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# Keys to a Foster Youth's Financial Future

## Good Credit Curriculum for DCS Staff and to Help Youth Understand Credit:

### *Youth Score in the Game of Life*

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#### Overview:

Every year, more than 26,000 young people age out of foster care, many with no permanent home and no parent to help them navigate the road to adulthood. For some young people, stolen identities and bad credit pose yet another obstacle on the road to independence. For youth who have faced years of instability and uncertainty, bad credit stands in the way of some basic life activities, such as renting an apartment, buying a car, getting a job, having a bank account or securing student loans.

Federal law states that youth in foster care who have attained 14 years of age must receive, without cost, a copy of any consumer report. Therefore, to be in compliance with this requirement, the agency must have a copy of the credit report, if one exists, from each of the three main credit reporting agencies (CRAs): TransUnion, Equifax, and Experian.

The President of the United States signed P.L. 112-34 into law on September 30, 2011. Among other provisions, P.L. 112-34 amends the case review system definition to require that each child age 16 and older in foster care receive a copy of any consumer credit report annually until discharged from foster care, and must be receive assistance interpreting the credit report and resolving any inaccuracies (section 475(5)(l) of the Act).

#### **Should minor youth in foster care have credit?**

No, minor children do not usually have the legal capacity to sign a contract or apply for credit on their own, so most children and youth do not have credit reports. Therefore, if a credit report does exist for a person younger than 18, whether in foster care or not, it may be due to error, fraud or identity theft. The credit reporting agencies will not knowingly disclose credit report information for a minor, except to a parent, guardian or custodian of the child.

## Outcomes:

By the end of this learning experience, participants will be able to:

1. Understand why we are attaining credit reports for youth.
2. Ensure that youth transition out of the foster care system with a clean credit report as well as strong financial knowledge and skills about issues such as credit, banking, savings, assets, etc.
3. Understand how Tennessee DCS should dispute all information with creditors and CRAs directly on a youth's behalf, regardless of age at the time of dispute, based on his or her status as a minor if the account arose prior to the youth turning age 18.
4. In the case of identity theft or fraud, understand how Tennessee DCS may wish or be required by state law to take action beyond simply disputing an account on a youth's report.
5. Understand how to explain good credit to youth as a productive asset and explain the ways to build and maintain good credit histories and scores.
6. List how and where to get credit reports and credit scores for young adults ages 18 and older.

## What is Credit?

You may think of credit as a bad thing. It can be—using too much credit may lead to crushing debt. Millions of Americans struggle because they have used too much credit. Credit is just a tool. When used right, credit can help you build assets, build your credit history, improve your credit scores, and access other services. This section will also focus on credit histories and credit scores.

Unfortunately, a poor credit history or low credit scores may prevent you from getting:

- Credit
- A Loan
- A Job
- Insurance
- An Apartment
- Utilities—like electricity, gas, or cable
- A cell phone or data plan

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So if you are thinking: “I am too young to worry about credit.” “I never want to use any credit.” “This information does not apply to me.” ...you may be mistaken. As a young person in foster care or transitioning from foster care, credit matters to you—especially if you want or think you may one day want:

- A Job
- An Apartment
- A Car
- Insurance
- Education or training after high school
- Utilities
- A cell phone
- A House

**You will first learn what credit actually is:**

***Do you have good credit? Do you have a good credit history as reported in your credit report?***

Having a good credit history generally means you have paid most of your bills as agreed. Good credit also means you probably don't have any judgments (a court verdict requiring you to pay money owed) against you, liens, or other court orders.

**What is in a Credit Report?**

A credit report contains some of your bill-paying history. Your credit reports will include information about the following and more:

- Credit cards you have
- Loans you have
- The amount of money you have borrowed through loans and credit cards
- On-time payments for credit cards and loans
- Late payments for credit cards and loans
- A history of the places you have lived
- Whether you have any payments outstanding because of legal judgments

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## How does information get on your Credit Report?

