



## Credit Reports & Credit Scores

A **credit report** is a “report card” of your past financial behavior. It focuses on the history of payments you have made towards contracts (such as mortgages and car loans) and credit-related transactions (such as credit cards). Lenders use this report to measure the risk they will take if they lend you money or extend you credit.

A **credit score** (also known as a FICO score) is a numerical value ranging from 300 to 850 based on the information in your credit report. Consider your credit score as the “grade” you are given for your past payment history. Your credit score is used by lenders to determine if you are a good candidate for a loan or if you are a good credit risk. This score helps lenders decide: “If I give this person a loan or credit card, how likely is it that I will get paid back on time?” The higher (better) your credit score, the more likely you are to pay your debt back on time so the lender is more likely to extend you credit. Additionally, if the lender extends you credit, your credit score will be used to determine the APR or interest rate to be assessed. A higher score typically results in being granted a lower APR on credit.

**Credit reports include information on mortgages, all types of loans (personal, student, car, etc.) and credit cards. Your credit report may also include information regarding past due medical, utility or insurance bills.**

### There are 4 sections to your credit report:

1. **Identifying Information:** Demographic information such as your name, address, social security number, date of birth, and employer information (if available). The information in this section is not factored into your credit score. Race, gender, marital status, national origin/ethnicity and religion are not included in a credit report and have no bearing on your credit score.
2. **Trade Line Information:** Details all of your credit accounts (i.e. credit cards, car note, mortgage, student loan, etc.). This information shows all accounts for the past seven years. Each trade line account reports the date the account was opened and closed (if applicable), account number, total amount owed, minimum monthly payment, credit limit or loan amount, whether or not payments have been made on time or if they were made late. Also included in this section are collection accounts. A collection account is an account that was “charged off” by your original creditor and sold to a collection agency because the original creditor felt they had little chance of being paid by you. Usually this is due to a series of missed payments. In turn, the collection agency attempts to collect payment from you on the account.
3. **Inquiries:** Every time you applied for credit, whether it was for a car note, credit card, mortgage, etc. over the past two years, an inquiry is marked on your credit report. These inquiries are commonly referred to as voluntary or “hard” inquiries because they are factored into your credit score. Too many inquiries can result in a lower credit score. However, there are also involuntary or “soft” inquiries that are not factored into your credit score. These inquiries include lenders who check your credit before offering credit card promotional offers and self inquiries.
4. **Public Records:** If applicable, this section reports bankruptcies, delinquent child support, foreclosures, liens, judgments and the like. Records of this type typically stay on your credit report for 7-10 years.

### Factors that affect your credit score:

- Payment history: Do you consistently pay your bills on time?
- Amount you owe: A large number of accounts with a balance can indicate that you are over extended
- Length of your credit history: The longer your credit history the better – 7 years or more gives the best picture
- Mix of credit: Do you have a healthy mix of different types of credit i.e. credit cards, installment loans, mortgage, etc.?
- New Credit: How many new accounts do you have? How many recent inquiries for credit have been made?, etc.

### Tips to improve your credit score:

- ✓ Pay all of your bills on time
- ✓ If you have missed payments, pay any past due balances and stay current
- ✓ If you are having trouble making ends meet, contact your creditors or see a reputable credit counseling agency, such as Debt Counseling Corporation for assistance managing your credit card debt



### How do you get a copy of your credit report?

All consumers are entitled to one free credit report every 12 months from each of the three credit bureaus: Equifax, Experian and TransUnion. Call 1.877.322.8228 to get your free report or visit [www.annualcreditreport.com](http://www.annualcreditreport.com). Please note: the credit report is free, but your credit score must be purchased.

**Want to learn more?** Call us for a no-cost consultation about this and other financial topics.

**Toll free: 1.888.354.6332**

**Debt Counseling Corp. is a not-for-profit organization  
providing education, counseling and advocacy to consumers like you.**

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