In the United States, a credit score is a number based on a statistical analysis of a person's credit files, that represents the creditworthiness of that person, which is the likelihood that the person will pay his or her bills. A credit score is primarily based on credit report information, typically from the three major credit bureaus, namely Experian, TransUnion and Equifax.

There are different variants of calculating credit scores. FICO is a credit score developed by Fair Isaac & Co. It is used by many mortgage lenders, which use a risk-based system to determine the possibility that the borrower may default on financial obligations to the mortgage lender.

The credit bureaus all have FICO alternatives: Equifax's ScorePower, Experian's PLUS score, and TransUnion's Credit score. While these "FAKO" scores give the consumer a reasonably clear picture of their credit health, they sometimes confuse consumers who don't know the difference from the widely-used FICO.

Americans are entitled to one free credit report within a 12-month period from each of the three agencies. The three credit bureaus run Annualcreditreport.com, where users can get their free credit report, normally without credit scores. Credit scores are available as an add-on feature of the report for a fee.

In some states, such as California and Colorado, a consumer is entitled to a free credit report within 30 days of being denied credit or receiving sub-normal credit terms from a lender due to their credit rating.

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What Is A Credit Score

Need Credit or Insurance? Your Credit Score Helps Determine What You'll Pay

Have you ever wondered how a lender decides whether to grant you credit? For years, creditors have been using credit scoring systems to determine if you'd be a good risk for credit cards, auto loans, and mortgages. These days, many more types of businesses — including insurance companies and phone companies — are using credit scores to decide whether to approve you for a loan or service and on what terms.

Auto and homeowners insurance companies are among the businesses that are using credit scores to help decide if you'd be a good risk for insurance. A higher credit score means you are likely less of a risk, and in turn, means you will be more likely to get credit or insurance — or pay less for it.

The Federal Trade Commission (FTC), the nation's consumer protection agency, wants you to know how credit scoring works.

What is credit scoring?

Credit scoring is a system creditors use to help determine whether to give you credit. It also may be used to help decide the terms you are offered or the rate you will pay for the loan.

Information about you and your credit experiences, like your bill-paying history, the number and type of accounts you have, whether you pay your bills by the date they're due, collection actions, outstanding debt, and the age of your accounts, is collected from your credit report. Using a statistical program, creditors compare this information to the loan repayment history of consumers with similar profiles.

For example, a credit scoring system awards points for each factor that helps predict who is most likely to repay a debt. A total number of points — a credit score — helps predict how creditworthy you are — how likely it is that you will repay a loan and make the payments when they're due.

Some insurance companies also use credit report information, along with other factors, to help predict your likelihood of filing an insurance claim and the amount of the claim. They may consider these factors when they decide whether to grant you insurance and the amount of the premium they charge. The credit scores insurance companies use sometimes are called "insurance scores" or "credit-based insurance scores."

Credit Scores and Credit Reports

Your credit report is a key part of many credit scoring systems. That's why it is critical to make sure your credit report is accurate. Federal law gives you the right to get a free copy of your credit reports from each of the three national consumer reporting companies once every 12 months.

The Fair Credit Reporting Act (FCRA) also gives you the right to get your credit score from the national consumer reporting companies. They are allowed to charge a reasonable fee, generally around $8, for the score. When you buy your score, often you get information on how you can improve it.

To order your free annual report from one or all the national consumer reporting companies, and to purchase your credit score, visit www.annualcreditreport.com, call toll-free 877-322-8228, or complete the Annual Credit Report Request Form and mail it to: Annual Credit Report Request Service, P. O. Box 105281, Atlanta, GA 30348-5281. For more information, see Your Access to Free Credit Reports.

How is a credit scoring system developed?

To develop a credit scoring system or model, a creditor or insurance company selects a random sample of its customers, or a sample of similar customers, and analyzes it statistically to identify characteristics that relate to risk. Each of the characteristics then is assigned a weight based on how strong a predictor it is of who would be a good risk. Each company may use its own scoring model, different scoring models for different types of credit or insurance, or a generic model developed by a scoring company.

Under the Equal Credit Opportunity Act (ECOA), a creditor's scoring system may not use certain characteristics — for example, race, sex, marital status, national origin, or religion — as factors. The law allows creditors to use age in properly designed scoring systems. But any credit scoring system that includes age must give equal treatment to elderly applicants.

What can I do to improve my score?

Credit scoring systems are complex and vary among creditors or insurance companies and for different types of credit or insurance. If one factor changes, your score may change — but improvement generally depends on how that factor relates to others the system considers. Only the business using the scoring knows what might improve your score under the particular model they use to evaluate your application.

Nevertheless, scoring models usually consider the following types of information in your credit report to help compute your credit score:

- Have you paid your bills on time? You can count on payment history to be a significant factor. If your credit report indicates that you have paid bills late, had an account referred to collections, or declared bankruptcy, it is likely to affect your score negatively.
- Are you maxed out? Many scoring systems evaluate the amount of debt you have compared to your credit limits. If the amount you owe is close to your credit limit, it's likely to have a negative effect on your score.
- How long have you had credit? Generally, scoring systems consider the length of your credit track record. An insufficient credit history may affect your score negatively, but factors like timely payments and low balances can offset that.
- Have you applied for new credit lately? Many scoring systems consider whether you have applied for credit recently by looking at "inquiries" on your credit report. If you have applied for too many new accounts recently, it could have a negative effect on your score. Every inquiry isn't counted: for example, inquiries by creditors who are monitoring your account or looking at credit reports to make "prescreened" credit offers are not considered liabilities.
- How many credit accounts do you have and what kinds of accounts are they? Although it is generally considered a plus to have established credit accounts, too many credit card accounts may have a negative effect on your score. In addition, many scoring systems consider the type of credit accounts you have. For example, under some scoring models, loans from finance companies may have a negative effect on your credit score.

Scoring models may be based on more than the information in your credit report. When you are applying for a mortgage loan, for example, the system may consider the amount of your down payment, your total debt, and your income, among other things.

Improving your score significantly is likely to take some time, but it can be done. To improve your credit score under most systems, focus on paying your bills in a timely way, paying down any outstanding balances, and staying away from new debt.

