



**Department of Consumer Affairs**  
Office of Financial Empowerment

# **Credit Card Tricks & Traps**

## **Understanding Your Credit Report**

**Department of Small Business Services**  
**Latino Business Association**  
**September 16, 2009**

**Presenters:**  
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Department of Consumer Affairs  
Office of Financial Empowerment

## Mission of DCA

To ensure that consumers and businesses benefit from a fair and vibrant marketplace.

## Strategic Priorities

- Empowering and protecting consumers.
- Facilitating fair business practices.
- Conducting efficient, accountable, and customer-friendly operations.

## Overview of OFE

Founded by Mayor Bloomberg in December 2006 as the first local government initiative in the nation focused exclusively on **anti-poverty** and **financial empowerment** efforts for those with lower incomes.



## Consumer Protection Law

- The New York City Consumer Protection Law was enacted by the City Council in 1969.
- The law authorizes DCA to adopt rules and regulations that protect the public from all “deceptive or unconscionable trade practices in the sale, lease, rental or loan of any consumer goods and services, or in the collection of consumer debts.”
- The Department's CPL authority broadly covers marketing practices including:
  1. Advertising
  2. Contracts & Receipts
  3. Packaging & Standards
  4. Pricing, Sales, and Refund Policies
  5. Promised Services
  6. Special Offers, Sales and Promotions



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## Today's Goals

- Understand what credit is and why it is so important
- Become familiar with a credit report
- Learn how to establish, build, and maintain a good credit history
- Learn the common tricks that make it essential to read the fine print



## What is Credit?



- Money borrowed to pay for things, usually referred to as a loan
- Creditors check credit history to determine individual trustworthiness in paying back debt
- Credit can cost more in the long run—understand interest rates and fees



## Potential Lenders and Creditors Look For:

- Character – Does the borrower appear fiscally responsible?
  - A good credit report and score
  - A good past history of paying on time
  - A set of good financial and personal references
- Capacity – Does the borrower have the ability to repay the loan?
  - Is the applicant employed?
  - Are there other sources of income?
  - What are the applicant's expenses (is there net income after expenses – cash flow)?
- Capital
  - Does the applicant have any savings, or investments?
  - Does the applicant have any collateral such as real estate?



## Check Your Credit Report!

- A credit report is a record of how you have paid past debts
- It lists what credit you have and if you have been paying on time
- Checking your credit report for errors can help prevent identity theft
- You are entitled to one free credit report each year from each of the three credit bureaus:
  - TransUnion
  - Experian
  - Equifax
- Visit [annualcreditreport.com](https://annualcreditreport.com) for your free report



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## Do You Know Your Credit Score?



- A credit score is a number assigned by credit reporting companies based on information in your credit report
- The higher your credit score—the better your credit history
- How does Credit / Credit Score affect our lives?
  - Apartments
  - Jobs
  - Loans and credit cards: Rates and fees
- You can purchase your credit score through [annualcreditreport.com](https://www.annualcreditreport.com)



## Calculating Your Credit Score

- 35%
  - Punctuality of payment in the past
- 30%
  - The amount of debt, expressed as the ratio of current revolving debt (credit card balances, etc.) to total available revolving credit (credit limits)
- 15%
  - Length of credit history
- 10%
  - Types of credit used (installment, revolving, real estate)
- 10%
  - Recent search for credit and/or amount of credit obtained recently



## Credit Reports and Scores

Establish	Maintain	Improve/Repair
Creating a link to the financial system	Pay bills on time	Start paying bills on time
Take out a secured loan or credit card	Try not to carry a balance on your credit cards	Create a payment plan to keep you on track with your payments
Open a credit card (be responsible)	Avoid credit cards with high interest rates	Address bad debt issues-negotiate with collectors (we can help)
Pay bills on time		Correct errors on your credit report



# John Doe's Credit Score - Before

TRANSUNION CREDIT REPORT

```

<FOR>          <SUB NAME>          <MKT SUB> <INFILE> <DATE> <TIME>

<SUBJECT>
Doe, John S.          <SSN>          <BIRTH DATE>
                      000-00-1234        7/77
                      <TELEPHONE>
                      555-555

<CURRENT ADDRESS>          <DATE RPTD>
4211 Broadway, apt#4F. NEW YORK NY. 10030        6/06
<FORMER ADDRESS>

1017 DR MARTIN L KING JR BV., #72. BRONX NY. 10467
<CURRENT EMPLOYER AND ADDRESS>          <VERF> <RPTD>
Vargas Furniture Store
  
