Report Check Math

Use credit report numbers to understand lending information.

GRADE 6 · TEKS 6.14.F

6.14.F "describe the value of credit reports to borrowers and to lenders;"

NAME ____________________ DATE ____________

READ THE REPORT

A credit report can list account balances, credit limits, and payment history. To find a percent, divide the part by the whole, then multiply by 100%. Lenders use report information to help evaluate lending risk, and borrowers can check reports for possible mistakes.

WORKED EXAMPLE

A credit report shows a balance of $480 and a credit limit of $1,600. What is the credit utilization?

1. Utilization = balance / credit limit x 100%
2. 480 / 1,600 = 3 / 10
3. 3 / 10 x 100% = 30%

Answer: 30%

PRACTICE

6 problems

1 A credit report shows a balance of $126 and a credit limit of $630. What is the credit utilization?

ANSWER ____________________

2 A credit report shows a balance of $352 and a credit limit of $880. What is the credit utilization?

ANSWER ____________________

3 A report lists 21 on-time payments out of 28 total payments. What percent of the payments were on time?

ANSWER ____________________

4 A report lists a $108 balance and a $720 credit limit. What is the credit utilization?

ANSWER ____________________

5 A lender sees that an applicant made 19 of 20 payments on time. What percent were on time, and why is this information valuable to the lender?

ANSWER ____________________

6 A borrower finds an account in a credit report that they never opened. What should the borrower do, and why is the report useful?

ANSWER ____________________

APPLY IT Show your work

1 Jordan hopes to use a phone payment plan when older. A credit report shows a $350 balance on an account with a $1,400 credit limit. What utilization does a lender see on this account, and how can this information help the lender?

WORK SPACE

ANSWER ______________________

2 Rosa checks a credit report before applying for a bike shop payment plan in the future. The report says she owes $540 on an account, but her payment records show the account was paid in full and should show $0. By how much does the report overstate her debt, and what should Rosa do?

WORK SPACE

ANSWER ______________________

CHALLENGE One step up

A lender looks at two revolving accounts. Account A has a $210 balance and a $1,050 limit. Account B has a $285 balance and a $950 limit. Find the combined credit utilization. Then explain why averaging the two account percentages would not give the exact combined utilization.

WORK SPACE AND ANSWER

Report Check Math

PART 1 · PRACTICE

#	PROBLEM	ANSWER
1	A credit report shows a balance of $126 and a credit limit of $630. What is the credit utilization?	**20%**
2	A credit report shows a balance of $352 and a credit limit of $880. What is the credit utilization?	**40%**
3	A report lists 21 on-time payments out of 28 total payments. What percent of the payments were on time?	**75%**
4	A report lists a $108 balance and a $720 credit limit. What is the credit utilization?	**15%**
5	A lender sees that an applicant made 19 of 20 payments on time. What percent were on time, and why is this information valuable to the lender?	**95%; it gives the lender information about the applicant's payment history when considering lending risk.**
6	A borrower finds an account in a credit report that they never opened. What should the borrower do, and why is the report useful?	**Contact the credit bureau or lender to dispute the account, because checking the report can help find and correct possible errors or fraud.**

PART 2 · APPLY IT

1. **25%; it shows the lender how much of that account's available credit is being used.** Divide 350 by 1,400 to get 1/4, or 25%. The lender can use the reported balance and limit as one part of its lending decision.
2. **$540; she should dispute the error with the credit bureau or lender.** Subtract $0 from $540 to find that the reported debt is too high by $540. A borrower can use a credit report to spot and seek correction of an error.

CHALLENGE

24.75%; the combined balance is $495 and the combined limit is $2,000, so 495 / 2,000 x 100% = 24.75%. Averaging the account percentages gives 25%, but the accounts have different credit limits.

Accept equivalent fraction, decimal, and percent forms when they are mathematically correct. For explanation responses, accept language that states lenders use report information to assess lending risk and borrowers use reports to find possible errors or fraud.