

C Can What You Don't Know Hurt You?

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Have you ever been denied credit and found yourself trying to prove your credit worthiness. Use your consumer rights to request a credit report and be informed of your credit history.

What Is a Credit Report?

A credit report is a summary of information about you that includes your credit history. The information is collected by a credit reporting agency, often called a credit bureau.

A summary or credit report is then sold to those who need that information. These people must also have a right to be able to obtain that information.

When someone asks for a copy of your credit report, the credit bureau summarizes the information it has and makes your credit report.

If you have ever applied for a credit or charge account, a personal loan, an insurance policy, or a job, you have a credit record on file. Your credit record contains information about your income, debts, and credit payment history. It also indicates whether you have been sued or arrested or have filed for bankruptcy.

The Fair Credit Reporting Act and Your Credit Report

In 1971, Congress enacted the Fair Credit Reporting Act. This legislation gave consumers a number of protections as far as their credit reports are concerned. Consumer Reporting Agencies are required to furnish correct and complete information to businesses.

Businesses in turn use this information when evaluating your application.

In 1996, Congress passed a law that updated the 1971 legislation. Most provisions of this law become effective Oct. 1, 1997, but many aspects of this legislation had been adopted by the credit bureaus before it was mandated.

Why Is a Credit Report Important?

Of course, when someone else looks at your credit report, you want to look your best. If you are going to be applying for a loan, looking for a new job, or taking out a new insurance policy, you want to know what's in the report.

How to Find Out What Is in the Report

It is a good idea to get a copy of your credit report periodically so that you can be sure there is no incorrect information in it. It is not unheard of to have mistakes or even someone else's information on your credit report.

This lesson will highlight the following:

- ◆ how to get a copy of your credit report
- ◆ your rights if you are denied credit
- ◆ how to correct errors

Why Do You Need Good Credit?

Today, you need good credit to get more credit. Financial institutions will check your credit record at such times as the following:

- ◆ buying a house
- ◆ buying a car
- ◆ getting a credit card
- ◆ taking out insurance

Good credit is also convenient. Many businesses strongly prefer a person to use credit cards to order from mail order catalogs, rent a car, reserve a hotel room, etc.

More and more employers are checking the credit ratings of prospective employees.

Available credit is useful for unplanned situations and emergencies. Having good credit does not mean being in debt. Having a good credit rating saves you a lot of hassles when you need or want ready credit.

Even if you have always paid your bills on time and have a spotless credit record, your credit report may not show that. The best bet is to get a copy of your credit report regularly. Check every two to three years. Some people recommend every year.

Be sure to check your credit report if you know you will be applying for credit to make a major purchase such as a home or car. Do this at least six months before you will be applying for the loan so that you have time to correct any errors.

How to Get a Copy of Your Credit Report

If you have been turned down for credit because of information in your credit report, you are entitled to a free copy of your credit report from that bureau. Some of the other major credit bureaus *may* give you a free copy, also.

The rejection letter you received from the lending institution must list the credit bureau from which it got the credit report. Save that letter!! Call that company as soon as possible. Explain that you have been turned down for credit and find out how to get a copy of your credit report.

If you have not been denied credit, you can contact one or more of the three major credit bureaus and find out how to get a copy of your credit report. Some states place restrictions on how much the credit bureaus can charge for a report, but West Virginia is not one of them. (The names and phone numbers of the major credit bureaus are listed at the end of this document.)

Which company should you get a credit report from? If you will be applying for credit soon, call

that lending institution. Talk to someone in the consumer lending department and ask which credit bureau the institution uses.

Since this is the company the institution will be getting the credit report from, you probably will want to get your first credit report from that company. If this credit report is accurate, it is your decision whether to get a report from other credit bureaus.

If your file contains accurate negative information, only time and good credit habits will restore your credit worthiness. There are some exceptions, but *most* negative information stays in your file for only seven years.

How to Correct Errors

Your credit file may contain errors that would cause a lending institution to deny credit to you. The law allows you to request a reinvestigation of information in your file that you believe to be inaccurate or incomplete. There is no charge for this.

Ask the credit reporting agency for a dispute form or submit your dispute in writing, along with any supporting documentation. Be as specific as you can about the incident that you think is in error.

Being polite in your letter may work to your advantage as the credit bureau probably gets lots of nasty letters every day. Be concise. Be sure to include all information necessary to resolve your dispute. This might include your name, address, Social Security number, and phone numbers where you can be reached.

