

Credit Reports Fact Sheet

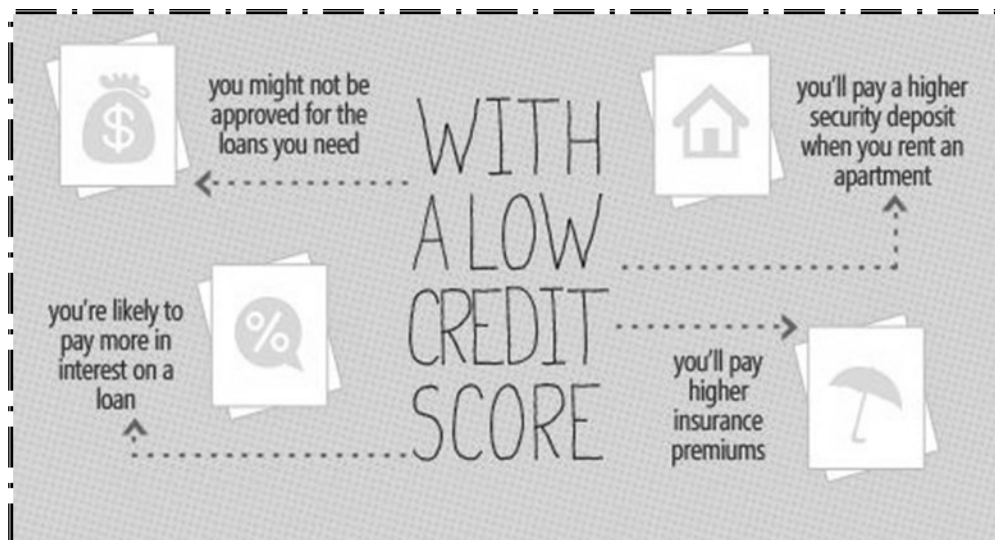
Society is becoming increasingly dependent on using credit to make purchases and decisions. These days, good credit is used for more than just getting a credit card or a loan. More and more businesses are making the case that you must have good credit before they extend products or services to you.

For American Indian, Alaska Native and Native Hawaiian Elders it's important to understand all aspects of your credit history. Your **credit history, credit report** and **credit score** are vital pieces of information that are key to helping you secure GOOD CREDIT.

WHAT IS A CREDIT REPORT?

A credit report includes information on where you live, how you pay your bills, and whether you've been sued or have filed for bankruptcy. Nationwide credit reporting companies sell the information in your report to creditors, insurers, employers, and other businesses that use it to evaluate your applications for credit, insurance, employment, or renting a home/apartment. (1)

Financial services companies tend to group borrowers into segments according to their credit score. These credit score ranges may determine how much you'll be charged for your insurance coverage or the interest rate you pay on your mortgage, student or car loan or the type of credit card you'll be offered. (2)



WHAT IS A CREDIT SCORE AND HOW IS IT CALCULATED?

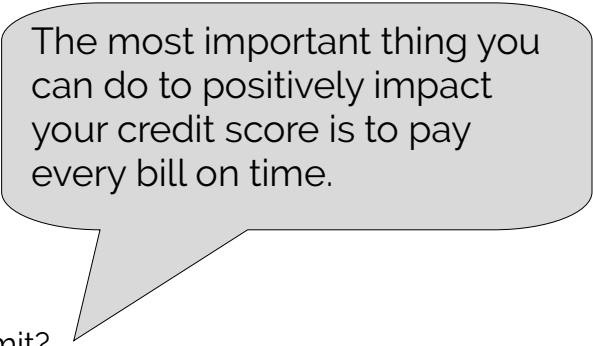
Your credit score is calculated based on a number of factors listed in your credit history that describe your financial life including the number and type of credit accounts you have, the amount of available credit on those accounts, the length of your credit history and your payment history. Each of these factors is assigned a numerical value, and then weighted based on how prominently they affect your credit worthiness. (2)

The Fair Isaac Corp. (FICO) produces the most commonly used credit scoring formula in the United States. Most FICO scores range from 300 to 850. Lenders can set their own standards for what constitutes a good score. In general, FICO scores fall along the following lines: 300-629 Bad Credit, 630-689 Fair Credit, 690-719 Good Credit, 720 and up Excellent Credit. (3)

HOW DO MY ACTIONS IMPACT MY CREDIT SCORE?

The good news for Elders is that no matter what your credit score is today, there are many steps you can take now TO IMPROVE YOUR SCORE.

- Do I have enough different types of credit accounts? Ideally, you will have at least four different types, such as credit cards, student loans, a mortgage or home equity line of credit, or perhaps an auto loan.
- How many credit accounts do I have? If you have too many different types of credit accounts, it could negatively affect your credit score.
- How many new credit accounts have I opened? Too many inquiries by prospective creditors in a short period of time may negatively affect your credit score.
- How old are my credit accounts? The longer you have had a credit account open and active the more likely it will help stabilize your credit history and positively impact your credit score.
- Are my balances too high compared to my credit limit? Creditors prefer to see a balance less than 35% of the total credit limit on any particular account. For example: If you have a credit card with a \$1,000 limit, your balance should be no higher than \$350.00
- Do I have any judgments, liens, foreclosures, bankruptcies, short sales or delinquencies that have been reported to creditors? Having this sort of information on your credit history is extremely damaging to your credit score. (2)



The most important thing you can do to positively impact your credit score is to pay every bill on time.

HOW DO I ORDER A FREE CREDIT REPORT?

The Fair Credit Reporting Act (FCRA) requires each of the nationwide credit reporting companies (Equifax, Experian, and TransUnion) to provide you with a **free copy of your annual credit report**, at your request, once every 12 months. There is a central website, a toll-free telephone number, and a mailing address through which you can order your free annual credit report. To order, call 1-877-322-8228 or visit annualcreditreport.com. Or complete the Annual Credit Report Request Form and mail it to: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281. (1)

SOURCES

- 1) Federal Trade Commission consumer information, <https://www.consumer.ftc.gov/articles/0155-free-credit-reports>
- 2) Equifax credit education, <http://www.equifax.com/credit-education/credit-score/>
- 3) Nerdwallet, <https://www.nerdwallet.com>

This fact sheet is not intended to provide legal advice or serve as a substitute for your own legal counsel.

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