

Financial Decisions

The Cost of Credit

Credit plays an important role in our lives every day. Potential lenders will review your credit to help them decide whether to lend you money, while other companies may review your credit to decide on the pricing of insurance, renting of residential property, and making employment decisions. Therefore, building and maintaining good credit is essential to stay in control of your finances and to achieve your goals.

Credit Reports

Information about you is reported to your credit profile and contains the following:

- Employer information
- Residence
- Payment histories
- The length of time your accounts have been open
- How much credit you've used
- Whether you're seeking new sources of credit
- Judgments (lawsuits, arrests, and bankruptcy actions)

Consumer credit reports are stored in the files of the nation's consumer credit reporting agencies.

Credit Reporting Agencies and Credit Bureaus

There are three nationwide credit reporting agencies which gather consumer information to produce credit reports:

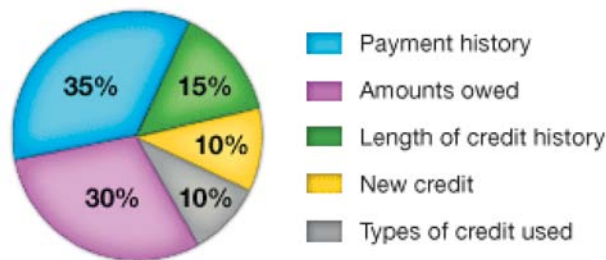
- Equifax
- Experian
- TransUnion

Credit bureaus, on the other hand, do not produce credit reports. They just gather information and hold consumer credit reports in their databases. They include the following:

- LexisNexis
- Westlaw
- ChoicePoint
- eFunds (owner of ChexSystems)

Credit Score

Credit scores are calculated based on information contained in your credit report. Your credit score is a number that helps assess how well you have maintained your past financial obligations. The most widely used credit score is the FICO Score, created by the Fair Isaac Corporation. Your FICO score is calculated by evaluating many types of information. Since each agency gets their information from different sources, you may have one score from each of the three credit reporting agencies. The information is grouped into five categories (payment history, amounts owed, length of credit history, new credit, and types of credit used) as outlined below. The percentages in the chart reflect how important each of the categories is in determining how your FICO Score is calculated. For further information, please log onto www.myfico.com.



FICO credit scores range from 300 to 850. A low score represents poor credit, whereas a score of 850 represents excellent credit.

Your credit score considers both positive and negative information in your credit report, such as the following:

- Number and severity of late payments
- Type, number, and age of accounts
- Total debt
- Public records

To establish a positive credit history and help improve your credit score you should:

- Pay your bills on time.
- Keep balances low on credit cards and revolving lines of credit.
- Limit the amount of new credit.
- Regularly review your credit report to ensure accurate information.

Obtaining a Copy Your Credit Report

It is very important for the information in your credit report to be complete and accurate. In order to do this, you should review your credit report at least once a year for any inaccuracies and omissions. You should also review your credit report to ensure fraudulent activity has not been committed by identity thieves; because even though you didn't make those charges, the inaccurate information could negatively affect your credit.

The Fair Credit Reporting Act (FCRA) requires each of the three nationwide consumer credit reporting agencies (Equifax, Experian, and TransUnion) to give you a free credit report every 12 months. To order your credit report, please visit: www.AnnualCreditReport.com or call 877-322-8228.

Since each credit reporting agency reports consumer information at different times, it is suggested to stagger your requests (order one every four months) to ensure your credit reports contain up-to-date information.

AnnualCreditReport.com is a free, no-obligation service. You will not be required to purchase or subscribe to anything to view your credit report, though you may choose to pay a fee in order to obtain your actual credit score. You can obtain a free "estimate" of your credit score by logging onto: www.bankrate.com/calculators/credit-score-fico-calculator.aspx

You are also entitled to a free credit report if:

- A company takes adverse action against you (denies credit)
- You're unemployed and plan to look for a job within 60 days
- You're on public assistance

- Your report is inaccurate because of fraud, including identity theft

If you are not eligible for a free credit report, you may contact the credit reporting agencies to purchase a copy. The agencies may charge you a reasonable fee for another copy of your report within a 12-month period.

- **Equifax**, 800-685-1111
- **Experian**, 888-397-3742
- **TransUnion**, 800-916-8800

Steps to Take When You Find a Mistake on Your Credit Report

The last thing you want to do is carry someone else's debt, or have outdated negative information reported on your credit report. Under the FCRA, the credit reporting agencies and information providers are responsible for correcting inaccurate or incomplete information in your credit report. To take advantage of your rights under this law, you should:

1. Review your report from each of the three nationwide credit reporting agencies.
2. Make note of any inaccurate or incomplete information.
3. Write a letter or submit a dispute online to the credit reporting agency which includes the following:

Your name and address.

- Clearly identify each specific item you dispute.
- An explanation and the facts of why you dispute the item.
- A request that these items be corrected or removed from your credit report.
- A copy of your credit report with the items in question circled.
- Copies (NOT originals) of documents that support your position, i.e., copies of receipts, canceled checks, and bills.

Once you have all of the information, you should:

- Send the original letter by certified mail with return receipt requested.
- Keep a copy of your dispute letter and supporting documentation.
- Allow 30 days for a response from the credit reporting agency.
- Review the credit report sent back to you to ensure that any misinformation has been deleted or corrected.

Note: Each credit reporting agency may report different information in your credit report. Therefore, you should review each report. If more than one credit reporting agency lists inaccurate or incomplete information, you will need to write a letter or submit a dispute online to each credit reporting agency.

For more information on the FCRA, please contact the Federal Trade Commission at www.ftc.gov or call 877-382-4357.

If you have questions or complaints about your credit report, your rights as a consumer, or the credit reporting agencies or bureaus, contact the Consumer Financial Protection Bureau (CFPB) at 855-411-2372.