

Introduction to Credit

Put simply, credit is the reputation for repaying debts on time. The better your credit, the more willing companies and people will be to lend you money, issue you a credit card, rent a house or apartment to you, hire you, or provide services to you on favorable terms.

The Good, the Bad, and the in Between

Good credit doesn't require a spotless payment history, but poor credit, once established, can be difficult to escape. When you apply for a credit card, personal loan, or any other type of credit, the lender must decide if you are a good credit risk. Creditors do this by checking your background to see how you've paid debts in the past. A poor repayment history will not help your cause.

To determine if an applicant is a good credit risk, most lenders use a scoring system. Applicants receive points for factors such as type of occupation, length of employment, and annual income. Applicants may also receive points for the number of previous or current creditors who have rated their credit payment history highly. See [Credit Scores](#) to learn more.

If you are deep in debt and are applying for more credit, a creditor may consider you to be over-extended and deny your application, believing you may not be able to handle additional payments based on your income and existing obligations. See [Getting out of Debt](#) to learn more.

When you apply for credit, each creditor may access your [credit report](#). Their inquiries will be recorded in your file. Some creditors automatically reject an applicant if their credit report shows an excessive number of inquiries over a short period, believing from experience that good credit risks usually don't have many credit inquiries. A record of inquiries will remain on your credit report for as long as two years.

If you have committed yourself to relatively few creditors and have maintained a high credit rating, lenders may look at how long your credit commitments with those creditors will continue. If you are near the end of your current commitments, the lender may consider extending credit to you because your income-to-debt ratio will improve at the end of your current commitments. See [Rebuilding Damaged Credit](#) for more information.

Check your [Equifax Credit Report™](#) to see your reported payment history, account balances, and inquiries.

What is a Credit Score?

A credit score is a rating used by a lender to help determine whether you qualify for a particular credit card, loan, or service. Based on information in your credit file, the credit reporting agency analyzes your information using a complex mathematical model to yield your credit score.

Most credit scores estimate the risk a company incurs by lending you money or providing you with a service -- specifically, the likelihood that you'll fail to make payments in the next two to three years. The higher the score, the less risk you represent. Your score is calculated by a mathematical equation that evaluates many types of information found in the credit file.

What Factors Affect a Score?

Many different formulas are used to calculate credit scores, but most are based on the following factors, which each scoring model weighs differently:

Payment history. A record of late payments on your current and past credit accounts will lower your score.

Public records. Matters of public record such as bankruptcies, judgments, and collection items may lower your score.

Amount owed. Owing too much will lower your score, especially if you're approaching your total credit limit.

Length of credit history. In general, a longer credit history is better.

New accounts. Opening multiple new accounts in a short period of time may lower your score.

Inquiries. Whenever someone else gets your credit report -- a lender or landlord for example -- an inquiry is recorded on your credit report. A large number of recent inquiries may lower your score. Insurance inquiries that are created from an insurance quote or a renewal, have no impact on your credit score.

Accounts in use. The presence of too many open accounts can lower your score, whether you're using the accounts or not.

You Have More Than One Score

The most commonly used credit score is a FICO® credit score, used by over 70% of the nation's creditors to make financial decisions about consumers. To learn more about FICO® scores, visit [About FICO® Scores](#).

Want to Know Your Score?

[Score Power®](#) provides you with your current FICO® credit score and a copy of your Equifax Credit Report™.

Checking Your Report

Your credit report is used by many different lenders and other entities to make decisions about you. When it comes to your credit report, it's what you don't know that can hurt you. Credit card companies, mortgage loan companies, auto loan and insurance companies, even landlords and employers check credit reports to find out about your credit past. The reason? They figure if you were responsible in the past, you will most likely be responsible in the future. When it's time to consider any sort of financial move -- a new home or car, a new credit card, a new auto insurance policy, even a new job -- it's time to [check your report](#).

After You Get Your Report

When you get your report, review it carefully. If you see problems on your report, such as an unpaid bill that you simply forgot about, act right away to resolve the debt. Then ask the business to whom you owed the money to send a letter to the credit reporting agencies saying that the matter has been resolved.

Also, make sure your report is accurate. Check for accounts you didn't open, charges you didn't make, and delinquencies you didn't cause. If you see evidence of fraud, contact the credit reporting agencies immediately. Explain the situation and ask that a fraud alert be placed in your file. Also report the fraud to the police. Your credit report will follow you throughout your life and can help you financially -- or hurt you. Review it carefully!

Checking Your Report Is Easy

Get the [3-in-1 Credit Report](#) and see your credit history as reported by the three major credit reporting agencies. You can also subscribe to [Equifax Credit Watch™](#) and get an early alert to new and suspicious activity on your report. Equifax Credit Watch™ also gives you up to \$20,000 (limits apply) in identity theft insurance depending on program.