Individuals and businesses report your payment patterns to credit bureaus. They report your payment patterns in a number of situations:

- When you make your payments on time
- When you are late with your payments
- If you miss a payment
- If you miss many payments—by this time, your debt may be in collections
- If you seem to have stopped paying all together. Not all of your bill paying is recorded
- Many companies only report to the credit reporting agencies if you miss payments or are late; in other words, some businesses only report negative outcomes

## Why is a Credit Report important?

You may be wondering why you need to know about credit reports. If you are under age 18, you are too young to have credit. Even if you are over age 18, you may have never even used credit. So, why is it important for you to know about credit reports?

***A lot of people use credit reports to make decisions about you:***

- A ***bank or credit union*** may use credit reports to decide whether to give you a loan
- A ***credit card company*** may use credit reports to decide whether to give you a credit card
- A ***landlord*** may use credit reports to determine whether to rent an apartment to you
- A ***potential employer*** may use credit reports to determine whether you will get a job
- An ***insurance company*** may use credit reports to determine whether to give you insurance coverage as well as the rates you will pay for coverage
- A ***utility company*** may use credit reports to figure out how much deposit you must pay before your electric or gas is turned on
- A ***cell phone provider*** may use credit reports to determine what plans you may be eligible for and the rates you will pay

Finally, credit scores are completely based on information in your credit reports. The more positive the information in your credit reports, the higher your credit scores will be.

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Credit reports are made by businesses called **credit reporting agencies**. Sometimes they are called credit bureaus.

The three main credit reporting agencies are **Experian, Equifax** and **TransUnion**.

Equifax	TransUnion	Experian
PO Box 740241 Atlanta, GA 30374-0241 1-800-685-1111 (to order a report) 1-877-784-2528 (to speak to a customer service representative) <b>www.equifax.com</b>	PO Box 1000 Chester, PA 19022 1-800-888-4213 (to order a report) 1-800-916-8800 (to speak to a customer service representative) <b>www.TransUnion.com</b>	1-866-200-6020 <b>www.experian.com</b>

## Credit Reports if You Are Age 18 or Older

**If you are age 18 or older**, you can order a credit report from any of these companies any time. You can order them from their websites. You can call them. You can write to them. You should review your credit reports from all three credit reporting agencies because they do not all have the same information. You can also get one free report each year from all three credit reporting agencies. This is because of a law called the FACT Act.

There are three options to get your free credit reports:

### **Option 1** Go to [www.annualcreditreport.com](http://www.annualcreditreport.com)

Be sure to go to this site. There are many sites that claim to be the site for “the annual credit report” or “free annual credit report”. These other sites are generally trying to sell you a credit monitoring service or some other service. These other “free” credit report sites are called “imposter websites.”

### **Option 2** Call 1-877-322-8228

### **Option 3** Write to:

**Annual Credit Report Request Service**

**P.O. Box 105281**

**Atlanta, GA 30348-5281**

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## Top Ten Ways to Protect Your Identity

Protecting your identity can be summed up by two words: be vigilant. Being vigilant means you are keeping careful watch for possible dangers. In this case, it is danger to your identity. While there is some recourse if your identity is stolen, it takes time, patience and money to recover from identity theft. So the best thing to do is try to prevent the crime.

Here are ten things you can do to help protect your identity:

