

What is a Credit Report?

Article 4 of 9 - In the last article, we reviewed the Fair Credit Reporting Act. This issue takes a closer look at the credit report itself.

Whenever you apply for any type of credit or financing, a report detailing your credit history is pulled from at least one of the three major credit bureaus. While there are hundreds of smaller credit bureaus around the country, virtually every credit bureau is affiliated with Trans Union, Experian, or Equifax. These credit bureaus collect and maintain information on the vast majority of Americans, but they are not affiliated with the government in any way. The credit bureaus are for-profit corporations that sell your personal information for money.

The credit bureaus receive your personal information through the same lenders who grant you credit. They have agreements with each of these credit grantors that require the credit grantor to inform the credit bureaus of everything that occurs in your relationship with the credit grantor. If you make a late payment, the negative credit listing is quickly reported to at least one of the three major credit bureaus and is added to your credit history.

Just like when you were in grade school, your credit report is your financial report card to the world. Credit reports are not just a record of how you are currently managing your credit accounts. Credit reports are histories of everything you are doing with your credit now, and everything you have done in the past. The credit bureaus collect this information, list it on your credit report, and then sell it to credit grantors who wish to see your credit history before they decide to lend you money. The credit grantors who review your credit are especially interested in any negative credit. If you have shown any tendency to pay late, or to disregard your financial commitments in the past, then the creditors' computers will immediately reject your application.

What Kind of Information Appears on the Credit Report?

1. **Merchant Trade Lines** These include all regular credit lines such as department store cards, auto loans, mortgages, and credit cards. If there is any history of late payment, or if the trade line was included in bankruptcy, charged off, or put into repossession, the listing will be considered negative by all credit grantors.

2. **Collection Accounts** When an account is referred to collections because of delinquency or because of a bad check, this appears on the credit report as a collection account. Collection accounts can appear as paid or unpaid accounts. Any type of collection account, whether paid or not, is considered a negative by all credit grantors.
3. **Public Records** Public records include bankruptcies, judgments, liens, satisfied judgments, and satisfied liens. All court records, regardless of purpose or outcome, are considered negative by all credit grantors.
4. **Inquiries** Every time a potential credit grantor looks at your credit file, a credit inquiry appears on at least one of your credit bureau reports. If the number of inquiries is very few over the last two years, then there may be no negative effect on your credit worthiness. However, if there are many recent inquiries showing on your credit report, credit grantors may become nervous and deny you credit.

How Long Will Negative Information Stay on My Credit Report?

The Fair Credit Reporting Act (FCRA) requires that most negative credit items be deleted from your credit bureau file within seven years, except for a Chapter 7 bankruptcy which can remain on a report for up to ten years. These are the time limits for reporting negative credit. The creditor or the credit bureau can choose to have the negative credit information deleted whenever they please. Inquiries may remain on the credit report for up to two years.

Can I See My Credit Report?

Most credit grantors are not allowed by the credit bureaus to show you your own credit report. But you can purchase your credit report from the credit bureau for a fee. Once you receive your credit report, you may find it difficult to read because the information is listed in an unfamiliar code. Trans Union and Equifax credit reports are particularly difficult to interpret and understand. Experian credit reports, however, are relatively easy for most people to read. Your best bet would be to order a 3-in-1 combined bureau report since they are the easiest to read. To order one, visit www.creditrepair.com, a service that can help you correct your credit report if there are errors.

How Much Bad Credit Does it Take for Me to be Denied Credit?

As you may have already experienced, even one small late pay listing may result in credit denials. It is a myth that a large amount of positive credit can outweigh some negative credit. Any negative credit whatsoever may become a credit obstacle.

Who Looks at My Credit Report?

With each passing year, your credit report is used more and more often as a yardstick to measure your character. Prospective creditors will always review at least one of your credit reports before granting you credit. Today it is increasingly common for insurance companies to review your credit before extending auto or health insurance. Some employers now check credit before they consider you for a position. If you rent, you may have already been through a credit check to determine your worthiness as a renter.

In the next article, we will continue our review of credit reports.