

It's Your Paycheck!

Lesson 6:

Credit History, Credit Reports, and Credit Scores

Standards and Benchmarks (see page 6.16)

Lesson Description

Students read informational text and discuss the advantages and disadvantages of using credit and the importance of maintaining a good credit history. They read a scenario about a young person's use of a credit card and answer questions regarding repayment. Students learn about credit history, credit reports, and the three credit bureaus. They watch a video about credit scores to learn how credit scores are determined. Students read a scenario and write an essay addressing the key points of the lesson.

Grade Level

6-12

Concepts

Credit	Credit report
Credit cards	Credit score
Credit history	Interest
Creditor	Interest rate

Compelling Question

How can you establish good credit?

Objectives

Students will be able to

- define credit, credit history, creditor, credit report, credit score, interest, and interest rate;
 - compare the advantages and disadvantages of using credit;
 - identify the three credit bureaus;
 - explain the importance of maintaining a good credit history;
 - identify features on a credit report; and
 - explain what a credit score is.
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Time Required

60-75 minutes

Materials

- PowerPoint slide deck for "It's Your Paycheck! Lesson 6: Credit History, Credit Reports, and Credit Scores"
 - Handouts 6.1, 6.2, 6.4, and 6.5, one copy of each for each student
 - Handout 6.3, one copy for each student (optional)
 - Handout 6.5 Scoring Rubric, one copy for the teacher
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Procedure

1. Display Slide 1 and ask the following question:
 - How would you obtain goods or services if you did not have any money? (*Answers will vary but may include borrowing from family or friends, saving, or using a credit card.*)
 2. Explain that in today's lesson students will analyze the advantages and disadvantages of using **credit** and possible future effects of using credit.
 3. Distribute *Handout 6.1: Facts About Credit* to each student. Divide the class into student pairs. Instruct the pairs to work together to read the handout and answer the questions at the bottom. Discuss the following:
 - a. What is credit? (*Credit is the granting of money or something else of value in exchange for a promise of future repayment.*)
 - b. What are some advantages of using credit? (*Buying and using things now while paying for them in the future; buying more expensive items you could not afford to pay for all at once; in the case of credit cards: convenience, not having to carry cash, being able to pay for things in an emergency, having your expenditures tracked, being able to spend in an emergency, and possibly receiving perks from your credit card company [e.g., cash back or travel rewards]*)
 - c. What are some disadvantages of using credit? (*Spending money you don't have; ease of overextending yourself and buying more than you can afford; regarding loans—and credit cards if you do not pay the full balance each month—you are charged interest on the balance owed, paying more than you would if you paid cash; having a greater likelihood of identity theft; and if you use credit poorly, the inability to get future credit or the loss of opportunities*)
 - d. What is a **credit card**? (*A credit card is a convenient form of borrowing with a revolving line of credit. This means that the card can be used repeatedly to buy products or services, up to a specific dollar amount called a credit limit.*)
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- e. What is **credit history**? (*Credit history is a report of a person's payment activity over a period of time. A person's credit history is listed in a credit report.*)
 - f. Why is it important to maintain a good credit history? (*A good credit history makes it easier for you to obtain credit in the future. Generally, those with a good credit history are able to pay lower interest rates for credit. Also, your credit history can affect your ability to rent a house or an apartment or get a job.*)
 - g. How do **creditors** determine a person's credit history? (*Creditors pay a fee to one of the three credit bureaus to receive that person's credit report.*)
 - h. What are the three credit bureaus? (*Experian, TransUnion, and Equifax*)
 - i. How can you check your **credit reports**? (*You can request a free copy of your credit report from each credit bureau annually.*)
 - j. Why is it a good idea to check your credit reports each year? (*To correct errors and to identify any fraudulent activities*)
4. Display Slide 2 and distribute a copy of *Handout 6.2: Credit Costs* to each student. Have a student read the paragraph. Display Slides 3-4 and discuss the following:
- What **interest rate** was Katarina charged for using the credit card? (*21 percent*)
 - Point out that an interest rate is the percentage of the amount of a loan that is charged for the loan.
 - Once Katarina pays off the laptop, how much **interest** will she have paid? (*\$197.00 [$\$697.00 - \$500.00 = \197.00]*)
 - What could Katarina have done to reduce the amount of interest she paid? (*Answers will vary but may include that she could have paid more than the minimum payment each month or obtained a lower interest rate.*)
 - Point out that if Katarina had paid only \$10 more each month, she would have made only 31 payments and would have spent only \$605 for the \$500 laptop.
 - How might missing a payment affect Katarina's ability to get credit in the future? (*Creditors look at credit history, so not paying bills on time could negatively affect Katarina's ability to get credit in the future.*)
5. Display Slides 5-8. Distribute a copy of *Handout 6.3: Consumer Credit Report* to each student if desired. Discuss the following:
- Section A of the credit report contains information about the consumer, including name, address, and employment.
 - Section B contains information about each credit account in the consumer's name, including the name of each creditor. A creditor is a person, financial institution, or business that lends money.

