

WHY SHOULD I RUN A CREDIT CHECK?*

Keeping an Eye Out for Errors

Whether a debt is erroneously reported as unpaid by an old financing company, or if a computer glitch causes a bad mark to appear, errors happen on credit reports all the time. The sooner you catch those errors and work to correct them, the less damage will be done.

Avoiding Identify Theft

Identity thieves love people who don't check their credit reports regularly; after all, it gives them full license to do whatever they want to with their victims' financial information. By monitoring your credit report on a regular basis, you can keep your eyes peeled for suspicious activity. If you see any, you can work to find out what's going on right away.

Applying for Loans, Mortgages and Credit Cards

You should always know what your financial situation looks like before applying for loans, mortgages or credit cards. If you need a new car, for instance, you'll be able to negotiate your interest rate more effectively when you know what your credit report currently looks like. The same thing is true about mortgages and credit cards; if you're uncertain about what's on your credit report, you could end up with less-than-spectacular deals. Why risk it? Checking your credit report is easy.

WHO CAN CHECK OUT MY CREDIT REPORT?

This report can be used by companies and individuals alike to make decisions regarding your fitness for a job, a home loan, or a government benefit or position.

Any company planning on lending you money: They can tell how punctual you were when making payments, if you have any loans left unpaid, or if you have a regular repayment history. The better your payment record, the lower the interest will be on any loan you receive from a company that relies on credit reports for determining the interest rate.

Potential landlord: They can see if you've ever been evicted or sued for non-payment of rent. If they find no such civil complaints or actions, they can feel confident that you'll be a responsible tenant.

Insurance companies: They are interested in your driving record. Your credit report will list any arrests you have experienced while driving, such as Driving Under the Influence. A record of these offenses will keep your insurance in the high-risk zone, costing you extra.

Your current employer and any potential employers: May also request your credit report with your written consent. To refuse this request would be an immediate red flag for any employer, as it would indicate that you have a poor credit history.

WHAT'S IN MY CREDIT REPORT?

Understanding the information contained in your credit report can help you resolve any issues that may appear and alert you to potential problems that can seriously affect your overall credit score. Essentially, a credit report is a history of your financial transactions, both negative and positive, and offers an overview of past and current payment habits as well as personal data used to identify you as the individual in question. Equifax, Experian and TransUnion are the three major credit bureaus; while each uses a slightly different format to present its results, the information contained in the report is typically much the same.

Personal identification

- full legal name and any names you may have used in the past
- current and past addresses
- names of current and past spouses, if any
- names of any co-applicants for credit or loans
- names of dependents, when available
- date of birth
- current and past employers with dates of employment
- current and past telephone numbers
- Social Security number

This information is used to identify you positively as the person responsible for the financial information included in the report. Some credit reports list your income, dates of employment at each company, and dates of residence as well if this information can be determined. It is very important to carefully verify the information contained in this section. Discrepancies can lead to difficulties obtaining new lines of credit should the need arise.

Public records

This part of the credit report includes any judgments or legal actions that have been decided against you. Typically, the date the action was filed, the amount of the original claim, the outstanding amount due, and the date of resolution if any are all included in the entry, as well as the name and contact information for the court where the judgment was rendered. Bankruptcies are also listed in this section of the credit report; Chapter 7, 11, and 13 bankruptcies remain on the report for ten years. It is important to note that only legal cases related to the financial status of the individual will be contained on the report. The report will not contain speeding tickets or any other such legal matters.

Credit history

It's a common misconception that only negative information appears on your credit report. In fact, positive information can remain on your credit report indefinitely, while negative information typically is only reported for seven years after the last transaction on the account.

The credit history section includes the information reported to the bureau concerning existing lines of credit. The name and address of the reporting entity is included along with the type of credit, current balance, and payment status. A good credit report will show a payment status as "current" or "pays as agreed" and the payment history will show no late or missed payments.

This section may also report any lines of credit that have been turned over to collection agencies. The collection agency's name and address along with balance and payment information is included. These reports can have a negative impact on the credit rating of the individual.

For each entry in your credit history, the following information is listed if it is currently available:

- name, address, and contact number of creditor
- account number
- current status of the account, including collections
- date opened
- type of account (installment, revolving)
- terms of the account
- credit limit or original amount of loan
- high balance
- monthly payment
- responsibility for the account
- date last reported to the credit bureau

This information allows lending institutions to determine your creditworthiness when you apply for a loan or other credit arrangement; by looking at your past history of payments, they can assess the risk entailed in offering you a loan. Higher risk profiles typically result in denied applications or higher rates of interest on loans and other financial arrangements.

The final word

The final section of the credit report will provide information about credit inquiries submitted to the bureau for the individual. Inquiries are typically reported when an application for a new line of credit has been submitted. The creditor with whom an application has been submitted will make an inquiry to determine the applicant's credit risk. Excessive inquiries can have a negative effect on the credit rating of the individual.

The information contained in these reports can not only identify criminal activity, but also reveal areas for improvement. Information contains power that can only be wielded when properly comprehended

All three of the major credit bureaus allow consumers to dispute or add statements regarding negative credit information that appears on their accounts. If you feel that some account information is incorrect or misleading, you can contact the credit bureaus directly to dispute it or to add an explanatory note to the account. Additionally, it is possible to add a general explanatory statement to your entire credit report that explains a period of late payments or apparent irresponsibility. If you had a good reason for paying late or failing to meet your obligations, some lenders may take your statement into consideration when deciding whether or not to offer you credit and at what terms that credit will be extended to you. In this way, you can have the final word even when significant negative information exists on your credit report.

HOW DO I DISPUTE ITEMS ON MY CREDIT REPORT?

