stay in contact with the borrower to ensure that the loan is being repaid in full, on time, every time.



Module 5: Establishing and Maintaining Good Credit

 **Freddie Mac**
We make home possible*

CreditSmart®
Module 5: Establishing and Maintaining Good Credit

Knowledge Check

If married, it is essential for _____ partner(s) in the relationship to apply for credit.

- One
- Both
- Neither



Module 5: Establishing and Maintaining Good Credit

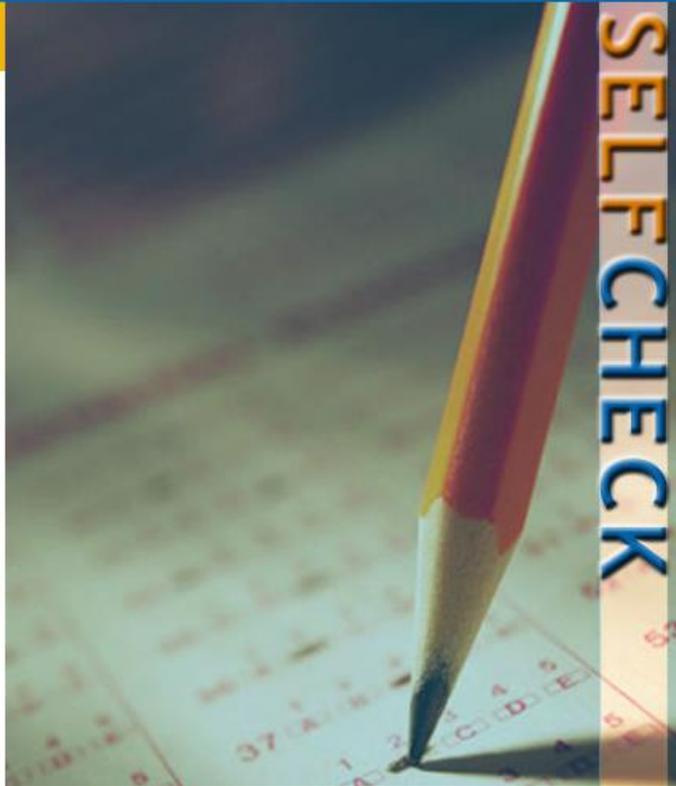
 CreditSmart®
Module 5: Establishing and Maintaining Good Credit

Knowledge Check

True or False:

If you only co-sign on a loan, you are protected from negative credit ratings regardless of what the other person does.

- True
- False



Module 5: Establishing and Maintaining Good Credit

Credit Laws

Law	Description
Equal Credit Opportunity Act (ECOA)	The ECOA prohibits discrimination in credit transactions.
Fair Credit Reporting Act (FCRA)	The FCRA gives you the right to know what information is being distributed about you by the credit reporting agencies and requires the information to be accurate.
Truth-in-Lending Act (TILA)	The Truth-in-Lending Act (TILA) requires lenders to give you written disclosures of the cost of credit and terms of repayment before you enter into a credit transaction.
Fair Credit Billing Act (FCBA)	The Fair Credit Billing Act (FCBA) establishes procedures for resolving billing errors on your credit card accounts.
Credit CARD Act (CARD)	The Credit CARD Act (CARD) requires notification before arbitrary rate hikes, eliminates universal default provisions, and regulates fees that credit card providers can charge. It also requires more disclosure about the impact of minimum payments and the availability of nonprofit counseling assistance.

Module 5: Establishing and Maintaining Good Credit

Freddie Mac
We make home possible

CreditSmart®
Module 5: Establishing and Maintaining Good Credit

Credit Laws

There are a number of federal laws in place to protect your right to get, use, and maintain credit.

These laws do not guarantee that everyone will receive credit. Instead, they protect your rights by requiring businesses to give all consumers a fair and equal opportunity to get credit and to resolve disputes over credit errors.

Let's look at some of the important laws and protections you should know about.



Module 5: Establishing and Maintaining Good Credit

Freddie Mac We make home possible® CreditSmart®
Module 5: Establishing and Maintaining Good Credit

Credit Laws (cont.)

- The **Equal Credit Opportunity Act (ECOA)** prohibits discrimination in credit transactions. Under this law:
 1. You cannot be denied credit based on your race, sex, marital status, religion, age, national origin, or receipt of public assistance.
 2. You have the right to have public assistance considered in the same manner as other income.
 3. If you are denied credit, you have a legal right to know why.
- The **Fair Credit Reporting Act (FCRA)** gives you the right to know what information is being distributed about you by the credit reporting agencies and requires that the information be accurate.



Module 5: Establishing and Maintaining Good Credit

Freddie Mac We make home possible CreditSmart®
Module 5: Establishing and Maintaining Good Credit

Credit Laws (cont.)

- The **Truth-in-Lending Act (TILA)** requires lenders to give you written disclosures of the cost of credit and terms of repayment before you enter into a credit transaction.
- The **Fair Credit Billing Act (FCBA)** establishes procedures for resolving billing errors on your credit card accounts.
- The **Credit CARD Act (CARD)** requires notification before arbitrary rate hikes, eliminates universal default provisions, and regulates fees that credit card providers can charge. It also requires more disclosure about the impact of minimum payments and the availability of nonprofit counseling assistance.