- What are the credit accounts recorded on Mikhail's credit report? (*Monster Music, Our Town Bank, and Sallie Mae*)
 - There are circles, squares, and triangles under each account. A solid triangle (▲) indicates a payment at least 30 days late. Two years ago Mikhail was at least 30 days late with his February and March payments for Monster Music.
 - What does an open circle (○) indicate? (*Current*)
 - What does an open square (□) indicate? (*Not applicable*)
 - Notice that all of the squares are blank under the Sallie Mae loan; it is a student loan, and Mikhail does not have to start repaying it until he finishes school.
 - What does a solid circle (●) indicate? (*A payment at least 60 days late*)
 - Has Mikhail been 60 days late with any payments? (*No*)
 - What does a solid square (■) indicate? (*A payment at least 90 days late*)
 - Notice that Mikhail has not been 90 days late with any payments either.
 - Section C contains a list of publicly available information about legal matters affecting the consumer's credit. There is nothing listed here in Mikhail's report. If he had filed for bankruptcy, that information would have appeared in section C.
 - Section D contains a list of creditors that have inquired about the consumer's credit history. Creditors inquire about a consumer's credit history before granting the consumer credit. Mikhail's creditors are listed in this section.
 - A landlord will inquire about a consumer's credit before renting that consumer an apartment or house. This inquiry would appear here, too.
 - An insurance company might inquire about a person's credit history before issuing a policy.
 - An employer may inquire about a potential employee's credit history. This inquiry would appear on the report as well.
 - It is also possible to see a creditor listed that did not grant credit but reviewed the credit report.
6. Display Slide 9 and explain that a **credit score** is a number based on information in a credit report that indicates a person's credit risk. Show students the video, *Understanding How a FICO Credit Score is Determined*, at <https://www.stlouisfed.org/education/continuing-education-video-series/episode-1-understanding-how-a-fico-credit-score-is-determined>.
7. Remind students that even though they are young, they should be concerned about their individual credit histories. Distribute a copy of *Handout 6.4: Keys to Establishing and Maintaining Credit (and Saving Money)* to each student. Use Slides 10-14 to discuss the following key principles and steps to establishing and maintaining a good credit history:

