OnPoint COMMUNITY CREDIT UNION

2025 GUIDE TO CREDIT REPORTS & SCORES

Give yourself some credit

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ABOUT THIS EBOOK

Introduction

This eBook is intended to help you understand credit reports, credit scores and how they impact your financial health. The information is applicable to nearly every consumer. If you have a credit card, student loan, mortgage, or any other form of credit, you have a credit report.

Your credit report informs potential lenders about your financial habits. If your report reflects excellent money management skills, they may be more inclined to offer you a loan with a lower interest rate. If your report lists negative information, getting approved for credit may be a challenge.

Use this eBook to help you understand your credit history and financial health and to improve or maintain your credit scores. The accuracy of your credit history is in your own hands.

CHAPTER ONE

Credit bureaus

Credit bureaus are agencies that collect information and organize it into reports about an individual's borrowing and credit habits. They gather personal data like your name, address, phone number, and employer.

More importantly, credit bureaus compile information detailing your history with credit. Outstanding debts, accounts in your name, payment history, and public records are additional information credit bureaus collect. Public records could be liens, bankruptcies, or foreclosures, to name a few.

Credit bureau agencies create individual files using information they have gathered. Lenders reference these reports when evaluating your request for credit. Landlords and employers might also review credit reports.

THE THREE LARGEST AND MOST PROMINENT CREDIT BUREAUS ARE:

Experian

Equifax

TransUnion

How can credit bureaus collect information about me?

The information credit bureaus collect is very personal, and some people may question why it's legal to seek out, store, and sell all that data in the first place.

The Fair Credit Reporting Act (FCRA) details specific limitations on how credit bureaus can operate and to whom they can provide your information. The law states that only entities with a "valid need" may access your credit report—this includes creditors, lenders, and landlords. You must give written permission for employers to access your credit report.

Credit bureaus usually obtain information from the financial institutions with which you work. For example, your credit card issuer may update the bureaus when you take out a new card or miss a payment. Some public court records are also a source for this information.

CHAPTER TWO

Credit reports

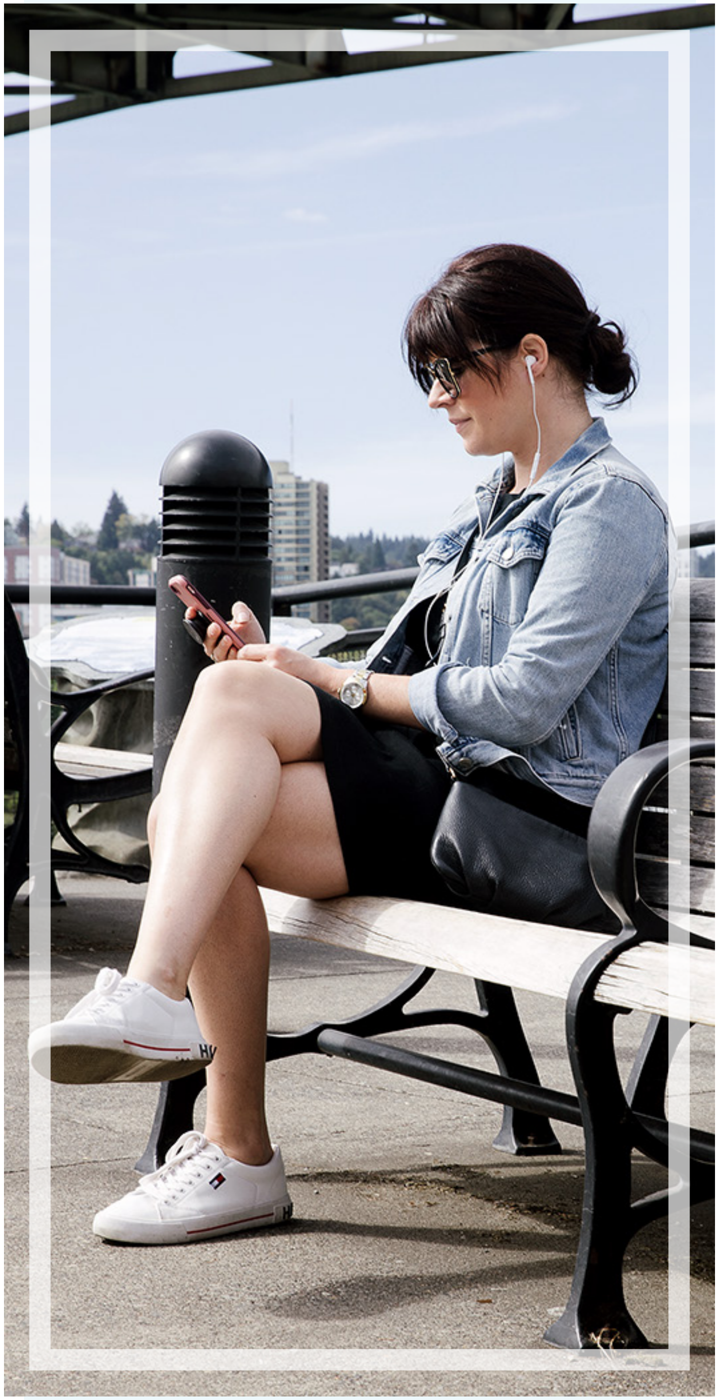
Your credit report is the file containing all the information a credit bureau has in your name, and can include:

