What's behind the Credit Smart Series?

Credit Reporting is part of the Credit Smart Series. These booklets are designed to help you, as a student, establish financial management skills that will serve you well this year, in five years and throughout your life. Being Credit Smart is a "strategy for a lifetime."

The Credit Smart Series includes:

- Credit Basics
- Credit Reporting
- Credit Scoring
- Credit Safe
- Repairing Credit Problems
- Credit Card Basics

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HAVE YOU EVER LOOKED AT YOUR CREDIT REPORT?

Whether or not you’ve gone online to see for yourself, there’s a very good chance that you have a credit report for potential lenders to see. So now would be a good time to get smart about credit reporting. This booklet will take you through the ins and outs of your credit report: what it is; why you should check it; what it includes; and so on. This is very important information for your financial well-being so we recommend that you use the free note space to jot down thoughts and questions.

What exactly is a credit report?

Your credit report is a record of how you’ve managed your credit accounts over time. In essence, it documents your credit history in a clear and organized manner. Where does the data come from? It’s based on information that has been submitted by your creditors and other authorized sources (such as the courts) to a consumer reporting agency. There are three national agencies: Equifax, Experian and TransUnion.

Information in your credit report can vary from one consumer reporting agency to another, so it’s a good idea to check all three at least once a year.
Who can have a look?

In addition to yourself, anyone with a “permissible purpose” under the Fair Credit Reporting Act (FCRA) generally can obtain a copy of your credit report. A permissible purpose includes things like employment, insurance and loan applications. These companies, groups and individuals include:

- Potential and current lenders
- Landlords
- Insurance companies
- Employers and potential employers (with your written consent)
- Companies you allow to monitor your credit file activity, including for potential signs of identity theft
- Collection agencies
- Any agency considering your application for a government license or benefit
- A state or local child support enforcement agency
- Anyone who has established a business relationship with the consumer reporting agency and has your written authorization to obtain your credit report
- A third party pursuant to the requirements of a court order or other legal procedure
AND NOW FOR THE DETAILS...

These are the kinds of things you’ll find in your credit report.

**Personal Identifying Information:** This is your basic demographic information. It may include your name, current and previous addresses, telephone number, Social Security Number, date of birth, current and former employers and the name of your spouse (if you’re married).

**Alerts:** This is where any fraud alerts, indicating you’ve been a victim of identity theft, are reported.

**Credit Summary:** This is an overview of how you’ve managed your credit accounts.

**Account History:** Your credit accounts are often referred to as “Trade Lines.” Lenders report on each “trade line” or account you’ve established. It’s kind of a running tally.

Your account will include certain basic information, but the exact information contained in each account history could differ from one consumer reporting agency to another.

Typically, each trade line will be a lot more than a line! It can include the account name, part of the account number, the type of account (e.g., credit card, finance account, installment loan, mortgage), contact information for the creditor, account status, date the account was opened, date most recent information about the account was reported by the creditor, account balance, length of repayment term (although this may not be reported), maximum amount that has been owed on account (could be listed as “high balance”), “limit” on credit card accounts, frequency of past due payments, payment status, status of payments for each of the most recent 24 monthly payments and possibly comments about the account.
Credit Inquiries: Consumer reporting companies have to keep a record of all creditors who have asked for your credit history within the past year, and a record of individuals or businesses that have asked for your credit history for employment purposes for the past two years. You'll see two kinds of inquiries. There are "voluntary" or "hard" inquiries and "involuntary" or "soft" inquiries.

The hard inquiries are those created because you have requested a new credit account or additional credit on an existing account. Soft or involuntary inquiries can include your requests for a copy of your credit report (self inquiries), promotional inquiries such as those where a credit card company obtains information from your credit history as part of a marketing campaign to obtain new customers, administrative inquiries by the consumer reporting agency or existing creditors and inquiries from prospective employers or landlords. These inquiries will be reported in the Inquiry Section of any credit report you request, but they will not be included on reports sent to any other party.

Collections: This is a listing of any credit accounts that have been sent to a collection agency by a creditor.

Public Records: This includes bankruptcies, foreclosures, collections, wage attachments or garnishment, liens and judgements.

Dispute File Information: You have the right to request that a consumer reporting agency include your written statement disputing a reported item if, after review, the disputed item is not resolved to your satisfaction. This does not mean, however, that you can include explanations as to why you might have missed a payment or some other derogatory item that is not in dispute.
What's not in your credit report.

Current federal law prohibits lenders from using certain personal information about you, including (but not limited to) your race, gender, religion, or national origin in making a credit decision. So there is no reason for that information to be in your credit report. Information about your sexual orientation, income/earnings, medical history, checking and savings accounts and the interest you might be paying on your debts are not included in your credit history, so they won't appear on your credit report either.
WHY WE ‘INSIST’ YOU CHECK YOUR CREDIT REPORT.

