

# CREDIT REPORTING

A Presentation by NLSP

# DISCLAIMER:

Please note that the information contained in this presentation is only general background information about credit reporting and student loans: This presentation is not legal advice. If you have a specific question about any of the topics discussed in this presentation, you should speak with an attorney about your individual case.

WHAT IS CREDIT INFORMATION?  
WHERE DOES IT COME FROM?  
WHAT IS IT USED FOR?

# What is credit information?

- **Medical Debt**
- **Credit Cards**
- **Car Loans**
- **Student Loans**
- information from **Credit Applications**
- public records, like **arrests, judgments, foreclosures, bankruptcies, etc.**

# Who is keeping track of this information?

- There are lots of companies out there that keep track of people's credit information. They might be referred to as:
  - **“Consumer Reporting Agencies”**
  - **“Credit Reporting Agencies”**
  - **“CRAs”**
  - **“Credit Bureaus”**

# Who is keeping track of this information?

## The “Big Three” . . .

- **Experian** (info on 220 million U.S. consumers)



- **TransUnion** (info on 500 million consumers worldwide)



- **Equifax** (info on 400 million consumers worldwide)



# Who is keeping track of this information?

... and **LOTS** of smaller companies.

- Certegy Check Services
- ChexSystems
- Early Warning Services
- TeleCheck
- Clarity Services
- DataX
- FactorTrust
- MicroBilt
- Teletrack
- Insurance Information Exchange
- Insurance Services Office
- C.L.U.E. Inc.
- CoreLogic Credco
- IDA, Inc.
- Innovis
- LexisNexis Risk Solutions Bureau LLC
- Pay Rent Build Credit (PRBC)/MicroBilt
- National Consumer Telecom and Utilities Exchange
- Contemporary Information Corp.
- CoreLogic SafeRent
- First Advantage Resident History Report
- Leasing Desk (Real Page)
- Tenant Data Services
- MIB, Inc.
- Milliman IntelliScript
- Accurate Background
- American DataBank
- EmployeeScreenIQ
- First Advantage
- GIS
- HireRight
- Infocubic
- Intellicorp
- Pre-employ.com
- Professional Screening & Information, Inc.
- Sterling Infosystems, Inc.
- Trak-1 Technology
- Verifications Inc.
- The Work Number
- **AND MANY MORE!**

**What do those companies  
do with the information  
they collect  
about us?**





**They sell it  
to companies  
that want to  
find out  
about us!**



# Such as . . .

## Banks and other lenders . . .

Do you need a Car Loan?



We could help



Such as . . .

**. . . potential landlords . . .**



# Such as . . .

**. . . and potential employers**



# How is that information organized?

## Credit Report

- When a consumer reporting agency turns over all the information they have about a particular consumer, that document is the consumer's **“credit report.”**
- NOTE: Since each consumer reporting agency works independently of the others, they might not all have the same information about you—so your “credit report” might differ depending on where it comes from.

# How is that information organized?

## Credit Score

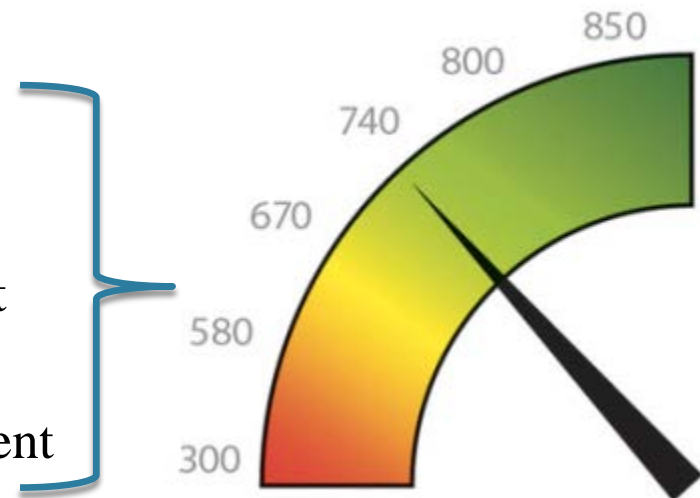
- Sometimes, a consumer's credit information is plugged into a formula in order to compare their credit history to that of other consumers. The number that results is called a “**credit score.**”
- NOTE: Different formulas are used depending on what information a potential lender thinks is most important. Also, the number that results from each formula is determined in part by what credit information goes in. Therefore, every consumer actually has several different potential credit scores.

