



Watchdog Insights: Credit Scores

If you need to establish credit, this guide will give you tools to have a better understanding of your credit and how to keep it healthy.

Understanding Credit Scores and Credit Reports



What is a Credit Score?

Credit scores are numbers based on the information in your credit reports. Your credit score predicts your likelihood of paying bills and debts as agreed. There are multiple producers of credit scores. If you have a credit history, you will most likely have several different credit scores.

What is listed in a Credit Report?

Credit reports list the following:

- ❖ Your personal identifying information.
- ❖ Your debts and some of the bills you pay.
- ❖ Public information.
- ❖ Any applications you have had for new credit and any other “inquiries” when lenders or other business request a copy of your credit report.

Who uses Credit Reports and Scores?

Credit reports and scores may be reviewed or requested by:

- ❖ Financial institutions.
- ❖ Landlords.
- ❖ Utility companies.
- ❖ Cell phone companies.



- ❖ Insurance agencies, depending on state laws.
- ❖ Some state agencies or affiliated organizations.
- ❖ Employers, depending on state laws.
 - To learn if credit information can be used in employment decisions in your state, you can reach out to your state's department of labor.

Lenders must disclose to you if they have used your credit report or scores to make a lending decision about you or if they offer you terms that are contrary to what other borrowers have offered based on your credit reports or scores.

FICO® offers this chart to help estimate what scores in particular ranges may mean:

Exceptional	800 - 850
Very Good	740 - 799
Good	670 - 739
Fair	580 - 669
Poor	300 - 579

Keep track of when you order your credit reports from annualcreditreport.com.

Report	Date	Date	Date
Equifax			
Experian			
TransUnion			

Equifax	Experian	TransUnion
1-866-349-5191	1-888-397-3742	1-800-916-8800
www.equifax.com	www.experian.com	www.transunion.com
Equifax Information Services, LLC P.O. Box 740256 Atlanta, GA 30348	Experian National Consumer Assistance Center P.O. Box 4500 Allen, TX 75013	TransUnion Consumer Relations P.O. Box 2000 Chester, PA 19016-2000



Use this checklist to find options on repairing and improving your credit.

- Get and review your credit reports.** Go to annualcreditreport.com for the free credit reports you are entitled to every 12 months from each of the three nationwide credit reporting agencies.
- Dispute and correct any errors.** Look for inaccurate information, information that doesn't belong to you, and outdated information still being reported.
- Make sure anything that is in the collection account section of your reports belongs to you.** And, if something appears in the collection account section, make sure it is not also reported in another section.
- Pay all of your bills on time and as agreed.**
- If you have credit cards, use as little of your credit limit as possible.** Carrying high balances on credit cards compared to available credit limits can significantly reduce credit scores. Some experts advise using no more than 30% of your available credit while others advise using no more than 20%. While keeping balances at or below those percentages may be a goal that you cannot reach right now, it helps to use as little of your credit limit as possible.
- Use a credit building strategy.** Options may include:
 - Secured credit cards
 - Credit building loans
 - Becoming an authorized user on an account
 - Getting a cosigner
- Keep old accounts open if you can.** Older accounts create a longer credit history.
- Apply for credit only if you really need it.** Applications for credit create inquiries. Too many inquiries can negatively affect your scores.
- Negotiate different terms.** See if you can increase your credit limit on revolving accounts (such as credit card accounts or lines of credit) or ask for lower interest rates. Changes can improve your credit and make your credit more affordable.
- Ask for a “good will” deletion.** If you have paid your bills on time and as agreed with a creditor, but missed a payment or two, you may be able to negotiate a deletion of the negative entry. If this doesn't work, ask what else could be done to prevent it from being reported to a credit reporting agency.

To get more information or help about credit scores, including information about scams, visit www.ftc.gov and www.consumerfinance.gov.

For help reading your credit report, credit counseling, and other services, contact a nonprofit consumer credit counseling service. Visit usa.gov and search for “credit counseling”.

Source: Money Smart - FDIC.gov

