

# Credit Reports

by Sophia



## WHAT'S COVERED

In this lesson, you will learn about the purpose of a credit report and how technology skills can help you access your report. Specifically, this lesson will cover:

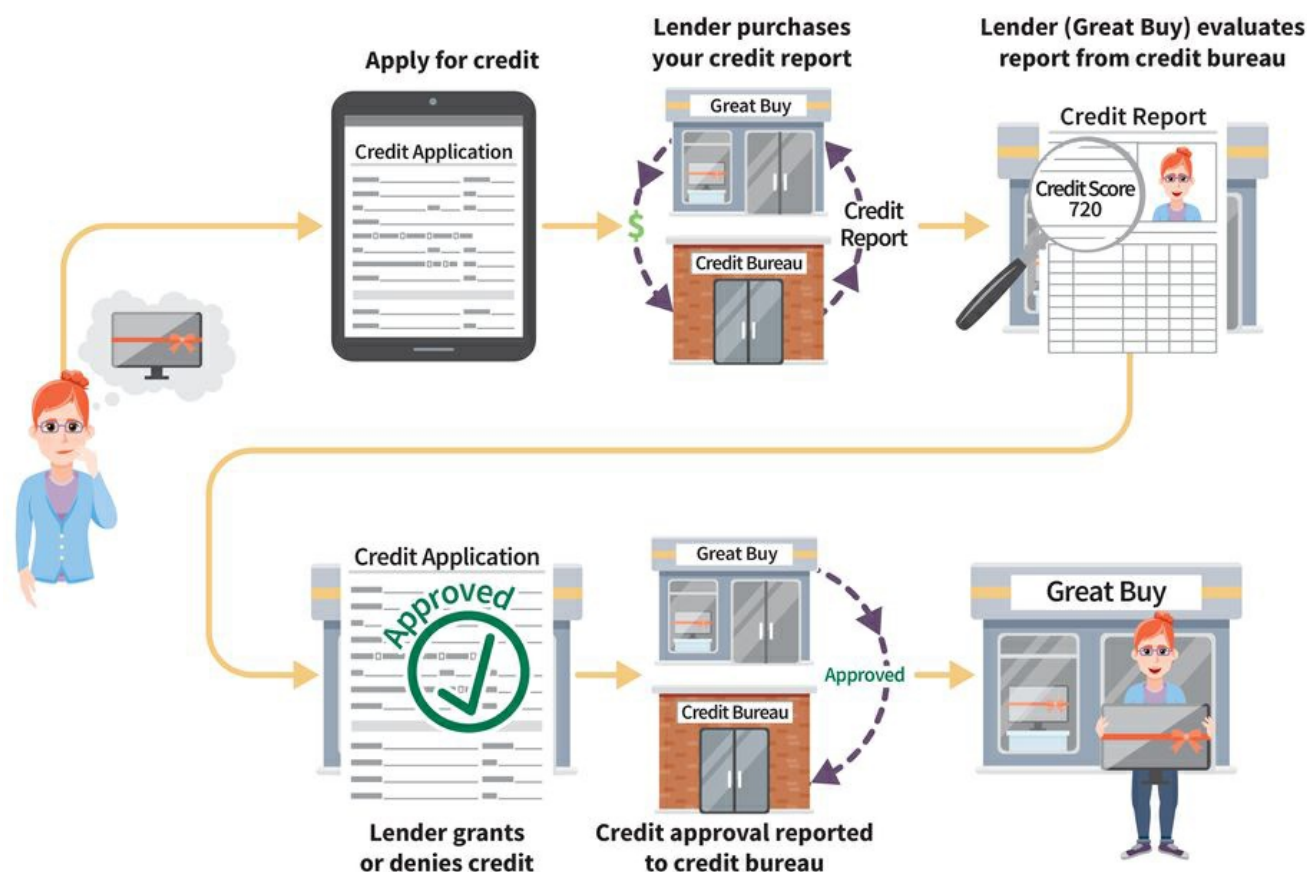
## 1. What Is a Credit Report?