Are Credit Scoring systems reliable?

Credit scoring systems enable creditors or insurance companies to evaluate millions of applicants consistently on many different characteristics. To be statistically valid, these systems must be based on a big enough sample. They generally vary among businesses that use them.

Properly designed, credit scoring systems generally enable faster, more accurate, and more impartial decisions than individual people can make. And some creditors design their systems so that some applicants — those with scores not high enough to pass easily or low enough to fail absolutely — are referred to a credit manager who decides whether the company or lender will extend credit. Referrals can result in discussion and negotiation between the credit manager and the would-be borrower.

What if I am denied credit or insurance, or don't get the terms I want?

If you are denied credit, the ECOA requires that the creditor give you a notice with the specific reasons your application was rejected or the news that you have the right to learn the reasons if you ask within 60 days. Ask the creditor to be specific: Indefinite and vague reasons for denial are illegal. Acceptable reasons might be "your income was low" or "you haven't been employed long enough." Unacceptable reasons include "you didn't meet our minimum standards" or "you didn't receive enough points on our credit scoring system."

Sometimes you can be denied credit or insurance — or initially be charged a higher premium — because of information in your credit report. In that case, the FCRA requires the creditor or insurance company to give you the name, address, and phone number of the consumer reporting company that supplied the information. Contact the company to find out what your report said.

This information is free if you ask for it within 60 days of being turned down for credit or insurance. The consumer reporting company can tell you what's in your report; only the creditor or insurance company can tell you why your application was denied.

If a creditor or insurance company says you were denied credit or insurance because you are too near your credit limits on your credit cards, you may want to reapply after paying down your balances. Because credit scores are based on credit report information, a score often changes when the information in the credit report changes.

If you’ve been denied credit or insurance or didn’t get the rate or terms you want, ask questions:

- Ask the creditor or insurance company if a credit scoring system was used. If it was, ask what characteristics or factors were used in the system, and how you can improve your application.
- If you get the credit or insurance, ask the creditor or insurance company whether you are getting the best rate and terms available. If you’re not, ask why.
- If you are denied credit or not offered the best rate available because of inaccuracies in your credit report, be sure to dispute the inaccurate information with the consumer reporting company. To learn more about this right, see How to Dispute Credit Report Errors.

The FTC works for the consumer to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261.

The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

How Credit Scores Work & Score Calculations

How Credit Scores work, how a score is calculated

Ever wonder why you can go online and be approved for credit within 60 seconds? Or get pre-qualified for a car without anyone even asking you how much money you make? Or why you get one interest rate on loans, while your neighbor gets another?

The answer is credit scoring.

Your credit score is a number generated by a mathematical algorithm -- a formula -- based on information in your credit report, compared to information on tens of millions of other people. The resulting number is a highly accurate prediction of how likely you are to pay your bills.

If it sounds arcane and unimportant, you couldn't be more wrong. Credit scores are used extensively, and if you've gotten a mortgage, a car loan, a credit card or auto insurance, the rate you received was directly related to your credit score. The higher the number, the better you look to lenders. People with the highest scores get the lowest interest rates.

Scoring categories

Lenders can use one of many different credit-scoring models to determine if you are creditworthy. Different models can produce different scores. However, lenders use some scoring models more than others. The FICO score is one such popular scoring method.

Its scale runs from 300 to 850. The vast majority of people will have scores between 600 and 800. A score of 720 or higher will get you the most favorable interest rates on a mortgage, according to data from Fair Isaac Corp., a California-based company that developed the first credit score as well as the FICO score.

Fair Isaac reports that the American public's credit scores break out along these lines:

Credit score	Percentage
499 and below	2 percent
500-549	5 percent
550-599	8 percent
600-649	12 percent
650-699	15 percent
700-749	18 percent
750-799	27 percent
800 and above	13 percent

Currently, each of the three major credit bureaus uses their own version of the FICO scoring method -- Equifax has the BEACON score, Experian has the Experian/Fair Isaac Risk Model and TransUnion has the EMPIRICA score. The three versions can come up with varying scores because they use different algorithms. (Variance can also occur because of differences in data contained in different credit reports.)

That could change, depending on whether a new credit-scoring model catches on. It's called the VantageScore. Equifax, Experian and TransUnion collaborated on its development and will all use the same algorithm to compute the score. Consumers can order their VantageScores online at Experian's Web site for $6.

Its scoring range runs from 501 to 990 with a corresponding letter grade from A to F. So, a score of 501 to 600 would receive an F, while a score of 901 to 990 would receive an A. Just like in school, A is the best grade you can get.

What's the big deal?

No matter which scoring model lenders use, it pays to have a great credit score. Your credit score affects whether you get credit or not, and how high your interest rate will be. A better score can lower your interest rate.

The difference in the interest rates offered to a person with a score of 520 and a person with a 720 score is 4.36 percentage points, according to Fair Isaac's Web site. On a $100,000, 30-year mortgage, that difference would cost more than $110,325 extra in interest charges, according to Bankrate.com's mortgage calculator. The difference in the monthly payment alone would be about $307.

Powerful little number

If you rented an apartment, got braces, bought cell phone service, applied for a job that involved handling a lot of money, or needed to get utilities connected, there's a good chance your score was pulled.

If you have an existing credit card, the issuer is likely to look at your credit score to decide whether to increase your credit line -- or charge you a higher interest rate, according to a credit scoring study by the Consumer Federation of America and the National Credit Reporting Association.

Buying a car? Most car dealers want to know your credit score when you walk in the door, says Bob Kurilko, vice president of product development and marketing for Edmunds.com, an online consumer resource for automotive issues. "They want to know how they can put a loan together for you."

The score has made it easier for many people to get credit, Kurilko says.

Before, it was up to individual lending institutions to come up with their own criteria, he says. "They would hedge their risk and tend to go conservatively. It's opened up lending to a lot more people."

Consumers' Rights

Until recently, many Americans didn't even know this number existed because it was a closely guarded secret in the lending industry. In fact, lenders were prohibited from telling borrowers their credit score. The line of reasoning: The number was the result of analyzing complex financial data that the layperson would have difficulty understanding.

