



HELPFUL INFORMATION THROUGH

CREDIT REPORT EDUCATION



Thank you for choosing InCharge to help you get a better understanding of your credit report. There's so much more to your credit than just a score. It contains what your creditors say about the way you handle money. A good credit report can make it easier to qualify for a home mortgage or the car you've always wanted. That's why it makes sense to review your credit report at least once a year and then take steps to ensure its accuracy. You should review your credit report before you begin shopping for a purchase where credit will be needed. The report reveals your indebtedness, your bill-paying habits and other important personal information.

What is a Credit Report?

A credit report is a record of your personal credit history. Credit bureaus compile your credit report using information submitted by your creditors and obtained from public records. Creditors carefully review your past borrowing and repayment history before granting new credit. While your credit report contains important financial data, it doesn't include information like race, religion or political affiliation.

Information about you in a credit report is divided into the following four sections:

- **Personal** - This section includes your name, past and present addresses, previous and current employers and your Social Security number
- **Credit accounts** - This section includes information on current and past loans and credit accounts, credit limits, current balances and payment histories. This includes late payments, repossessions, charge-offs and collection activity
- **Public record information** - This section includes information about any tax liens, bankruptcies or judgments filed against you in court
- **Inquiries** - This section includes information about businesses that have requested your credit report within the last 30 days

“Money is like a sixth sense, without which you cannot make a complete use of the other five.”

- W. Somerset Maugham



How do I obtain my credit report?

Obtaining your credit report is easy. You can request a free copy of your credit report from www.annualcreditreport.com, once a year from each of the major reporting bureaus (Equifax, TransUnion and Experian). To request by phone, call 1-877-322-8228. When you order a credit

report, you must use your full name (with Sr., Jr., III), your current address, past addresses within the last five years, your Social Security number, and birth date

You also should know that credit bureaus ordinarily don't share information with each other, although their information sources are the same. Each credit report could contain different information; therefore, you should review all three reports to assure accuracy.

If you have already requested your credit report within the last year from www.annualcreditreport.com, you can still obtain copies directly from the credit bureaus. Call or visit the below websites for instructions on how to access your credit report. You will need to pay for these.

Equifax

P.O. Box 740241
Atlanta, GA 30347
1-800-685-1111
www.equifax.com

TransUnion

P.O. Box 2000
Chester, PA 19022
1-800-888-4213
www.transunion.com

Experian

P.O. Box 2104
Allen, TX 75013-2104
1-888-397-3742
www.experian.com

How can I understand what's on my credit report?

At first glance, your credit report may look like just a bunch of numbers. But it'll make sense once you dig deeper.

Reports prepared by different credit bureaus may state similar information in different formats. Credit bureaus are required by law to explain information on your report that you don't understand; therefore, the credit bureau supplying the report must answer your questions via telephone.

The following pages show a sample credit report.

Credit Report for John Smith

Credit Summary:

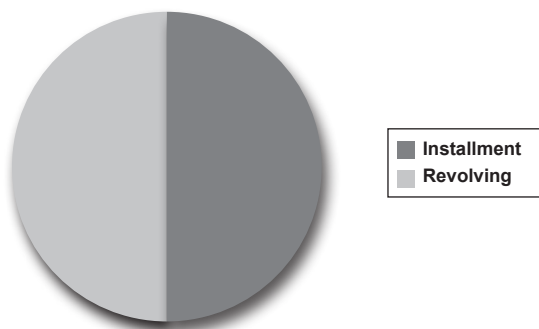
This section provides a summary of your open credit accounts including how much you currently owe, your credit limits and payment history.

Accounts:

A summary of credit accounts including credit cards, mortgages and auto loans

Open Accounts	Total Number	Balance	Available	Credit Limit	Debt to Credit Ratio	Monthly Payment Amount	Accounts with a Balance
Mortgage	0	0	N/A	N/A	N/A	0	0
Installment	1	\$9523	\$0	\$12,500	76%	\$241.66	1
Revolving	6	\$9123	\$1077	\$10,200	89%	\$85	3
Other	0	\$0	N/A	N/A	N/A	\$0	0
Total	7	\$18,646	\$1077	\$22,700	82%	\$326.66	6

Debt by Account Type



Account Age

This part of your credit report shows how long you've maintained credit. It's better to show a longer credit history with creditors, so keep your oldest accounts open, even if they have a zero balance. Don't keep accounts open, however, if there is an annual fee or an inactivity fee.

