

Credit Reports

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Consumer Series | Finance

by J. McKenna, C. Makela, and N. Porter*

What Does Your Credit Report Say About You?

Credit reports are like photographs, they capture a fixed image at a certain point in time. Sometimes a picture shows a person who looks good and is in control of the situation. Other pictures show people in less than perfect circumstances. A credit report is a picture of you in words and numbers and gives others an impression of your behavior. If your credit report indicates that you are generally on time with your credit payments, the impression is positive. If, on the other hand, you are usually late, have not completed some of your loan payments, and have more credit than you can repay, your credit picture is negative.

How Does Credit Work?

Your ability to borrow money or use credit depends on several factors including the availability of money, your previous experience borrowing money, and your history of repaying credit obligations. Availability of money is determined by general conditions in the economy. Rising interest rates generally lead to less money for individuals and businesses to borrow. This means that individuals will not only pay higher interest rates, but it takes a better credit history to qualify for loans.

Often, people do not know what their credit report says until they are turned down for credit. You may not get a loan because of negative information reported in your credit file. Or you might be turned down for a variety of other reasons such as not employed long enough or new to an area. If you have always paid cash for purchases and

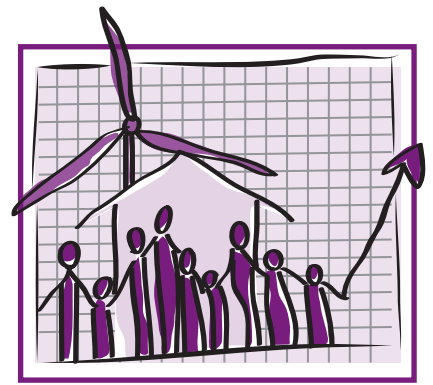
haven't borrowed money before, you have no history or proof to indicate the type of credit risk you would be. Lenders have fewer clues in deciding whether to give you a loan. They may take longer to decide to approve a loan, charge you higher interest rates, or turn down your loan application altogether.

The interest rate you are charged on a loan can vary depending on your credit report. You may even pay higher premiums for insurance or be denied an apartment rental or employment if you have a negative credit history. If you establish a credit history early and pay all of your bills on time, you will have laid the foundation that will greatly improve your chances of being approved for a loan in the future.

Your Credit Report

Credit reports are prepared by credit reporting companies (credit bureaus). They are used to make business decisions about you by those who have a legitimate need for the information. Persons or businesses can request copies of your credit report when they plan to use your credit information to 1) extend you credit, 2) consider offering employment, 3) underwrite insurance, 4) rent you a place to live, 5) determine eligibility for certain types of licenses, 6) evaluate other legitimate business needs, 7) determine child support payments, and 8) provide information about the current residence of individuals. Without credit reports and credit bureaus, individual creditors and businesses would need to gather necessary information about potential borrowers themselves. This would be slow, costly, and inconvenient.

The three major credit bureaus are Equifax (www.equifax.com), Experian (www.experian.com), and TransUnion (www.transunion.com). Essentially, they are clearinghouses of consumer credit information. The reports that credit bureaus compile include information supplied by both consumers (e.g., information contained



Quick Facts

- Credit reports are provided by three major credit bureaus: Equifax (www.equifax.com), Experian (www.experian.com), and TransUnion (www.transunion.com).
- The interest rate you are charged on a loan can vary depending on your credit report. You may even pay higher premiums for insurance or be denied an apartment rental or employment if you have a negative credit history.
- Credit reporting companies collect information from companies who have granted credit to you and from public records in state and county offices and courts.
- Coloradans have a right to receive two free copies of credit reports from each credit reporting company each year. Additional free copies are available in certain situations.
- Request a free credit report at www.annualcreditreport.com or by calling 1-877-322-8228.

*J. McKenna, former Colorado State University Extension family resource management specialist and professor, design and merchandising; and C. Makela, professor, school of education, Colorado State University. Updated by N. Porter, Colorado State University Extension specialist, financial resource management. 7/2011



in a credit application) and the creditors with whom they do business. Creditors regularly provide information to credit bureaus about the debt repayment practices of consumers to whom they have lent money. Other information comes from public records. Lenders are not required to report information to all three credit bureaus. Thus, the three bureaus have somewhat different information and they report it in different ways.

Regardless of the credit bureau providing the information, there are four main sections to a credit report:

- **Identifying Personal Information** - Personal data about an individual consumer including name, current and previous addresses, date of birth, Social Security number, and employer;
- **Public Record Information** - Information obtained from court records such as repossessions, foreclosures, tax liens, court judgments, bankruptcy, and accounts assigned to collection agencies;
- **Credit History Information** - A list of creditors that provide data to the credit bureau providing the report and data about the amount of loan or credit limit, highest balance, and timeliness of payments. In the credit history section, the words “paid as agreed” or “current” indicate that credit users have made required payments on time. Late payments are generally reported in increments of 30 days (e.g., 30, 60, 90, and 120 or more days late). Most credit reports list past credit

Some errors you might find on your credit report include:

- Misspelled names, wrong Social Security numbers, inaccurate birthdates, out-of-date addresses.
- Accounts that are closed being listed as open.
- Same mortgage or loan listed twice.
- Major credit, loan, mortgage, or other accounts not listed.

history data on revolving credit accounts (e.g., credit cards) for a specified number of previous months (e.g., 18 to 24 months); and

- **Inquiries** - Credit report requests as a result of credit card or loan applications by consumers and inquiries for promotional marketing purposes by creditors (often labeled “PRM” to identify them). Annual credit report checkups with each credit bureau will not damage your credit history.

