



Twelve common questions

About consumer credit and direct marketing



Most of us don't think about credit until a specific event sparks our interest. Maybe we want to buy a car or a home. Perhaps we receive a preapproved credit card offer in the mail.

That's when questions come to mind: What's in a credit report? How are credit-granting decisions made? How does my name get on a mailing list?

This document contains answers to these and other common questions about credit reporting and direct marketing, two of Experian's services that help consumers. We're sharing this information to empower people to become more active and effective partners in this important process.

What's a consumer credit report?

A consumer credit report is a record of an individual's credit accounts and payment history as reported by his or her creditors. It can be provided only for purposes permitted by law and serves as your credit reference for businesses.

Credit reports are most frequently used to help lenders quickly and objectively decide whether to grant you credit. Examples of credit include car loans, credit cards and home mortgages. A credit report also can be used as a tool in making decisions about employment, rental, licensing, insurance and other specific business relationships.

If you're one of the more than 220 million people in the United States with a credit card, car loan, student loan or home mortgage, then information about your credit experience probably is stored in Experian's consumer credit database. Most of the information in your consumer credit report comes directly from the companies with which you do business.



Your Experian® credit report doesn't contain — and Experian doesn't collect — data about race, religious preference, medical history, personal lifestyle, political preference, criminal records or any other information unrelated to credit, nor is there information about your income, your checking or savings accounts or your assets and investments.

Additionally, credit scores aren't part of a credit report, even though you may receive them together.

What information does a consumer credit report contain?

A consumer credit report includes four types of information:

- **Identifying information** — your name and any previous names you've used to apply for credit or other services, current and previous addresses, telephone number, reported variations of your Social Security number,

Twelve common questions

date of birth, employer and your spouse or co-applicant's name. This information comes from your credit applications, so its accuracy depends on 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. The geographic code helps prevent discriminatory lending practices.

- **Account history** — This shows specific information about each account, such as the date opened, credit limit or original loan amount, balance, monthly payment amount, payment status and payment history. The report also shows your association with the account (individual, joint, authorized user, etc.), which indicates whether anyone else besides you (your spouse or cosigner, for example) shares responsibility for paying the debt. This information comes from companies that do business with you.

For open accounts, positive credit information may remain on your report indefinitely, which is good for your credit history. Most negative information remains up to seven years. Closed accounts with no negative information remain for 10 years from the date closed, helping you establish a positive credit history over time.

- **Bankruptcy public records** — Federal bankruptcy filings are the only type of public record you'll see in a consumer credit report. The two most common types of bankruptcy filed by consumers are Chapter 7 and Chapter 13, which remain part of your credit history for 10 years and seven years from the filing date, respectively. This information comes from public records.
- **Inquiries** — A record of those who've requested your credit history is kept as part of your file. There are two types of inquiries, hard inquiries and soft inquiries. Hard inquiries represent applications you've made for credit or services, while soft inquiries are most often the result of preapproved offers or account management reviews from companies you already do business with. Both types of inquiries remain on your credit report for two years.



In addition to these categories, you may also see what's referred to as a "dispute statement." There are three types of dispute statements that could appear on your credit report.

- An "account in dispute" statement may be added by the creditor when you challenge an account's status directly with them. The creditor typically removes the statement when the dispute is resolved. If the dispute isn't resolved, the statement may display as long as the disputed information remains on your credit report, usually seven years.
- If you disagree with the results of a dispute about a specific account, you may request that a statement be added to the account indicating that you disagree with the creditor or providing an explanation of the circumstances surrounding the account history. The account-specific statement will remain until the account is removed — typically seven years — or until you ask that it be removed.
- You also may add a general statement to your credit history that isn't specific to an individual item or account. A general statement may explain the circumstances surrounding any credit difficulties and remains on the report for two years.

What are credit scores and how do lenders use them?

Some lenders make hundreds — even thousands — of credit-granting decisions every day. To help them make those decisions faster, more accurately and more objectively, they use a decision-making tool called a credit score. Essentially, a credit score is a statistical summary of the information in a credit report at the moment the report is reviewed.

A credit score, often calculated when the credit report is requested, is delivered electronically from the credit reporting company to your creditor. A credit score isn't part of your credit history and doesn't appear on your personal credit report, although you may receive both at the same time when you request them.

There are many sources of credit scores. A number of credit companies, including FICO® and VantageScore®, develop scores used by lenders, and credit grantors develop their own credit scoring systems, as well.

