

INTEGRATING
Free Credit Report Reviews
With Volunteer Return Preparation Programs



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Welcome volunteer tax return preparers!

We are very happy to welcome those of you that have decided to supplement your Volunteer Income Tax Assistance (VITA) and Tax Aide sites with financial literacy components. Tax time is the best opportunity to raise financial awareness due to earned income tax credits (EITC) and other tax credits that provide sizable refunds. By offering free credit report reviewing, you are enabling your clients to make better financial decisions.

This guide provides basic scenarios for implementing the credit report review service to taxpayers at your site. It provides recommended options based on your volunteers' expertise on credit reporting and on your available resources and partners.

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Fiscal Progress promotes financial literacy through classes and individual counseling to low and moderate income families. Programs include credit and debt counseling, homeownership planning, career guidance, budgeting and volunteer income tax preparation.

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EITC Carolinas works to improve the well-being of low-income working families. EITC Carolinas is a program of MDC Inc., a nonprofit organization focused on expanding opportunity, reducing poverty, and building inclusive communities.

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Site Coordinators

Purpose

Credit Report Reviewing is becoming one of the most sought out forms of financial education that your organization can provide. Volunteer Income Tax Assistance (VITA) and AARP Tax Aide sites are natural opportunities to deliver this service to a captive audience. Improved credit scores will provide consumers lower borrowing rates and improve their opportunities for homeownership.

Why now? Tax refunds allow consumers unique opportunities to eliminate debt and to apply down payments toward a new home. This is the best chance most low-income families have all year to improve their net worth.

Background

The integration of credit report reviewing with VITA and Tax Aide programs is a relatively new concept. A handful of pilot programs were initiated in 2005 with remarkable success. Newly implemented legislation has greatly improved access:

FACT Act

The Fair and Accurate Credit Transactions Act of 2003 was fully phased in on September 1, 2005. This supplement to the Fair Credit Reporting Act (FCRA) serves to reduce errors on consumer credit reports. It requires each of the three major credit bureaus to supply every consumer with an annual copy of their credit report upon request and without charge. This report is known as a credit profile, as it lacks the credit score usually included on commercially requested credit reports.

Ordering Free Reports

The FACT Act mandates a central service that consumers may utilize to order credit reports from all three main bureaus. It specifies procedures for telephone, internet and mail requests.

Telephone requests: (877) 322-8228

Internet requests: www.annualcreditreport.com

Mail requests: Annual Credit Report Request Service
PO Box 105281
Atlanta, GA 30348-5281

All mail requests require completion of *Annual Credit Report Request Form*. This is available at <http://www.ftc.gov/bcp/online/include/requestformfinal.pdf>.

Getting Started

VITA and Tax Aide sites can quickly add this service to enhance their current program. In 2005, two VITA programs conducted pilot programs to work with tax clients on credit reports and used the two options outlined below. Based on their experience, we strongly recommend Option 1. Some sites with expanded capacity may find some success with option 2. Both models work best when the events are held at the same site that taxpayers have attended.

Choosing a Model

Option 1—Organize a “Super Saturday” event: This will be the best option for most VITA programs because it makes the best use of time for credit counseling staff and doesn’t require that your site have a very large volume of customers every day. It also avoids having to ask your tax clients to stay after they have had their taxes prepared. Use the VITA program and other outreach to let your customers know that they can receive a free credit profile and talk with a credit counselor on a certain day. Clients may call ahead to make an appointment and you can also arrange to serve walk-in customers if you have enough counselors. This can be coupled with information on other services such as Individual Development Accounts (IDAs), health programs, savings programs and other asset building educational programs.

