

CREDIT REPORTING SYSTEM

Maintaining a good credit rating is vital to being able to obtain bank loans, credit cards, automobile loans as well as other consumer and business financial needs at competitive market interest rates. It is virtually impossible to survive financially without maintaining a positive credit history. For this reason, it is imperative that today's consumer have a basic knowledge of the credit reporting system used by credit grantors.

Who Uses Credit Reports?

Every time a consumer applies for credit, the creditor will obtain a copy of the consumer's credit history. This process will enable the creditor, a bank, department store, mortgage company, apartment complex, etc. to obtain vital information needed in determining whether to extend the credit, provide employment, insurance or housing to the applicant.

Why Your Credit History Is Important

Although creditors usually consider a number of factors in deciding whether to grant credit, most creditors rely heavily on your credit history. To learn how you have handled credit in the past, most creditors obtain a report from your local credit bureau. Credit bureaus gather and sell credit information about consumers and are a principal source of information about your credit history. Your credit bureau report is based on information supplied over time by your creditors. It also provides information on where you live and work and may note other matters of public record, such as judgments and bankruptcies. Your report records payments you have made on credit cards, installment loans, and other credit accounts, and helps creditors predict whether you are likely to be a good credit risk. A history of timely credit payments helps you get additional credit.

Some creditors are reluctant to grant credit to consumers who have not first established a "track record" with other creditors. In addition, many creditors will not extend credit to consumers with a history of delinquent payments, repossessions, judgments or bankruptcy. If you are in either situation, be wary of ads that promise you "instant credit" or "a major credit card regardless of your lack of credit history or your past credit record." The fact is that all legitimate creditors want to know whether you are likely to be a good credit risk. Whether you get credit will depend on whether your qualifications meet the creditor's criteria. No one can guarantee your credit in advance.

WHAT CAN YOU DO TO IMPROVE A POOR CREDIT HISTORY?

You are entitled by law to correct any inaccurate information that appears in your credit bureau file. If a creditor rejects your application because of negative information in your credit bureau report, it must identify the credit bureau involved. At your request, the credit bureau must disclose the contents of your credit file. If you act within thirty days of being turned down, there is no charge for this service.

Check to see whether the information in your credit report is accurate and complete. You have the right, under the Fair Credit Reporting Act, to dispute the completeness or accuracy of any information in your report. When you do so, it helps to tell the credit bureau, in writing, why you think the information is not correct. Unless your dispute is frivolous or irrelevant, the credit bureau must re investigate the matter. The credit bureau must correct any information it finds is not reported accurately. Information that cannot be verified must be deleted. If you disagree with the results of the credit bureau's reinvestigation, you may file a brief statement explaining your side of the story. At your request, the credit bureau will note your dispute in future credit bureau reports.

How Can I Correct Mistakes On My Credit Report?

After you receive a copy of your credit report, review the contents carefully. It is important that you obtain copies of all three of your credit reports as the information contained in each report will be different depending on the creditors you have and which bureaus they are members of and report to. If you are married, order the reports for your spouse. The bureaus will maintain separate files on you and your spouse. Do not be surprised if you find contradictory information or inaccurate information on your reports. If you find inaccurate information on your reports, complete example letter # 1, "Correcting Your Credit Report" by describing briefly why the listing derogatory account is inaccurate. Use the bureau's report information enclosed with your credit reports to help you understand the numerous "rating codes". Include a copy of your credit report with each completed dispute letter back to the appropriate bureau which issued the report. The bureau will investigate your disputed information with the creditor or reporting company and will notify you of the results of their investigation. The letters that follow will help you begin your road back to creditworthiness.