

Credit Report Basics

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Learn how to obtain your credit report, and what it reveals about you.

Your credit report is a detailed record of how you've managed your credit over time. Lenders use your credit report -- or the credit score that results from the data in it -- to help them decide whether to grant you credit and, if so, under what terms.

The better your credit report, the more likely your credit request will be granted, and the lower your interest rate will be. Many landlords, employers, and insurance companies also consider an applicant's credit history when making a decision, which makes your credit report either a valuable asset or a liability, depending on its contents.

Because your credit report can have such a great influence on decisions others make about you, it's important to know what your credit report says and how to ensure that the information is accurate.

What Your Credit Report Reveals

Credit reporting companies -- also known as credit bureaus -- gather and sell credit information about U.S. consumers to current and prospective creditors, employers, insurers, government agencies, and "anyone else with a legitimate business need for the information," such as a potential landlord.

There are three nationwide credit bureaus: Equifax, Experian, and TransUnion. Each of them collects data from employers, landlords, public records, and creditors (though the information in the three reports can differ to some degree).

Your credit report includes the following types of information:

Identifying information. This includes your full name and any aliases; Social Security number (for security reasons, this will be omitted on the copy provided to you); current and previous addresses and current phone number; birth date; current and former employers; and your spouse's first name, if you are married.

Public record information. This includes bankruptcy filings, foreclosures, tax liens, criminal convictions, and judgments against you.

Credit information. This includes a listing of open, or active, credit accounts as well as closed accounts; account numbers; the date you opened and, if applicable, closed the account; the type of account (mortgage, revolving credit, or student loan, for example); the monthly payment; your

credit limit or loan amount and current balance; any co-signers on the loan; and your payment history for the past two years.

Inquiries. This includes the names of companies and individuals who have obtained copies of your credit report (“inquiries”) in the past two years.

How Long Does Information Stay on Your Report?

Here are some guidelines about how long different types of data can stay on your credit report:

- “Derogatory” (negative) information can stay on your credit report for up to seven years. This includes late payments, unpaid debts, charge-offs, accounts sent to collections, and judgments against you. If your unpaid debt is turned over to an outside collection agency, that debt could appear twice as a negative on your credit report.
- A Chapter 13 bankruptcy (repayment plan) appears for seven years.
- A foreclosure appears for seven years.
- Student loans typically appear for seven years.
- A Chapter 7 bankruptcy filing appears for 10 years.
- Paid tax liens stay for seven years. Unpaid tax liens can remain for up to 15 years.
- Favorable information can appear indefinitely, but is, typically, dropped after seven years.
- Inquiries from potential creditors stay on your report for two years. (Too many inquiries, which are generated when you apply for credit, can be viewed as negative.)
- All derogatory information -- even data more than seven years old -- will appear in a report provide to an employer if you apply for a job paying \$75,000 or more or to a creditor or insurer if you apply for a loan or life insurance policy of \$150,000 or more.

What Your Credit Report Doesn’t Reveal

Credit reports do not include information about your race, color, religion, national origin, gender, income, assets, occupation, or receipt of public assistance.

Credit bureaus also omit any information that could reveal a medical condition in reports requested by others. For example, a debt owed to St. Francis Cancer Treatment Center would appear simply as a medical payment. However, if you include a consumer statement in your report that includes medical information (explaining, for example, that you were late with a loan payment because you were undergoing chemotherapy), it will be disclosed to others. (To learn more about consumer statements, see “Consumer Statements,” below.)

Obtaining Your Credit Report

You can get a certain number of free credit reports each year, depending on your situation and where you live. Here’s how many you get and how to order them.

Free Reports Every Year

You are entitled to one free credit report every 12 months, upon your request, from each of the three major credit bureaus. If you are married, you and your spouse can each obtain a free credit report from all three credit bureaus each year. Your reports will list all joint accounts (those you opened in both names). No combined report is created for married couples.

You can obtain your free reports from www.AnnualCreditReport.com or by calling 877-322-8228. You will have to provide certain information to prove your identity, such as your Social Security number and, say, the amount of your monthly mortgage payment. Your free credit reports will not contain your credit score, but you can purchase it at the same time, or from www.MyFico.com, for a small fee.

You might want to order all three of your free credit reports at the same time so that you can compare them and spot discrepancies. Or, you can stagger your requests -- ordering one report every four months, for example -- so that you can check more frequently for suspicious activity (like identity theft) or errors.

Free Report if You Are Denied Credit

In addition to your free annual reports, you also are entitled to a free report if a company denies your application for credit based on information in a credit report, and you request your report within 60 days. The lender must provide you with the name and contact information for the credit reporting company that provided the negative credit information.

Additional Free Reports in Some States

Under state law, consumers in Colorado, Georgia, Maine, Maryland, Massachusetts, New Jersey, and Vermont are eligible for additional free credit reports.

Purchasing Additional Reports

Consumers in other states can buy additional copies of their report by contacting the credit bureaus directly:

- Equifax: www.equifax.com or (800) 685-1111
- Experian: www.experian.com or (888) 397-3742
- TransUnion: www.transunion.com or (800) 888-4213

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How to Correct Errors

Because credit report errors are fairly common, it's good to check all three reports each year. The reason you should check all your reports and not just one is that not all creditors report to all three credit bureaus, and the agencies do not share information. That means it is possible for one report to contain an error that the other reports do not.

As you examine the data in your report, note not only errors in credit information, such as old data that should have dropped off or a paid-off account that is still showing a balance, but in your personal information as well. This includes mistakes in your Social Security number, your birth date, your address, or the spelling of your name.

Disputing an Entry

If you do find an error, follow the "dispute" instructions included with the report to report the mistake. The credit bureau must investigate your dispute and respond within 30 days, or up to 45 days if additional information is needed to conduct the investigation.

If the data is corrected as you requested, you will be notified and sent a copy of your updated credit report. If the credit bureau determines the data is correct and refuses to remove or change it, you can contact the creditor who reported it and try to make your case for why it is incorrect and should be removed. If you can prove the information is erroneous, the creditor must remove it from your credit report at all credit bureaus to which it was reported.

Consumer Statements

If that doesn't work, you have the right to present your side of the story in a brief (100 words or less) consumer statement, which the credit bureau will attach to your file. This statement should explain clearly why a particular piece of information is inaccurate.

Don't Use a Credit Repair Company

Never pay a "credit repair" company to "fix" your credit. No one can remove negative information from a credit report if it is accurate. And you can have inaccurate or outdated information removed yourself at no charge.

Protecting Your Identity

There is another good reason to check your credit reports regularly: to find out if you are a victim of identity theft. If you notice anything unusual, such as balances on accounts you have not used or don't recognize, follow the instructions provided with the report. Or, visit the Federal Trade Commission (FTC) Web site, at www.ftc.gov/idtheft, to find out what steps to take if your identity has been stolen.

One option may be to place a fraud alert, notifying prospective creditors of the need to take extra precautions before granting credit, in all three of your files.

To learn more about credit reports and how to improve yours, get *Credit Repair*, by attorney Robin Leonard (Nolo).