FDIC Consumer News

Special Report on Credit Reports and Credit Scores

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Your Credit Record: A Report Card on Your Personal Finances

Your credit history can affect your daily life—from where you live and work to how much you pay for a loan or insurance. Here's a guide to protecting your financial reputation.

Think back to your school days, when grades, report cards, test scores and teacher recommendations had a lot to do with getting ahead. Now fast-forward to your life today. You may not think much about it, but you're still being evaluated and graded—in the subject of personal finance—and once again the results can be critical to your future. We're referring to credit reports, which summarize your history of paying debts and other bills, and credit scores, which predict risk. Both help banks, insurers, landlords and even potential employers make judgments about your reliability.

Why should you care? Because, in general, the better your credit history and credit score, the better your chances of obtaining a low-cost loan or insurance policy, renting an apartment, or qualifying for a job.

Important: Even a modest improvement in your credit file and credit score—which can sometimes result from simple corrections to incomplete or erroneous information in your credit report—may be enough to qualify you for a lower interest rate on a mortgage or credit card and save you hundreds of dollars each year in interest payments.

On the other hand, if your credit record weakens, you may face consequences associated with becoming a higher risk, including an increase in the interest rate or a reduction in the credit limit on an existing credit card. "Whether you're an A-plus or a D-minus in handling finances, you want to have the best and most accurate report and credit score possible, because even small differences can cost you or save you a bundle of money," says Janet Kincaid, a Senior Consumer Affairs Officer with the FDIC.

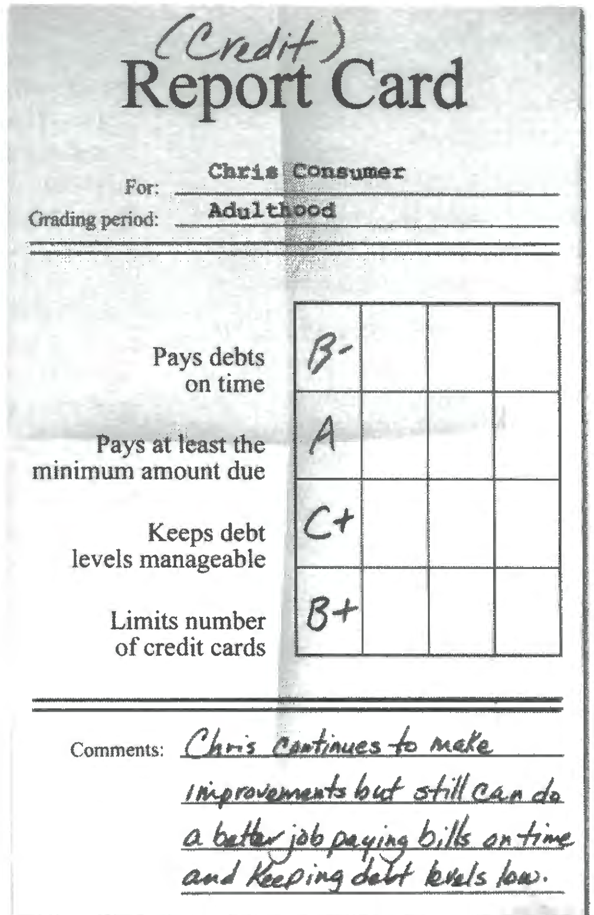

Illustration: T.W. Ballard

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Unfortunately, many consumers don't understand the significance of their credit history or the simple things they can do to build and protect a solid financial reputation. That's why ***FDIC Consumer News*** is devoting this issue to the somewhat mysterious world of credit reports, credit scores and credit bureaus. We hope that after you've read this special report you will know about such things as:

• What credit reports and credit scores are all about, including who produces them and who has access to them;

• How to make corrections to your credit report if you find wrong or missing information that can lower your credit score and cost you money;

• Why and how to avoid common consumer mistakes that can tarnish your credit record and cost you money;

• How to avoid credit-related scams, including identity theft and credit repair fraud;

• How to take advantage of federal laws that protect you and your credit record; and

• Where to turn for more help or information.

Here's your homework assignment. Study our special report and test your knowledge by taking the quiz on the back page. The more you know about your credit report and your credit score, the better your chances of making the smart decisions that will help you protect your finances and your financial reputation.

Credit History 101

The ABCs of credit reports and credit scores

If you're like many consumers, you probably have questions about what goes into your credit report and who uses it. Here is an overview that we hope will address many of your questions and concerns.

What is a credit report?

A credit report is a summary of your financial reliability—for the most part, your history of paying debts and other bills. It is prepared by credit bureaus (also known as credit reporting agencies) primarily for use by lenders, employers and others who, under the federal Fair Credit Reporting Act (FCRA), have a legitimate need for the information, such as when you apply for a loan, insurance policy, apartment or job. The wealth of information gathered by credit bureaus, coupled with the speed of today's computer systems, explains why consumers can quickly get loans and other services, including approvals of certain credit applications in minutes.

