

SOME IDEAS THAT MAY HELP WITH

How Lenders Make Credit Decisions



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CORRECTING ERRORS ON YOUR CREDIT REPORT

It's a good idea to check your credit reports from time-to-time to make sure all information is accurate. Errors can, and do, occur. A good time to check your reports is before applying for a mortgage, auto or other loan. Correcting errors beforehand will make your loan application process much easier. If you have been denied credit and have not reviewed your credit reports, you should do so to make sure they are accurate. You are entitled to receive a free copy if you were denied credit.

When you find something wrong on your credit bureau report, you have the right to challenge it. Submit your challenge in writing to the credit bureau, briefly explaining the issue. Include copies (not originals) of any documents that support your position. By law, the credit bureau must include this in your file, investigate your complaint (unless they consider it frivolous), and either verify the item in question or remove it from your file. At your request, the credit bureau will send a corrected copy of your report to anyone who received it in the past six months.

Getting copies of your credit reports

By law, you have the right to obtain your credit reports at a reasonable price. To order copies of your credit report, contact each of the three major credit bureaus:

Equifax

P.O. Box 740241
Atlanta, GA 30374-0241
(800) 685-1111
www.econsumer.equifax.com

Experian

P.O. Box 2002
Allen, TX 75013
(888) 397-3742
www.experian.com

Trans Union

760 West Sproul Road
P.O. Box 390
Springfield, PA 19064-0390
(800) 916-8800
www.transunion.com

A copy of your report is free if ordered within 60 days of being turned down for credit. You are also entitled, with certain limitations, to one free report per year. Otherwise, credit bureaus generally charge about \$8.50 per copy.

**How long does
information stay on
your credit report?**

Positive information stays on your credit bureau report indefinitely, although information about an account comes off after about seven years if no new information is added.

Negative information, such as late or inconsistent credit payments, will stay on your credit report for at least seven years, as does public record information such as tax liens and delinquent child support payments. Bankruptcies, foreclosures and judgements can stay on your credit bureau report for up to ten years, and information regarding a criminal conviction has no time limit.

Most inquiries stay on a credit report for up to two years.

**Is your credit
bureau report
private?**

Federal law carefully regulates how credit reports can be used and by whom. Businesses must meet certain requirements before they can access consumer credit information. These requirements usually include:

- Proof of a permissible purpose under federal law
- A background check and on-site inspection of the business
- A current business license
- A signed contract requiring the business to use the data properly

HOW LENDERS MAKE CREDIT DECISIONS

When lenders review a credit application, they look at these three factors:

Credit history	How well you've paid debts in the past.
Current obligations	How much you currently owe each month.
Income and assets	How much you currently earn and own.

Most lenders use computerized scoring systems to rate you on each factor. Your credit score can determine if you will be offered credit, the amount of credit you may be offered, and may even determine how much you will pay for credit (your interest rate and fees). Keep in mind that different lenders have different scoring systems, so if you're turned down by one lender, you might be approved by another.

HOW LENDERS CANNOT MAKE CREDIT DECISIONS

Federal law is very specific about what lenders cannot do. Credit practices are prohibited if they discriminate on the basis of the following factors:

- Race
- Religion
- Sex
- Marital status
- National origin
- Color
- Age (provided the applicant has the understanding and ability to enter into a contract)

WHAT ARE CREDIT BUREAU REPORTS?

Lenders generally don't have the time to personally investigate credit histories. Instead, they rely on credit reports from one of the credit bureaus that collect and sell this information. The three major credit bureaus in the United States are Equifax, Experian and Trans Union.

A credit report is essentially a "report card" on how you have handled credit in the past. Credit reports contain four types of information: identifying information, credit information, public record information and inquiries.