Different scoring systems also may measure different types of risk, such as bankruptcy, profitability or collectability. In addition, there are scoring systems for different types of lenders or lending, such as auto loans, mortgages, banks and credit unions.

Even if there were only one type of credit score, however, not all credit grantors would use it in the same way. That's because different credit grantors may view the same credit score differently. It all depends on their level of risk tolerance, experiences with customers, their business niches and many other factors.

The automated process of using credit scores is very similar to reviewing credit applications manually. In both processes, specific information on the credit report is examined and rated by the lender. Credit scores are an advantage for consumers because they:

- Are objective.
- Eliminate individual biases from the credit-granting decision.

- Result in faster, more accurate credit decisions.
- Enable more consumers to qualify for credit.
- Reduce the cost of credit by enabling lenders to make the best, most efficient decisions.

If your application is declined based on a credit score, don't focus on the number, because the numbers vary depending on the scoring system used. Instead, concentrate on the factors from your credit report that most affected the score. You can improve your creditworthiness and credit scores for any lender by using those risk factors to change your credit use over time.

To better understand how lenders would view your risk level, you can request a credit score from Experian that will provide not only the score number but also a list of the top risk factors specific to your credit history that are most impacting your creditworthiness. Consumer credit scores are available through many sources, including www.experian.com and www.annualcreditreport.com.

How can I get a copy of my credit report?

Your credit report is available from a variety of sources, most conveniently online via www.annualcreditreport.com or directly through the credit reporting companies' websites.

Often, there are other useful tools and resources included with the report that can give you insight into your creditworthiness, how to improve it and how to manage your personal finances.

You can request a free copy of your Experian credit report on the Experian website or via the Experian app. The law also allows for free copies of your credit report under the following circumstances:

- Once every 12 months, as required by the Fair and Accurate Credit Transactions Act (FACT Act). Currently, free reports are being offered weekly in response to the COVID-19 pandemic. For more information about eligibility and how to order, visit www.annualcreditreport.com.
- If you certify in writing that you're unemployed and seeking employment or receive public welfare assistance.

Twelve common questions

- If you believe you're a fraud victim or that you're at increased risk for fraud.
- Whenever your request for credit, insurance, employment or rental housing is denied based on information in your credit report if you contact the credit reporting company that provided the report within 60 days of the denial.
- If adverse action was taken against you based on information in your credit report (e.g., your interest rate was raised or your credit limit was decreased).

In either of the last two reasons described above, the company that declined your application or took adverse action will provide the name of the credit reporting company that provided your credit report and instructions for how to contact that company for a copy.

To request a copy of your Experian credit report due to denial or adverse action, visit Experian's website at www.experian.com/reportaccess or call **1 888 EXPERIAN** (1 888 397 3742).

Please have the following information when you call to order. The information is important for Experian to compile a complete and accurate copy of your credit report.

- Full name (including generation, such as Jr., Sr., III)
- Complete current and previous mailing addresses (for a two-year period). If you have moved within the past six months, you may be asked to send Experian two documents, such as copies of a utility bill, driver's license, insurance statement or bank statement, that show your name and current address to verify your identity. A mailing address will be provided. You may also submit documents online at www.experian.com/upload.
- Social Security number
- Date of birth

What should I do if I find an error on my credit report?

Request a copy of your report from Experian and review it carefully. If you find something you believe to be an error, simply dispute the information online at www.experian.com/dispute, or call or write the credit reporting company



(as instructed on your credit report). There's no fee to dispute information.

The credit reporting company will check with the source of the information and send you the results of your dispute. If you disagree with the results of the dispute, you can add a statement of dispute to the credit report.

Please be specific with your dispute, for example, "This account was never late," "That is not my account," or "This account is fraudulent." Simply saying an item is wrong doesn't give Experian or the source of the information enough detail to help you resolve your dispute.

Because the credit reporting company must ask the source of the information for a response, the dispute process can take up to 30 to 45 days from the date the dispute is received. However, most disputes today are completed within a much shorter period of time, usually 10 to 14 business days, and often in as little as two to three days.

Can “credit repair” clinics fix my bad credit?

There’s nothing any credit repair clinic can legally do for you — including removing inaccurate credit information — that you can’t do for yourself for free. The clinics’ fees can be substantial, ranging from hundreds to thousands of dollars.

