

**Reading Your Credit Report** --- so now you've ordered your free annual credit report – now how are you supposed to be able to figure out what it says, what do all of those numbers and abbreviations mean??

There are three major credit-reporting agencies in the United States: Experian, Transunion, and Equifax. Every 12 months, you can print a copy of your credit file from all three agencies by going to a single Web site, [www.annualcreditreport.co](http://www.annualcreditreport.co).

The information will not necessarily be the same on all three Credit Reports. The reports will have different information because it's a voluntary system, and creditors subscribe to whichever agency they want -- if any at all.

It is important to order your Credit Reports directly from the credit bureau -- or through [www.annualcreditreport.com](http://www.annualcreditreport.com) -- instead of asking a buddy who works at a bank to pull one for you. Those are written for people who work in the credit industry. The one you get from the credit bureau is designed for consumers.

Credit Reports sent to lenders will list the credit bureau member numbers of your creditors, and it won't necessarily have the complete list of every company that has pulled your credit information for promotional purposes, like pre-approved credit card offers.

### **The Four Sections of a Credit Report**

A credit report is basically divided into four sections: identifying information, credit history, public records, and inquiries. Identifying information is just that -- information to identify you. Look at it closely to make sure it's accurate. It's not unusual to see two or three spellings of your name, or more than one Social Security number. That's usually because someone reported the

information that way. The variations will stay on your credit report. Don't be too concerned about variations." Other information might include your current and previous addresses, your date of birth, telephone numbers, driver's license numbers, your employer and your spouse's name.

The next section is your credit history. Sometimes, the individual accounts are called trade lines.

Each account will include the name of the creditor and the account number, which may be scrambled for security purposes. You may have more than one account from a creditor. Many creditors have more than one kind of account, or if you move, they transfer your account to a new location and assign a new number. The entry will also include:

- When you opened the account.
- The kind of credit (installment, such as a mortgage or car loan, or revolving, such as a department store credit card).
- Whether the account is in your name alone, or with another person.
- Total amount of the loan, high credit limit or highest balance on the card.
- How much you still owe.
- Fixed monthly payments or minimum monthly amount.
- Status of the account (open, inactive, closed, paid, etc.).
- How well you've paid the account.

On Experian's report, your payment history is written in plain English -- never pays late, typically pays 30 days late, etc. Other comments might include internal collection and charged off, or default.

Charged off usually means the creditor has given up, and thrown in the towel. They've made efforts to collect and written it off.

Other reports use payment codes ranging from 1 to 9; an R1 or I1 on a report is an indication of a good payment history on a revolving or installment account.

The next section is the one you want to be absolutely blank. The public records section almost never reflects any good information. If you have any sort of public record on there, it means you've had a financial-related problem. It doesn't list arrests and criminal activities; just financial-related data, such as bankruptcies, judgments and tax liens. Those are the monsters that will trash your credit faster than anything else.

The final section is the inquiries. That's a list of everyone who asked to see your credit report. Whenever anyone pulls a credit report, it will post an inquiry. Also, if you call the credit bureau and ask for a copy of your credit report, that too will be found on there.

Inquiries are divided into two sections. "Hard" inquiries are ones you initiate by filling out a credit application, or taking your child to the orthodontist. "Soft" inquiries are from companies that want to send out promotional information to a pre-qualified group, or current creditors who are monitoring your account.

You may have heard that a large number of inquiries can have a negative impact on your credit score, but you're probably okay. Supposedly the vast majority of inquiries are ignored by the FICO scoring models. In other words, they are not the main thing they are looking at. For instance, the model has a buffer period that ignores inquiries within 30 days of getting a mortgage or a car loan. It also counts two or more "hard" inquiries in the same 14-day period as just one inquiry. Potentially you could have 30 inquiries in a two-week period, and usually it only counts as one.

## **What to do if you find a mistake on your Credit Report?**

If you find a mistake on your credit report -- an account that isn't yours or a disputed amount -- you'll need to fill out the form that should accompany your credit report, or follow the instructions on the explanatory sheet. The process takes time because the creditors have 30 days to respond to a charge of a discrepancy. As long as a charge is in dispute, that dispute will show up on your report. Long-time lenders say it is common for credit reports to reflect errors. Some estimate that as many as 80 percent of all credit reports have some kind of misinformation.