

Credit Report Encyclopedia

All About Credit Reports from A to Z



Adverse Action Notice

A notice that you have been denied credit, employment, insurance, or other benefits based on information in a credit report. The notice should indicate which credit reporting agency was used, and how to contact them. You are entitled to a free credit if you've been denied credit in the last 60 days.

Authorized User

A person who is sharing a credit card and has the right to use it, but does not have responsibility for payment.



Beacon Score

A credit score that is computed from an Equifax credit report, based on scoring models developed by Equifax and Fair, Isaac and Company, Inc.

Bureau

See **Credit Bureau**

Business Credit Report

A business credit report is a report showing the credit worthiness of a company. In the United States, the two main providers of business credit reports are Dunn & Bradstreet, and Experian. Most business credit information is not subject to the Fair Credit Reporting Act.



Chargeoff

A charge-off occurs when a creditor decides that a debt is unlikely to be repaid, and considers it a loss for accounting purposes.

Co-Maker or Co-Signer

A person who has co-signed for a loan, and will be responsible for payment should the borrower default. See also **Maker**

Consumer Disclosure

Your credit report is called a **consumer disclosure** when it is provided directly to you, because it discloses, to you, the contents of your credit file. Consumer disclosures are recorded as **soft inquiries**. They don't affect your credit or credit score, and the fact you've looked at your credit is not revealed to lenders, landlords, or employers.

Consumer Reporting Agency

A consumer reporting agency is a company that gathers and stores personal credit histories, and provides credit reports upon request to its customers. The three main credit reporting agencies (CRA's) are Equifax, Experian, and Trans Union. Credit reporting agencies are subject to the **Fair Credit Reporting Act**, and they take care to ensure that their customers are legitimate businesses and financial institutions having a permissible purpose to request credit reports.

Consumer Statement

If a dispute over a credit report item is not resolved to the consumer's satisfaction, a short message can be added to the credit report to express the consumer's disagreement with the reported item.

CRA

See **Consumer Reporting Agency**.

Credit Bureau

A credit bureau is company (or, sometimes, an organization of local merchants) that provides credit reports to its members. Most towns once had their own local credit bureaus. The records were kept manually, and the credit reports were often done verbally. Over the past 20 years, most local credit bureaus have been acquired by **Experian**, **Equifax**, and **Trans Union**. Those that remain independent, in most cases, have an affiliation with one of the three nationwide bureaus. The term *credit bureau*, as commonly used, refers to any of these organizations.

Credit Grantor

Credit grantor is a general term to describe a company or individual that accepts risk by lending money or allowing the use of valuable property. Credit reports are designed to

help credit grantors decide whether or not a consumer can be trusted to honor the terms of an agreement.

Credit report

A report designed to indicate your existing debts and how well you've repaid past debts. It also lists the companies that have inquired about your credit recently, and public records such as bankruptcies, judgements, and foreclosures. To the extent provided by your creditors and other sources, your credit report also includes current and prior addresses, current and prior employment, and identification information such as date of birth, drivers license number, and social security number.

Credit Repository

A company which collects, stores, and reports consumer credit information. The three nationwide credit repositories are Equifax, Experian, and Trans Union. Also known as Credit Bureau, Credit Reporting Agency, Consumer Reporting Agency, or CRA.

Credit Score

A computerized evaluation of your credit worthiness, expressed as a number. A credit score is based on the contents of your Equifax, Experian, or Trans Union credit report. A **credit scoring model** adds and subtracts points based on factors such as how many and what types of accounts you have, how close you are to your credit limits, how many times you've been late, severity of your delinquencies, and recent levels of activity in applying for credit. Lenders establish their own "cut-off" points for good scores vs. bad, and they may *factor-in* non-credit report items, such as income and bank balance. See also FICO, Beacon, Empirica.

Credit Scoring Model

The method used to compute your credit score, normally kept secret. Scoring models are often based on historical data from thousands of consumers.

Creditor

A creditor is someone who has loaned money to another. Opposite of **debtor**.



Debtor

A debtor is someone who has borrowed money from another. Opposite of **creditor**.

Debtors Plan

An arrangement for repayment on terms other than originally agreed, due to hardships or abuse of credit.

Decisioning

Automated evaluation of credit applications, with decisions such as *Approve* or *Disapprove* being displayed to the bank teller or loan officer.

Decode

A **decode** is a lookup of the subscriber information (name, address, and phone) that corresponds to a specific subcode. Creditors (and collectors) can more easily contact each other based on the added information a decode provides.

Derogatory

Negative information on a credit report.



ECOA

Equal Credit Opportunity Act.

Empirica Score

A credit score that is computed from a Trans Union credit report, based on scoring models developed by Trans Union and Fair, Isaac and Company, Inc.

End User (of a Credit Report)

An **end user** is a company or financial institution that has ordered a credit report. (The end user is prohibited from showing the report to anyone else without a permissible purpose.) When a credit report **reseller** gets a credit report from a credit reporting agency, it must indicate the end user, and the end user's permissible purpose, so that this information can be disclosed in future credit reports.

