



12 common questions

about consumer credit
and direct marketing

Most of us don't think about credit until a specific event sparks our interest. Maybe we want to buy a car or home. Or perhaps we receive a preapproved credit card offer in the mail.

It's then that questions come to mind: What's in a credit report? How are credit-granting decisions made? How does my name get on a mailing list?

This booklet contains answers to these and other common questions about credit reporting and direct-marketing lists, two of Experian's business activities. We're sharing this information to help people become more active, more effective partners in this important process.

Question

1

What is a consumer credit report?

A consumer credit report is a factual record of an individual's credit payment history as reported by his or her creditors. It can be provided only for purposes permitted by law and serves as your credit reference for businesses. Credit reports are most frequently used to help lenders quickly and objectively decide whether to grant you credit. Examples of credit include car loans, credit cards and home mortgages. A credit report also can be used as a tool in making decisions about employment, rental, licensing, insurance and other specific business relationships.

If you are one of the more than 200 million people in the United States with a credit card, car loan, student loan or home mortgage, then information about your credit experience probably is stored in Experian's consumer credit database.

Most of the information in your consumer credit report comes directly from the companies with which you do business.

Your Experian credit report does not contain — and Experian® does not collect — data about race, religious preference, medical history, personal lifestyle, political preference, friends, criminal records or any other information unrelated to credit. Nor is there information about your checking or savings accounts or your assets and investments.

Additionally, credit scores are not part of a credit report.

Question

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What information does a consumer credit report contain?

A consumer credit report includes four types of information:

- **Identifying information:** your name, current and previous addresses, telephone number, reported variations of your Social Security number, date of birth, employer and your spouse's name. This information comes from your credit applications, so its accuracy depends on your filling out the forms clearly, completely and consistently each time you apply for credit. The federal government geographic code for the area in which you live also will appear in your credit report. The geographic code helps prevent discriminatory lending practices.
- **Account history:** specific information about each account, such as the date opened, credit limit or loan amount, balance, monthly payment, payment status and payment history. The report also states your association with the account (individual, joint, authorized user, etc.) and whether anyone else besides you (your spouse or cosigner, for example) is responsible for paying the account. This information comes from companies that do business with you.

For open accounts, positive credit information may remain on your report indefinitely, which is good for your credit history. Most negative information remains up to seven years. Closed accounts with no negative information remain for 10 years, helping you establish a positive credit history.

- **Public records:** federal bankruptcy records; tax liens and monetary judgments; and, in some states, overdue child support payments. This information comes from public records.

Bankruptcy information can remain on your credit report up to 10 years; Chapter 13 bankruptcy is deleted after seven years; unpaid tax liens can remain for up to 15 years; and other public record information can remain up to seven years. Public records are deleted based on the filing date of the item.

- **Inquiries:** a record of those who have reviewed your credit history. This information comes from the credit reporting agency. Inquiries remain on your credit report for two years.

Inquiries you initiated (by applying for a new credit card, for example) become part of your credit report and may be considered by those who review your credit history. They remain on your report for two years.

On your personal copy of your Experian credit report, information about those who inquired for the purposes of extending a preapproved credit offer, for managing an existing account or for employment evaluation is included for your reference. An inquiry also is posted when you obtain a personal copy of your report. These inquiries are not revealed to creditors and do not impact your ability to obtain credit.

There are three types of dispute statements that could appear on your credit report.

An “account in dispute” statement should be added by the creditor when you challenge an account’s status. The creditor typically removes the statement when the dispute is resolved. If the dispute is not resolved, the statement may display as long as the disputed information remains on your credit report, usually seven years.

If you disagree with the results of a dispute about a specific account, you may request that a statement be added to the account indicating you disagree with the creditor. The account-specific statement will remain until the account is removed, typically seven years, or until you ask that it be removed.

You also may add a general statement to your credit history that is not specific to an individual item or account. A general statement remains for two years.

Question

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What are credit scores and how do lenders use them?

Some lenders make hundreds — even thousands — of credit-granting decisions every day. To help them make those decisions faster, more accurately and more objectively, they utilize a decision-making tool called a credit score.

