

Credit Report Review



Congratulations on ordering your credit report from BALANCE. Periodically checking your report is an integral part of sound financial management – and a great step towards achieving your goals.

This guide to reading and understanding your report includes an overview of your rights as a consumer, tools for solving credit problems and an explanation of your credit score along with tips on how you can effectively improve it.

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Your Credit Score

Your credit score is one of several factors lenders use when evaluating your application for credit. It is a number guide representative of the risk determined by your credit history. Only information in your consumer credit report that is proven to be predictive of future credit performance is used to determine your score. Scores generally range from 300 to 850, with higher numbers being indicative of a lower risk.

There are five main categories of credit information used to determine your score.

1. Bankruptcies and collection accounts are major factors in lowering your credit score. Even late payments can have a significant impact – particularly if the lateness was frequent, recent, or severe.
2. The amount of outstanding debt has less of an impact on your credit score than missing payments or other negative activity, but still plays a significant role. Carrying large balances, particularly if those balances are close to the credit limit, can lower your score.
3. Long relationships with creditors have a more positive effect on your credit score than newer relationships.
4. Different types of credit impact your score differently. For example, a mortgage will likely affect your score more so than a department store card.
5. Frequent credit applications resulting in many inquiries on your report can lower your score. However, it only makes sense that when shopping for a house or car, you might shop around a lot of lenders to get the best rate. Because that can result in a lot of inquiries in a short period of time, generally all mortgage inquiries or auto loan inquiries within a fourteen-day period will be considered just one inquiry for scoring purposes.

Your credit score changes as your credit activity changes. It reflects payment patterns with greater emphasis on recent activity. By paying bills on time, keeping balances low, particularly in relation to the account limit, and only applying for and opening new accounts as needed, you can improve your score over time.

Correcting Inaccurate Information

Mistakes do happen. Some causes of credit report inaccuracies include mistaken identity (information on someone else's account showing up on your report because you share a similar name) or, more seriously, identity theft or fraud. It is important to request that incorrect information be removed. Remember to document everything as you file your dispute. Keep copies of letters, mark your calendar, and get the names of everyone you talk to. Be wary of credit repair companies, which claim they can "fix" negative information in your credit report for a fee. If the information is correct, it will stay there until it is time to drop off the report. If the information is inaccurate, you can take the steps to correct it yourself for free.

How to Correct Your Credit Report

STEP 1

Send a letter to the credit bureau that reported the incorrect information. The letter should explain which information is incorrect, and what the correct information is. Enclose any documents that may support your claim. The credit bureau must investigate, usually within 30 days.

STEP 2

The credit bureau must give you a written report of the investigation, and a copy of your report if the investigation results in any change. If the investigation does not resolve the dispute, you may add a brief statement to your file. The credit bureau will include a summary of your statement in future reports. If an item is deleted or a dispute statement is filed, you may ask that anyone who has recently received your report be notified of the change.

STEP 3

If the credit bureau investigation results in no change to your report and you believe the information is still inaccurate, contact the creditor directly and request documentation of the debt. If you dispute an item with a creditor, they may not then report the information without including a notice of your dispute. In addition, once you have notified the creditor of the error in writing, they may not continue to report the information if it is, in fact, an error.

Identity Theft

If you suspect that someone has applied for and received credit using your personal information, immediately contact the fraud units of the three major credit reporting agencies: Experian, Equifax and TransUnion. Ask that a fraud alert be added to your account and add a 100-word victim's statement to your report stating that your information was used to apply for credit fraudulently. Include a phone number where you can be reached to verify any credit applications.

When contacting the credit bureaus, be sure to ask for the names and numbers of any creditors with whom fraudulent accounts have been opened. Also, ask that they notify anyone who has received a copy of your report within the past six months to alert them of the erroneous information. Because simply notifying the bureaus may not entirely stop new accounts from being opened, request to receive copies of your credit report every three months to verify that it contains the correct information.

Contact the creditors who have opened fraudulent accounts via telephone, and follow up in writing. Be sure to document all communication. Also, notify your existing accounts of the fraudulent activity and get replacement credit cards with new account numbers.

Improving Your Credit Report

Accurate negative information cannot be removed from your credit report until its time to drop off from the report. However, it is possible to improve your credit report through responsible credit use and good payment history.

Develop a plan

Repay your debts and effectively manage your money—for help in developing a realistic repayment schedule or budget call BALANCE at 888-456-2227.

Pay outstanding balances

If you know you owe the debt and are willing to repay it, then call or write each creditor to confirm the amount owed. Once you have verified the balance, follow up with a letter to confirm the agreement.

Apply for secured credit

Some lenders will issue you a credit card if you put a specified dollar amount on deposit with them.

These funds are then put on “hold” and a credit card is issued with a line of credit equal to the amount you have on deposit. If you make payments as agreed for approximately one year, the creditor may release the funds held as security and issue an unsecured card.

Ask a family member or a friend to co-sign

If you can't qualify for new credit on your own, ask a relative or a friend with an established credit history to co-sign your loan or credit application. Make sure you repay that co-signed debt on time because any late payments will reflect poorly on your credit report as well as your co-signer's. After six months to a year, reapply for credit on your own.

Contacting the Major Credit Reporting Agencies

Experian
888-524-3606
www.experian.com

Equifax
800-685-1111
www.equifax.com

TransUnion
800-888-4213
www.transunion.com

Your Rights Under The Federal Fair Credit Reporting Act

The Federal Fair Credit Reporting Act (FCRA) was enacted to promote accuracy, fairness and privacy of information in the files of credit bureaus.

You must be told if information in your file has been used against you

Anyone who uses information from your credit report to take action against you (such as denying an application for credit, insurance, or employment) must tell you, and give you the name, address, and phone number of the credit bureau that provided the report.

Opt-Out of One More Mailing List

Call the Credit Report Industry Pre-Screening Opt-Out Hotline to stop receiving unsolicited credit card and insurance offers at: 888-567-8688.



You can find out what is in your file

At your request, a credit bureau must give you the information in your file, and a list of everyone who has requested it recently.

You can dispute inaccurate information with the credit bureau

If you tell the credit bureau that your file contains inaccurate information, the credit bureau must investigate the items by presenting to its information source all relevant evidence you submit, unless your dispute is frivolous. The source must review your evidence and report its findings to the credit bureau.

Inaccurate information must be corrected or deleted

The credit bureau must remove or correct inaccurate or unverified information from its files, usually within 30 days after you dispute it. However, accurate data will not be removed from your file unless it is outdated.

You can dispute inaccurate items with the source of the information

If you dispute an item with a creditor, the creditor may not report the information to the credit bureau without including a notice of your dispute.

Outdated information may not be reported

In most cases, negative information is reported for seven years, ten years for Chapter 7 bankruptcy.

Access to your file is limited

Only those with a legitimate business use for the information can access your credit report.

You may choose to exclude your name from lists for unsolicited credit and insurance offers

Creditors and insurers may use file information as the basis for sending you unsolicited offers of credit or insurance. Such offers must include a toll-free phone number for you to call if you want your name and address removed from future lists. If you call, you must be kept off the lists for two years. The number is 888-567-8688.

You may seek damages from violators

If a credit reporting agency, a user, or (in some cases) a provider of CRA data violates the FCRA, you may sue them in state or federal court.

BALANCE offers a variety of free and low-cost services to help you get out of debt, design a money management plan, and achieve your financial goals. For more information about how BALANCE can help you master your money, call us or visit us online:

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