

What is a credit history?

Sometimes, people talk about your credit. What they mean is your credit **history**. Your credit history describes how you use money:

- How many credit cards do you have?
- How many loans do you have?
- Do you pay your bills on time?

If you have a credit card or a loan from a bank, you have a credit history. Companies collect information about your loans and credit cards.

Companies also collect information about how you pay your bills. They put this information in one place: your credit report.

What is a credit report?

Your credit report is a summary of your credit history. It lists:

- your name, address, and Social Security number
- your credit cards
- your loans
- how much money you owe
- if you pay your bills on time or late

Why do I have a credit report?

Businesses want to know about you before they lend you money. Would you want to lend money to someone who pays bills on time? Or to someone who always pays late?

Businesses look at your credit report to learn about you. They decide if they want to lend you money, or give you a credit card. Sometimes, employers look at your credit report when you apply for a job. Cell phone companies and insurance companies look at your credit report, too.

Who makes my credit report?

A company called a credit reporting company collects your information. There are three big credit reporting companies:

- TransUnion
- Equifax
- Experian

These companies write and keep a report about you.

Can I see my credit report?

You can get a free copy of your credit report every year. That means one copy from each of the three companies that writes your reports.

The law says you can get your free credit reports if you:

- call Annual Credit Report at 1-877-322-8228 or
- go to AnnualCreditReport.com

Someone might say you can get a free report at another website. They probably are not telling the truth.

What is a credit score?

A credit score is a number. It is based on your credit history. But it does not come with your free credit report unless you pay for it.

A high credit score means you have good credit. A low credit score means you have bad credit. Different companies have different scores. Low scores are around 300. High scores are around 700-850.

Do I need to get my credit score?

It is very important to know what is in your credit report. But a credit score is a number that matches your credit history. If you know your history is good, your score will be good. You can get your credit report for free.

It costs money to find out your credit score. Sometimes a company might say the score is free. But if you look closely, you might find that you signed up for a service that checks your credit for you. Those services charge you every month.

Before you pay any money, ask yourself if you need to see your credit score. It might be interesting. But is it worth paying money for?

What if I do not have credit?

You might not have a credit history if:

- you have not had credit card
- you have not gotten a loan from a bank or credit union

Without a credit history, it can be harder to get a job, an apartment, or even a credit card. It sounds crazy: You need credit to get credit.

How do I get credit?

Do you want to build your credit history? You will need to pay bills that are included in a credit report.

- Sometimes, utility companies put information into a credit report. Do you have utility bills in your name? That can help build credit.
- Many credit cards put information into credit reports.
 - Sometimes, you can get a store credit card that can help build credit.
 - A secured credit card also can help you build your credit.

Why is my credit report important?

Businesses look at your credit report when you apply for:

- loans from a bank
- credit cards
- jobs
- insurance

If you apply for one of these, the business wants to know if you pay your bills. The business also wants to know if you owe money to someone else. The business uses the information in your credit report to decide whether to give you a loan, a credit card, a job, or insurance.

What does “good credit” mean?

Some people have good credit. Some people have bad credit. Some people do not have a credit history. Businesses see this in your credit report. Different things happen based on your credit history:

I have **GOOD** credit



- I pay my bills on time
- I do not have big loans

That means:

- I have more loan choices.
- It is easier to get credit cards.
- I pay lower interest rates.
- I pay less for loans and credit cards.

I have **BAD** credit



- I pay my bills late
- I owe a lot of money

That means:

- I have fewer loan choices.
- It is harder to get credit cards.
- I pay higher interest rates.
- I pay more for loans and credit cards.

I have **NO** credit



- I never borrowed money from a bank or credit union
- I never had a credit card

That means:

- I have no bank loan choices.

- It is very hard to get credit cards.
- I pay high interest rates.
- Loans and credit cards are hard to get and cost a lot.

All this information is in your credit report.

Why should I get my credit report?

An important reason to get your credit report is to find problems or mistakes and fix them:

- You might find somebody's information in your report by mistake.
- You might find information about you from a long time ago.
- You might find accounts that are not yours. That might mean someone stole your identity.