Essentially, a credit score is a statistical summary of the information in a credit report at the moment it is reviewed. A credit score often is calculated as a credit report is delivered electronically from the credit reporting company to your creditor. A credit score is not part of your credit history and does not appear on your personal credit report.

There are many sources of credit scores. Specialized divisions of some credit reporting companies develop credit scores, and many other independent companies develop credit scores for credit grantors. Some credit grantors develop their own computer programs that create credit scores.

Different scoring systems also may measure different types of risk, such as bankruptcy, profitability or collectability. In addition, there are scoring systems for different types of lenders or lending, such as auto loans, mortgages, banks and credit unions.

Even if there were only one type of credit score, however, not all credit grantors would use it in the same way. That's because different credit grantors view the same credit score differently. It all depends on their experiences with other consumers scoring in the same range, their marketing plans, their business niches and many other factors.

The automated process of using credit scores is very similar to the manual process of reviewing credit applications individually. In both processes, specific information on the credit report is examined and rated by the lender. Credit scores are an advantage for consumers because they:

- Are objective and precise
- Eliminate individual biases from the credit-granting decision
- Result in faster, more accurate credit decisions
- Give more precise results, allowing more consumers to qualify for credit
- Reduce your cost of credit by enabling lenders to make the best, most efficient decisions

If your application is declined based on a credit score, don't focus on the number, because the numbers vary depending on the scoring system used. Instead, concentrate on the factors that most affected the score. You can improve your creditworthiness and credit scores for any lender by using those factors to change your credit use over time.

To better understand how lenders would view your risk level, you can purchase a credit score and report that provide not only your credit score, but also a thorough explanation on what in your credit history most affects your creditworthiness. Educational credit scores are available from many sources, including www.experian.com, www.nationalscoreindex.com and www.vantagescore.experian.com.

Question

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How can I get a copy of my credit report?

Your credit report is available from a variety of sources, most conveniently through the Internet. Often, there are other useful tools and resources you can purchase with the report that can give you insight into your creditworthiness, how to improve it and how to manage your personal finances. Unless you get a report compiled for consumer use, the report may not include all of the information in your credit history or provide instructions to dispute information you believe is inaccurate.

A credit report may be obtained from Experian at no charge under the following circumstances:

- Once every 12 months, as required by the Fair and Accurate Credit Transactions Act (FACT Act). For more information about eligibility and how to order, visit www.annualcreditreport.com.
- If you certify in writing that you are unemployed and seeking employment or receive public welfare assistance.
- If you believe your credit file contains inaccuracies resulting from fraud.
- Whenever your request for credit, insurance, employment or rental housing is denied based on information received from Experian, if you contact us within 60 days of the denial. You also may receive a free copy if "adverse action" was taken against you based on information in your credit report (e.g., your interest rate was raised or your credit limit was decreased). The company that declined your application or took adverse action will provide the name of the credit reporting company that provided your credit report and how to contact the company for a copy.

To purchase a copy of your credit report, visit our Web site at www.experian.com/reportaccess or call 888 EXPERIAN (888 397 3742).

Please have the following information when you call to order. The information is necessary for Experian to compile a complete and accurate copy of your credit report.

- Full name (including generation, such as Jr., Sr., III)
- Complete current and previous mailing addresses (for a two-year period). If you have moved within the past six months, you may be asked to send Experian two documents, such as copies of a utility bill, driver's license, insurance statement or bank statement that show your name and current address to verify your identity. A mailing address will be provided.
- Social Security number
- Date of birth

There is a nominal fee for additional reports if you already have received a free report under the FACT Act or do not meet the criteria for a free report as described above. Some state laws provide free reports or reduced prices for their residents as well. Correct pricing for your state will be provided when you request your Experian credit report.

Question

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What should I do if I find an error in my credit report?

Request a copy of your report from Experian and review it carefully. If you find an error, simply dispute the information immediately online or call or write the credit reporting company (as instructed on your credit report). There is no fee to dispute information.

The credit reporting company will check with the source of the information and send you an update. If you continue to disagree with the information, you can add a statement of dispute to the credit report.

