

Financial Wellness Newsletter

SET YOUR CALENDAR EVERY YEAR FOR GOOD FINANCIAL HEALTH

This article by EVERFI from Blackbaud will review what a credit report is, how to get your credit report, what to look for, and how to make a formal dispute if you do find an error.

WHAT IS A CREDIT REPORT?

Your credit report is one of your most important financial documents. It's what's used by lenders to determine if you're eligible for a loan, and it may also be checked when you apply for a job, insurance, or to rent a property.

The information on your credit report is used to calculate your credit score. If you want to increase your score, you need to make sure that the information the credit bureaus are collecting on your financial activity is positive. This includes, for instance:

- Paying your bills on time
- Not opening too many credit accounts
- Maintaining a financially healthy difference between available credit and the credit you're using

A person who demonstrates financial health is very careful about managing their debt so that the information on their credit report yields a strong credit score. They are also vigilant about making sure the information on their credit report is accurate because even government-regulated agencies like the credit bureaus can make mistakes. In fact, Consumer Reports reported that 34% of the 6,000 people surveyed had an error on their credit report. (continued on page 2)



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WHAT IS A CREDIT REPORT? CONTINUED

How does this happen? Lenders may send the credit bureaus inaccurate information about your transaction history, or the credit bureau may have you mixed-up with someone who shares a similar name and Social Security number. An error could also indicate you've been the victim of identity theft.

Regardless of the cause, mistakes matter. This same study showed that when people fixed their errors, their credit score increased enough to bump them to the next credit tier. Lenders make decisions about your credit risk based on your credit tier. The higher the tier, the more likely you are to get a loan and competitive interest rates.

Poor <580	Fair 580-669	Good 670-739	Very Good 740-799	Great 800+
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Credit rating tiers

WHEN SHOULD YOU CHECK YOUR CREDIT REPORT?

Experts recommend that you review your credit report at least once a year. This works out perfectly since the credit bureaus are legally required to provide you with a free report once a year.

There are three credit bureaus—Experian, Equifax, and TransUnion. Even though each of these companies do pretty much the same thing—collect financial information about consumers that they report to lenders—they are not connected. Lenders and other institutions are not required to report to every company, so the information contained on an Experian credit report may be different than the information on your Equifax report. This is why it's so important that you check **each** report regularly.

You don't need to order all your reports at the same time, however. Many people opt to order a report from one of the three credit bureaus every four months—staggering their annual review.

Whatever schedule you choose to use to complete your review, just make sure that you do it *regularly*. A lot can change on your credit report within a year.



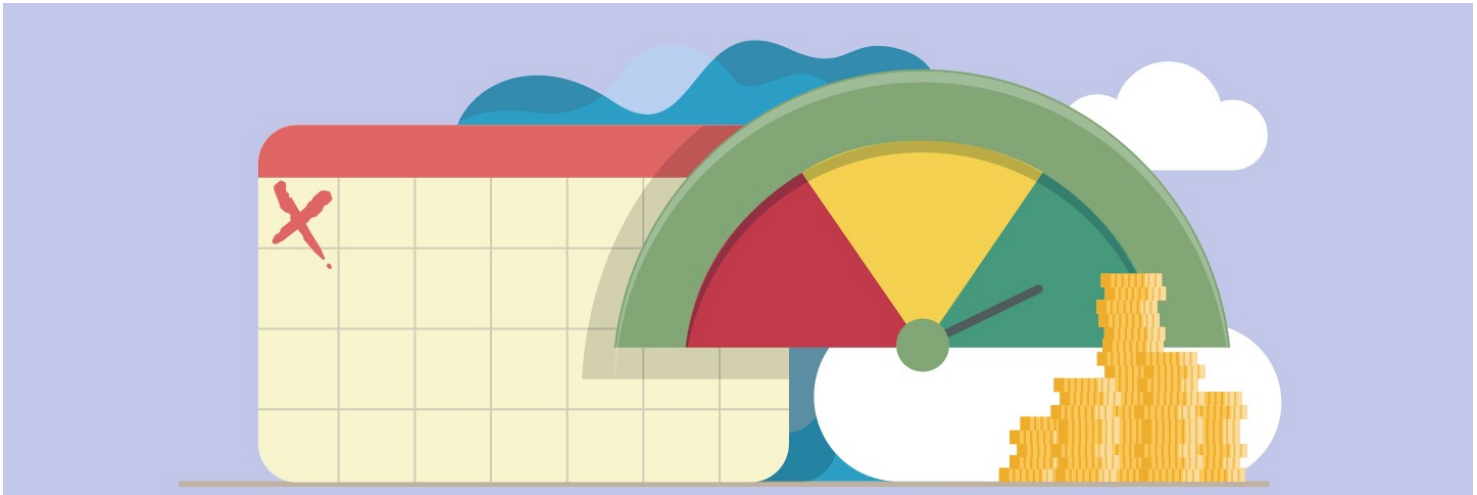
HOW DO YOU GET YOUR CREDIT REPORT?