Plus, if people knew their score (according to the industry mindset at the time), they might be able to change their behavior to manipulate the score and throw off the whole model, rendering it useless.

All that changed a few years ago, when consumers began finding out about the score and demanding to see it. In an unprecedented move in 2000, online lender E-Loan offered to give consumers their scores for free, with information explaining how the score is calculated and how they might improve it.

Fair Isaac responded by cutting E-Loan off from its source of credit reports, effectively crippling its ability to lend money. E-Loan stopped giving away credit scores.

Public outcry on the possibility of people being denied credit based on bad information in credit reports led to several pieces of legislation -- and a much more open attitude about credit scores.

Fast forward to current day: Not only can consumers buy their score online from any number of sources, but everyone is entitled to a free copy of their credit report every 12 months from each of the three major credit bureaus -- Equifax, Experian and TransUnion.

The program rolled out across the nation one geographical region at a time with all consumers eligible on Sept. 1, 2005.

Key Factors & Non Factors in Your Score

Key factors of your Credit Score

Just what goes into the score? Everything in your credit report, with different kinds of information carrying differing weights, says Fair Isaac Corp. Public Affairs Manager Craig Watts.

The FICO-scoring model looks at more than 20 factors in five categories. (The VantageScore relies on slightly different factors. The Bankrate feature "New Vantage credit score now online" compares the FICO score with VantageScore.)

1. How you pay your bills **(35 percent of the score)**

The most important factor is how you've paid your bills in the past, placing the most emphasis on recent activity. Paying all your bills on time is good. Paying them late on a consistent basis is bad. Having accounts that were sent to collections is worse. Declaring bankruptcy is worst.

2. Amount of money you owe and the amount of available credit **(30 percent)**

The second most important area is your outstanding debt -- how much money you owe on credit cards, car loans, mortgages, home equity lines, etc. Also considered is the total amount of credit you have available.

If you have 10 credit cards that each have $10,000 credit limits, that's $100,000 of available credit. Statistically, people who have a lot of credit available tend to use it, which makes them a less attractive credit risk.

Carrying a lot of debt doesn't necessarily mean you'll have a lower score," Watts says. "It doesn't hurt as much as carrying close to the maximum. People who consistently max out their balances are perceived as riskier. People who never use their credit don't have a track history. People with the highest scores use credit sparingly and keep balances low."

3. Length of credit history **(15 percent)**

The third factor is the length of your credit history. The longer you've had credit -- particularly if it's with the same credit issuers -- the more points you get.

4. Mix of credit **(10 percent)**

The best scores will have a mix of both revolving credit, such as credit cards, and installment credit, such as mortgages and car loans. "Statistically, consumers with a richer variety of experiences are better credit risks," Watts says. "They know how to handle money."

5. New credit applications **(10 percent)**

The final category is your interest in new credit -- how many credit applications you're filling out. The model compensates for people who are rate shopping for the best mortgage or car loan rates. The only time shopping really hurts your score, Watts says, is when you have previous recent credit stumbles, such as late payments or bills sent to collections.

"Then, looking for new credit will be seen as an alarm because statistically, before people declare bankruptcy and default on everything, they look for a life preserver," Watts says. Also, if you have a very young credit file, an inquiry can count for more than if you've had credit for a long time.

What doesn't count in a Credit Score

The scoring model doesn't look at:

- age
- race
- sex
- job or length of employment at your job
- income
- education
- marital status
- whether you've been turned down for credit
- length of time at your current address
- whether you own a home or rent
- information not contained in your credit report

A lender may consider all those factors when deciding whether to approve a loan application, but they aren't part of how a FICO score is calculated, Watts says.

Credit Scores are not perfect

The major drawback to credit scoring is that it relies on information in your credit report, which is quite likely to contain errors. That's why it's critical that you check your credit reports annually, or at the very least three to six months before planning to buy a house or a car. That will give you sufficient time to correct errors before a lender pulls your score.

Watts says that the need for accuracy in credit files is one reason why it's good for consumers to learn about credit scores.

"There's a hope that as consumers know about credit reports and scores, they'll do more to correct errors and provide more oversight," he says. "If consumers can police the accuracy of their own reports, everybody gains."

Credit Reports: Facts & Myths

Credit Reports: Facts & Myths

Who has access to a business' scores? Is personal information included? The answers may surprise you.

How much do you know about business credit reporting in general and your small firm's credit report and score in particular?

Take this true-or-false quiz to gauge your business credit intelligence. You may be surprised by what you learn.

If you're in business, you have a commercial credit score.

False.

Unless you have bankers or vendors that report your business' payment history to a credit reporting company, you may not have a business credit file. The credit reporting companies also need what they call demographic information to generate credit reports and scores. That includes how long the business has been around, the number of employees and revenue. Some credit reporting companies rely on self-reported information. Others get the information from third parties. Some combine data from both sources.

To build your business credit history, you can ask your business creditors to report your payment history. Some credit reporting agencies will share with you the names of potential suppliers that report to them.

A sole proprietorship or business partnership will not have a business credit report or score separate from the principals' personal credit reports and scores.

False.

Although sole proprietors and partners are not considered separate legal entities from their businesses, they can build a separate business credit history by, for example, opening a credit card account in the name of their business and paying on time. Some credit reporting companies also offer a business credit report and score based on a look at a blend of the principal's consumer credit and the company's business credit history. The information is analyzed based on how it relates to the risk that the business will be seriously delinquent on its bills.

Access to my business credit report is restricted.

False.

Under the Fair Credit Reporting Act, a personal credit report is accessible only to those with so-called permissible purpose. Your business credit report is not provided that protection. It generally is available to any qualified entity that wants to buy it. Each reporting company has its own rules governing to whom it will sell a business credit report.

Business credit scores are calculated on a different scale from personal credit scores.

True.

And each business credit reporting company has its own scale. The Equifax Small Business Credit Risk Score for Suppliers, for example, is figured on a scale of 101 to 816, with a lower score indicating a higher risk for serious delinquency. Experian's business credit scores are figured on a 100-point scale. The most commonly used personal credit score, the FICO score (for Fair Isaac Corp., which developed the scoring technique), ranges from 300 to 850, with 680 or higher a very good score.

