

Credit Reports and Credit Scores

Laura Hendrix,
PhD, AFC®
Associate Professor -
Personal Finance and
Consumer Economics

Your Credit Report

Your credit report is a history of your credit management behavior. There are three major U.S. credit bureaus: Equifax, Experian and TransUnion. The credit bureaus gather information on your credit use and provide it to lenders and other businesses. Your credit report affects your buying power. It affects your ability to obtain a credit card, a loan, a job, an apartment and sometimes the rate you pay for your automobile insurance.

The Fair Credit Reporting Act entitles consumers to a free annual copy of their credit report from each of the major credit bureaus. It's a good idea to know what's in your credit report. Look over your credit report for errors, mistakes or unauthorized charges. If you find an error, contact the reporting company and the lender. You will need to notify them in writing and include any documentation you have. Details on how to dispute credit report errors are available from the Federal Trade Commission at <https://consumer.ftc.gov>. Unauthorized charges or accounts you didn't open may be signs of identity theft. If you suspect identity theft, notify the credit bureau immediately.

What's in a Credit Report?

Information in your credit report usually includes:

- **Identification** – Name, birth date, social security number, spouse's name, address, previous addresses
- **Employment** – Current employer, employment history

- **Credit** – Accounts, credit limits, balances, payments, late payments, overdue notices, collection agency involvement
- **Inquiries** – Creditors, individuals and businesses who have requested your credit report
- **Public Record** – Bankruptcy, foreclosure, tax liens or other matters of public record will stay on your record for 7 to 10 years.

Order a Free Report

Consumers are entitled to a free credit report on an annual basis from each of the three credit bureaus. Additionally, you are entitled to a free report if a company takes adverse action against you, such as denying your application for credit, insurance or employment, based on information in your report.

You should check your credit report regularly. Spacing the three free reports out during the year allows you to monitor your credit information regularly and watch for consumer fraud.

For your free annual credit report, go to the website <https://www.annualcreditreport.com>. There are some websites that charge for a copy of your report so make sure you enter the web address exactly. Beware of imposter websites.

You can request your credit report by phone. The phone number for Annual Credit Report is 1-877-322-8228. The operator will ask for information to verify your identity.

You can order your credit report by mail. You will need a copy of the

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Visit our web site at:
<http://www.uaex.edu>

request form available on the website or by mail. The address is:

Annual Credit Report Request Service
P.O. Box 105281
Atlanta, GA 30348-5281

Your Credit Score

Information about credit practices, such as paying bills on time, credit limits, number of accounts, amount of debt, types of credit accounts, etc., is used to determine your credit score. Based on information in your credit report, points are awarded for items that show you are likely to repay debt. Your total number of points equals your credit score.

Lenders use your credit score to decide whether or not to give you a loan or what interest rate to charge you. Generally, the higher the score, the more likely the consumer will make payments on time. Credit scores are calculated using a variety of methods. Each of the major credit bureaus has their own credit score. There are two scores that combine information from the three agencies – FICO and VantageScore.

Many mortgage and other lenders use a credit score developed by Fair Isaac Corporation called FICO. FICO scores range from 300 to 850. Most people score in the 600s and 700s. If you have a FICO score above 700, you may qualify for more credit and lower interest rates. A score below 600 could mean high interest rates, low credit limits or even denial of credit. For details, visit the FICO website at www.myfico.com. FICO score components and general percentages of importance are:

- **Payment History (35%)** – Regular payments made on time
- **Amounts Owed (30%)** – Total amounts owed and ratio or balances to available credit
- **Length of Credit History (15%)** – Length of time credit has been used, length of time accounts have been open
- **New Credit (10%)** – Number and type of new accounts, account inquiries
- **Types of Credit in Use (10%)** – Variety of types of credit including credit cards, installment loans, mortgage, etc.

There are three versions of the VantageScore – Versions 1, 2 and 3. Version 1 VantageScores range between 501 and 990. VantageScores are ranked A through F. A-level scores (901-990) are the best. VantageScores of 600 fall in the “F” category. Newer versions of VantageScore use the 300-850 range so it’s less confusing for consumers. To interpret your VantageScore credit score, it helps to put it in the context of the range of possible scores. That range will vary depending on which version of your credit scoring model was used to generate your score. If it was generated using an earlier VantageScore model, it will range from 501-990. If it was generated using the VantageScore 3.0 model, it will range from 300-850 – a numerical scale that is more commonly used by other credit scoring models. Regardless of the model’s score range, higher scores indicate to lenders that you’re a less risky borrower, while lower scores indicate that you’re an increased risk.

Parts of a VantageScore:

- **32%** – Payment history. This represents your repayment behavior.
- **23%** – Utilization. This is the amount of debt compared to available credit.
- **15%** – Balances. These are current and delinquent amounts.
- **13%** – Depth of credit. This is the length of your credit history and types of credit.
- **10%** – Recent credit. This represents new accounts and inquiries.
- **7%** – Available credit. This is the amount of credit you have available.

Purchase Your Credit Score

While an annual credit report is free, your credit score is not. You can purchase your credit score at www.annualcreditreport.com or by contacting a credit reporting company:

- **Equifax:** www.equifax.com
- **Experian:** www.experian.com
- **TransUnion:** www.transunion.com

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DR. LAURA HENDRIX, AFC® (Accredited Financial Counselor), is associate professor - personal finance and consumer economics with the University of Arkansas System Division of Agriculture in Little Rock.

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