What is a credit score?

- A method of measuring the likelihood an individual will repay their credit obligation, used by creditors to decide whether to issue that individual credit , and on what terms.
- The most commonly used credit score in the United States is the FICO score, developed by the Fair Isaac Corporation.
- The FICO score ranges from 300 – 850, with the higher number representing a better credit rating.

What is the FACT act?

The FACT (Fair and Accurate Credit Transactions Act) was enacted in 2003 and incorporates...

- New privacy regulations
- Identity theft dispute procedures
- Free annual consumer disclosures

This means that you can request a **FREE** copy of your consumer disclosure every twelve months from one of the 3 Credit Reporting Agencies: Trans Union, Equifax, and Experian.

A "consumer disclosure" is *all* the information in your credit file. A "credit report" contains only *some* on the information in your file that is disclosed to other parties. For example, other parties cannot see your personal inquiries.

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Resources

Get a copy of your credit report from:

- www.annualcreditreport.com
- 1-877-332-8228
- Send a request form to
  Annual Credit Report Request Service
  P.O. Box 105281
  Atlanta, GA 30348-5281

Find the best card for you at:

www.bankrate.com (click on credit cards)

www.findcreditcards.org

Learn how to manage your money and use credit cards properly at:

www.aba.com (click on consumer connection)

www.mymoney.gov

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5101 Jordan Road • Erie, PA 16563

CCCR Phone: 814-898-6553 or 814-898-6784

www.cccr.psu.edu

center for credit&consumer RESEARCH

THE SAM AND IRENE BLACK SCHOOL OF BUSINESS

A Guide To Understanding Your Personal Credit Information

Sam and Irene Black School of Business

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What is a credit report?

- A credit report details your financial history in regards to all credit activities.
- Consumer reporting agencies sell your credit report to creditors, insurers, and employers who use it to evaluate your applications for credit, insurance, and employment, etc.

What is in your credit report?

- **Identifying Information** such as your name, Social Security number, current and previous addresses, current and previous employers, etc.
- **Credit Information** such as types of loan accounts including mortgages, student loans, credit cards; credit limits or loan amounts; payment history; and length of credit history.
- **Public Record Information** such as bankruptcy, tax liens, and monetary judgments.
- **Recent Inquiries**, or the names of those who have obtained copies of your credit report within the past year (past two years for employment inquiries).

Source: www.frbsf.org (Federal Reserve Board, San Francisco)

Improve your score

- **Payments**: Paying your bills on time will improve your score.
- **Time**: Do not cancel your oldest credit cards because they demonstrate the length of your active credit history.
- **Balances**: Do not owe a balance of more than 50 percent of your credit limit on each card. Paying down a balance can help increase your credit score.
- **Checkups**: Check your credit report annually to make sure it contains no inaccuracies. If you find a mistake, contact the creditor and the reporting agency immediately.

How Your Credit Scores Affect Borrowing

Example: 36 month, $25,000 Auto Loan

FICO score	APR	Monthly Payment
850-720	7.209%	$774
719-690	8.066%	$784
689-660	9.573%	$802
659-620	11.038%	$819
619-590	14.324%	$858
589-500	14.898%	$865

Source: www.myfico.com

Credit Misconceptions

- **Your score will significantly drop if *you* check your credit report**: Checking your own credit is considered a "soft inquiry," while an inquiry by a creditor is considered a "hard inquiry." A soft inquiry will bring your score down by only a few points.
- **Closing old accounts will improve your score**: It is actually beneficial to keep old accounts open because it establishes a longer credit history. To improve your score, lower your limit on accounts or cancel newer accounts.
- **Negative records are removed from your report once you pay them off**: Negative records, including bankruptcy, remain on your credit report for 7– 10 years after they are first posted.

Source: www.myfico.com

- **Employers cannot check your credit report:** Under the Fair Credit Reporting Act, those who have a "legitimate business need for the information" have access to your credit report and employers do qualify. Employers must obtain your written permission to gain this access; however, refusing to give permission may jeopardize your chances of being selected for the job.

Source: www.vault.com