



Financial Wellness...

Understanding Your Credit Report

The Powerful Impact Of Those 3 Little Numbers

You see ads every day offering to let you buy something today and pay for it later. Sounds great, but understand that you are being lured into buying something using *credit*. Credit can be a useful tool that helps you make major purchases, like a car or a house, by allowing you to pay for them over time. It can help in emergency situations, and if you make your payments on time, it helps to build a positive credit history. Credit can also be dangerous if not used in the right way. If you can't make the payments, your credit history can be negatively impacted and it can take time and effort to repair. A poor credit history can have far reaching impacts on several aspects of your financial life.

Who Is Looking At Your Credit History?

Companies who check your credit history are interested in one thing: will you be a good customer who pays them on time? *Lenders* use your credit report as a tool to decide whether to loan you money, as well as what interest rate to charge. *Insurance companies, landlords, and employers* may also check your credit history for information that will help them determine how responsible you are. Landlords may refuse to rent to you, employers may choose not to hire you, and insurance companies may increase your premiums, all due to negative credit history. If you do not have good credit now, make this one of your top goals. It would be a shame to miss out on the job or apartment of your dreams, or pay higher insurance premiums, because of poor credit history.

Where Does The Information On Your Report Come From?

Information that appears on your report is reported from your creditors to the three major credit bureaus: Experian, Equifax and Trans Union. These three bureaus use a scoring system to create and assign you a credit score.

Since 2004, the law states that we all have the right to order a free copy of our report from each of the three credit bureaus every 12 months. You can access your report from each individual credit bureau online or by phone, or by visiting the Annual Credit Report website to get all three at once (see box at right). Whatever method you choose, you will be asked to provide your social security number and other personal information to get your report.

Get Your Free Report

Equifax: 1-800-525-6285

Experian: 1-800-397-3742

Trans Union: 1-800-680-7289

Or

www.annualcreditreport.com

1-877-322-8228

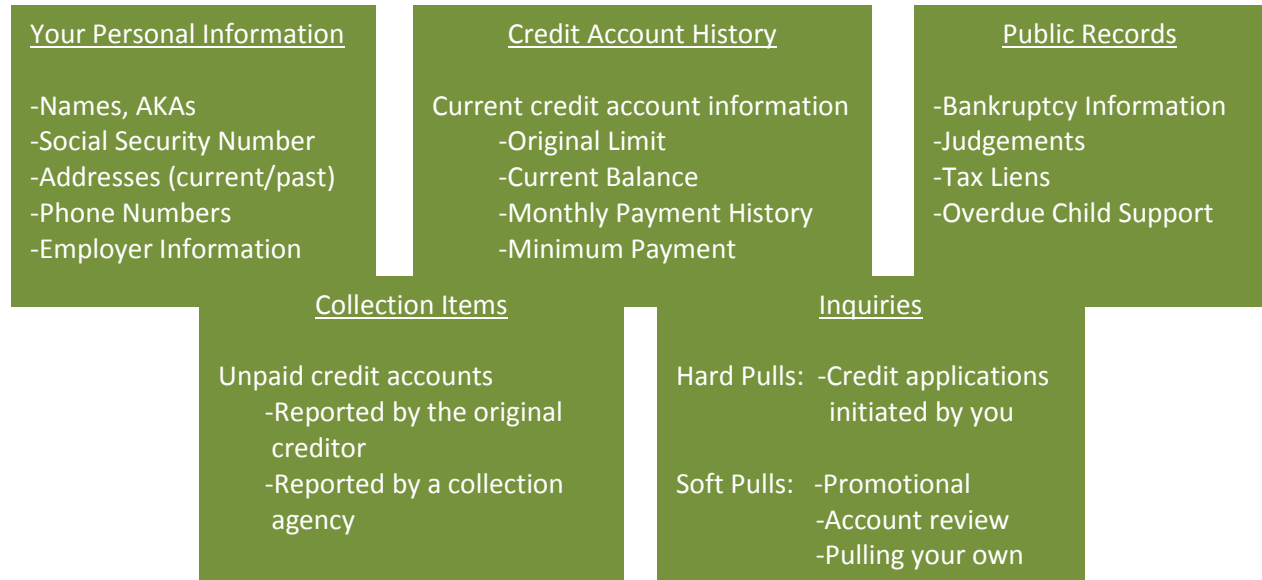


This program is made possible by a grant from the FINRA Investor Education Foundation through a partnership with United Way Worldwide.

University of Wisconsin-Extension, U.S. Department of Agriculture and Wisconsin counties cooperating. An EEO/AA employer, UW-Extension provides equal opportunities in employment and programming, including Title VI, Title IX and ADA. Please make requests for reasonable accommodations to ensure equal access to educational programs as early as possible (10 days is reasonable) preceding the scheduled program, service or activity. Call (608) 224-3722 as early as possible.

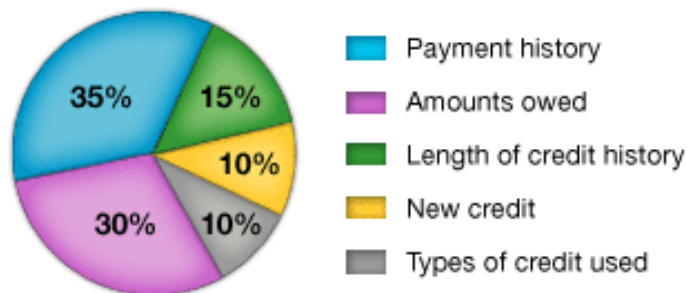
What Information Is On Your Credit Report?

Your credit report contains the following information about you. Review each section thoroughly to insure that all of the reported information is accurate. Report any information you don't recognize to the corresponding credit bureau and file a dispute.



What Is Your Credit Score?

Your credit score is a 3-digit number that is calculated by applying a formula (usually FICO) to the credit information provided by your creditors to the credit bureaus. Some information is considered more important and therefore weighs heavier in the calculation than others. As you can see in the illustration



on the left, the majority of your score comes from two sources: your bill payment history and your "credit utilization rate" or CUR (the ratio between the amount you owe and the amount that is available for you to use on credit accounts). Other factors include how long you have had credit,

how much new credit you recently opened, and the types of credit (installment, credit cards, etc) that make up your report. FICO credit scores range from 300 to 850, with 850 being the optimum score. There are other credit scoring systems out there (Vantage Score and educational scores used by organizations such as Credit Karma), but the majority of lenders and creditors use the FICO credit score formula in their credit decisions.

How To Improve Your Credit History and Score

If you would like to improve your credit history, there are some things you can do:

- Pay your bills on time
- Pay off collections and judgements
- Don't max out credit cards (aim for a credit utilization rate of 25%-30% of your available limit)
- Be patient! Your credit did not deteriorate overnight and it cannot be fixed instantly.