

The Credit Report

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Why is it important?

The information on your credit report is used to generate a credit score in your name. A healthy credit score can save you thousands of dollars over the life of a loan.

How do you obtain one?

According to the Federal Trade Commission (FTC), you are entitled to one free copy of your credit report (or credit history) every 12 months from each of the three nationwide credit reporting agencies: Experian, TransUnion, and Equifax. They may produce slightly different reports, however. Federal law has authorized one—and only one—website to access a credit report from all three at once: annualcreditreport.com. The website requires one form which includes your name, birthday, Social Security number, and current address; you may need to include a previous address if you have moved recently. Once your identity is confirmed, and you choose which credit reports you want, annualcreditreport.com will produce it on the spot. There is a phone number you can call for a free report to be mailed to you from the FTC: (877) 322-8228.

How often should you request a report?

Under the Fair Credit Reporting Act, you can download a free copy of your credit report from each of the three reporting agencies every 12 months. It's up to you to decide whether you would like all three reports at once or would like to spread out the receipt of your reports, say, every four months or so.

There are a few other ways to obtain a free credit report. However, they are usually associated with a negative life event. Keep in mind that to become eligible for another free report may require you to take action within a specific timeframe, so do not delay! The terms and conditions document provided on the annualcreditreport.com website outlines the requirements as seen below. You may be eligible for an additional free report if:

- You certify in writing that you are unemployed and intend to apply for employment in the 60-day period beginning on the day you make the certification.
- You are a recipient of public welfare assistance.
- You have reason to believe that your file at the consumer reporting agency contains inaccurate information due to fraud.
- You have been denied credit, insurance, or employment within the past 60 days as a result of your consumer report.

What it is

You may not realize it, but information about your borrowing behavior is being recorded like the statistics on the back of a baseball player's trading card. Instead of hits, wins, games played, height and weight, the credit reporting agencies are more interested in a few important areas related to the way you manage the money borrowed in your name. The four main sections of your report include your personal information, a breakdown of the loans or trade lines you currently have open or have closed in the past, any inquiries from lenders who needed to access your full report before loaning money to you, and public information, such as bankruptcies, collections and lawsuits. Your personal information is not used to determine your credit score, but the other three items are and should be read very carefully.

What it's not

The credit report is often confused, at least in name, with the credit score, and understandably so. The two are inseparable, but they are not the same. Information from your report is used to generate your score. Think of the difference between the two in terms of Olympic sporting events. Divers, ice skaters, and ski jumpers are all judged on the overall quality of their performance. A series of flips or spins are evaluated and scored by third-party, non-biased, official observers called judges. Each judge takes the information from the performance, evaluates it using their own experience and a grading rubric and assigns a score to the athlete for that particular event. The details of the performance are often compiled into a media report, but the score is what matters in the end. Your credit history is essentially a report of your financial performance, from which the three reporting agencies (similar to Olympic judges) generate your overall credit score. The focus of this publication, however, is on the report. If you take care of the way you perform financially (your credit history), it will be reflected in your credit score.

Summary

Although there are several new ways to obtain your credit report, we encourage you to use annualcreditreport.com or the FTC access line because it is backed by the Federal Trade Commission and there is truly no cost to obtaining your credit report every 12 months. But that's not the only way to obtain a free credit report. If you are unemployed, receiving welfare assistance or have currently been denied credit, you can get a free report if you act within the specified window of opportunity. And finally, take your time to comb through the report. You may find an inaccuracy or an old account that has not been closed. It is worth it to take a good look at your credit history. Doing so could save you a lot of time and money!

Online resources

Annual Credit Report

<https://www.annualcreditreport.com/aboutThisSite.action>

Federal Trade Commission

<https://www.ftc.gov/faq/consumer-protection/get-my-free-credit-report>

<https://www.consumer.ftc.gov/articles/0155-free-credit-reports>

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