



How to Read Your Credit Report

Now that you have your credit report, how do you read it? Five factors are considered when calculating your overall credit worthiness: your previous credit history, your current level of indebtedness, the length of time your credit has been in use, the types of credit you have, and your pursuit of new credit. A mathematical model determines your credit score, based on these factors.

Your free credit report will not include a copy of your credit score. To see your score, you will need to pay the credit bureau. Unless there is an over-riding cause, save your money. You can learn everything you need to know about your credit by a careful review of the free portion of your report.

Check each part of your credit report carefully to ensure its accuracy. The reporting agencies do not all have the same information. But what they collect falls into four main categories: personal information, account information, inquiries, and alerts.

Part one lists your personal information. You should see your social security number, date of birth, current and previous addresses and employment history. Your age, gender, ethnicity, and location do not affect your credit in any way.

Part two catalogues all of your account information. Your accounts are likely divided up into accounts in good standing and those which are past due. For each account listed, you will see your account number, contact information for the lender and the type of account—whether the account is a mortgage, revolving (credit card), or an installment account. The date the account was opened, the payment history, current payment status, account balance, and credit limit will also be listed.

Closed accounts will continue to appear on your report. Check the status of the accounts you requested to be closed. Next, for open accounts, look at the account activity section. Do your balances match your records? Do you have any accounts you thought closed but remain open? What about the payment history?

Part three lists all of the inquiries into the status of your credit. Inquiries into your credit history may negatively impact your credit score. "Hard" inquiries are those you initiate by filling out a credit card application or by authorizing an employer to see your credit history. Hard inquiries can negatively affect your credit if it appears you are quickly expanding your credit beyond your means. "Soft" inquiries are those made by companies for solicitation purposes or from current lenders checking on the ongoing credit health. Soft inquiries do not affect your credit.

Part four may be called "alerts" or "potentially negative items." This part of your report can wreck your credit score. If you have been turned over to a collection agency or if you have any public records such as bankruptcy, tax liens, foreclosures, lawsuits, or garnished wages on file, these will be listed in this section.

Under FCRA rules, you may dispute the inaccuracy with the credit reporting agency, and the credit reporting agency must investigate the dispute and respond to you within 30 days. Information which is incomplete, incorrect, or unverifiable must be removed from your credit history within 30 days. Agencies may not report negative information which is older than seven years, or ten years for bankruptcy. For more information on dispute procedure, visit www.ftc.gov/credit.

For FICO score

https://www.econsumer.equifax.com/consumer/sitepage.ehtml?forward=elearning_credit24

How to dispute Credit Report findings

<http://www.ftc.gov/bcp/online/pubs/credit/crdtdis.htm>

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