

## ABCs of credit reports

By [Leslie McFadden](#) • Bankrate.com

**Checking your credit score before you apply for a major loan is a must if you want to find out how you rank as a credit risk in the eyes of a lender. Yet checking your credit report also proves worthwhile before you put in an application. Put simply, "The credit report is the raw data. A credit score is the result of a formula applied to that credit report information," says Craig Watts, public relations senior manager for Fair Isaac Corp., the creator of the FICO score.**

Since your credit score is based on information in your credit report, you'll want to check your report well in advance of applying for a major loan to check for inaccuracies and other data that could harm your score. If you have fantastic credit, you should check your credit reports a couple of months before applying for a major loan or refinance to verify where you stand, says John Ulzheimer, president of Credit.com educational services. If you have poor credit, check six months in advance to see if there's anything you could do to improve your credit score, he says, such as paying off collection accounts or paying down large balances.

### More than one score, credit report

That doesn't mean you have only one score based on one report. Three [national credit reporting agencies](#) maintain credit history information on consumers as data gets reported to them by lenders. These agencies separately furnish credit reports to both paying subscribers and consumers requesting their own file. Lenders can choose not to report to all three bureaus, which means you might discover discrepancies among each report produced by each agency. With that in mind, it's a good idea to check your credit reports at all three bureaus, as your credit risk score can vary depending on which report it's based on.

"The credit report is the raw data. A credit score is the result of a formula applied to that credit report information."

## Getting a report

You can order one free credit report every 12 months from each of the big three national credit reporting agencies, Equifax, Experian and TransUnion, by logging on to [www.annualcreditreport.com](http://www.annualcreditreport.com), by calling (877) 322-8228 or by completing and mailing the [request form](#) (PDF) to Annual Credit Report Request Service at P.O. Box 105281, Atlanta, GA 30348. Residents in Colorado, Georgia, Maine, Maryland, Massachusetts, New Jersey and Vermont can also get free additional reports by ordering them directly from the agencies, thanks to their state laws.

If you have been denied credit, you are entitled to a free copy of your credit report. After using up your free credit reports, you may purchase them from the credit bureaus.

Once you get your credit report, you'll notice that the information contained in it is organized in sections: your personal information, credit summary, account information, inquiries, collections and public records, along with summaries of your rights under state law and the Fair Credit Reporting Act, plus instructions on how to dispute information found in your report.

## Sections of a credit report, explained

### 1

#### Personal information

Also referred to as the "credit header" portion of the credit report, the top part of your credit report contains your identifying information. It will include your legal name(s), Social Security number, date of birth, current and former addresses, any employment history reported to the credit bureau, alerts on file and a consumer statement if you have one.

**Where the information comes from:** Creditors report consumers' identifying information along with their account information to the credit bureaus, as do public record collectors with public records, says Maxine Sweet, vice president of public education for Experian. Sometimes when inquiries are made,

identifying information that's typed in also gets reported by creditors.

The easy way to update your legal name and address with the credit reporting agencies, she says, is to contact your creditors and change your identifying information with them. Creditors will then report the change to the agencies. "Any consumer at any time can update it with us but that's a lot of work and typically the normal procedure is they just update their accounts and that automatically updates the credit report," says Sweet.

**What to look for:** Make sure your Social Security number, primary name and address are correct. "They need to be not overly alarmed if there are alternate spellings or alternate addresses because what that means is that someone who's reporting the information to us about them has provided that information. As long as they have the correct spelling or the correct address on there, alternate spellings or alternate addresses aren't really alarming," says Sweet. If your current address has suddenly changed, then you should be looking out for signs of fraud, she says.

Don't be alarmed if your employment history is blank. Because it doesn't get updated, employment history is not a critical piece of information like Social Security numbers and names, says Sweet. "They don't really care who your current employer is as long as you're paying."

## 2

### **Credit summary**

This section is just what it sounds like -- it lists and categorizes your credit account activity, including how many closed accounts you have, how many accounts are in good standing and the number of accounts past due. It also quantifies the types of accounts you have, such as mortgage, revolving or installment.

**Where the information comes from:** your account information section.

**What to look for:** Scan it for any inaccurate information about your accounts, then go into your account information section for the details.

**Tip:** Read "[Correcting credit reports.](#)"

3

### **Account information**

This is where you'll find detailed information about your individual accounts. It will include all the facts about your account, such as the type of account it is and when it was opened, but also payment information, such as the highest balance and the amount past due.

**Where the information comes from:** "The account information comes from the creditors who have those accounts, who own those accounts," says Sweet.

**What to look for:** According to Sweet, your credit score relies heavily on anything in the credit history portion of your credit report. "Not just if they missed a payment, or not just how much they owe, but when they opened it, what type of account it is, whether it's individual or joint, whether it's revolving or installment, how long it's been there, if they missed a payment and how long ago -- anything about the whole account history." Since negative inaccuracies can lower your credit score, make sure to dispute any information that isn't correct and certainly report accounts you don't recognize.

**Tip:** [Use this form letter to fix credit report errors.](#)

4

### **Inquiries**

This section contains a list of companies that have viewed your credit report. Your credit report will separate inquiries that impact your credit score from those that do not -- also known as hard and soft inquiries, respectively. Hard inquiries occur when you apply for new credit and give permission for a company to pull your credit report. Consumers and subscribers can see these inquiries. Soft inquiries are displayed only to the consumer and can occur when you request your own report or when one of your existing creditors reviews your account.

**Where the information comes from:** "Inquiries would be a reflection of any subscriber to services who had a permissible purpose and who accessed a report," says Sweet.

**What to look for:** Hard inquiries you don't recognize. Since these can lower your credit score, make sure every creditor listed sounds familiar to you.

## 5

### Collections

These are accounts that have been turned over to collection agencies.

**Where the information comes from:** Collection agencies.

**What to look for:** Accounts you don't recognize -- these can be due to fraud or error, but either way, collection accounts can hurt your credit score, so you'll want to dispute any inaccuracies. For instance, if it's a collection account that's been paid, disputing it won't get rid of the account but it won't show up as an open collection account, says Sweet.

If you're disputing an inaccuracy, [take up your dispute](#) with the credit reporting agencies reporting the error. If you'd like to change the status of a legitimate collection account, you should [contact the debt collection agency directly](#) and negotiate with them. Collection debts should fall off your credit report within seven years from the original delinquency date, or the date when the account first became late.

## 6

### Public records

This section will list any bankruptcies, liens, garnishments and other judgments against you.

**Where the information comes from:** "Public record information comes from all the different courts at every level -- city court, county court, federal court, all the courts," says Sweet.

**What to look for:** Anything that should not be listed. Since any information listed here can tarnish your credit score, you'll want to dispute any inaccuracies to the credit reporting agencies displaying them in your credit report. If the status of the account is no longer accurate, you should dispute that as well.

**Tip:** Use this [checklist](#) for disputing errors

Information obtained from: [www.BankRate.Com](http://www.BankRate.Com)  
([http://www.bankrate.com/nltrack/news/Financial\\_Literacy/June07\\_credit\\_reports\\_ABC\\_a1.asp?caret=36a](http://www.bankrate.com/nltrack/news/Financial_Literacy/June07_credit_reports_ABC_a1.asp?caret=36a))

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If you need assistance with selling or purchasing real estate in Alabama we would appreciate you calling upon Ron Hidalgo Realtor®/Broker and associated with Saunders Realty of Montgomery, Alabama.

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***Ask to speak with Ron, thanks.***