The Credit Repair Organizations Act, a federal law that became effective on April 1, 1997, prohibits credit repair clinics from taking consumers’ money until they fully complete the services they promise. It also requires such firms to provide consumers with a written contract stating all the services to be provided and the terms and conditions of payment. Under the law, consumers have three days to withdraw from the contract.

It’s illegal for a credit repair clinic to ask or suggest that you mislead credit reporting companies about your credit accounts or alter your identity to change your credit history.

How does a credit reporting company help me?

If you’re like most consumers in the United States, your ability to own a home, buy a car, finance a college education, travel and make routine purchases hinges on your responsible use of credit. Lenders check your “credit references,” in the form of a credit report, along with other financial information, before taking the risk of doing business with you.

Having a credit report makes your financial references immediately available when you want service and ensures that you have access to review the information used by lenders and others to make decisions about those services.

Because an automated credit reporting system works quietly in the background on your behalf, you have many options in your financial life. For example, you can:

- Purchase a home in one area of the country based on the good credit record you established while living in another part of the country.

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- Shop for and be offered financial services from institutions anywhere in the United States.
- Pay for emergency medical treatment or other unexpected service needs (e.g., a broken water line repair).
- Negotiate a deal for a new car and drive it off the lot within a few hours.



Twelve common questions

Credit reporting also helps foster competition among financial services providers. This competition provides you with:

- Lower interest rates
- Reduced annual fees
- Increased access to credit
- Customer recognition programs
- Purchase protection plans and other benefits

Do credit reporting companies decide whether I should get credit?

No. Only credit grantors make lending decisions.

A credit reporting company collects information from credit grantors, such as banks, savings and loans, credit unions, finance companies, and retailers. It stores this information in a database and then provides it to credit grantors when you apply for a new credit card or loan. The credit report serves as your credit references.

Each credit grantor decides what standards you must meet for them to approve a credit application. The credit reporting company doesn't track the decision a credit grantor makes after ordering a credit report, favorable or not. If your application is declined, only the credit grantor will be able to provide you with the reasons for their decision.

Many creditors use automated credit scoring models as tools to evaluate the information in a credit report. Credit reporting companies often provide the additional service of applying the scoring models selected by the creditor to the data in the report. While the resulting scores are delivered with the credit report, they aren't a part of the credit report. They only reflect the data in your credit history at the moment the creditor requests it.

How do lenders make credit decisions?

Potential creditors review credit applications in relation to risk. They try to predict whether you'll repay your debts on time and in full by evaluating your past credit history. Here are eight simple rules that will help you get the credit you want:

- **Rule 1: Establish a credit report** — Your credit report acts as your financial references and is an essential part of every lending decision. If you don't yet have a credit report in your name, Experian Go™ can help you get started. Simply enroll in Experian's free app. If there's no credit history in its files, you'll be able to follow prompts to create one.
- **Rule 2: Always pay as agreed** — Your payment history is the most significant factor in your credit history. Late payments, called delinquencies, will negatively affect your ability to get credit.
- **Rule 3: Get a credit card** — Car loans and mortgages are important, but a revolving account shows a bit more about how you make independent borrowing and repayment decisions and manage your credit. You don't need a lot of credit cards. Just one is enough if you use it wisely.
- **Rule 4: Use caution when closing accounts** — Closing an account isn't always a good thing. It can increase your utilization ratio, also called your balance-to-limit ratio, making you appear to be a higher credit risk. For that reason, it's a good idea to avoid closing accounts if you're planning to apply for a major credit purchase within the next three to six months.
- **Rule 5: Apply for credit judiciously** — Don't apply for multiple accounts within a short period of time. Opening multiple accounts in a short period of time is a strong indication of credit risk.
- **Rule 6: Time is the key** — You must allow adequate time to build a credit history and for changes to be updated.

- **Rule 7: Demonstrate stability** — Having stable employment, living at the same address and building other assets over time indicate financial soundness beyond that reflected in your credit history.
- **Rule 8: Have a plan** — Be accountable for your decisions and know how you're going to repay your debts. High credit card balances are a sign of risk. Before taking on a debt, you should know how you'll repay it, when it will be repaid, and what purchase you might need to delay or not make at all until it's paid in full.

How does divorce affect a person's credit?

When you obtained credit together, you and your spouse entered into a contract agreeing that you'd both be equally responsible for paying your debt in full under specified terms. A divorce decree doesn't change that contract. The divorce decree represents the agreement you made with the court. When you divorce, each of you remains fully liable for your joint debts.