Module 5: Establishing and Maintaining Good Credit

Freddie Mac
We make home possible®

CreditSmart®
Module 5: Establishing and Maintaining Good Credit

If You've Been Denied Credit

If your application for credit is denied, it's important to secure a copy of the credit report and find out why you were turned down. If the information in the report is accurate, you may need to work on the reason it was denied. For example, if you've been consistently late making your payments, begin paying on time.

Federal law requires a creditor that denied you credit to give you the name, address, and telephone number of the credit reporting agency. If you contact the agency within 60 days of receiving the denial, you are entitled to a free copy of your credit report.

Also, be sure to ask the lender or creditor if they'll consider a nontraditional credit file. A nontraditional credit file—for people with no credit history or bank accounts—includes records that you can assemble, such as proof of timely rent and utility payments.



Module 5: Establishing and Maintaining Good Credit



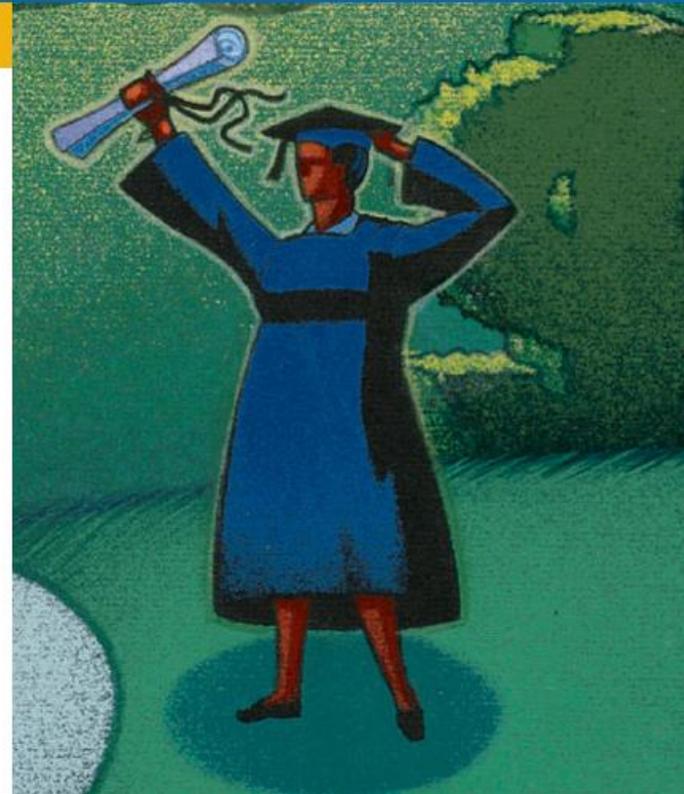
Module Conclusion

Congratulations! You have completed the **Establishing and Maintaining Good Credit** module of the CreditSmart Online Training Program.

This module presented some critical information regarding establishing and maintaining good credit. Key points and tips to remember:

- Always mail your payments soon enough that they reach the creditor on or before the due date.
- Try to pay your credit cards in full each month, and if you can't, always pay more than the minimum due.
- Handle bank accounts responsibly (avoid bouncing checks or overdrawing accounts).
- Routinely check your credit report and report any errors to the appropriate credit reporting agency.
- Know and understand your credit rights.

Click **Home** to review the module from the beginning, or click **Exit** to close this browser window and select another CreditSmart module to view.



Freddie Mac CreditSmart®

Module 5: Establishing and Maintaining Good Credit | Glossary

Term	Definition
Bank	A federally regulated financial institution that offers you a place to keep your money and uses it to make more money. Banks make loans, cash checks, accept deposits, and provide other financial services
Bankruptcy	Bankruptcy is the term used to describe the legal process undertaken by individuals in the situation of being unable to pay his or her debts. Although there are several types (chapters) of bankruptcy, consumers generally may explore either Chapter 7 Bankruptcy or Chapter 13 Bankruptcy. Chapter 7 Bankruptcy results in "liquidation" of the debtor's assets, meaning that most assets are sold to pay as much debt as possible. The rest of the debt is forgiven or "discharged." Chapter 13 Bankruptcy is used for "rehabilitation" of the debtor, meaning that at least a portion of all debt is repaid according to a plan set up by the bankruptcy court.
Borrower	Borrower is the term for the person or entity using someone else's money or funds to purchase something. The term borrower can generally be used interchangeably with the term debtor.
Checking Account	An account that lets you write checks to pay bills or to buy goods. The financial institution takes the money from your account and pays it to the person named on the check. The financial institution sends you a monthly record of the deposits made and the checks written.
Co-Signer	A co-signer is a term used to describe an individual who signs a loan or credit application with another person and promises to pay if the primary borrower doesn't repay the loan.
Credit	Credit is the concept of using tomorrow's money to pay for something you get today. Credit is a promise to repay a debt for goods and services. Credit may be extended via several means, including credit cards, personal loans, car loans, and home mortgages.
Credit CARD Act (CARD)	Requires notification before arbitrary rate hikes, eliminates universal default provisions, and regulates fees that credit card providers can charge. It also requires more disclosure about the impact of minimum payments and the availability of nonprofit counseling assistance.