What is in my credit report?

In general, your credit report has four components:

• Identifying information, such as your name, Social Security number, current and previous addresses, telephone number, birth date, and employer. This information helps ensure that your credit report is accurate and doesn't mistakenly include details about another person (perhaps someone with the same name).

• Public record information, generally gathered from local courthouses, including bankruptcy records, foreclosures, tax liens, court-ordered payments, and late child-support payments. This information is used to determine if you have previous defaults or legal judgments against you. For example, a mortgage lender will want to know if you've had a past foreclosure before granting a home loan. Derogatory information can generally remain on your credit report for up to seven years, except for bankruptcy information, which may be reported for 10 years.

• Other credit history information, such as a list of your credit cards and loans, and whether payments were on time. Here, too, negative information about your credit relationships, such as late payments or defaults, will remain on your report for up to seven years, and bankruptcy information may appear on your report for 10 years.

• "Inquiries," a section of your report that lists the creditors, insurance companies or other parties that have requested your credit report, usually when considering an application you submitted. Inquiries typically can remain on your credit report for two years.

What is NOT in my credit report?

Your credit report typically does not contain information about your checking and savings account balances, brokerage accounts, medical history, race, sex, religion, national origin, or your driving record.

How do credit bureaus get their information?

According to David Lafleur, a Policy Analyst at the FDIC, "Lenders voluntarily supply the information to credit bureaus on an ongoing basis; no federal laws require companies to submit the data." Why? Because having access to current and reliable information about you helps lenders make informed decisions and offer you financial products and services very quickly. Lenders, landlords and other users of credit reports also may want to know about events such as lawsuits and bankruptcies, so credit bureaus obtain this information from courthouses and public records.

Can anyone get my credit report?

No. The Fair Credit Reporting Act (FCRA) contains rules about who can get your credit report. Generally, a third party can access your credit report when considering an application you've made, such as for a loan, a job, insurance or an apartment. The law also allows entities to access your report as part of an ongoing business relationship. Suppose you already have an auto loan at the bank and you miss a payment or you move and don't provide a forwarding address. In this situation, the bank has the right to obtain a copy of your latest credit report.

But even if you are paying on a loan or credit card as agreed, the institution where you have the account can obtain your credit report as part of its regular maintenance of the account, and that includes looking for warning signs that you may have problems fulfilling your obligations in the future. "For example, it is not uncommon for credit card issuers to review their cardholders' credit reports on a regular basis and raise their APR (annual percentage rate) or lower their credit limit if there are signs of trouble, even if someone has been diligently paying the card issuer," says FDIC Consumer Affairs Specialist Howard Herman.

An exception to the ongoing relationship would be for employers who would first need to obtain the employee's permission each time before requesting a credit report.

How can I get a copy of my credit report?

First, be aware that there is no *one* credit report on you. Most likely, each of the three major credit bureaus that operate nationwide—Equifax, Experian and TransUnion (see the box above)—has a credit report on you. And because the credit bureaus can have different information and findings, many experts advise you to obtain your report from each of the three major credit bureaus. (There also are many smaller or regional credit bureaus that may have a report on you, but the big three are the most commonly known and used companies.)

To get copies of your reports, contact the credit bureaus listed above. Costs can vary, but under the latest Federal Trade Commission (FTC) rules the most you can be charged is $9. And in certain situations, your credit report is free. For example, some states require credit bureaus to periodically provide free reports. The FCRA allows you to obtain free copies of your credit reports if you suspect that you are the victim of fraud (such as identity theft), if you receive welfare assistance or are unemployed. The same law also entitles you to a free copy of a credit report if you were recently denied a loan or other benefit based on that report.

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The Three Major Credit Bureaus

Here's how to contact the three major credit bureaus to ask about or obtain your credit report or credit score, alert creditors to a possible fraud using your name, or for any other reason:

Equifax: 800-685-1111 (general) or 800-525-6285 (fraud); P.O. Box 740241, Atlanta, GA 30374; www.equifax.com

Experian: 888-397-3742 (general and fraud); PO Box 2002, Allen, TX 75013, www.experian.com.

TransUnion: 800-888-4213 (general) or 800-680-7289 (fraud); P.O. Box 2000, Chester, PA 19022; www.transunion.com.

Note: To "opt out" or remove your name and address from mailing lists provided by these three credit bureaus and another nationwide company (Innovis) to marketers, call toll-free 888-567-8688. See the box on Page 5 for more details.