- **Establish a credit history.**
 - For example, open a bank account or purchase a cell phone contract.
- **Pay *all* your bills on time each month.**
 - Payments 30 days or more late will be noted on your credit reports.
 - You will avoid expensive late fees if you pay your bills on time.
- **Pay all your bills in full each month.**
 - The less you owe, the better your credit history will look to potential creditors.
 - You will avoid interest charges if you pay all your bills in full each month.
- **Don't open too many credit card accounts.**
 - Every credit card account you have appears on your credit reports.
 - Even if you don't use a credit account that appears on your credit reports, creditors will consider how much you could potentially spend if you used all of your accounts.
- **Monitor your credit card usage.**
 - Check your monthly credit card statements to make sure that you have not been charged for something you did not purchase. If you have, call the credit card company immediately. Your credit card—or at least your account number—may have been stolen.
 - Evaluate the interest you are charged each month (if you do not pay your credit cards in full each month) and create a plan so that you can pay down your debt and then pay off your cards in full each month.
- **Check your credit reports each year.**
 - Request a free copy of your credit report from each of the three credit bureaus annually.
 - Clear up any inaccuracies on your credit reports.
- **A good credit report is the key to a good credit score.**
- **Understand what a good credit score means for you.**
 - You will qualify for lower interest rates when purchasing large items such as a car or a house.
 - You will have lower insurance rates.

Closure

8. Use Slides 15-23 to review the key points of the lesson by discussing the following:
- What is credit? (*Credit is the granting of money or something else of value in exchange for a promise of future repayment.*)
 - Who are creditors? (*Creditors are people, financial institutions, or businesses that lend money.*)
 - What is interest? (*Interest is the price of using someone else's money; it is the price of credit.*)
 - What is an interest rate? (*An interest rate is the percentage of the amount of a loan that is charged for a loan.*)
 - What are some of the advantages of using credit? (*Answers will vary but should include the following: convenience, buying and using things now while paying for them later, buying more expensive items you couldn't afford to pay for all at once, not having to carry cash, being able to pay for things in an emergency, having your expenditures tracked, and possibly receiving perks from the credit card company [e.g., cash back or travel rewards].*)
 - What are some of the disadvantages of using credit? (*Answers will vary but should include the following: spending money you don't have; ease of overextending yourself and buying more than you can afford; if you do not pay your bill in full each month, paying more than you would if you paid cash; having a greater likelihood of identity theft; and if you use credit poorly, the inability to get future credit or the loss of opportunities.*)
 - Why is it best to pay your credit card balance in full every month? (*The less you owe, the better your credit history will look to potential creditors. You will avoid paying large amounts of interest.*)
 - If you can't pay the entire balance each month, what should you do? (*You should make the largest payment possible to avoid larger interest payments.*)
 - What is a credit history? (*A credit history is a record of a person's payment activity or behavior over a period of time.*)
 - Why is it important to establish and maintain a good credit history? (*Your credit history affects many aspects of your life. A poor credit history results in higher interest and difficulty obtaining credit in the future. It can also prevent you from renting an apartment or even getting a job.*)
 - What is a credit report? (*A credit report is a loan and bill payment history kept by a credit bureau.*)
 - How are credit reports used by financial institutions and other potential creditors? (*They review credit reports of potential borrowers to determine the likelihood that a future debt will be repaid and may or may not grant credit.*)
 - What is a credit bureau? (*A credit bureau is an organization that compiles credit information on individuals and makes it available to businesses for a fee.*)

- What are the three credit bureaus? (*Equifax, Experian, and TransUnion*)
 - What is a credit score? (*A credit score is a number based on information in a credit report that indicates a person's credit risk.*)
 - How can you establish and maintain good credit? (*You can establish a credit history, pay your bills on time and in full, not open too many credit card accounts, monitor credit card usage, and check your credit report.*)
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Assessment

9. Distribute a copy *Handout 6.5: Credit Assessment* to each student. Review the directions and allow time for students to work. Use *Handout 6.5 Credit Assessment—Scoring Rubric* to review students' work.

Handout 6.1: Facts About Credit (page 1 of 3)

Directions: Read the handout and answer the questions that follow.

Credit is the granting of money or something else of value in exchange for a promise of future repayment. Credit is not free. People pay a price for using credit—interest. Interest is the price of using credit—that is, the price of using someone else's money. Interest is an expense for the borrower and income for the lender. Usually, borrowers pay a given interest rate—that is, the percent of the amount of the loan that will be charged as interest. In addition to paying interest, borrowers may also pay fees for using credit. Fees may be charged to service and maintain credit accounts and if a loan payment is late.