My business credit score includes my personal credit information.

False.

Credit reporting companies, are prevented by law from mingling personal and business credit information on a single report. Many, though, do offer reports and scores based on data from the consumer and business sides of your financial affairs.

I should request a copy of my business credit report at least once a year, just as I do for my personal credit report, to check for errors or identity theft. It's free.

True and **False.**

Though it is important to check your business credit report regularly, you'll have to pay to do so. The cost depends upon the credit reporting bureau you are dealing with and the amount of detail you want. Federal law requires credit reporting firms to give one free personal credit report a year to each individual who asks for one.

My small business has a single business credit score.

False.

There are three major credit reporting companies – Dun & Bradstreet, Equifax and Experian. Each may compile its own report & score on your business. There are smaller credit reporting firms, some of which specialize in certain industries, such as shipping.

If I'm not in the market for a business loan, I don't need to worry about my business credit report or score.

False.

Even more so than a consumer, a small business can have a wide variety of potential parties interested in its credit strength. In addition to a traditional bank, there may be new and existing suppliers and customers, landlords, equipment lessors, business partners and even employees who want to know about your small firm's credit standing and the relevant public filings that credit reports often include, such as bankruptcy status, liens and judgments. Most of their decisions will have a direct effect on your bottom line. You'll get the loan or not. You'll pay a lower or higher interest rate. Your vendor will give you more or less time to pay.

There's no harm in using my personal credit score to apply for business credit.

False.

Although most start-ups have to rely on the owners' personal credit scores to get credit, it is smart to build a separate business credit history as soon as possible, some experts say. Otherwise, an owner's personal score could be hurt by the often more frequent credit inquiries and higher credit balances that a small business racks up.

Business credit decisions are made using the same highly automated processes by which most consumer credit decisions are made.

False.

Using business credit scores is not the highly automated process it is in the consumer credit arena. A business credit grantor may be more likely to take into account your character and other intangibles in deciding whether to issue you credit.

Check your score

Don't wait until you need credit to find out that your information is negative, erroneous, out of date or missing.

Boosting your business credit score is not rocket science. As with your personal credit score, it mostly comes down to paying your financial obligations on time. So spend wisely this holiday season.

Credit History for Your Business

A Credit History can keep a lid on doubt

Having a commercial score can help a firm build credibility with clients and vendors.

Graphic artist and advertising specialist David Kessler had a brainstorm while staring at the white surfaces in his apartment laundry room, waiting for the spin cycle to end.

"I'm looking at a sea of white and all of a sudden said, 'Oh my God! These could have ads all over them.' "

It took two years to build a database of laundromat owners that his company could sell advertising to for display on machines, but Kessler is convinced that Laundromedia Inc. of West Los Angeles is perched to clean up. Still, the process would have been smoother if Kessler had been aware of the need for a separate business credit report when he was trying to sign up his first vendor, a printing company.

"Even though I had formed this company, incorporated of course, to protect my personal assets and credit, [the deal] was still contingent on my personal credit history," Kessler said.

Next time, the company will be prepared to ask to be considered on the strength of its own credit, he said. That will be easier now that the business received its first payment from its first client, CBS Corp., on Friday. The media giant advertised its new series "The Big Bang Theory" on a colorful ad splashed across the fronts of four washing machines in five laundromats.

"The company will have its own credit history, starting today," Kessler said.

Bringing up the subject of your small-business credit score during the holidays may seem Scrooge-like, but the season of spending is probably a good time to keep tabs on that vital number.

Just like your personal credit score, your commercial credit score can take a hit if you rack up more year-end bills than your business will be able to pay on time. Yet many small-business owners are unaware that credit reporting companies may keep separate tabs on the spending habits of their enterprise.

Unlike the widespread awareness of personal credit scores and their roles in important financial events such as getting a loan and landing a job, knowledge of small-business credit tracking and its use is still growing.

"It's early in the learning curve," said Marc Kirshbaum, president of the Business Information Solutions group at the Costa Mesa office of Experian, one of the three major credit-reporting companies. New small-business owner Ronnie Shugar is also learning lessons about the importance of business credit.

Self-financed, his Sherman Oaks-based Da Vinci Pharmaceuticals didn't need bank loans to launch its Simply Gargle product last year. But Wal-Mart Stores Inc. and the other large retailers that signed on this year -- and that will help push annual sales to an expected $4 million -- required a check of his business credit history before ordering any of the four gargle formulas that retail for $6.99 a dozen.

"They want to make sure if they give you orders you are not going to fold, that you'll be able to fill them," Shugar said.

Even the freight companies the retailers work with based his shipping rates on his business credit score, Shugar said. Most used Dun & Bradstreet, the long-standing giant in commercial credit reporting.

Today a small-business owner can't assume that a D&B report is the only source to which a potential creditor will turn. In recent years, major players in the world of consumer credit, including Experian and Equifax Inc., have entered the small-business credit arena.

Credit rating companies used to overlook small businesses because they come and go more quickly than large, stable businesses, tend to deal with smaller suppliers who might not report their payment history, and don't typically have formal credit managers to work with credit reporting firms.

Experian, for example, has collected consumer credit information for a century and got into business credit in the 1970s. But it's been only in recent years, as technology has made it easier to find and compile useful data on the multitude of small businesses, that the company, based in Dublin, Ireland, has begun to pay closer attention to that area.

Experian's efforts, and those of the other major credit reporting bureaus such as Equifax of Atlanta, have been driven in part by the expanding number of companies that are targeting the small-business market.

Equifax too has boosted its small-business data and products in the last several years.

Last week, Equifax announced an extension through 2012 of its contract to manage the 6-year-old Small Business Financial Exchange it runs, and supplies data to, for large financial services companies and leasing companies.

Experian recently launched a separate site, at www.businesscreditfacts.com, to teach small-business owners about business credit reports and scores.

And this week the company unveiled a business-credit product that packages contractors' credit information with public information on the status of their licenses, bonds and insurance. The service is free this month.