Please be specific with your dispute: "I was not late in March 2005," or "That is not my account." Simply saying an item is wrong does not give Experian or the source of the information enough detail to help you resolve your dispute.

Because the credit reporting company must ask the source of the information for a response, the dispute process can take up to 30 days from the date the dispute is received.

Question

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Can “credit repair” clinics fix my bad credit?

There is nothing any credit repair clinic can legally do for you — including removing inaccurate credit information — that you can’t do for yourself for free. Their fees can be substantial, ranging from hundreds to thousands of dollars.

The Credit Repair Organizations Act, a federal law that became effective on April 1, 1997, prohibits credit repair clinics from taking consumers’ money until they fully complete the services they promise. It also requires such firms to provide consumers with a written contract stating all the services to be provided and the terms and conditions of payment. Under the law, consumers have three days to withdraw from the contract.

It is illegal for a clinic to ask or suggest that you mislead credit reporting companies about your credit accounts or alter your identity to change your credit history.

Question

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How does a credit reporting agency help me?

If you're like most consumers in the United States, your ability to own a home, purchase a car, finance a college education, travel and make routine purchases hinges on your responsible use of credit. Lenders check your "credit references," in the form of a credit report, before taking the risk of doing business with you.

Having a credit report makes your financial references immediately available when you want service and ensures that you have access to review the information used to make decisions about those services.

Because an automated credit reporting system works quietly in the background on your behalf, you have many options in your financial life. For example, you can:

- Purchase a home in one area of the country based on the good credit record you established while living in another part of the country
- Shop for and be offered financial services from institutions anywhere in the United States
- Pay for emergency medical treatment, a broken water line repair or other unexpected service needs
- Negotiate a deal for a new car and drive it off the lot within a few hours

Credit reporting also helps foster intense competition among financial services providers. This competition provides you with:

- Lower interest rates
- Reduced annual fees
- Increased access to credit
- Special toll-free customer service phone numbers
- Customer recognition programs
- Purchase protection plans and other benefits

Question

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Do credit reporting companies decide whether I should get credit?

No. Only credit grantors make lending decisions.

A credit reporting company collects information from credit grantors such as banks, savings and loans, credit unions, finance companies and retailers. It stores this information in a computer database and then provides it to credit grantors when you apply for a new credit card or loan. The credit report serves as your credit references.

Each credit grantor decides what standards you must meet to be granted credit. The credit reporting company does not track the decision a credit grantor makes after ordering a credit report, favorable or not.

Many creditors use automated scoring models as tools to evaluate the data in a credit report. Credit reporting companies often provide the additional service of applying the models selected by the creditor to the data in the report. While the resulting scores are delivered with the credit report, they are not a part of the credit report. They reflect only the data in your credit history at the moment it is requested by the creditor.

Question

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How are credit-granting decisions made?

Potential creditors review credit applications primarily in relation to risk. They try to predict whether you'll repay your debts on time by evaluating your past credit history. Here are eight simple rules that will help you get the credit you want:

- **Rule #1:** Establish a credit report. You need a credit history to get new credit. Your credit report acts as your financial references.
- **Rule#2:** Always pay as agreed. Late payments, called delinquencies, are the most significant factor in your credit history. They will negatively affect your ability to get credit.
- **Rule #3:** Get a credit card. Car loans and mortgages are important, but revolving credit tells more about how you manage credit.
- **Rule #4:** Use caution when closing accounts. Closing an account isn't always a good thing. It can result in the loss of long, positive history, and it can increase your balance-to-limit ratio, making you appear to be an increased credit risk.
- **Rule#5:** Apply for credit judiciously. Don't apply for multiple accounts within a short period of time.
- **Rule#6:** Time is the key. You must allow time to build a credit history and for changes to be updated.
- **Rule#7:** Demonstrate stability. Having stable employment, living at the same address and building other assets over time indicate financial soundness beyond that reflected in your credit history.
- **Rule#8:** Have a plan. Be accountable for your decisions and know how you are going to repay your debts. High balances are a sign of risk.

Question

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How does divorce affect a person's credit?