Fixing Errors on Your Report

It's possible for incorrect, incomplete or outdated information to appear on your credit report. If it does, it can drastically lower your chances of getting the loans, credit cards, and other credit products you deserve. If you find an error, take the following steps to fix it as soon as possible. If you see evidence of fraud, contact the credit reporting agencies immediately. Explain the situation and ask that a fraud alert be placed in your file. Also report the fraud to the police, and your creditors.

Please note: It's important to keep a record of everything you do. Send all correspondence return receipt requested, and make copies of any letters or documents you send. Never send original documents.

1. Contact the Credit Reporting Agency

Contact the credit reporting agency that is reporting the item in question. You will need a printed copy of your credit report from them, which you may be eligible to receive free of charge.

After you send written documentation of the inaccuracy, the credit reporting agency will review it. If further investigation is required, they will provide notification of your dispute, including the relevant information you submitted, to the source that furnished the disputed information to them.

The source will then review the information, conduct their own investigation, and report back. The credit reporting agency will then make all appropriate changes to your credit file based on the investigation, and notify you of the update.

2. Contact the Creditor Regarding the Problem

In some cases, you should contact the appropriate creditor or lender before contacting a credit reporting agency. This is especially true if you are a victim of fraud. You should also contact the appropriate creditor or lender if that source has verified the information that you disputed with the credit reporting agency. Most large creditors have standard procedures for customers to dispute items on their account. If you have proof that the item in question is incorrect, it should be resolved quickly.

If the creditor finds that the disputed information is indeed incorrect, the creditor is required under the Fair Credit Reporting Act to update its records both internally and with the credit reporting agencies it deals with, usually within 30 days. However, some small creditors that do not regularly report information to credit reporting agencies are not required to notify the agencies of the corrected information. In these cases, you will need to contact the agency directly.

Always follow up your phone calls with a letter. List each disputed item, and state how it is inaccurate, attaching copies of all relevant documents. Include your full name, account number, the dollar amount in question, and the reason you believe the item is wrong. Be concise.

3. Contact the Other Credit Reporting Agencies

If you find an inaccuracy with one credit bureau, you may want to get your credit report from the other two agencies to see if their reports contain the same error. After you've corrected an error with one agency, the other agencies will in most cases also receive the corrected information. But for prompt correction, it's best to contact each of the three major credit reporting agencies yourself.

4. Ensure the Error Is Fixed

Within 30 days (45 days if based upon your annual free credit file), the credit reporting agency should notify you of the results of its investigation and provide you with a new credit report free of charge. Examine it carefully to ensure that the inaccuracies have been fixed or removed.

If the error has been fixed, you can have the credit reporting agency send the corrected report to anyone who received the inaccurate report in the past six months (two years in the case of employers).

5. If You Cannot Resolve a Disputed Item

You have the right to file a brief statement with the consumer reporting agency, free of charge, explaining the nature of your disagreement. The consumer reporting agency may limit your statement to not more than 100 words if it provides you with assistance in writing a clear summary of the disagreement. Your statement will become part of your credit file, and will be included each time your credit file is accessed, for as

Your Credit Rights

Key Rights Contained in the Fair Credit Reporting Act (FCRA)

The Fair Credit Reporting Act (FCRA) is a federal law that regulates how credit reporting agencies use your information. Enacted in 1970 and substantially amended in the late 1990s and again in 2003, the FCRA restricts who has access to your sensitive credit information and how that information can be used.

Summary of Key Rights

The FCRA is a complex piece of legislation and contains numerous provisions not discussed on this page. Below are several important features of how the FCRA that are designed to help consumers (for the complete text, visit the [Federal Trade Commission](#)). The FCRA protects you by ensuring that credit reporting agencies:

Disclose your credit report to you upon request. Credit reporting agencies must give you the information in your file if you ask for it and provide the agency with proper identification. See "To Receive Your Credit Report" below for more information.

Limit access to your information. A credit reporting agency may not provide your credit report to any party that lacks a permissible purpose, such as the evaluation of an application for a loan, credit, service, or employment. Permissible purposes also include several business and legal uses. For details, see the [full text of the summary of your rights](#).

Get your consent before providing your information to an employer. An agency may not give your credit information to an employer or potential employer unless you first give that employer written permission to request your credit.

Investigate disputed information. If you tell a credit reporting agency that your file contains inaccurate information, the agency must promptly investigate the matter with the source that provided the information. If the investigation fails to resolve the dispute, you may add a statement explaining the matter to your credit file. For more information, see [Fixing Errors on Your Report](#).