- 1. Take care of your trash** – shred anything that has personal or financial information in it before you put it in the garbage.
- 2. Mind your mail** – get your mail as soon as you are able from mailboxes. A post office box is generally safer than a mail box.
- 3. Find a safe place** – put all financial, personal and medical information and records in a safe place. Work with someone at your site to identify a safe place for you.
- 4. Be skeptical** – any unsolicited offer over the phone via call or text, through email or through a pop-up ad online is likely to be a scam to get your personal information.
- 5. Pay attention to web addresses** – any website requiring personal identifying information that is legitimate will start with https and have a picture of a padlock next to the web address. Click on the site's security certificate to verify a website is legitimate.
- 6. Protect your password** – set passwords that do not contain words that can be searched in the dictionary; be sure to include numbers, symbols and letters in your passwords; if possible, make them 14 characters long; never store them on your computer or phone; and change them regularly. With personal identification numbers (PINS), change them regularly and do not use your birthdate or any other number combination someone could figure out by knowing you.
- 7. Be careful about who you give your information to** – question anyone that wants your social security number or other information that may not seem necessary. NEVER share your passwords or PINs with anyone (including a boyfriend or girlfriend).
- 8. Check your credit reports regularly** – look at one of your credit reports every three months to see whether there is any activity that does not belong to you. If you are under age 18, your case worker is required to do this for or with you every year starting at age 14. There will be more about this in the next module.
- 9. Review all financial statements and bills** – review all information you are sent by financial institutions, credit card companies, cell phone companies, and other service providers. This is one of the first ways people detect their identity has been stolen.
- 10. Take the time** – protecting your identity takes time. Make this a priority. Once your identity is stolen, it can take a lot of time and money to fix. And you may have missed other opportunities in the meantime because of your identity being stolen—not getting a credit card or a loan, not being able to rent an apartment, not being able to get medical care, and more.

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## Maintaining Good Credit

There are no secrets to maintaining a positive credit history or good credit scores. Here is a check list:

***Review your credit reports every year:***

Be sure to print out or order your reports from all three credit reporting agencies—Equifax, TransUnion and Experian. Use the tools provided in this module to review your credit reports.

***Correct any errors:*** You are the only one who can do this for yourself once you are age 18. It is your responsibility to make sure the information in your credit reports—all three of them—is accurate.

***Pay all of your bills on time and in full every month.***

***Never use more than 30% of your credit limit.***

***If possible, diversify your credit:*** Have a credit card and a credit building loan. This shows you can handle both kinds of credit—revolving credit and installment credit.

***Avoid applying for too many credit cards at one time:*** Every inquiry is reported on your credit report. And applying for multiple credit cards can make it appear like you are looking for quick money.

***If you are going to be late with any bills, contact your creditor immediately.***

They may be willing to work with you—letting you make two small payments within a billing cycle or letting you pay interest only for one month.

## Steps in the DCS Process:

**Step 1:** Pulling a credit report for a youth in foster care is only the first step in fulfilling the federal mandate. Tennessee DCS will request credit reports electronically without having to submit physical copies of supporting documentation for each youth.

**Step 2:** Educate young people ages 14 and older, who are in foster care, about the importance of credit, credit history and the threat of identity theft.

- Explain the importance of Credit- See information above
- Explain the threat of Identity Theft- See Information above

You can help young people protect their identities and share their information wisely with some simple advice:

- Be careful about sharing personal information with others

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- Shred all documents containing personal information before disposing of them
- Beware of sellers of fake IDs
- Practice online safety
- Protect important documents

### **Step 3: Fix Credit Fraud and Errors**

This section summarizes ways to correct credit inaccuracies in the event of identity theft and refers readers to resources that could help if their credit issues are too complex to resolve on their own.

In any case in which a child's identify or credit has been illegally used, the DCS Division of Independent Living shall research understand credit and dispute/rectify credit history. The DCS Division of Independent Living will send a letter of dispute to all three credit agencies. When a dispute is resolved, information will be uploaded into TFACTS.

### **TFACTS Documentation**

#### **Family Services workers and the Division of Independent Living will make sure**

- Credit Checks are done, including the dates they were completed?
- Dates of discussion about what credit is, how to interpret the reports, and provide the opportunity to educate young people in foster care about the importance of credit as a financial asset and essential building block for lifelong financial wellbeing
- Resolution of any inaccuracies and remediation of credit issues, and recording of the dates of remediation

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