Option 2—Offer credit profiles or support during tax preparation: Some tax sites have a very large volume of tax clients AND have a partnership with a credit counseling agency that can provide trained counselors to work with clients. In this case, you may offer tax clients a free credit profile and mini-counseling session on-site. You will also need (1) separate space where the counselor can talk with the tax client in private, (2) additional computer capacity with internet access to download credit reports, and (3) a dedicated printer. In addition the site coordinator must be enthusiastic about the program and is vital to its success. Some sites with limited capacity reported difficulties using this option. Large and established sites with on-site credit counseling staff may have a better chance at making this option work. In this case, a Super Saturday event can also be added.

Advertising

The single greatest requirement is that the taxpayer associates the credit report review service with the free tax preparation that they received. Word-of-mouth advertising will be the most effective tool that you can utilize.

- DO:
- ✓ Advertise the service at all tax sites that you participate in.
 - ✓ Include fliers or handouts with an information package that taxpayers take home.
 - ✓ Send a mailer to taxpayers that have visited your site.

The DC Cash Campaign of Washington DC used a mailer in 2005 to notify 800 taxpayers who had visited their tax site of the free credit report review sessions. This survey

included a cover letter “Do you remember we helped you with your taxes?” along with a self-addressed stamped envelope. They received 175 responses in 2 ½ weeks.

NEVER: ⊗ Pressure taxpayers on the day of tax preparation to conduct an immediate session. No matter your good intentions, some participants will not respond well to other services on the day of tax preparation. However, they may be open to services at a later date.

Scheduling

Facility and staff availability will dictate when you can offer the service. You will also want to consider times and days that will allow your taxpayer clients the greatest opportunity to attend.

DO: ✓ Host credit report review sessions at the same tax site that participants attended. It will be familiar to them.
 ✓ Super Saturdays are best!
 ✓ Schedule review sessions to last around 20 minutes. Allow for breaks.

NEVER: ⊗ Schedule for the same day as tax preparation, unless you can meet the capacity guidelines outlined above under Option 2. This can confuse taxpayers and volunteers alike.
 ⊗ Overwhelm participants with multiple programs on the same day.

Providing a telephone number allows taxpayers to call and schedule an appointment. Your survey could include a time range for clients to select preferred appointment times on the day(s) offered. Place a follow-up call with each respondent to schedule their appointment. A friendly reminder could reduce missed appointments.

Scheduling can occur year-round and need not be limited to the tax filing period. The Campaign for Working Families in Philadelphia would like to extend credit reviews and counseling year-round. This is strongly recommended, especially if your facilities allow for it.

Conducting the Sessions

Workstations or offices should accommodate individuals, couples and occasionally their children. Internet access and a printer will be necessary, and a large monitor is helpful. A private and confidential environment will make sessions more effective. Keep in mind that joint sessions will take nearly twice as long because there is no combined credit report for spouses. Spouses may choose to hold joint or individual sessions.

Prescreening

A greeter can assist clients in filling out any preliminary forms. A client information form will allow clients to provide required information in a format that speeds up the ordering process. Clients will need to provide the following information:

First Name
Middle Initial
Last Name
Suffix
Date of Birth*
Social Security Number*
Current Address
Previous Address (if moved in last 2 years)

* Great care should be taken with all private information. Forms that include the social security number and/or date of birth must be safeguarded. Locking storage or confetti cut shredders are minimum requirements for all sites. To reduce information becoming compromised, the form may omit the written request for the social security number. Greeters should always ensure that clients know or have their social security number available.

Immigrant taxpayers may file their federal and state return using an Individual Taxpayer Identification Number (ITIN). This number serves as an identification number in lieu of a social security number. Credit bureaus do not maintain credit files on individuals that do not have a social security number. Immigrants can often still obtain bank accounts, credit cards, automobile loans and even mortgages without this credit file. Mexican nationals should contact the Mexican consulate to obtain an identification card known as a *matrícula consular* which is accepted at an increasing number of banks and other financial institutions.