When you obtained credit, you and your spouse engaged in a contract agreeing to pay your bills. A divorce decree doesn't change that contract. When you divorce, each of you remains fully liable for your debts.

There are several ways you can prevent credit obligations from making divorce more difficult than it already is — and re-establish your own distinct credit lines after divorce occurs. You may wish to consider the following:

- Communicate with your soon-to-be-ex-spouse. Make as clean a financial cut as possible.
- Communicate with your creditors. Decide which debt belongs to whom, then ask each company and bank that extended you credit to transfer the debt to the name of the person who will be responsible. Creditors may require written authorization from the party being removed and that the individual owner qualify for the account based on income and credit history.
- During divorce negotiations, keep your joint bills current, even if you ultimately will have no responsibility for the debt. If you don't, the missed payments will become part of your credit history, and your creditors could become more reluctant to release one party from joint liability.
- Ask the credit grantor to remove your spouse's name as an authorized user or close the joint account to avoid additional charges.
- Inform all creditors, in writing, that you are not responsible for debts charged by your ex-spouse on joint accounts after the divorce and close as many of the accounts as possible. This may not prevent them from trying to collect from you, but it does show that you attempted to act responsibly.

Question

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How does my name get on a mailing list?

Our economy and job market depend on companies, large and small, being able to reach those consumers most likely to be interested in their products and services. Direct marketing is often the key to their success and the key to lower prices and better services for consumers.

Unlike credit report information, which is very specific to an individual, direct-marketing information applies to large groups of people and is used to create mailing lists of individuals within those groups who are most likely to be interested in purchasing a product or service.

There are four main ways your name might get on a mailing list:

- Surveys you complete and provide to companies are used to compile mailing lists for future offers. The information is often referred to as "self-reported" because you provide it directly.
- Magazines, credit card companies, clubs and organizations, charities, manufacturers and retailers make lists of their subscribers, customers, members and donors available to other businesses for a rental fee.
- Companies purchase information from various public and private sources to develop consumer databases for specific marketing purposes. These companies are called list compilers. Nearly everyone's name appears on compiled lists.
- Credit reporting companies (including Experian), under legally specified conditions, provide lists of creditworthy consumers for companies to offer credit. These are called prescreened lists. If you receive a preselected credit offer, all you have to do to accept is sign your name and provide a few other limited pieces of information.

The federal Fair Credit Reporting Act allows creditors to review your individual credit history when you accept the offer. If you no longer meet the criteria, your application may be denied.

Question

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How can I remove my name from prescreen offers and marketing lists?

Direct mail offers the opportunity to shop for the best deals on items you want — whether it's furniture, clothes or credit cards with better interest rates — from the convenience of your home. In fact, many credit card companies no longer accept direct applications. Direct mail does not contain identifying information beyond your name and address and does not pose a threat to privacy. You are encouraged to select services you need and discard other offers.

If you would like to remove yourself from the credit marketplace, you can remove your name from Experian-generated mail and telephone lists for prescreened credit offers by calling the following number:

888 5 OPT OUT

(888 567 8688)

The names of consumers who opt out with Experian will be shared with Equifax and TransUnion, the two other national credit reporting companies.


Even though your request becomes effective with Experian within five days of notifying us, it may take several months before you see a reduction in the number of solicitations.

The Direct Marketing Association (DMA) compiles lists of consumers who prefer not to receive direct-mail solicitations for other products and services. DMA members, including Experian, use the DMA list to remove names from their own mailing lists. You can register online at www.the-dma.org. See the **For Consumers** section. In addition, you can write to:

DMA Mail Preference Service

PO Box 643

Carmel, NY 10512



If you write to the DMA, you'll be removed from DMA-member lists for five years.

You also can have your name removed from telemarketing lists by adding your name to the National Do Not Call Registry. To register your name, visit www.donotcall.gov or call 888 382 1222.

Opting out will not end solicitations from all local merchants, religious and charitable associations, professional and alumni associations, politicians and companies with which you conduct business. To eliminate mail from these groups — as well as mail addressed to “occupant” or “resident” — write directly to each source.





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