

Credit Reports and Credit Scores

Your credit history is important to a lot of people: mortgage lenders, banks, utility companies, prospective employers, and more. So it's especially important that you understand your credit report, credit score, and the companies that compile that information, credit bureaus. This brochure provides answers to some of the most common, and most important, questions about credit.

Your Credit Report

Q: What is a credit report?

A: A credit report is a record of your credit history that includes information about:

- **Your identity.** Your name, address, full or partial Social Security number, date of birth, and possibly employment information.
- **Your existing credit.** Information about credit that you have, such as your credit card accounts, mortgages, car loans, and student loans. It may also include the terms of your credit, how much you owe your creditors, and your history of making payments.
- **Your public record.** Information about any court judgments against you, any tax liens against your property, or whether you have filed for bankruptcy.
- **Inquiries about you.** A list of companies or persons who recently requested a copy of your report.

Q: Why is a credit report important?

A: Your credit report is important because lenders, insurers, employers, and others may obtain your credit report from credit bureaus to assess how you manage financial responsibilities. For example:

- Lenders may use your credit report information to decide whether you can get a loan and the terms you get for a loan (for example, the interest rate they will charge you).
- Insurance companies may use the information to decide whether you can get insurance and to set the rates you will pay.
- Employers may use your credit report, if you give them permission to do so, to decide whether to hire you.
- Telephone and utility companies may use information in your credit report to decide whether to provide services to you.
- Landlords may use the information to determine whether to rent an apartment to you.

Q: Who collects and reports credit information about me?

A: There are three major credit bureaus—Equifax, Experian, and TransUnion—that gather and maintain the information about you that is included in your credit report. The credit bureaus then provide this information in the form of a credit report to companies or persons that request it, such as lenders from whom you are seeking credit.

Q: Where do credit bureaus get their information?

A: Credit bureaus get information from your creditors, such as a bank, credit card issuer, or auto finance company. They also get information about you from public records, such as property or court records. Each credit bureau gets its information from different sources, so the information in one credit bureau's report may not be the same as the information in another credit bureau's report.



Other resources...

- **Credit Repair**
www.ftc.gov/bcp/edu/pubs/consumer/credit/cre13.shtm
- **Dealing with Debt**
www.ftc.gov/bcp/edu/pubs/consumer/credit/cre19.shtm
- **Employment Background Checks and Credit Reports**
www.consumer.ftc.gov/articles/0157-background-checks-tips-job-applicants-and-employees
- **Federal Reserve Consumer Help**
www.federalreserveconsumerhelp.gov/
- **Identity Theft**
www.federalreserve.gov/consumerinfo/idtheft.htm

Q: How can I get a free copy of my credit report?

A: You can get one free credit report every twelve months from each of the nationwide credit bureaus—Equifax, Experian, and TransUnion—by

- visiting www.annualcreditreport.com or
- calling (877) 322-8228.

You will need to provide certain information to access your report, such as your name, address, Social Security number, and date of birth.

You can order one, two, or all three reports at the same time, or you can request these reports at various times throughout the year. The option you choose will depend on the goal of your review. A report generated by one of the three major credit bureaus may not contain all of the information pertaining to your credit history. Therefore, if you want a complete view of your credit record at a particular moment, you should examine your report from each bureau at the same time. However, if you wish to detect any errors and monitor changes in your credit profile over time, you may wish to review a single credit report every four months.

Q: Who else is allowed to see my credit report?

A: Because credit reports contain sensitive personal information, access to them is limited. Credit bureaus can provide credit reports only to

- lenders from whom you are seeking credit;
- lenders that have granted you credit;
- telephone, cell phone, and utility companies that may provide services to you;
- your employer or prospective employer, but only if you agree;
- insurance companies that have issued or may issue an insurance policy for you;
- government agencies reviewing your financial status for government benefits; and
- anyone else with a legitimate business need for the information, such as a potential landlord or a bank at which you are opening a checking account.

Credit bureaus also furnish reports if required by court orders or federal grand jury subpoenas. Upon your written request, they will also issue your report to a third party.

Q: Does the credit bureau decide whether to grant me credit?

A: No, credit bureaus do not make credit decisions. They provide credit reports to lenders who decide whether to grant you credit.

Q: How long does negative information, such as late payments, stay on my credit report?

A: Generally, negative credit information stays on your credit report for seven years. If you have filed for personal bankruptcy, that fact stays on your report for ten years. 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. Information about criminal convictions may stay on your credit report indefinitely.

Q: What can I do if I am denied credit, insurance, or employment because of something in my credit report? What can I do if I receive less favorable credit terms than other consumers because of something in my credit report?

A: If you are denied credit, insurance, or employment—or some other adverse action is taken against you, such as lowering your credit limit on credit card account—because of information in your credit report, the lender, insurance company, or employer must notify you and provide you with the name, address, and phone number of the credit bureau that provided the credit report used to make the decision. You can get a free credit report from this credit bureau if you request it within sixty days after receiving the notice. This free report is in addition to your annual free report.

In addition, lenders may use a credit report to set the terms of credit they offer you. If a lender offers you terms less favorable (for example, a higher rate) than the terms offered to consumers with better credit histories based on the information in your credit report, the lender may give you a notice with information about the credit bureau that provided the credit report used to make the decision. Again, you can get a free credit report (in addition to your annual free report) from this credit bureau if you request it within sixty days after receiving the notice.