Correct or delete inaccurate information. A credit reporting agency must correct or, as the case may be, delete from your credit file the information that is found to be inaccurate or can no longer be verified from your credit file. The Credit Reporting Agency is not required to remove accurate data from your file unless it is outdated or cannot be verified.

Delete outdated information. In general, negative information that is more than 7 years old (10 years for bankruptcies) must be removed from your file.

Remove your name from marketing lists upon request. Creditors and insurers may share information in your credit file with marketers who send you unsolicited offers. To request that the three credit reporting agencies not share your information with marketers, call 888-567-8688.

Disclose your credit score to you upon request. For a fee, you may get your credit score. In some mortgage transactions, you will get credit score information without charge. See "To Obtain Your Credit Score" below for more information.

Add identity theft and active duty alerts. Identity theft victims may place fraud alerts and active duty military personnel serving away from their regular duty station may place "active duty" alerts to help prevent identity theft.

To Receive Your Credit Report

By law, you are entitled to disclosure of your credit file. The charge is under \$10.00 and may be reduced or free in some states. See below:

State	Free	Fee	Subsequent/Additional Requests
California		\$ 8.00	
Colorado	1 per calendar year	\$ 8.00	
Connecticut		\$ 5.00	\$ 7.50 with in 12 months
Georgia	2 per calendar	\$ 9.00	
Maine	1 with in 12 months	\$ 5.00	
Maryland	1 with in 12 months	\$ 5.00	
Massachusetts	1 per calendar year	\$ 8.00	

Minnesota		\$ 3.00	\$ 9.00 with in 12 months
Montana		\$ 8.50	
New Jersey	1 with in 12 months	\$ 8.00	
Vermont	1 with in 12 months	\$ 7.50	
All other states		\$ 9.00	
*Unemployed	1 with in 12 months		
*Welfare	1 with in 12 months		

You are entitled to one free report during any 12-month period no matter where you live, if you:

- Are unemployed and intend to apply for employment in the next 60 days
- Are on public welfare assistance
- Believe your file contains inaccurate information due to fraud
- You are also entitled to a free report if you have received notice of an adverse decision (such as denial of credit, insurance, or employment) within the past 60 days

To request a copy of your credit file from Equifax, please contact:

Equifax Information Services LLC
P.O. Box 740241 Atlanta, GA 30374
or call
800-685-1111

When requesting a credit report by mail, be sure to include your full name, current address, Social Security Number, and most recent former address for file-matching purposes. Also include a personal check made payable to Equifax Information Services LLC, based on the state rates above.

For immediate access to your online Equifax Credit Report™, [click here](#). A \$9.00 service fee applies.

Under the FACT Act amendments to the Fair Credit Reporting Act you are entitled to one free credit report disclosure in a 12 month period. To request this free annual disclosure you must contact the Central Source. To contact the Central Source on-line, please [click here](#) to www.annualcreditreport.com. You can also contact the Central Source to request this free annual disclosure by calling toll free (877) FACTACT or by using the mail request form available at the central source website by clicking the following link www.annualcreditreport.com

To Obtain Your Credit Score

By law, you are entitled to obtain your credit score. There is a fee of \$6.95 to obtain your credit score from Equifax Information Services. To request your credit score, please contact:

Equifax Information Services LLC
PO Box 105167
Atlanta, GA 30348
or call 1-877-SCORE-11

If you are in the process of obtaining a mortgage, you may be entitled to free credit score information. Contact the person making or arranging your loan for further information.

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Glossary of Terms

Click on the first letter of a credit-related term to view its definition. Terms are listed in alphabetical order.

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A

Account Review

A review of a consumer's credit history by one his/her creditors.

Active Account

An account for which activity has been reported to a [credit reporting agency](#) in the last 90 days.

Adjustment

The percentage of a debt that is to be repaid

Alias	to the creditor in a Chapter 13 bankruptcy . A name reported in your credit file that differs from your primary or given name. This commonly occurs if you've applied for credit or loans under different variations of your name -- "Robert P. Smith" and "Bob Smith," for example.
Amortization	The reduction of a mortgage loan by regular payments.
Amount Due	Generally, the minimum monthly payment you must make, not the total amount you owe.
Annual Fee	The yearly fee charged by a lender to maintain an account.
Annual Percentage Rate (APR)	The cost of credit at a yearly rate. Knowing the APR allows you to effectively compare loans, even when they are structured differently.
Asset	Any holding that has a monetary value or use. Houses, real estate, cars, jewelry, and stocks & bonds are considered assets.
Authorized User	A person allowed to charge goods and services on a credit card by the primary user of that card. Authorized users -- unlike users of a joint account -- are not legally responsible for payment.



