

# Issue Briefs

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Family Financial Education



*The Check Your Free Credit Report Campaign: 2/2, 6/6, 10/10*

The information in your credit report has vast implications for you—your ability to obtain an affordable loan or insurance coverage, background checks for a new job, or renting an apartment. Nonetheless, according to a report from the Consumer Financial Protection Bureau, only about 16 million free credit reports are ordered each year from annualcreditreport.com (out of more than 200 million people in the U.S. with credit records). Each of us is legally entitled to pull a free copy of our credit record from each of the three credit bureaus each year. That makes for three opportunities each year to keep an eye on what is in our credit files. No one else will watch our credit records for us—and best of all, the process for obtaining your free report is quick and free. This brief is designed to provide an overview of why monitoring credit reports is so important, and what to do with a report when you get one.

## ***What is a Credit Report?***

Credit records have been collected for decades as merchants and lenders gather information on “good” and “bad” customers or borrowers. Over time, the credit reporting system has become enormous, tracking a wide variety of payments on consumer credit and documenting unpaid bills and legal actions to collect unpaid bills. Credit records are unique in that the data is entirely personal, but the data is maintained by three private firms that sell access to the information to other businesses. The consumer is responsible for making sure the report is accurate, but has to request access to the information to do so.

Credit records are mainly identified by Social Security or tax ID number, and date of birth. Records contain extensive information on current and past addresses, existing credit accounts, bill payment history, public records and collection items (for example, liens, judgments, foreclosures) and inquiries for new credit. The three major credit bureaus—Equifax, Experian, and TransUnion—each maintain a separate credit report for each borrower based on information reported to the company by creditors and bill collectors.

Credit reports and credit scores are different. Credit scores are calculated based on the data in the report using proprietary formulas, almost always for an additional fee. Although a credit score is a useful piece of information, it is ultimately calculated using the information in the credit report. Therefore, paying for a credit score is typically unnecessary, but ensuring the accuracy of the underlying data is crucial.

## ***Why is Checking a Credit Report Important?***

Checking one’s reports regularly is important for three reasons: (1) inaccurate information in the report can lead to higher borrowing costs; (2) reviewing a credit reports is often one of the best ways to detect identify theft—when someone else is using your information to borrow money or take on bills, and (3) it focuses individuals on their debt obligations and helps reinforce plans to make timely payments and pay down debt as necessary. In some cases, individuals who review their reports may realize they need credit counseling or legal support. Even monitoring legitimate negative information is important since past mistakes or behaviors

must typically be removed after some number of years.

The 2009 FINRA Financial Capability Study (<http://www.usfinancialcapability.org/>) found that only 39% of Wisconsin adults reported obtaining a copy of their credit report in the past year, compared to 42% nationally and 52% in states like Delaware and Utah (which tied for the highest rate).

### ***The "2/2...6/6...10/10" Check Your Free Credit Report Campaign***

"two-two; six-six; ten-ten" is an easy way to remember a set of three dates: February 2<sup>nd</sup>, June 6<sup>th</sup> and October 10<sup>th</sup>. These dates each represent a day to set aside five minutes to pull one credit report from one credit bureau. Much like campaigns to get a medical checkup or a flu shot, this campaign is designed to help improve financial health.

The goal of this campaign is to raise awareness around the importance of reviewing credit reports regularly. Ideally, all Americans would pull their reports at periodic intervals annually. Since federal law allows individuals to obtain one free credit report from each of the three credit bureaus each year, one report every four months is an equal distribution. Because each credit bureau can report slightly different information, it is important to check each one each year. The [Federal Trade Commission has an excellent website on free credit reports](#) that provides more background information.

### ***AnnualCreditReport.com and Imposters***

AnnualCreditReport.com and its associated mailing address and phone number<sup>1</sup> are the only truly free ways to obtain the free credit reports everybody is entitled to by law. Other websites claim to offer free reports, scores,

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<sup>1</sup> Address: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281 (must send [a standard request form](#)). Phone: 877-322-8228

or monitoring, but people who use these sites may incur significant one-time or ongoing fees. Unsolicited emails, pop-up ads, or phone calls offering free scores or reports are not part of the official process.

### ***Components of the 2/2, 6/6, 10/10 Campaign***

***Website.*** The [fyi.uwex.edu/creditreport](http://fyi.uwex.edu/creditreport) website is the focal point of the campaign. The website introduces visitors to the campaign, explains why it is important to check one's credit report regularly, outlines the process for requesting one's free credit report, includes a step-by-step guide on how to review and interpret credit reports, explains the difference between a score and a report, and provides links to more information. The step-by-step guide to reviewing a credit report includes a short how-to video.

