



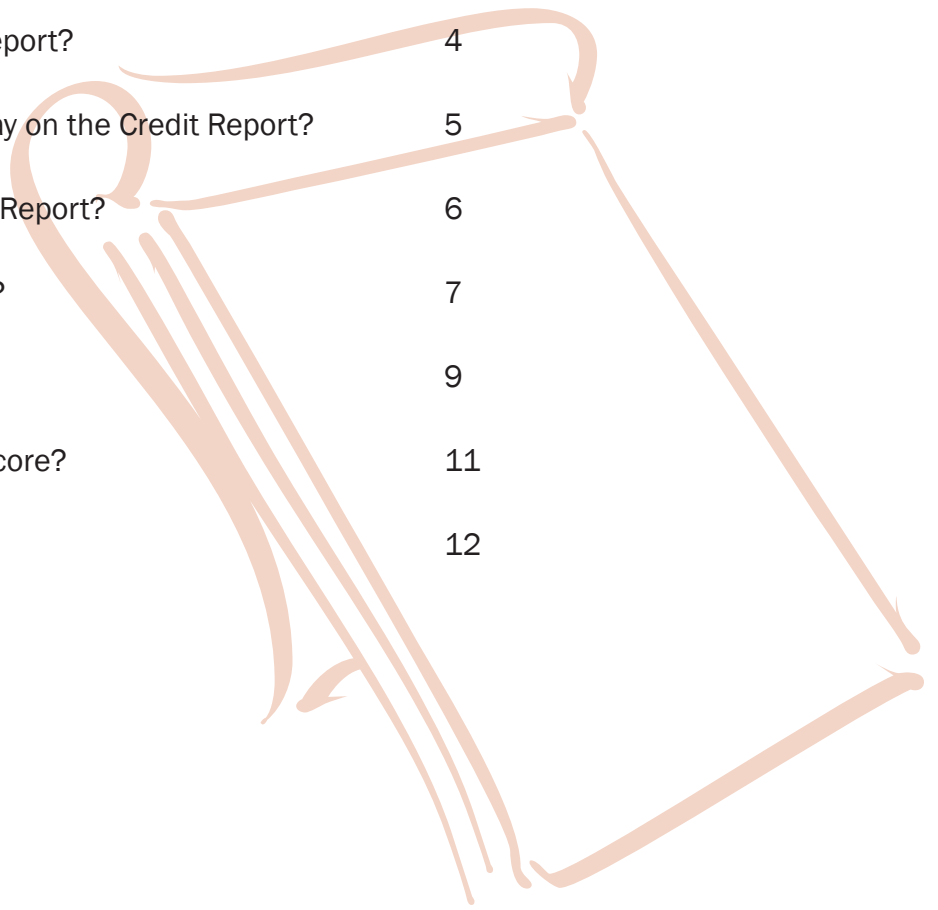
# UNDERSTANDING YOUR CREDIT REPORT



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*It is important that you understand the information on your credit report, regardless of your financial situation. This information directly impacts your ability to obtain a credit card, buy a car or home, rent an apartment, or even get a new job. Two of the best reasons for reviewing your credit report are to make sure it is accurate and to protect you from fraud or identity theft. Credit reports are not hard to understand if you know the facts, have the tools to use and, when needed, have the perseverance to resolve issues.*



## WHAT ARE MY RIGHTS?

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If you have ever applied for a credit card, a personal loan, or insurance, there is a file about you. This file contains information on where you live, how you pay your bills, and whether you have been sued, or have filed bankruptcy. Companies that gather and sell this information are called Consumer Reporting Agencies (CRAs). The most common CRA is a credit bureau. The information that CRAs sell about you to creditors, employers, insurers and other businesses is called a consumer report.

### **Fair Credit Reporting Act**

The Fair Credit Reporting Act (FCRA) is designed to promote accuracy, fairness and the privacy of information in the files of every Consumer Reporting Agency (CRA). The FCRA was first enacted in 1971, was revised in 1997 and is monitored by the Federal Trade Commission (FTC) to protect consumer rights.

You can find the complete text of the FCRA at the FTC's web site, <http://www.ftc.gov>. The FCRA gives you specific rights, but you may also have additional rights under your state's laws. Check with the attorney general in your state.

Some of your rights include:

 **You Have the Right:**  
To access your own file

At your request, the CRA must tell you everything in your report and in most cases, the sources of the information. The CRA also must give you a list of everyone who has requested your report within the past year – two years for employment-related requests.

