

creditor, employer, or a business to check your credit report, an "inquiry" is added to the report itself (a note that someone has checked your credit). Note that checking your own credit report does not lodge an inquiry. A lender considering you for a loan will look at the number of inquiries recorded and when they took place. A large number of inquiries occurring in a short period of time may be interpreted as a sign that you are either 1) applying for lots of credit because of financial difficulty; or 2) overextending yourself by taking on more debts than you can actually repay. Therefore, it's always a good idea to minimize inquiries into your credit. If you're shopping around for mortgages, for example, don't let every lender you consider run a credit check. You might have to settle for slightly more approximate estimates on what the lenders can offer you, since they can't verify your credit history. But that's still better than doing all that shopping around only to find that the lender of your choice now perceives you as a less than solid credit risk and wants to charge you a higher rate.

**Have you eliminated excess unused credit?** Just as a high number of inquiries suggest you may be overextending yourself, a lot of available credit means you have the capability to overextend yourself in the future, even if you have not done so in the past. Although you may think having several credit cards with high limits as a sign that you have good credit, too much of a good thing can make you seem like a poorer credit risk. The lender needs to be reasonably sure that you will continue to be able to repay your debt in the future. But if you have thousands of dollars of unused credit available, you might spend it all the month after the loan goes through and suddenly have more debts than you can pay off. To prevent this concern from arising, you should close unused credit accounts before applying for a large loan, and/or consider having your credit limit reduced. If you do either of these things, make sure to ask the creditors to record that the account was closed/changed at the consumers' request. You don't want anyone to get the impression the bank closed the account because of problems with your payment habits.

**Skip the "Credit Repair" clinics!** Although some consumers pay credit clinics hundreds or even thousands of dollars to "fix" their credit report, only time can improve bad credit. The Federal Trade Commission has investigated and reported at length of these often fraudulent "clinics". Some credit repair plans actually encourage you to commit fraud yourself by attempting to create a second credit identity. The key fact is that there is nothing a credit repair clinic can legally do to fix a credit report that you can't do yourself for free! Consumer credit reports contain easy to follow instructions for disputing inaccurate information from any consumer credit reporting agency for no charge. Inaccurate information will be changed or deleted. But remember that accurate negative information will remain on your credit report.

**How can you get a copy of your credit report?** The Federal Fair Credit Reporting Agency (FCRA) allows you to obtain a copy of

your consumer credit report from any consumer credit reporting agency for a reasonable charge. The FCRA also states that individuals are entitled to receive a disclosure directly from the consumer credit reporting agency free of charge under the following circumstances 1) you have been denied credit, insurance or employment in the past sixty (60) days as a result of your report; (2) you certify in writing that you are unemployed and intend to apply for employment in the 60-day period beginning on the day you make the certification; 3) you are a recipient of public welfare assistance; and 4) you have reason to believe that your file at the agency contains inaccurate information due to fraud.

### **What if there is inaccurate information on my credit report?**

The law guarantees you the right to dispute inaccurate information on your credit report free of charge. If you find an error in your credit report, simply call or write the credit bureau. The bureau will check with the source of the information and send you an update. The dispute process can take up to 30 days. If you still disagree with the information, you could add your own statement to the credit report.

**Become an informed consumer of credit services!** Your credit report can have a dramatic impact on your financial stability. With good credit, you can obtain benefits of all kinds - a home mortgage or lease on an apartment; an auto loan; low-interest credit cards; and more - with ease. But if your credit history is poor many of these financial options may be unavailable to you. Either way, you have a right to know what to expect when a lender runs a credit check on you. Aside from paying your bills regularly and on time, the single most important thing you can do to ensure that when others check into your credit they'll find you to be a good risk is to be aware of the contents of your credit report.

Studies have shown that many credit files contain inaccuracies that can harm your credit rating, leading to rejections when you apply for loans, insurance or even a job. Often the result of simple human error, they can be caused by anything from a clerical error to a computer glitch in which your file is mixed with that of someone with a similar name. That's why it's essential that you check all of your credit files and monitor your credit regularly - to protect your good credit standing, even if you always pay your bills on time. And if your credit is less than perfect now, checking your report will help you identify lingering problems so that you can deal with them effectively and move on toward an improved credit standing. Whatever your situation, reviewing your report regularly is the only way to be sure that you will go into any credit conversation knowing everything lenders know!!