There are advantages and disadvantages of using all types of credit. As stated, one advantage of credit is the opportunity to buy and use things now while paying for them later. In addition, you can buy things you might not be able to afford if you had to pay for them all at once—for example, a car or a house. In the case of credit cards, advantages include convenience, not having to carry cash, being able to pay for things in an emergency, ease of tracking your expenses, and possibly receiving perks from your credit card company, such as cash back or travel rewards. Disadvantages of credit include spending money you don't have; the ease of overextending and buying more than you can realistically afford; giving up things in the future to pay for things you bought in the past; and if you don't pay your bills in full each month, paying more for things than you would if you paid cash. If you pay off your credit cards each month, you don't have to pay interest; but if you don't, the interest charges are fairly high. When you use credit cards, it can be easier for someone to steal your identity.

Credit cards are a frequently used type of credit. They represent an agreement between a lender—the institution issuing the card—and the cardholder. A credit card offers a convenient form of borrowing with a revolving line of credit. This means that the card can be used repeatedly to buy products and services up to a specific dollar amount called a credit limit. The credit card company determines the credit limit based on a credit card holder's credit history. Credit card holders must pay a minimum amount of the card balance each month to avoid fees.

Banks, credit unions, savings and loans, retail stores, and other businesses issue credit cards. You may have even received an application for a credit card. It is common for students graduating from high school or starting college to receive credit card applications in the mail. It is important to understand some basic information about using credit cards and credit in general so that you use credit wisely and maintain a strong credit history. A credit history is a report of a person's payment activity over a period of time.

A person's credit history is listed in a credit report. A credit report is similar to a school transcript. Your school transcript is a report that shows whether you completed high school, college, and so forth and how well you performed. Your education and your performance could affect your ability to move into other programs or jobs. Similarly, throughout your life a credit report will record your credit history and will be even more important than your school transcript.

Handout 6.2: Credit Costs

Katarina Smavern is 18 and wants a new laptop that costs \$500. She doesn't have that much money saved. Her friend tells her, though, about a credit card promotion at a local electronics store. Katarina heads to the store and opens an account; she can buy the laptop and take it home with her that day. She is so excited that she doesn't give much thought to the 21 percent interest rate. "I have a job now," she thinks to herself, "So I'll be able to pay this off in no time. The interest rate doesn't really matter because the minimum monthly payment isn't very much." Katarina buys the laptop, takes it home, and pays only the minimum payment due each month.

Credit card summary for laptop purchased on January 24, 20xx	
Month 1	
Initial credit card balance	\$500.00
Minimum payment due	-\$25.00*
Interest charged (grace period)	0
Month 2	
Credit card balance	\$475.00
Minimum payment due	-\$23.75*
Interest charged: $21\% \times (\$475/12) =$	+\$8.31
Month 3	
Credit card balance	\$459.56
Minimum payment due	-\$22.98*
Interest charged: $21\% \times (\$459.56/12) =$	+\$8.04
3-month overview	
Credit card balance at the end of three months	\$444.62
Amount repaid: $\$25.00 + \$23.75 + \$22.98 =$	\$71.73
Amount by which debt was reduced: $\$500.00 - \$444.62 =$	\$55.38
Amount paid to credit card company in interest charges: $\$8.31 + \$8.04 =$	\$16.35
*As the balance owed on the credit card changes, the minimum monthly payment changes. In this case, the balance is becoming slightly smaller, so the minimum monthly payment is slightly less.	

If Katarina continues to make only the minimum monthly payments, she will have to make 52 payments and spend \$697.

