



FINANCE

Your credit file

no. 9.141

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Quick Facts...

A person's ability to borrow money depends on the availability of money, previous willingness to borrow money and history of fulfilling credit obligations.

The Fair Credit Reporting Act gives consumers a number of protections concerning their credit reports.

Consumers who find that there is incomplete or outdated information or a mistake in their credit file should correct it immediately.

A person's ability to borrow money depends on the availability of money, previous willingness to borrow money and history of fulfilling credit obligations. (See fact sheet 9.139, *Credit--having it when you need it.*) A person often feels hurt after being turned down for a loan and says, "I'm a great credit risk, I pay cash for everything." Those who do pay cash have no history or proof to indicate the type of risk they would be, therefore, lenders may take longer to decide to grant credit or may turn down the loan application. If you establish a credit history early, you will have already done the necessary qualifying footwork that will greatly simplify a credit application when you need it.

If you have established several credit accounts, how do you know what your credit record looks like? Frequently, people don't know what their credit history says until they are turned down for credit. Denial may be for a variety of reasons such as not employed long enough or new to the area, or you may not get a loan because of some piece of information reported from your credit file. Because of a federal law, you have the right to know what your credit report says about you.

Credit Report Rights

Until 1971, consumers did not have an opportunity to see their credit reports and were not able to correct information or add statements telling their side of a credit dispute.

In 1971, Congress enacted the Fair Credit Reporting Act giving consumers a number of protections. The purpose of this law is to make sure that credit reporting agencies conduct their business with fairness, accuracy and respect for your right to privacy. It protects 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 the name and address of that agency. You have the right to review, free of charge, what the information in your credit file says about you. You may either go in person or request a summary of the report by mail. You will not be charged if you contact the credit reporting company within 30 days of being turned down for credit.
- The error must be corrected if the information is incorrect. If the information is disputed, you may file a statement telling your side of the story. Your statement must accompany any future request for credit information about you.

Figure 1: Sample letter.

Under the Equal Credit Opportunity Act, I request that you report all credit information on this account in both our names.

Account number

(Name) First Middle Last

(Name) First Middle Last

(Street)

(City, State, Zip)

(Signature)

(From a Federal Trade Commission publication)

Errors in Credit Reports

If you find that there is incomplete or outdated information or a mistake in your credit file, correct it immediately. If it is a reporting error from the lender, contact the lender and try to get the error corrected. If this doesn't work, send a letter with copies to the Federal Trade Commission and the credit reporting company. Some credit reporting companies may help you resolve this problem. Be sure and enter a statement in your credit file explaining your side of the story.

- You have the right to see your credit file even if you have not been denied credit. You should expect to pay a small fee for this. It is advisable to call the credit reporting company, explain that you want to go over your credit history and ask how to proceed. If the credit reporting company will not respond to your request to see your credit file, contact the Federal Trade Commission, Suite 2900, 1405 Curtis Street, Denver, CO 80202; phone (303) 837-2271.

Jointly Held Credit Accounts

An addition to the Equal Credit Opportunity Act states that all accounts opened in joint names after June 1, 1977, will be reported in both names. However, joint accounts that were opened prior to that date may still be reported only in the husband's name.

Figure 1 shows a sample letter that can be sent to creditors requesting that information be released in both names.

Although the credit reporting company has this information stored, they will not, unless directed by the creditor, report it for both names. That is why it is important to contact each creditor and request that this information be released by the credit reporting company for both credit histories.

The credit reporting company does not give a rating to a credit user. This is done by the business that issues credit. The credit reporting company merely stores and reports the information upon request from those who subscribe to the credit reporting company's service.

Your Credit History Follows You

People who think they can escape a poor credit history by moving to another state find their credit history following right behind. There are three major automated credit reporting firms in the United States who hold files on 95 percent of those who use credit. Within seconds a credit report can be transferred from Miami to Denver.

Credit reporting companies do not rate your use of credit or recommend whether credit should be extended or denied. They simply report the information given them by previous lenders. Files are coded on a scale of zero to nine. "Zero" means a new account with no rating. "One" means pays on time, "two" means pays somewhat slow and so on up to "nine," which means goods have been repossessed.

Information is kept for seven years. After seven years it is no longer reported. Bankruptcy is the exception and it is left on the record for ten years.

Credit Responsibility

Your credit file is your biography to lenders. If you pay your obligations within the agreed time and contact creditors if you have temporary problems, your story will encourage other lenders to grant you credit.

Errors do occur and the only person who can correct them is you. Check your credit report periodically to make sure you agree with the information. If you are turned down for credit, find out why. If the information is false, get it changed. If the problem is a dispute between you and the lender, include a letter in the file that explains your position.

A good credit history is nice to have when you want it and essential when you need it.

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