Ordering the Credit Report

Your reviewers have two options for pulling a credit report:

- (A) Sites may choose to utilize the free online service at www.annualcreditreport.com. In the interest of time, only one credit report per client is recommended. The role of the reviewer is to facilitate this process with the client. Please note that the credit score is not included in this free credit report. If utilizing this method, we recommend finding a sponsor, such as a bank, to cover the cost of adding the score (\$5.00 to \$6.95). A sponsor can provide a prepaid debit card similar to a gift card to cover this fee. **If the client has already taken advantage of the free report within the last year, this option will not be available.** However, you can use their already printed report in lieu of ordering a new one if the report is recent.
- (B) A standard credit report can be requested through a traditional credit report ordering service. Most Credit Counseling Agencies utilize a service to pull consumer credit reports just as lenders might. This report will come from only one credit bureau and will contain the credit score.

Reviewing the Report

Print the report and review it with the client. Clients will be primarily interested in the score.

Score: Be prepared to discuss with clients how their score compares with others. Consumer credit report products containing the score will include a chart showing how the score relates to others. Keep in mind that credit formulas and ranges vary from one credit bureau to another, making it difficult to provide a one chart fits all approach. Additional information on credit scoring is included in the Consumer Guide portion of this guide.

Personal Information: The current address field must be updated if incorrect. Otherwise companies will continue to send credit solicitations in their name to the wrong address. This would provide opportunities for identity theft. Many clients will find that their employment history is outdated. This can also be updated using the normal dispute channels (discussed below).

Account Information: All creditors that reported account information to that credit bureau will be listed, along with basic account properties and a history of the account. This history will include high credit limits, high balances and current balances, terms, type of account, current status, date opened and date closed if applicable. Sometimes a month-by-month history will also be displayed.

Specifically you will be looking for negative notations, such as late payments (expressed as 30, 60, 90+). Your job is to identify these as negative factors, but in a constructive and positive manner. Some of these clients will have already heard much of the same information, but in a negative situation such as a loan denial. Negative items are usually grouped together as *Adverse Accounts*.

You will also want to identify positive information. Reinforce the positive histories clients have created with individual creditors. Note that mortgage and auto loans, combined with one or two major credit card accounts provide an ideal mix of accounts for a higher credit score. Finance company accounts usually do not improve the credit score significantly and may even reduce the score in some situations regardless of a perfect payment history.

Inquiries: Discuss the difference between the types of inquiries. *Hard* inquiries (regular) represent credit applications that clients have completed. They document attempts at obtaining additional debt. Also included in these are credit checks for rental or employment applications. If you pull the client's report for them, it will appear as a hard inquiry. Hard inquiries have some limited, negative impact on the credit score. Numerous hard inquiries can have a greater negative effect, excluding mortgage or auto loan inquiries. *Soft* inquiries have zero affect on the credit score. They include account reviews by a client's current creditors, promotional reviews by prospective solicitors and any order of credit reports initiated directly by the client with that credit bureau.

Qualifications

Credit report reviewers can be experienced credit counselors or financial professionals that are familiar with credit. All reviewers should be certified by a reputable accreditation organization:

Institute of Consumer Financial Education
PO Box 34070
San Diego, CA 92163
Website: www.financial-education-icfe.org
Telephone: (619) 239-1401

Association for Financial Counseling and Planning Education
1500 W. Third Avenue, Suite 223
Columbus, OH 43212
Website: www.afcpe.org
Telephone: (614) 485-9650

Council on Accreditation
120 Wall Street, 11th Floor
New York, NY 10005
Website: www.coanet.org
Telephone: (866) 797-3000

Partners

VITA or Tax Aide sites may find that it is more feasible to partner with another organization that specializes in consumer credit education. Several volunteer sites that have successfully integrated credit report reviews with tax preparation have set up contracts with credit counseling agencies. If your site chooses to partner with another organization, it is recommended that you develop a written agreement with that organization. The contract should specify all responsibilities, available technology, funding and certifications required as well as locations and times if known. Usually, the credit counseling agency is better equipped to pull credit reports.