Available Credit

On a credit account, the credit limit minus the current balance. To many creditors, your total available credit on all your accounts is an important factor.

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Balance

The outstanding amount owed to a creditor on a particular account.

Balance Transfer

The transfer of one or more credit card balances onto another card, typically to take advantage of a lower [annual percentage rate](#).

Balloon Payment

A final payment at the end of a loan term that is considerably larger than the regular periodic payments. Often associated with a [second mortgage](#).

Bankruptcy

Two types apply to consumers:

- Chapter 7 refers to a court proceeding where one's unprotected assets are sold and disbursed to pay creditors.
- Chapter 13 allows the debtor an extended time to repay all or part of his/her debts. The debtor is allowed to keep his assets.

Once a bankruptcy has been filed,

foreclosures, garnishments, repossessions, utility cut-offs and debt collection activities are automatically stayed.



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Capacity

An estimate of the amount of debt you can handle, largely based on your income in relation to the amount you already owe. See [debt-to-income ratio](#).

Capital

A measure of your current assets, including savings, investments, and property. Capital reassures a lender by providing a means of repaying your loan in case you default. It may also provide evidence that you've met financial obligations in the past -- a fully paid car, for example, shows that you've successfully paid off an auto loan.

Cash Advance

A cash loan taken out on a credit card. Interest for cash advances is usually higher than it is for purchases, a transaction fee may apply, and the grace period may be waived.

Chapter 7 Bankruptcy

The most common form of consumer bankruptcy, Chapter 7 typically releases a debtor from all liability for the accounts included in a bankruptcy. In exchange, the debtor must forfeit some personal property. A Chapter 7 bankruptcy remains on the debtor's credit report for 10 years.

Chapter 11 Bankruptcy

Normally used for corporations, Chapter 11 can be used by consumers in certain rare cases involving extremely large debt. However, Chapter 13 is simpler and provides better protection for most consumers.

Chapter 13 Bankruptcy

A type of consumer bankruptcy under which the debtor doesn't forfeit personal property but agrees to a three- to five-year [wage-earner plan](#) to repay all or part of their debt. A Chapter 13 bankruptcy remains on a credit report for seven years.

Character

In the context of a credit application, "character" is one of the [three Cs](#), the traditional set of criteria lenders use to evaluate an application. In most cases, character is determined by your credit report and/or score.

Charge Card

A credit card, such as an American Express or Diners Club card, that requires full payment of the balance each month. Such cards nevertheless appear on your credit report, since they do extend credit to you (if only for short periods of time).

Charge-off

An instance in which a consumer is seriously delinquent in paying a bill and the

	creditor elects to transfer the account to an accounting category such as "charged to loss" or "bad debt." In such cases, the creditor may also turn the account over to a collection agency.
Closed Account	An account that has been closed by you or your creditor. Such accounts remain on your credit report for seven years from the date of last activity.
Closing	The point at which the buyer signs the mortgage documents, pays closing costs, and becomes the owner of the property. Also called a settlement.
Closing Costs	Expenses that buyers incur in the transfer of ownership of a property. Closing costs may include taxes, origination fees, attorney's fees, and other costs.
Collateral	Property you pledge as a guarantee for a secured loan . If you fail to repay the loan, the creditor can take the property. Sometimes used in place of capital as one of the three Cs .
Collection Agency	A firm assigned by a creditor to collect overdue amounts. Some creditors have internal collection departments. Like creditors, collection agencies report account information to consumer reporting agencies .
Consolidation Loan	A loan obtained in order to combine multiple debts into one, typically at a lower interest rate .
Consumer	An individual who purchases products and services.
Consumer Debt	Debt incurred for items that aren't considered tangible investments such as credit card debt, car loans, and personal loans made by family members.
Consumer Credit Counseling Service (CCCS)	Organizations that help consumers find a way to repay debts through careful budgeting and fund management. CCCS's are usually non-profit organizations funded by creditors. By requesting a longer pay-off period from creditors one-by-one, a CCCS can often design a workable repayment plan on behalf of the consumer.
Consumer Reporting Agency	See credit reporting agency.
Consumer Statement	Under the Fair Credit Reporting Act , you have the right to add a consumer statement to your credit file to explain disputed information about your accounts.
Co-signer	Someone who agrees to share responsibility with the primary applicant for a loan or credit card. A consumer with poor credit may need a co-signer to get a loan or to qualify for favorable terms. Because co-signers are liable for debts incurred, co-signed accounts appear on the cosigner's

