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Credit – Lesson – Credit Scores

Instructor Instructions

Welcome to Wells Fargo's Hands on Banking® Program!

The Hands on Banking® program is an easy and enjoyable way to teach and learn the essentials of financial education. Whether it's opening a checking account, paying for college, buying a home, or starting a small business, the *Hands on Banking* program provides real-world skills and knowledge everyone can use.

Using the Instructor Guides

These instructor guides can be used to present financial education to your audience. Additional resources are available at <https://handsonbanking.org>. We encourage you to review these materials prior to presenting. Doing so will allow you to present the materials more effectively and confidently.

Each Instructor Guide Includes:

The lesson includes:

- Lesson Overview
- Learning Objectives
- Starting a discussion questions
- The basics
- Tips
- Activities (Instructor and Participant copies)
- Lesson Summary

Printing Instructions

Please print one copy of the Instructor information and multiple copies of the Participant information located at the end of this instructor guide.

How to Access the Online Program

The Hands on Banking program is available free of charge at <https://handsonbanking.org> in both [English](#) and [Spanish](#).

Thank you for sharing these valuable financial education programs with students and adults in our communities. As an instructor, your training and guidance will provide others with the knowledge and skills they need for a brighter financial future. Please contact us via email with any comments or success stories at HOBinfo@wellsfargo.com.

Lesson Overview

In this lesson, participants will learn that a credit report is a document that describes their history of borrowing money and repaying what they owe. They will learn how to obtain a credit report, how to read it, and how to correct it if there is a mistake.

Learning Objectives

After completing this lesson, participants will be able to:

- Describe how their credit scores can affect their lives and financial options
- Understand how their credit scores are determined
- Use tips and techniques to improve their credit score

Start the Discussion

To start a discussion with your participants, ask some open-ended questions. Here are some examples you could use:

- Do you know what your credit score is?
- How can you check your credit score?
- How do you know if your credit score is excellent, very good, good, or poor?
- Which is better a low credit score or no credit history at all? Why do you think that way?
- Name some ways that you have—or could—improve your credit score.

The Basics

- A credit score is numerical rating used by lenders in the loan approval decision process.
- Lenders always want to know the credit history of people who ask them for credit cards and loans. To find out, they turn to credit bureaus.
- Credit bureaus keep track of everybody's credit history information—things like how many credit cards you have and how much you owe; whether you pay your bills on time; where you work and how long you've worked there.

Activity #1 – Your Credit Score Quiz (Instructor Copy)

Instructor Note

Give your participants five to ten minutes to complete the quiz. When they are finished, give them their Hands on Banking credit score:

1 to 2 correct: 612

3 to 4 correct: 701

5 correct: 780

1. Lenders always want to know the _____ of people who ask them for credit cards and loans.
 - a. **Credit history.**
 - b. Employer's address.
 - c. Social security number.
 - d. Ring size.

2. How do lenders find your credit history?
 - a. From bank records.
 - b. From employer records.
 - c. **From credit bureaus.**
 - d. From the IRS.

3. What are the three largest credit bureaus in the United States?
 1. Equifax
 2. Experian
 3. TransUnion

4. In addition to your credit history, almost all lenders look at your:
 - a. Credit line.
 - b. Credit cards.
 - c. Credit intentions.
 - d. **Credit score.**

5. A credit score indicates:
 - a. How many credit cards you have.
 - b. **How reliable you are at paying back your debts.**
 - c. How often you are late per month.
 - d. How many times you've changed jobs.

After participants finish the quiz, lead a discussion about credit scores and provide specific information.

Your Credit Score (Instructor Copy)

Instructor Note

After the quiz, discuss these key points with your participants.

Credit history

- Lenders always want to know the credit history of people who ask them for credit cards and loans. To find out, they turn to credit bureaus.
- The three largest credit bureaus in the United States are:
 - Equifax
 - Experian
 - TransUnion
- Credit bureaus keep track of everybody's credit history information—things like how many credit cards you have and how much you owe; whether you pay your bills on time; where you work and how long you've worked there.

Credit score

- In addition to your credit history, almost all lenders look at your credit score.
- This is a number that indicates how reliable you are at paying back your debts.
- A computer program analyzes your entire credit history and generates a single number or score, usually ranging from 300 to 850.
- This score helps lenders decide if you're a good credit risk or not. The higher the score, the lower the risk.
- The higher your credit score, the better the interest rate lenders are likely to offer you—which could mean more money in your pocket!

Activity #2 – Credit Score Impact (Instructor Copy)

Instructor Note

Instruct your participants to read each factor and decide whether or not it can affect their credit score. When they finish, discuss each statement and discuss other factors your participants may have come up with.

Instructions

Have participants read through all the factors that can affect their credit score. Have them decide which factors can and cannot affect your credit score. Instruct them to place a check mark next to the factors that CAN affect their credit score.

Factor in Determining Your Credit Score?