```

**CREDIT SCORE**

```

-----
M O D E L   P R O F I L E          * * *  A L E R T  * * *
***FICO CLASSIC 04 ALERT: SCORE +580 : SERIOUS DELINQUENCY, AND PUBLIC
***RECORD OR COLLECTION FILED;
-----

C R E D I T   S U M M A R Y          * * *   T O T A L   F I L E   H I S T O R Y
PR=2  COL=5  NEG=4  HSTNEG=0          TRD=5  RVL=3  INST=1  MTG=0  OPN=1  INQ=11
          HIGH CRED  CRED LIM  BALANCE  PAST DUE  MNTHLY PAY AVAILABLE
INSTALLMENT:  $7500          $          $7500          $0          $
CLOSED W/BAL:          $          $1001          $815          $
TOTALS:          $7500          $          $8501          $815          $
  
```



# John Doe's Credit Report - Before

PUBLIC RECORDS

SOURCE	DATE	LIAB	ECO	COURT	ASSETS PAID	DOCKET#
Z 4841307	2/06R	\$2524	I		12/07	1277305
CIVIL JUDGMENT						PLAINTIFF/ATTORNEY SEARS/ALTERMAN
Z 4841307	4/05R	\$980	I			9267863
CIVIL JUDGMENT						RETAIL/BARRY

UNKNOWN JUDGMENT

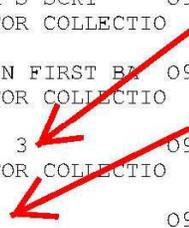


COLLECTIONS

SUBNAME	SUBCODE	ECO	OPENED	CLOSED	\$PLACED	CREDITOR	MOP
NCO FIN /99	Y 73FT601	I	8/05	3/08A	\$120	VICTORIA'S SCRT	09B
PLACED FOR COLLECTIO							
ASHWOOD FIN	Y 91YJ891	I	5/07	8/07A	\$543	12 CONFIN FIRST BA	09B
PLACED FOR COLLECTIO							
BUR COL RECO	Y 1SE5001	I	3/07	4/07A	\$452	T MOBILE 3	09B
PLACED FOR COLLECTIO							
AMSHER COLL	Y 744U875	I	8/05	10/05A	\$452	T MOBILE	09B
PLACED FOR COLLECTIO							

1st Account

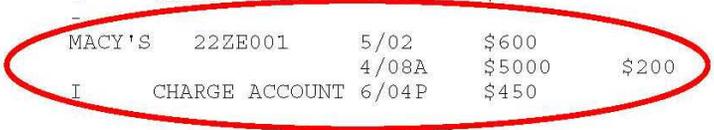
Same account



TRADES

SUBNAME	SUBCODE	OPENED	HIGHCRED	TERMS	MAXDELQ	PAYPAT	1-12	MOP
CHASE B	26FG341	5/98	\$4015					
I	CREDIT CARD	5/08	\$5000	\$0				
I	CREDIT CARD	4/05	\$0					
MACY'S	22ZE001	5/02	\$600					
I	CHARGE ACCOUNT	4/08A	\$5000	\$200				
I	CHARGE ACCOUNT	6/04P	\$450					

Old Unpaid account





# John Doe's Credit Report - After

-----  
P U B L I C R E C O R D S  
SOURCE DATE LIAB ECOA COURT ASSETS PAID DOCKET#  
TYPE PLAINTIFF/ATTORNEY  
Z 4841307 2/06R \$2524 I 12/07 1277305  
CIVIL JUDGMENT SEARS/ALTERMAN  
-----

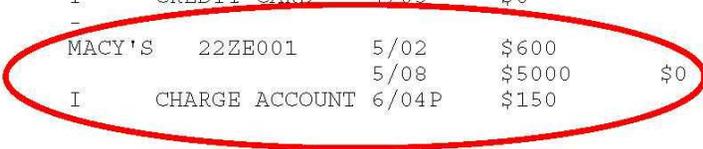
ONLY ONE  
JUDGMENT

-----  
C O L L E C T I O N S  
SUBNAME SUBCODE ECOA OPENED CLOSED \$PLACED CREDITOR MOP  
ACCOUNT# VERIFIED BALANCE REMARKS  
NCO FIN /99 Y 73FT601 I 8/05 \$120 VICTORIA'S SCRT 09B  
3/08A \$120 PLACED FOR COLLECTIO  
ASHWOOD FIN Y 91YJ891 I 5/07 \$543 12 CONFIN FIRST BA 09B  
8/07A \$723 PLACED FOR COLLECTIO  
BUR COL RECO Y 1SE5001 I 3/07 \$452 T MOBILE 3 09B  
4/07A \$452 PLACED FOR COLLECTI  
-----