Personal information:

- Current and past addresses
- Current and past employers
- Phone numbers
- Social Security number
- Birth date

Financial information:

- Open and closed credit accounts
- Credit limit or original loan amount
- Current account balance
- Payment history
- Open and close dates of accounts
- Creditor names
- Liens
- Foreclosures
- Bankruptcies
- Collections
- Account repayment status
- Judgments
- Hard and soft inquiries



Who can view my credit report?

Creditors

Credit card issuers, lenders, and other companies to which you have applied for credit may review your report to help make their credit decision. They can also access your report to monitor your credit throughout the duration of the loan.

Financial institutions can review your report to prescreen you for credit card offers or other products. You can opt-out of prescreening by calling **1-888-5-OPTOUT** or going to www.OptOutPrescreen.com.

Companies and landlords

Companies where you seek employment, landlords, and utility companies can make a soft inquiry on your report.

You

You're allowed to pull your own credit report for free once a year from each of the three major credit bureaus. You can do this easily through the government-mandated website: www.annualcreditreport.com.

How often should I review my report?

You're entitled to three free credit reports every year: one from each of the major credit bureaus, Experian, Equifax, and TransUnion. Take advantage of all three.

Checking your report allows you to review your financial health. You'll see what creditors will find when they pull your report. It could give you confidence when you ask for a loan or encourage you to take action to improve your credit experience.

Pulling your report lets you check the accuracy of the information reported. Incorrect information could affect the outcomes of loan requests in the future.

EQUIFAX experian TransUnion

CHAPTER THREE

Credit scores

Credit scores are three-digit numbers calculated using information in your credit report. There are multiple credit scores based on various models, so you may find different numbers each time you look yours up. The most popular models are Fair Isaac Corporation (FICO) and VantageScore.

Generally, credit scores range from **300-850** but may be outside this range depending on the model. Lenders and other businesses use credit scores to evaluate your creditworthiness.

The higher your score, the more favorably your credit request will be viewed by lenders.

How your score is calculated.

- **Payment history**

  The more you pay bills in full and on time, the more creditworthy you appear.

- **Credit utilization**

  Credit utilization is the percentage of available credit that you use. For example, if you have a credit card with a $5,000 limit and a $2,000 balance, your utilization would be 40 percent, or 2,000 divided by 5,000. Try to keep utilization low—less than 30 percent is recommended.

- **Length of credit history**

  The more experience you have managing debt and paying bills on time, the more creditworthy you seem to financial institutions.

- **Types of credit**

  Having various types of credit—like credit cards, revolving loans, or installment loans—shows that you can manage multiple financial obligations.

- **New credit**

  Taking out a new loan changes your financial situation. The increased debt can make lenders cautious about lending you additional credit as there often is not enough payment history to determine how well you're able to manage this new obligation.