Equifax

Equifax is one of the three nationwide credit reporting companies. It is headquartered in Atlanta, Georgia, and employs 5,000 people in 13 countries, with \$1.1 billion in annual sales.

Experian

Experian is one of the three nationwide credit reporting companies, created in 1996 when TRW sold-off its credit reporting business. Headquarters in Nottingham, UK and Costa Mesa, California. Employs more than 12,000 people, and has annual sales of \$1.5 billion.



Fair Credit Reporting Act

The Fair Credit Reporting Act (FCRA) is a law that governs credit reporting agencies and establishes consumer rights involving credit reports. The **FCRA** limits the purposes for which credit information can be provided, and ensures that consumers have rights (for free or at a nominal charge) to see what's in their own credit file. Consumers also have the right to get erroneous items removed.

FCRA

See **Fair Credit Reporting Act**.

FICO

A credit score that is computed from an Experian credit report, based on scoring models developed by Experian and Fair, Isaac and Company, Inc.

Fraud Alert

See Security Alert.

FTC

The Federal Trade Commission (FTC) is the U.S. Government agency most responsible for regulating the credit reporting agencies. It also maintains a national database of identity theft complaints, and is active in educating consumers

Full Factual

Refers to a residential mortgage credit report, normally a tri-merge credit report used in a home loan, with direct verification of employment and other details.



Gramm-Leach-Bliley Act

A law designed to protect privacy by requiring financial institutions to provide customers with annual notices of privacy policies. It imposes restrictions on the disclosure of nonpublic personal information to third parties, and prohibits obtaining customer information under false pretenses.



Hard Inquiry

An **inquiry** made by a creditor or lender with whom you have applied for credit or a loan. Hard inquiries (up to 2 years old) are part of the report that creditors and lenders see when you apply for new credit, and they are used in the computation of your credit score.

Header File

A header file is just the top portion of a credit report (name, addresses, and identification,) without information about the consumer's credit history. Prior to the **Gramm-Leach-Bliley Act**, these types of reports had been widely available to bureau subscribers in need of individuals' address updates, but without "permissible purpose" to order a *full* credit report. Similar reports are available now, gathered from sources separate from consumer credit files.

High Balance

For an individual creditor on your credit report, *High Balance* (if reported) indicates the highest amount you ever owed them.



Individual Account

An individual account is an account that is in the name of just one person, and that person has full responsibility for repayment.

Inquiries

The section of your credit report that indicates to whom it has been shown over the last 2 years. See also **Hard Inquiry**, **Soft Inquiry**

Inquiry

An inquiry is an instance in which a credit report has been requested and viewed. All inquiries are logged by the credit reporting agency. Credit grantors (such as lenders and landlords) can see which other credit grantors have inquired over the last two years. In a **consumer disclosure** you can see all inquiries, including those hidden to credit grantors.

Instant Update

Instant Update is a capability for a **subscriber** to quickly add **derogatory** information to a person's credit report, without waiting for the normal monthly update. For example, after an automobile repossession, an instant update might prevent the consumer from quickly buying another car on credit.

Identity Theft

A crime in which an impostor uses the name, social security number, and/or other identifying information of a victim to open credit accounts, use existing credit accounts, or otherwise acquire benefits using the victim's identity. Identity thieves sometimes change the address and phone number on a victim's accounts, ruining their credit before the theft has been discovered. A credit report is often the best way to discover identity theft, and a security alert on one's credit report is often the best way to prevent further occurrences when fraud has been discovered.

Identity Theft Detection

A tri-merge credit report is the best to for early identity theft detection.

- Look for inquiries by companies with whom you are unfamiliar, or with whom you did not authorize your credit be checked.
- Look for accounts you don't recognize – these could be accounts that were fraudulently opened in your name.
- Look for incorrect address or employment information. An identity thief may have opened an account, or got a job your name at a different address.
- Look for activity in accounts you had thought to be inactive.
- Look for public record items that clearly are not yours.

Information provider

An information provider is a company that has provided information about you and your repayment history to a credit repository. In most cases, the information providers are the companies with whom you have credit relationships. In the event of a dispute, the credit repository investigates by asking the information provider to verify the information they originally provided.

Investigation

An investigation is the process followed when a consumer submits a dispute to the credit bureau. The bureau refers the questioned item back to the original **information provider** for verification.



Joint Account

An account in which two people share full responsibility for repayment.

Joint Credit Report

A credit report for two people, normally husband and wife. Joint credit reports, though requested in one step, are normally delivered as two separate reports. If scores are requested, two separate credit scores are provided. Joint reports are not available for direct to consumer disclosures.

**Maker**

A person who has taken out an installment loan, with a co-maker. The **Maker** is responsible for payment, but the co-maker acts to assure that the loan will be repaid. See **Co-Maker**.