You want to know what is in your report. The information in your report will help decide whether you get a loan, a credit card, a job or insurance.

If the information is wrong, you can try to fix it. If the information is right – but not so good – you can try to improve your credit history.

Where do I get my free credit report?

You can get your free credit report from Annual Credit Report. That is the only free place to get your report. You can get it online: AnnualCreditReport.com, or by phone: 1-877-322-8228.

You get one free report from each credit reporting company every year. That means you get three reports each year.

What should I do when I get my credit report?

Your credit report has a lot of information. Check to see if the information is correct. Is it **your** name and address? Do you recognize the accounts listed?

If there is wrong information in your report, try to fix it. You can write to the credit reporting company. Ask them to change the information that is wrong. You might need to send proof that the information is wrong – for example, a copy of a bill that shows the correct information. The credit reporting company must check it out and write back to you.

How do I improve my credit?

Look at your free credit report. The report will tell you how to improve your credit history. Only you can improve your credit. No one else can fix information in your credit report that is not good, but is correct.

It takes time to improve your credit history. Here are some ways to help rebuild your credit.

- Pay your bills by the date they are due. This is the most important thing you can do.
- Lower the amount you owe, especially on your credit cards. Owing a lot of money hurts your credit history.
- Do not get new credit cards if you do not need them. A lot of new credit hurts your credit history.
- Do not close older credit cards. Having credit for a longer time helps your rating.

After six to nine months of this, check your credit report again. You can use one of your free reports from Annual Credit Report.

How does a credit score work?

Your credit score is a number related to your credit history. If your credit score is high, your credit is good. If your credit score is low, your credit is bad.

There are different credit scores. Each credit reporting company creates a credit score. Other companies create scores, too. The range is different, but it usually goes from about 300 (low) to 850 (high).

It costs money to look at your credit score. Sometimes a company might say the score is free. But usually there is a cost.

What goes into a credit score?

Each company has its own way to calculate your credit score. They look at:

- how many loans and credit cards you have
- how much money you owe
- how long you have had credit
- how much new credit you have

They look at the information in your credit report and give it a number. That is your credit score.

It is very important to know what is in your credit report. If your report is good, your score will be good. You can decide if it is worth paying money to see what number someone gives your credit history.

Your credit history is important. It tells businesses how you pay your bills. Those businesses then decide if they want to give you a credit card, a job, an apartment, a loan, or insurance.

Find out what is in your report. Be sure the information is correct. Fix anything that is not correct.

How do I check my credit report?

This is easy to do by phone:

- Call Annual Credit Report at 1-877-322-8228.
- Answer questions from a recorded system. You have to give your address, Social Security number, and birth date.
- Choose to only show the last four numbers of your Social Security number. It is safer than showing your full Social Security number on your report.
- Choose which credit reporting company you want a report from. (You get one free report from each company every year.)

That company mails your report to you. It should arrive 2-3 weeks after you call.

What do I do with my credit report?

Read it carefully. Make sure the information is correct:

- **Personal information** – are the name and address correct?
- **Accounts** – do you recognize them?
 - Is the information correct?
- **Negative information** – do you recognize the accounts in this section of the report?
 - Is the information correct?

- **Inquiries** – do you recognize the places you applied for credit?
(If you do not, maybe someone stole your identity.)

The report will tell you how to improve your credit history. Only you can improve your credit history. It will take time. But if any of the information in your report is wrong, you can ask to have it fixed.

How do I fix mistakes in my credit report?

- Write a letter. Tell the credit reporting company that you have questions about information in your report.
- Explain which information is wrong and why you think so.
- Say that you want the information corrected or removed from your report.
- Send a copy of your credit report with the wrong information circled.
- Send copies of other papers that help you explain your opinion.
- Send this information Certified Mail. Ask the post office for a return receipt. The receipt is proof that the credit reporting company got your letter.

The credit reporting company must look into your complaint and answer you in writing.