Factors that affect your credit score.

Many factors influence credit score models, and each model uses different calculations. Here is a list of some common factors most models use.

- **Amount of outstanding debt**

  The more debt you have, the harder it may be to receive new credit from a lender.

- **How you pay your accounts**

  Pay your bills as agreed and on time.

- **How often you apply for credit**

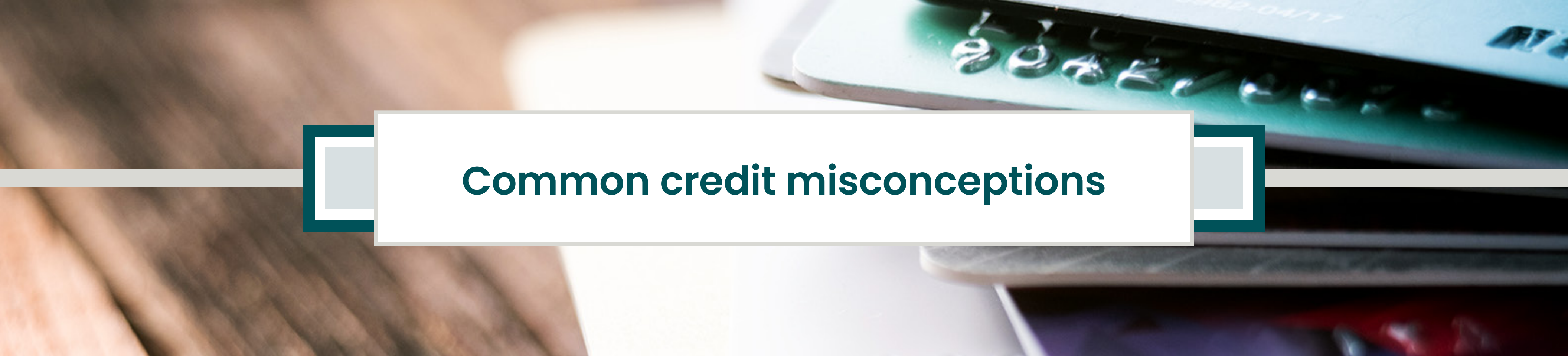
  If you have several hard inquiries within a short time frame, it could make creditors wary. However, most credit scores aren't affected by multiple inquiries for the same type of loan made within a short period of time.

- **Incorrect information**

  Inaccurate information on your report could have a negative impact on your score.

- **Credit records**

  Liens, bankruptcies, and judgments, even if they're fully paid, can negatively impact your score.



Common credit misconceptions

Prepaid credit cards impact your score just like other credit cards.

Prepaid credit cards aren't reported to credit bureaus, so they won't affect your score.

You and your spouse share a credit score.

When you get married, you and your partner will still maintain individual credit scores.

Getting someone to co-sign a loan can increase your credit score.

If you need to have a co-signer to obtain a loan, it could signal to lenders that you may not be ready to handle a loan on your own. However, if a co-signer enables you to secure a loan, and you demonstrate responsible management of that loan, your credit score may benefit in the long run.