	credit report.
Credit	A trust or promise to buy now and pay later under designated terms for goods or services.
Credit Balance	The amount owed on a credit card. Not to be confused with a minimum payment .
Credit Bureau	See credit reporting agency.
Credit Card	A card used to make purchases or take out cash loans that require the user to pay some or all of the outstanding amount each month. Credit cards are differentiated mainly by their terms .
Credit Card Issuer	A bank or other institution that extends consumers credit through a credit card.
Credit File	The collection of an individual's credit history, identifying information, and other records maintained by a credit reporting agency. "Credit file" is sometimes used interchangeably with credit report, but technically a credit file is the source from which a credit report is generated.
Credit Fraud/Identity Theft	A crime that involves using another person's identity (e.g. name, Social Security Number or other personal information) to acquire credit or make purchases.
Credit History	A record of how a consumer has paid credit accounts in the past. It is used as a guide to determine whether or not the consumer is likely to pay future accounts on time.
Credit Limit/Credit Line	The amount of credit issued by a lender.
Credit Repair Agencies/Credit Clinics	Companies that claim they can "clean up" or "erase" a consumer's bad credit.
Credit Report	A report that a prospective lender or employer obtains from a consumer reporting agency that displays the manner in which a consumer has met his or her past credit obligations. It is used to help determine creditworthiness of the potential borrower.
Credit Reporting Agency	Commonly known as credit bureaus, credit reporting agencies are companies that receive, maintain, and provide information about consumers' credit history. Three national agencies -- Equifax, Experian, and TransUnion -- dominate credit reporting. There are many smaller agencies, but almost all of them get information from one or more of the three major agencies. See credit reporting agencies for more information.
Credit Risk	The likelihood of a consumer to pay back an outstanding debt.
Credit Score	A numerical estimation of the likelihood that you'll meet debt obligations. A creditor gets your information from a credit reporting agency and applies a credit scoring model to calculate your credit score. For more information, see FICO® Scores .

Creditor A company that enables consumers to make purchases on credit and/or lends consumers money. Sometimes used interchangeably with lender.

Creditworthiness An assessment of a consumer's past credit behavior that allows a potential lender to decide whether or not to extend credit.



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D

Daily Periodic Rate A credit card's [annual percentage rate](#) divided by 365 days.

Debit Card A card that allows purchases to be deducted directly from a consumer's personal checking account.

Debt-to-Income Ratio Your income compared to the debt you owe.

Debtor One who owes a debt.

Default Failure to fulfill an agreed-upon financial obligation, such as making a loan payment.

Delinquency (30, 60 or 90 days) Past-due payment on a loan.

Discharge To release a debtor from responsibility for a debt, often as a result of bankruptcy.

Discretionary Income The money you have left over when all expenses and other financial obligations are paid.

Dismissed Bankruptcy An instance in which a judge has ruled against a consumer's petition for bankruptcy, sometimes at the consumer's request. Such cases are recorded in the [public records](#) section of the consumer's credit report, and the debts covered in the bankruptcy remain outstanding.

Disposable Income Money left over after taxes are deducted.

Dispute To question the accuracy of information on a credit report. Disputes may now be effectively resolved online by notifying Equifax.



Down Payment The initial amount paid in cash toward the total price of a home or car. A large down payment may help you get a more favorable interest rate and let you avoid having to buy mortgage insurance.

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Equal Credit Opportunity Act (ECOA) A federal law that requires lenders and other creditors to make credit equally available without discrimination based on race, color, religion, national origin, age, sex, marital status, or receipt of income from public

Equifax Credit Report™

assistance programs.

Equifax compiles data from many sources and creates a file that reflects your personal credit history.

[Learn more.](#)

Equifax Credit Watch™ Gold

Equifax credit monitoring service plus unlimited access to your credit report. Equifax Credit Watch™ Gold will email notifications to you within 24 hours of any key changes in your credit file, which may be warning signs of identity theft. Also includes \$20,000 identity theft insurance(limits apply).

[Learn more](#)

Equifax Credit Watch™ Silver

Equifax credit monitoring service plus one-time access to your credit report. Equifax Credit Watch™ Silver will email notifications to you within 7 days of any key changes in your credit file, which may be warning signs of identity theft. Also includes \$2,500 identity theft insurance(deductible applies).

[Learn more](#)



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F

Fair Credit Reporting Act (1971; amended in 1997 and 2003)

A federal law that among other things enables consumers to learn what information consumer reporting agencies have on file about them, and to dispute errors in the file. It also specifies certain permissible purposes for which credit reports may be furnished. It provides consumers with the right to obtain a copy of their report at no charge if their have been turned down for credit.

Fair, Isaac Company

The developer of the FICO® score, a credit scoring model used by many creditors.

FICO® Score

A credit score derived from the application of a credit scoring model created by the Fair, Isaac Company to a consumer's credit file held by a credit reporting agency. FICO® scores range from the 300s to the 900s, but almost all consumers have a score between 500 and 850.