 **You Have the Right:**  
To dispute inaccurate information

Under the law, both the CRA and the organization that provided the information to the CRA, such as a bank or credit card company, have responsibilities for correcting inaccurate or incomplete information in your report. To protect all of your rights under the law, contact both the CRA and the information provider if you have a dispute.

 **You Have the Right:**  
To have inaccurate information corrected/deleted

You have the right to dispute inaccurate and outdated information on your credit report. Your dispute should be put in writing with supporting documentation and mailed to the bureau. The credit bureau has a reasonable time (usually within 30 days) to respond to your dispute and if they find that the information in dispute is inaccurate, they must correct or delete it.

 **You Have the Right:**  
To have outdated information not be reported

In most cases, a Consumer Reporting Agency may not report negative information that is more than seven years old, and ten years for bankruptcies.

 **You Have the Right:**  
To require consent for access to your file

Access to your file is limited. The CRA can only provide information to an organization with a need to know. Organizations recognized by the FCRA include creditors, insurers, employers, landlords, or other businesses. A CRA may not provide information about you to your employer, or prospective employer, without your written consent. Also, a CRA may not report medical information about you to creditors, insurers, or employers without your consent.

 **You Have the Right:**  
To seek damages if the FCRA is violated

Under the FCRA you may sue, in either a state or a federal court, any party that violates the FCRA including a CRA, a user of information, or in some cases, a provider of information to the CRA.

## WHAT IS A CREDIT REPORT?

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A credit report is a record of data or information regarding the credit history of an individual. Credit Reporting Agencies keep and organize this information as a service to their clients.

A credit bureau is essentially a clearinghouse of consumer credit information. Credit bureaus compile information from many sources including:

- You when you apply for credit
- Creditors with whom you do business
- Public records such as divorce, death, marriage, bankruptcy, etc.

Subscribers, or users, of the information in your credit report include creditors, banks, credit unions, department stores, leasing and finance companies, insurance companies, landlords and employers. Credit bureaus provide a very clear way for users of credit information to obtain information on how you've paid your bills in the past.

In the United States, there are three major credit bureaus. They are:

<b>Experian</b> <hr/>	<b>Equifax</b> <hr/>	<b>TransUnion</b> <hr/>
PO Box 2002 Allen, TX 75013 1-888-397-3742 www.experian.com	PO Box 740241 Atlanta, GA 30374-0241 1-800-685-1111 www.equifax.com	PO Box 1000 Chester, PA 19022 1-800-916-8800 www.transunion.com

Keep in mind that providers of information to credit bureaus don't always report to all three major bureaus. So, when you review your credit report, you may want to review all three.

## WHAT IS REPORTED IN A CREDIT REPORT?

Consumer Reporting Agencies have no vested interest in any information contained in your credit report. Their main interest is to provide the most accurate information possible to their clients.

A credit report is divided into a number of sections containing specific information.

### Personal Information

Your credit report will contain personal information such as your:



- Name, former name and aliases
- Spouse's name
- Current address and former addresses
- Date of birth
- Social security number

### Credit History

The bulk of a credit report provides information on your credit history. These items include:



- The creditor name and account number
- The date the account was opened
- Your credit limit or the original balance
- Other names that are on the account
- The current balance
- Your payment pattern for the last 24 to 36 months
- Whether the account is in collections or in dispute

### Public Records

Events that are a matter of public record may appear in your credit report. These may include:



- Bankruptcies
- Foreclosures
- Tax liens
- Judgments
- Child support

### Inquiries

Credit Reporting Agencies must maintain a record of all creditors who have asked for your credit history within the past year and a record of those persons or businesses requesting your credit history for employment purposes for the past two years.

Credit reports do not contain information on your lifestyle, personal habits, social life, friends or relatives. In addition, they do not contain medical histories, civic or political activities, religious beliefs or news items.

### Why Is this Information Useful to Users?

Creditors are unlikely to grant credit to someone who has erratic employment, changes residence frequently, or who represents significant risk. A consumer with a poor payment history or with an unfavorable debt-to-income ratio represents a risky investment.

Landlords are also interested in this information because they can see your payment history and how often you move. If a prospective tenant moves around a lot and has difficulty paying bills, perhaps the tenant will move quickly and not pay his or her rent. Landlords can also see if the prospective tenant has been evicted from other locations.

Employers may reject applicants for certain positions based on credit reports because employees with unstable financial situations may constitute a risk. Those who hire people for positions that handle money like bank tellers, or positions of authority like police, may reject someone with a poor credit history because that person may be tempted to abuse his or her position. Some employers see a poor credit report as a reflection of poor character.

