

Your Credit Report

Mary Ann Holland, Extension Educator
Kathy Prochaska-Cue, Extension Family Economist

Credit reports — know what is in yours, how it is used, and how to raise your credit score.

A consumer's credit report can be compared to a school report card; it summarizes your financial activity, much as a report card represents a student's school work. If you have credit cards, borrowed money, or leased a house or a vehicle, you have a credit history that indicates to prospective lenders, potential employers or landlords, whether you are creditworthy. The history of your credit use is your credit report.

What Credit Reports Reveal

Your credit report reveals details about your financial behavior, such as:

- Payment performance
- Length of credit history
- Types of credit used
- Total outstanding debt
- Total credit available
- Judgments or liens
- Bankruptcy or foreclosure

Credit reports are compiled by national credit-reporting agencies, also known as credit bureaus. The typical credit report contains four types of information:

Personal or Identifying Information

- Your name
- Telephone and Social Security numbers
- Date of birth
- Current and previous addresses
- Current and previous employers
- Salary and occupation (not found on all credit reports)

Public Information

- Liens
- Lawsuits
- Judgments

- Collection activities
- Child support

Credit or Account Information

- List of accounts and account numbers
- Name of creditor, date account opened
- Outstanding balances
- Monthly payment amounts
- Type of debt, e.g., credit card, mortgage
- Payment history

Inquiries

- List of who has recently requested your credit report (limited to past two years)
- How often you have applied for credit (two year limit)
- Names of companies that have reviewed your report (initiated by you)

Not included in a credit report is information about a consumer's race, religion, medical history, personal lifestyle, political preferences, criminal record, or information not related to credit.

Credit history information, both good and bad, remains on your report for seven years with the exception of bankruptcy, which remains for 10 years. The clock begins ticking at the date of last action per account, such as last payment, closing, or charge-off by a creditor. When negative information in your file is accurate, only the passage of time removes it.

Who Will View Your Report

When you apply for a car, mortgage or home improvement loan, credit card or other type of loan, the lender reviews your report to determine if you are creditworthy. Credit reports are also used by potential employers and life insurance companies to help determine how you manage financial responsibilities.

Late or missed payments, excess outstanding debt, past due child support or other court action will show up on your credit report and hurt your chances of being approved for credit, life insurance, or employment.

Obtaining a Copy of Your Report

Consumer reporting agencies gather the information on individual consumers from many sources. Every consumer should request a copy of his or her credit report once a year to check for accuracy by accessing the Web site: www.annualcreditreport.com or by calling 1-877-FACTACT (1-877-322-8228) to request a free copy of your report.

The federal Fair Credit Reporting Act allows you to order one free copy of your credit report from each of the national consumer reporting companies every 12 months. The three major credit reporting agencies are: Equifax, Experian, and Trans Union.

Carefully study the information included in your credit report. Verify that all accounts listed are yours. Accounts you did not open or have knowledge of may be signs of identity theft.

Your credit report may not reflect all your accounts. Not all creditors supply information to consumer reporting companies. It is a good possibility not all creditors supply information to all three major credit bureaus.

Understandably, with the huge number of consumers in America, errors in reporting happen. If the consumer finds inaccurate information in their credit report, they should immediately notify the reporting agency of the error. The credit bureau you contact is obligated to notify the other two. Disputed information must be in writing. When contacting the credit bureau, get directions on how to submit written documentation.

Identity Theft

If you suspect you have been a victim of identity theft, contact the three national credit bureaus to have a “fraud alert” or a “credit freeze” put in your file. For documentation purposes, you will need to contact local or state law enforcement. File a report with the consumer fraud division of your state attorney general’s office. While the likelihood of catching and prosecuting someone who commits identity theft is small, these actions may protect you from further damage.

Credit Scores

How important are they? Credit scores are tools used by lenders for decisions related to granting credit to consumers.

Credit scores are compiled from numbers assigned to various pieces of information in a consumer’s credit history. For example, making payments on time every month would be rated on the positive side of the scale, while maxing out a credit card or making late payments would be on the negative side of the scale.

Scores are normally determined by a computer model that calculates both positive and negative points; the resulting number is a credit score. FICO scores, developed by the Fair Isaac Corporation, are the most widely known scores, although others also are used. FICO scores range from 300 to 850. The higher the score, the more likely a lender will loan money with favorable terms and interest rates.

Scores on the lower end of the range are unlikely to be approved for loans, or if they are approved, are likely to be at a higher cost to the consumer. The potential borrower may want to consider reapplying at a future date, after taking steps to improve his or her financial record.

Improving Your Score

While passage of time is the only way to erase bad credit history, you can begin to improve your credit record immediately by doing the following:

- Pay your bills on time.
- Pay more than the monthly minimum payments.
- Look for ways to cut expenses or increase income.
- Stop using credit. Take credit cards out of your wallet; pay cash.
- Contact creditors and set up a new payment schedule — a plan you can live with.
- Consolidate debt; you may be able to obtain a lower interest rate making it easier to keep up with payments.
- Contact a credit counseling organization in your area for help in determining a plan of action.

Credit is a valuable commodity — a financial tool enabling consumers to enjoy the lifestyle of their choice. Knowing how to use credit wisely is one of the most valuable lessons anyone can learn.

Resources

For more information, visit these U.S. government Web sites:

Federal Trade Commission, <http://www.ftc.gov>
FDIC, <http://www.fdic.gov>

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