

Credit Reports & Credit Scores

- ✓ **Understanding reports and scores**
- ✓ **Correcting errors**
- ✓ **Obtaining a free report**

What goes into your credit report... and who uses it?

What is a credit report?

A credit report is a summary of your financial reliability—for the most part, your history of paying debts and other bills. It is prepared by credit bureaus (also known as credit reporting agencies) primarily for use by lenders, employers and others who, under federal law, have a legitimate need for the information, such as when you apply for a loan, insurance policy, apartment or job. The wealth of information gathered by credit bureaus, coupled with the speed of today's computer systems, explains why consumers can quickly get loans and other services.

What is in my credit report?

In general, your credit report has four parts:

- ✔ **Identifying information.**
- ✔ **Public record information...**gathered from local courthouses used to determine if you have previous defaults or legal judgments against you.
- ✔ **Credit history information...**such as a list of your credit cards and loans, and whether payments were on time.
- ✔ **Inquiries...**a section that lists the creditors or other parties that have requested your credit report.

How do credit bureaus get their information?

Lenders voluntarily supply the information to credit bureaus on an ongoing basis; no federal laws require companies to submit the data. Having access to current and reliable

information about you helps lenders make informed decisions and offer you financial products and services more quickly.

How can I get a copy of my report?

Typically, there is *no single credit report*. Most likely, each of the three major credit bureaus that operate nationwide—Equifax, Experian and TransUnion—has a credit report on you. And because the credit bureaus may have different information and findings, many experts advise you to obtain your report from each.

The Fair and Accurate Credit Transactions Act (FACT Act) enables you to obtain a free copy of your credit report once a year from each of the three major credit bureaus (Equifax, Experian and TransUnion).

www.annualcreditreport.com

How often should I get my credit report?

Many financial advisors suggest that you review your credit report once a year. It's especially important to review your credit report before making a major purchase so you can correct an error before it slows down your credit approval or prevents you from getting the best possible loan terms.

What kinds of problems could I encounter?

While federal law requires lenders and other companies providing information to credit bureaus to give accurate information, mistakes do happen. So, when you look at your report:

- ✔ **Make sure it accurately reflects how you have paid your bills.** If you always pay your

credit card and other loans on time, but your credit report erroneously shows late payments, you'll want to correct that immediately.

- ✔ **Verify that all the accounts listed are yours**, especially if you have a common name or you share a name with a relative (such as John Doe, Jr.). You also want to be careful that an identity thief hasn't opened new accounts in your name to commit financial fraud.
- ✔ **Look for accounts you don't use** and may have forgotten. You may be able to raise your credit score by closing unnecessary credit card accounts.

How do I correct wrong or incomplete information in my credit report?

- ✔ **Immediately tell the credit bureau, in writing.** Federal law requires credit bureaus to investigate your complaint (generally within 30 days), send you a prompt response and correct any errors.
- ✔ **Identify each item in your credit report that you dispute.** State the facts and request a correction. The law also requires the source of inaccurate information to correct the record at the credit bureaus.
- ✔ **Send your letter by certified mail.** Contact the company that provided the inaccurate or incomplete information and request a correction of its records, too. If a credit bureau's investigation does not resolve your concerns, the law allows you to submit a brief statement about the matter that must be attached to your credit report and provided to anyone that accesses your report in the future.

What if I have a question or complaint involving a credit bureau?

First, try to resolve the matter with the credit bureau directly. If you are not satisfied, contact the FTC. The FTC does not resolve individual disputes, but it does provide useful information that may help consumers resolve their problems. Visit them at www.ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357).

What is a Credit Score and why is it important?

A credit score is a number calculated by a credit bureau, a lender or another company for use in making a decision on a loan application or other product or service. Many lenders use a system developed by Fair Isaac and Company called the “FICO score.” Think of credit scoring as a point system based on your credit history, designed to help predict how likely you are to repay a loan or make payments on time. Everyone with a credit record also has a credit score. Different lenders may use different scoring systems, so your score may vary significantly from one source to another.

In general, the better your credit score the better your chances are of getting a loan with an attractive interest rate. So when it comes to getting a good loan, it’s important that your credit report—the basis for your credit score—is accurate, complete and in the best shape possible.

What are the most important factors in determining my credit score?

Typically, your credit score is most influenced by two factors: how you pay your debts and how much debt you owe. Late payments on loans, a past bankruptcy, debt collections or a court judgment ordering you to pay money as a result of a lawsuit will negatively affect your credit score.

Lenders want to be sure that the debt you owe is manageable. Lenders get concerned if you have a

significant amount of debt compared to your income.

Other factors that can affect your credit score include how long you've used credit, how often you've applied for new credit and whether you've taken on new debt.

How can I get my credit scores?

Your scores, along with an explanation of how the score was derived, typically are available online for a fee. You may want to call or check the Web sites of any of the three major credit bureaus. Remember, your score may vary from one company to another.

Contact Information:

Equifax - www.equifax.com

(800) 685-1111

Experian - www.experian.com

(888) 397-3742

TransUnion - www.transunion.com

(800) 888-4213

Federal Trade Commission - www.ftc.gov

(877) 382-4357

Free Credit Reports - www.annualcreditreport.com

(877) 322-8228

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