## HOW LONG DOES INFORMATION STAY ON THE CREDIT REPORT? —

Under the Fair Credit Reporting Act, Consumer Reporting Agencies are limited to the time that they may keep information on your credit report. Positive information can remain indefinitely.

### Accurate Negative Information

When negative information in your report is accurate, only the passage of time can assure its removal. Accurate negative information generally can stay on your report for seven years. There are certain exceptions:

- Bankruptcy information may be reported for 10 years
- Credit information reported in response to an application for a job with an annual salary of more than \$75,000 has no time limit
- Credit information reported as a result of an application for more than \$150,000 worth of credit or life insurance has no time limit
- Default information concerning U.S. Government insured or guaranteed student loans can be reported for seven years after certain guarantor actions
- Information about a lawsuit or an unpaid judgment against you can be reported for seven years or until the statute of limitations runs out, whichever is longer

### Seven-Year Reporting Period

There is a standard method for calculating the seven-year reporting period. Generally, the period runs from the date that the event took place. With regards to any delinquent account placed for collection - internally or by referral to a third-party debt collector, whichever is earlier - charged to profit and loss, or subjected to any similar action, the seven-year period is calculated from the date of the delinquency that occurred immediately before the collection activity, charge to profit and loss, or similar action. For example, assume that your payments on a loan were late in January, but that you caught up in February.

You were late again in May, but caught up in July. You are late again in September, but did not catch up before the account was turned over to a collection agency in December. You made no more payments on the account, and it is charged to profit and loss in July of the following year.

Under the FCRA, the January and May late payments each can be reported for seven years. The collection activity and the charge to profit and loss can be reported for seven years from the date of the September payment, which was the delinquency that occurred immediately before those activities.

### Adding Accounts to Your File

Your credit file may not reflect all your credit accounts. Although most national department store and all-purpose bank credit card accounts will be included in your file, not all creditors supply information to CRAs. Some travel, entertainment, gasoline card companies, local retailers, and credit unions do not report to all three major credit bureaus.

If you've been told that you were denied credit because of an "insufficient credit file" or "no credit file" and you have accounts with creditors that don't appear in your credit file, ask the CRA to add this information to future reports. Although they are not required to do so, many CRAs will add verifiable accounts for a fee. However, understand that if these creditors do not report to the CRA on a regular basis, the added items will not be updated in your file.

## HOW CAN I OBTAIN A COPY OF MY REPORT?

There are a number of ways that you can get a copy of your credit report.

Under the Federal Fair and Accurate Credit Transactions Act, every American is entitled to one free credit report from each of the three major bureaus per year.

The web site set up by the Federal Trade Commission where you can obtain a free copy of each report once a year is [www.annualcreditreport.com](http://www.annualcreditreport.com). You can also order your free report by phone by calling toll-free 1-877-322-8228 or by writing: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281. You can order all three reports at one time or stagger your order over time.

For a fee, you can request a copy of your credit report directly from the credit bureau. Write a letter and mail your check or money order to the bureau from which you want a report. Include the following information in your letter:

- Your first name, middle initial and last name
- Your current address and previous addresses for the last five years
- Date of birth
- Social Security number
- Photocopy of your driver's license or current utility bill (for identification purposes)
- TransUnion requires your signature; Equifax needs your day and evening phone numbers

You will receive a copy within 30 days by mail or phone and immediately online.

You may receive a free copy of your credit report if one of the following applies to you:

- If a company takes adverse action against you, such as denying your application for credit, insurance or employment, and you request your report within 60 days of

receiving the notice of the action. The notice will give you the name, address, and phone number of the CRA.

- If you certify in writing that you're unemployed and plan to look for a job within 60 days, you're on public assistance or your report is inaccurate because of fraud.

Even if you have not been denied credit, you may want to find out what information is in your credit report. Financial advisors suggest that you review your credit report periodically for inaccuracies or omissions. This could be especially important if you're considering a major purchase, such as buying a home or a car. Checking in advance on the accuracy of the information in your credit report could speed the credit-granting process.



## HOW CAN I DISPUTE INFORMATION?

Carefully review your credit report for incorrect and/or outdated information. If you find erroneous information, take the steps to dispute it.

Under the law, both the CRA and the organization that provided the information to the CRA, such as a bank or credit card company, have responsibilities for correcting inaccurate or incomplete information in your report. To protect all of your rights under the law, contact both the CRA and the information provider if you have a dispute.