It would be a good idea to return the form or letter by some means that you can use later to verify that you did send a letter. This probably would be certified mail, with return receipt requested.

Be sure to keep the paperwork from the post office as well as a copy of the letter you sent. If there is a question later, this would prove that the credit bureau received your letter.

Credit bureaus have 30 days to investigate and make corrections. If you send the credit bureau additional information relevant to your dispute, the bureau can have 15 more days to complete the investigation.

Keep on your toes. If you do not hear from the credit bureau in 30 days, write again, enclosing a copy of your original letter of dispute.

If the item being disputed cannot be verified, the credit bureau must delete it. If an item contains erroneous information, the credit bureau must correct the error. If the item is incomplete, and you continue to dispute the accuracy of information in your file, the bureau must complete it.

If the reinvestigation is not resolved to your satisfaction, have the credit bureau include a summary of your version of the dispute in your file and in future reports.

Be sure your statement is factual, clearly stated, and to the point. You may be limited to 100 words. If you have additional documentation to support your position, be sure to mention that it is available.

Under the new law, those who supply information to credit bureaus are responsible for correcting errors. The new law makes it illegal for anyone to report information to a credit bureau that they know is not accurate.

Credit Repair

Beware of companies offering credit repair. These credit repair companies cannot legally remove accurate and timely negative information from a credit report. Follow the steps listed above to request a reinvestigation of items that are mistakes.

If you do decide to respond to a credit repair offer, beware of companies that:

- ◆ require you to pay for credit repair services before they provide any services,
- ◆ do not tell you your legal rights,
- ◆ recommend that you do not contact a credit bureau yourself, and
- ◆ advise you to dispute all information in your credit report or to take any action that seems illegal, such as creating a new credit identity. If you follow illegal advice and commit fraud, you may be subject to prosecution.

There is nothing that a credit repair company can do for you that you cannot do for yourself for little or no cost.

Who Has Been Looking at Your File?

Credit bureaus are required to tell you who has seen your credit report

- ◆ in the past two years for employment purposes and
- ◆ in the past year for any other purpose.

The Consumer Credit Reporting Reform Act of 1996 requires that the name or full trade name of anyone who has requested the credit report in the past year (two years for inquiries by employers) must be shown to the consumer. If the consumer requests, the credit bureau must supply addresses and telephone numbers of these companies.

Suggested Activities:

1. Obtain a sample copy of a credit report and review the various part of the report with members. **Write** to the credit bureaus and ask for a copy, or contact the lending department of a local bank to obtain a copy. The automated phone systems at the three major credit bureaus do not allow any way to ask for a sample copy.
2. Encourage members to obtain copies of their credit reports. Check the next month to determine how many have done this.
3. This would be a great time to visit the Federal Trade Commission, which governs the Fair Credit Reporting Act and the Consumer Credit Reporting Reform Act of 1996. Contact the Federal Trade Commission via the Internet (<http://www.ftc.gov>). (Every extension office in West Virginia is equipped to access the Internet. Contact the extension agent in your county for assistance.)

References

Dutweiler, Gerri. *The Ultimate Credit Handbook: How to Double Your Credit, Cut Your Debt, and Have a Lifetime of Great Credit*. New York: Penguin Books, 1997.

Federal Trade Commission. *Building a Better Credit Report: What to Do, What to Avoid*.

FTC Facts for Consumers - Credit and Your Consumer Rights. (June 1996). <http://www.ftc.gov/bcp/online/pubs/credit/crdtrights.htm>

FTC Fast Facts - Credit Repair: Self-Help May Be Best. (August 1996). <http://www.ftc.gov/bcp/online/pubs/credit/repair.htm>

The Three Major Bureaus Are:

- ◆ Equifax, P.O. Box 740241, Atlanta, GA 30374. Phone: 1-800-685-1111
- ◆ Experian, (formerly TRW). To request a free copy of your credit report, call 1-800-682-7654 for instructions on how to write for it.*
- ◆ TransUnion, P.O. Box 390, Springfield, PA 19064-0390. Phone: 316-636-6100

* *Trade or brand names are mentioned only for educational purposes. The West Virginia University Extension Service intends no endorsement nor implies discrimination to the exclusion of other products that may also be suitable.*

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