Handout 6.3: Consumer Credit Report

A	Consumer Information				Date of Report: 2/3/20xx									
	Name: Mikhail Turner		SSN: 123-45-6789		Date of Birth: 1/1/98									
	Spouse: N/A		Current Address		Previous Address									
	321 Any Street		Our Town, USA		123 Main Street									
			Our Town, USA											
	Employment Data													
	Employer Name: ABC Mart				Employer Name: N/A									
	Location: Our Town				Location: N/A									
	Date Hired: 1/11/16				Date Hired: N/A									
	B	Account History Information												
Monster Music		Balance: \$85.78		Pay Status: As Agreed										
Our Town, USA		High Balance: \$500.00		Loan Type: Credit card										
		Credit Limit: \$500.00		Date Opened: 1/24/16										
		Past Due: \$0												
Two-Year Payment History:		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
		<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
C		Our Town Bank		Balance: \$1,900		Pay Status: As Agreed								
	Our Town, USA		High Balance: \$4,500		Loan Type: Automobile									
			Credit Limit: N/A		Date Opened: 1/3/18									
			Past Due: \$0											
	Two-Year Payment History:		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
			<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
			<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	D	Sallie Mae		Balance: \$5,000		Pay Status: As Agreed								
		Newark, DE		High Balance: \$5,000		Loan Type: Educational								
		Credit Limit: N/A		Date Opened: 4/5/18										
		Past Due: N/A												
Two-Year Payment History:		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Public Record Information														
None														
Inquiry Information														
Creditor Name		Date of Inquiry		Credit Bureau										
Sallie Mae		8/5/19		TransUnion										
Monster Music		1/24/17		Experian										
Our Town Bank		1/3/19		Equifax										

Not Applicable Current 30 days late 60 days late 90 days late

Handout 6.4: Keys to Establishing and Maintaining Credit (and Saving Money)

- **Establish a credit history.**
 - For example, open a bank account or purchase a cell phone contract.
- **Pay *all* your bills on time each month.**
 - Payments 30 days or more late will be noted on your credit reports.
 - You will avoid expensive late fees if you pay your bills on time.
- **Pay all your bills in full each month.**
 - The less you owe, the better your credit history will look to potential creditors.
 - You will avoid interest charges if you pay all your bills in full each month.
- **Don't open too many credit card accounts.**
 - Every credit card account you have appears on your credit reports.
 - Even if you don't use a credit account that appears on your credit reports, creditors will consider how much you could potentially spend if you used all of your accounts.
- **Monitor your credit card usage.**
 - Check your monthly credit card statements to make sure that you have not been charged for something you did not purchase. If you have, call the credit card company immediately. Your credit card—or at least your account number—may have been stolen.
 - Evaluate the interest you are charged each month (if you do not pay your credit cards in full each month) and create a plan so that you can pay down your debt and then pay off your cards in full each month.
- **Check your credit reports each year.**
 - Request a free copy of your credit report from each of the three credit bureaus annually.
 - Clear up any inaccuracies on your credit reports.
- **A good credit report is the key to a good credit score.**
- **Understand what a good credit score means for you.**
 - You will qualify for lower interest rates when purchasing large items such as a car or a house.
 - You will have lower insurance rates.

Handout 6.5: Credit Assessment

Directions: Read the following paragraph and write an essay addressing

- the advantages and disadvantages of using credit cards,
- why a credit card isn't "free money,"
- the importance of reviewing your credit reports annually, and
- how to establish and maintain good credit.

Your friend Todd is a college student. Last week when Todd was at the mall, a credit card company was distributing credit card applications. Everyone who completed an application received a T-shirt and a Frisbee. Todd completed the credit card application and collected the freebies. He is excited because he thinks that he will have "free money"—that he'll be able to buy whatever he wants whenever he wants and won't have to worry about paying for it right away. Todd's roommate told Todd to get a copy of his credit reports and review them. Todd doesn't know what a credit report is. He comments to you, "I'm already getting credit. Why do I need to look at some reports?"