***Reminders.*** Visitors to the campaign's website have the option of entering their email address into a database. Emails in that database will receive reminders on 2/2, 6/6, and 10/10 to obtain their free credit reports. Visitors can also download reminders directly into their electronic calendars.

***Outreach.*** Outreach and promotion are paramount to help spread the word about this campaign. Social media and community organizations can help promote these days with postings, messages and other reminders. Hopefully, over time the concept will result in growing numbers of people checking their reports each year.

### ***Conclusion***

This campaign represents a coordinated effort to increase the number of people who check their credit reports regularly. The goal is to help people understand why it is important to check their credit reports, how to obtain a truly free report, and then how to interpret the reports, which are often difficult to read.

## How to Check a Report: Step by Step Online

### 1. Go to [AnnualCreditReport.com](http://AnnualCreditReport.com) -

This is the official site that allows access to each of the reports (Equifax, Experian, and TransUnion) that you are entitled to obtain for free each year.

- **Don't be fooled by imposter websites.**

AnnualCreditReport.com is the only official site where consumers can obtain their free credit report.



### 2. **Select Your State** – Then click “Request Report.”

### 3. **Enter Your Information** – Name, address and social security number, and press “Continue.”

- This website is secure.

### 4. **Answer Personal Questions** – These questions verify your identity and typically involve previous addresses like a street name or the names of accounts you have.

### 5. **Pick One Credit Reporting Company** – Select Equifax, Experian, or TransUnion.

### 6. **Retrieve Your Credit Report** – Your credit report will appear on screen; print the report (it may be long!); save it, and carefully review it for these issues:

#### [ ] **Errors**

- Not your account
- Late payment for month X was not late
- The balance of an item is incorrect
- Incorrect account number
- Incorrect creditor
- Dates of last activity or charge-off are incorrect
- Credit limit or high credit amount (the highest amount you used) is incorrect

#### [ ] **Identity theft.**

Look for any accounts that are not yours, as well as any that might belong to another person in your family. There may be a mix up of names, but use caution.

#### [ ] **Monitor Negative Information**

- Bankruptcy – these remain for 7-10 years after the *filing* date
- Foreclosure - remain 7 years from the initial *filing* date
- Court judgments - remain 7 years from the initial *filing* date
- Collections – these are active accounts. You can:
  - Pay off the balance (especially if a small amount)
  - Negotiate with the creditor to settle the balance
  - Request that the collector prove the debt is still legally valid
  - Dispute the debt with the original creditor if it is not yours
- Past due payments - 30, 60 or 90+ days past due. Remain for 7 years from the date of the missed payment
- Late Payments – you can request that a lender remove these; the impact is minimal after 2 years

## Disputing Errors

Again, make sure your personal information is accurate and that you recognize all accounts. Errors should be disputed by contacting the credit bureau that provided the report—Equifax, Experian, or TransUnion. Errors cannot be disputed through AnnualCreditReport.com. Your credit report will contain information about how to dispute errors and more information specific to each bureau is available at:

- [Equifax](#)
- [Experian](#)
- [TransUnion](#)

The credit agency must investigate the items in question within 45 days (if you used Annualcreditreport.com) and get back to you under the Fair Credit Reporting Act (FCRA). The agency will report any errors to the other nationwide consumer reporting agencies. The agency must give you the results in writing and another free report. You can ask that a statement of the dispute be included in your file and in future reports.

## Where to Get Help.

Borrowers who have fallen behind on their payments or experienced other difficulties should talk to their creditors as soon as possible. Several resources are available to consumers, including credit counseling. The [National Foundation for Credit Counseling's website](#) lists local counseling agencies, and the 888-995-HOPE offers free foreclosure counseling services.

## Links to more information

[Consumer Financial Protection Bureau's Website on Credit Reports and Scores](#). Allows users to search a growing database of common questions about credit scores and reports.

[Federal Reserve's Consumer Guide to Credit Reports and Scores](#). Questions and Answers about credit records.

[Federal Trade Commission's Website on Credit and Loans](#). Offers in-depth information about credit reports and scores, including guidance on how to dispute errors and report fraudulent activity.



*The University of Wisconsin-Extension (UWEX) Cooperative Extension's mission extends the knowledge and resources of the University of Wisconsin to people where they live and work. Issue Briefs are an ongoing series of the Family Financial Education Team. This brief was drafted by J. Michael Collins, Assistant Professor in Consumer Finance and Extension State Specialist, Center for Financial Security and Collin O'Rourke, Outreach Specialist, Center for Financial Security, © 2013*  
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