"The law works on your behalf by requiring the lender to tell you the reason for the denial, the name of the credit bureau, and the fact that you are entitled to a free copy of the report on you," explains Lafleur. "You can then determine if any credit report information is wrong, and if it is, you can immediately begin the process of correcting it." He adds that, under the FCRA, if an employer intends to deny a job application or terminate employment based on information in your credit report, the employer must provide you a copy of the report before finalizing that decision.

How often should I get my credit report?

Many financial advisors suggest that you review your credit report for inaccuracies or omissions about once a year. It's especially important to review your credit report before making a major purchase, such as a home or a car, so you can correct an error before it slows down your credit approval or prevents you from getting the best possible loan terms.

What kinds of problems could I encounter?

While federal law requires lenders and other companies providing information to credit bureaus to give accurate information, mistakes do happen. So, when you look at your report:

• Make sure it accurately reflects how you have paid your bills. If you always pay your credit card and other loans on time, but your credit report erroneously shows late payments, you'll want to correct that.

• Verify that all the accounts listed are yours, especially if you have a common name or you share a name with a relative (such as John Doe, Jr.). You also want to be careful that an identity thief hasn't opened new accounts in your name to commit financial fraud. (See the article on Page 9 for more tips about spotting and stopping ID theft with the aid of credit reports.)

• Look for accounts you don't use and may have forgotten. You may be able to raise your credit score by closing unnecessary credit card accounts (see Page 6).

How do I correct wrong or incomplete information in my credit report?

The FCRA gives you the right to dispute inaccuracies or omissions, and it requires credit bureaus to investigate your complaint (generally within 30 days), send you a prompt response and correct any errors. The law also requires the source of inaccurate information (such as a bank) to correct the record at the credit bureaus to which it initially provided the erroneous information.

Staff at the FTC, the government agency responsible for ensuring credit bureaus' compliance with federal laws, suggest the following: Immediately tell the credit bureau, in writing, about information you believe is incomplete or inaccurate. Include copies, NOT originals, of any documents that support your position. Clearly identify each item in your credit report that you dispute, state the facts and request a correction. Send your letter by certified mail and request a return receipt to document that your complaint arrived at the credit bureau. Keep copies of your dispute letter and enclosures. Also contact the company that provided the inaccurate or incomplete information to the credit bureau and request a correction of its records, too.

If a credit bureau's investigation does not resolve your concerns, the FCRA allows you to submit a brief statement about the matter, in 100 words or less, that must be attached to your credit report and provided to anyone that accesses your report in the future. This enables you to tell potential lenders or anyone else who sees your credit report your side of the story.

Note: While there are hundreds of other credit bureaus around the country, there is little reason for consumers to review and correct these credit reports, according to the FDIC's Herman. "Those smaller credit bureaus typically get most or all of their information from the big three," he says. "If you obtain copies of your credit reports from Equifax, Experian and TransUnion on a regular basis and you make sure they are accurate, it's likely you'll be addressing problems at other credit bureaus, too."

What if I have a question or complaint involving a credit bureau?

First, try to resolve the matter with the credit bureau directly. If you're not satisfied, contact the FTC as listed on Page 7. The FTC does not resolve individual disputes, but it does provide useful information that may help consumers resolve their problems. Awareness of consumer complaints also enables the FTC to spot patterns of problems that may trigger an enforcement action.

What is a credit score and why is it important?

A credit score is a number calculated by a credit bureau, a lender or another company intended for use in making a decision on a loan application or other product or service. (For example, many lenders use a system developed by Fair Isaac and Company called the "FICO score.") Think of credit scoring as a point system based on your credit history, designed to help predict how likely you are to repay a loan or make payments on time. Everyone with a credit record also has a credit score. Different lenders and other companies may use different scoring systems, so your score (and the products or services you're offered as a result) may vary significantly from one source to another.

In general, the better your credit score the better your chances are of getting a loan with an attractive interest rate. Alternatively, a poor credit score may mean you can only qualify for a "subprime" loan—one with a higher interest rate and higher fees than those offered to applicants with "prime" credit records. So when it comes to getting a good loan, it's important that your credit report—the basis for your credit score—is accurate, complete, and in the best shape possible.

What are the most important factors in determining my credit score?

Typically, your credit score is most influenced by two factors: how you pay your debts and how much debt you owe. For example, late payments on loans, a past bankruptcy, debt collections or a court judgment ordering you to pay money as a result of a lawsuit will negatively affect your credit score.

Lenders want to be sure that the debt you owe is manageable. One example: Lenders get concerned if you have a significant amount of debt compared to your income—say, if what you owe each month on all loans and credit cards exceeds one-third of your monthly income.

Other factors that can affect your credit score include how long you've used credit, how often you've applied for new credit and whether you've taken on new debt. For more information about factors that can lower your credit score, see the next page.