Finance Charge

The cost of a loan expressed as a dollar amount.

Finance Company

A company that mainly lends money to consumers who cannot qualify for credit at a credit union or bank. Finance companies generally charge higher rates than other creditors.

Fixed Rate

An interest rate that remains constant, regardless of economic indicators. Compare [variable rate](#).

Foreclosure

The legal process by which a creditor may sell mortgaged property to recover a

Fraud Alert

defaulted mortgage.

If you suspect that you're the victim of identity theft or credit fraud, you may contact the credit reporting agencies and place a fraud alert on your credit file. Such an alert will prevent new credit accounts from being opened without your express permission.



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Garnishment

A legal process whereby a creditor has obtained judgment on a debt allowing him to receive full or partial payment by seizure of a portion of the debtor's assets (wages, bank account, etc.).

Grace Period

The period allowed to avoid any finance charges by paying off the balance in full before the due date.

Gross Monthly Income

What you earn before taxes are deducted.



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H

Hard Inquiry

An indication on your credit file that a lender has obtained a copy of the report in order to evaluate your loan or credit application. An excess of hard inquiries within a six-month period may lower your credit rating. All the inquiries Equifax makes when you purchase our products and services are [soft inquiries](#).

Home Equity

The part of your home you actually own, or the home's current market value minus the amount you still owe. See also [home equity loan](#).

Home Equity Loan

A loan secured by a primary residence or second home to the extent of the excess of fair market value over the debt incurred in the purchase. Interest on a home equity loan may be tax deductible, but if you fail to pay your home equity loan, your home could be sold to pay off the debt.



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I

Identity Theft

A fast-growing crime that occurs when someone uses your personal information to fraudulently obtain credit. For more information, see [how identity theft identity theft strikes](#).

Inquiry

An instance in which all or part of your credit file is accessed by a company or individual. There are different types of inquiries. Inquiries stay on your credit report for not more than two years. See also [hard inquiry](#), [promotional inquiry](#), and [soft](#)

Installment Loan	inquiry . A credit account in which the amount of the payment and the number of payments are predetermined or fixed.
Interest	The cost of borrowing or lending money, usually a percentage of the amount borrowed or loaned.
Interest Rate	The amount charged by a lender for borrowing money.
Investigation	The process a credit reporting agency undertakes in order to verify credit report information disputed by a consumer. For more information, see correcting inaccuracies on your credit report .
Involuntary Bankruptcy	A bankruptcy instigated by creditors rather than the debtor.



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J

Joint Account	A credit or loan account held by two or more people. All account holders assume legal responsibility for the repayment of the account.
Joint Credit Report	A combined report created by merging the credit files of joint applicants and used by creditors to assess a joint application for credit, usually involving a mortgage. Note that the credit files remain separate.
Judgment	A determination by a court of law that, in the case of credit, may require a person to fulfill an obligation -- to pay a debt, for example. When a judgment has been satisfied (i.e. the debt has been paid or settled), the consumer has fulfilled its requirements and is no longer liable. Information about judgments is recorded in the public records section of a credit report.



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L

Late Fee	A fee attached to a delinquent account.
Late Payment	A payment delivered after its due date. Payments that are late by 30 days or more may be reported to credit reporting agencies and added to your credit report.
Lease	A contract that allows you the right to use or occupy property (a car or apartment, for example) over a specific length of time, during which you make regular payments and after which you do not own the property.
Lender	A company that lends money to consumers or enables them to make purchases on credit. Sometimes used interchangeably with creditor .
Liability	In the context of credit, legal responsibility

Lien

for the repayment of a debt.

A legal claim upon real or personal property as security for or payment of a debt.

Line of Credit

A credit limit established by a creditor.

Loan

An extension of money that is to be repaid.

Loan-to-Value Ratio (LTV)

The ratio of the amount of a home loan to the appraised value of the home. For example, if you borrow \$75,000 to buy a \$100,000 house, the LTV is 75%. As a general rule, the lower the LTV, the more favorable the terms of the loan will be.



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M

Merged Credit Report

See [3-in-1 Credit Report](#)

Minimum Payment

The smallest payment you can make on a [revolving credit account](#) to maintain your account status as being paid as agreed.

Mortgage

A loan designed to facilitate the purchase of a home, in which the home itself serves as security for the loan. If the borrower doesn't make the required payments, the lender may through a legal process known as foreclosure, sell the home in order to recover the amount owed on the mortgage.

"Mortgage" can also refer to the legal document detailing the borrower's responsibilities, including the payment schedule and terms.

Mortgage Debts

Includes first mortgages, home equity loans, and any other loans secured by any real estate you own.