Your credit report contains information regarding your address, spending habits, payment history, arrest record, and any bankruptcies you may have filed. It can be accessed by possible employers, lenders, landlords, and other companies or persons who feel the need to check your credit history.

Usually there are no problems with a credit report. They're accurate, current and complete. Occasionally, there are errors. When these errors occur, you might lose a job opportunity, a chance at a new house, or a car loan. That's why you need to keep an eye on your credit report and check it regularly. By law, the major credit reporting agencies must provide you with a free copy of your report once every twelve months, if you ask for it. Additionally, if you're denied a loan or job due to a poor credit report, you're guaranteed by law to receive a free copy of your credit report from the company that provided it.

Keeping tabs on your credit score will help keep it current, accurate and as low as possible. The lower your credit score, the lower your interest on new loans. If your credit report is clean, you'll find getting a loan is simple and costs less. Watching your credit report can also help prevent identity theft, as you will notice if someone tries to start an account with your personal information.

If you find an error on your report, the key is to be thorough. You can have the error removed, but you need to go through the proper channels. It takes preparation and patience to correct mistakes and inconsistencies. Follow these steps.

To have an error removed, you must first report it to the credit reporting firm. Do this in writing and be sure to get a return receipt indicating the item was mailed by you and received by them. Include a letter explaining which charge or charges you believe to be inaccurate. Include written documentation to prove your case. The more proof you have, the better your case will go and the faster it will be decided. The reporting company must investigate all reports of inaccuracies. Their report on your dispute must be provided to you free of charge. If the investigation results in a change in your credit report, the reporting company must provide you with a free copy of your new report.

If your case is not decided in your favor, go to the provider who originally made the loan or approved the charge. Send them a written report detailing why the charge is inaccurate. Once again, include any written documentation to make your case. Your provider must report that you have disputed the charge on any future credit reports.

Report any suspected inaccuracies immediately and completely. Your credit score is too important to risk any errors. Luckily, they're usually correctable.

HANDLING ERRORS IN YOUR CREDIT REPORT: KEEPING THE RECORD STRAIGHT

Errors in your credit report can cost you hundreds or thousands of dollars in additional finance charges and higher interest rates. In some cases, credit report errors can result in being turned down for a loan or a job and may affect your chances of owning or renting a home. For these reasons, it's essential to correct any inaccurate or outdated information on your credit report as quickly as possible to ensure that you get the credit you deserve.

Exercise your rights

The Federal Fair Credit Reporting Act was amended in 2003 to provide consumers with the right to obtain free annual credit reports from the three major reporting credit bureaus, Equifax, TransUnion, and Experian; by exercising this right, you can ensure that the information being reported to lenders, employers and landlords is accurate and up-to-date. If any errors exist in the report, it's time to move on to the next step.

Contact the credit bureau

If you find errors in your credit report, you can dispute them in writing with the credit bureau that compiled the report. Items that can be disputed include past and current employers, places of residence, marital status or name of spouse or dependents and, of course, credit history and court judgment information. The dispute letter must include the following elements:

- your complete name and address
- full description of the specific items to be corrected
- copies of any supporting documents
- the desired resolution of your dispute

For example, if you want a notation or explanation inserted into your credit report regarding the inaccurate information, then list that as your desired resolution. In most cases, however, it's preferable to have the inaccurate information removed entirely. The dispute letter and accompanying documents should be sent Return Receipt Requested in order to provide verification that the credit bureau received the materials.

Wait it out

At this point, the credit reporting company is obligated to either dismiss your dispute as frivolous or to investigate it further. The investigation is limited to thirty days in most cases. If you have provided documentation to support your dispute, the credit bureau typically is required to ask the organization that initially reported the information to provide documentation for the credit report entry within this thirty-day window. If no response is received in this timeframe, then the disputed information will be removed from your credit report. However, if the disputed entry is later found to be valid and is supported by documentation from the initial creditor or reporting agency, the removed information may be restored at a later date.

WHAT IS A CREDIT SCORE?

Understanding the scale that is used to compare one credit score to other credit scores is essential. The credit score scale is a fundamental tool of all credit services and can come into play when you're looking for a job, buying an expensive product, or looking for a loan. Luckily, the credit score scale is very easy to understand, even if you don't have much experience with financial products.

A credit score (also known as a FICO score) can fall anywhere from 300-850. Most companies that look at credit reports will use a general scale based on averages, although they will also look at the individual features of a person's credit report—not just the number at the top of the page.

- 760 and up is considered to be *excellent* and requires a long credit history with on-time payments and the right types of credit combined with low amounts of overall debt
- 700-759 is considered *very good*
- 600-699 is *good*
- 620-659 would be considered *not good*
- 580-619 is *poor*
- 579 and below is *very poor*

The lowest credit scores on the scale go to people with major negative financial events like bankruptcy on their records.

Most people will find their credit scores to hover around 685-700. A lower score does not necessarily mean that you won't be able to find a good credit card or loan, just that it will be more difficult to do so. People on the higher end of the credit score scale will pay less in interest as long as they're able to keep their scores in that range.

Improving your placement on the credit score scale requires a different approach to how you use your credit and how you choose types of credit to use. Depending on where you rank, you may need to lower the total amount of your debt or look for errors in your payment history that you can have removed from your record. You may also simply need to build a history of good credit usage, particularly if you haven't been using your credit for very long.

There are three main credit reporting agencies that can tell you your credit score: Equifax, Experian, and Transunion. Your choice of credit reporting agency will not affect your score or your placement on the credit score scale. If you're interested in improving your place on the credit score scale, the first step is to get a credit report and to look for elements that may be lowering your score. It can take some time to change your credit score and to move into a better area of ranking, but it's well worth the time, as this will result in a wider range of available loans and finance rates.

*info from www.creditreport.org