How can I get my credit scores?

Your scores, along with an explanation of how the score was derived, typically are available online for a small fee. You may want to call or check the Web sites of any of the three major credit bureaus listed on Page 3. Remember, your score may vary from one company to another.

How can I learn more about credit reports, credit scores and my rights?

Read the other articles in this issue of ***FDIC Consumer News*** and check the Web sites of the government agencies listed on Page 7.

Call the Credit Bureaus to Limit Unsolicited Offers

Are you among those who want to cut down on the number of unsolicited offers you get for credit cards and insurance? Federal law, plus a service offered by the credit bureau industry, can make it easier.

The Fair Credit Reporting Act gives you the right to "opt out" or stop credit bureaus from providing your name and address for marketing lists for credit or insurance. Call toll-free 888-5-OPT-OUT (888-567-8688), a special phone number set up by the nation's three big credit bureaus and another nationwide company called Innovis. When you call this number, you can opt out of these lists for two years or request a form to opt out permanently. If you have previously opted out and would like to be put back on these marketing lists, you can use the same phone number. FDIC Policy Analyst David Lafleur cautions that "if you have joint credit relationships, such as if you have a mortgage or a car loan with a spouse, you may still receive some solicitations until both parties opt out."

Simple Mistakes That Can Lower Your Credit Score...and Cost You Money

Because so much depends on your credit record and credit score, you should be aware of the pitfalls that can tarnish your financial reputation. That's why ***FDIC Consumer News*** has compiled this list of common mistakes that can significantly affect your credit history and credit score.

1 Paying bills late. One of the biggest factors in the determination of your credit score is your past payment history. While one or two late payments on your mortgage, credit card or other important obligations over a long period of time may not significantly damage your credit record, if at all, making a habit of this can count against you.

Solution: Consistently pay your bills on time because this indicates you're a responsible money manager and likely to take your future commitments (such as a loan) seriously. Be especially careful with payments in the months before you apply for a loan, because lenders put more emphasis on your recent payment history.

2 Not paying the minimum amount required. "If you don't make at least the minimum payment on your credit card or other bills, your creditors will eventually report your account as past due, and that's a bad mark on your credit history," says Janet Kincaid, a Senior Consumer Affairs Officer with the FDIC. "Not only that, but paying less than the minimum can result in late fees and additional interest charges, which can add up quickly."

Solution: Make the minimum payment to avoid negative reports. Pay more than the minimum to reduce interest charges and improve you credit score.

Consistently pay your bills on time because this indicates you're a responsible money manager and likely to take your future commitments (such as a loan) seriously.

3 Keeping debt levels too high. Potential creditors will be concerned if there are indications you already owe a lot of money on credit cards and other obligations because additional debt could stretch your ability to repay. One way creditors evaluate whether to approve a loan or charge a higher interest rate (which is done to compensate for higher risk) is to look at how much you owe compared to your income. Creditors also consider how much of your credit card limit you typically use. If you are "maxing out" your credit cards or otherwise keeping a high balance in relation to your credit limit, a lender could question your ability to make payments on additional debt.

Solution: Different lenders and credit scoring services may use different calculations when evaluating you—for example, some may include your monthly mortgage payment in their debt-to-income ratio, others may not. So, in general, try to keep your debt level low. How? Don't spend more than you can afford. Don't max out or charge near the limit on your credit card. Also, if possible, try to pay off that credit card balance each month. Follow this strategy and you'll build a good credit history, reduce debts and save on interest payments, too.

4 Owning too many credit cards. You may not think twice about offers to "sign up today" for a credit card to receive a percentage off your first purchase, get a free T-shirt or to have no payments for six months. Depending on your personal situation, these promotions may be good deals. But beware. "If you open a number of credit accounts with retailers just to get the discounts or freebies, these seemingly harmless accounts may linger in your credit file and end up *costing* you money the next time you get a loan or insurance," warns David Lafleur, an FDIC Policy Analyst on consumer matters. Here's why.

If you have a stack of credit cards and department store cards—even if you rarely use them or don't carry a balance on them—each card represents money that you *could* borrow. According to the Kincaid, "A potential creditor will look at each card and its $10,000 or $20,000 credit limit and say, 'We don't know when or if you'll access this amount, but if you do, that means you'll have less money available to repay any new obligation'." The result could be that, if you apply for a mortgage, a car loan or some other important loan, you may qualify for only a smaller loan amount or perhaps face increased costs or fees.

Also, when you apply to a bank for a credit card or a loan, it will look at the "inquiries" section of your credit report to find out if you've recently applied for loans elsewhere. Several such inquiries on your credit report could indicate to a lender that you may be having financial troubles or that you could be on the verge of getting too deeply in debt. These inquiries remain on your credit report for two years and can be a factor in your credit score.