If you receive one of these notices, it's a good idea to get your free credit report and review the information in it right away. If you think your credit report contains inaccurate or incomplete information, follow the steps in *Credit Report Errors* below, to try to resolve the issue. For tips on how to improve your chances of being granted credit, or to improve your chances of receiving credit on better terms, read the Federal Reserve's *5 Tips for Improving Your Credit Score* (available online at www.federalreserve.gov/consumerinfo/fivetips_creditscore.htm).

Q: I've been receiving unsolicited credit offers. Why? Can I opt-out of receiving these offers?

A: Credit bureaus may sell the names and addresses of consumers who meet specific credit criteria to creditors or insurers, who must then offer them credit or insurance. For example, a creditor could request from a credit bureau the names and addresses of consumers who have a credit score of 680 or higher and then offer credit to those consumers.

You can have your name and address removed from these lists by opting-out of the listing. This will reduce the number of unsolicited offers you receive. To opt-out, call 888-5-OPTOUT (888-567-8688) or visit www.optoutprescreen.com. You will need to provide certain information in order to opt-out, such as your name, address, Social Security number, and date of birth.

You have the ability to opt-out of receiving offers either for five years or permanently. If you want to opt-out permanently, you will need to fill-out, sign, and mail-in a form. The form is available by either calling the toll-free number or visiting the website.

You can reverse your opt-out decision at any time to start receiving offers of credit and insurance again by calling the toll-free phone number or visiting the website.

Your Credit Score

Q: What is a credit score? How is my credit score calculated?

A: A credit score is a number that reflects the information in your credit report. The score summarizes your credit history and helps lenders predict how likely it is that you will repay a loan and make payments when they are due. Lenders may use credit scores in deciding whether to grant you credit, what terms you are offered, or the rate you will pay on a loan.

Information used to calculate your credit score can include:

- the number and type of accounts you have (credit cards, auto loans, mortgages, etc.);
- whether you pay your bills on time;
- how much of your available credit you are currently using;
- whether you have any collection actions against you;
- the amount of your outstanding debt; and
- the age of your accounts.

Q: What can cause my credit score to change?

A: Because your credit score reflects the information in your credit report, changes to your credit report may cause your credit score to change. For instance, if you pay your bills late or incur more debt, your credit score may go down. However, if you pay down an outstanding balance on a credit card or mortgage or correct an error in your credit report, your credit score may go up.

Q: How can I get my credit score?

A: In some cases, a lender may tell you your credit score for free when you apply for credit. For example, if you apply for a mortgage, you will receive the credit score or scores that were used to determine whether the lender would extend credit to you and on what terms. You may also receive a free credit score or scores from lenders when you apply for other types of credit, such as an automobile loan or a credit card.

You may also purchase your credit score from any of the credit bureaus by calling them or visiting their websites.

- **Equifax:** Call 1-800-685-1111 or visit www.equifax.com/compare-products
- **Experian:** Call 1-888-397-3742 or visit www.experian.com/consumer-products/personal-credit.html

- *TransUnion*: Call 1-800-493-2392 or visit www.transunion.com/corporate/personal/creditTools.page

Q: How can I improve my credit score?

A: To find out steps you can take to improve your credit score, read the Federal Reserve's *5 Tips for Improving Your Credit Score* (available online at www.federalreserve.gov/consumerinfo/fivetips_creditscore.htm).

Credit Report Errors

Q: How can I correct errors found in my credit report?

A: If you find errors in your credit report, you may dispute the information and request that the information be deleted or corrected. To do so, you should contact either the credit bureau that provided the report or the company or person that provided the incorrect information to the credit bureau.

To contact the credit bureau, call the toll-free number on your credit report or visit their website:

- *Equifax* www.equifax.com/answers/correct-credit-report-errors/en_cp
- *Experian* www.experian.com/disputes/
- *TransUnion* www.transunion.com/corporate/personal/creditDisputes.page

To contact the company or person that provided the incorrect information to the credit bureau, look on your credit report, in an account statement, or on the company's website for contact information for handling such disputes.

When disputing information on your credit report, you should:

- Provide information about yourself, such as your name, address, date of birth, and Social Security number;
- Identify specific details about the information that is being disputed and explain the basis of your dispute;
- Have a copy of your credit report that contains the disputed information available; and
- Provide supporting documentation, such as a copy of the relevant portion of the consumer report, a police report, a fraud or identity theft affidavit, or account statements.

Q: What happens once I send in information to correct information in my credit report?

A: If you submit your dispute through a credit bureau or directly to the company or person that provided the incorrect information to the credit bureau, your dispute must be investigated, usually within thirty days. If you provide additional information during the thirty-day investigation, that investigation period may be extended an additional fifteen days in some circumstances. When the investigation is completed, either the credit bureau or the company or person that provided the incorrect information to the credit bureau must give you the written results of its investigation.

If the information provider finds the disputed information is inaccurate, it must notify all three nationwide credit bureaus so they can correct the information in your credit report. You can get a free copy of your report if the dispute results in a change. This free report is in addition to your annual free report. If an item is changed or deleted, a credit bureau cannot put the disputed information back in your credit report unless the company or person that provided the incorrect information to the credit bureau verifies that the information is, indeed, accurate and complete.

You can request that the credit bureau send notices of any correction to anyone who received your report in the past six months. A corrected copy of your report can be sent to anyone who received a copy during the past two years for employment purposes.

Q: What if an investigation does not resolve my dispute?

A: If an investigation does not resolve your dispute, you can ask that a statement of the dispute be included in your future credit reports. You also can ask the credit bureau to provide your statement to anyone who received a copy of your report in the recent past, but you may have to pay a fee for this service.

