



Understanding Credit Reports

Financial Education

Fact Sheet #1

What is a credit score, and why is it important?

A credit score is a number calculated by a credit bureau or another company for use in making a decision on a loan application or other product or service. A point system based on your credit history, its designed to help predict how likely you are to repay a loan or make payments on time. Everyone with a credit record has a FICO credit score. Different lenders may use different scoring systems, so your score may vary significantly from one source to another.

The better your credit score the better your chances are of getting a loan with an attractive interest rate. So when it comes to getting a good loan, it's important that your credit report—the basis for your credit score—be accurate, complete, and in the best shape possible.

What are the most important factors in determining my credit score?

Typically, your credit score is influenced by how timely you pay your debts and how much debt you owe. Late payments on loans, a past bankruptcy, debt collections or a court judgment

ordering you to pay money as a result of a lawsuit will negatively affect your credit score.

Lenders want to be sure that the debt you owe is manageable. Lenders get concerned if you have a lot of debt compared to your income.

Other factors that can affect your credit score include how long you've used credit, how often you have applied for new credit and whether you have taken on new debt.

Your credit score is usually part of your credit report which is a summary of your financial reliability—for the most part, your history of paying debts and other bills. Credit reports are used primarily by lenders, employers and others when they have a legitimate need for the information, such as when you apply for a loan, insurance policy, apartment or job.

What is in my credit report?

In general, your credit report has four parts:

- Identifying information**
- Public record information...**gathered from local court records and used to determine if you have previous defaults or legal judgments against you.



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- ☑ **Other credit history information**...such as a list of your credit cards and loans, and whether payments were on time.
- ☑ **Inquiries**...a section that lists creditors or other parties that requested your credit report.

How do credit bureaus get their information?

Lenders voluntarily supply the information to credit bureaus on an ongoing basis; no federal laws require companies to submit the data.

How can I get a copy of my report?

The Fair & Accurate Credit Transactions Act (FACT Act) enables you to obtain a FREE copy of your credit report once a year from each of the three major credit bureaus.

To get your credit report contact:

Credit Bureaus

Equifax– www.equifax.com
800-685-1111

Experian— www.experian.com
888-397-3742

TransUnion— www.transunion.com
800-888-4213

Free Credit Reports
www.annualcreditreport.com
877-322-8228

What kinds of problems could I encounter?

- ☑ **Make sure it accurately reflects how you have paid your bills.** If your credit report has errors, you'll want to correct it immediately.
- ☑ **Verify that all accounts listed are yours,** especially if you have a common name or share a name with a relative. You also want to be careful that an identity thief hasn't opened new accounts in your name.

- ☑ **Look for accounts you don't use and may have forgotten.** You may be able to raise your credit score by closing unused credit accounts.

How do I correct wrong or incomplete information in my credit report?

- ☑ **Immediately tell the credit bureau, in writing.** Federal law requires credit bureaus to investigate your complaint (generally within 30 days), and send you a prompt response and correct any errors.
- ☑ **Identify each item in your credit report that you dispute,** state the facts and request a correction. The law requires the source of inaccurate information to correct the record.
- ☑ **Contact in writing the company that provided the inaccurate or incomplete information** and request a correction of it's records. If a credit bureau's investigation does not resolve your concerns, the law allows you to submit a brief statement about the matter that must be attached to your credit report and provided to anyone that accesses your report in the future.

What if I have a question or complaint involving a credit bureau?

First try to resolve the matter with the credit bureau directly. If you are not satisfied, contact the FTC. The FTC does not resolve individual disputes, but it does provide useful information that may help consumers resolve their problems. Visit www.ftc.gov or call toll-free: 1-877-FTC-HELP (1-877-382-4357)