Experian released a study last year showing that taking into account both the personal credit history of a small-business owner and the firm's commercial credit strength gave a more accurate idea of the risk that the firm would be significantly late paying its bills.

Though the trend to boost and package their growing hoard of small-business data in new ways may help the credit reporting companies sell more credit reports, it also underscores the need for a small-business owner to get up to speed on the subject.

Obtaining Your Credit Score

Here are recommended places you can get your Credit Scores:

Source	Cost	Description	Score range
ANNUAL CREDIT REPORT SERVICE Congress recently established this outlet to make it easier for consumers to get their credit reports and credit scores from the three national credit reporting agencies. **Web:**www.annualcreditreport.com **Phone:** 1 877 322 8228 **U.S. Mail:** Annual Credit Report Request Service P. O. Box 105281 Atlanta, GA 30348-5281	The price for credit scores is being determined by the Federal Trade Commission Credit Reports and Scoring. One free credit report per year from each credit reporting agency.	Each credit reporting agency offers a different type of credit score to consumers.	FICO score via: Equifax 300-850 Experian score 330-830 TransUnion score 150-934
MYFICO.COM The consumer Internet site of Fair Isaac Corporation which developed the FICO score. **Web:** www.myfico.com	$14.95 for one FICO score and credit report. $44.85 for all three FICO scores and credit reports from the three credit reporting agencies (2005 pricing).	This score is most often used by lenders. It lets you see how prospective lenders would evaluate your credit history.	FICO score from Equifax, Experian and/or Trans Union 300-850

INDIVIDUAL CREDIT REPORTING AGENCIES: Equifax **Web:** www.equifax.com **Phone:** 1 800 685 1111 Experian **Web:** www.experian.com **Phone:** 1 866 200 6020 TransUnion **Web:** www.transunion.com **Phone:** 1 800-888-4213	Prices for credit scores with credit reports vary from $14.95 to $34.95 (2005 pricing).	Each credit reporting agency offers a different type of credit score to consumers.	FICO score via: Equifax 300-850 Experian score 330-830 TransUnion score 150-934
MORTGAGE LENDERS	Credit Score is free when applying for mortgage or home equity loan.	This score will likely be the actual score used to evaluate your application. Ask your lender to be sure.	FICO score from Equifax, Experian or Trans Union 300-850

Want Examples?

Meet Vera, A Single Mother

Behavior of action	Change in score	Vera's current FICO score
March 2004 Vera and husband Dave have been married for 10 years. They have one daughter April, age 4. Financially they are making payments on time for two car loans, one mortgage and four credit cards which have low balances. But sadly, their marriage has deteriorated and they agree to divorce. In the settlement Vera retains custody of April. Dave takes one of the cars and responsibility for its loan. He also takes two of their four credit cards, and agrees to pay 50 percent of the monthly mortgage payments.	**---**	**780**
May Dave struggles financially following the divorce and runs up his two credit cards to nearly their limit. Vera doesn't realize her name is still on the card accounts Dave is using.	**-80**	**700**
July Dave continues to struggle and misses payments on both cards. Both cards still are nearly maxed out.	**-100**	**600**
August Vera gets a call from her bank about the missed payments. Once she understands what has happened, she contacts Dave and asks him to roll over the balances on both cards to a new card that he opens in his name only, which he does. Paying off the two accounts improves her score.	**+80**	**680**

February 2005 Vera continues to manage her money carefully, paying her bills on time and keeping her two card balances low. Meanwhile the two missed payments get older on her credit file and have less impact to her score. Dave lands a better job and makes his part of the mortgage payments on time.	**+40**	**720**
March Vera's car breaks down. Since she relies on it to get to work and to take April to preschool, she has no choice but to have it repaired. To pay the garage she maxes out one of her credit cards.	**-80**	**640**
April Since Vera needs a reliable car, she asks her bank about auto loan rates. They tell her that her credit score is too low to qualify her for their best rate. Since money is tight, she waits to buy a car.	**---**	**640**
July Vera has steadily paid down her high credit card balance and monitored her score. When her score has improved, Vera applies and is approved for an excellent rate on an auto loan. She buys a used car and feels good about how she has managed her credit.	**+40**	**680**

Now Meet Don and Doris

Behavior of action	Change in score	Don and Doris's current FICO score
March 2004 Don and Doris are married and in their 50s. They have twin sons who graduated from college a year ago, have good jobs and live in different states. Don and Doris have been managing their money carefully for 30 years. They are making payments on a mortgage, three credit cards with large balances, and a $50,000 bank loan that paid for their sons' college. Now that their sons are on their own financially, Don and Doris focus on paying down their credit card balances by making larger monthly payments and using their cards sparingly.	**---**	**690**
March 2005 After a year of steady payments, their credit card balances are significantly lower. They continue to manage their credit well and haven't opened any new accounts.	**+50**	**740**
June The couple decides to go on an extended vacation, taking leaves of absence from the jobs to so they can tour the U.S. in a motor home. They buy their motor home with help from a new bank loan at a favorable rate, thanks to their good credit scores. But opening the new loan lowers their scores a bit. Since their plans will keep them on the road for three months, they put one of their sons in charge of paying their monthly bills.	**-20**	**720**

September They have a wonderful vacation. When they return, they find they had neglected to tell their son about the bank loan. He didn't open the invoices they received from the bank thinking they were monthly account statements. Now their bank loan payment is 60 days late.	**-75**	**645**
October Doris calls the bank, explains the mix-up and sends in the overdue payments immediately. A couple of weeks later their bank conveys their new account information to the credit reporting agencies, where it is available to influence their credit scores.	**+20**	**665**
April 2006 After six more months of on-time payments, their credit scores have steadily improved. Although the late payment will remain on their credit reports for seven years, it will impact their scores less as time passes. Don and Doris are on track once again to regain their good FICO credit scores in the 700s.	**+30**	**695**
* Don and Doris have separate FICO score, but in this example, they would rise and fall together.		

Helpful Tips

1. When you get your credit scores, make sure you also learn the highest and lowest scores possible, as well as the most important factors that influenced your scores. These factors can give you an idea of how you can improve your scores.
2. Getting your own credit scores or credit reports won't affect your scores, as long as you order them from one of the sources we list here.
3. Review your credit reports for accuracy. Mistakes and omissions on your credit reports probably will affect your scores. If you spot errors, contact the credit reporting agency and the creditor whose information is wrong.

