

Understanding Your Credit Report

What Is a Credit Report?

A credit report is a record of your history of credit-card debt and other loan repayment. It shows how much debt you have and if you pay on or before the due date. Credit reports are compiled by three national credit-reporting agencies often referred to as credit bureaus. These credit bureaus are Equifax, Experian and TransUnion. The typical credit report includes four types of information:

- Personal Identification Information:
 - Name
 - Social Security number
 - Date of birth
 - Present and former address
 - Present and former employer
- Trade Lines or Payment Records:
 - Type of account (bankcard, mortgage, installment, revolving, auto loan, etc.)
 - Account number
 - Date account opened
 - Credit limit and/or loan amount
 - Account balance
 - Payment history
- Public Record and Collection Items:
 - Bankruptcies
 - Foreclosures
 - Law suits
 - Wage attachments
 - Liens
 - Judgments
- Inquiries: a list of creditors who have requested your credit history within the last two years.

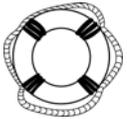
Always remember – a credit bureau is simply an agency that collects and sells payment history about you. They do NOT make lending decisions – **lenders do**. How do lenders make these decisions? They look at your credit score!

Building a Credit Record

If you have never used credit, you may have no credit history. You can establish a credit history in several ways:

- Work at a part-time or full-time job for 6 to 12 months before applying for credit.

- Open and maintain checking and savings accounts in your own name. Although these accounts aren't considered "credit," many lenders view these accounts as a sign of financial stability. Time will show that you can handle money responsibly, meet your financial obligations and establish a savings habit.
- Apply for a secured loan at a local lender, using your savings as collateral.
- Apply for an account or credit card issued by a local store. Local businesses are sometimes more willing to extend credit to someone with no credit history. Once you establish a pattern of making payments on time, major credit card issuers will be more likely to extend credit to you.
- As a last resort, ask a parent or friend to cosign a loan for you. You still need to make your payments on time because failure to do so will harm your credit as well as your cosigner.



Life Saver: *Reviewing your credit report frequently will help you identify potential identity theft or errors. Consider requesting your credit report every four months from a different credit reporting agency.*

Getting Your Credit Report

Thanks to the federal government, consumers in the United States are entitled to a free credit report each year! The Free File Disclosure Rule of the Fair and Accurate Credit Transactions act (FACT act), enables consumers to request a free copy of your credit report from each of the three national consumer reporting agencies – Equifax, Experian and TransUnion – every 12 months.

Consumers may request their free annual credit report online, by phone or mail.

- For online requests... go to the Web site www.annualcreditreport.com
- To call toll-free... press 1-877-322-8228.
- For mail-in requests, complete the Annual Credit Report Request Form (found online) and mail to

Annual Credit Report Request Service
 P.O. Box 105281
 Atlanta, GA 30348-5281

Credit reports or **credit scores** may be **purchased** at a low cost from:

Experian
www.experian.com
 1-888-EXPERIAN (397-3742)

Equifax
www.equifax.com
 1-800-525-6285

Trans-Union
www.transunion.com
 1-800-680-7289

What Information Must I Provide?

To receive your credit report, you will need to provide basic information, including:

- Name
- Address (if you have moved in the last two years, you also may have to provide your previous address)
- Social Security number
- Date of birth

To maintain the security of your file, each credit bureau will ask you for personal information that only you will know. (Examples: How much is your monthly mortgage payment? What was your high school mascot? etc.)

What if I Want to Know My Score?

If you have never checked your credit score, consider doing so to have a general idea of how you are doing. Although your credit report is free, you will have to pay a small fee to get your credit score. The fee varies per agency, but it is usually less than \$20. This option will appear when you are on the Web site, or you can mail in your fee with your credit report request.

Are There Any Other Authorized Online Sources?

NO! Despite numerous television ads promoting free credit reports, www.annualcreditreport.com is the only source of free credit reports authorized by the federal government.

Is the Web Site Secure?

YES! As the official Web site promoted by the federal government, the Web site is secure.



