

# Practical Money Skills

for Life™



PRACTICAL MONEY GUIDES

## CREDIT HISTORY

Your credit history and how it affects your future



# YOUR CREDIT HISTORY — THE RECORD OF HOW WELL YOU HANDLE CREDIT

To get a glimpse of your financial future, many businesses look at your financial past. This history is contained in your credit report. Your credit report determines everything from qualifying for a loan, the rate you'll pay on that loan, getting a new job, renting an apartment and obtaining car insurance. This guide explains what credit bureaus are, why your credit history matters, and how to correct credit report errors and keep your credit rating strong.

## PRACTICAL MONEY GUIDES

BUDGET BASICS

**CREDIT HISTORY**

CREDIT CARD BASICS

DEBIT CARD BASICS

PREPAID CARD BASICS

IDENTITY THEFT

When you understand how to manage your finances, you've got an invaluable tool in taking control of your life. Wise use of these skills can provide peace of mind, financial freedom, increased buying power and a secure future. This guide is one of a series on **PRACTICAL MONEY SKILLS FOR LIFE.**

## What Is a Credit History?

Your credit history is a financial profile. It lets lenders, landlords and employers know how you have managed money in the past and helps them decide whether or not to do business with you. This history is contained in a credit report that is kept on file by the three independent credit bureaus listed on the back of this guide. It may include such information as:

- How promptly you have paid off credit cards and loans
- How well you have handled paying other bills, such as rent and utilities
- Your total outstanding debts
- How much available credit you have on credit cards and home equity loans

## Who Can See Your Credit Report?

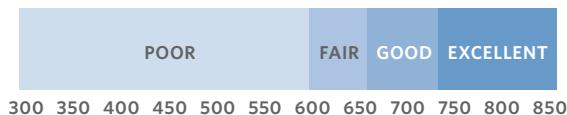
Your credit report can and most likely will be reviewed by anyone planning to give you a loan or credit, such as banks and credit unions, credit card issuers, auto financing companies, and insurance companies. Your report also may be checked by landlords and potential employers. Some lenders may also use the details in your report to determine how much credit they are willing to offer you and at what rate. Anyone with a legitimate business need can access your credit report, though an employer (or prospective employer) typically requires your written consent to do so.

Learn more about credit history and your FICO® credit scores at [www.whatsmyscore.org](http://www.whatsmyscore.org).

## Your Credit Score

When you apply for credit, lenders determine your credit risk by examining your credit scores, also known as FICO® scores because they are calculated with software developed by Fair Issac and Company. Each of the three main credit bureaus - Experian, TransUnion, and Equifax - keep credit information about you that is used to calculate your FICO scores. Such information includes your payment history, the amount of money you owe, the length of your credit history, and the number of recently opened credit accounts.

Your FICO scores guide lenders as to what your credit risk is. Scores range from 300 to 850. The higher your score, the lower your perceived risk to a lender.



To get a free estimate of your credit score, visit [www.whatsmyscore.org/estimator](http://www.whatsmyscore.org/estimator).

## How Your Credit Score Affects You

If you have a high credit score, you are more likely to be granted the credit you apply for. If you have a low credit score, you may be rejected or charged a higher rate of interest on credit you do receive. Charging higher interest rates is how banks make up for the increased risk that you may represent.

Raising your credit score can save you thousands of dollars in lower loan payments on your home, car and credit cards.

## BEWARE OF “FAST FIXES” FOR ACCURATE CREDIT PROBLEMS

If you've had any late payments, foreclosures, or repossessions, this information stays in your credit report for up to seven years. If you've filed for bankruptcy, this information can stay in your report for up to 10 years.

Some companies claim they can “fix” such problems for a fee. However, it is legally impossible to alter an accurate credit history. If you find yourself in financial trouble, contact a member agency of the National Foundation for Credit Counseling (NFCC), the nation's largest national nonprofit credit counseling network, by calling 1-800-388-2227 or visiting [www.nfcc.org](http://www.nfcc.org).

### Tips to Keep Your Credit Score Strong

- Complete credit applications carefully and accurately.
- Use your credit cards responsibly and don't let them reach their limit or spend beyond your means.
- Attempt to pay your credit card balance in full each month, but at least make the minimum payment by the due date.
- Always pay bills on time.
- If you have problems paying your bills, contact your creditors. In many cases, they will work with you to figure out a payment plan.
- If you move, let your creditors know your new address as soon as possible to avoid losing bills or receiving them late.
- If your credit card is lost or stolen, report it immediately.
- Review your credit reports periodically for accuracy and report any errors immediately.
- Establish a consistent work history.

### Checking Your Own Credit Report

It's a good idea to check your credit report at least once a year to see what it says about you. Just contact any of the credit bureaus listed on the back of this guide. You are allowed to see your credit reports for free every 12 months. However, if you have been denied credit in the past 60 days, you have the legal right to receive another free copy of your report from the bureau that issued it.

### How to Correct Errors On Your Credit Report

If your credit report contains any mistakes, credit bureaus are bound by law to correct them at no charge, providing that you inform the bureau of the problem in writing within 30 days of receiving your report. If the investigation of your claim does not yield a satisfactory result, you may send the bureau a written statement of up to 100 words to clarify. Be sure to include photocopies or other proof to support your claim. In many cases, the bureau will have to include your statement with any future reports that contain the disputed information.

Once a year, it's a good idea to check your credit report for accuracy, and you can do so for free through the three major credit bureaus. Get your reports at [www.annualcreditreport.com](http://www.annualcreditreport.com) or by contacting the bureaus directly. If you find any errors, protect yourself legally by contacting the reporting bureau in writing within 30 days.

## CREDIT BUREAUS

### **EQUIFAX**

Report Order: 1.800.685.1111

Fraud Hotline: 1.888.766.0008

[www.equifax.com](http://www.equifax.com)

### **EXPERIAN**

Report Order: 1.888.397.3742

Fraud Hotline: 1.888.397.3742

[www.experian.com](http://www.experian.com)

### **TRANS UNION**

Report Order: 1.877.322.8228

Fraud Hotline: 1.800.680.7289

[www.tuc.com](http://www.tuc.com)

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**VISA**

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[www.practicalmoneyskills.com](http://www.practicalmoneyskills.com)

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