# How is that information organized?

## Credit Score (continued)

- The most popular credit score formula is the “classic” or “generic” score formula introduced in 1989 by **F**air, **I**ssac, and **C**ompany. It is often referred to as your “FICO score,” and it produces a score of between 300 and 850, based on:

- Payment history: 35 percent
- Debt burden: 30 percent
- Length of credit history: 15 percent
- Types of credit: 10 percent
- Recent searches for credit: 10 percent



# So, to review what we've covered so far . . .

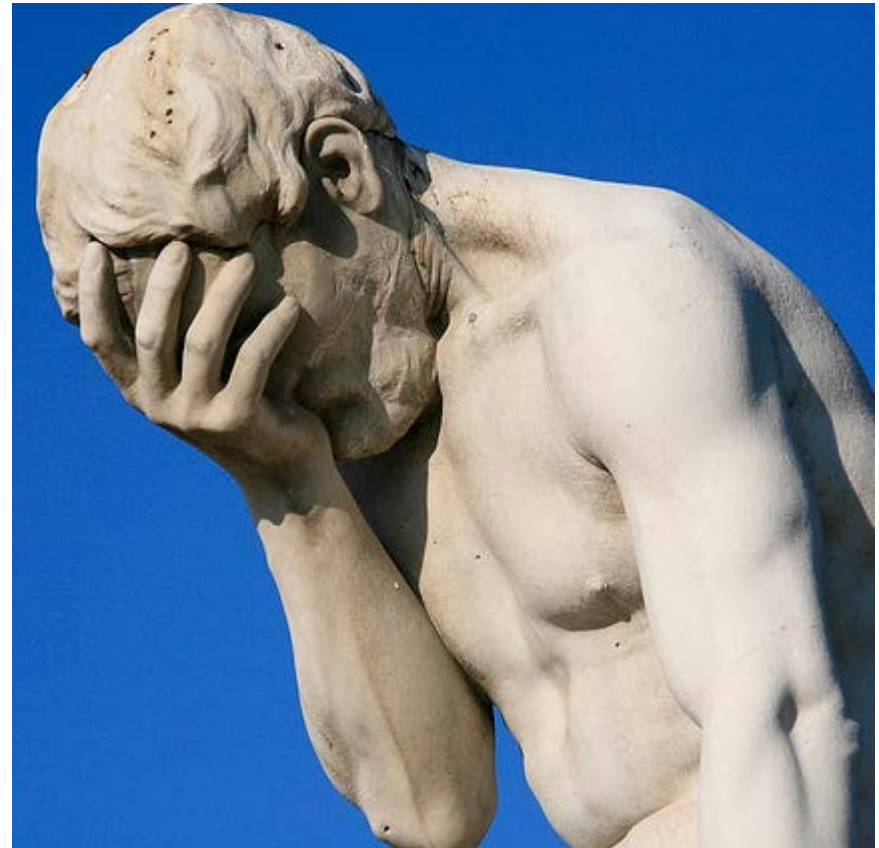
1. Consumer reporting agencies, like Experian, TransUnion, Equifax, and others, collect credit information about us.
2. They sell that information to banks and other lenders, who use it to decide whether to loan us money and what interest rates to charge us.
3. Sometimes, potential employers, potential landlords, and others also use that information to decide whether or not to do business with us.



WHAT HAPPENS WHEN  
CONSUMER REPORTING  
AGENCIES MAKE A  
MISTAKE?

# Do Consumer Reporting Agencies make mistakes?

- All the time!  
A 2013 study by the Federal Trade Commission found that about **25 percent** of consumers have a mistake in at least one of their three major credit reports . . .



# Do Consumer Reporting Agencies make mistakes?

- . . . and **5 percent** of consumers had an error in one of their three major credit reports that would lead to higher prices for auto loans, mortgages, and other consumer financing products.

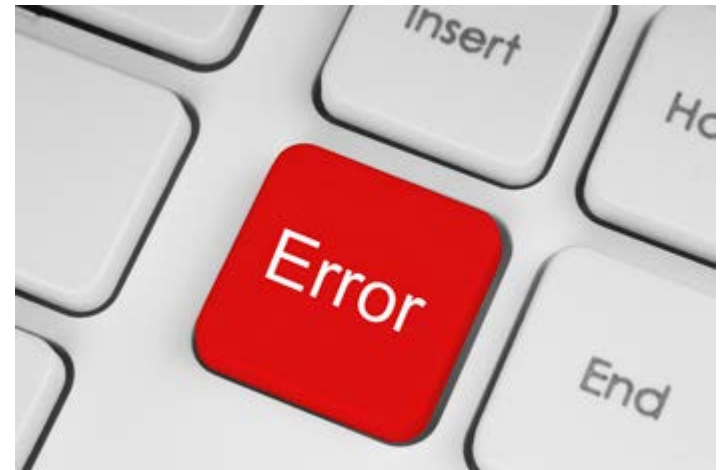


# Why do credit reporting mistakes happen?



# Why do mistakes happen?

- Data entry errors:
  - ▣ Wrong credit limit
  - ▣ Wrong loan amount
  - ▣ Wrong loan status
  - ▣ Wrong origination date



# Why do mistakes happen?

- Outdated information:
  - Federal law requires that most negative information be removed from credit reports after **7 years**
  - Sometimes, credit information isn't updated to reflect delinquent accounts that are paid off, judgments that are reversed or vacated, or similar changes.



