

# Credit Report & Score Basics

## Credit Reports

A credit report provides information about your credit history and the status of your credit accounts. Information such as how often you make credit payments on time, how much credit you have available, and how much debt you have is included. A credit report is like a report card on how well you handle credit. In addition, credit reports can contain public records such as liens, judgments, and bankruptcies that provide insight into your financial status and obligations.

**Who looks at my credit report?** Lenders use credit reports to determine (1) if you are a good risk and worthy of a loan and (2) the interest rate that will be charged on the loan. Lenders purchase these consumer credit reports from credit bureaus or credit reporting agencies. Others use credit reports as a measure of how responsible a consumer is. Insurance companies use them in pricing insurance; landlords, in determining deposits and rental fees, and (if you agree to let a prospective employer look at your consumer report) individuals who make employment decisions about you. So, before you make any purchases of large-ticket items you plan to finance, change insurance carriers or look for new employment, make sure the information contained in your credit report is accurate.

**How can I see my credit report?** Consumers by law have the right to see each of their credit report from each of the three credit reporting agencies—Equifax, Experian, and TransUnion—once every 12 months for free. You can order your free credit report:

- ✓ By website: <http://www.annualcreditreport.com>
- ✓ By phone: 877.322.8228
- ✓ By mail: Annual Credit Report Request Service  
P.O. Box 105281  
Atlanta, GA 30348-5281  
(Must download an Annual Credit Report Request Form from [annualcreditreport.com](http://annualcreditreport.com))



**How can I understand my credit report?** While the format of each of the three credit reports might be different, all three include the same information. Reports are divided into (1) Personal information, (2) Tradelines—credit information, (3) Public record information, and (4) Inquiries.

**Mistakes happen.** You will want to check carefully all information contained in your credit report. Credit bureaus collect and sell information they obtain from banks and other creditors. It is not surprising that mistakes happen when you think of the volume of information collected on each and every consumer. Errors may be honest mistakes, or they may be a sign of identity theft. If you find an error in your credit report contact the reporting credit bureau. Credit bureaus are required by the Fair Credit Reporting Act to correct inaccuracies.

**More help?** Contact the Federal Trade Commission:

<http://www.ftc.gov/> or call 877.382.4357



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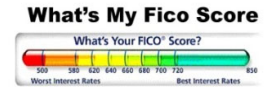
For more information on money management visit:  
<http://www.vpsa.txstate.edu/moneysavvy>

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## Credit Reports Are Free; Scores Are Not

A credit score is a three-digit number calculated by a mathematical algorithm originally developed by Fair Isaac Corporation (FICO), using information in your credit report. Your credit score is a prediction, specifically, the likelihood that you will become seriously delinquent on your credit debts within the next 24 months. FICO, Equifax, Experian, and TransUnion make money-selling scores to consumers, lenders, insurance companies, landlords, and potential employers.

**What's my credit score mean?** A credit score ranges from 300 to 850. Opinions vary but a credit score of 700 or below may start costing you money in the form of higher interest rates, higher insurance premiums, higher property deposits and rent because of it.



800-850: Impeccable Credit  
700-790: Excellent Credit  
650-690: Good Credit  
620-640: Fair Credit  
475-610: Poor Credit

**Credit report factors.** Your credit score is based on five factors:

## FICO breakdown

Five parts to your FICO credit scores



- ✓ **Your payment history:** Past delinquencies. Failing to make payments on time in the past suggests it is likely you will not make payments on time in the future.
- ✓ **How much you owe:** The way you used credit in the past. Maxing out accounts or getting close to credit limits on credit cards means you are a greater risk than someone with a lower credit-to-debt ratio.
- ✓ **Length of credit history:** Consumers with older credit accounts are thought to be less of a risk than those with newer accounts.
- ✓ **New credit:** This calculation factors in the number of recent requests for credit cards and loans over a short period of time.
- ✓ **Other factors:** For example, the mix of types of credit you have taken out (revolving loans like credit cards, installment loans like an auto loan, payday or title loan) is considered. The credit bureaus don't like to see "payday" or "title" loans.

**Student loans and credit scores.** Student loans are factored into your credit report as installment loans.

- ✓ Remember your payment history; make your student loan payments on time.
- ✓ Keep in mind your debt-to-income ratio; make sure your job prospects in your chosen field will support the amount of student loan debt accumulated.
- ✓ As for length of credit history, as long as you are making those payments on time, student loans can actually help your credit score.