Boosting Your Credit Score

Boosting Your Credit Scores

Your credit scores change when new information is reported by your creditors. So your scores will improve over time when you manage your credit responsibly.

Here are some general ways to improve your credit scores:

- **Pay your bills on time.** Delinquent payments and collections can really hurt your score.
- **Keep balances low on credit cards.** High debt levels can hurt your score.
- **Pay off debt rather than moving it between credit cards.** The most effective way to improve your score in this area is to pay down your revolving credit.
- **Apply for and open new credit accounts only when you need them.**
- **Check your credit report regularly for accuracy** and contact the creditor and credit reporting agency to correct any errors.
- **If you have missed payments, get current and stay current.** The longer you pay your bills on time, the better your score.

Improving your credit scores can help you:
• Lower your interest rates • Speed up credit approvals • Reduce deposits required by utilities • Get approved for apartments • Get better credit card, auto loan and mortgage offers

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Credit Scoring Reliability & Being Denied Credit

Disputing a listing with the Original Creditor

Note: When you write the Original Creditor to dispute a listing, you are asking for an INVESTIGATION, not verification. Under the laws, the OC's are NOT required to verify an account.

Did you know that the new credit laws (Ok, the law which passed in Dec 2003) contains some pretty powerful new tools for you to use in your fight to clean up your credit? A big one is the ability of you to ***dispute negative listings with the Original Creditor*** .(the O.C.)

Why is this a big deal? You think to yourself that "Hey, the Original Creditor must have great records, they will be able to show me proof in a heartbeat, right? ***Wrong.*** There are a few O.C.'s who keep decent records, but ***most credit card companies only keep records for 13-18 months.*** And if that's the case...and if you have lates on your credit report prior to this period...they won't be able to prove you were late...and they need to remove negative information if they can't prove it, per the law.

With all of the bank consolidations that have happened in recent years, many of the credit card and some other mortgage lending companies haven't been good about keeping their acquisition's records in the best of shape. As an information technologist who specializes in databases, I know it costs LOTS of money to import data from one system to another. Apparently, there are many companies who didn't spend the money.

This is not speculation. I've talked to many clients who have placed calls to their O.C.s, and ***the companies have NO RECORDS at all*** for them, let alone records of specific late payments, yet these O.C.s continue to report negative information on my client's credit reports. This is illegal!

While case law has established for the past few years that the Original Creditor **(O.C.)** can be held liable for reporting inaccurate information (Richardson vs. Fleet, Nelson vs. Chase Manhattan), the FACTA legislation passed recently allows the consumer to go directly to the original creditor and dispute information which the original creditor (called the information furnisher) in the FCRA, has supplied to the credit bureaus.

However before disputing with the original creditor, the **CONSUMER MUST HAVE DISPUTED WITH THE CREDIT BUREAUS** first. We'll see why later.

Again, when you write the Original creditor, you are asking for an INVESTIGATION, not verification. Under the laws, the OC's are not required to verify an account, only to conduct an investigation. I agree that these are legal fine hairs, but if you want them to act, you have to invoke the right laws. O.C.'s are NOT required by law to "verify" anything.

What this all means

Basically, you can dispute information placed on your credit report by an O.C. in the same way as you would with a credit bureau. An original creditor must:

- Conduct an investigation of the dispute
- review all information provided by the consumer relating to the dispute
- Respond within 30 days to the investigation
- If the information is inaccurate, they must notify the credit bureaus of the mistake and tell the credit bureau to correct it.

However, the O.C. also can determine that the dispute is frivolous just like a credit bureau can. Reasons an O.C. can determine a dispute is frivolous:

- You just disputed the same thing without changing the reason for the dispute
- You haven't provided enough information for the O.C. to conduct an investigation. At the minimum, you need to identify the account by account number and provide a reason why you are disputing.

If O.C. DOES determine the dispute is frivolous they MUST notify you in writing by any other means available to the person within 5 days.

If the O.C. fails to comply

If the O.C. fails to comply with your dispute, they are in violation of the FCRA, but you can't sue them unless you have disputed with the Credit Bureaus ***FIRST***.

Disputing with the credit bureau FIRST is not something you can shortcut or forget. In order to place the liability of reporting accurately squarely on the shoulders of the O.C., you must have disputed the listing with the credit bureaus. This means you have either online, via the telephone or in writing, disputed a listing with the credit bureaus and then WAITED FOR THE RESULTS OF THE INVESTIGATION.

Here is the law which enforces the fact that you must dispute with the credit bureau first:

> § 623. (c) LIMITATION ON LIABILITY- Except as provided in section 621(c)(1)(B), sections 616 and 617 do not apply to any violation of--
>
> > (1) subsection (a) of this section, including any regulations issued thereunder;
> >
> > (2) subsection (e) of this section, except that nothing in this paragraph shall limit, expand, or otherwise affect liability under section 616 or 617, as applicable, for violations of subsection (b) of this section;

Sections 616 and 617 of the FCRA talk about how much the fines are for violations of the FCRA (the willful and negligent non compliance), typically $1000.

What the above section of the FCRA § 623. (c) means is that if you dispute with the original creditors first, ***without having disputing through the credit bureaus***, and they refuse to answer you, or provide you with proof, yes, they are in violation of the FCRA, but you as a private citizen cannot take them to court and sue them; only your state authorities (like your state attorney general) or federal authorities (like the FTC) can sue them.

However, if you have disputed the information with **the credit bureaus FIRST**, they are supposed to have talked to the original creditor, even though we know that doesn't happen, and the original creditor is supposed to have at that time conducted an investigation, under FCRA § 623 (b), under which you, as a private citizen CAN sue them. When you go to the original creditor under FCRA § 623 (a)(8), you are just merely asking for the O.C.'s proof that they must have (hear the sarcasm in my voice here) provided to the credit bureaus during the O.C.'s thorough (there's that sarcasm again) investigation. If they have no proof of negative information, but the credit bureau says that the results of the investigation show the negative information is accurate, then you have the O.C. on an actionable, sueable (by you) offense.