Checking Your Credit Report

Experts recommend that consumers request a credit report at least once a year from each of the three major bureaus to check for inaccurate information and evidence of identity theft. If you stagger your requests (e.g., requesting a free report every four months from a different credit bureau), you are pulling a credit report more frequently to check for errors and evidence of identity theft. People with negative information in their credit file also want to check that it has been removed after 7 years from the delinquency date or 10 years after bankruptcy. It is also a good idea to check your credit report before applying for a substantial loan, like purchasing a house or car, so you are not delayed if it contains incorrect information.

Below are some common errors to look for in a credit report:

- **Accounts that are not yours.** Perhaps they belong to a family member living at your address or even to a stranger with the same name. Unrecognized accounts could also provide evidence of identity theft;
- **Incorrect information** such as late payments when bills were paid on time or multiple collection agency notations for a single debt; and
- **Negative information** (e.g., late payments) remaining after the seven-year “drop-off” period.

Under the Fair and Accurate Credit Transactions Act (FACT Act), all Americans are entitled to one free credit report per year (defined as a 365-day period) from each of the three major credit bureaus. Consumers may also get a free report if they request one within 60 days of an “adverse action” (e.g., denial of credit,

Credit Reporting Agencies

There are three major credit reporting agencies (also called credit bureaus) in the United States.

Equifax: www.equifax.com, P.O. Box 105851, Atlanta, GA 30348, 1-800-685-1111.

Experian: www.experian.com, P.O. Box 2002, Allen, TX 75013, 1-888-397-3742.

TransUnion: www.transunion.com, 2 Baldwin Place, P.O. Box 1000, Chester, PA 19022, 1-800-888-4213.

employment, or insurance) when the decision was based on information from a credit report. Additional free reports are available if consumers are receiving public assistance; are unemployed and plan to look for a job within 60 days; have an inaccurate credit report due to fraud, including identity theft; or live in Colorado (see details in Credit Report Rights). Credit bureaus are not mandated to provide free credit scores. You will generally need to pay a fee to obtain your credit score except in certain situations.

Information needed to make a free credit report request is available on the government-mandated Central Source Web site at www.annualcreditreport.com or by calling 1-877-322-8228. Reports can be ordered online, by phone, or by mail using an Annual Credit Report Request Form available on the Central Source Web site. Online credit reports can generally be accessed immediately. Phone and mail requests will be processed within 15 days of their receipt by the credit report processing service.

Beware of “imposter” Web sites with similar URLs (sometimes with a word intentionally misspelled) or the word “free” in their name. Some have been connected with identity theft schemes while others try to sell expensive credit monitoring or other fee-based services, often after a short, “free trial” period. Consumer advocates have complained that these sites intentionally mislead consumers, who must generally cancel their free trial offers within 30 days to avoid incurring charges.

Who Can Request a Copy of Your Credit File?

Persons or businesses can request copies of your credit report when they plan to use your credit information to 1) extend you credit, 2) consider offering employment, 3) underwrite insurance, 4) rent you a place to live, 5) determine eligibility for certain types of licenses, 6) evaluate other legitimate business needs, 7) determine child support payments and 8) provide information about current residence of individuals.

Credit bureaus must notify you once a year if negative information is added to your credit report or if a large number of inquiries have been made. If you receive a letter saying that potentially negative credit information has been added to your credit report, you should review that information.

Credit Report Rights

In Colorado, state law grants an additional free credit report from each of the three credit bureaus to all citizens every 12 months. That means that Coloradans can receive six free credit reports each year. Requests for the additional free reports must be made directly to each of the credit bureaus. Each bureau requires a different process:

- Equifax: Visit www.equifax.com/fcra. After filling out the name, address, and Social Security number fields, check “Free State Credit File (not denied)” under the “Reason for Credit File Request” header.
- Experian: Visit www.experian.com/freestate or call 1-866-200-6020 to confirm eligibility and to request an extra free credit report via snail mail. The automated phone system uses the caller’s area code to identify the location, then provides options based from where the person is calling.
- TransUnion: Visit www.transunion.com. Click on “Learn about the Fair and Accurate Transactions Act (FACT Act) and other ways to get a free credit report.” On the “Learn

More About Getting Your FACT Act Free Annual Credit Report” page, click the link that says, “Learn more about obtaining a free credit report if you meet one of the above conditions.” On the next page, click “Yes, I am eligible” next to option No. 4. You’ll then be taken to a page where you can select your state of residence so you can get your free report.

