

Credit Reports & Scores

Credit Reports

Credit reports are created and maintained by credit bureaus or credit reporting agencies. They contain information about most of your credit-related transactions. Information contained in your credit report is provided by your creditors to the credit bureaus on a regular basis. Information in your report may be used by those considering extending you credit, renting to you, hiring you for a job or providing insurance coverage. Access to your credit information is regulated under federal law. To learn more about the federal Fair Credit Reporting Act, visit the Federal Trade Commission's website at www.ftc.gov.

There are four parts to the typical credit report:

- Identifying information, including your name plus any other names you have gone by, your birth date and Social Security number, current and previous addresses, employers and positions held.
- Credit history information containing a list of your loans, credit cards and other credit accounts, including amount borrowed, balances due and a history of the timeliness of your payments. This section may also include information about collection action taken against you for late or non-payment. Credit history information may remain on your report for seven years.
- Public record information listing any legal judgments against you, defaults or bankruptcies. Public record information may remain on your report for up to 10 years.
- Inquiries showing a list of creditors or other parties that have requested your credit report. This will include creditors to whom you have applied for credit. It may also include existing creditors wishing to monitor your creditworthiness and companies interested in making you an unsolicited credit offer.

There are three major credit reporting agencies operating nationwide. It is likely that a separate credit report on you will be maintained by each of the three agencies. It is also possible that the information contained in each report may be different. The three agencies are TransUnion, Equifax and Experian.

It is recommended that you obtain a copy of your credit report from each of the three agencies at least once a year. New federal legislation included in the Fair and Accurate Credit Transactions Act (FACT Act) mandates that each agency provide you with a free copy of your report every 12 months. For more information and to request a copy of your credit report under the FACT Act, visit www.annualcreditreport.com. Learn more about FACT Act.

You may also obtain a free copy of your credit report if any information contained in your report caused you to be denied credit. Generally, you have a limited time to request a free copy of your report following notification of credit denial. The written credit denial notice should specify which credit bureau was used and what the time limit is for requesting your free report.

When you receive your credit report, review all the information carefully. Despite best intentions, mistakes can be made. In addition, review your credit report for any signs of identity theft. Your credit report will come with instructions for disputing information. It's important to look for the following:

- Are all the accounts listed yours?
- Is your payment history reported correctly? You have the right to dispute any payments shown as late if they were actually paid on time.
- Are there open accounts that you don't use? Closing unnecessary credit accounts could help raise your credit score.

If you find inaccurate information on your credit report, notify the credit bureau in writing. Generally, a form will be provided for this purpose when you receive your report. In addition, contact the company that provided the inaccurate information and request that they correct their records. Do this in writing. Send your correspondence by certified mail and always keep a copy for your records. The Fair Credit Reporting Act requires that credit bureaus investigate your complaint within a specific amount of time and respond to you in a timely manner. To learn more about the federal Fair Credit Reporting Act, visit the Federal Trade Commission's website at www.ftc.gov.

Credit Score

Credit bureaus and lenders calculate a credit score based on information contained in your credit report. The two main factors in determining your credit score are how you pay your debts and how much you owe. The purpose of a credit score is to help lenders determine the risk involved in extending you credit. The better your score, the more likely you will be granted credit at a reasonable interest rate. Credit scores can vary from one source to another since different scoring systems may be used. One of the most commonly used by lenders is a system developed by Fair Isaac and Company called the "FICO score."

You may obtain your score, along with an explanation of the system used to calculate it, from the credit bureaus online for a fee. You will also be able to obtain your score from the lender with whom you are working.