Basic questions about credit reports and credit reporting

Reports on Credit — Issue 1

Have you ever bought a car? Rented an apartment? Opened an instant charge account at a department store? You might not know it, but your credit report made these services possible. Your credit report almost certainly plays a major role in your life, so it's important to understand how credit reporting works.

This issue of Reports on Credit answers these important questions:

- What is a credit report?
- What does a typical credit report include?
- How does credit reporting help you?
- Who decides whether you get credit?

What is a credit report?

Your credit report is a factual record of your credit payment history as reported by your creditors. It serves as credit references for businesses and it can be provided only for purposes permitted by law.

Credit reports are used most frequently to help lenders decide whether to grant you credit — like a car loan, a credit card or a home mortgage — quickly and objectively. But they're also used as a tool in making decisions about other specific business relationships, for things like employment, rentals, licensing and insurance.

What does a typical credit report include?

- **Identification:** Information that can help identify you, such as your name, current and previous addresses, telephone number, reported variations of your Social Security number, date of birth, employer and your spouse's name. This information comes from your credit applications, so its accuracy depends on you filling out the forms clearly, completely and consistently each time you apply for credit. The federal government geographic code for the area in which you live also will appear in your credit report to help regulators identify and respond to potential discriminatory lending practices.
- **Account history:** Specific information about each account, such as date opened, credit limit or loan amount, balance, monthly payment, payment status and payment history. This information comes from companies that do business with you.
- **Public records:** Bankruptcy filings, court records of tax liens and monetary judgments. This information is collected routinely from state, county and federal public court records.

- **Inquiries:** A record of who has reviewed your information. Requests for your credit report, called "inquiries," are recorded by the credit reporting company as they occur.
- **Consumer statements:** "Statements of dispute" added by you to an account or to your credit report as a general statement. Creditors may temporarily report an account as "in dispute" when you formally challenge the status of an account with them. The creditor stops reporting the dispute status when the issue is resolved, usually within 60 days. If you and the creditor cannot agree on the status of an account, you may have a "statement of dispute" added to your credit history. Both your statement and the creditor's reported account status will appear on your credit report. If the statement you add is associated with an account, it will remain as long as the account is part of your credit history or until you request that it be removed.

Most of the information Experian has is positive, indicating that most people pay their bills on time. Your Experian credit report doesn't contain information about race, religious preference, income, medical history, personal lifestyle, political preference, friends, criminal record or any other information unrelated to credit.

How does credit reporting help you?

Before national credit reporting companies like Experian existed, consumers could obtain credit only in communities in which they were known and had lived for years. If they moved to another town where they were unknown, credit was virtually unobtainable.

Now, automated credit reporting systems enable a consumer's good credit reputation to make credit possible no matter where that consumer decides to live within the United States.Experian's credit reporting processes collect, store and keep your financial references up to date. In a matter of minutes, and sometimes seconds, a lender can obtain and review your credit history and approve you for the services you need and want.

You also can take advantage of the convenience of credit by paying at the gas pump, shopping online, tracking your credit use with monthly statements and earning bonus points toward special rewards.

Because of automated credit reporting, Americans enjoy the widest access to credit at the lowest interest rates in the world. Credit information lets lenders either avoid consumers who don't pay their bills or lend to them on special terms. This minimizes credit losses, which ultimately get passed on to consumers who do pay their bills. Credit reporting companies also help to foster competition among financial service providers. This competition brings you reduced annual fees, specialized customer service, customer recognition and incentive programs, and purchase protection plans, among other benefits.

Who decides whether you get credit?

Credit reporting companies simply provide credit reports based on credit grantors' requests. In some instances, they also deliver one or more credit scores from the credit scoring models selected by the lender. At that point, the credit reporting company's job is done. It doesn't make credit granting decisions, and it doesn't determine what the credit score or scores mean. That's the role of the lender.

Since the lender is the only one that makes the credit granting decision, only the lender — not the credit reporting company — knows the reasons for granting or denying you credit.

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