Solution: Don't own or apply for credit cards you really don't need. Two or three general-purpose cards and a few (if any) cards issued by stores or oil companies probably are enough for the average family. Cancel and cut up the rest. If necessary, transfer any balances from these cards onto the few you plan to keep. Also important: "Notify the card issuer in writing that you want the account closed at your request, and with no balance remaining, and save a copy for your files," says Kincaid. "This letter can be very valuable if, as it sometimes happens, the account is inaccurately reported as still open and available, or if it's shown as being closed by the card issuer, which is considered a negative in the credit world."

Note: Under some credit scoring systems, canceling credit cards can *lower* your credit score, not raise it. For example, canceling cards you've owned for many years could lower your credit score because those older cards can establish a long history of responsible credit use. Even so, we still generally favor the idea of canceling cards you rarely or never use, for reasons already mentioned, plus others (including the fact that you'll have fewer cards that can be lost to a thief, and you are more likely to notice problems with cards you use regularly).

As one possible strategy, Kincaid suggests this: "Review all the cards you have. Keep only the cards you've had for a long time and handled well by always paying on time."

5 Not periodically checking on your credit report. Many people never or rarely look at their credit report until they apply for a loan or they have been denied a loan or other request based on information in their report. Among the concerns: Inaccurate or missing information in your credit report could raise your borrowing costs or cause delays when you're in a rush to make a major purchase, such as a home.

Solution: Many experts say you should review your credit report from all three major credit bureaus about once a year, but especially before you apply for a home loan or seek some other benefit where your credit report could affect the outcome. See the information starting on Page 3 regarding how to get your credit report and what to look for once you have it. If you find an error in your credit report, write to the credit bureau that prepared it and provide copies of relevant documentation. If the matter isn't resolved to your satisfaction, contact the Federal Trade Commission (see left) for more information about your rights.

6 Not using your full legal name in bank accounts, credit applications and other documents that become part of your credit history. "This may seem like a minor issue but it can be important in

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For More Information from the Government

The FDIC and the other federal banking regulators listed on Page 11 have publications, Web sites, staff and other resources that can help answer your questions about credit and your rights as a consumer.

The Federal Trade Commission enforces a number of federal laws concerning consumer credit and nonbank companies, such as credit bureaus. For more information, including consumer brochures and procedures for filing a complaint involving your credit files or an identity theft, call toll-free 877-FTC-HELP—that's 877-382-4357—or go to www.ftc.gov.

Other consumer information from the federal government, including publications available from the Federal Citizen Information Center (call toll-free at 888-878-3256 or go to www.pueblo.gsa.gov) and the Web site FirstGov for Consumers (www.consumer.gov).

Your state government also may offer assistance and information to people having credit-related problems. Contact your state's Attorney General's office or consumer protection office as listed in your phone book or other directories, or visit your state's official Web site.

terms of the accuracy of your credit report," says Joni Creamean, an FDIC Senior Consumer Affairs Specialist. Here's why.

Credit bureaus obtain data from a variety of sources, not all of which include a person's full name, Social Security number or other identifying factors. As a result, aspects of someone else's credit history—perhaps late payments, loan defaults or other serious problems—could be reported on *your* credit report and could reduce your credit score. Some situations are more likely than others to create mix-ups, Creamean explains. "It's not uncommon for a child and a parent with the similar names to show up on each other's credit report," she says.

Solution: Always use your full legal name when opening a bank account or applying for a loan or other benefit, such as a job or lease. Never leave off a Junior, Senior or similar designation, and never use a nickname. Or, at the very least, be consistent by always using the *same* name when you fill out these kinds of applications or documents. Following this advice doesn't guarantee that someone else's credit history won't appear on your credit report, but it will reduce the potential for a mistake.

7 Not alerting current or potential creditors if you've moved or changed names. Suppose you move and don't notify your existing creditors. If your monthly credit card statement and other bills don't reach you at your new address, you may miss a payment or two, and that tardiness can be reported on your credit report (not to mention the penalties or interest charges from your card issuer). Or, if you change names because of a marriage or divorce, and you apply for a loan without informing the potential creditor about your previous name, the credit bureau's report may show only your recent financial record under your current name. "If you don't inform your creditors of your name change, your credit record may not reflect your previous hard work at maintaining a good credit history," says Kincaid.

Kincaid also says that if your name or address doesn't match what's being reported by the credit bureau or other creditors, "this can prompt a red flag about a potential fraudulent account, and if nothing else, it can slow down your loan application."

Solution: Call each of your creditors to notify them of a name or address change, and keep a record of who you spoke to and when. Also, follow up with a letter to the appropriate department and mailing address. Some creditors may require specific documentation, such as a marriage license or divorce decree, in cases of a name change. "But even if the creditor doesn't require written notification," Kincaid says, "it may be in your best interest to provide it in writing to protect your rights and document that you made timely notification."

