You're listening to World of Credit. Hi, I'm Nikki, your host for today's podcast. Credit reports and credit scores influence our lives in many ways. To help you better understand the world of credit, we're going to discuss five important topics in this podcast: credit reporting agencies, what's in your credit report, understanding credit scores, how to improve your credit standing, and consumer rights and identity theft.

Crediting reporting agencies. The role of credit reporting agencies is to collect and compile your credit and financial information. Most of the data is gathered from creditors such as credit card companies, mortgage lenders, and collection agencies. Data is typically sent to the bureaus on a monthly basis. Bureaus can also acquire information by searching court records, bankruptcy filings, and other credit related legal actions. Once compiled credit bureaus sell these reports to companies such as creditors, employers, and landlords.

The only people that can see your credit report are you and those that have a legitimate business use. If your employer wants to see your credit report, they must first receive written permission from you. Financial experts recommend that you check your reports with the major credit bureaus at least annually. By reviewing your reports, you can catch errors and fraud, as well as see what can be done to improve your score. You can obtain a free copy of each of your credit reports once a year through the annual credit report request service website at www.annualcreditreport.com.

In addition to credit reports, there are other reports that monitor your financial habits, including check systems, a report used by financial institutions to help to determine whether to allow someone to open a checking or savings account. Check systems report on negative banking activities, such as overdrawn accounts and checks returned for insufficient funds. Like with credit reports, consumers can get a free copy of their check systems report at www.checkshelp.com and dispute incorrect information.

What's in your credit report. Though credit reports can look different depending on where and how you access them, they all contain the same categories of information. These include identification. Most credit reports begin with identifying your personal data, such as name, addresses, employers, date of birth, and social security number. Another category is trade lines, which provides details on each of your credit accounts. This includes the creditor, account status, current balance, payment history, type of credit, repayment length, and monthly payment. The public records category shows everything related to creditworthiness like liens, bankruptcies, evictions, repossessions, judgements, foreclosures, and court related child support arrears. Finally, the inquiries category lists anyone who has accessed your credit report.

So how long can information be reported? Credit reports may reflect late payments, collection accounts, repossessions, and most other negative information for seven years. For an account sent to a collection agency, the period starts 180 days after you missed your first payment with your original creditor. A chapter seven bankruptcy will remain on your credit report for ten years from the date of filing. Pay judgements can stay on your credit report for seven years, but unpaid ones can stay until the statute of limitations for collection expires. Most inquiries can stay on your credit report for two years.

Understanding credit scores. Your credit score is a number that summarizes the information in your report and is used to predict the risk of lending money to you. The most commonly used scoring model is called a FICO score. It ranges from 300 to 850. Generally, people with higher scores are more easily granted credit and get better interest rates. FICO scores only look at the information in credit reports that can indicate future credit performance: income, employment history, race, religion, national origin, gender, marital status, and age are not considered.

The following are factors that are used to calculate your FICO score. The factor that carries the greatest weight is payment history. If you make a late payment your score will take a hit. The more recent, frequent, and severe the lateness, the lower your score. Bankruptcies, judgements, and collections accounts have a serious negative impact. On the other hand, making your payments on time will boost your credit score. Another factor is amounts owed.

Carrying large balances on personal loans and revolving debt like credit cards will lower you score. The length of credit history is also used to determine your score. The longer you’ve had your accounts the better. New credit is a factor that looks at the number of recently opened accounts, as well as the number of inquiries. While many inquiries on your report can lower your score, all mortgage or auto loan inquiries that occur within a short period of time are considered one inquiry for scoring purposes. Finally, the types of credit used has an effect on your score. Having a variety of accounts such as credit cards, retail accounts, and loans, boosts your score because it demonstrates you’re capable of handling the responsibilities that come with each type of credit.

Keep in mind, that while the FICO score is a popular type of scoring model, a lender may use something different while you apply for credit. While the exact formula and scoring range can vary among models, they generally look at similar factors. Making your payments on time and keeping your balances low is always beneficial, regardless of the scoring model used. How to improve your credit standing. If your score is not as high as you want it to be, don’t worry. You can improve it.

While you can’t remove accurate, negative information before it ages off your credit report, you can improve your score by using credit responsibly in the future. Here are some tips. Always pay your bills on time. Pay down your existing debt. Avoid taking on additional debt. Pay collection accounts. Request payment arrangements for balances you can’t afford to pay in full or settle, and make sure to keep your agreements in writing. Keep your old accounts: a long credit history with the same account indicates stability.

Avoid frequent balance transfers. While transferring balances to teaser rate cards can be a way to get out of debt, it can also have a detrimental effect on your credit score. The accounts will be new and likely to have balances close to the limit to maximize the advantage of the low rate, two factors that lower your score.

Avoid excess credit applications. Each time you apply for credit, your score decreases just a bit. If you're accounts were closed due to past problems, you can re-establish credit one of two ways. You can obtain a secured credit card. Many financial institutions will issue a credit card, if you maintain a savings account with a specific deposit with them. If you stop making payments, the creditor will deduct the amount you owe from your deposit. However, if you make on time payments for a year or two, the creditor may be willing to release the deposit and grant you an unsecured card.

