

Credit Report FAQ: Why You Should Care About Yours

Your credit report can be the key to your new home or car, or what prevents you from getting your dream job or even approved for insurance. That's why understanding the basics about credit reports is a good idea. Check out these frequently asked questions to learn all about credit reports, and how your credit report can be your best friend—or your worst enemy.

What is a credit report?

It's a record of how you've paid bills like your rent, cell phone, cable, credit cards, mortgages, and other personal loans and obligations. Paying all bills on time is critical to establishing a good credit report.

What information is in a credit report?

Your credit report includes information about outstanding loans, debt repayment, and credit limits. Late payments on credit cards and loans, unpaid debts, bankruptcy, and court judgments against you—such as child support payments or lawsuits in which you owe money—are examples of information credit grantors view negatively.

A record of who has accessed your credit report is also included. These are called “inquiries”. You initiate inquiries when applying for a credit card, lease, employment or loan and the creditor accesses your report to make a decision. Inquiries you do not initiate come from credit companies who send preapproved offers based on your credit history.

Your report also includes non-credit information, such as jobs you've held, your date of birth, and your address. It's also linked to your Social Security number. Race, religion, and political preference are examples of information not contained in your credit report.

Do all credit reports look the same?

No. There are three main national credit-reporting agencies—Experian, Equifax and TransUnion—each with its own credit report.

Not all lenders report to the same agency. For example, your Visa credit card bill-paying history may be reported to Experian, but not to Equifax. Your loan payment history may be reported to TransUnion, but not to Experian. Therefore, getting a credit report from each of the “big three” credit-reporting agencies will give the most complete picture of your credit history.

Are inquiries listed on my credit report?

Yes, but it depends on what kind of inquiry and who is reading your credit report.

Inquiries you don't initiate only appear on reports you obtain. They won't be on credit reports potential lenders view. For example, a credit report you view will display all of the inquiries from preapproved credit offers, as well as the inquiries you've initiated from applying for things like loans, apartments, and so on. The credit report that potential lenders view will only include inquiries you've initiated. Therefore, inquiries initiated by others won't affect your credit score.

Note: If you're applying for a loan, such as a car loan or mortgage, several credit report requests from auto dealers or lenders within a short period of time are considered one inquiry; you won't be penalized for shopping around for the best loan deal.

How long does negative information stay on my credit report?

Longer than you might expect. Usually, negative information can stay on your credit report for up to seven years. Bankruptcies may stay on your credit report for up to 10 years from the date of the bankruptcy court's order for relief.

How long does positive information stay on my credit report?

Good news! Positive information could stay on your credit report forever.

Who can see my credit report other than me?

Only those who have a legitimate business reason to view your credit report. But those who *can* view it have a significant impact on your financial future. It can be viewed by:

- Lenders when you apply for credit or loans;
- Landlords and insurance companies when you fill out an application, and;
- Employers if they wish to review your bill-paying history before offering you the job. By law, employers must tell you they are checking your credit report.

What happens if I have a poor credit report?

A poor credit report may keep you from buying a house, financing a car, getting a credit card or personal loan, setting up phone service, renting an apartment, getting insurance, or even landing a job.

Why? Businesses want to know if you'll pay their bills on time before they grant you permission to use their services. They evaluate not only your creditworthiness but your financial responsibility in general.

Potential employers may also check your credit score and payment history as part of the hiring process. Some positions require you to be responsible for certain assets or to handle money. If they discover that you don't pay your bills on time, they may decide you aren't financially responsible and you may not get the job!

All is not lost if you have poor credit. A lender or business could approve your request but may change the terms—increasing the interest rate or adding fees—of a potential agreement. Having poor credit can cost you big bucks if lenders will only grant you credit at a much higher interest rate over several years.

Why should I get a copy of my credit report?

Because it's estimated that more than half of all credit reports contain errors! So, you need to check your credit report to make sure the information on it is accurate, and to check for identity theft. Your reports may also list old, unpaid debts you might have forgotten. It's possible that an old debt was sent to a collection agency, and if the collection agency couldn't find you, it reported the debt as delinquent to the credit reporting agency. Now that you know about it, you can settle your debt and ultimately improve your credit score. Also, check to make sure someone hasn't set up accounts in your name. This is a form of identity theft. Identity theft claims millions of victims each year, and it's your responsibility to check your credit reports for signs of fraud.

Hey! I found an error on my credit report. What do I do?

Fill out the dispute form that's contained in your credit report, or write a letter to the credit reporting agency explaining your dispute. Be sure to include copies of any documents you have that support your claim. The agency usually has 30 days to investigate your claim, notify you of the results in writing, and delete inaccurate or unverifiable information.

If the investigation reveals an error, the credit reporting agency must send you a free, updated credit report and notify the other nationwide credit reporting agencies to correct your file. You may ask that a corrected version of the report be sent to anyone who received your report within the past six months and to those that requested it within the last two years for employment purposes.

If you're not satisfied with the results of the investigation, you can dispute the claim by providing the credit reporting agency with a written explanation of no more than 100 words. The statement will be added to your credit report so future credit grantors can take that into consideration.

How does divorce affect my credit?

If you and your spouse held joint accounts, a divorce decree doesn't change any contract that you both signed agreeing to pay your bills. When you divorce, each of you remains fully liable for joint debts.

As soon as the relationship "heads south," ask the credit grantor to remove your spouse's name as an authorized user and to convert the account to an individual account in your name only. You may also consider closing all joint accounts to avoid additional charges.

What can I do if I'm denied credit because of something on my credit report?

Don't panic. By law, you can get a free copy of your credit report within 60 days of being denied credit. Ask the credit grantor who denied you credit for the name of the credit reporting agency the grantor reports to, and request a free credit report from that agency. Review it for clues as to why you were denied. If there are errors, correct them.

If there's negative but accurate information on your report, take steps to improve your bill-paying history and use of credit.

Does my child have a credit report?

It's possible. Identity theft is making it increasingly important for parents to check a child's credit report. Why? Crooks know that children and their parents probably don't check the child's credit history until the child becomes old enough to need credit. If false accounts are set up with the child's name and Social Security number, any negative information on the report may hurt the child's ability to obtain credit, insurance, loans, housing, and even a job when he or she is older.

How can I get a copy of my—or my child's—credit report?

By law, you can request one free credit report a year from *each* of the three main credit-reporting agencies—Experian, Equifax, and TransUnion.

Here's a great tip to keep tabs on your credit report. Stagger your requests over time. For example, request a free report from Experian each year in January, a free report from Equifax in May, and a free report from TransUnion in September. Then, start the whole process again the next January. If you follow this schedule, you can act quickly if you find inaccurate information on one of the credit reports.

There are *four ways* to order your credit report:

1. Visit www.annualcreditreport.com. Any other website—such as *freecreditreport.com*—may attempt to sell you additional products and services.
2. Call Annual Credit Report.com toll-free at 877-322-8228.
3. Mail a request letter, contained at www.annualcreditreport.com. Send the request form to: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281.
4. Contact the credit-reporting agencies directly (all phone numbers are toll-free):
 - Equifax (800-685-1111) www.equifax.com
 - Experian (888-397-3742) www.experian.com
 - TransUnion (800-888-4213) www.transunion.com

If you wish to receive your report by mail, experts recommend you request that only the last four digits of your Social Security number appear on your report. That way, if someone intercepts your report before you receive it, he or she won't have your Social Security number along with all the other identifying information contained in your report.

For more information, contact the Federal Trade Commission (FTC) at 877-FTC-HELP (877-382-4357) or visit the FTC's Website at www.ftc.gov.