Don't Fall for Credit-Related Scams

If you have credit problems, you may fall prey to fraud artists and unscrupulous companies that offer to "erase" a credit history or "fix" your debt troubles with an "easy" or "guaranteed" loan. These misleading sales tactics and questionable services usually result in exorbitant costs and broken promises. And in the case of a high-cost loan backed by the borrower's home, the risk of foreclosure exists if the loan cannot be repaid.

If you have serious financial problems, you generally should try to cut spending, increase savings and pay off high-cost loans (usually credit cards). If you need professional help, consider asking your attorney, accountant or another trusted advisor to refer you to a reliable credit counselor who, at little or no cost, can help you develop a plan to meet your financial obligations. Credit counseling services also are listed in the Yellow Pages or on the Internet, but independently check out an unfamiliar service with your trusted advisor or your state consumer protection office (see the box on Page 7). "No one can change or erase a payment history for you," says Cora Lee Page, an FDIC Consumer Affairs Specialist. "Only you can repair your credit history by paying the debts owed."

And if you don't have a credit history (common if you never use credit cards, you're just out of school or you're a recent immigrant) or if your credit record is spotty, consider building a good financial foundation, perhaps by applying for a small loan from your bank or a charge card from a local department store. Then be sure to pay off the debt each month.

Monitoring Your Credit Report to Help Guard Against ID Theft

You probably know something about the problem of identity theft—situations in which a con artist uses someone else's name, Social Security number or other personal details to make purchases, take out loans or commit fraud in the name of an innocent victim. But do you know how you, with the help of credit reports and credit bureaus, can help spot or stop the theft of your identity?

First, here's why you should care about fighting ID theft. It is, by far, the most common fraud complaint that consumers bring to law enforcement authorities and consumer protection groups. According to the latest data compiled by the Federal Trade Commission (FTC), identity theft in 2002 topped the list of consumer fraud complaints for the third year in a row, accounting for 43 percent of the total. And while federal laws and industry practices can limit your liability if you become a victim of identity theft, it can take you a very long time (even years) to repair the damage. That includes notifying creditors and law enforcement that you've been victimized, closing tainted accounts and opening new ones, and correcting your credit report.

You also may be denied loans, jobs, housing, insurance or other opportunities if an ID theft shatters your reputation and credit rating. "A thief can secretly run up thousands of dollars in bills using your name and a different or fictitious address, and you may not be aware of this until you are turned down on an application because the delinquent debt was recorded on your credit report," says Michael L. Jackson, Associate Director of the FDIC's electronic banking branch.

Another good reason to guard against ID theft is that "you protect yourself and other consumers from higher interest rates and fees that lenders charge to recoup losses from fraudulent credit cards and loans," explains Cora Lee Page, a Consumer Affairs Specialist with the FDIC.

So, how can you use credit bureaus and your credit report to protect against identity theft?

Monitor your credit report for warning signs, including loans or leases that have been wrongfully taken out in your name. Also, pay close attention to the "inquiries" section of the report that shows who has requested a copy of your credit history. That's because thieves sometimes impersonate business people with a legitimate right to obtain credit reports. "Once crooks have the information in your credit report, they can either attempt a financial scam in your name or at least determine your vulnerability as a target of identity theft," says Jackson.

In general, you should consider obtaining copies of your credit report from the three major credit bureaus (see Page 3) about once a year to verify that the information is correct. But be aware that there are services that will frequently (even daily) monitor your credit report for possible signs of fraud or theft. "These services don't necessarily prevent identity theft from happening, but they can alert you to changes in your credit file that may indicate identity theft," says Jackson. He adds that the fees for these services (often $70 or $80 for a yearly subscription) can be more costly than obtaining periodic credit reports on your own, but the added level of convenience may be worth the cost.

If you find suspicious transactions on your credit report, take the following steps:

• Contact creditors to discuss questionable items and close accounts that you believe are fraudulent or have unauthorized transactions.

• Call the fraud department at each of the major credit bureaus (Page 3) to ask that a "fraud alert" be placed in your file, so that lenders will be alerted to the fact that you may be a fraud victim. Ask that the fraud alert state that you do not want new credit extended without contacting you first.

• Contact the local police to file a report. Keep a copy in case you need it later as proof of the crime.

• Consider filing a complaint with the FTC (Page 7), which will store the information in its database so that it can be accessed by law enforcement agencies worldwide. The FTC also can provide information on what steps victims should take and sometimes will refer cases to other government agencies or private organizations for further action.