You can also ask someone with good credit to co-sign. Be careful with this type of arrangement. Any late payments you make will not only reflect poorly on your credit report, but on your co-signers as well. After a year or so, you may want to apply for credit on your own.

Another concern you may have is inaccuracies on your credit report. Many credit reports contain mistakes. Common causes include: mistaken identity, old information, or identity theft. If you see an error on your report, you can correct it. First, dispute the information with the credit bureau. Send a letter to the bureau or fill out an online dispute form letting them know what information is incorrect. Include any documentation you may have that supports your claim, such as a canceled check for a bill that still shows as outstanding.

Dispute the information with the creditor. If the credit bureau results in no change to your report and you believe the information is still inaccurate, contact the creditor directly to see if they will remove the information from your credit report and request documentation of the debt. If they cannot provide it, let the credit bureau know, only verifiable debts can be reported.

Add a statement to your report. If contacting the credit bureau and creditor does not resolve the dispute, you can add a brief statement to your credit report. Adding a statement will not change your score, but anyone who pulls your report will know your side of the story. Some companies claim to repair credit reports, often for a very high fee. At best, the company is charging you for something you can do yourself for free. At worst, the company is engaging in dishonest or illegal tactics. A common one they use is flooding the credit bureaus with letters that dispute negative, but accurate information. If the bureaus are unable to investigate the claims within the allowed timeframe, the information is removed. The company then shows you a cleaned up report.

This rarely works though. Even if the credit bureaus are backlogged with disputes, they will eventually get to your claims and just reinsert the negative information when they verify that it is accurate. Remember there is no legal way to remove accurate and timely information from your credit report.

Consumer rights and identity theft. All credit bureaus must comply with the Fair Credit Reporting Act. This law is designed to promote accuracy, fairness, and privacy of information in your credit file. If you are denied credit, insurance, or employment because of what is in your credit report, you may get a free report from the bureau that supplied it within 60 days. You have a right to dispute any inaccuracies on your credit report. The credit bureaus must investigate the validity of disputed items within 30 to 45 days. Derogatory information that is outdated or unverifiable, cannot be reported.

While lenders and insurers may use the information in your credit file to market their products, you have the right to opt out of these offers by calling 1-888-5OPTOUT. Only with a need recognized by the Fair Credit Reporting Act may access your file. Employers and prospective employers may only access your report with your written consent. You can seek damages in a court of law, if the Fair Credit Reporting Act is violated.

The Fair and Accurate Credit Transactions Act is an important tool in the fight against identity theft. The act states the following. You may receive a free copy of your credit report from each of the three credit bureaus once a year. You may receive additional free reports if identity theft is suspected. You may block fraudulent information from appearing on your credit report. You have a right to access business records such as credit applications that document an identity thief’s fraudulent transactions. You have the right to place a fraud alert on your credit report if you believe you’ve been the victim of identity theft.

The initial alert lasts 90 days, but can be extended up to seven years if you have filed a police report. Creditors must insure that all credit requests are legitimate after a credit report has been flagged. Active duty military personnel may put special alerts on their files when they are deployed overseas. No more than five digits of a credit card number may be listed on store receipts. The cards expiration date cannot be listed either. Creditors must implement identity theft prevention programs. Debt collectors must inform a creditor of fraudulent information.

If a creditor or credit bureau violates one of these laws, you can submit a complaint with the Federal Trade Commission. Protecting yourself against identity theft. Identity theft occurs when someone uses your personal information to commit fraud or other crimes. Thieves often use the information they steal to get credit cards or other types of credit.

There are several ways you can help prevent identity theft and protect your credit report. Only share personal information with reputable sources. Be wary of any organization or person that intiates contact with you. When someone calls you, the safest thing to do is disconnect and call the company back at a verified number. When shopping online, make sure your information is being transmitted on a secure site. Look for a closed lock on the status bar and web address that starts with https. Don’t leave your mail and trash vulnerable. Shred all documents that have an account number or your social security number on them. Review your credit card and checking account statements each month to ensure that all transactions are accurate. If you get strange bills in the mail for accounts you have not opened, don’t just throw them away. Contact the company and report it.

Check your credit report periodically to make sure all of the accounts and balances are yours. If you become the victim of identity theft, being proactive can minimize its impact on you. If a credit card or checking account has been used or opened illegally, contact your creditor or financial institution immediately. They should close accounts that are not yours and change the account numbers and passwords for accounts that are yours. Monitor all future statements carefully for evidence of new fraud. You may also want to report the identity theft to the police. Be sure to request a copy of the police report. A credit bureau or creditor may require you to provide one to investigate or remove fraudulent information. Check your credit report and dispute any fraudulent items. Remember you can also place a fraud alert on your report.

And that's all for this podcast. This is Nikki saying goodbye. *[Rock music]*

[End of Audio]