

UNDERSTANDING YOUR CREDIT REPORT

To determine what exactly is causing the issues with your credit scores, you need to be able to read your report and understand what it is telling you. Right now, you are probably looking at these papers, thinking you are more likely to understand ancient Egyptian hieroglyphics than all of this information. Whilst it can be confusing, I promise you I am going to help you understand it.

There are four sections to a credit report, and they all contain different but equally important information. Remember, FICO and Vantage use this information to determine your credit score, so it is vital for you to make sure the material contained in your credit report is as accurate as possible.

Personal Information

This area is pretty self-explanatory, but there can be inaccuracies in the data contained in this section. This material is supplied to the credit reporting agencies from any lender who runs a credit check on your information.

In the personal information section of your report you will find:

your full name and any other names you may have gone by in the past, including your maiden name. your current address, and addresses where you have lived in the last several years. the name of your current employer, what your job task is, and how long you have been employed there; as well as information from your previous employers the report will also list the dates when all this information was provided.

You will need to pay close attention to this portion of your report. It is not uncommon for your name to be spelled incorrectly, or for your maiden name to still be listed instead of your married name (if you have one). Maybe there is someone who has a name very similar to yours, and it might be listed here. If the birth-date is wrong, this will also present an issue as it is clearly not your personally identifiable information. Double check the addresses, and employer information to ensure they are correct as well. Unfortunately, sometimes you will discover more than just a misspelling or a typo on a date here. You could also find that someone else has been using your information to accrue credit and debt. This is a huge problem and needs to be fixed immediately.

If you do discover erroneous data, like the misspelling of a name or that someone else is using your information; you need to take care of this immediately. For the report that has the incorrect things, you can log onto the website of the specific credit reporting agencies to let them know there are errors. To correct these problems, you may be required to send them information proving you are who you say you are. This might include copies of your driver's license and a utility bill. If someone has stolen your identity and is using your information, the credit reporting agency may place a fraud alert on your report and freeze it so that no one can access it until the problem is taken care of.

Credit History

In this section of your credit report, you will find listed all the accounts you have in your name. They will be separated into different sections depending on the information they provide in the report.

In each section will be listed the pertinent information for each account. If any of your debt has been given to a collection agency (because you defaulted on paying it), the information about that will be included in this section, too. You will also find information about:

- The original and current balance of your accounts
- Whether your accounts are open/closed/or charged off
- Type of account, revolving or installment
- Your credit limit

- Your payment status
- If the account is an individual or shared responsibility account
- Past due information

There will be a section listing all your adverse accounts and potentially negative items. These accounts are the ones that have a negative impact on your credit score. In this section, the accounts listed will be ones that have been reported by the lender as unpaid, or paid after their due date during the timeline of the credit account. Even if you are currently up to date on all your accounts, those payments you might have missed last year or whenever can come back to haunt you here. If you can prove that this information is wrong, you have the ability to dispute it with the credit reporting agencies which we will discuss in a later chapter. After 7 years, your adverse accounts typically fall off your credit report.

There will also be a section for your accounts that are in good standing. This will list all of your accounts that you have been faithful in paying on time. This is the information that will positively impact your credit score.

In the Payment Status section of each creditor's report, you will find information regarding the status of your account. It could say paid in full, or closed, or charged off. If your account has been charged off what this means is that basically the lender has given up on you paying what you owe them, and has decided to count the loan as a loss. After the lender charges off what you owe, they usually send your account to a collections agency. The collections agency will then try to get you to pay what you owe. Even if you pay the collections agency what they are charging you, this debt will not be erased from your credit report. This is because even though you paid the collections agency, you still owe the money to the original lender. This "charge off" is one of those things that can be reported in the adverse accounts and potentially negative information section of the credit history section of your credit report.

There are also different types of accounts that will appear in your credit history. There can be open accounts, collection accounts, revolving accounts, and installment accounts. An open account is rare to see on your credit report. This kind of account is one that requires you to pay the balance in full each month like your rent, utility bill, and electric bill. These types of creditors very rarely report to the credit reporting agencies. A collections account is one like we just spoke about. A collections account will appear on your credit report if you have become delinquent on any debt and it has been sold to a collections agency. A revolving account IS the most common type of account to appear on your credit report. Credit cards are the most typical form of revolving debt. Revolving debt does not have to be paid in full every month. The amount owed can fluctuate. You can accrue a certain amount of debt that can change over time, and pay interest on that debt. Loans such as student loans, a car loan, or home mortgage loan will appear on your credit report as an installment account. An installment account is one that has a fixed payment for a fixed period of time. No one expects you to pay your 30-year mortgage in one payment, so in an installment account is one in which you can expect to pay the same monthly payment over the course of the loan. With a mortgage, it's typically 30 years.

Credit Inquiries

This section of your credit report will include information on everyone who has pulled your credit report to learn more about you. Not just anyone can make an inquiry into your credit history. Usually, it's a lender when you apply for some sort of credit. Applying for a credit card, a home loan a car loan or any other sort of credit will result in an inquiry into your credit history. Aside from lenders, an inquiry into your credit can also be made by a potential landlord, an employer when you're seeking a job, or even insurance companies while you're shopping for the best rate on car insurance.

There are two different types of inquiries; a hard inquiry, and a soft inquiry. A soft inquiry is made when you take a look at your own credit report, or when some lending institution pre-approves you for an offer. These soft inquiries do not generally affect your credit report at all. Hard inquiries, on the other hand, can affect your credit score. The impact won't be drastic but it can certainly drop your score by a few points. Hard inquiries are made by lenders when you apply for a loan or a line of credit. Too many of them in a short amount of time can have a negative impact on your credit score.

These requests for access to your credit history information can be voluntary (meaning you allowed someone to make the inquiry, usually by signing a document saying so), or involuntary (meaning someone made the inquiry without your permission). This distinction will be important when we get to the blog post about cleaning up your report. You can learn more about removing inquiries from your credit report [here](#).

Public Record

The public records section of your credit report will include information provided by state and city courts regarding the debt you owe and legal action was taken against you. This can include bankruptcies, foreclosures, lawsuits, wage garnishments, tax liens and other things. Generally, nothing good can come from information in the public records section of your credit report. Information can stay on your credit report for 7 to 10 years before falling off.

Checking the Information

Now that you have a better understanding of what all the data on your credit report means, you need to check and make sure it is accurate. Grab a glass of wine, a notebook, a highlighter, a pencil, and your credit reports and let's get started.

First, look through the personal information section and make sure your name, address information, employment history and everything contained here is right. If any of this information is incorrect or just plain false highlight it and then in your notebook make note of the correct information.

Next, go through your credit history section focusing on the negative information area. Make sure all of these accounts are actually yours and that the information the credit report has regarding the accounts is correct. Though we will be focusing on the negative accounts, please make sure that all the information given for the positive accounts is correct as well. If there is any incorrect data in any of this highlight it and make note of it in your notebook.

Then, go through the credit inquiry section, highlight all the inquiries you are unaware of. By unaware of I mean inquiries that you aren't sure you gave permission for. If there are any, write them down in your notebook.

Last, comb through the public records section of your credit report. If there is any information reported here, make sure that it is correct information. Make that you were aware of these judgments against you. A bankruptcy will not be a surprise, and neither will a judgment from Uncle Sam. Unfortunately, sometimes, a creditor or a collection agency can get a judgment against you without telling you. You won't know about this until you go through your credit report, or apply for a loan and get denied because of. Just so you know, this practice is not legal. I explain how to file with the credit reporting agencies to take care of this if it is a problem on your reports.