Handout 6.5: Credit Assessment—Scoring Rubric

	Below Basic	Basic	Proficient	Advanced
Advantages of credit	One advantage noted	Two advantages noted	Three advantages noted with some explanation	Three or more advantages noted with thorough explanations and relevant examples
<i>Advantages: convenience, buying and using things now while paying for them later, buying more expensive items you could not afford to pay for all at once, not having to carry cash, being able to pay for things in an emergency, having your expenditures tracked, being able to spend in an emergency, and possibly receiving perks from the credit card company (e.g., cash back or travel rewards)</i>				
Disadvantages of credit	One disadvantage noted	Two disadvantages noted	Three disadvantages noted with some explanation	Three or more disadvantages noted with thorough explanations and relevant examples
<i>Disadvantages: spending money you don't have; ease of overextending yourself and buying more than you can afford; if you do not pay in full each month, paying more than you would if you paid cash; having a greater likelihood of identity theft; and if you use credit poorly, the inability to get future credit or the loss of opportunities</i>				
Why a credit card isn't "free money"	One cost of credit noted	Two costs of credit noted	Three costs of credit noted with some explanation	Three costs of credit noted with thorough explanations and relevant examples
<i>Costs of credit: interest payments, fees, and the inability to buy something in the future</i>				
Importance of reviewing your credit report	The purpose of a credit report noted	One reason for maintaining a good credit report noted	Two reasons for maintaining a good credit report noted with rationale of their importance	Two or more reasons for maintaining a good credit report noted and explanation of the need to check your credit report annually
<i>Importance of reviewing your credit report: A credit report shows your payment history. A bad credit report could prevent you from getting future credit, renting an apartment, or getting a job. Errors can occur on a credit report, so it is important to check for errors and have them corrected. You can flag or prevent identity theft by looking at your credit report. You can see how much total credit you have open on your credit report. An annual check of your credit report can help you maintain a good credit report (and you have a good payment history).</i>				
How to establish and maintain good credit	One tool/tip noted	Two tools/tips noted	Three tools/tips noted with some explanation	Three or more tools/tips noted with thorough explanations and relevant examples
<i>How to establish and maintain good credit: Establish credit by opening a bank account or purchasing a cell phone contract, and pay your phone bill on time and in full. Establish and maintain credit by paying all of your bills on time and in full because late payments will be noted on a credit report, and late or partial payments may result in added fees. Don't open too many credit cards, because every account you open will appear on your credit report. Even if you don't use an account, it appears that you have access to a certain amount of credit. Lenders and others will take the potential access into account. Monitor your credit card usage. Check online to make sure that only purchases that you actually made appear on your account, and make sure that any returns and payments are accounted for accurately. Credit card companies make mistakes, so by monitoring your accounts, you protect yourself from errors. It will also help you protect against fraud. You'll note when there is something on the account that you didn't purchase and can report it as potential fraud. Review your credit reports—all three of them—annually. Make sure the information on them is accurate and that no accounts have been opened of which you were not aware. In addition to helping you maintain good credit, this helps you protect yourself from fraud.</i>				

Standards and Benchmarks

National Standards for Personal Financial Education

Standard V. Managing Credit

- **Benchmarks: Grade 4**
 1. Interest is the price a borrower pays for using someone else's money, and the income earned by the lender.
 2. When a person pays with credit, they have immediate use of purchased goods or services while agreeing to repay the lender in the future with interest.
 3. Lenders are more likely to approve borrowers who do not have a lot of other debt and who have a history of paying back loans as promised.
- **Benchmarks: Grade 8**
 1. Interest rates and fees vary by type of lender, type of credit, and market conditions.
 3. The longer a loan repayment period and the higher the interest rate, the larger the total amount of interest paid by a borrower.
 5. Lenders charge different interest rates based on borrower risk of nonpayment, which is commonly evaluated using information in the borrower's credit report.
 7. Borrowing increases debt and can negatively affect a person's finances.
- **Benchmarks: Grade 12**
 7. Lenders assess creditworthiness of potential borrowers by consulting credit reports compiled by credit bureaus.
 8. A credit score is a numeric rating that assesses a person's credit risk based on information in their credit report.
 9. Credit reports and credit scores may be requested and used by entities other than lenders.