There are several ways you can prevent credit obligations from making divorce more difficult than it already is — and reestablish your own distinct credit lines after divorce occurs. While it can be difficult, these steps can help you separate your financial lives:

- Communicate with your soon-to-be-ex-spouse. Make as clean a financial separation as possible. Ensure that one or the other of you is making at least the minimum payment due on all of your debts.
- Communicate with your creditors. Decide which debts will be paid by whom, then ask each company and bank that extended you credit to transfer the debt to the name of the person who will be responsible. Creditors may require written authorization from the party being removed and that the individual owner qualify for the account based on income and credit history. The creditors may not agree to change the contract. Large debts, like mortgages, are a common example.



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- During divorce negotiations, keep your joint bills current, even if you ultimately will have no responsibility for the debt. If you don't, the missed payments will become part of your credit history, and your creditors could become more reluctant to release one party from joint liability.
- Ask the credit grantor to remove your spouse's name as an authorized user or close joint accounts to additional charges.

Twelve common questions

- Inform all creditors, in writing, that you aren't responsible for debts charged by your ex-spouse on joint accounts after the divorce and close as many of the accounts as possible. This may not prevent them from trying to collect from you, but it does show that you attempted to act responsibly.

How does my name get on a mailing list?

Our economy and job market depend on companies, large and small, being able to reach those consumers most likely to be interested in buying their products and services. Direct marketing is often the key to their success and to lower prices and being able to provide better services for consumers.

Unlike credit report information, which is very specific to an individual, direct-marketing information applies to large groups of people. It's used to create mailing lists of individuals within those groups who are most likely to be interested in purchasing a product or service.

There are four main ways your name might get on a mailing list:

- Surveys you complete and provide to companies are used to compile mailing lists for future offers. The information often is referred to as "self-reported" because you provide it directly.
- Magazines and catalogs, credit card companies, clubs and organizations, charities, manufacturers, and retailers make lists of their subscribers, customers, members and donors available to other businesses for a rental fee.
- Companies purchase information from various public and private sources to develop consumer databases for specific marketing purposes. These companies are called list compilers. Nearly everyone's name appears on compiled lists.



- Credit reporting companies (including Experian), under legally specified conditions, provide lists of creditworthy consumers to whom companies can offer credit. These are called prescreened lists. If you receive a prescreened credit offer, all you have to do to accept is sign your name and provide a few other limited pieces of information.

The federal Fair Credit Reporting Act allows creditors to review your individual credit history when you accept the offer. If you no longer meet the criteria, your application may be revised or denied.

You can have your name removed from prescreened credit offers by visiting www.optoutprescreen.com or by calling **1 888 5 OPT OUT** (1 888 567 8688).

How can I remove my name from prescreened offers and marketing lists?

Direct mail, whether in your physical mailbox or your email inbox, offers the opportunity to shop for the best deals on items you want. Whether it's furniture, clothes, appliances or credit cards with better interest rates, you can find the right opportunities for you from the convenience of your home.

Direct mail, also called direct marketing, doesn't contain identifying information beyond your name and address and doesn't pose a threat to privacy. You're encouraged to select services you need and discard other offers.

If you'd like to remove yourself from the credit marketplace, you can remove your name from Experian-generated mail and telephone lists for prescreened credit offers by calling **1 888 5 OPT OUT** (1 888 567 8688) or by visiting www.optoutprescreen.com.

The names of consumers who opt out with Experian will be shared with Equifax and TransUnion, the two other national credit reporting companies.

Even though your request becomes effective with Experian within five days of notifying us, it may take several months before you see a reduction in the number of solicitations.

The Direct Marketing Association (DMA) compiles lists of consumers who prefer not to receive direct-mail solicitations for other products and services. DMA members, including Experian, use the DMA list to remove names from their own mailing lists. You can register online at www.dmachoice.org.

In addition, you can write to:

DMA Mail Preference Service
PO Box 643
Carmel, NY 10512

If you write to the DMA, you'll be removed from DMA-member lists for five years.

You also can have your name removed from telemarketing lists by adding your name to the National Do Not Call Registry. To register your name, visit www.donotcall.gov or call **1 888 382 1222**.

Opting out won't end solicitations from all local merchants, religious and charitable associations, professional and alumni associations, politicians and companies with which you conduct business. To eliminate mail from these groups — as well as mail addressed to "Occupant" or "Resident" — write directly to each source.

