



University of Idaho  
College of Agriculture  
Cooperative Extension Service  
Agricultural Experiment Station

Betty P. Turner

Family Economics Specialist

LIBRARY

APR 28 1977

UNIVERSITY OF IDAHO

Credit  
or  
Cash

## Consumers and Credit

### WHAT ARE CREDIT BUREAUS?

Credit reporting agencies are merchants of information. Information that reflects an individual's credit responsibility is acquired, systematized, stored and then sold to potential credit grantors. Most bureaus are small local businesses; some are formed by groups of merchants, insurance agents or debt collectors. Most credit bureaus belong to the Associated Credit Bureaus, Inc. Bureaus work together, sell reports to one another and make an effort to provide complete sets of records.

Lenders need facts to evaluate applications for regular charge accounts, revolving credit accounts, installment credit or credit cards. They need to know what other credit grantors have dealt with the applicant and what sort of payment record was established. Because most credit grantors do not have the time or funds to investigate the financial history of each applicant, they turn to a credit bureau for the needed information.

### WHAT'S IN A CREDIT FILE

Almost everyone who has made a credit purchase or has taken a loan has a credit record on file. It contains any information that may have a bearing on a person's ability to pay bills. Throughout life, consumers are building credit histories. Credit grantors who become members are expected to immediately report about new accounts, accounts closed and reasons for closing and excessive indebtedness or delinquency in settlement. Included in a file might be:

- \* Identification of the consumer — full name, address, social security number, dependents, marital status and spouse's name.
- \* Present employment information — employer and address, position, length of employment, actual or estimated income.

- \* Personal history — past employer, spouse's employer, property transfers, references.
- \* Credit history — types of credit received and manner of payment; size of debts; number and probable size of bank accounts; public record information such as bankruptcy, court judgments, tax liens.

### CREDIT REPORTING

A credit report is a copy of all current information in an individual or couple's credit file. A common language is used to make reporting uniform and understood. Standard letters are used to identify information — "O" for open accounts and "I" for installment accounts. The usual manner of consumer payment is recorded. For example: "1" means the consumer pays within 30 days, "2" means pays after 30 days but within 60 days, "3" means pays after 60 days but within 90, "5" means the account is 120 days overdue, "8" means repossession and "9" means a bad debt, placed for collection.

### CREDIT RATINGS

A credit rating is an evaluation of a consumer's credit worthiness, capacity and character. It is formulated from the information in the credit report. The credit bureau does not give the consumer a credit rating; it simply provides the factual data on the consumer's past performance. Creditors then put their own interpretation on the material based on their institution's standards. This is why it's possible for a consumer to receive credit by one lender and not from another.



Consumers can establish a good credit rating by buying something on credit in their own name and paying for it promptly. If emergencies or unexpected expenses come up, consumers should notify credit grantors immediately and explain the situation. This shows the consumer is concerned about the debt and is not trying to ignore the responsibility for payments.

## WHO CAN GET A CREDIT REPORT?

All types of retail credit grantors, banks and loan companies, physicians and dentists, hospitals and real estate agencies may secure credit reports by being a member of the credit bureau. A report may be furnished to members who intend to use it for credit consideration, review or collection of a past account, or as background for employment consideration. In addition, a consumer or the court can authorize issuance of a credit report when the consumer is under consideration for a partnership, investment or lease. Usually a credit grantor can call the bureau to learn the facts from the file over the telephone. The costs for obtaining a credit report varies.

Consumers can review the material in their own files by making a request at their nearest credit bureau. By law, the credit bureau must review the credit file with the consumer and disclose all information from the file, other than medical facts. A small charge will be made for this service and consumers are always asked for identification.

## FAIR CREDIT REPORTING ACT

To help protect consumers from erroneous and outdated material, the Fair Credit Reporting Act was adopted as an amendment to the Truth-in-Lending law. The act regulates requests for credit reports that will be used in granting credit or insurance for personal, family or household purposes but not for professional, business or farming purposes.

The major requirements of the Fair Credit Reporting Act specify that agencies must:

- ✱ Insure confidentiality of reports.

- ✱ Provide any individual upon request a reasonable opportunity to counteract adverse information and request that it be reinvestigated. The consumer has the privilege of writing a 100-word statement explaining his or her side of the story. It is kept in the file and must be included with future credit reports. This right is especially useful for consumers who intentionally withhold payment because of faulty merchandise, incorrect charges or unsatisfactory service.
- ✱ Collect, retain and furnish only important information that has to do with the essential purpose for which the information is being sought.
- ✱ Keep information current and destroy old material. In general, adverse material more than 7 years old is obsolete and should be removed. Exceptions would be reports of bankruptcy.
- ✱ Furnish reports only to persons authorized by law to receive them.
- ✱ If errors are found in the credit report, notify any person who has received a report within 6 months about deletions or corrections in the consumer's file.
- ✱ Provide trained personnel who can explain information from the file to the consumer.
- ✱ Inform consumers about the source of information in the file if there is some question about the facts.

If consumers are denied credit, insurance or employment, wholly or partly on the basis of information contained in the credit report, the report user must contact the consumer. In addition, the name and address of the bureau must be supplied so the consumer can review the file.

Credit bureaus and credit ratings may not seem important to all consumers. However, some guidelines are recommended: when applying for credit, give complete information so that there will be no mixup in files. And make sure to buy something on credit so you'll have a credit rating when you need it.