First, it’s simply part of smart financial management. And secondly, it’s because errors can occur.

Historically, it’s thought that as much as a quarter of all the data in the credit histories maintained by consumer reporting agencies could be inaccurate!

Wrong data can cause you to have problems getting the credit you need when you need it. You’re asking, “How can there be so many errors?” For starters, the sheer amount of data is staggering. For example, Equifax states that it makes two billion updates every month to its database. One reason things can be entered incorrectly is that data gets filed, in part, by your name. There’s a good chance someone in the system has the same first and last name as you. Information can accidentally be entered into the wrong file. And think about all of the John Smith, Sr’s and John Smith, Jr’s who are out there.

Another scenario that could lead to errors is if you’ve applied for credit using different names. You may have used your full name one time and a shortened version of your name on another occasion. Or, it’s possible that the organization submitting account information to the consumer reporting agency made an error when inputting your name, Social Security Number, address or birth date. Let’s just say there are a lot of opportunities for errors to occur, and it can take several months to get information corrected. So it’s a good idea to stay on top of things.

What’s more, taking a look at your credit report will help you determine if you’ve become a victim of identity theft. The sooner you’re aware you’ve become a victim, the easier it may be to resolve the problem.
Correcting errors on your credit report

Current federal law says that both the consumer reporting agency and the information furnisher (that is, the person, company or organization that provides information about you) must correct any inaccurate or incomplete information that appears in your report. So if there’s something you don’t agree with, you should contact at least one of them to dispute the reported information. For example, here’s what you can do if you contact the consumer reporting agency reporting information that you think is inaccurate:

Write to the consumer reporting agency about the information you think is inaccurate. You should include copies of any documents that support your assertion that the item is incorrect. Be certain to explain why you dispute the information and request that it be corrected or removed, if appropriate. You may want to enclose a copy of your report with the items in question circled.

The agency must investigate the items in question by contacting the organization that provided the information unless the agency considers your dispute to be frivolous. This investigation typically must be completed within 30 days. Once the consumer reporting agency has completed its investigation, it must notify you of the results in writing and provide you with a free copy of your report if the dispute results in a change. This free report does not count as your annual free report. The consumer reporting agency cannot retain the disputed information in your file unless the organization providing the information verifies that it is accurate and complete. In addition, if the organization providing the disputed information finds it has been reported incorrectly, that organization must notify the other national consumer reporting agencies so they can correct the information in your credit file.

The moral of the story? If you think something is inaccurate, dispute it.

You can find additional information about correcting errors on your credit report from the Federal Trade Commission (FTC) website at ftc.gov.
READY TO LOOK? THIS IS HOW TO SEE YOUR CREDIT REPORT...

FOR FREE.

As we mentioned, there are three national consumer reporting agencies: Equifax, Experian and TransUnion. You can review your credit report from each agency at no cost once every 12 months.

To review your report, go to AnnualCreditReport.com. This is the ONLY website where you can get your free credit report as a result of the FACT (Fair and Accurate Credit Transactions) Act of 2003. You may have heard advertisements that claim to offer a “free” credit report. But what these sites typically ask you to do is pay a monthly fee for a service such as credit monitoring. In essence, it’s not really “free.”

Only go to AnnualCreditReport.com.

In addition to receiving one free credit report each year from each of the three national consumer reporting agencies, you can also receive a free credit report or one for a reduced fee in the following situations:

- If the state you live in has a law that entitles you to credit reports for free or for a reduced price.
- If you are unemployed and intend to apply for employment in the next 60 days.
- If, within the past 60 days, you received notice of an adverse decision such as denial of credit, insurance or employment.
- If you are on public welfare assistance.
- If you believe your file contains errors due to fraud.
So take note, if you’re ever denied a loan or even employment because of something on your credit report, you have the right to obtain a free copy of the report that was used to make that decision.

Your credit history and credit report is YOUR credit history and credit report. It’s a picture of how reliable and credible you are to current and potential lenders, and employers. In a way, it’s your reputation. We encourage you to take care of that reputation by checking your reports every year and making sure everything is in order.

For more information

As you can see, your credit report is an important source of information about you and how you’ve managed your credit. If you want to learn more about this topic, these sites can be a good place to start:

- Federal Trade Commission (FTC) at: ftc.gov
- Fair Isaac Corporation at: myFICO.com
- National Consumer Reporting Agencies:
  - Equifax at: Equifax.com
  - Experian at: Experian.com
  - TransUnion at: TransUnion.com
Your financial future starts right here, **right now.**

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This workbook and the full breadth of the WiseBorrower® Education Series are important tools designed to help students begin their careers on solid financial footing. It is all part of our ongoing commitment to provide resources, enhance financial literacy and support higher education administrators and students in and out of school.