

Your Credit Report

What It Says about You

Most people finance their homes with mortgages and pay for their cars with loans. Young people often obtain loans to pay for college. And, of course, lots of people make purchases with credit cards.

You can't expect to receive credit as a matter of course, however. You must apply for it. And just as you would hesitate to lend money to a stranger, banks, retailers, or finance companies will not grant you credit without knowing something about you.

It used to be that a retailer or bank would have to call each creditor you listed on an application form before they would decide to extend credit to you. Today, they rely on credit reports, so it's important for you to know what is in yours.

What Is a Credit Report?

A credit report is a record of your credit activities. It lists any credit-card accounts or loans you may have, the balances, and how regularly you make your payments. It also shows if any action has been taken against you because of unpaid bills.

Where Do Credit Reports Come from?

A company that gathers and sells credit information is called a consumer reporting agency (CRA). These types of companies collect information about your credit activities, store it in giant databases, and charge a fee for supplying the information. The most common type of CRA is the credit bureau.

There are three major credit bureaus that operate nationwide, plus many smaller companies serving local markets.

What Is a Credit Rating?

Your credit rating is drawn from your credit report, which outlines your borrowing, charging, and repayment activities. A good rating helps you reach financial goals; a poor rating limits your financial opportunities.

Since your credit report influences whether you are able to buy a home and get a job, it is extremely important to protect your credit rating by making loan and bill payments on time and by not taking on more debt than you can handle.

Who Is Allowed to See Your Credit Report?

Credit bureaus can provide information only to the following requestors: (1) creditors who are considering granting or have granted you credit; (2) employers considering you for employment, promotion, reassignment, or retention; (3) insurers considering you for an insurance policy or reviewing an existing policy; (4) government agencies reviewing your financial status or government benefits; and (5) anyone else with a legitimate business need for the information, such as a potential landlord.

Credit bureaus also furnish reports if required by court orders or federal jury subpoenas. They will also issue your report to a third party if you request this in writing.

What Type of Information Is on Your Credit Report?

There are usually four types of information:

1. **Identifying Information:** Your full name, any known aliases, current and previous addresses, social security number, year of birth, current and past employers, and, if applicable, similar information about your spouse.
2. **Credit Information:** The accounts you have with banks, retailers, credit-card issuers, utility companies, and other lenders (accounts are listed by type of loan, such as mortgage, student loan, revolving credit, or installment loan; the date you opened the account; your credit limit or the loan amount; any co-signers of the loan; and your payment pattern over the past two years).
3. **Public Record Information:** State and county court records on bankruptcy, tax liens, or monetary judgments (some consumer reporting agencies list non-monetary judgments as well).
4. **Recent Inquiries:** The names of those who have obtained copies of your credit report within the past year (two years for employment purposes).

Where Do the Consumer Reporting Agencies Get Their Information?

Credit bureaus collect information from parties that have previously extended credit to you, such as a department store that issued you a credit card or a bank that granted you a personal loan.

Who Decides whether or not to Grant You a Loan?

The lenders themselves make the decision about whether or not to grant you credit. The credit-reporting companies only supply the information about your credit history.

Why Should You Obtain a Copy of Your Credit Report?

To avoid any unwelcome surprises, it's important to see a copy of your credit report before you apply for credit such as car loans, mortgages, or credit cards. Errors in credit reports can be common. Keep in mind, however, that they are not part of a conspiracy against you. They are simply the result of human error.

How Do Errors in Reports Happen?

Think about how often your mail has a misspelling of your name or a mistake in your street address. Then, imagine the possibility for error in a report that contains much more information about you. Cases of mistaken identity, out-of-date information, and outright errors can easily occur.

How Do You Correct an Error on Your Credit Report?

Contact the consumer credit reporting agency immediately. The company is then responsible for researching and changing or removing incorrect data. This process may take as long as 45 days. At your request, a corrected report will be sent to those parties that you specify who have received your report within the past six months, or employers who have received it within the last two years.

What if the Consumer Reporting Agency Stands by Its Report?

You have the right to present your side of the story in a brief statement (100 words or less), which the credit bureau must attach to your credit file. Your statement should be used to clarify inaccuracies, not explain reasons for delinquency. Anyone requesting a copy of your credit report would also automatically receive your statement (or a summary of it), unless the credit bureau decides that it is irrelevant or frivolous.

What Should You Do if You Are Denied Credit because of Some thing in Your Credit Report?

The lender who denied you credit must give you the name and address of the credit bureau that produced the credit report. Then, you have up to 30 days to request a free copy of your report.

The credit bureau must tell you the nature and substance of all information contained in your report. It must also tell you the sources of the information and who has received your report for the previous six months (two years for reports furnished for employment purposes).

Late and missed payments will show up on your credit report and hurt your chances of being approved for credit, life insurance, or employment. To find out about organizations in your area that help consumers solve credit problems and create a budget, contact the National Foundation for Consumer Credit at (800) 388-2227. Spanish speakers can call (800) 682-9832. Additional information on improving a credit rating can be found in "How to Establish, Use, and Protect Your Credit," a brochure by the Federal Reserve Bank of San Francisco.

How Long Does Information Stay on Your Credit Report?

Generally, all your credit history information, good or bad, remains on your report for seven years. If you file for personal bankruptcy, that fact remains on your credit report for 10 years.

How Do You Get a Copy of Your Credit Report?

You are entitled to receive one free credit report every 12 months from each of the nationwide consumer credit reporting companies – Equifax, Experian and TransUnion. This free credit file can be requested through www.annualcreditreport.com or by contacting the companies directly by phone or by mail as listed below.

To process your request, you will need to provide specific information, such as your name, current and previous addresses, telephone number, social security number, and date of birth. Also, to verify your identity, other information such as a copy of your driver's license, utility bill(s), or bank statement may be required. Keep in mind that the three large bureaus do not necessarily share information with each other. The content of your credit report can be different at each bureau, so it's a good idea to request copies from each one.

To contact the three major credit bureaus:

Equifax
P.O. Box 105873
Atlanta, GA 30348
<http://www.equifax.com>
(800) 685-1111

Experian (formerly TRW)
P.O. Box 2104
Allen, TX 75013-2104
<http://www.experian.com>
(888) 397-3742

Trans Union
Consumer Disclosure Center
P.O. Box 1000
Chester, PA 19022
<http://www.transunion.com>
(800) 916-8800 or (800) 888-4213

For More Information

The Federal Reserve Bank of San Francisco has several other consumer brochures. These brochures are posted on our web site at: <http://www.frbsf.org>.

Learn about . . .

- **Bank Products**
- **Credit and Charge Cards**
- **Frauds and Scams**
- **How to Establish, Use, and Protect Your Credit**
- **Plastic Fraud**
- **Private Mortgage Insurance (PMI)**
- **Your Credit Rights**

Questions or comments about these brochures can be sent to:

Federal Reserve Bank of San Francisco
Public Information/Publications
P.O. Box 7702, MS 1110
San Francisco, CA 94120-7702
<http://www.frbsf.org>
(415) 974-2163 or
e-mail us at: pubs.sf@sf.frb.org

Questions and concerns about consumer reporting agencies can be directed to:

Federal Trade Commission
Consumer Response Center - FCRA
600 Pennsylvania Avenue, NW
Washington, D.C. 20580
<http://www.ftc.gov>
(877) FTC-HELP

For information on organizations that help with credit counseling, contact:

National Foundation for Consumer Credit
8611 Second Avenue
Silver Spring, MD 20910
<http://www.nfcc.org>
(800) 388-2227