Removed duplicate  
account

-----  
T R A D E S  
SUBNAME SUBCODE OPENED HIGHCRED TERMS MAXDELQ PAYPAT 1-12 MOP  
ACCOUNT# VERIFIED CREDLIM PASTDUE AMT-MOP PAYPAT 13-24  
-  
CHASE B 26FG341 5/98 \$4015  
5/08 \$5000 \$0  
I CREDIT CARD 4/05 \$0  
-  
MACY'S 22ZE001 5/02 \$600  
5/08 \$5000 \$0  
I CHARGE ACCOUNT 6/04P \$150  
-----

Payment made







# Negative Records on Credit Reports

## Length of Time on Reports

- Negative information: Reported for 7 years
- Bankruptcies: Reported for 10 years
- Criminal records: No Time Limit



# Choosing a Credit Card

## Questions to Ask When Choosing a Credit Card

- What is the Annual Fee?
- What is the Annual Percentage Rate?
- How is the Interest computed?
- Is there a grace period before I have to pay interest? How long is it?
- How is the Billing Period defined?
- What is the finance charge?
- What is the credit limit?
- How much is the late fee?
- Is there a balance transfer feature? How much does it cost?
- What incentives such as points, cash back or other additional value can I get?



## Credit Card Tricks & Traps

**Credit Cards can have hidden fees and conditions.**

***A few tricks to keep in mind when reading the fine print:***

- Rising Interest Rates – “Universal Default” Clause
- Low Introductory Rates – 0% APR Offers
- Penalty Interest Rates and Late Fees
- Expensive Cash Advance Loans
- Floating Due Dates and Double Cycle Billing



Department of Consumer Affairs  
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## Free One-on-One Counseling!

### Financial Empowerment Centers

- Launched by Mayor Bloomberg as part of his *Five Borough Economic Opportunity Plan* to help New Yorkers through the economic downturn
- Led in partnership with the DCA Office of Financial Empowerment (OFE) and community-based partners in Manhattan, Queens, Brooklyn and the Bronx to provide counseling in English and Spanish in person or by phone
- Call 311 to set up a free appointment!
  - o Budgeting
  - o Banking
  - o Savings
  - o Credit/Debt
  - o Government Benefits





## Financial Empowerment Centers Can Help!

- You are having trouble managing your budget.
- You need a plan to pay down debt.
- You are getting calls or letters from a debt collector and don't know how to respond.
- You are contemplating a debt consolidation loan or debt settlement but are unsure if this is the right step.
- You are stuck in an agreement with a credit repair agency and don't know how to get out.
- You want to find the government benefits for which you are eligible.
- Your identity has been stolen or you have been the victim of a financial scam.
- You need help opening a bank account or finding ways to save more money.



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## How Counselors Can Help

- Counselors will work with you to review your full financial picture and identify your needs.
- Together you will create a plan to strengthen your financial health.
- Counselors will help you implement the plan and negotiate with creditors, create a budget, find affordable financial products and services, screen for government benefits, and find referrals.



## Financial Empowerment Centers

### The Bronx

*Operated by Phipps CDC*

**Phipps Opportunity Center, Melrose**

#### **\*Mobile Locations\***

- Workforce1, Huntspoint
- Catholic Charities, Parkchester
- Phipps Center, West Farms

### Manhattan

*Operated by Credit Where Credit is Due*

**Northern Manhattan Improvement Corporation, Washington Heights**

#### **\*Mobile Locations\***

- One Stop Career Center, Harlem
- Midtown Community Court, Midtown
- LESFCU, Lower East Side

### Brooklyn

*Operated by Bedford-Stuyvesant*

*Restoration Corporation*

**Restoration Plaza, Bedford-Stuyvesant**

#### **\*Mobile Locations\***

- Groundwork, Brownsville
- Community Justice Ctr, Red Hook

### Queens

*Operated by The Financial Clinic*

**Catholic Charities/HomeBase, Jamaica**

#### **\*Mobile Locations\***

- Workforce1, Jamaica
- LaGuardia College, Long Island City
- Partnership for the Homeless, East NY



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**42 Broadway, New York, NY 10004**  
**[nyc.gov/ofe](http://nyc.gov/ofe)**





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[www.nyc.gov/latinobusiness](http://www.nyc.gov/latinobusiness)