For more information about identity theft, visit the U.S. government's central Web site for information about identity theft at www.consumer.gov/idtheft. That site, maintained by the FTC, includes an affidavit to simplify the process of disputing fraudulent debts and accounts opened by an identity thief. You also can read articles about identity theft and financial frauds in past issues of ***FDIC Consumer News*** at www.fdic.gov/consumers/consumer/news, including a special feature on ID theft in the Summer 2000 edition called "When a Criminal's Cover Is Your Identity."

Bad Checks: Bad News for Your Record

While credit bureaus keep track of how you handle credit, there are other companies that monitor and report how you manage—or *mismanage*—your checking account. And, as some consumers have learned, even a single bounced check reported by one of these services may be enough to make it difficult for you to open a new transaction account or get a merchant to accept your check as payment.

Check reporting protects financial institutions and merchants (such as retailers and grocery stores) from losses associated with bounced or fraudulent checks. Under the Fair Credit Reporting Act (FCRA), a bounced check or other wrongdoing reported to a check reporting service may stay on your record for as many as seven years.

What should you do if a banking institution turns you away because of an unfavorable report about your banking account? First, ask the institution for the name, address and phone number of the company that furnished the report, so you can request a copy and look for incorrect or missing information. Under certain circumstances, such as if you're denied a new account at a financial institution, you are entitled to a free report. Otherwise, the most you can be charged under current rules is $9.

If your financial institution was the source of an error in your check report, it is required by the FCRA to contact the check reporting service and have the record corrected. In addition, if you dispute the matter in writing and the check reporting company doesn't change the record to your satisfaction, you are entitled to add a written statement to your report. And, if you have a concern involving a banking institution or a check reporting service, you may contact the appropriate federal regulator, either a banking agency listed on the next page or, in the case of check reporting services, the Federal Trade Commission (Page 7).

Also be wary of services on the Internet or elsewhere that offer to help you find a bank or "fix" your check history. These services usually involve a fee, and some may make false or misleading representations.

How can you avoid getting into this predicament? "Frequently balance and monitor your checking account to avoid bounced checks," says Bret Morgan, an FDIC Examiner. "Don't close one checking account before you have established another one. And before closing your account, make sure any outstanding checks have cleared and account fees have been paid."

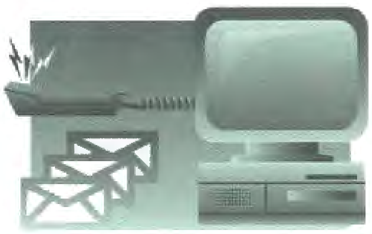
Federal Laws Protecting You and Your Credit Files

The Fair Credit Reporting Act (FCRA) is intended to ensure the accuracy and fairness of the credit reporting system—essentially the gathering of consumer information by credit bureaus and the sharing of that information with lenders, landlords, insurance companies and others. The law states who may access your credit report and the "permissible purposes" for obtaining your information. The FCRA also outlines how long negative information, such as a bankruptcy, may remain on your credit report. The FCRA requires that information on your consumer report be complete and accurate, and gives you the right to dispute errors and have them investigated, generally within 30 days. The law also allows you to block or "opt out" of having your information used by companies that make unsolicited offers of credit or insurance.

The Equal Credit Opportunity Act (ECOA), which prohibits discrimination in credit transactions for a variety of factors (including race, color, sex and religion), also makes it illegal to discriminate against you because you have exercised your rights under the FCRA. For example, the ECOA requires a creditor to notify you of an adverse action on an application. If the action was based on inaccurate information on your credit report, you may dispute the information without fear of intimidation or retaliation by the creditor.

The Fair Credit Billing Act, which establishes procedures for correcting errors on credit cards and similar accounts, includes consumer protections if you withhold payment while disputing a charge. One such protection directly involves your credit file, explains Janet Norcom, an FDIC attorney. "Once a creditor has received your notice of a billing error, it may not threaten to report you to a credit bureau for non-payment," she says. "Your credit rating is protected while you are settling the dispute."

For More Information



The **Federal Deposit Insurance Corporation** insures deposits at banks and savings associations and supervises state-chartered banks that are not members of the Federal Reserve System. The FDIC's services include a toll-free consumer assistance line, answers to written questions, and informational material. Toll-free phone: (877) ASK-FDIC or (877) 275-3342. The phone line is staffed Monday through Friday, 8:00 a.m. to 8:00 p.m., Eastern Time. Recorded information is available 24 hours a day. The toll-free TTY number for hearing-impaired consumers is (800) 925-4618. Home Page: www.fdic.gov. Mail: 550 17th Street, NW, Washington, DC 20429.

For questions about deposit insurance coverage: Contact the FDIC Division of Supervision and Consumer Protection at the address and phone numbers above, by fax to (202) 942-3098, or by e-mail using the Customer Assistance Form on the Internet at www2.fdic.gov/starsmail/index.html. The National Credit Union Administration (listed below) insures deposits at federally insured credit unions.