You can request your free credit report online, by mail or over the phone. If you make the request online, your report will be sent to you immediately. If you make the request via phone or mail, your report(s) will be sent to you within 15 days of the request. Here are the steps for obtaining your reports:

- **Online**—Go to www.annualcreditreport.com, click 'Request your free credit reports', fill out the request form, select the credit bureau you'd like to order your report from, and answer the authentication questions to verify your identity
- **Phone**—Call 1-877-322-8228 and follow the automated instructions to verify your identity.
- **Mail**—Download the request form from www.annualcreditreport.com/manualRequestForm.action

Pro Tip

The credit bureaus will ask for your personal information (including your Social Security number) to verify your identity. Since this information can be used to steal your identity, follow security best practices. Make sure you type URLs correctly, and never use public computers or public WiFi to send personal information over the internet.



WHAT SHOULD YOU LOOK FOR?

Even though the specific details contained in each credit report may be different, they each follow a similar structure with the same type of information. To complete your credit inventory, review the following sections carefully.

Personal information—Your credit reports will include personal information such as:

- Current and former names
- Social Security number
- Current and former employers
- Current and former addresses
- Phone numbers
- Birthdate
- Spouse or co-applicants

Checking this section is important because any errors could indicate that someone has stolen your identity or that the credit bureau has you confused with someone else. File a dispute immediately if any of the following information is incorrect: names, addresses, birthdate, Social Security number, phone numbers, and co-applicants.

If your employment information is incorrect (for instance, if old jobs are listed as current) it's probably not a problem. There may also be misspellings. These issues are not as worrisome as the other errors, but you can still file to have them fixed.

Credit inquiries—Credit inquiries are requests made by outside parties to review your credit report. There are two types of credit inquiries.

- **Soft inquiries**- Soft inquiries are made by lenders who want to offer you unsolicited credit. They pay the credit bureaus to see a portion of your credit report—just enough to check your creditworthiness. These types of inquiries do not affect your score.
- **Hard inquiries**-Hard inquiries are made by lenders or outside companies when you apply for credit, employment, insurance, etc. You must authorize the hard inquiry when you apply. Hard inquiries may affect your credit score, but usually only if there have been many inquiries over a long period of time. If there are multiple inquiries within a short time (for instance, when you're shopping around for an auto loan) your credit score will probably not be affected. Notify the credit bureau if there are hard inquiries that you do not recognize. This could indicate identity theft. Also, notify the credit bureau if there are hard inquiries older than two years (legally, they must be removed after two years).

Continued on page 4.



WHAT SHOULD YOU LOOK FOR? CONTINUED

Open and closed accounts-Your credit report will list those accounts reported to the credit bureau by your lenders. Each listing will include the lender, the type of account, and the account number. If an account is listed that you didn't open, contact the credit bureau immediately as this could indicate identity theft.

You should also check the detailed information on accounts belonging to you for errors as the error could affect your credit score. Here's what to look for:

- when the account was opened
- balances
- payment history (includes payments that are late and for how long)
- the account status (open or closed)
- available credit

Be sure to check your dates! Late payments can only legally remain on your credit report for seven years. If you have any older negative marks, make sure to contact the credit bureau.

And remember, there are no small errors when it comes to negative marks. Even one late payment can lower your credit score. Take the time to dispute negative marks—they can save you hundreds of dollars in interest.

Pro Tip

Any negative marks on your spouse's credit report that were accrued before marriage should not appear on your credit report.

Public records/ collections-Your credit report will also list any legal actions taken against you to collect on an outstanding debt. These could include:

- tax liens
- collections
- Foreclosures
- wage garnishments
- lawsuits
- Bankruptcies

Carefully review this section of your credit report. If any of the above legal actions are noted in your credit report and you are not aware of them, contact the credit bureau immediately. Like many of the major errors we've previously discussed, this could indicate identity theft.

