

## Credit Scores & Reports Explained

### 1. What is a credit score?

A credit score helps a creditor determine if you would be a good risk for a credit card, loan, insurance, or other financial product. The score helps determine whether you will be approved for a loan or service and on what terms. Higher credit scores means you are “less of a credit risk” and therefore more likely to be approved for credit or insurance and potentially pay less.

Credit scores (FICO variety) range from 300 to 850. A score of 720 or above is very strong. Your score is based on several factors from your credit report: your bill-paying history, the number and type of accounts you have, whether you pay your bills on time, collection action, outstanding debt, and the age of your accounts. Your information is then compared to people with similar profiles, and a credit score is assigned.

### 2. Why is it important?

A credit score can determine whether you will get a loan or service for items you want or need, such as a car or home. Even if your score is low, typically below 620, you can still take actions to improve it.

### 3. How can I get a copy of my credit score?

The least expensive way to get a copy of your credit score is to:

1. Visit [www.annualcreditreport.com](http://www.annualcreditreport.com) or call 1-877-322-8228.
2. Request and receive a FREE copy of your credit report.
3. Look for the option to purchase your credit score from the credit report.
4. Choose to purchase the credit score, which costs \$15.

Some creditors only require a credit

report not a credit score. This is good to know because you are entitled to 3 FREE credit reports per year (from Experian, Equifax, and Trans Union).

You may request all 3 reports at one time or stagger your order over the year. The benefits to staggering is that you can monitor your credit throughout the year.



This (above) is the OFFICIAL website for ordering your FREE credit reports. Beware imposter websites claiming to be the official site.

### 4. What if my credit report shows incorrect information?

#### 1. INFORM THE CREDIT REPORT COMPANY

Tell them about the data you believe to be inaccurate. The credit report company then has 30 days to investigate the claim and cross-check data with the creditor. The creditor must then investigate the relevant information and report back to the credit report company. If the data is confirmed to be inaccurate, then all 3 nationwide credit report companies will be alerted and asked to correct your credit report. When the investigation is complete, the credit report company must give you the written results and a free copy of your report if the dispute results in a change. If an item is changed or deleted, the credit report company cannot put the disputed information back in. The credit report company must also send you, in

### DID YOU KNOW?

These 5 elements affect your score the most:

#### 1. Payment History

History of making payments on time with no missed payments is ideal.

#### 2. Amount Still Owed

If you are close to maxing out your limit, you will be deemed a higher risk of late payments.

#### 3. Length of Credit History

Having accounts open for a long time generally helps your credit score. The score considers your oldest account & the average age of all accounts.

#### 4. New Credit

Opening several new credit accounts in a short period of time can lower your score.

#### 5. Types of Credit Used

Your mix of credit cards, retail accounts, finance company loans, & mortgage loans is a consideration.

writing, the name, address, and phone number of the creditor they contacted on your behalf.

## 2. INFORM THE CREDITOR DIRECTLY

Many creditors specify an address for such disputes. If the creditor reports the item to a consumer reporting company, it must include a notice of your dispute.

And if you are correct—that is, if the information is found to be inaccurate—the creditor may not report it again.

Typically, your credit report will come with a paper form or a web link for credit disputes. You can also find a sample credit dispute letter at <http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre21.shtm>.

## 5. How can I rebuild or improve my credit score?

Improving your credit score is possible, but it can take time for accurate, negative information to be deleted:

- **Bankruptcy**—Stays on your credit history for 7 years if dismissed or discharged and 10 years if finalized.
- **Tax Liens**—Stays on your credit history 7 years from the time you start paying back taxes and indefinitely if you don't pay them.

There are many ways to improve your credit score but here are 7 basic steps:

1. Pay all bills on time
2. Keep balances low
3. Apply for new credit in moderation
4. Maintain a healthy mix of credit
5. Think twice before closing credit cards, especially ones you always paid on time
6. Monitor co-signed and joint accounts monthly
7. Review your credit reports frequently and dispute inaccurate information

To learn your options, visit <http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre13.shtm>. Or talk with a Seattle-King County Asset Building Financial Provider.

## 6. Local resource to help with credit score counseling and rebuilding:

Seattle-King County Asset Building Financial Education Providers offer free classes and seminars

to help you learn about managing your finances.

Contact them directly, or view the Financial Education Calendar for a schedule of upcoming classes and seminars being offered at [www.everyoneiswelcome.org](http://www.everyoneiswelcome.org).

### **American Financial Solutions**

[www.myfinancialgoals.org](http://www.myfinancialgoals.org)  
1-888-282-5811

### **Apprisen Financial Advocates**

[www.apprisen.com](http://www.apprisen.com)  
800-355-2227

### **CARES of Washington**

[www.caresofwa.org](http://www.caresofwa.org)  
206-938-1253

### **ClearPoint Credit Counseling Solutions**

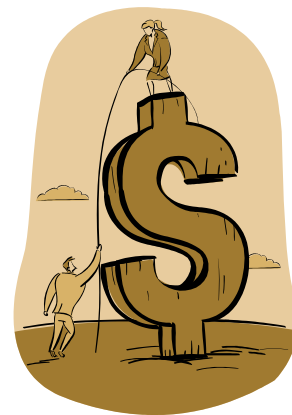
[www.clearpointcs.org](http://www.clearpointcs.org)  
1-800-634-CCCS (800-624-2227)

### **Parkview Services**

[www.parkviewservices.org](http://www.parkviewservices.org)  
206-529-4114

### **Urban League of Metropolitan Seattle**

[www.urbanleague.org](http://www.urbanleague.org)  
1-800-368-1455



**Sources:** Federal Trade Commission, AnnualCreditReport.com, CBS and Goodwill of San Antonio-[www.goodwillsa.org](http://www.goodwillsa.org)