Manner of Payment

The repayment pattern for a **tradeline** on a credit report. It may indicate, month by month, when the account was 30, 60, 90, or 120 days last past due. Analysis could also show, for some consumers, a tendency to pay the balance in full each month, or a tendency to pay only the minimum each month.

**No Hit**

A company's request for your credit report results in a *No Hit* if you are not found in the credit repository's database, or your identifying information was specified incorrectly.

**Opt-Out**

A consumer's right to be removed from mailings of pre-approved credit offers. See **prescreen**.

**Prescreen, Pre-approved offers**

A service major credit reporting agencies provide to financial institutions, which allows them to make bulk mailings of pre-approved offers of credit to selected segments of the population, based on credit score and demographic characteristics. According to the **FTC's** interpretation of the **Fair Credit Reporting Act**, credit data cannot be used for other types of target marketing. Consumers can *opt-out* of prescreen offers by calling 1-888-5-OPTOUT.

Public Record

Court judgements, foreclosures, and bankruptcies are shown in the *public records* part of a credit report. Companies and individuals that don't have a relationship with a credit bureau or collection agency cannot get negative information added to your credit report, other than by getting a court judgment against you. Credit bureaus automatically include information gathered from the courts.

**Reseller (of Credit Reports)**

A reseller is a company that provides credit reports, but does not, itself, gather and store consumer credit information. For example, when you apply to rent an apartment, the landlord might purchase your credit report from a tenant screening company (the reseller,) who gets it from Experian, Equifax, or Trans Union (the credit reporting agency.) When doing so, the reseller must indicate the end user (the landlord that requested your report) and the permissible purpose (tenant screening.)

RMCR

RMCR refers to a residential mortgage credit report, normally a tri-merge credit report used in a home loan.

**Soft Inquiry**

An **inquiry** that is recorded when you request your own credit report, or when your employer requests it. Soft inquiries are not revealed to creditors and lenders, and they do not affect your credit score.

Security Alert

In the event of identity theft or fraud, you may request that a message be placed on your credit report. The message indicates that you are a possible victim, and that you are to be contacted personally before credit is granted.

Security Freeze

In the event of identity theft or fraud, a security freeze is a temporary hold on your credit report, preventing new credit grantors from seeing it (until you release the freeze.) Court orders, child support enforcement, and companies with which you already have a credit relationship are not subjected to the freeze. The first state to implement security freezes is California, January 2003. (California Senate Bill 168)

Single-bureau credit report

A single-bureau credit report is a credit report from just one of the three nationwide credit reporting agencies.

Subscriber

The customers of a credit reporting agency are often called **subscribers**. Banks, mortgage companies, auto dealers, credit card issuers, insurance companies, apartment management companies, and collection agencies, are examples of subscribers.

Subcode

A **subcode** is a several-digit number that identifies a specific **subscriber** of a credit bureau. (With Trans Union and Equifax, the subcode includes one or two letters to designate the industry, as well.) Credit reports indicate subcodes of the companies that have inquired, and of the companies that have reported credit relationships with the consumer. A subscriber wishing to contact the other subscribers listed on the credit report can do so by requesting a **decode**, which provides the company's address and phone for a specific subcode. (Or, upon ordering it can be requested that credit report include all the decodes.)



Too New to Rate

A designation that may appear as an account status, for example, on a credit card that has been issued, but not yet used by the consumer.

Tradeline

A tradeline is an item on your credit report, referring to one of your past or present credit relationships. Tradelines normally include credit cards, mortgages, leases, and other loans. You'll have a separate tradeline for each account or credit card number, whether open or closed.

(Rent and utilities are not normally listed as tradelines, unless they are in collection.)

TransUnion

Trans Union is one of the three nationwide credit reporting agencies. It is headquartered in Chicago, Illinois, and employs 3,600 people in more than 24 countries. It is a privately held corporation.

Tri-merge

A tri-merge is a credit report that combines the credit reports from all three bureaus (Equifax, Experian, and Trans Union.) **Tradelines** are arranged so that the same accounts, as reported by the three bureaus, can be viewed next to one another, and differences noted. Tri-merged credit reports are commonly used in mortgage lending decisions.

TRW

TRW was one of the original nationwide credit reporting agencies. It exited the field in 1996, and a new company, Experian, took over TRW's credit reporting business.



Universal Data Form

The universal data form is standardized document upon which credit bureau subscribers can manually report account status information to a credit bureau.



Zip Table

In tri-bureau credit software, a zip table is an (optional) list of zip codes, indicating for any residence location of the consumer, which credit reporting agency is to be used. (Equifax, Experian, or Trans Union.)

For individuals...



Banks rate it...
Landlords screen it...
Employers investigate it...
Thieves want it...
Everybody wonders about it...

Do you?

See your own credit report and credit score *right now!*

<http://creditbase.com/report.htm>

For companies...

Do you grant credit to individuals?



CREDITbase software makes it simple for your business or financial institution to get credit reports.

<http://creditbase.com>