First, tell the CRA *in writing* what information you believe is inaccurate. Include copies (not originals) of documents that support your position. In addition to providing your complete name and address, your letter should clearly identify each item in your report you dispute, state the facts and explain why you dispute the information, and request deletion or correction. You may want to enclose a copy of your report with the items in question circled. Your letter may look something like the one to the right. Send your letter by certified mail, return receipt requested, so you can document what the CRA received. Keep copies of your dispute letter and enclosures.

### SAMPLE DISPUTE LETTER

Date

Your Name

Your Address

Your City, State, Zip

Complaint Department

Name of Credit Reporting Agency (CRA)

Address

City, State, Zip

Dear Sir or Madam:

I am writing to dispute the following information in my file. The items I dispute are also circled on the attached copy of the report I received.

This item (identify item(s) disputed by name of source, such as creditors or tax court, and identity type of item, such as credit account, judgment, etc.) is (inaccurate or incomplete) because (describe what is inaccurate or incomplete and why). I am requesting that the item be deleted (or request another specific change) to correct the information.

Enclosed are copies of (use this sentence if applicable and describe any enclosed documentation, such as payment records, court documents) supporting my position. Please re-investigate this (these matter(s) and delete or correct) the disputed item(s) as soon as possible.

Sincerely,

Your name

Enclosures: (List what you are enclosing)

CRA must investigate the item(s) in question -- usually within 30 days -- unless they consider your dispute frivolous. They also must forward all relevant data you provide about the dispute to the information provider. After the information provider receives notice of a dispute from the CRA, it must investigate, review all relevant information provided by the CRA, and report the results to the CRA. If the information provider finds the disputed information to be inaccurate, it must notify all nationwide CRAs so that they can correct this information in your file.

Disputed information that cannot be verified must be deleted from your file.

If your report contains inaccurate information, the CRA must correct it.

If an item is incomplete, the CRA must complete it. For example, if your file showed that you were late making payments, but failed to show that you were no longer delinquent, the CRA must show that your payments are now current.

If your file shows an account that belongs only to another person, the CRA must delete it.

When the investigation is complete, the CRA must give you the written results and a free copy of your report if the dispute results in a change. If an item is changed or removed, the CRA cannot put the disputed information back in your file unless the information provider verifies its accuracy and completeness, and the CRA gives you a written notice of its intent to re-insert the items that includes the name, address, and phone number of the provider.

If you make the request, the CRA must send notices of any correction to anyone who received your report in the past six months. You can have a corrected copy of your report sent to anyone who received a copy during the past two years for employment purposes. If an investigation does not resolve your dispute, ask the CRA to include your statement of the dispute in your file and in future reports.

In addition to writing to the CRA, you should tell the creditor or other information provider *in writing* that you dispute an item. Be sure to include copies (not originals) of documents that support your position. Many providers specify an address for disputes. If the provider continues to report the disputed item to any CRA after receiving your notice, it must include a notice that you dispute the item. If you are correct -- that is, if the information is not accurate -- the information provider may *not* report it again.

As you file your dispute, remember to document everything. Keep copies of letters that you write, keep track of time frames and list the names of everyone you talk to.

If you are unsuccessful in your dispute, you have the right to include a 100-word statement in your credit report explaining a particular item. The CRA can edit your statement if it is too long.



## WHAT IS MY CREDIT SCORE?

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A credit score is a number lenders use to help them decide -- "If I give this person a loan or credit card, will I get paid back on time?" It is one of several pieces of information that auto, mortgage, credit card and other lenders use when evaluating your application for credit.

There are different types of credit scores. Credit bureau scores are based solely on information in consumer credit reports. Other types of scores may also include information from credit applications or bank files. A credit score is calculated by a computer in your bank or at one of the national credit bureaus when a lender requests it.

A credit score is a snapshot of your credit risk picture at a particular point in time. It changes as new information is added to your credit bureau report or bank file. Only information that is proven to be predictive of future credit performance is used.

Your credit score is based on information in your credit report such as:

- Payment history - current and historical delinquencies
- Amounts owed - outstanding debt balances, both in terms of dollars owed and percent of available credit
- Length of credit history
- Pursuit of new credit - generally called inquiries
- Types of credit in use

Your credit score is not based on factors prohibited under the Equal Credit Opportunity Act (ECOA) including:

- Race
- Age
- Gender
- Religion
- National origin
- Marital status

Other factors excluded are income, employment and where you live.

Quite often there is a lot of confusion about credit scores. Here are some facts and fallacies about credit scoring.

### Scoring Facts and Fallacies

**FALLACY:** With credit scoring, computers are making lending decisions.

**FACT:** Computers don't make lending decisions, lenders do. Computers analyze credit information to produce a score, but individual lenders decide what scores are acceptable for different loans or credit cards. Some lenders accept higher risk applicants. Some use scores to help determine when to request more information from the applicant.