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Net Income

Your total income from employment and other sources, minus taxes.



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O

Obsolete Information

After seven years, negative information on your credit report is considered "obsolete" and should automatically fall off your credit report. The exception is a Chapter 7 bankruptcy, which remains on your report for 10 years.

Open Account

An account that is still active or still being paid.

Opting Out

Limiting the sharing of information about you to others, such as opting out of credit or insurance offers that were not initiated by you.

Origination Fee

The fee a lender charges to process a home loan. It may include the costs to check the applicant's credit report, prepare documents, inspect the property, and conduct an

appraisal.



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P

Periodic Rate

An interest rate expressed in daily or monthly terms, calculated by dividing the annual percentage rate by 365 or by 12.

Permissible Purpose

A purpose for which a credit reporting agency may furnish a credit report on you to a third party. Credit reports cannot be furnished unless there is a permissible purpose for the report as defined in Section 604 of the Fair Credit Reporting Act.

Personal line of credit

The maximum amount one can owe at any time, based on income, debt and credit history.

PITI

An acronym representing the main components of a monthly mortgage payment: principal, interest, taxes, and insurance.

Points

Charges levied by a mortgage lender, usually paid at closing. One point equals 1% of the value of the loan.

Prepayment Penalty

A fee assessed by a lender when you pay off your loan ahead of schedule. The penalty compensates the lender for interest payments it would have received based on the loan's payment schedule.

Primary User

The person under whose name a credit card account is listed. A primary user can authorize other people to use the account, but the primary user is ultimately responsible for repaying all charges.

Prime Rate

The interest rate charged by banks on loans to the largest and highest-rated customers. This economic indicator often serves as the basis for [variable interest rates](#).

Principal

The outstanding balance of a loan, exclusive of interest and other charges.

Promotional Inquiry

A type of [soft inquiry](#) made to your credit report for the purpose of disclosing that a credit report was furnished in connection with a preapproved offer. If your credit history matches a creditor's criteria, that creditor gets only limited information -- not your full credit report.



Public Record

Information obtained from court records about such things as state or federal tax liens, bankruptcy filings and judgments against you in civil actions.

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Q

Qualifying Ratio

The ratio of your monthly expenses to your gross monthly income. Creditors use qualifying ratios to evaluate loan applications.



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R

Refinancing

Restructuring your home loan to get a lower [interest rate](#) or to borrow money from the amount you've already paid on a loan.

Repossession

The act of a creditor regaining possession of an item sold to you.

Revolving Balance

The total balance of all revolving credit accounts.

Revolving Charge Account

An account that requires at least a specified minimum payment each month plus a service charge on the balance. As the balance declines, the amount owed for the service charge, or interest, also declines.



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S

Satisfied

A judgment is satisfied when the debtor has fulfilled its requirements -- paid the outstanding amount, for example -- and is no longer liable.

Score Power®

Your Equifax Credit Report™ plus your FICO® credit score.

[Learn more.](#)

Second Mortgage

A mortgage taken out on a home that has an existing mortgage. A [home equity loan](#) is a type of second mortgage.

Secured Credit Card

A credit card secured by a savings account.

Secured Loan

A loan for which an item of property has been pledged in case of default. A mortgage is an example of a secured loan.

Security

See [collateral](#).

Service Charge

Additional services applied to an account.

Settlement

See [closing](#).

Smart Card

An electronic prepaid cash card, usually sold at banks and exchanged at face value

Social Security Number (SSN)

The unique nine-digit number assigned to every legal resident of the United States by the Social Security Administration. Because no two people are assigned the same number, the SSN is usually the main identifying factor in a person's records, including credit reports.

Soft Inquiry

An instance in which your credit report is accessed without affecting your credit rating. Soft inquiries include your own requests for your credit report, [promotional inquiries](#) by credit card companies, and "checkup" inquiries by your existing creditors. A soft inquiry that does not affect your credit rating

is used when Equifax Personal Solutions provides you with our products. Compare [hard inquiry](#).



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T

Tax Lien

A charge upon real or personal property for the satisfaction of debts related to taxes

Term

The amount of time in which a loan must be repaid in full

Three C's

Name for the traditional trio of basic criteria lenders consider when deciding whether to approve a loan: [character](#), [capacity](#), and [capital](#) (or [collateral](#)).

3-in-1 Credit Report

A comprehensive credit report containing credit information from all three of the major credit reporting agencies.

Tradeline

[Learn more](#).
A credit industry term for an account listed on a [credit report](#).

TransUnion

One of the three major national credit reporting agencies. For more information, see [credit reporting agencies](#).

Tribureau Credit Report

See 3-in-1 Credit Report.