Fiscal Progress will be providing credit report review services and is available throughout central North Carolina and parts of eastern NC. EITC Carolinas has generously agreed to fund this service. VITA and Tax Aide sites that would like to sign up are encouraged to contact Fiscal Progress directly at (919) 719-1750. All counselors are certified to provide this service.

Your local Consumer Credit Counseling Service may also be able to provide a similar service. Contact the National Foundation for Credit Counseling at (800) 388-2227 to locate an agency near you.

Technical Assistance

Fiscal Progress will maintain a hotline for technical questions on credit-related issues. **Call (919) 719-1748** to speak with an Accredited Financial Counselor. Technical support is available weekdays from 9 am to 6 pm. Requests may also be sent to klong@fiscalprogress.org.

A consumer guide immediately follows this section. It provides specific credit education that can be shared with a client. Also included is a collection of frequently asked questions.

Special Note on ID Theft

It is the responsibility of every individual that offers credit report reviewing to ensure the privacy of client discussion and confidentiality of information. All sensitive information must be protected. For this purpose, utilizing a confetti-cut shredder is recommended to reduce the risk of identity theft. EITC Carolinas has distributed several shredders to nonprofit organizations for use in their tax campaigns. You may contact them if your organization still needs one.

Also, if you are facilitating the client's order of a free report through www.annualcreditreport.com, we recommend checking the box that limits the printed social security number to the last four digits.

Consumer Guide

Consumer Credit Repair

You have the same ability to repair your credit report as any credit repair agency. For this reason, we recommend against paying for a credit repair service. This section will walk you through the basic influences on your credit score and provide simple steps for improving your score.

Credit Basics—Scores

Your credit score is a calculation based upon your credit history. It is designed to be a predictor of your capacity to repay a debt. Fair Isaac Corporation developed the credit score, also known as a FICO score to help lenders evaluate your creditworthiness.

When you pull your own credit report using www.annualcreditreport.com, you are receiving a consumer product that may be different than the score ranges below. For this reason, you should expect some variance.

Case in point: When I purchased an automobile, I pulled my Equifax Score Power® credit score. This score was 15 points higher than my Equifax BEACON® score from a credit report pulled the same day. The consumer product that I purchased uses a different formula than the one that lenders see.

What is a good credit score?;

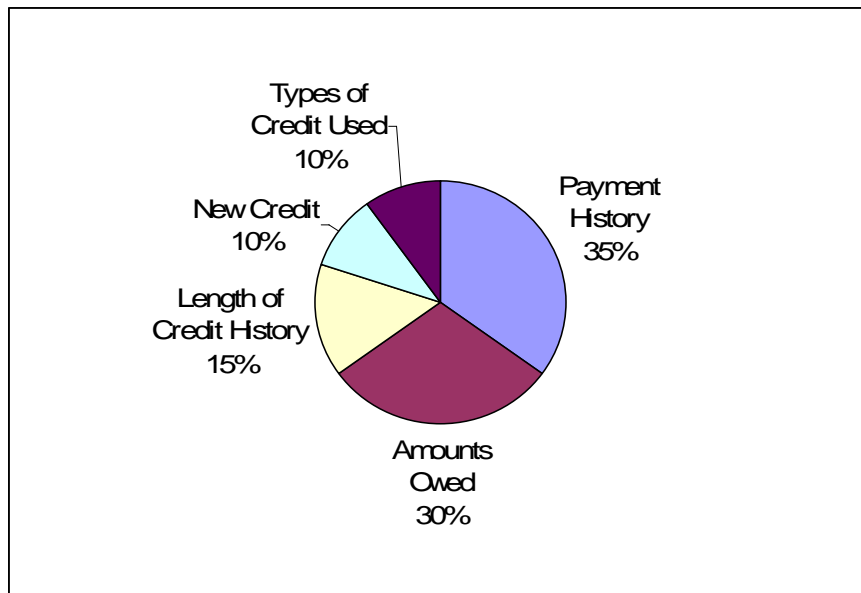
FICO Credit Score	Implications
720 and higher	A FICO score of 720 and higher is considered excellent. Many auto manufacturers require a credit score of 720 or more to qualify for their best rates. You will likely receive approval for credit applications as long as income and employment requirements are met.
650-719	A score between 650 and 719 is considered good, and you would be eligible for good rates on most loans.
600-649	A score in the low 600s would represent higher risk, and borrowing options would be limited.
500-599	Scores below 600 are considered high risk for lenders, meaning that your credit application would either be denied, or you would have to pay a much higher rate. Some sub-prime mortgage lenders might approve you for a home loan, but at an exceedingly high rate. This could potentially double your house payment.
499 and below	Scores below 500 represent very poor credit. Utilities would require significant deposits for new connections, and all mainstream loan applications would be denied. Purchasing on credit would not be an option.