Red Flag: Neither the [annualcreditreport.com](http://www.annualcreditreport.com) Web site nor the individual credit reporting agencies, will call you or e-mail you to ask for personal information. If you get such a phone call or e-mail – or see a pop-up ad – it's a scam. Don't supply any information, or click any link in the message! Instead, forward any e-mail that claims to be from www.annualcreditreport.com to spam@uce.gov, the Federal Trade Commission's database of deceptive scams.

Correcting Your Credit Report

The information in most credit files is correct, but errors and omissions may occur. They may be the result of a computer malfunction or human error. For instance, if two people have similar names, credit information could mistakenly be placed in the wrong credit file.

Omissions also may occur if a creditor chooses not to report information about customers to the credit bureau. Creditors such as utilities and landlords sometimes report only delinquent debts, not timely payments.

Since omissions and errors can occur, it is a good idea to check the accuracy of your credit file periodically. This is especially important for those planning a major purchase such as a house or a car. Avoid last-minute disappointments by checking your report at least three to six months prior to making a major purchase.

If you disagree with any information in your file, the credit bureau must investigate and verify it before it can be added or removed. The process may take 60 to 90 days. To insure that the mistake gets corrected as quickly as possible, contact both the credit bureau and the company that provided the information to the credit bureau. By law, both of these parties are responsible for correcting inaccurate or incomplete information in your report under the Fair Credit Reporting act.

Steps include:

1. **Tell the credit bureau in writing what information you believe is inaccurate.** The credit bureau must investigate the items in question – usually within 30 days, unless they consider your dispute frivolous. You will want to include copies (NOT originals) of documents that support your position. In addition, your letter should:
 - Include your complete name and address.
 - Clearly identify each item you wish to dispute.
 - State the facts and explain why you are disputing this information.
 - Request deletion or correction of the items you are disputing.

You also may want to include a copy of your credit report with the item or items that you are disputing circled. Send your letter by certified mail, return-receipt requested, so you can document that the credit bureau received your correspondence. **Keep a copy of your dispute letter and all documents or receipts that you enclosed to support your case! (See sample letter 1.)**

2. **Write to the company with whom you have a dispute.** Again, include copies of documents and receipts that support your position. Again, **keep a copy of your dispute letter and all documents or receipts that you enclosed to support your case! (See sample Letter 1.)**

Note that many companies specify a special address for disputes. If the company again reports the same information to a credit bureau, it must include a notice of your dispute. Request that the company copy you on any correspondence they send to the credit bureau. Expect the process to take between 30 to 90 days.

If the credit bureau cannot solve a problem, you are entitled by law to submit a brief letter of explanation (100 words or less) stating your side. Your statement becomes a permanent part of your credit file.

Sample Letter 1

Dispute Letter (Credit Report Errors)

Date

Your Name

Your Address

Your City, State, ZIP Code

Name of Credit Reporting Agency OR Name of Company (with whom you have a dispute)

Complaint Department

Company Address

City, State, ZIP Code

Dear Sir or Madam:

I am writing to dispute information in my file. The items I am disputing are also circled on the enclosed copy of my credit report.

This information (identify specifics of dispute and name of company) is (inaccurate or incomplete) because (describe what is inaccurate or incomplete and why). I am requesting that the above mentioned be investigated and corrected (or request another specific change).

Enclosed are copies of (describe any documents you are enclosing such as payment records, court documents, receipts that support your position). I request that you thoroughly investigate, correct this matter and notify all agencies and companies involved of the results. I also request a copy of any correspondence sent on behalf of this matter.

Respectfully,

Your Name

Enclosures: (List what you are enclosing)

Keep a Good Credit Rating

To keep a good credit rating remember to always use your legal name (no nicknames) when applying for or using credit. A legal name contains the birth-given first name and a surname. There are several legal variations. The variation or form depends on your marital status and your preference. Whichever variation you choose, use it consistently!

Do not overextend your obligations nor attempt to obtain too many credit accounts at the same time. Many creditors have standards concerning the number of credit bureau file inquires that are acceptable over a given period of time. For example, more than three inquires in a 90-day period may cause denial. Having too many credit accounts may also reduce your credit score.

Once you have established a good credit record, guard it. To keep your good credit record, always:

- Read credit contracts thoroughly. Make sure you understand them, and pay back your credit obligations as agreed.
- Contact creditors immediately if you must miss a payment.
- Correct any billing errors promptly.

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