Freddie Mac CreditSmart®

Module 5: Establishing and Maintaining Good Credit | Glossary

Term	Definition
Credit Grantor	Credit grantor is the term used to describe the person, financial institution, or entity which is providing a loan or credit.
Credit History	A credit history is a record of credit use. It is comprised of a list of individual consumer debts and an indication as to whether or not these debts were paid back in a timely fashion or "as agreed." Credit institutions have developed a complex recording system of documenting your credit history. This is called a credit report.
Creditor	Creditor is the term used for the person or entity that is providing credit or a loan to a borrower at specific terms and conditions. The term creditor can generally be used interchangeably with the term lender.
Credit Report	A credit report provides a history of your use of credit. Specifically, it's a file maintained by a credit reporting agency that contains information about a person, such as where the individual works and lives; information reported to the credit reporting agency by creditors regarding money borrowed and payments made; and public record information, such as whether the person has filed for bankruptcy.
Credit Reporting Agency	A credit reporting agency is a company that collects and retains credit information on all persons using credit and provides that information in the form of a credit report to lenders or creditors for a fee. A credit reporting agency is also commonly referred to as a credit bureau. The three major credit reporting agencies are Equifax, Experian and TransUnion.
Credit Union	A federally regulated cooperative financial institution that is owned by the people who use its services. Credit unions serve groups that share something in common, like where they work or go to church. You have to become a member of the credit union to keep your money there.
Creditworthiness	Creditworthiness is the term used to describe the state or condition of an individual's overall credit. Individuals who have established credit and maintained a positive credit history are considered to be creditworthy, i.e., an acceptable risk for the extension of additional credit based upon their ability and willingness to repay past and current debt obligations.

Freddie Mac CreditSmart®

Module 5: Establishing and Maintaining Good Credit | Glossary

Term	Definition
Debt	What is owed to a person or institution for obtaining merchandise or services without immediately paying for them. Usually, a debt is acquired through a loan or the use of credit.
Default	A default is a failure to meet a payment or fulfill a credit obligation.
Equal Credit Opportunity Act (ECOA)	The Equal Credit Opportunity Act (ECOA) prohibits credit discrimination on the basis of race, color, religion, national origin, sex, marital status, age, or because you get public assistance.
Fair Credit Billing Act (FCBA)	The Fair Credit Billing Act (FCBA)
Fair Credit Reporting Act (FCRA)	The federal Fair Credit Reporting Act (FCRA) promotes the accuracy, fairness, and privacy of information in the files of consumer reporting agencies.
Fees	Fees are the money a financial institution charges, such as a monthly maintenance fee, for providing various services.
Foreclosure	A legal process in which collateral property is sold in an attempt to satisfy the outstanding debt of a mortgage.
Good Credit	Good credit is the term commonly used to mean that one's credit has been handled responsibly and that payments have been made on time.

Freddie Mac CreditSmart®

Module 5: Establishing and Maintaining Good Credit | Glossary

Term	Definition
Inquiry	The term inquiry is used to describe the process used by creditors to request a copy of your credit report. Inquiries occur every time a consumer fills out a credit application and/or requests the extension of credit. Too many inquiries appearing on a credit report are considered damaging to the report.
Interest Rates	Interest rates are commonly thought of as the cost of borrowing money. The interest rate is expressed as a percentage. The amount of interest that is paid each year is determined by multiplying the amount of the loan by the percentage.
Late Payment	A late payment is the term used for loan or credit payments that do not reach the lender or creditor on or before the payment due date. The indication of late payments on a credit report is very damaging to an individual's credit report.
Lender	Lender is the term used for the person or entity that is providing credit or a loan to a borrower at specific terms and conditions. The term lender can generally be used interchangeably with the term creditor.
Loan	Money you borrow from a financial institution with a written promise to pay it back later. With a loan, financial institutions will charge you fees and interest to borrow the money.
Mortgage	A mortgage is a document that is signed by a borrower when a home loan is obtained and gives the lender the right to take possession of the property if the borrower fails to make loan payments.
Payment Due Date	Every time that money is borrowed, contract language specifies when payments are due. The due date is always indicated and means that the payment must be received on or before the specified date. Grace periods do not eliminate the responsibility of making sure that payments are received by the lender by the due date. In most cases, lenders or creditors who receive payments past the due date will add a late charge and/or additional interest and fees.

Freddie Mac CreditSmart®

Module 5: Establishing and Maintaining Good Credit | Glossary

Term	Definition
Savings Account	An account where you keep money for safekeeping or as an investment that earns interest.
Terms	The provisions, conditions, and requirements pertaining to the loan as stated in the loan agreement.
Truth-in-Lending Act (TILA)	Requires lenders to give you written disclosures of the cost of credit and terms of repayment before you enter into a credit transaction.