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Fact Sheet

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FIXING MISTAKES IN YOUR CREDIT REPORT

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Every year millions of Americans use credit–to purchase a car, to acquire big-ticket consumer durables or to buy the home of their dreams. When they apply for credit, the lender will usually want to see their credit report. A credit report is a history or record of past payment performance. Consumers can get credit precisely because credit grantors can identify which consumers are likely to pay their bills. A credit bureau is a reporting agency that maintains credit records on individuals who have ever used or applied for credit. This information is then reported to subscribing credit grantors when consumers apply for more credit.

How Credit Bureaus Work

Credit bureaus compile information from several sources. Some of this information comes from the application forms filled out by consumers and submitted to creditors. Also, each month, department stores, banks, mortgage servicing companies and other creditors send payment information about their customers to local or regional credit bureaus. In addition, employees of credit bureaus go to tax clerk's offices and courthouses to copy records of bankruptcies, divorces, tax liens, and judgments onto credit reports. These millions of bits of information are then sent to the nation's three largest credit reporting agencies, Equifax, Experian, and TransUnion.

With so many pieces of information floating into the system, mistakes are bound to occur. Creditors and other contributors of information sometimes send in erroneous data. Mistakes made by borrowers in filling out credit applications add to the misinformation. No one really knows how many errors reside in credit files. But a mistake in your credit record can make you ineligible for a loan, raise your insurance rates or cost you a job.

Credit reporting agencies

Equifax Credit Information Services
P.O. Box 740241
Atlanta, GA 30374
1-800-685-1111
http://www.equifax.com

TransUnion LLC
Consumer Disclosure Center
P.O. Box 1000
Springfield, PA 19022
1-800-888-4213
http://www.transunion.com

Experian (formerly TRW)
National Consumer Assistance Center
P.O. Box 2002
Allen, TX 75013
1-800-397-3742
http://www.experian.com

How Errors Creep In

Basically, there are three categories of errors. First an error in the system, such as the computer not being able to determine if a Jack, John and Johnny at the same address are the same person. Next are typing errors, like someone entering a 7 instead of a 1. Finally, using nicknames, or using Bob and Robert on different loans, can give your credit record to someone else or saddle you with that of someone else.

Precautions to Take

Credit experts suggest that consumers get a copy of their credit report annually to keep tabs on their financial status, or two months before a major financial transaction such as buying a house or car. To get a copy of your credit report, send a written request with your full name (including middle initial and generation such as Jr., Sr., III, etc.), current and previous addresses for the past five years (with verification of your current address such as a photocopy of a telephone or utility bill), with ZIP code, Social Security number, year of birth and spouse's name. Check all three bureaus when you review your credit history because each one may keep different information than the other two.

Anyone who has been denied credit because of information furnished by a credit bureau must be given the name and address of that credit bureau by the user of the report. Upon request of the consumer, the credit bureau must tell what information it has and how they received it. The bureau must also disclose the names of any companies that have received your credit history in the past six months and any prospective employers who were sent information in the last two years.

If information contained in your credit report resulted in credit being denied, a raise in insurance rates, or you were denied employment because of it, you can obtain a free copy of your report if you contact the reporting agency within 60 days. Otherwise, you will pay an $8.00 fee for each report.

How to Correct Errors

Most mistakes are relatively easy to reverse, but it does take persistence. Sometimes you don't know there is an error in your credit history until you are refused credit by someone else. In that case, look at your report to see what problems appear. Then call or send a letter to the credit reporting agency explaining the mishap. Spell out the inaccuracy, ask the bureau to verify and correct it, and ask for a corrected report.

The credit company will check with the creditor, and if the creditor can't verify the unpaid bill or late payment, your record is cleared. If the bill exists, the credit company starts the detective work of finding out whether it really belongs to you. If you can prove the bill isn't yours, the credit agency updates your file.

If the bureau stands firm, your next letter goes to the creditor. Include copies of supporting documents that show the creditor is in error. Ask that a correction be sent to all the credit bureaus that the creditor reports to. Ask for a copy of the letter to be sent to the bureaus.

If you prevail with the creditor, write one more letter asking the bureau to send corrected reports to you and to anyone who has received a copy of your report in the past six months. Include a copy of the creditor's letter acknowledging the error. If the creditor won't concede the error, you are left only one protection–the opportunity to record in your credit file a 100-word letter that you dispute the error. (See box for a sample dispute letter). Once you correct your credit report with one credit bureau, it should be automatically corrected at the others. The credit bureaus also can't put disputed information back into your report without telling you it is there.

How We Are Judged

An example of a good credit risk is a person with no more than one late payment over 30 days in the past 12 months. Among the items likely to prevent someone from obtaining credit are reports of at least two judgment liens over $500; two or more late payments in a year; a repossessed car; and a bankruptcy. Some creditors also may grow suspicious if several credit "inquiries" are listed on a report within the last six months. That may mean a person is applying for a lot of credit elsewhere. Of course it may also mean you are going to get a deluge of "pre-approved" offers in the mail.

Summary

As consumers, we can certainly thank automated credit reporting for our easy access to bank cards and loans. Still, it is up to us to monitor our credit records and see that the information reported in them is accurate. That's why it is important to check with the major credit

reporting agencies at least once every two years, once a year if yours is a common name and you could be easily confused with someone else. Then you can fix inaccuracies before they become a problem. It is important to remember that it is our responsibility to insure that corrections are made and reported. The credit bureau will not do this unless requested.

If you feel that a credit bureau has not made sufficient effort to resolve a problem, you can file a complaint with the Federal Trade Commission by contacting the Consumer Response Center by phone: 201-382-4357; by mail: Consumer Response Center, Federal Trade Commission, Washington, DC 20580; or if you have Internet access, by using the online complaint form at http://www.ftc.gov.

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Sample Dispute Letter

Date

Your Name
Your Address
Your City, State, ZIP

Complaint Department
Name of Credit Reporting Agency
Address
City, State, ZIP

Dear Sir/Madam:

I am writing to dispute the following information in my file. The items I dispute also are encircled on the attached copy of the report I received.

This item (identify item disputed by name of source, such as creditors or tax court, and identify type of item, such as credit account, judgment, etc.) is (inaccurate or incomplete) because (describe what is inaccurate or incomplete and why). I am requesting that the item be deleted (or request another specific change) to correct the information.

Enclosed are copies of (use this sentence to describe any enclosed documentation, such as payment records, court documents) supporting my position. Please reinvestigate this matter and (delete or correct) the disputed item as soon as possible.

Sincerely,

Your Name

Enclosures: (List what you are enclosing)