



Financial Literacy Education Student Handouts



Lesson 8: Your Credit Story

Warm-Up

Imagine you are a credit union that lends money to lots of people. How would you decide who to lend money to?

Learning Targets

I can:

- Identify the main parts of a credit report.
- Explain what affects a person's credit history and credit score and determine which choices help or hurt them.

Glossary

Adverse accounts: Entries on a credit report showing negative information, such as late or missed payments, charge-offs (debt written off by the lender), or accounts sent to collections.

Annual percentage rate (APR): A credit card's cost of borrowing expressed as a percentage, including interest and certain fees. It tells a borrower how much they will pay if they carry a balance on their card.

Authorized user: Someone allowed to use another person's credit card without being responsible for paying the bill.

Bankruptcy: A legal process where a person or business declares that they cannot pay their debts.

Charge-off: When a lender decides a debt is unlikely to be paid back and writes it off as a loss, even though the borrower still owes the money.

Credit limit: The maximum amount of money that a holder of a credit card is allowed to borrow or charge to the card.

Credit report: A record of borrowing and repayment history.

Credit reporting agency: A company that collects and maintains information about a person's borrowing and repayment history. Also called a *credit bureau* and a *consumer reporting agency*.

Credit score: A three-digit number predicting how likely someone is to repay borrowed money on time.

Credit utilization: The percentage of your available revolving credit that you are using.

Hard inquiries: Entries that appear on a credit report when a lender processes a credit application. Hard inquiries can lower credit scores slightly.

Inquiries: Records on a credit report showing when someone accessed the report.

Installment credit: A loan paid back in fixed monthly payments until it is fully repaid. Examples include auto loans and mortgages.

Minimum payment: The smallest amount a holder of a credit card must pay by the monthly due date to keep the account in good standing and avoid late fees. It is usually a small percentage of the balance plus any interest and fees.

Minimum payment trap: A situation where paying the smallest amount due on a credit card keeps the balance high and interest growing, trapping a borrower in debt.

Revolving credit: A credit account, such as a credit card, that lets a person borrow up to a limit, repay, and borrow again.

Satisfactory accounts: Entries on a credit report showing accounts that have been paid on time and are in good standing with lenders.

Secured credit card: A type of credit card that requires a cash deposit as collateral when opening the account. The deposit is typically equal to your credit limit.

Soft inquiries: Entries that appear on a credit report when a borrower or someone they authorize checks a credit report. Soft inquiries do not affect a credit score because they are not attached to a specific application for credit.

Note Catcher

Main Ideas/Key Information

What are we discussing?

Notes

What did I learn?

Summary/Application

Why does it matter to me?

Sample Credit Report

Name:

Directions: Work with your group to review the sample credit report on the following pages, including the notes and tips provided. Then use information from the credit report to answer the questions below. Be ready to share your answers with the class.

Questions:

1. What type of account is a student loan considered—installment or revolving?
 - a. Installment
 - b. Revolving
 - c. Collection
 - d. Charge account
2. How long can a bankruptcy stay on your credit report?
 - a. One year
 - b. Three years
 - c. Seven to 10 years
 - d. Forever
3. Which section of a credit report lists missed payments or accounts sent to collections?
 - a. Satisfactory Accounts
 - b. Public Records
 - c. Adverse Accounts
 - d. Credit Inquiries
4. What is the recommended maximum credit utilization percentage?
 - a. 50 percent
 - b. 30 percent
 - c. 10 percent
 - d. 25 percent
5. Which type of inquiry affects your credit score?
 - a. Hard
 - b. Soft
 - c. Neither
 - d. Both
6. What is the purpose of a Personal Consumer Statement on a credit report?
 - a. To remove inquiries
 - b. To apply for a loan
 - c. To increase your credit score
 - d. To dispute an item or explain a financial hardship

7. What happens if you apply for several loans over a short period of time?
- a. Your credit score increases
 - b. Your credit score is unaffected
 - c. You may get better interest rates
 - d. Your credit score may drop due to multiple hard inquiries
8. Which of the following is considered a Satisfactory Account?
- a. A student loan paid on time
 - b. An account in collections
 - c. An account included in a bankruptcy
 - d. A closed credit card with a balance
9. What is the impact of a 30-day late payment on a credit report?
- a. It improves your credit score
 - b. It may lower your credit score
 - c. It removes the account from your report
 - d. It has no effect
10. Which of the following is an example of a hard inquiry?
- a. A utility company checking your credit for service setup
 - b. A background check for employment
 - c. A promotional credit offer
 - d. A credit card application

Sample Credit Report

CREDIT REPORT

Report date: 11/7/2025

Report Number: 01070205

PERSONAL CONSUMER INFORMATION

SSN #: XXX-XX-XXXX (Your SSN has been masked for your protection.)