## **FOOD FOR THOUGHT**

Failure is just a way for our lives to show us we're moving in the wrong direction, that we should try something different. Oprah Winfrey

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## SO HOW IMPORTANT IS YOUR CREDIT REPORT?

There are three major **credit bureaus** providing nationwide coverage of consumer credit information in the United States: Equifax, Experian and Trans Union. A credit bureau or credit reporting agency is in the business of gathering, maintaining, and selling information about a consumers' credit history. It collects information about your payment habits from credit grantors like banks, savings and loans, credit unions, finance companies and retailers. Although credit reporting agencies provide your credit report to lenders when you apply for credit, they do not make actual lending decisions.

Your **credit report** is a document that contains a factual record of your credit payment history. Credit grantors are permitted by law to review your credit report to objectively determine whether to grant you credit. Your credit report contains four types of information: identifying information, credit information, public record information and inquiries. **Identifying information** includes: your name, current and previous address, Social Security Number, year of birth, current and previous employers, and if married, your spouse's name. **Credit information** includes credit accounts or loans you have with banks, retailers, credit card issuers and other lenders. **Public record information** contains court records, bankruptcies, tax liens, and monetary judgments. **Inquiries** reflect other credit grantors that have checked your credit history. Your credit report does not contain information about your race, religious preference, medical history, personal lifestyle, personal background, political preference or criminal record.

Positive credit information remains on your credit report indefinitely, although information about an account will cycle off your report if no new information is reported about it for seven (7) years. (Thus, a closed account will disappear from your report seven years after it is reported by the credit grantor). Most negative information remains for up to seven (7) years.

However, bankruptcies can remain for up to ten (10)

years. Other public record information can remain for up to seven years. Most inquiries stay on your credit report for up to two (2) years.

Federal law carefully regulates how credit reports can be used and by whom. By law, you have the right to obtain your own reports at a reasonable price. Before they can access your credit information, businesses must offer proof that they will be using the data for no other purpose than that allowed by federal law.

**So what exactly are creditors looking for when they look at your credit report?**

**Do you pay your bills on time?** Creditors always look for indications that the prospective borrower is a good credit risk; i.e., a person who will pay back his or her debts in a timely fashion. Obviously, a history of on-time payment demonstrates that you are just such a person. But that doesn't mean your credit history must be perfect for you to qualify (there are few people who have perfect credit). "Good" credit can include a few minor dings in your report, such as 1) up to two credit card payments thirty (30) days late; (2) one installment payment, such as an auto or student loan payment, thirty (30) days late; (3) no payment of any kind is more than sixty (60) days late and (4) there are no outstanding public record debts such as judgments or liens.

**Is your debt load reasonable?** One factor creditor(s) must assess before offering credit is the total debt of the person applying. If a large portion of your income each month is already committed to paying off other debt, the lender will wonder if you may have trouble paying back an additional loan. As a rule of thumb, financial experts say that non-mortgage debt payments should not exceed 10 - 15% of your take home pay each month. If your debts are currently too high, consider ways to pay some down before you apply for new credit. A note about **co-signing** - if you co-sign somebody else's loan, the outstanding amount is considered debt, even if the individual for whom you co-signed is making all the payments. Co-signing means you have promised to pay back the loan if the other party does not; it is considered one of your liabilities. So think carefully before you co-sign, even for someone you know will pay the debt; it does impact your credit!

**Are you avoiding unnecessary inquiries?** Whenever you authorize a



### THE LAUGHABLE ESQUIRE

At the height of a political corruption trial, the prosecuting attorney attacked a witness. "Isn't it true," he bellowed, "that you accepted five thousand dollars to compromise this case?" The witness stared out of the window, as though he hadn't heard the question. "Isn't it true that you accepted five thousand dollars to compromise this case?" the lawyer repeated. The witness still did not respond. Finally, the judge leaned over and said, "Sir, please answer the question!" "Oh," the startled witness said, "I thought he was talking to you!"