The Colorado Uniform Consumer Credit Code and the federal Fair Credit Reporting Act gives consumers a number of protections. The purpose of these laws is to make sure that credit bureaus conduct their business with fairness, accuracy, and respect for your right to privacy. They protect you from the burden of a credit history that could be based on incorrect or incomplete information. Here are some highlights:

- Consumers should be given specific reasons if they are denied credit. No longer can you be turned down because you “didn’t meet our credit standards.”
- If you are refused credit, or if you are suddenly dropped as a credit customer, your creditor must tell you if the decision was based on information received from a credit reporting agency and must give you the name and address of that agency. You have the right to review, free of charge, the information in your credit file. You may request a summary of the report by mail. You will not be charged if you contact the credit bureau within 60 days of being turned down for credit.
- A complaint form is provided with credit reports to dispute information in your file. It should be sent back to the credit bureau along with supporting documentation. Keep copies of the form and documentation for your files. Credit bureaus must investigate your claim within 30 - 45 days. If the disputed information is found to be inaccurate, the information provider (e.g., a creditor) must notify all three credit bureaus so they can correct the credit file in question. It is wise to check your credit reports from all three bureaus to make sure that inaccurate information is removed.

- If the disputed information cannot be verified, it will be deleted from your credit report or updated as you request. If the disputed item is verified at a later date, it will be reinserted in your credit report and you will be notified. If the credit bureau does not resolve the issue to your satisfaction, you have the right to add a 100-word statement to your report. This will be included in all future requests for your credit report.
- You have the right to see your credit file even if you have not been denied credit. You may pay a small fee if you have already received all of the free reports for the year from that agency that you are allowed.
- Credit bureaus must truncate your Social Security number (XXX-XX-0123) in your credit report if you request.
- All credit accounts opened in joint names after June 1, 1977, will be reported in both names. This means the information is in both files.

Identity Theft

Identity theft and fraud are major problems for consumers. The Fair Credit Reporting Act makes it easier for consumers who suspect they have been

Credit Report Tips

1. Request a credit report every year from each of the three major bureaus and check for inaccurate information and evidence of identity theft.
2. Stagger your requests (e.g. request a free credit report every four months from a different credit bureau) so you can access your credit report more frequently to check for errors and evidence of identity theft.
3. Do not pay someone to “fix” your credit report and remove negative information. If the information is true, it cannot be removed from your report before the drop-off period

the victim of identity fraud. If lenders and credit bureaus suspect you are a victim of identity fraud, they must take action (even if you don't know a crime has occurred) to stop the identity theft.

If your credit cards have been stolen or are being used without your authorization, notify the fraud units of all three credit granting agencies:

- Equifax: 1-800-525-6285
- Experian: 1-888-397-3742
- TransUnion: 1-800-680-7289

You can place a fraud alert on your credit report. This tells creditors to contact you before changing your existing accounts or opening new accounts in your name. There are two types of alerts. An initial alert stays in your file at least 90 days and is recommended if you believe you are at risk for fraud or identity theft. An initial alert entitles you to one free credit report from each of the three credit bureaus. If you are certain you are a victim of identity crime, you can request an extended alert. You must provide the credit bureau with an "identity theft report" (available from the FTC at www.ftccomplaintassistant.gov). Placing an extended alert on your credit report entitles you to two free credit reports from each bureau within 12 months. It stays on your report for seven years. You only need to contact one bureau. They are required to contact the other two and all three will place fraud alerts on their versions of your reports.

For additional protection, consumers can opt out of unsolicited inquiries. An inquiry means that someone looked at your credit report. This could be a creditor you have asked for a loan, or an unsolicited offer of credit such as those you may receive in the mail for credit cards. This is known as prescreening. Creditors may view numerous inquiries as negative since they could mean that you are overextending yourself. If you do not want to receive unsolicited credit offers based on your credit report, contact the credit bureaus individually or call the "Opt Out" line at 1-888-567-8688 to remove your name from the three major credit bureaus with one call.

Building a Good Credit History

- Your credit report is your personal history to lenders and others seeking the information. If you pay your obligations within the agreed time and contact creditors if you have temporary problems, your credit history will encourage lenders to grant you credit.
- Cutting up or destroying credit cards does not close an account. You need to contact the company who issued the credit. Closing accounts that you have held for a long time may negatively impact your credit score.
- Errors do occur and the only person who can get them corrected is you. Check your credit report regularly to make sure you agree with the information. If you are turned down for credit, find out why. If the information is not accurate, get it corrected. If the problem is a dispute between you and the lender, include a statement in the file that explains your position.
- Do not pay someone to "fix" your credit report and remove negative information. If the information is true, it cannot be removed from your report before the drop-off period.

A good credit history is positive when you want it and essential when you need it.