DOB: 07/03/2000

Names Reported	Telephone Numbers Reported
Jane Public	555-123-4567
Jane Q. Public	555-555-5555

Addresses Reported	Date Reported
742 Evergreen Circle, Portland, OR 97214	12/28/2024
1842 Spruce Lane, Bend, OR 97702	09/03/2022
1298 Cascade Drive, Eugene, OR 97401	04/17/2019

Personal Consumer Information includes identification as well as past addresses from information given to creditors. **Make sure this information is correct.** Wrong information could be a mistake or a sign of identity theft.

EMPLOYMENT RECORDS

Employer Name	Date Reported	Location	Hire Date
Lynx Media Strategies	08/01/2025	Portland, OR	06/2025
Verdura Bowl Co.	05/25/2019	Eugene, OR	05/2019

PUBLIC RECORDS INFORMATION

This information was collected from public records sources by Sample Credit Bureau or a third-party provider.

Oregon Bankruptcy Court

Docket #: ORC-2024-45678

200 Justice Way, Salem, OR 97301

Account Number: *** 8421

Type: Chapter 13 Bankruptcy

Status: Filed

Date Filed: 06/15/2024

Closing Date: 09/10/2024

Filed As: Individual Account

Total Liability: \$20,000

Exempt Assets: \$5,000

Asset Value: \$15,000

Amount Paid: \$1,500

Estimated Removal Date: 06/31

Public records from court filings, such as *bankruptcies*, may appear on credit reports and are viewed negatively by lenders. **A bankruptcy can stay on a credit report for seven to 10 years.**

ADVERSE ACCOUNTS

Wy'east Recreation Products
Account #: 99887766
3560 River View Road, Bend, OR 97708

Date Opened: 05/12/2023
Responsibility: Individual Account
Type: Revolving Account (Store Credit Card)
Date of First Delinquency: 12/15/2023
Original Amount: \$1,500
Balance: \$1,250
Past Due: \$1,250

Cascade Collections
Account #: 2356984
2185 Maple Hollow Drive, Beaverton, OR 97006

Date Placed for Collection: 01/21/2024
Responsibility: Individual Account
Type: COLLECTION AGENCY
Original Amount: \$3,560
Original Creditor: KLAMATH KWIK KASH
Balance: \$0

Adverse accounts are entries on a credit report showing negative information, such as late or missed payments, **charge-offs** (debt written off as a loss by the lender), or accounts sent to collections. These items typically stay on your report for up to seven years, though you may still owe the debt depending on state laws.

Date Closed: 09/2024
Pay Status: Charge-off
Date Updated: 11/2024
Remarks: Account charged off; 30, 60, 90+ days late before charge-off
Estimated Removal Date: 09/31

Date Paid: 9/2024
Remarks: Account included in Bankruptcy; was a collection
Date Updated: 12/2024
Remarks: Account included in Bankruptcy
Estimated Removal Date: 09/31

SATISFACTORY ACCOUNTS

Key for payment records:
OK = paid as agreed
30/60/90 = number of days late
X = not reported
Blank = no data available

Oregon Higher Ed Loan Services
Account #: OHLS-2018-00123
800 University Way, Eugene, OR 97403

Date Opened: 09/01/2018
Responsibility: Individual Account
Account Type: Installment
Type: Student Loan
Pay Status: Current; paying as agreed
Balance: \$3,675

Last Payment Made: 11/01/2025
Payment Received: \$45.83
High Balance: \$5,500
Terms: \$45.83 per month; paid Monthly for 120 months
Remarks: Open; never late

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2025	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	
2024	OK	OK	OK									
2023	OK	OK	OK									
2022	OK	OK	OK									
2021	OK	OK	OK									

Satisfactory accounts are credit lines that are current or paid as agreed, which positively impact your credit score. These accounts may include **installment credit** accounts like student or auto loans, and **revolving credit** accounts like credit cards. Creditors, insurers, landlords, and some employers use your credit report to assess your reliability based on your history of on-time payments. Late payments may lead to higher rates, but you can dispute errors—credit reporting agencies must respond within 30 days.

Cascade Credit Union

Account #: CCU-44556677

1455 Main Street, Bend, OR 97703

Date Opened: 11/01/2023**Responsibility:** Joint Account**Account Type:** Revolving**Type:** Charge Account**Pay Status:** Current; paying as agreed**Balance:** \$670**Last Payment Made:** 10/20/2025**Payment Received:** \$25**High Balance:** \$1,976**Credit Limit:** \$2,500**Terms:** Paid Monthly**Remarks:** Open; never late

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2025	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	
2024	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK
2023											OK	OK

Cascade Credit Union

Account #: CCU-11223344

1455 Main Street, Bend, OR 97703

Date Opened: 03/10/2025**Responsibility:** Individual Account**Account Type:** Installment**Type:** Auto Loan**Pay Status:** Current; paying as agreed**Balance:** \$14,575**Last Payment Made:** 10/15/2025**Payment Received:** \$275**High Balance:** \$16,500**Terms:** \$275 per month; paid Monthly for 60 months**Remarks:** Open; one 30-day late payment in May 2025

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2025				OK	30	OK	OK	OK	OK	OK		

Your **credit utilization** is the percentage of your available revolving credit that you are using. It is calculated by dividing your total balances by your total credit limits. Experts recommend keeping your credit utilization **below 30 percent**, and ideally **under 10–25 percent**.

