

Credit Files and Who Uses This Information

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Understanding what information is in a credit file is important for all consumers.

Knowing what is in a credit file, who puts the information there, and who uses your file information is important for you as a consumer. You also have consumer rights related to your credit file.

What Your Credit File Contains

Your credit file at the credit reporting agency contains four categories of information: identifying information, credit history information, information of public record and information about inquiries concerning your credit file.

Identifying information includes your name, current and previous addresses, Social Security number, telephone number, date of birth, current and previous employers, and the name of your spouse, if you have one.

Credit history is a record of how past and current contracted debts have been repaid including charge and credit card accounts, installment loans and mortgage payments. Included also is information about how long each account has been open, the type of account, the highest outstanding balance, current balance, the date of the last payment, history of payment including late and delinquent payments, any problems such as being turned over for collection or repossession, and your legal relationship to the account (jointly responsible, co-signer, etc.). In addition, open lines of credit including credit cards with no balance, past closed accounts paid in full, and any dispute statements added to the record are in a credit file.

Information of public record are items from the public record that may affect creditworthiness such as liens, judgments, foreclosures, bankruptcies and delinquent child support payments.

Information about inquiries from credit grantors and other authorized parties who have received your credit file also are in your file as well as inquiries from companies that have received your name and address information for the purpose of offering you credit.

Three Major Credit Bureaus

Local credit reporting agencies share information through three major credit bureaus: Equifax, TransUnion and Experian. Credit reporting agencies do not decide if you get credit. That is determined by each individual creditor in the form of a credit score.

Your Credit Score

Creditors use computer models to help them determine if you are the kind of debtor they want. When you apply for credit, your information is fed into the computer. You get points for many things including how long you've been employed and how long you've been at your current address, how long and what kind of credit you've used, and how you've repaid your credit obligations. More points are given for owning rather than renting your home, for having what is considered reasonable amounts of debt, and if you have no delinquencies, charge-offs, liens or bankruptcies. If you get enough points (your credit score), you are given the loan.

In 1992 the Federal Trade Commission determined consumers could have access to their predictive credit score, as developed by credit bureaus.

Negative Factors Impacting Credit Scores

- already having a lot of credit cards with large credit line and a lot of debt
- not having had credit for a certain period of time
- collections
- sued for money owed
- lien on property
- creditor closing an account
- bankruptcy
- applying for a lot of credit lately

What's Not in A Credit File

Consumers often are surprised when they find out the following entities often do not report information for a credit file:

- utility companies
- landlords
- local accounts
- medical accounts
- debit cards
- travel and entertainment cards

Credit files also do not include information about race, religion, political party, medical history, background or criminal record.

Who Reports to Credit Reporting Agencies and Who Uses Them

Companies that have granted credit including retailers, banks, savings and loans and credit unions give information about their accounts to credit reporting agencies as often as once a month.

The Fair Credit Reporting Act grants access to credit files for companies that have a "permissible purpose." This includes granting of credit, collection of debt, underwriting of insurance, employment purposes, issuing a license as required by some government agencies, and for a legitimate business transaction between a business and a consumer.

If Credit is Denied

If you are denied credit because of a poor credit file report, lenders must give you reasons why and tell you the source of any information used for making their decision. If you are dealing with a local lender, ask to speak to the credit manager to find out what you might do to improve your credit score.

Get a copy of your report free by requesting it within 60 days after being denied credit. You can still get the information in your file after 60 days (or anytime), but then a fee is usually charged. Check the accuracy of your file information. If the information is inaccurate, request that it be investigated. If the information is proven false, that fact must be sent to all who recently inquired about your file.

Keys to Wise Credit Use

Monitor your credit history by contacting one of the three national credit bureaus annually for a copy of your credit report. You can get a truly free credit report from each of the three national credit bureaus annually at *www.annual-creditreport.com*

Not every creditor reports to all three credit bureaus so your report might differ slightly among the three companies.

Be sure the accounts that you have closed show up that way in your credit file.

Write to credit bureaus requesting that they not sell your name to marketing or credit card companies.

If you have credit problems, contact your creditors. Try to work out an alternative payment plan. If they already have sent negative information to a credit reporting agency, contact that agency directly to verify that the information is accurate. If not, request a free investigation of the information.

Resources Used in This Publication

Federal Trade Commission (2007, July). Need credit or insurance? Your credit score helps determine what you'll pay. Washington, D.C.: FTC.

Garman, E. T. and Fogue, R. E. (2006). Personal finance (8th ed.). Boston, MA: Houghton Mifflin Co.

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