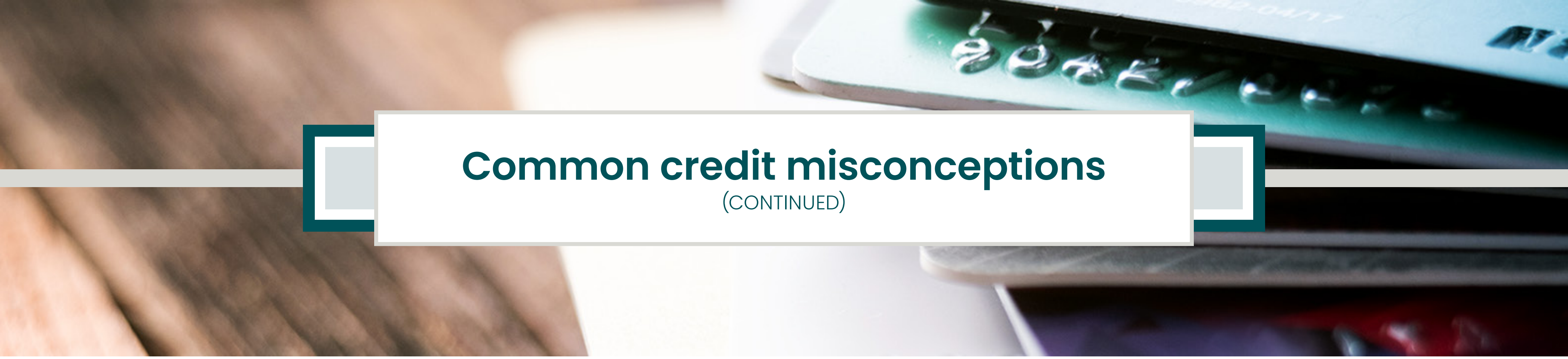
Unreported loans are included in your report.

If a lender doesn't report a loan, it can't affect your credit profile.

All inquiries have the same impact.

There are two types of inquiries: hard and soft.

- **A hard inquiry** occurs when a financial institution pulls your credit report when making a lending decision. These will impact your score.
- **A soft inquiry** refers to any other time your report is pulled, such as when your report is reviewed as part of a background check, or when you check your own credit report. These never affect your score.



Common credit misconceptions
(CONTINUED)

Your income impacts your score.

This isn’t true, but creditors may factor your debt-to-income ratio into their decision.

Renting lowers your score.

Being a renter won’t impact your score, but making late rent payments could affect it in time if your landlord reports payment information.

A high savings account balance improves your credit score.

No matter what your savings account balance is, it won’t impact your score.

Closing old accounts will improve your credit.

Closing old accounts makes sense in some situations, but only if done carefully. Your credit history is based on the oldest account in your portfolio. Closing your oldest account will change the length of your credit history and could have a negative impact on your score.

If you close a credit card that has a limit of $3,000, you’re taking that much money away from the denominator of the credit utilization ratio. As such, your credit utilization could increase and bring down your score.

Your closed account won’t disappear right away. If you’re still making payments on the account, these will probably still be reported to the credit bureaus. Negative closed accounts, such as those charged off by the creditor, stay on your report for seven years. Accounts closed in good standing stay on your report for 10 years.