Once again, YOU MUST DISPUTE WITH THE CREDIT BUREAUS FIRST!! Have we said this often enough??

All right, now that you've gotten this straight - what is the exact procedure when you want to dispute things with the original creditor? The steps are:

1. Dispute the listing with the credit bureau
2. Wait for the results of the investigation.
3. If the listing is deleted or modified per your desires, you're done!
4. If the listing comes back as "verified" or not cleaned up sufficiently to your tastes, write the Original Creditor a letter to request an investigation.

One more time: When you write the Original creditor, you are asking for an INVESTIGATION, not verification.

US Government Doing Anything to Help Americans?

Is the US Government doing anything to help Americans?

UPDATE: US Senators Pressure Card Companies On Use Of Credit Scores

WASHINGTON -(Dow Jones)- Members of a U.S. Senate subcommittee Tuesday assailed credit card companies' practices of arbitrarily using credit scores to increase interest rates paid by cardholders, threatening to pass legislation if companies don't act on their own accord.

"To me, if a person meets their credit card obligations to a credit card issuer and pays their bills on time, it is simply unfair for that credit card issuer to raise their interest rates," said Senate Investigations Subcommittee Chairman Carl Levin, D-Mich.

U.S. Sen. Norm Coleman, R-Minn., warned company representatives from Discover Financial Services (DFS) and Bank of America Card Services that "more needs to be done." Specifically, companies must combat "the public's impression that issuers design hair-trigger default rules, out-of-the-blue interest rate hikes, and stingy cure policies that entangle unsuspecting consumers."

The comments came at a hearing to discuss a panel investigation into credit card company practices.

The panel found that two of the nation's top-five credit card companies automatically increase cardholder interest rates when their credit scores drop.

According to the panel's report, Bank of America (BAC) and Discover monitor credit reports and use "universal default" clauses in customer contracts to justify raising interest rates, even for customers with a good payment history.

Executives from both companies sought to defend themselves and draw a distinction between their practices and the panel's findings. Bruce Hammonds, president of Bank of America Card Services, said a cardholder's credit score was just one of a number of factors the company considers as part of its risk-based pricing model.

"Such behaviors include their performance with us - making only minimum payments for a long time or taking large cash advances - and off-us behavior - like poor payment history, taking out numerous loans, using substantially all of the credit available to them, or defaulting on loans with other lenders," Hammonds said in his testimony.

The parsing didn't sit well with Levin. He pressed both Hammonds and Roger Hochschild, president and chief operating officer at Discover Financial Services, on whether a borrower's credit score could be the sole factor in a company increasing their interest rate.

After a terse exchange with Levin, Hochschild said an adverse credit score, " working through the model," could be the reason for an increase in rates. Hammonds allowed that it could be a "major" factor, but that it was all tied to the model used by the company and that such repricing wasn't automatic.

After the hearing, Levin said the companies' reluctance to answer the questions was "troubling."

"It shouldn't take asking a question 10 times to get the answer but sometimes it does," Levin said.

Levin said the investigation also found many interest rate decisions are made by computers as part of an unpredictable automated process. He compared the process to a "black box" and said few cardholders can easily understand why their interest rate had changed.

"Even for those who do make that connection, the investigation has found that it is difficult to look at the person's credit report and identify what factors caused their score to drop," Levin said.

Credit card executives defended the idea of pricing their products based on a consumer's risk profile.

"A flexible pricing structure is an essential tool in the safe and sound underwriting of open-ended unsecured credit products," Ryan Schneider, president of Capital One Financial's (COF) credit card business, said in prepared remarks.

Schneider said Capital One has adopted a single repricing policy for all customers that allows customers two late payments before the company will increase the annual percentage rate on their account. Additionally, Schneider defended the company's practice of passing along its borrowing costs.

"When economic conditions require us to make changes to the terms of our customer's accounts, we have already chosen to adopt the Federal Reserve's 45- day advance notice period," Schneider said.

Hammonds said increasing a cardholder's interest rate can also encourage borrower's to more wisely use credit.

"Experience shows that many customers who are re-priced often adopt better card management practices," Hammonds said.

Lawmakers have been putting pressure on credit card companies to change practices considered unfair, to some effect. Both Citigroup Inc. (C) and Chase Card Services announced in March and November, respectively, that they would no longer use credit scores to "re-price" customer interest rates during a card's term.

Levin introduced legislation earlier this year that would restrict companies from applying interest rate increases retroactively to existing credit card debt. U.S. Sen. Claire McCaskill, D-Mo., said Tuesday that if card companies do not act on their own behalf, "I'm confident that we will force it upon (them)."

Beyond specific industry practices, lawmakers also expressed concern that the issues surrounding credit card debt could hurt the broader economy. Citing the current debacle in the mortgage markets, McCaskill said credit card debt could also roil the credit markets.

"I am afraid we are not preparing for what could be the next subprime disaster," McCaskill said.

Coleman agreed.

"While credit card debt may seem like a very personal problem, it clearly has implications for the entire nation, and we should make no mistake: the credit crunch is very real," Coleman said.

-By Michael R. Crittenden, Dow Jones Newswires.

Looking For Credit or Financial Help?

Financial Advisors can play an integral part in helping your financial situation get better. Whether you are looking for help with your Investment Portfolio, such as your 401k, 401k Rollover, IRA, Inheritance or are interested in Financial Planning, you may need to look for advice from a Financial Advisor.

Since 1996, James Wigen, Managing Director for WHI Financial Services, LLC located in the Miami area, has been a Financial Advisor and Portfolio Manager. Since 1998, James has taught Investment & Financial Planning Classes, Real Estate Classes & Understanding Your Credit Score classes through University and Community College Continuing Education Departments.

If you would like to learn more about how James or WHI Financial Services, LLC can help you with your credit or financial concerns, you can visit, www.JamesWigen.com, email him at info@JamesWigen.com or call him at 1-855-546-9443.

