

Protecting Your Credit

Your credit worthiness; that is, the willingness of lenders and sellers to extend credit to you, is important. If you are like most people, you may not have enough ready cash to immediately pay the entire purchase price of large, expensive items, such as a house, a car, a computer, or a set of bedroom furniture. To buy these items, you need credit, a commitment by the seller to allow you to make monthly installment payments, usually with interest, over a period of time. Landlords and prospective employers may also require a credit check, and your credit history can affect your security clearance. The point is, good credit is an important asset and should be protected.

Credit Reports. Your credit worthiness, in large measure, is based on information contained in the reports of large credit reporting agencies (CRAs), such as Equifax or TRW Credit Data. Insurers, employers and sellers turn to these corporations for information in connection with proposed business transactions. Who has access to this information? What can you do about mistakes or adverse information? The Federal Fair Credit Reporting Act (15 USC 1681) addresses these questions.

Business access to your credit report. Essentially, the CRA may release a credit report in three cases:

- When required to do so by court order or grand jury subpoena,.
- With the consent of the consumer to whom the report relates, and
- To persons whom the CRA has reason to believe will use the report for employment purposes, credit transactions, insurance transactions, or to fulfill some other authorized, legitimate business need.

Access to your own credit report. On request, the CRA must provide you with a summary of your credit report and the identities of those who have received the report within the last two years for employment purposes or the last six months for other purposes. If information in the report results in adverse action being taken; e.g., denial of credit, the user of the report is required to inform the consumer.

Disputing adverse information. Adverse information in a credit report can be devastating. It can also be incorrect. If you dispute information in a credit report, the CRA must investigate the matter. If the investigation reveals that the information is incorrect or can no longer be verified, the information must be removed. If, even after investigation, the CRA refuses to remove the adverse entries, the CRA must indicate on your report that the information is disputed. Additionally, the consumer may file a rebuttal statement of no more than 100 words, which will be included in the report. After correction of the report or receipt of the rebuttal statement, the CRA must provide, at the consumer's request, an updated report to persons who received the earlier, disputed report.

Disputing accurate information. With some very important exceptions, adverse obsolete information can not be released. Bankruptcies over ten years old and other adverse information over seven years old is considered obsolete. However, even information this old can be included in a consumer report in connection with credit or insurance transaction of \$50,000 or more or an offer of employment at an annual salary of \$20,000 or more.

Credit Repair Services. You may have seen advertisements from companies claiming to be able to fix your credit, suggesting that they can somehow cause adverse information to be removed from your credit report. The fact of the matter is, no one can force a CRA to remove accurate, non-obsolete information. Only time can heal that wound. And if the information is inaccurate, you can dispute it yourself, without paying some one else to do it for you.

As a final thought, it may be worthwhile to check your credit report even if you have never been denied credit. There may still be adverse, inaccurate information in your report, just not serious enough...yet, to cause adverse determinations. The Report of the Senate Committee on Banking, Housing, and Urban Affairs, 28 October 1993 reported that, according to a Consumer's Union study of 57 credit reports, 48 percent contained inaccurate information, 19 percent contained inaccuracies that could affect consumer eligibility for credit, and the Federal Trade Commission received more complaints concerning credit reporting than any other industry.