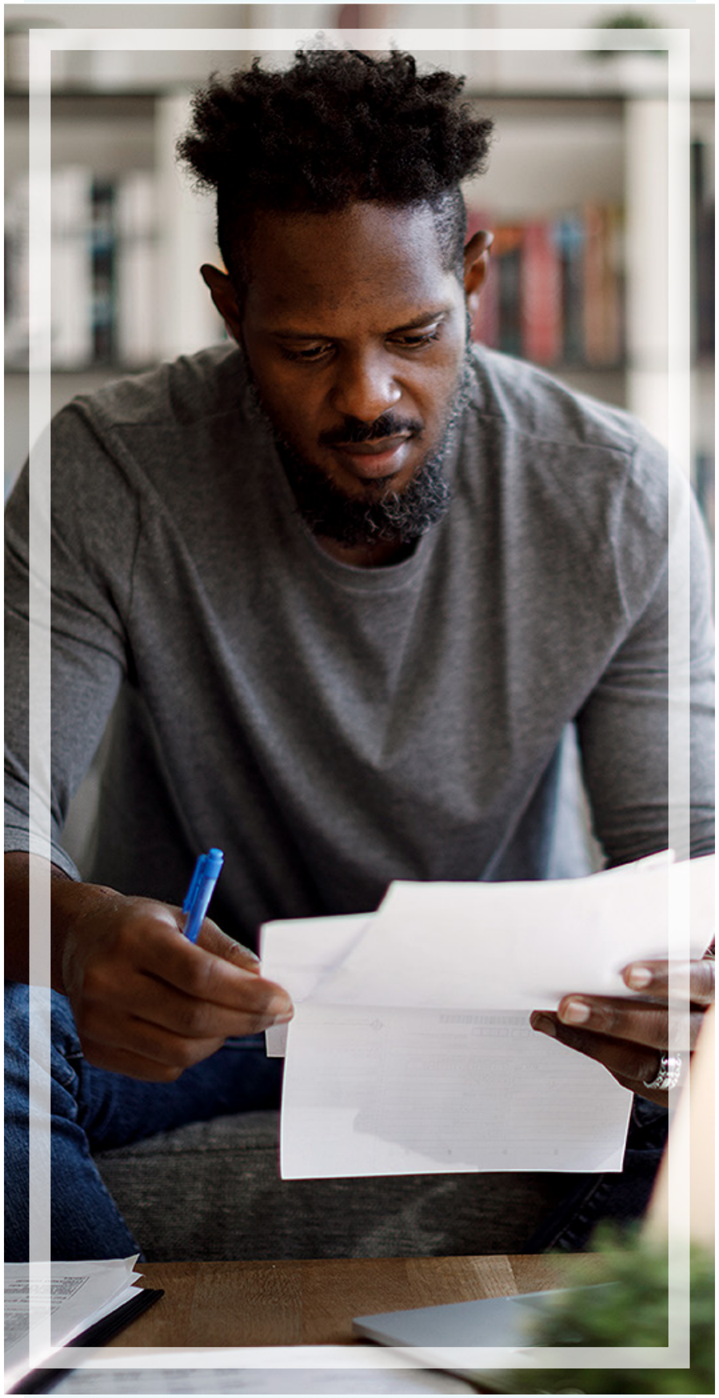
CHAPTER FOUR

How to improve your credit score

When working to improve your credit score, paying your bills on time and removing negative information is key. Negative information is anything that reduces your score: late payments, court records, or high debt levels.

We discuss how to dispute incorrect information and how to add positive information to your report on the following pages.

- **Positive information** from open accounts can stick around indefinitely, but closed accounts age off your report after 10 years if the account was in good standing.
- **Most negative information** stays on your report for seven years, including late payments, judgments, paid tax liens, charged-off accounts and discharged Chapter 13 bankruptcies. Chapter 7 or 11 bankruptcies and non-discharged or dismissed Chapter 13 bankruptcies may stay on your report for 10 years.
- **Hard inquiries** stay on your report for two years, but only affect your credit score for one.
- **Unpaid tax liens** can stay on your report for 15 or more years.



Correcting errors & omissions

Review your credit report for accuracy and report any mistakes or omissions right away. This could include information listed for longer than it's supposed to be, like a judgment still being listed after seven years.

Here's how to dispute errors:

1. Contact the credit bureau.
Write them a letter and include copies (not originals) of any supporting documents, like receipts or statements.

2. Contact the creditor.
Tell the information provider that you've contacted the bureau already. Again, come prepared with copies of supporting documents.

3. Double-check your report.
Order updated credit reports periodically to be sure.

Here's how to contact each bureau:

EQUIFAX
Consumer Dispute Center
PO Box 2000
Chester, PA 19016
dispute.transunion.com/dp/dispute/landingPage.jsp

experian
PO Box 4500
Allen, TX 75013
www.experian.com/disputes/main.html

TransUnion
PO Box 740256
Atlanta, GA 30374
www.equifax.com/personal/disputes/

Adding positive information to your report

Pay your bills on time.

Payment history has the biggest impact on your score.

Keep balances low.

Limit spending and pay more than the minimum amount.

Ask for a credit limit increase.

Raising your credit limit reduces your credit utilization ratio. Use caution with this strategy. If you've maxed out your card or have trouble managing debt, this strategy likely won't help. Additionally, a credit increase request could prompt a hard inquiry.

Diversify your credit report.

A variety of well-managed credit types demonstrates your ability to manage debt.

Only apply for credit that you need.

Multiple inquiries for the same type of loan may be counted as a single pull, but this doesn't apply when seeking multiple types of credit, such as applying for a mortgage and a car loan in the same week.