Length of Credit History: 10 years, 4 months

Average Account Age: 5 years

Inquiries – Requests for your Credit History

This part reflects how many times you've sought new credit in the past few years. Spikes in this number can make you look risky to lenders so only seek new credit when you truly need it.

Inquiries in the Last 2 Years: 13

Potentially Negative Information

This area provides a snapshot of negative information including the number of occurrences of late payments, negative accounts and collections information.

Negative Accounts: 0

Collections: 1

Public Records: 1

Open Accounts

Account Name	Account Number	Date Opened	Balance	Date Reported	Past Due	Status	Credit Limit
Ally	1234xxxx	1/2011	\$9523	5/2011	0	*Pays as Agreed	\$12,500

Account Name	Account Number	Date Opened	Balance	Date Reported	Past Due	Status	Credit Limit
Chase	5678xxxx	5/2001	\$3200	5/2011	60	*Pays as Agreed	\$3200
AMEX	1357xxxx	10/2010	\$202	5/2011	0	*Pays as Agreed	\$1000
VISA	1245xxxx	5/2008	\$0	5/2011	0	*Pays as Agreed	\$1000
CITIBANK	9876xxxx	3/2003	\$0	5/2011	0	*Pays as Agreed	\$1200
MACYS	7584xxxx	1/1999	\$0	5/2011	0	*Pays as Agreed	\$500
MOBILE	1356xxxx	2/2002	\$1300	5/2011	0	CA	\$1300
MC	1987xxxx	7/2009	\$4421	5/2011	0	*Pays as Agreed	\$2000

Payment History Key

Pays or Paid as Agreed	*	180+ Days Past Due	180
30-59 Days Past Due	30	Collection Account	CA
60-89 Days Past Due	60	Foreclosure	F
90-119 Days Past Due	90	Voluntary Surrender	VS
120-149 Days Past Due	120	Repossession	R
150-179 Days Past Due	150	Charge Off	CO

Collection Agency Accounts

Collection reported 6/2009 to AAA Collection (800) xxx-xxxx; Client ZZZ; Amount \$1300. Balance \$1300; Date of last activity 4/2009. Individual Account number: 1356xxxx

Public Records or Other Information

Lien filed 03/2004; Orlando; Case or other ID number 73251; Amount \$14,000; Class – State; Released 07/2004; Verified 08/2004

Bankruptcy filed 12/2005; Eastern District Court; Case or other ID number: 723HSLKHF; Liabilities \$23,440. Persona; Individual; Discharged; Assets \$352

Additional Information

- Former addresses
- Last reported employment

What is a credit score?

Your credit score is a number summarizing the information on your credit report. Lenders use your score to decide whether they will extend credit to you. The number is based on a statistical formula and is designed to estimate how likely you are to repay a loan.

The most frequently used credit scoring system, known as FICO, uses a formula developed by the Fair Isaac Corporation. Scores range from 300 to 850 points, with higher numbers denoting a better credit score. According to the Fair Isaac Corporation, the score is calculated weighting different aspects of your credit history and behavior in the following manner:

35% represents your bill paying history.

30% represents the amount you owe.

15% represents the length of your credit history.

10% represents the variety of credit accounts in your name
(installment, mortgage, credit cards, etc.).

10% represents your applications for new credit
(a high number of applications in a short period of time generally leads to a lower score).

Your race or gender has no bearing on your credit score and you won't see your credit score on your credit report. Moreover, credit bureaus don't make decisions about extending credit. They simply provide your credit report to prospective lenders.

How can I ensure that my credit report is accurate?

While credit bureaus have a legal responsibility to report accurate information, it's up to you to make sure the information is correct. This is why it makes sense to check your credit report at least once a year. Each month, credit bureaus receive millions of pieces of credit data, so mistakes can be made. Credit bureaus are legally obligated to investigate disputed information and correct errors brought to their attention.

