

Extension Fact Sheet

Credit Reports & Credit Scores

(Credit)
Report Card

For: Chris Consumer
Grading period: Adulthood

Pays debts on time	B-			
Pays at least the minimum amount due	A			
Keeps debt levels manageable	C+			
Limits number of credit cards	B+			

Comments: *Chris continues to make improvements but still can do a better job paying bills on time and keeping debt levels low.*



Tampa Bay Saves
You Can Build Wealth

<http://tampabaysaves.ifas.ufl.edu>

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Credit Reports

There are three nationwide companies – Experian, TransUnion, and Equifax- that collect credit history information about you and compile that information into a credit report.

A credit report is a record of your credit activities. It lists any loans or credit card accounts you may have, including the balances, and whether your payments are made on time. It also shows if there are law suits, liens, or an account sent to a collection agency on your record.

It is possible that the information is not exactly the same in all three reports. It is also possible for credit reports to contain mistakes.

The credit reporting agencies sell their reports to lenders, insurers, employers, and other businesses. The reporting agencies also sell the reports back to consumers. But wait! You can order your report for free...read on.

The Federal law (Fair Credit Reporting Act (FCRA)) requires that each of the nationwide consumer reporting companies provide you with a free copy of your credit report, at your request, once every 12 months. Thus you could have three free credit reports per year, one from each bureau.

Order Your Free Reports: You can order your free annual credit reports online at www.annualcreditreport.com or by calling 1-877-322-8228.



Warning! Many companies have misleading offers that sound like they are offering free credit reports but they are actually selling product subscriptions. The above web site and number is the best place to order your free reports. Make sure you do not misspell the web site address.

When you order, you need to provide your name, address, social security number, and date of birth. To verify your identity, you may need to provide some information that only you would know, like the amount of a monthly loan account payment.

You may be offered additional products or services while on the authorized web site, but you are not required to make a purchase to receive your free annual credit reports.

Additional situations where you might be eligible for a free report: Under federal law, you're entitled to a free report if a company takes adverse action against you, such as denying you're application for credit, insurance, or employment, and you ask for your report within 60 days of receiving notice of the action. The notice will give you the name, address, and phone number of the consumer reporting company because you must request your report from that company.

You're also entitled to one free report a year if you're unemployed and plan to look for a job within 60 days; if you're on welfare; or if your report is inaccurate because of fraud, including identity theft. Otherwise, any of the three consumer reporting companies may charge you up to \$9.50 for another copy of your report within a 12-month period.

Your credit reports will NOT contain your credit score. You can order your score for a price (about \$10). However, ordering your score is not always money well spent. It is more important to make sure your credit report is accurate.

You can find out your score at no cost. When you apply for a bank account, a loan, or homeowners or automobile insurance, the company will routinely run your credit score and you can ask them to tell you your score. Try to avoid spending money unnecessarily in order to purchase your score.

Credit Scores

The information from your credit report is shared with Fair Isaac and Company (FICO) to generate a FICO score, which is also known as your credit score.

Higher numbers are interpreted to mean that a consumer has a better track record of meeting their liabilities. A consumer with a high credit score is more likely to pay a debt on time. Consumers with low scores are considered “risky” and are charged higher rates for loans since they are more likely to be late or to default.

Credit scores can also be used by:

- Insurance companies to set automobile or homeowners insurance rates.
- Banks to determine eligibility for bank accounts.
- Employers to determine eligibility for some jobs.
- Landlords to determine whether they will rent an apartment to an individual.
- Other service providers including investment firms or cell phone companies will use to determine access to various services.

You have more than one score. While the FICO score is the primary score and their method used by the three major bureaus your score may vary from bureau to bureau for several reasons. Not all lenders report to all three bureaus so they may not all have identical information; which they do not tend to compare with each other. They also have slightly different score models for using your information and giving you a score.

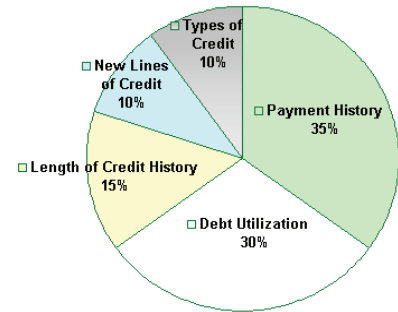
So you actually may have more than one score. However, the key factors that determine your credit score are similar for all scoring programs.



Hillsborough County Extension provides research-based community education.

Financial management topics include developing a spending plan, financial goals, debt reduction, credit, using financial institutions, and saving & investing for future goals. For more information contact Lisa Leslie at (813) 744-5519 x143 or lesliel@hillsboroughcounty.org

Factors that Influence Your Score



#1 Payment History – This carries the most weight. (35%)

- Are bills paid on time?
- Companies can report late bills after 30 days.
- Do you have collections, bankruptcies, or liens on your record?
- Is there a record of foreclosures or wage garnishments?

2 Debt Utilization – This also plays a big role. (30%)

This deals with how much you owe, how close you are to your credit limits each month, and how many account balances you are carrying.

- What percent of your total credit limits have you used?
- One rule of thumb is to keep the amount you owe to 30% or less of the amount of credit that is available to you.
 - ◇ For example: If the total of the all the lines of credit available to you is \$8,000, then you want to keep your total balances to \$2,400.
 - ◇ If your credit limit on a credit card is \$5,000, then you want to avoid charging more \$1,500.

3 Credit History (15%)

- How long have you had credit on average?
- Do you have accounts with long established histories?

4 New Credit (10%)

- If you rate shop for a particular type of loan – such a home loan or an auto loan- in a fixed period like 30 days, your score should not be negatively impacted. However, if you open many new lines of credit in a short period of time, or even shop around for revolving credit, this can hurt your credit score.
- Also, if you attempt to open new lines of credit and are denied, this might hurt your credit score.
- Checking your own credit report or score will not hurt your score. You can obtain your credit report for free from annualcreditreport.com. You can obtain one copy of your report from each of the three credit agencies each year. Your score is not free, but is seldom important to check unless you are shopping for a substantial loan.

#5 Types of Credit (10%)

- It helps to show that you have used different types of credit such as a mix of credit cards, installment loans, and mortgage loans.
- Too many accounts or too few accounts (such as not showing credit card accounts) will affect your score.

Remember, paying credit card balances in full and on time each month is the best way to go and will likely boost your credit score. If you can not pay the balance in full, pay as much as you can. Timely payments and carrying low debt levels boost credit scores!

Fact Sheet Compiled by Lisa Leslie, Hillsborough County Extension, 2007.

Sources:

The Federal Trade Commission, "Credit Scoring," www.ftc.gov.

Fair Isaac Corporation, "Understanding Your FICO Score," www.myfico.com.

Dr. Michael Gutter, University of Florida Extension.