Credit quiz

1. Which factor WON'T affect your credit score?

a) A late payment

b) Your salary

c) Your credit card balance

2. What is your credit utilization ratio?

a) The number of loans you have

b) Your available credit divided by the available credit you've used

c) The amount of credit you've used divided by your available credit

3. What does your employer need to access your credit report?

a) Your written consent

b) Your first and last name

c) Nothing; employers can do this at any time

4. Which ISN'T included on your credit report?

a) Social Security number

b) Account balances

c) Prepaid credit cards

5. Which factor can impact your credit score?

a) Hard inquiries

b) Soft inquiries

c) Savings account balances

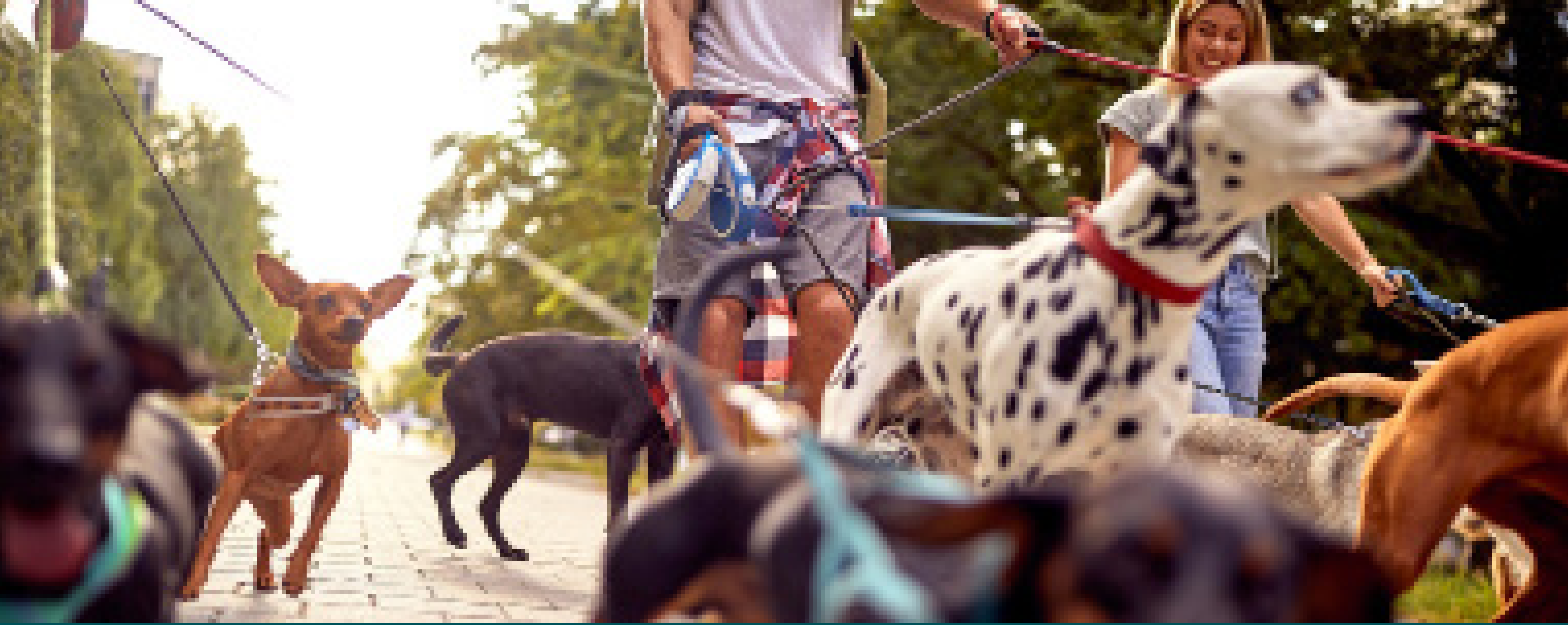
6. What is step one for disputing a credit report error?

a) Call the information provider

b) Contact the credit bureau

c) Close the account

Answers: 1:b. 2:c. 3:a. 4:c. 5:a. 6:b.



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