

# Reading a Credit Report

**Y**our ability to qualify for a loan depends on a credit report. A credit report is a record of an individual's personal credit history. It is probably a good indicator of the applicant's character and whether he or she will repay the money as agreed.

When a person applies for a loan, the lender will order a credit report to see how well the applicant has managed credit in the past. A credit report will tell, in detail, how much the

person has borrowed, from whom, and whether the bills have been paid on time.

Credit reports are compiled by credit bureaus, which regularly collect information on millions of consumers. Credit bureaus get information from a variety of sources, including stores, credit card companies, banks, mortgage companies, and medical providers. When you fill out an application for credit, the information on that application is also sent to a credit bureau.

## WHAT ARE CREDITORS LOOKING FOR?

Lenders look for certain qualities in loan applicants. These qualities are called the Three Cs of Credit: *capacity*, *character*, and *collateral*. A discussion of each follows.

**Capacity:** The credit application will contain questions that refer to the ability of the consumer to repay the debt. The basic question is: "Have you been working regularly in an occupation that is likely to provide enough income to support your use of credit?" More particular questions might address the following:

- ✓ Do you have a steady job?
- ✓ What is your salary?
- ✓ How reliable is your income?
- ✓ Do you have other sources of income?
- ✓ How many other loan payments do you have?
- ✓ What are your current living expenses?
- ✓ What are your current debts?
- ✓ How many dependents do you have?
- ✓ Do you pay alimony or child support?
- ✓ Can you afford your lifestyle?

**Character:** Questions will be asked to determine whether you possess the honesty and reliability to pay credit debts. Here are some examples:

- ✓ Have you used credit before?
- ✓ Do you pay your bills on time?
- ✓ Do you have a good credit report?
- ✓ Can you provide character references?
- ✓ How long have you lived at your present address?
- ✓ How long have you been at your present job?

**Collateral:** Collateral serves as a type of insurance for the creditor. The creditor is interested in determining whether you have any assets that could be sold to pay off your loan in the event that you are unable to do so. Questions may include the following:

- ✓ Do you have a checking account?
- ✓ Do you have a savings account?
- ✓ Do you own any stocks or bonds?
- ✓ Do you have any valuable collections or jewelry?
- ✓ Do you own your own home?
- ✓ Do you own a car?
- ✓ Do you own a boat?

## THE IMPORTANCE OF A GOOD CREDIT RATING

A *good* rating on a credit report means that in the past bills have been paid on time. A *poor* rating indicates overdue or unpaid items.

It is extremely important to build and maintain a good credit history. A good credit report can often make the difference between getting a loan or being turned down. In addition, potential employers and landlords will often check an applicant's credit report before making a final decision about offering a job or a rental.

## CREDIT REPORTS MAY CONTAIN ERRORS

Mistakes can and do occur on credit reports. For example, a credit report may contain information about someone with the same name, or paid accounts may be listed as unpaid. The law provides individuals with a means of requesting and reviewing their credit report and having mistakes corrected. Under the Fair Credit Reporting Act you have the right to get a copy of your credit report from a credit bureau. The three largest credit bureaus in 2001 are:

- ✓ Equifax
- ✓ Experian
- ✓ Trans Union

## **WAYS TO ESTABLISH AND KEEP A GOOD CREDIT HISTORY**

There are several steps you can take to establish and maintain a good credit history.

- ✓ Always pay your bills on time.
- ✓ Never borrow more than you can comfortably pay back.
- ✓ Borrow only the amount you need.
- ✓ Know how much you owe at all times.
- ✓ Contact lenders immediately if you expect to have a payment problem.
- ✓ Develop good savings habits to handle financial emergencies without borrowing.
- ✓ Report lost or stolen credit cards immediately.
- ✓ Never give your credit card number over the phone unless you initiated the call.
- ✓ Open a checking account and a savings account.
- ✓ Do not apply for too many credit cards. Even if you don't use them, the credit limits are taken into consideration when you apply for credit.



# Evaluating a Credit Report

Instructions: Study the credit report in Illustration 13.1 to answer the questions that follow.

## Questions

1. Whose credit report is this?
2. How many potentially negative items are listed?
3. How many accounts are in good standing?
4. On page 2, there are two very negative items. What are they?
  - a.
  - b.
5. Have any of John Q. Consumer's credit cards been lost or stolen?
6. Does John Q. Consumer have a good credit record with First Credit Union and National Credit Card?  
What are the reasons for your opinion?
7. Who requested John Q. Consumer's credit report in 1999?
  - a.
  - b.
  - c.
8. Is John Q. Consumer a homeowner?
9. What is the most negative item on this report, and for how many years does that item stay on the credit report?
10. If you were a lender, would you grant John Q. Consumer credit?  
Why or why not?