Identifying information

This includes:

- Your name
- Your current and previous addresses
- Your Social Security number
- Your year of birth
- Your current and previous employers
- If you're married, your spouse's name

Credit information

This includes credit accounts or loans you have with:

- Banks, finance companies or credit unions
- Retailers
- Credit card issuers
- Other lenders

Public record information

This includes any information that's contained in state and county court records, such as:

- Bankruptcies
- Tax liens
- Monetary judgments
- Delinquent child support

Credit inquiries

These indicate to other lenders that you have applied for new credit (which could result in additional debt). Potential lenders view multiple recent inquiries on your credit report as a sign that you may be overextending yourself.

ADDRESS AND PHONE
NUMBER OF REPORTING
AGENCY

IDENTIFYING
INFORMATION

CONSUMER
EMPLOYMENT
RECORD

SUMMARY
OF ITEMS IN
CREDIT FILE

PUBLIC RECORD OR
OTHER INFORMATION
Includes information on
any bankruptcy, collec-
tion agency action and
satisfied judgements

INQUIRIES
If there are
any, how
many

EQUIFAX
Changing the Game
of Credit Economics

STATE ISSUED- GA
P O BOX 740241
800/685-1111
FN-238

SSN ISSUED -95
* 001 EQUIFAX CREDIT INFORMATION SERVICES
1150 LAKE HEARN DRIVE STE 460 ATLANTA GA 30374-0241

*CONSUMER, JOHN Q, JR
9412, MAIN, ST ATLANTA, GA, 30302, TAPE RPTD 07/93
TELEPHONE NUMBER
410, ORANGE GROVE, DR, SAN JOSE, CA, 95119, CRT RPTD 07/93
46, KENNEDY DR, DETROIT, MI, DAT RPTD 01/86
***** ALSO KNOWN AS- CONSUMER, ROBERT****
BOS-03/03/49, SSS-900-NO-0000 SSN VER: Y
01 ES-ENGINEER, ACME MFG, ATLANTA, GA, EMP 06/93, VER 03/97
02 EF-ENGINEER, CENTRAL POWER, SAN JOSE, CA, LEFT 05/93
03 E2-ENGINEER, MAJOR MOTORS, DETROIT, MI, LEFT 05/91
*SUM-04/73-07/98, PR/01-YES, FB-NO, ACCTS:10, HCB450-87595, 6-ONES, 1-TWO, 1-THREE,
1-FIVE, 1-OTHER.

***** PUBLIC RECORDS OR OTHER INFORMATION *****
04 07/95 BKPT 111VF116, 95-453657, LIAB\$25600, ASSETS\$10500, EXEMPTS\$100, INDIVID, PE
05 11/97 COLL 04/97 111VC363 ACB COLLECTIONS FOR DR JONES
AMT: \$532 BAL: \$300 PAYMENT DLA: 11/97, 1, 202012
06 05/97 ST JD, 111VC51, \$500, DEF-SUBJECT, 88776, VISA, SATISFIED, 08/97

*INQS-SUBJECT SHOWS 4 INQUIRIES SINCE 05/98
BURDINES 111DC304 06/22/98 HECHT CO 1110C2872 05/15/98
FRIEDMAN'S 111JA105 05/12/98 SUNTRUST 111FM6875 05/11/98

BALANCE
OWED AS OF
REPORTING
DATE

AMOUNT
PAST DUE

(CS) CURRENT STATUS
OF ACCOUNT

(C) TYPE OF ACCOUNT
R=Revolving
O=Open
I=Installment

(S) ACCOUNT STATUS
1=Paid as agreed; current
2=Paid 31 to 60 days late
3=Paid 61 to 90 days late
4=Paid 91 to 120 days late
5=Paid over 120 days late
8=Repossession
9=Bad debt

NAME OF
CREDITOR

SAFESCAN

CREDIT AND MONEY MANAGEMENT INFORMATION

Published by HSBC's Center for Consumer Advocacy
to help consumers with their financial decisions.

For other booklets write to:
HSBC - North America
Center for Consumer Advocacy
2700 Sanders Road
Prospect Heights, IL 60070-2799

Or visit YourCreditCounts.com, HSBC's online guide to
financial and credit information.

