



What Your
Credit
Report Says
About You



Credit plays an important role in our daily lives. Many consumers use credit cards to pay for routine purchases such as gas and groceries and to obtain longer-term financing to purchase big-ticket items such as a home or a car. Many college students obtain loans to finance their education.

But lenders do not automatically extend credit to everyone. You must apply for credit and demonstrate to the lender that you are a good credit risk. Lenders use several tools to evaluate credit applications to determine if you are likely to repay a loan, including obtaining a copy of your credit report from one of the three national credit bureaus — Equifax, TransUnion, and Experian. Therefore, it is important to understand the information in your credit report.

WHAT IS A CREDIT REPORT?

A credit report is a document that contains a detailed history of your credit activities, including all of your credit accounts (e.g., credit cards, mortgages, car loans, etc.) and any negative public records relevant to your creditworthiness (e.g., tax liens, judgments, bankruptcies).

WHERE DO CREDIT REPORTS COME FROM?

Credit reports are compiled by the credit bureaus. A credit bureau is an agency that collects information about the credit activities of individuals and businesses from creditors, public

records, and other sources and then creates reports based on this information. The credit bureaus charge lenders a fee to obtain these credit reports. Although most creditors obtain credit reports from the three national bureaus, some smaller regional credit bureaus also provide these reports. Creditors will typically obtain only one credit report when you apply for a relatively small credit amount (such as a credit card with a \$3,000 limit), while they will typically obtain copies of your credit report from all three national bureaus when you apply for a larger credit transaction (such as a home mortgage).

WHO IS ALLOWED TO SEE MY CREDIT REPORT?

Under the Fair Credit Reporting Act, a federal law, credit bureaus can provide the information in your credit report only to the following requestors: 1) creditors reviewing a new application for credit or conducting a review of an existing account; 2) employers considering you for employment, promotion, reassignment, or retention; 3) insurers considering you for an insurance policy or reviewing an existing policy; 4) government agencies reviewing your financial status in connection with issuing you certain licenses or government benefits; 5) a state or local child support enforcement agency for purposes of determining child support payments; and 6) anyone else with a legitimate business reason for needing the information in connection with a business transaction that you initiate. Credit bureaus

may also furnish reports in response to a court order or a federal grand jury subpoena. In addition, they will supply the report to a third party if you give them written instructions to do so.

WHAT TYPE OF INFORMATION IS ON MY CREDIT REPORT?

There are usually four types of information:

1. **Identifying information:** Your full name, nicknames, current and previous addresses, Social Security number, year of birth, current and previous employers, and, if applicable, your spouse's name.
2. **Credit information:** The loan accounts you have with banks, retailers, credit card issuers, and other lenders. This information includes the type of loan (mortgage, student loan, revolving credit), the date you opened the account, the original loan amount or credit limit (for credit cards and other lines of credit), the current balance, any cosigners of the loan, and your payment pattern over the past two years. Other accounts you maintain that do not involve credit, such as a checking account or your account with a local utility, are not included because credit reports are limited to loans. However, if you are delinquent in paying any account, including a noncredit account (e.g., a utility bill), and the account is referred to a debt collector, the debt

collector can report your delinquency to the credit bureau, and it will remain in your credit report for seven years.

3. **Public record information:** Federal and state court public records on bankruptcies, tax liens, or monetary judgments. (Some credit bureaus list nonmonetary judgments as well.)
4. **Inquiries:** Every instance in the past two years when you applied for credit and the creditor reviewed your credit report or score; this is known as a “hard” inquiry. If you obtain a copy of your report or score, or if an existing creditor obtains your report as part of its regular review of existing accounts, it is considered a “soft” inquiry. For purposes of your credit score, only hard inquiries affect your score; soft inquiries are not considered.

WHERE DO THE CREDIT BUREAUS GET THEIR INFORMATION?

Most lenders furnish information to the credit bureaus about your credit accounts. This occurs not only when you first apply for credit but also after an account is opened. Each month, your creditors update the bureaus about the information in your account, including the amount of your last payment, whether it was late, the remaining balance on your account, and, for accounts with credit limits, the amount of your limit. Most creditors send information

to all three national credit bureaus. Some creditors provide information to only one bureau.

DO THE CREDIT BUREAUS MAKE THE DECISION WHETHER TO GRANT ME CREDIT?

No. The credit bureaus only supply the information about your credit history. It is the lenders themselves who make the decision whether to grant you credit.

WHY SHOULD I OBTAIN A COPY OF MY CREDIT REPORT?