According to Fair Isaac Corporation (FICO), the nation's leading credit report and credit-scoring company, a **credit report** is a summarized accounting of your credit history. You'll most likely have a credit report on file somewhere if you've taken any of the following actions:

Actions That Positively Impact Credit Report	Actions That Negatively Impact Credit Report
<ul style="list-style-type: none"><li>• Borrowed money from a company and used the purchased asset as collateral (e.g., buying a car, motorcycle, boat, furniture).</li><li>• Applied for, been accepted, and used a credit card.</li><li>• Took out a student loan.</li></ul>	<ul style="list-style-type: none"><li>• Declared <b>bankruptcy</b> (when you can no longer afford to make payments on your debt).</li><li>• Lost a home to <b>foreclosure</b> (when the lender takes back the house after you fail to make payments).</li><li>• Been sued and lost the court battle.</li><li>• Incurred court-related judgments, liens, or unpaid financial obligations (e.g., child support, unpaid fines).</li></ul>

Within the United States, there are three primary national credit bureaus: Equifax, TransUnion, and Experian. A **credit bureau** is a company that maintains housing and credit files on consumers. These are the firms that create and sell credit reports to organizations that have legal permission to view your information.

The following flow chart summarizes how credit reports are used as part of the credit-approval process.



The same process occurs every time you apply for a new loan. However, if you have made timely payments on other loans, there is an increased likelihood of getting more, and cheaper, credit in the future. But if you have missed payments or have been consistently late making payments, this will also be included in your credit report.

### ☆ BIG IDEA

Establishing and maintaining a good credit report is essential. Besides lenders, others may use credit report information, such as insurance companies, landlords, and employers, to make decisions critical to your financial success.

### 📖 TERMS TO KNOW

#### **Credit Report**

A summarized accounting of your credit history.

#### **Bankruptcy**

When you can no longer afford to make payments on your debt.

#### **Foreclosure**

When the lender takes back the house after you fail to make payments.

#### **Credit Bureau**

A company that maintains housing and credit files on consumers.

## 2. Contents and Accessibility of a Credit Report

The information that goes into your credit report comes primarily from current **creditors**, which are firms that you have borrowed money from. It is possible, though, for other public data to find its way into your report.

- Some of the additional information in credit reports comes from credit applications that you submit and that contain employment information and addresses.
- Other information comes from public legal records such as bankruptcy filings, court-ordered liens, or court judgments.
- If you were to look at your own report, it might look similar to the report shown below, but note that each credit bureau has its own format.

**Summary of Current Accounts**  
Name of creditor, credit limit, last reported balance, date opened, type of debt, amount of monthly payment, payment history, repayment period, date account closed.

**Negative Items**  
Accounts sent to collections, accounts with past due payments, accounts that were charged off by the lender (deemed uncollectible), repossessions, foreclosures, bankruptcies, liens, and judgments.

**Inquiry History**  
Inquiries resulting from a transaction you initiate (credit application). Other inquiries made by potential lenders, employers, insurers, and others. You requesting your own credit report for review.

**Personal Statement (Optional)**  
Statement submitted by the individual to the credit bureau providing additional circumstantial information about accounts and other information.

### Credit Report

First Name	Middle Name	Last Name
Jane	N/A	Smith
Address	City	Zip Code
123 Address Place	Anywhere	12345-0987
Phone Number	SSN	Marital Status
(123) 456-7890	*** ** *	Single

#### Credit Account Information

Company Name	Credit Limit	Date Opened	Monthly Payment	Balance	Payments
Pine Tree Bank	\$1000	07/2010	\$50	\$0	On-time
Car Finance	\$2000	01/2014	\$110	\$200	Late
Department Store	\$500	05/2017	\$30	\$0	On-time

#### Public Records

**Hospital Collections**  
Date reported: 09/2015, Assigned: 04/2014. Client: Anywhere City Hospital. Amount: \$1150. Unpaid Balance: \$750. Date of Last Activity: 11/2015.

#### Companies That Requested Your Credit Report

03/05/2013	Pine Tree Bank	01/09/2017	Car Finance
12/14/2013	Credit Card	10/21/2018	Appliance Store
09/23/2015	Anywhere City Hospital	05/17/2020	Department Store

#### Personal Statement

Debtor has successfully completed a voluntary repayment plan of outstanding debts submitted by Hospital Collections.



## TERM TO KNOW

### Creditor

A firm or individual from whom someone has borrowed money.