Factors for Determining Your Score

The two most important things you can do to build and maintain good credit are:

- (1) pay all accounts on-time, and
- (2) keep all revolving (store & credit card) balances as low as possible.

According to Fair Isaac Corporation, your credit score is composed of the following five general factors.



If you have a few negative marks, the effect of these will diminish over time. All accounts eventually drop off after 7 years of inactivity. If you have experienced a bankruptcy, this will remain on your credit report for 10 years. Making timely payments is the surest way to build or rebuild your credit.

High balances can be a major score killer. Balances begin to seriously count against you when they exceed a third of your credit limits. Balances over-the-limit will seriously drop your score. Steadily paying down a balance can improve your score.

Opening several new accounts will reduce your score. Similarly, even applying for multiple accounts in a short time period will cause your score to drop.

The types of accounts also have an impact. One or two revolving accounts, along with an auto loan and mortgage loan create a great mix. Loans from finance companies can reduce your score, even if they are in good standing.

The time accounts have been open is also a primary factor in determining your score. Many consumers make the mistake of closing an account after paying it off when they have owned the account for several years. Cutting the card up is a much better option.

Disputing False Information

The vast majority of consumer credit reports contain at least one error. Many credit reports contain errors serious enough to cause denial of a home or car loan, or even a job. If your credit report contains errors, especially fraudulent ones, it is important to act quickly by disputing the information.

Using your credit report, file a dispute with each credit bureau that lists the error on your credit report. You may mail a letter to them, but the online dispute process is easy, free and very fast. Creditors have 30 days to prove the validity of the debt. The easiest way is to visit their websites (you may gain access and assistance at your public library if you lack internet access). Be sure to have the confirmation code that appears on your credit report. Information on mailing or phoning disputes is also included below:

Equifax: www.equifax.com
(888) 766-0008 for disputes
(800) 525-6285 to report fraud
Equifax Information Services LLC
PO Box 740256
Atlanta, GA 30374

Experian: www.experian.com
(888) 397-3742 for disputes and to report fraud
Experian's National Consumer Assistance Center
PO Box 9701
Allen, TX 75013

TransUnion www.transunion.com
(800) 916-8800 for disputes
(800) 680-7289 to report fraud
TransUnion Consumer Solutions
PO Box 2000
Chester, PA 19022-2000

If the creditor fails to verify the dispute, the item will be removed from your credit report. You will have to dispute the incorrect item with each credit bureau separately. If your request is denied even though you know the item is incorrect, contact the creditor directly. Request that they send you immediate proof of the debt.

We strongly recommend against using a credit repair company. If you do decide to take this route, remember that they are prohibited from taking money from you before the actual service is rendered. Any early attempt to collect a fee is a red flag. You should avoid that company altogether. If you feel you need assistance, there are a number of community organizations that can help you at no charge.