Truth in Lending Act

Part of the Consumer Protection Act, the Truth in Lending Act, among other things, requires lenders to disclose the [annual percentage rate](#), the total cost of the loan, and other terms. It also regulates credit advertising.

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U

Unsecured Loan

A loan based on your promise to repay, not on pledged collateral. Compare [secured loan](#).



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V

Vacated

A judgment that has been rendered void or set aside is said to be vacated.

Variable Interest Rate

An interest rate that changes according to a predefined formula based on an economic indicator such as the [prime rate](#). For example, a credit card's [annual percentage rate](#) might be the prime rate plus 5%.

Voluntary Bankruptcy

A bankruptcy filed at the consumer's request.



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W

Wage-Earner Plan

The three- to five-year repayment schedule in a Chapter 13 bankruptcy. The consumer must turn over disposable income to a bankruptcy trustee, who in turn repays creditors.

Writ of Replevin

A court document authorizing repossession of a debtor's property.

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FAIR CREDIT REPORTING ACT – Update**FTC Issues Final Rule on Free Annual Credit Reports**

The Federal Trade Commission has issued its final rule regarding free annual credit reports under the Fair and Accurate Credit Transactions Act (FACTA) and the Fair Credit Reporting Act (FCRA). FACTA, which was enacted on December 4, 2003, amends the FCRA and requires, among other things, that the three nationwide consumer reporting agencies (CRAs) – Equifax, Experian, and Trans Union – provide to consumers, upon request, a free copy of their credit report once every 12 months.

The Commission published a notice of proposed rulemaking in the Federal Register on March 19, 2004, and accepted comments until April 16, 2004. The Commission received more than 2,300 comments from consumers, consumer advocates, elected officials, industry members, and trade associations.

The final rule contains many of the provisions of the proposed rule, with some modifications. Under the final rule, the nationwide CRAs must establish a “centralized source” for accepting consumer requests for free credit reports (called annual file disclosures in the final rule). This centralized source must include a dedicated Internet Web site, a toll-free telephone number, and a postal address.

The final rule also provides for a gradual, structured roll-out of the centralized source. The centralized source will become available in cumulative stages, over a period of nine months, rolling-out from west to east beginning December 1, 2004. The entire transition will be complete by September 1, 2005. Consumers will become eligible on the following schedule: Western states (Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming) will become eligible on December 1, 2004; Midwestern states (Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin) will become eligible on March 1, 2005; Southern states (Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, Oklahoma, South Carolina, Tennessee, and Texas) will become eligible on June 1, 2005; and Eastern states (Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, Vermont, Virginia, and West Virginia), Puerto Rico, and all U.S. territories will become eligible on September 1, 2005.

Similar to the proposal, the final rule provides that the centralized source:

- Must have adequate capacity to accept requests from the reasonably anticipated volume of consumers making requests;
- May collect only as much personally identifiable information as necessary to process requests;
- Must provide clear and easily understandable information and instructions on how to make requests; and
- May not include any advertising or marketing that interferes with, detracts from, or undermines the purpose of the centralized source.

In addition, like the proposed rule, the final rule provides nationwide CRAs with relief from the capacity requirements of the final rule during times of unusually heavy request volume. In those circumstances, nationwide CRAs are permitted to place consumer requests in a queue for processing, or request that consumers return to the centralized source at a reasonable later time. The final rule also includes requirements that nationwide CRAs develop and implement reasonable procedures to anticipate the volume of consumer requests, including contingency plans.

The final rule also limits the use and disclosure of personally identifiable information collected through the centralized source. It provides that personally identifiable information collected as the result of a consumer request for a required disclosure, such as a free credit report, can only be used to process the consumer's request, to update the nationwide CRAs' consumer reporting databases, to process transactions the consumer requested at the same time as a request for a free annual credit report, and to comply with applicable law.

In addition, the final rule requires nationwide specialty CRAs – CRAs that maintain specific types of files on consumers, such as employment history, tenant history, medical records, and insurance claims – to maintain a toll-free telephone number through which consumers may request a free copy of their credit report once every 12 months.

The Commission vote to approve the final rule and the publication of the Federal Register notice was 5-0.

Copies of the Federal Register notice are available from the FTC's Web site at <http://www.ftc.gov> and also from the FTC's Consumer Response Center, Room 130, 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint in English or Spanish (bilingual counselors are available to take complaints), or to get free information on any of 150 consumer topics, call toll-free, 1-877-FTC-HELP (1-877-382-4357), or use the complaint form at <http://www.ftc.gov>. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

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(<http://www.ftc.gov/opa/2004/05/freeannual.htm>)

<http://www.ftc.gov/os/2004/06/040624factafreeannualfrn.pdf>