## 2a. Accessibility of Content

Thankfully, the federal government limits by law who may access your credit report. As the law is currently written, employers are the only ones who must provide you with a disclosure stating that a credit report will be requested, and they must also obtain your written authorization to do so. Further, if employers use the information in your credit report to deny you a job, they must provide you with a copy of the report and give you a summary of your rights related to the report. Under current law, an individual, firm, employer, or governmental agency may request your credit report from a credit bureau for one of the following purposes:

- In connection with any credit or collection transaction
- For employment purposes

- For the underwriting of insurance (for example, the purchase of a life insurance policy)
- For determining your eligibility for a license
- To check your history before starting a business with you
- To review whether current credit should continue to be extended to you
- To meet a court order
- To determine eligibility to rent or lease housing

## 2b. Possible Inaccurate and Negative Contents

So how do all of the different types of financial information actually get into your credit report? The answer may surprise you. The system that exists today is tied directly to your Social Security number. As you can imagine, it is possible for inappropriate and incorrect information to flow into your report. This can happen if a clerk accidentally inputs your Social Security number on another person's account information, which causes his or her account information to be tied to your credit report. It can also happen as a result of **fraud**, which is when another person intentionally steals from you.

Assuming that the information in your credit report is accurate, you need to know that credit reporting agencies are allowed to maintain bankruptcy information in your report for 10 years. Other negative information about you can stay in the report for up to 7 years. Information that can stay in your report forever includes:

- Borrowing more than \$150,000.
- Owning a life insurance policy with a **face value** (the amount that will be paid in the event of death) of \$150,000 or more.
- Applying for a job that pays more than \$75,000 annually.



### TERMS TO KNOW

#### Fraud

When another person intentionally steals from you.

#### Face Value

The amount from a life insurance policy that will be paid in the event of death.

## 3. Analyzing Your Credit Report

### 3a. Accessing Your Credit Report

How do you find out what is in your credit report? The good news is that the **Fair Credit Reporting Act (FCRA)** requires Equifax, Experian, and TransUnion to provide you with a free copy of your report once every 12 months. You really ought to get a copy just to make sure that everything in your report is accurate. Credit reports can have errors. If you find an error on your credit report, you should contact the credit bureau to have the information corrected.



### HINT

The U.S. Federal Trade Commission website offers several free resources such as sample letters for disputing errors on your credit report.

If you're still in school, you should request a copy of your credit report to see if you have one. If you find out

that you do not have a credit report, take steps now to establish a clean credit report before graduating. Remember, some employers use a credit report as an employment screen and not having a report can be just as bad as having one with negative information.



## Technology: Skill Reflect

Having strong technology skills will help you request and access your credit report. This skill is especially helpful for uncovering any errors or omissions in your credit history.



### TERM TO KNOW

#### Fair Credit Reporting Act (FCRA)

Requires Equifax, Experian, and TransUnion to provide you with a free copy of your report once every 12 months.

### 3b. Identity Theft

One reason to request your free credit report is to guard against **identity theft**. Identity theft occurs when someone else uses your personal information, such as your name and Social Security number, to obtain credit. Rather than robbing you directly, these thieves take advantage of your creditworthiness by applying for loans in your name (e.g., credit cards), buying things, and then not repaying the loans. When the damage is done, the negative information is passed along to the credit bureaus in your name! In effect, you are left looking like a bad credit risk.



### HINT

You can freeze your credit report, which makes it very difficult for a thief to open an account in your name. Call each credit bureau to freeze your account. The cost is \$10–\$15.

If you find that you are the victim of identity theft or a credit scam:

- Write to each of the credit bureaus directly, telling them that the information is inaccurate. This forces the company to investigate the fraud within 30 days. A fraud alert can be added to your credit file; this will alert creditors to be more cautious when dealing with your credit file.
- At the same time, write to the merchant(s) and dispute any items purchased that you did not buy.
- If these actions do not work, contact the [Federal Trade Commission](#) and your state Attorney General's office.
- You can also report the crime to local law enforcement.



### TERM TO KNOW

#### Identity Theft

Occurs when someone else uses your personal information, such as your name and Social Security number, to obtain credit.



### SUMMARY

Establishing and maintaining a good **credit report** is essential to your financial health. In this lesson,

you learned how to use your technology skills to **access the contents of your credit report** which is a summary of your credit history. The report lists all the institutions from which you've borrowed money and the status of each financial relationship. Unfortunately, if you have decent credit, you might be the target of **identity theft** at some point during your financial journey. For this reason, it's a good idea to regularly check your credit report for **possible inaccurate and negative contents**.

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### **Face Value**

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Requires Equifax, Experian, and TransUnion to provide you with a free copy of your report once every 12 months.

### **Foreclosure**

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### **Fraud**

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