# Why do mistakes happen?

- **Identity theft**



# WHAT DOES THE LAW SAY ABOUT CREDIT REPORTING?



# Federal laws about credit reporting

- Fair Credit Reporting Act (FCRA) (1970)
- Fair and Accurate Credit Transactions Act (FACTA) (2003)



# Federal laws about credit reporting

- Under these laws, consumer reporting agencies are required to:
  - Give you copies of all the information in your file (in some circumstances, you can get that information—your “credit report”—for free)
  - Give you your credit score (you usually will have to pay for this)

# Federal laws about credit reporting

- Under these laws, consumer reporting agencies also must:
  - Follow “reasonable procedures” to “assure maximum possible accuracy” of the information that they report about us
  - If you identify information in your file that is incomplete or inaccurate and you report it to the consumer reporting agency, the agency must investigate, and
  - If that information is inaccurate, incomplete, or unverifiable, the consumer reporting agency must remove or correct it within 30 days

# Federal laws about credit reporting

- Under these laws, anyone who uses credit information as the basis for an “adverse action” against you is required to
  - ▣ tell you, and
  - ▣ give you the name, address, and phone number of the agency that provided the information.
  
- “Adverse action” can include denying an application for a job, an apartment, or for credit.

# Federal laws about credit reporting

- These laws also provide that, if a consumer reporting agency's failure to abide by these rules causes you harm, **you have the right to individually sue the consumer reporting agency.** Sometimes, you can also sue users of credit information if they violate these laws.



I THINK BAD CREDIT  
MIGHT BE PREVENTING  
ME FROM GETTING A  
JOB.  
WHAT SHOULD I DO?

# What should I do?

- Not all employers use credit information to help them decide whether to hire people. **If an employer wants to use your credit information, they have to ask for your permission first.** (Usually they do this by having you check a box on the job application that authorizes them to obtain your credit report.)
- If an employer decides to reject your application because of your credit history, **they are required to give you a copy of the consumer report that they used.**

# What should I do?

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- Federal law requires that all consumer reporting agencies give you one free copy of your credit report every year.
- To get yours, go to [www.annualcreditreport.com](http://www.annualcreditreport.com), or call (877) 322-8228 (FACT ACT)



# What should I do?

Member Login

Experian® EQUIFAX® TransUnion®

**TV AS SEEN ON**

You've seen the commercials... now get  
**America's #1 Free Online Credit Report!**

See the online report it out if you'd like!  
Includes your FREE Experian® Credit Score!

\*According to comScore MediaMetrix 2.0

**IMPORTANT INFORMATION**  
When you order your free report here, you will begin your free trial membership in Experian® Advantage™ Credit Monitor. If you cancel your membership within the 7-day trial period, you will be billed \$4.95 for each month of your membership.

**Check your Report**  
See who's been checking your credit. Look for potential inaccuracies and unauthorized activity.

**Guard your Identity**  
We'll closely monitor™ your Experian® Equifax® and TransUnion® Credit Reports every day.

**Know your Score™**  
Higher scores usually mean lower interest rates on new loans, which could save you money.

**Click here**  
to see your Free Credit Report & Score!

**WIREBONNIE!**

# What should I do?

- Once you get a copy of one of your credit reports, review it for any inaccurate information. **If there are mistakes, you can send a letter to the consumer reporting agency that produced the report, telling them what you think is wrong.**
  - The Federal Trade Commission has sample letters on its website, [www.consumer.ftc.gov](http://www.consumer.ftc.gov)
  - You can also find more information about credit reporting and your rights on the Consumer Financial Protection Bureau's website, [www.consumerfinance.gov](http://www.consumerfinance.gov)

# What should I do?

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- If you are having credit problems but there aren't mistakes on your credit report, you can often still take steps to improve your credit, such as making payments on past-due accounts, working to get student loans out of default, or arranging payment plans for past-due accounts.
- **BUT . . .**

# What should I do?

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- Watch out for “credit repair services” that promise to do things like “remove bankruptcies, judgments, liens, and bad loans from your credit file,” “erase your bad credit,” or “create a new credit identity”—these are most likely scams!
- In fact, the Federal Trade Commission says that “they’ve never seen a legitimate credit repair operation making those claims.”

# What should I do?

- If you think that credit problems might be making it difficult for you to get a job, contact NLSP
  - after this presentation, or
  - by calling or visiting our offices to do an intake interview, on Monday, Wednesday, or Friday, between 10 a.m. and 3 p.m.
  - **Call (202) 832-6577**
  - [www.nlsp.org](http://www.nlsp.org)
  - **Or visit:**
    - 680 Rhode Island Ave, N.E. (Rhode Island Avenue Metro)
    - 4609 Polk Street, N.E. (Deanwood Metro)
    - 2811 Pennsylvania Ave, S.E.  
(Pennsylvania and Minnesota Avenues, S.E.)