**FALLACY:** A poor score will haunt me forever.

**FACT:** Just the opposite is true. A score is a "snapshot" of your risk at a particular point in time. It changes as new information is added to your bank and credit bureau files. Scores change gradually as you change the way you handle credit. For example, past credit problems impact your score less as time passes. Lenders request a current score when you submit a credit application, so they have the most recent information available.

**FALLACY:** Credit scoring infringes on my privacy.

**FACT:** Credit scoring evaluates the same information lenders already look at – the credit bureaus report, credit application and/or your bank file. A score is simply a numeric summary of that information. Lenders using scoring sometimes ask for less information – fewer questions on the application form, for example.

**FALLACY:** My score will drop if I apply for new credit.

**FACT:** Probably not much. If you apply for several credit cards within a short period of time, multiple requests for your credit report information (called “inquiries”) will appear on your report. Looking for new credit can equate with higher risk, but most credit scores are not affected by multiple inquiries from auto or mortgage lenders within a short period of time. Typically, these are treated as a single inquiry and will have little impact on the credit score.

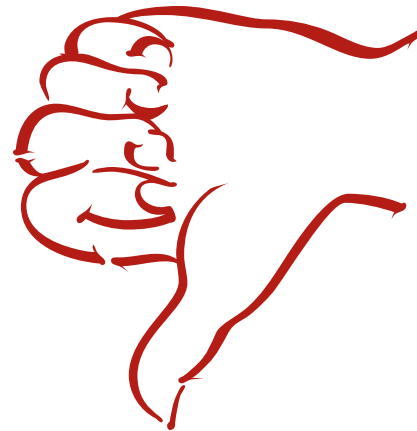
The most common model for credit scoring is the FICO score. FICO scores range from 300 to 850 with the higher the score, the lower the risk of default. Each of the major credit bureaus can produce a FICO score based on credit information in its files.

There is no legal requirement for a lender to reveal a credit score to an applicant. But if an application is denied, the lender must reveal the reason(s) for the denial.

People often wonder what a good score is. A “good” score is a number that matches the level of risk a lender is willing to accept for a particular loan or credit card. For example, a score of 750 may qualify you for a gold credit card, whereas a score of 675 may indicate you’re a better match for a standard card. Scoring systems have varying numeric scales. A score of 675 could indicate high risk in one system and low risk in another. It’s hard to say what a good score is – it varies from lender to lender.

While you can improve your future score, it is unlikely that any single action you take will have a large impact on your score immediately. That’s because your score reflects your credit patterns over time.

With this in mind, there are things you can do now that will improve your score in the future.



## HOW CAN I IMPROVE MY CREDIT SCORE?

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Scores reflect credit payments over time with more emphasis on recent information.

To improve a score:

### Payment history

- Pay your bills on time
- If you have missed payments, get current and stay current
- Be aware that paying off a collection account, or closing an account on which you previously missed a payment, will not remove it from your credit report
- If you are having trouble making ends meet, contact your creditors or see a legitimate credit counselor

### Amounts owed

- Keep balances low on credit cards and other “revolving credit”
- Pay off debt rather than moving it around
- Don’t close unused credit cards as a short-term strategy to raise your score
- Don’t open a number of new credit cards that you don’t need, just to increase your available credit

### Length of credit history

- If you have been managing credit for a short time, don’t open a lot of new accounts too rapidly

### Pursuit of new credit

- Do your rate shopping for a given auto or mortgage loan within a focused period of time
- Re-establish your credit history if you have had problems
- Note that it’s OK to request and check your own credit report and your own FICO score

### Types of credit in use

- Apply for and open new credit accounts only as needed
- Have credit cards – but manage them responsibly
- Note that closing an account doesn’t make it go away

Your credit snapshot will improve over time if you make changes in the way you handle credit now. Make sure the information in your credit report is correct, too. If you find errors, contact the credit bureaus and your lender.

## A FINAL NOTE

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*Your credit report* is a key component of your overall personal financial plan. Understanding your credit report will be vital in establishing and maintaining excellent financial health and well-being.





# UNDERSTANDING YOUR CREDIT REPORT

If you're like many Americans, reading and understanding your credit report can be a challenging experience. But it doesn't have to be. Become knowledgeable in topics such as: What is a credit report? What is a credit score? How can I obtain my personal credit report? How does my credit history affect me? With Understanding Your Credit Report, you'll get the answers to these and many other questions.



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