



Increasing Financial Stability of Individuals and Families

Credit

Credit Reports and Scores

A credit report is a record of data or information regarding the credit history of an individual. Credit Reporting Agencies keep and organize this information as a service to their clients. Clients would include creditors, banks, credit unions, department stores, leasing and finance companies, insurance companies, landlords and employers. Based on credit reports and scores, lenders determine what interest rate you will receive regarding credit cards and other types of loans.

A credit report includes personal information such as name, current and previous addresses, birth date, social security number and public records, credit account information, collection agency account information and a record of companies that have recently requested your credit profile. Credit reports do not include information about your lifestyle, medical issues, political activities or religious beliefs.

Credit scores can range from 300-850 based on information from a credit report. The higher your credit score, the lower your perceived risk from a lender. The following information contributes to your credit score:

- Payment history (35%)
- Amounts owed (30%)
- Length of credit history (15%)
- New credit (10%)
- Types of credit used (10%)

Under the Federal Fair and Accurate Credit Transactions Act, every American is entitled to one free credit report from each of the three major bureaus per year – TransUnion, Equifax, and Experian. Get your free copy annualcreditreport.com or by calling toll-free 1-877-322-8228.

Consumer reporting agencies are not responsible for providing the free numerical credit score and often charge a fee for providing scores. If you find discrepancies on any of the three credit reports you have the right to request that misinformation be removed from the report. If you find errors, contact all three credit bureaus and your lender.

Tips for improving your credit score:

- Pay your bills on time; get current and stay current
- Pay off debt rather than moving it around
- Don't close unused credit cards as a strategy to raise your score; closing an account doesn't make it go away
- Re-establish your credit history if you have had problems

Resources:

Maryland Cash Campaign - mdcash.org

Understanding Your Credit Report - greenpath.com

Take Charge America - takechargeamerica.org