For other questions, including those about consumer protection laws, or complaints involving a specific institution: First attempt to resolve the matter with the institution. If you still need assistance, write to the institution's primary regulator listed on this page. Although the FDIC insures nearly all banks and savings associations in the United States, the FDIC may not be the primary regulator of a particular institution. Other regulators are listed below. To submit a complaint about an FDIC-supervised institution, contact the FDIC Division of Supervision and Consumer Protection as listed above. For inquiries involving problems or complaints related to the FDIC, contact the FDIC Office of the Ombudsman at the mailing address and phone numbers listed above, by fax to (202) 942-3040, or by e-mail to ombudsman@fdic.gov.

The **Federal Reserve System** supervises state-chartered banks that are members of the Federal Reserve System. Phone: (202) 452-3693. Fax: (202) 728-5850. Home Page: www.federalreserve.gov. Mail: Division of Consumer and Community Affairs, 20th Street and Constitution Avenue, NW, Washington, DC 20551.

The **Office of the Comptroller of the Currency** charters and supervises national banks. (The word "National" appears in the name of a national bank, or the initials "N. A." follow its name.) Phone: (800) 613-6743. Fax: (713) 336-4301. Home Page: www.occ.treas.gov. E-mail: consumer.assistance@occ.treas.gov. Mail: Customer Assistance Group, 1301 McKinney Street, Suite 3710, Houston, TX 77010.

The **Office of Thrift Supervision** supervises federally and state-chartered savings associations plus federally chartered savings banks. (The names generally identify them as savings and loan associations, savings associations or savings banks. Federally chartered savings associations have the word "Federal" or the initials "FSB" or "FA" in their names.) Phone: (800) 842-6929 or (202) 906-6237. Home Page: www.ots.treas.gov. E-mail: consumer.complaint@ots.treas.gov. Mail: Consumer Affairs Office, 1700 G Street, NW, Washington, DC 20552.

The **National Credit Union Administration** charters and supervises federal credit unions, and insures deposits at federal credit unions and many state credit unions. Phone: (703) 518-6330. Fax: (703) 518-6409. Home Page: www.ncua.gov. E-mail: pacamail@ncua.gov. Mail: Office of Public and Congressional Affairs, 1775 Duke Street, Alexandria, VA 22314.

Your state government also may offer assistance and publish useful information. Contact your state's Attorney General's office, consumer protection office or financial institution regulatory agency as listed in your phone book or other directories, or visit your state's official Web site.

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Donald E. Powell, *Chairman*

Phil Battey, *Director*, Office of Public Affairs (OPA)

Elizabeth Ford, *Assistant Director*, OPA

Jay Rosenstein, *Senior Writer-Editor*, OPA

Tommy Ballard, *Graphic Design & Illustration*

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Send comments, suggestions or questions to: Jay Rosenstein, Editor,
FDIC Consumer News
550 17th Street, NW
Room 7100
Washington, DC 20429
E-mail: jrosenstein@fdic.gov
Fax: (202) 898-3870

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801 17th Street, NW
Room 100
Washington, DC 20434
Toll-free phone: (877) 275-3342 or (202) 416-6940 (Washington area)
E-mail: publicinfo@fdic.gov
Fax: (202) 416-2076

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A Final Exam on Credit Reports

Test your knowledge by taking this quiz based on information in this issue

1. Your credit report, which summarizes your history of paying debts and other bills, can be a factor in credit decisions (such as requests for a loan or credit card) but cannot be used in non-credit decisions, such as applications for insurance or an apartment. ***True or False?***

2. Your credit record can affect a bank's decision to approve your loan application but, once you get approved, your credit record cannot affect the interest rate you'd be offered. ***True or False?***

3. Your credit card issuer can raise your interest rate or lower your credit limit if there are signs of trouble in your credit report. ***True or False?***

4. Paying bills late has no effect on your credit record. ***True or False?***

5. Many experts generally suggest that you review your credit report for incorrect or incomplete information about once a year. ***True or False?***

6. If someone steals your identity and runs up a big bill in your name, and the debt ends up on your credit record, there's no need to worry. You cannot be denied a loan or any other opportunity based on this information. ***True or False?***

7. You have the right to stop credit bureaus from providing your name and address to companies that want to solicit you for "pre-approved" offers of credit or insurance. ***True or False?***

Correct answers:

1. False *(See Page 1)*
2. False *(See Page 1)*
3. True *(See Page 3)*
4. False *(See Page 6)*
5. True *(See Page 4)*
6. False *(See Page 9)*
7. True *(See Page 5)*

Federal Deposit Insurance Corporation
Washington, DC 20429-9990