# Credit Report of John Q. Consumer

Credit R Us

Prepared for  
JOHN Q. CONSUMER  
Report number  
1687771839-0000051088

Report date  
June 01, 1999

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Credit R Us  
P.O. Box 9595  
Allen TX 75013-9595

## Personal Credit Report

### About this report

Credit R Us collects and organizes information about you and your credit history from public records, your creditors and other reliable sources. We make your credit history available to your current and prospective creditors and employers as allowed by law. We do not grant credit or evaluate your credit history. Personal data about you may be made available to companies whose products and services interest you.

*Important decisions about your creditworthiness are based on the information in this report. You should review it carefully for accuracy.*

### Report number

Below is a summary of the information contained in this report.

Potentially negative items listed	
Public records	2
Accounts with creditors and others	2
Accounts in good standing	3

**If you have questions**  
For all questions about this report, please call us at: **1-888-000-0000**  
M - F 7:30am - 7 pm CT

To learn more about Credit R Us or for other helpful information, including tips on how to improve your creditworthiness, visit our web site:  
<http://www.creditrus.com>

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## Information affecting your creditworthiness

Items listed with dashes before and after the number, for example -1-, may have a potentially negative effect on your future credit extension and are listed first on the report.

Credit grantors may carefully review the items listed below when they check your credit history. Please note that the account information connected with some public records, such as bankruptcy, also may appear with your credit accounts listed later in this report.

*Important decisions about your creditworthiness are based on the information in this report. You should review it carefully for accuracy.*

## Your statement

At your request, we've included the following statement every time your credit report is requested.

*"My identification has been used without my consent on applications for credit. Please call me at 999.999.9999 before approving credit in my name."*

### Public record information about you

Source/ Identification number	Location number	Date filed/ Date resolved	Responsibility	Claim amount/ Liability amount	Comments
-1- HOLLY COW DIST CT 305 MAIN STREET HOLLY NJ 08060	B312P7659	3-1997/ NA	Joint	\$3,756/ NA	Status: civil claim judgement filed. Plaintiff: Dime Savings. This item is scheduled to continue on record until 3-2004. This item was verified on 8-1997 and remained unchanged.
-2- BROWN TOWN HALL 10 COURT STREET BROWN NJ 02809	BK443PG14	11-1997/ NA	Joint	\$57,786/ NA	Status: chapter 7 bankruptcy discharged. This item is scheduled to continue on record until 11-2007. This item was verified on 8-1997 and remained unchanged.

### Credit information about you

Source/ Account number (except last few digits)	Date opened/ Reported since	Date of status/ Last reported	Type/ Terms/ Monthly payments	Responsibility	Credit limit or original amount/ High balance	Recent balance/ Recent payment	Comments
<b>-3- FIDELITY BK NA</b> 300 FIDELITY PLAZA NORTHSHORE NJ 08902 46576000024	6-1994/ 6-1994	12-1996/ 12-1996	Installment/ 10 months/ \$0	Individual	\$4,549/ NA	\$4,549 as of 12-1996	Status: charge off \$4,549 written off in 12-1996. This account is scheduled to continue on until 12-2003
<b>-4- B.B. CREDIT</b> 35 WASHINGTON ST. DEDHAM MA 547631236	10-1990/ 4-1995	4-1998/ 4-1998	Installment/ 80 months/ \$34	Individual	\$8,500/ \$8,500	\$0 as of 4-1998/ \$34	Status: Debt re-included in chapter 7 bankruptcy. \$389 written off in 3-1998.  <u>Account history:</u> Collection as of 9-1995 thru 6-1996 90 days as of 7-1995 60 days as of 11-1994, 6-1995 30 days as of 9-1994, 1-1995 and 2 other times This account is scheduled to continue on record until 2-2001. This item was verified and updated on 6-1996.

### Credit information about you *continued*

Source/ Account number (except last few digits)	Date opened/ Reported since	Date of status/ Last reported	Type/ Terms/ Monthly payments	Responsibility	Credit limit or original amount/ High balance	Recent balance/ Recent payment	Comments
<b>5 FIRST CREDIT UNION</b> 78 WASHINGTON LN. LANEVILLE TX 76362 129474 Mortgage: 74848347834	3-1996/ 3-1996	11-1998/ 11-1998	Installment/ 48 Months/ \$420		\$17,856/ NA	\$0 as of 11-1998/ \$420	Status: open/never late.
<b>6 AMERICA FINANCE CORP</b> PO BOX 8633 COLLEY IL 60126 6376001172....	6-1993/ 7-1993	11-1998/ 11-1998	Revolving/ NA/ \$400		\$0/ \$18,251	\$0 as of 11-1998	Status: card reported lost or stolen. This account is scheduled to continued on record until 11-2000.
<b>7 NATIONAL CREDIT CARD</b> 100 THE PLAZA LANEVILLE NJ 08905 420000638....	6-1993/ 6-1993	11-1998/ 11-1998	Revolving/ NA/ \$0	Joint with JANE CONSUMER	\$8,000 \$8,569	\$0 as of 11-1998	Status: open/never late.