In the example above, the credit card has a \$2,500 limit and a \$670 balance. Therefore:

$$\text{Credit utilization} = (670 \div 2,500) \times 100 = 27 \text{ percent}$$

Keeping your credit utilization low and paying down your balances regularly helps you avoid the **minimum payment trap**, where paying the smallest amount due on a credit card keeps the balance high and interest growing, trapping you in debt.

Here's a quick example:

- You buy \$500 worth of clothes on a credit card with 18% interest.
- The minimum payment is \$25 per month.
- If you only pay the minimum, it will take about 2 years to pay it off and you will pay around \$90 in interest—almost enough to buy a new pair of shoes!

CREDIT INQUIRIES

REGULAR INQUIRIES

Regular inquiries are posted when someone accesses your credit information. These inquiries can remain on your credit file for up to two years.

Cascade Credit Union

1455 Main Street, Bend, OR 97703
1-888-659-2078

Requested On: 11/01/2023

Inquiry Type: Credit Card Application

Cascade Credit Union

1455 Main Street, Bend, OR 97703
1-888-659-2078

Requested On: 03/03/2025

Inquiry Type: Auto Loan Application

ACCOUNT REVIEW INQUIRIES

The companies listed below received your name, address, and other limited information to make an offer of credit or insurance. These inquiries are not seen by anyone but you and do not affect your score.

Rose City Electric

121 SW Salmon Street, Portland, OR 97204
1-800-555-8123

Requested On: 05/01/2025

Inquiry Type: Utility Service Setup

MegaComm

845 NE Fremont Street, Portland, OR 97212
1-888-622-4411

Requested On: 05/20/2025

Inquiry Type: Telecommunications

The **Inquiries** section shows when your credit report has been accessed. **Regular or hard inquiries** occur when you apply for credit and can lower your score by 5–20 points and can stay on your report for up to 2 years. When shopping for a loan such as an auto loan or a mortgage, try to get multiple loan quotes within a short time to minimize the impact.

Soft inquiries are credit checks that do not affect your score. They happen when companies review your report for offers or employment.

PERSONAL CONSUMER STATEMENT

I was unemployed for an extended period in 2023 and 2024 and could not find work. I filed for bankruptcy in 2024 because of accumulated bills.

You can add a brief statement to your credit report to dispute an item or explain a situation. It will not affect your credit score, and lenders may not always read it.

Credit Score Scenarios

Name:

Directions:

1. Review the scenario(s) assigned by your teacher or instructor (see below).
1. Answer the questions following the scenario.
2. Be ready to share your work with the whole class.

Scenario 1: Late Payment on a Credit Card

Maria has a credit card with a \$1,000 limit. She forgets to make her minimum payment for two months. Her credit card company reports the missed payments to the credit reporting agencies.

- a. How will Maria's missed payments affect her credit score?

- b. What steps can Maria take to minimize the damage to her credit score after missing payments?

- c. Why is payment history considered one of the most important factors in a credit score?

Scenario 2: Applying for Multiple Credit Cards

James applies for three different credit cards within a two-week period because he wants to build his credit quickly.

- a. How do multiple credit inquiries in a short time frame affect James' credit score?

- b. What is the difference between a hard inquiry and a soft inquiry?

- c. How can James build his credit more responsibly?

Scenario 3: High Credit Utilization

Sofia has two credit cards with a combined limit of \$2,000. She uses \$1,800 of her available credit and only makes minimum payments each month.

- a. How does Sofia's credit utilization affect her credit score?

- b. What is an ideal credit utilization percentage to maintain a healthy score?

- c. What actions can Sofia take to lower her credit utilization and improve her score?

Scenario 4: Closing an Old Credit Account

Ethan decides to close his oldest credit card account because he no longer uses it and wants fewer accounts to manage.

- a. How could closing his oldest account impact Ethan’s credit score?

- b. Why does the length of credit history matter in credit scoring?

- c. What alternatives could Ethan consider instead of closing the account?

Scenario 5: Limited Credit Mix

Lily is 20 years old. She has one credit card she uses responsibly, paying the balance in full each month. When she applies for an auto loan, the offered interest rates are higher than she expected.

- a. Why did Lily receive higher interest rate offers despite having a good payment history?

- b. What are the two types of credit accounts commonly considered when evaluating credit mix?

- c. What steps can Lily take to improve her credit mix and overall credit score?

Exit Ticket

One thing I learned today about credit reports or credit scores is:

One action that helps build a positive credit history is:

Understanding my credit report and credit score can help me:
