



DELRAY CREDIT COUNSELING

Debt Consolidation and Credit Counseling

Credit Reports & *Credit Scores*

Reviewing:

- Information that is and isn't in your credit report.
- What information determines your credit score.
- Tips to improve your credit score.

What's In Your Credit Report

A Credit Report maintains all of a consumers credit information. The basics of what you or a lender would expect to find would be;

- Your Name, along with any adjustments (ie maiden name)
- Your Social Security Number
- Your Date of Birth
- Current Address (as well as any previous addresses)
- Employment Information
- Credit Accounts (including all accounts with activity in last seven years)
- All Credit History
- Public Records (including any judgments, collection accounts, liens or bankruptcies)
- Inquiries (any inquiries done on your credit file, including promotional, personal and requested inquiries)

What's Not In Your Credit Report

The only information that you'll find in a credit report is information that pertains to a consumer's credit worthiness. There is a substantial amount of information that cannot be listed in a persons credit file. This information is in essence any information that could be used in a discriminatory manner.

Information that would not be found in a consumer's credit file can include: Race, Religion, National Origin, Marital Status and Medical History. This information does not relate to a person's credit worthiness and subsequently has not been included in a persons credit report. The purpose of a credit file is to give lenders the

ability to effectively judge a person's credit worthiness. No other information can be maintained by Credit Bureaus.

How Credit Reports Helps You

Credit reports maintain all of a consumer's credit information in one place and are easily accessible to lenders. When a consumer completes an application for credit, a lender can pull their credit report and see all the history of that consumer's credit. This will help them to make their decision as to whether or not to extend credit to that individual. By having this easy access, lenders are able to make a decision, based on facts, substantially quicker. This in turn allows them to save on their costs and also pass that savings onto their clients.

Credit reports are regulated by Federal laws, which change all the time to better protect consumers and their rights. These laws insure that only accurate information be maintained by credit bureaus, and that any inaccurate information be removed, once it is identified. Any information that is on a consumer's credit report can be disputed, and if found incorrect, it will be removed. This insures that lenders are making their decision [on lending] based on correct and up to date information. This gives each consumer a fair chance at receiving the credit they may need.

How Credit Reports Are Used

Credit Reports are used in variety of different ways, some we're familiar with and some we may not be. The typical uses that we are familiar with include:

- Loan Applications
- Credit Card Applications
- Basis For Credit Scores
- Mortgage Applications
- Not all of the uses apply directly to applications for credit. Some of the other uses include:
- Insurance rates for your home or automobile
- Job & Lease Applications

Your Credit Score

There are several different models or methods of calculation that are in use. The most commonly used is the Fair, Isaac and Co. (FICO) score. Each consumers credit file is reviewed and given an overall score based on the information that their file contains. These scores are made up of several different factors, and each has a different impact. No one factor will determine a consumers credit score. Based on the amount of, or type of, information in consumers credit file the importance of each factor will vary. All things being considered the following are the five components that make up a Credit Score and the average value of each one. Each factor makes up for a percentage of your overall Credit Score.

Factor	Percentage Of Score
1. Payment Record	35%
2. Amounts Owed	30%
3. Length of Credit History	15%
4. New Credit	10%
5. Types of Credit in use	10%

Within each of the five factors there are several things that are included. The following is a breakdown of all the information in your credit report and the factor that it applies to.

Payment Record

- Payment information on individual types of accounts, including credit cards, retail accounts, installment loans and finance accounts.
- Any adverse public records such as judgments, lawsuits, liens, levies, garnishments or bankruptcies.
- Delinquency on accounts including how past due they may be.
- Amounts owed on collection accounts and dates of the last payments.
- Recentness of any delinquent items.
- Number of past due items in your file.
- Number of accounts that have been paid as agreed.

Amounts Owed

- Total number of accounts with an outstanding balance remaining.
- Total ratio of account balances versus the credit limit.
- Total remaining balance on any installment loans

Length Of Credit History

- Length of time since the accounts have been opened
- Time passed since recent activity on the accounts

New Credit

- Number of recently opened accounts.
- Number of recent credit inquires.
- Length of time since the accounts were opened.
- On time payment history beginning after any previous payment problems.

Types Of Credit In Use

Total number of accounts, varying in type. Including credit cards, installment loans, retail accounts, finance accounts or mortgages.

Tips For Improving Your Credit Score

Each component compiled together is what makes up for you overall score, but when you're looking to improve your score, it's again best to do it by category. It's best to focus on it this due to the fact that you may not need to improve in some areas. Here are a few tips that consumers can do to try to improve their score.

Payment Record

- Pay all of your accounts on time. Collection accounts and past due payments have a major impact on your score.

- If you have missed any payments, bring the accounts current and keep them current. The longer your payment history remains current the better your score.
- Remember that paying off an account will not remove it from your credit report. Accurate information will stay on your credit report for seven years from the date of last activity.

Amounts Owed

- Try to keep the balances on your revolving accounts low compared with their credit limits. A high outstanding debt can affect a score negatively. An example would be to try to have at least 40% of your credit limit available to you.
- Pay off the debts rather than moving them around. Maintaining the same amount of debt but having less open accounts may lower your score.
- Don't close any unused credit cards as a "quick-fix" strategy to raise your score.
- Don't open new credit cards that you don't need, to increase your available credit.

Length Of Credit History

- Opening new accounts will lower the average age of the accounts currently open. If you have only been using credit for a short period of time, it is not a good idea to open several new accounts at once. A rapid increase in new accounts on your credit report can increase your credit risk.
- If you pay off older accounts, keep them open to increase the average age of your accounts. If you want to close accounts, close a newer account that has been paid in full.

New Credit

- When applying for credit, submit all of your applications in a condensed time frame. Credit scoring distinguishes between multiple applications for the same loan and seeking multiple sources of credit, by the time period in which the applications are submitted.
- If you have had problems with payments, rebuild your credit history. Opening only new accounts that you need and using them responsibly will help to rebuild your credit with time.
- Remember that you're not penalized for obtaining a copy of your own credit report. It will not be held against you as long as it's ordered from a credit-reporting agency.

Types Of Credit In Use

- Only apply for credit that is really needed. It is not advantageous to open accounts to increase the types of credit that you have in use.
- Maintain credit card accounts only use them appropriately. Overall having revolving charge accounts and making timely payments will raise your score.
- A consumer with no credit cards may be a higher risk than a consumer who has managed them responsibly.

Where To Obtain Your Credit Report

A consumer may obtain a copy of their credit report at any time. Contacting any one of the three major Credit Bureaus will help with this. Each Credit Bureau will have a charge for obtaining your credit report, this will vary depending on which version you select to receive. A consumer is also entitled to a free copy of their credit

report if they have been denied credit in the past 60 days. A consumer would just submit the denial letter they received from their application to one of the three Credit Bureaus and they will receive their credit report in the mail.

The three major Credit Bureaus and their respective contact information are listed below. Some consumers may find it beneficial to obtain a version of their credit file that includes all three major credit bureaus. The cost is more, but it is all-inclusive. Also listed in the information for Fair Isaac and Co. which is the leading credit-scoring model.

Equifax

Phone Number- (800) 685-1111

Web Address- www.equifax.com

Mailing Address- PO Box 740241, Atlanta, GA 30374-0241

Experian

Phone Number- (888) 397-3742

Web Address- www.experian.com

Mailing Address- PO Box 2002, Allen, TX 75013-2002

Trans Union

Phone Number- (800) 888-4213

Web Address- www.transunion.com

Mailing Address- PO Box 1000, Chester, PA 19022

Fair Isaac & Co.

Web Address www.myfico.com

Compliments
of
Delray Credit Counseling Corp.
5300 West Atlantic Ave Suite 200
Beach Florida 33483
(800) 982-8445