That's why when you receive your credit report you should review it carefully. Along with your report, you may also receive a dispute form. You can use this form to bring any incorrect information to the attention of the credit bureau. The credit bureau will investigate your claim with the creditors or the organization that supplied them with the disputed information. You should also send a copy of the dispute form to the creditor and keep a copy of all the correspondence for your records. The credit bureau has 30 days to investigate and respond to you.

If any disputed information on your credit report is confirmed as accurate by the credit bureau, you still have the right to include your side of the story in your credit report. You can send a brief statement of explanation - up to 100 words, which should be included in future credit reports.

It's important to distinguish between incorrect information and negative information. As long as negative information is accurate, it will be part of your credit history and will appear on your credit report.



How can I improve my credit report?

There is no quick fix for repairing a credit report. The best way to improve your credit report is to use credit wisely. Once you begin to build a positive bill paying track record, older negative information will have less of an impact on your creditworthiness.

Here are some specific steps you can take:

- *Pay all of your bills on time.* This is the most important action you can take to improve your credit report. Also, try to pay more than the minimum payment. Mail in your payments at least seven days before the due date to ensure your creditors receive them on time.
- *Keep your debt level low.* Keep non-mortgage debt payments less than 10% of your take-home pay. Credit grantors don't want to see you maxing out multiple lines of credit. We suggest you apply for reasonable credit limits and keep your debts significantly below those limits.

- *Correct inaccurate information as soon as possible.* If you notice that any information on your credit report is wrong, contact the credit reporting bureaus as soon as you can to correct the information. If there is negative but accurate information on your report, send an up-to-100-word explanation to the credit bureaus so your side of the story will be included on all future credit reports.
- *Keep your oldest account open and verify that accounts you have requested be closed are indeed closed.* If there is no annual fee or inactivity fees, keep your oldest account open even if the balance is zero. Remember that 15% of your credit score is based on the length of your credit history. Close accounts you no longer use or want and verify that they have indeed been closed. It's much better for you to close an account than to have a creditor close it for you, based on inactivity.
- *Ask for positive credit information to be reported to the credit bureaus.* Sometimes smaller creditors like local stores don't send information to credit bureaus. You can request this information be included in your credit report. Be aware that it may not be updated regularly.
- *Send each of your creditors a change of address card when you move.* When you move, bills should be forwarded. Sometimes they arrive too late for you to pay them on time. If you send a change-of-address card to your creditors, you can minimize the chances of this happening.
- *Fill out all credit applications consistently.* Use the same name on all credit applications to ensure your credit report is as accurate as it can be. For example, if you use your middle initial on one credit application, you should use it on every application you complete.



*Pay all of
your bills on
time.*

*Review your
credit report
annually.*

- *Review your credit report annually.* It's one of the best ways to ensure your report is correct. Negative information such as foreclosures, repossessions and late payments will stay on your credit report for up to seven years, and certain bankruptcy information will remain on your report for up to 10 years. View your credit report from each of the major reporting bureaus for free once a year at www.annualcreditreport.com.
- *Co-sign a loan for someone only if you are willing and able to take on the debt yourself.* If the original borrower makes late payments, it will be reported on your credit record. If the borrower fails to pay, a collection agency may try to collect the debt from you.

Summary

- It's wise to review your credit report annually and take steps to ensure its accuracy
- Your credit report is a record of your personal credit history - both positive and negative
- You can order your credit report from one or all of the "Big Three" credit bureaus
- Your credit report contains the following four categories of information: personal, credit accounts, public record and inquiries
- Your credit score summarizes the information on your credit report
- Paying your bills on time and controlling your level of debt are the best ways to build a positive credit report. There are no quick fixes; it takes time to build a good report
- Co-signing a loan will make you responsible for paying the debt if the borrower fails to do so
- There are certain federal laws that protect consumers from abusive and unfair collections practices

"Small things, done well, enable bigger things to become Possible."

- Martin O' Malley

Notes, Helpful Links & Action Items

Helpful Link

www.annualcreditreport.com

How to Dispute Errors

<https://www.incharge.org/debt-relief/credit-counseling/bad-credit/how-to-dispute-a-debt-with-creditors-collectors-reporting-bureaus/>

Sample Letter:

www.myfico.com/crediteducation/rights/sample-credit-report-dispute-letter-of-explanation.aspx

Action Items