Factors	Yes or No?
Your ability to get a credit card	YES
Your ability to purchase a home	YES
Your interest rate on your savings account	
Whether a landlord will rent you an apartment	YES
Whether you'll be charged a fee if you pay your bills late	
The interest rate lenders are likely to offer you	YES
The amount of your insurance premiums	YES
Whether you're allowed to participate in a company retirement plan	
Your ability to borrow money	YES
Whether you can get service from utility companies	YES

Activity #3 – Improve Your Credit Score (Instructor Copy)

Instructor Note

Instruct your participants to read each action and decide whether it will improve or lower their credit score. When they finish, discuss each statement.

Instructions

Have participants read each action and decide whether it improves or lowers their credit score. Instruct them to write “Improve” or “Lower” in the right hand column.

How Do Your Actions Affect Your Credit Score?

Your Actions	Improve or Lower Your Score?
Have a very brief credit history	Lower
Consistently pay your bills on time	Improve
Keep credit cards balances that are 70% or less of your spending limit	Improve
Apply for new credit cards frequently, whether you need them or not	Lower
Only apply for and open new credit accounts when you need them	Improve
Have high income relative to how much you owe	Improve
Exceed your credit card spending limit	Lower
Pay some bills late	Lower
Have a good credit history for a long period of time	Improve
Have a mix of revolving credit (e.g., credit cards) and installment credit (e.g., a car loan)	Improve
Have credit cards balances near your maximum spending limit	Lower

TIP!

If you never use credit cards, you're not establishing a credit history. To improve your scores, it's actually better to use credit cards in moderation, keep your balances low, and pay on time.

Lesson Summary

Instructor Note

Summarize this lesson by reviewing these key points with your participants.

Key points from the Your Credit Report lesson:

- A credit score is numerical rating used by lenders in the loan approval decision process.
- Lenders almost always want to know the credit history of people who ask them for credit cards and loans. To find out, they turn to credit bureaus.
- Credit bureaus keep track of everybody's credit history information—things like how many credit cards you have and how much you owe; whether you pay your bills on time; where you work and how long you've worked there.

Instructor Note

At this point in the class, consider using these recommended Topics like Credit Cards, What is Credit? and Your Credit Report as a discussion resource or a takeaway for your participants. You can find them and other Topics on <https://handsonbanking.org>.

PARTICIPANT HANDOUT

Activity #1 – Your Credit Score Quiz

Instructions

Complete the following quiz. Then, see how well you did and reveal your Credit Score Quiz Score!

1. Lenders always want to know the _____ of people who ask them for credit cards and loans.
 - a. Credit history.
 - b. Employer's address.
 - c. Social security number.
 - d. Ring size.

2. How do lenders find your credit history?
 - a. From bank records.
 - b. From employer records.
 - c. From credit bureaus.
 - d. From the IRS.

3. What are the three largest credit bureaus in the United States?
 1. _____
 2. _____
 3. _____

4. In addition to your credit history, almost all lenders look at your:
 - a. Credit line.
 - b. Credit cards.
 - c. Credit intentions.
 - d. Credit score.

5. A credit score indicates:
 - a. How many credit cards you have.
 - b. How reliable you are at paying back your debts.
 - c. How often you are late per month.
 - d. How many times you've changed jobs.

PARTICIPANT HANDOUT

Activity #2 – Credit Score Impact

Instructions

Read through all the factors that can affect your credit score. Decide which factors can and cannot affect your credit score. Place a check mark next to the factors that CAN affect your credit score.

Factor in Determining Your Credit Score?

Factors	Yes or No?
Your ability to get a credit card	
Your ability to purchase a home	
Your interest rate on your savings account	
Whether a landlord will rent you an apartment	
Whether you'll be charged a fee if you pay your bills late	
The interest rate lenders are likely to offer you	
The amount of your insurance premiums	
Whether you're allowed to participate in a company retirement plan	
Your ability to borrow money	
Whether you can get service from utility companies	

PARTICIPANT HANDOUT

Activity #3 – Improve Your Credit Score

Different formulas are used to calculate credit scores, but some of the actions on this list will improve your score and some will lower it.

Instructions

Read each action and decide whether it improves or lowers your credit score. Write “Improve” or “Lower” in the right hand column.

How Do Your Actions Affect Your Credit Score?

Your Actions	Improve or Lower Your Score?
Have a very brief credit history	
Consistently pay your bills on time	
Keep credit cards balances that are 70% or less of your spending limit	
Apply for new credit cards frequently, whether you need them or not	
Only apply for and open new credit accounts when you need them	
Have high income relative to how much you owe	
Exceed your credit card spending limit	
Pay some bills late	
Have a good credit history for a long period of time	
Have a mix of revolving credit (e.g., credit cards) and installment credit (e.g., a car loan)	
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TIP!

If you never use credit cards, you're not establishing a credit history. To improve your scores, it's actually better to use credit cards in moderation, keep your balances low, and pay on time.