Be on the lookout for the following:

- multiple collection accounts listed for the same debt
- paid debts that are listed as unpaid
- collections accounts listed without original loan dates

Any legal action taken against you has a serious impact on your credit score and stays on your credit report for at least seven years. Some bankruptcies will remain on your credit report for 10 years. It's very important that errors relating to defaulting on a debt are fixed immediately. We'll show you how to do this in the next section.

WHAT SHOULD YOU DO IF THERE'S AN ERROR?

The Fair Credit Reporting Bureau Act (FCRA) gives you the right to dispute anything in your credit report. Once you have alerted the credit bureau to the error, they must begin an investigation within 30 days and get back to you with a written response.

Here's how to deal with errors for each section of your report:

Personal information—Contact the credit bureau directly for any errors relating to your personal information. Some errors can be disputed directly online. For other errors you may be required to mail a letter and supporting documentation to the credit bureau.

Debt-related mistakes—If you have a debt-related mistake, first contact the lender directly. If you clearly explain the error, the lender may fix it without protest—especially if you've been a good customer. If this happens, the lender is legally required to alert the credit bureau of the mistake, but you should also file a report with the credit bureau to make sure the communication was successful.

Public records/ collections—For foreclosures, contact the lender listed on the credit report to discuss the error. For liens, wage garnishments, or lawsuits, contact the courts where the suit was filed. For collections, contact the collection agency, but be careful—make sure that the information listed on your credit report is incorrect before calling. If you are responsible for the debt, calling collections may cause the company to reopen your case!

For each of these situations, contact the credit bureau immediately after communicating with the lender, courts or collection agency.



COMMUNICATING WITH THE CREDIT BUREAUS

Remember: Your credit report is your most important financial record. Fixing errors in your report should be handled with diligence and care. Even after speaking with lenders, courts, or other parties regarding the error, you will also need to file a report with the credit bureau directly. Here's how to do it:

1. Collect any documentation you can find that supports your claim. This could include bank statements, bills, contracts, legal documents, and email correspondence. Make copies of these materials and keep the originals in a safe place.
2. Write a letter to the credit bureau that clearly outlines the error and any other steps you've taken to fix it (for instance, communication with other parties). The Consumer Financial Protection Bureau offers free templates for drafting letters to the credit bureaus. You can find these at www.consumerfinance.gov. From the homepage, visit 'Consumer Tools' -> 'Credit Reports and Scores'.
3. Send the letter and the copies of your supporting documentation to the credit bureau. Send the materials in a way that can be tracked, such as certified, return receipt requested through the United States Postal Service.

It's normal to feel stress, anxiety, and even anger when you find an error on your credit report. But do your best to remain calm when communicating with any of these parties—you may get more help with a pleasant attitude. Customer service representatives are people, too!

CONNEXUS ASSOCIATION

The primary purpose of Connexus Association is to provide scholarships for education, to assist educational institutions and to provide financial literacy education to help borrowers and savers reach their financial goals. Members of the Connexus Association consist of organizations or individuals who pay dues. Dues will be \$5.00 and will allow membership for two years. Members may renew their membership every two years with dues of \$5.00.

Please contact us with questions

Pro Tip

It's very important to keep records when communicating with financial institutions. This includes any verbal communication. Whenever you speak to someone on the phone regarding your claim, record the date, time, person you spoke with and relevant notes about the call. You may need proof of the conversation later!

NEXT STEPS

If you receive word from the credit bureau that your credit report will be changed in your favor, you can breathe a sigh of relief, but your duty is not done. It's important to order another copy of your report when the investigation is over to make sure the change has been made (you can request a free copy after a dispute). Order another copy in 2–4 months to confirm that your report is still error free. This credit report may not be free, but making sure the error is fixed will be worth the cost.

If the credit bureau's investigation does not return in your favor, you can contact The National Association of Consumer Advocates at www.consumeradvocates.org for attorneys in your area.

Log in to the member only section of our website at www.connexusassociation.org to browse the topics in more detail or find a complete list of topics. Find out how to become a member of Connexus Association at <https://connexusassociation.org/Content/Our-Story.cfm>. Membership dues are \$5.00 for two years.

Connexus Association
PO Box 2054
Wausau WI 54402-2054

E-mail: info@connexusassociation.org

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