Fiscal Progress	www.fiscalprogress.org	(919) 719-1750
Local CCCS	www.nfcc.org	(800) 388-2227

Identity Theft Prevention

There is no absolute way to prevent identity theft. It can happen to anyone. Developing a few simple habits is all it takes to substantially protect you from identity theft. Follow these guidelines:

- DO:
- ✓ Check your credit report at least once a year.
 - ✓ Shred all credit solicitations and documents containing your personal information.
 - ✓ File a police report if you are a victim of fraud.
 - ✓ Dispute all fraudulent information on your credit report.
- NEVER:
- ⊗ Throw away important documents with personal information, even if you have torn them up. Dumpster divers love this!
 - ⊗ Respond to a “phishing” email. If a company emails you and asks for you to verify your personal information, this is an invitation to become a victim. Always type in the website directly rather than using links.
 - ⊗ Respond to scam requests by phone or email to pay taxes on a “lottery” you never entered.
 - ⊗ Fall victim to scams trying to give you money from a lost relative (commonly referred to as the Nigerian Scam) or some other company needing your bank account for a transaction. They will simply drain your account and vanish without a trace.

Identity theft insurance or fraud monitoring is usually a waste of money. Credit monitoring only sends you emails to report changes to your credit file. You can place a fraud alert on your credit bureau account for free, which will actually block bogus credit requests. Several states, including North Carolina recently enacted laws which allow you to place a security freeze on your credit report. See www.ncdoj.com/idtheft.

Continued Education

Additional resources are available to help you improve your credit rating. Please visit the following resources for more information:

Fiscal Progress	www.fiscalprogress.org	(919) 719-1750
CCCS offices	www.nfcc.org	(800) 388-2227
Fair Isaac Corporation	www.myfico.com	
Equifax	www.equifax.com	
Experian	www.experian.com	
TransUnion	www.transunion.com	

Fiscal Progress provides a 1 hour class entitled *What's the Score on Credit Scores?* This monthly class is designed for consumers of all credit ratings.

Frequently Asked Questions

Does an inquiry reduce my credit score? Only inquiries resulting from actual credit applications or regular credit pulls will reduce your credit score. Usually one will not have much affect, but several inquiries in a short period of time can cause a reduction of several points. Other inquiries, including account reviews, promotional inquiries and self-credit pulls do not change your score at all.

Should I avoid multiple credit checks when buying a car or home? The quick answer is no. You should get the best rate possible, and sometimes that means applying with several lenders. Multiple credit requests for an auto or home within 10 days are usually treated as only one inquiry.

I just paid off my credit card. Should I close the account? If you have had the card for several years, you should keep it open. It will look favorable to maintain that lengthy credit history. In addition, if you still carry balances on other accounts, closing that account will lower your combined credit limit and reduce your score. Feel free to cut the card up if you no longer need it!

Can credit repair companies fix my credit? These companies, for a fee will do what you can do for yourself for free. Filing a dispute has become so easy, it is unnecessary to ask another company to do it for you. In addition, any debt that is proven to be valid by the creditor will not be removed. In some cases, fraudulent credit repair companies will try to assign you a new social security number (actually a federal EIN). This is a felony!

I am married. Can I pull a combined credit report? No. Credit reports are available by individual only. However, accounts held jointly will appear on both spouses' reports.

Should I consider credit counseling? Credit counseling can be beneficial if you do not understand your credit situation or are experiencing problems. Reputable agencies will have reasonable fees, be free of complaints and focus on education.

What should I do if I do not recognize a debt? You should dispute any negative item that you do not recognize. The creditor will have the burden of proof.

How do I repair my credit rating if the negative items are legitimate? The best cure is making on-time payments. Bring all of your accounts current and you will see a substantial increase. Your credit score will continue to be somewhat lower because the previous delinquencies will remain. The impact of these negative items decreases over time, and they drop off altogether after 7 years.

How does my income factor into my credit score? There is zero impact on your credit score based on your income. Two people with nearly identical credit histories would have nearly identical scores, even if their incomes were dramatically different.