

How to Read Your Credit Report

With credit becoming harder to come by, it's more important than ever that you keep a close eye on your credit report. A single piece of inaccurate information could prevent you from qualifying for the best rates on a loan or credit card.

Making sense of your credit report can be a daunting task. This fact sheet will guide you through the main components of your credit report and help you to decipher the confusing codes and terms you will encounter along the way.

Four Major Sections

Your credit report is divided into four sections: identifying information, account history (or credit history), public records, and inquiries.

Section 1: Identifying Information

This section includes information to identify you, including your name, current and previous addresses, your date of birth, telephone numbers, Social Security number, driver's license number, your employer and your spouse's name. There may be some inaccurate information in this section – such as a misspelled name or address. That usually means that the information was reported to the Credit Reporting Agency inaccurately. These errors generally do not need to be corrected.

Section 2: Account History

The account history section (sometimes called the credit history section) of your credit report contains most of the critical information. This section contains a lot of detailed information and you should review it carefully for accuracy.

Each account will contain several pieces of information:

- *Name of the institution* (i.e., the creditor) reporting the information.
- *Account number associated with the account.* The account number may be scrambled or shortened for privacy purposes.
- *Account Type.* For example:
 - o Credit card accounts, which are called "Revolving Accounts"; or
 - o Mortgage, auto, or education loans, which are called "Installment Accounts."
- *Responsibility.* This indicates whether you have individual, joint, or authorized user responsibility for the account.
- *Monthly payment.* This is the minimum amount you are required to pay on the account each month.
- *Date opened.* The month and year the account was established.
- *Date reported.* The last date on which the creditor updated the account information with the credit bureau.
- *Balance.* The amount owed on the account at the time the data was reported.
- *Credit limit or loan amount.*
- *High balance or high credit.* The highest amount ever charged on the credit card. For installment loans, high credit is the original loan amount.
- *Past due.* Amount past due at the time the data was reported.

- *Payment status.* This indicates the status of the account: i.e., current, past due, charged-off. Even if your account is current, it might contain information about previous delinquencies.
 - Status may be written in plain English – never pays late, typically pays 30 days late, etc.
 - Status may be reported using payment codes.
- *R1-R9 payment codes.* The range of payment codes for revolving accounts. R1 is an indication of a good payment history and R9 is an indication of a poor payment history.
- *I1-I9 payment codes.* The range of payment codes for installment accounts. I1 is an indication of a good payment history and I9 is an indication of a poor payment history.
- *“Charged-Off.”* This means the creditor has acknowledged your debt as a loss in its financial records. However, you are still responsible for paying the debt.
 - If you pay the debt, your credit report will be updated with a status of “Charged-Off Paid” or “Charged-Off Settled.”
 - A status of “Charged-Off” remains on your credit report for 7 years. If you pay the full amount, you may be able to negotiate with the creditor to have it removed sooner.
- *Payment history.* This indicates your monthly payment status since the time your account was established.
- *Collection accounts.* Collection accounts may appear as part of the account history or in a separate section. Where they appear depends on the company providing your credit report.
 - If you do not recognize the name of the institution reporting the information, it could mean that you have an outstanding debt and the original creditor sold that debt to a debt collector.

***Please note: If there are accounts on your credit report that you do not recognize and have no record of ever opening, you may be the victim of identity theft.

Section 3: Public Records

The next section is the public records section. This section lists financially related data appearing in public records, such as bankruptcies, judgments, and tax liens. It does not list arrests or criminal convictions.

Section 4: Inquiries

The final section is the inquiries section, which is a list of everyone who has asked to see your credit report.

Inquiries are divided into two types. **Hard inquiries** are ones that you initiate by filling out a credit application or applying for a loan. These types of inquiries are included in the formula used to calculate credit scores; therefore, too many hard inquiries can result in a lowering of your score. Multiple inquiries in any 14-day period will count as just one inquiry, which allows you to shop around for a good mortgage or automobile loan rate without negatively affecting your credit score.

Soft inquiries are requests that you make to the credit bureaus for copies of your credit report or score, use of credit information by existing lenders for account review purposes, use of credit information by lenders for “pre-approved” credit offers, inquiries used in making employment decisions, and inquiries for tenant screening (done by a landlord when you apply for housing). These inquiries are shown only on the credit report that you request, and will not be seen by potential creditors.