Not knowing what's in your credit report can hurt you. Credit decisions, and in some cases employment and insurance decisions, are based, in part, on information in your credit report. Therefore, it is important that you periodically review the information in your credit report to ensure that all the information is accurate. For example, if a creditor incorrectly reported that you made a late payment on your credit card, you can file a dispute to have the error fixed. It is especially important to review your credit report before you apply for credit so that you can correct any inaccurate information. Also, for large loans, like home mortgages, lenders sometimes ask borrowers questions about information in their credit reports. By examining your report before you apply for a loan, you can be prepared to answer any questions that may arise while your application is being reviewed.

Finally, checking your report periodically can help protect you against identity theft. If someone applies for credit using your name and credentials, a record of the transaction will appear in your credit report. If you review your report and see any credit inquiries or new accounts that you do not recognize, identity theft may have occurred; therefore, you will want to take appropriate action immediately. For more information about detecting and responding to identity theft, visit the Federal Trade Commission's identity theft website at www.identifytheft.gov.

WHAT SHOULD I DO IF I FIND AN ERROR ON MY CREDIT REPORT?

First, you should file a written dispute directly with the creditor that reported the error to the credit bureau. Your credit report will provide the creditor's address for purposes of mailing a dispute. Include copies (not originals) of any documentation that supports your position. For example, if a creditor reports that you made a late payment when you made the payment on time, you should include a copy of a canceled check showing your payment was received on time or a copy of your bank statement showing the date you made the payment electronically. You can call the creditor to find out what information is needed to refute the creditor's claim. Under the Fair Credit Reporting Act, the creditor is required to investigate your complaint. If the creditor agrees that it reported incorrect information to the credit bureaus, the

creditor must send corrected information to all the credit bureaus that were given the incorrect information.

Instead of filing a dispute directly with the creditor, you also have the option of notifying the credit bureau(s) that included the incorrect information in your credit report. The credit bureau will then conduct an investigation and notify you of its findings. If the bureau cannot confirm the information that you are disputing, it will be removed from your file and a corrected report will be sent to any parties you specify that have received your report within the past six months (or within two years if the report was requested for employment purposes). If you find an error on a report from one credit bureau, you should request a copy of your report from the other two bureaus because the error was most likely reported to all of the credit bureaus. If the other bureaus are also issuing incorrect information, you should file a dispute with them as well.

WHAT IF THE CREDIT BUREAU STANDS BY ITS REPORT?

You have the right to present your side of the story in a brief statement, which the credit bureau must attach to your credit file. Anyone requesting a copy of your credit report would also automatically receive your statement (or a summary of it) unless the credit bureau deems the dispute irrelevant or frivolous.

WHAT SHOULD I DO IF I AM DENIED CREDIT BECAUSE OF SOMETHING IN MY CREDIT REPORT?

The lender denying you credit must explain the reason for the denial and provide you with a notice listing the name, address, and telephone number of the credit bureau that provided the credit report. At that point, you have up to 60 days to request a free report. If the creditor relied on your credit score in making the decision to deny you credit, it must disclose the score in the notice.

HOW LONG DOES INFORMATION STAY ON MY CREDIT REPORT?

Generally, the credit bureaus must automatically delete negative information (e.g., a late mortgage payment or a tax lien) that is more than seven years old from your report and any bankruptcies that are more than 10 years old. For tax liens, the seven-year period does not start until *after* the lien is paid. However, there are exceptions. Negative information that is more than seven years old can be reported in the following cases: for a Perkins student loan; for credit transactions involving a principal amount of \$150,000 or more; for the underwriting of life insurance involving a principal amount of \$150,000 or more; and for employment of an individual with an annual salary of \$75,000 or more.

HOW DO I GET A COPY OF MY CREDIT REPORT?

Under federal law, you are entitled to receive a free copy of your credit report from each of the three national bureaus (Equifax, Experian, and TransUnion) once a year. To obtain a free copy of your credit report from one or all three of the national credit bureaus, visit www.annualcreditreport.com or call 1-877-322-8228. To request your report(s) through the mail, visit www.annualcreditreport.com/manualRequestForm.action, download the form, print it, fill it out, and then mail it to:

**Annual Credit Report
Request Service**
P.O. Box 105281
Atlanta, GA 30348-5281

Here is the contact information for the three national credit bureaus:

Equifax
P.O. Box 740241
Atlanta, GA 30374
1-800-685-1111
www.equifax.com

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

TransUnion
P.O. Box 1000
Chester, PA 19022
1-800-888-4213
www.transunion.com

FOR MORE INFORMATION

The Federal Reserve Bank of Philadelphia has other brochures on credit topics.

To obtain copies of these brochures, or for additional copies of this one, please contact:

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Ten Independence Mall, Philadelphia, PA 19106

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