

All about credit reports



Credit reports frequently are used to help lenders quickly and objectively decide whether to grant you credit and under what terms, and information from them often is used in employment, rental housing, licensing, insurance and other specific business relationship decisions. You also can use your credit report as a personal financial planning tool to budget and plan for the future.

What is a credit report?

Your personal credit report, sometimes called a credit file or a credit history, contains details about your financial behavior as reported by your creditors, as well as identification information. There are three national credit reporting companies in the United States — Experian[®], Equifax and TransUnion — that collect and organize data about your credit history from your creditors and public records. Your credit report is available to current and prospective creditors, employers and others as permitted by law, and you also can request a copy at any time.

Why should you review your credit report?

Your credit report is an important personal financial planning tool. It is a single, easy-to-read summary of your credit accounts and total indebtedness. Getting a copy of your credit report makes it easy for you to understand what lenders see when they check your credit history. It is a good idea to review your credit report at least once a year and when you're getting ready to make a major purchase, such as a car or a new home. Taking the time to check that your credit report is accurate and complete will ensure it doesn't delay your loan approval or cause you to be charged a higher interest rate.

What does a typical credit report include?

There are five main items in your credit report:

- 1. Identification:** Your name, current and previous addresses, telephone number, reported variations of your Social Security number, date of birth, employer and your spouse's name. This information comes from your credit applications, so its accuracy depends on you filling out the forms clearly, completely and consistently each time you apply for credit.
- 2. Account history:** Specific information about each account, such as date opened, credit limit or loan amount, balance, monthly payment, payment status and payment history. This information comes from companies that do business with you.
- 3. Public records:** Bankruptcy filings, court records of tax liens and monetary judgments. This information is collected routinely from state, county and federal public court records.
- 4. Inquiries:** A record of those who have reviewed your information. These inquiries are captured by the credit reporting company as they occur.
- 5. Consumer statements:** "Statements of dispute" added by you to an account or to your credit report when you and the creditor cannot agree on the status of an account.

How often is my credit report updated?

In general, creditors forward information to the credit reporting companies monthly after payments for that billing cycle have been posted. Because billing cycles vary, account updates are received by the credit reporting companies throughout the month.

How can I get my credit report?

To obtain a copy of your credit report, you can contact any or all of the three main credit reporting companies. You should have the following information available: full name, complete current and previous mailing addresses, Social Security number and date of birth.

Under the Fair and Accurate Credit Transactions Act (FACT Act), consumers are entitled to one free credit report each year, which they can obtain by visiting www.annualcreditreport.com. There are also a number of circumstances that qualify you for a free copy of your credit report directly from the credit reporting companies:

- You certify in writing that you are unemployed and seeking employment or receive public welfare assistance.
- You believe your credit file contains inaccuracies resulting from fraud.
- Your request for credit, insurance, employment or rental housing was denied based on information in your credit report and you contact the credit reporting company that provided the information within 60 days of the denial.
- “Adverse action,” such as your interest rate being raised or credit limit being reduced, was taken against you based on information in your credit report and you contact the credit reporting company that provided the information within 60 days of the action.
- You reside in a state where laws require credit reporting companies to provide their residents with a free or discounted report each year even if they are not denied credit. Those states include Colorado, Georgia, Maine, Maryland, Massachusetts, New Jersey and Vermont.

If you already have received a free report under the FACT Act or do not meet the criteria for a free report, there is a nominal fee for additional reports. Many credit reporting companies also offer credit monitoring services, which provide you with online access to your credit report 24-7 and monitor your records for irregular account activity.

How can I correct errors on my credit report?

Variations in your identification and account errors can appear on your credit report for a variety of reasons, including you obtaining credit under different names or addresses, as well as creditors making data entry errors in the information they send to the credit reporting companies.

If you believe there is an error on your report, federal law allows you to challenge the inaccuracy to have your credit file corrected for free. You should contact the credit reporting company directly by phone or on its Website to obtain a copy of your report. You then can identify the inaccuracy and initiate the “dispute” process. The credit reporting company will check with your lender on your behalf. The lender then must verify that the information is correct as reported based on its records, update the information to accurately reflect its records, or delete the account information. This service normally is completed within 30 days.

If your lender verifies that the information in your credit report is correct, you may want to contact the lender to discuss why your payment records do not agree.