

# CHECK YOUR CREDIT REPORT NOW!



You are what you owe, what you buy, and how timely you pay your bills. And all that other stuff that makes you who you are—personality, gestures, intelligence, wit—means nothing to credit card companies, student loan agencies, landlords, loan officers, and even some employers. What matters most to them is simply the content and quality of your credit report. And if they like what they see, you advance to the next step, whether that's another student loan, a cool apartment, or a new job.

So, why is everyone so interested in your credit report? What does it reveal about you? Think of it as a credit report card that assesses your financial responsibility. First, it's a record of every time you apply for, or accept, a loan or other form of credit. Second, and more importantly, it keeps track of how you use your credit—how much you have available, how much you owe, and how you repay. The people who are considering hiring you, granting you a student loan, or giving you a new credit card simply want to know your financial track record.

## Credit Report & Credit Score —What Are They?

Your entire financial credit history is compiled by one of several credit bureaus and then organized into the following formats:

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- **Credit Report:** A detailed history of your borrowing habits for the past seven to ten years, your credit report is a record of what you owe and to whom, what you've paid, and if you've made any late payments. It also reveals personal information, such as your social security number, current and former addresses and telephone numbers. Any time you order a report or authorize someone else to do so, the inquiry is recorded.
- **Credit Score:** A credit score is a shorthand way for a lender to tell if you're a good credit risk or a bad one. A high score means you're lower risk and have a better chance of obtaining the best interest rates. While each credit bureau has its own system, they all take into account the following five factors: your ability to make payments on time, the amount of credit you owe, the type of credit you owe, the length of your credit history (the longer, the better), and the number of requests for new credit.

### Who looks at my credit report?

Your landlord, employer, college, credit card company, bank, etc. all have an interest in reviewing your credit report.

## GET YOUR FREE CREDIT REPORT NOW!!!

[www.annualcreditreport.com](http://www.annualcreditreport.com)  
877-322-8228

To Do!

The three major credit agencies are required by federal law to give consumers one FREE credit report per year. When you go to their websites, they will try to sell you a credit score as well as other services—don't worry about that stuff yet. Just get the free report.

### The three major credit agencies are:

- **Equifax** ([www.equifax.com](http://www.equifax.com))
- **Experian** ([www.experian.com](http://www.experian.com))
- **TransUnion** ([www.transunion.com](http://www.transunion.com))

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at customers. Be proactive with your credit. Check it and address any problems immediately. Conventional wisdom says that it takes years to remove a blemish from a credit report, but seconds to put one on. While that may be an exaggeration, you don't want to be in the position to find out. In fact, it's wise to contact each of the three major credit reporting firms—they have different methods of reporting, so you want to know what they all say about you—and request a credit report every four months. This will enable you to monitor and prevent any illegal use of your credit.

## Review it, repair it, and get back on track

The first step to controlling your credit is to monitor it. The second step is to maintain and, if necessary, repair it. It's relatively easy to maintain and build your credit if you're starting with a strong foundation. Know what you owe, know who you owe, and pay your bills on time. If you move a lot, make sure every business you deal with has your change of address on file. Don't miss a payment because the vendor is sending bills to an old residence! Also, it's a good idea to set up a folder in your email account for e-bills, as they can easily get drowned in the in-box. Inadvertently missing a payment—even missing one because the vendor messed up—can cause as much headache as blatantly ignoring a due date.

Do *you* know what your credit report contains? How much do you owe? Do you have any late payment history? Worse, is someone else using your identity to rack up debt? Before you do anything else, you need to check your credit report and credit score.

Many people don't see their own credit report until they are about to make a major purchase—or unless they're mysteriously turned down at one of those retail shops that practically throws credit cards

TIP

Order one free credit report every four months, rotating between the three major agencies. This is an inexpensive—free!—way to keep a close eye on your credit.

**Ordering a credit report DOES NOT affect your credit score.**

**Applying for a credit card DOES affect your credit score.**

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Good To Know

## Q: How can I develop a great credit history?

### A: Building credit is simple:

- ✓ Get credit
- ✓ Use it
- ✓ Pay it off

Don't make the mistake of not getting a credit card or never using the ones you have. Credit agencies want to see you have a history of good credit **use**.

can't pay off, contact the businesses to see if they'll negotiate a payment plan with you. Remember that vendors would rather have you pay them back directly than send your account to a collections agency, which would not only ding your credit but cost the vendor big money in lost revenue. (Collections agencies only return a small fraction of recovered payments to the original vendors.)

Paying attention to your credit now will pay off in the future, when you want to make a major purchase, such as buying a house. (The difference between an excellent credit score and a good credit score could be worth \$100 or more a month on a 30-year fixed mortgage.) People with strong credit qualify for the best interest rates; you can take action now to make sure you're one of those people.

Note: Identity theft is a real problem that can affect your credit for years. See Chapter 12 on identity theft, for more information about preventing and recognizing identity theft.

Repairing your credit is more challenging than maintaining it, but it's definitely a project you should start as soon as possible. Even if you have a poor track record, you can eventually recover your credit. Set up a system today for paying all current bills on time. If you have big outstanding balances that you

## Credit Repair

To Do!

Need help repairing your credit? Visit the Federal Trade Commission website ([www.ftc.gov](http://www.ftc.gov)).

This government site takes the consumer step-by-step through the credit repair process. It includes a sample letter to send to creditors.

Other reliable resources include your local bank, financial advisor, even your college financial aid office—just ask!

### BEWARE!!!

**There is a credit repair mega-industry—legitimate as well as scamming—eager to prey on the unknowledgeable consumer. Read the FTC website before you begin your quest.**