### Your use of credit

The information listed below provides **additional** detail about your accounts, showing up to 24 months of balance history and your credit limit, high balance or original loan amount. Not all balance history is reported to Credit R Us, so some of your accounts may not appear. Also, some credit grantors may update the information more than once in the same month.

Source/Account number	Date/Balance						
<b>-6- AMERICA FINANCE CO. CORP.</b> 6376001172	11-1998/\$0	10-1998/\$4,329	8-1998/\$0	5-1998/\$0	2-1998/\$250	1-1998/\$0	12-1997/\$2,951
	9-1997/\$3,451	7-1997/\$4,251	5-1997/\$4,651	2-1997/\$5,451	1-1997/\$5,851	12-1996/\$6,251	
	11-1996/\$6,651	9-1996/\$7,051	7-1996/\$7,451	5-1996/\$7,852	3-1996/\$8,251	1-1996/\$12,851	
	12-1995/\$9,051	11-1995/\$9,451	9-1995/\$10,251	7-1995/\$10,651	5-1995/\$11,051		

Between 1-1994 and 11-1998 your credit limit was unknown.

<b>-7- NATIONAL CREDIT CARD</b> 420000638	11-1998/\$0	9-1998/\$542	7-1998/\$300	6-1998/\$686	4-1998/\$1,400	3-1998/\$2,500
	1-1998/\$2,774	12-1997/\$599	9-1997/\$873	7-1997/\$1,413	5-1997/\$1,765	4-1997/\$2,387
	3-1997/\$3,400	2-1997/\$3,212	1-1997/\$4,412	12-1996/\$2,453	10-1996/\$2,453	10-1996/\$1,769
	8-1996/\$1,200	4-1996/\$3,200	2-1996/\$4,568	1-1996/\$5,582	12-1995/\$3,000	10-1995/\$3,200
	8-1995/\$4,500					

Between 6-1993 and 11-1998 your credit limit was \$8,000.

### Others who have requested your credit history

Listed below are all those who have received information from us in the recent past about your credit history.

#### Requests initiated by you

You took actions, such as completing a credit application, that allowed the following sources to review your information. Please note that the following information is part of your credit history and is included in our reports to others.

Source	Date	Comments
<b>ABC MORTGAGE</b> 64 MAPLE ROSEVILLE MD 02849	10-18-1998	Real estate loan of \$214,000 on behalf of State Bank with 30 year repayment terms. This inquiry is scheduled to continue on record until 10-2000.

#### Other requests

You may not have initiated the following requests for your credit history, so you may not recognize each source. We offer credit information about you to those with a permissible purpose, for example, to:

- other creditors who want to offer you pre-approved credit;
- an employer who wishes to extend an offer of employment;
- a potential investor in assessing the risk of a current obligation;
- Credit R Us Customers Assistance to process a report for you;
- your current creditors to monitor your accounts (date listed may affect only the most recent request).

We report these requests **only** to you as a record of activities, and we do not include **any** of these requests on credit reports to others.

Source	Date
<b>CREDIT R US</b> PO BOX 949 ALLEN TX 75013	3-99
<b>WORLD BANK</b> PO BOX 949 ALLEN TX 75013	3-99, 12-98, 9-98, 6-98, 3-98, 12-97, 9-97, 6-97, 3-97
<b>FIDELITY BK NA</b> 300 FIDELITY PLAZA NORTHSHORE NJ 08902	1-99, 7-98, 1-98, 7-97, 1-97
<b>NATIONAL CREDIT REPORT</b> 100 THE PLAZA LANEVILLE NJ 08906	7-97, 2-97

## Personal information about you

The following information associated with your records **has been reported to us by you, your creditors and other sources.** As part of our fraud-prevention program, a notice with additional information may appear in your report.

### Names

JOHN Q. CONSUMER

### Residences

Our records show you currently are a homeowner. The geographical code shown with each address identifies the state, country, census tract, block group and Metropolitan Statistical Area associated with each address.

Address	Type of address	Geographical code
7972 PADDOCK CT LANEVILLE, TX 00000	Single Family	0-192053-3-0
1777 BEVERLY AVE SOMEWHERE, NJ 00000	Single Family	0-224681-25-0
250 GARDEN DRIVE ANYWHERE, NJ 00000	Single Family	0-9004-93-0

### Social Security numbers

000-00-0000  
 111-11-1111  
 222-22-2222

### Year of birth

1954

### Driver's license number

CA X123456

### Spouses name

JANE

### Driver's license number

CA X123456

### Notices

The first Social Security number listed shows that credit was established before the number was issued.