Sample Letters

Examples of Sample Letters to Creditors

CEASE and DESIST COLLECTION EFFORTS

ABC Collections
123 Anywhere St.
City, State, Zip

Date:

RE: Account 12345

Dear Sir or Madam:

I request that you CEASE and DESIST in your efforts to collect on the above referenced account (SEE letter attached). It is my personal policy not to deal with collection agencies and I will only deal with the original creditor of this account.

You are hereby instructed to cease collection efforts immediately or face legal sanctions under applicable Federal and State law.

GIVE THIS LETTER THE IMMEDIATE ATTENTION IT DESERVES

Sincerely,

Your Name

The following is a "Good Will Sample letter requesting a creditor to remove a late payment because you've been a good customer.

Company name Date:
Address

Re: Acct # XXXX-XXXX-XXXX-XXXX

Dear CEO name,

I am writing to you today regarding my credit card account #4236-XXXX-XXXX-XXXX which I had while I was a medical student at ------------------------------------. The purpose of my correspondence is to see if you would be willing to make a "goodwill" adjustment on the reporting of this account to the three credit agencies.

During the time period this account was established I had was very happy with the service, I was however not the ideal customer and made mistakes with my handling of the account. I should have kept better records regarding the account and I take full responsibility. I became aware of the unpaid balance when I got a copy of my credit report in June of 2006.

I know that payment was my responsibility and I am not attempting to justify this breach of my user agreement, I was however hoping you might review the circumstances under which this non-payment occurred and consider removing the negative trade line associated with this account from my three credit reports.

As soon as I became aware of the balance I contacted ---------------- and paid the balance in full. I provide this not to justify why the account was unpaid, but rather to show that the issue with ----------- is not a good indicator of my actual credit worthiness. I hope that --------------- is willing to work with me on erasing this mark from my credit reports.

I would like to STRESS that the information currently being reported IS accurate, (I am not disputing anything with ---------------). I am simply asking -------------for a courtesy gesture of goodwill in having the credit bureaus remove this account from my report. I do recognize that this request is unique and that it may not be ------------- normal policy. Please consider that the Fair Credit Reporting Act does not demand that all accounts be reported, only that any account that is reported be reported accurately. Therefore, a company does have legal discretion and permission to remove any account it chooses from the credit report. I'm hoping that ------------- will do that in my case for this account.

Your kind consideration in this matter is greatly appreciated.

Thank You for your consideration.

Your Name

Prepare letters to each inquiring creditor asking them to remove their inquiry. The *Fair Credit Reporting Act* allows only authorized inquiries to appear on the consumer credit

report. You must challenge whether the inquiring creditor had proper authorization to pull your credit file.
Re: Unauthorized Credit Inquiry

Dear Credit Card Company,

I recently received a copy of my TRW credit report. The credit report showed a credit inquiry by your company that I do not recall authorizing. I understand that you shouldn't be allowed to put an inquiry on my file unless I have authorized it. Please have this inquiry removed from my credit file because it is making it very difficult for me to acquire credit.

I have sent this letter certified mail because I need your prompt response to this issue. Please be so kind as to forward me documentation that you have had the unauthorized inquiry removed.

If you find that I am remiss, and you did have my authorization to inquire into my credit report, then please send me proof of this.

Thanking you in advance,

The following is a sample letter requesting a collection agency to validate that they owe you a debt.

Attempt to Validate Debt.

Under the Federal Debt Collection Practices Act, you are allowed to challenge the validity of a debt that a collection agency states you owe to them. Use this letter and the following form to make the agency verify that the debt is actually yours and owed by you. Keep a copy for your files and send the letter registered mail.

Your Name
123 Your Street Address
Your City, ST 01234

ABC Collections
123 Anywhere St.
City, State, Zip

Date:

Re: Acct # XXXX-XXXX-XXXX-XXXX

To Whom It May Concern:

This letter is being sent to you in response to a notice sent to me on September 30, 2002). Be advised that this is not a refusal to pay, but a notice sent pursuant to the Fair Debt Collection Practices Act, 15 USC 1692g Sec. 809 (b) that your claim is disputed and validation is requested.

This is NOT a request for "verification" or proof of my mailing address, but a request for VALIDATION made pursuant to the above named Title and Section. I respectfully request that your offices provide me with competent evidence that I have any legal obligation to pay you.

Please provide me with the following:

- What the money you say I owe is for;
- Explain and show me how you calculated what you say I owe;
- Provide me with copies of any papers that show I agreed to pay what you say I owe;
- Provide a verification or copy of any judgment if applicable;
- Identify the original creditor;
- Prove the Statute of Limitations has not expired on this account
- Show me that you are licensed to collect in my state
- Provide me with your license numbers and Registered Agent

At this time I will also inform you that if your offices have reported invalidated information to any of the 3 major Credit Bureau's (Equifax, Experian or TransUnion) this action might constitute fraud under both Federal and State Laws. Due to this fact, if anynegative mark is found on any of my credit reports by your company or the company that you represent I will not hesitate in bringing legal action against you for the following:

- Violation of the Fair Credit Reporting Act
- Violation of the Fair Debt Collection Practices Act
- Defamation of Character

If your offices are able to provide the proper documentation as requested in the following Declaration, I will require at least 30 days to investigate this information and during such time all collection activity must cease and desist.

Also during this validation period, if any action is taken which could be considered detrimental to any of my credit reports, I will consult with my legal counsel for suit. This includes any listing any information to a credit reporting repository that could be inaccurate or invalidated or verifying an account as accurate when in fact there is no provided proof that it is.

If your offices fail to respond to this validation request within 30 days from the date of your receipt, all references to this account must be deleted and completely removed from my credit file and a copy of such deletion request shall be sent to me immediately.

I would also like to request, in writing, that no telephone contact be made by your offices to my home or to my place of employment. If your offices attempt telephone communication with me, including but not limited to computer generated calls and calls or correspondence sent to or with any third parties, it will be considered harassment and I will have no choice but to file suit. All future communications with me MUST be done in writing and sent to the address noted in this letter by USPS.

It would be advisable that you assure that your records are in order before I am forced to take legal action. This is an attempt to correct your records, any information obtained shall be used for that purpose.

Best Regards,

Your Signature
Your Name