

Financial Health Check-Up: Credit Reports and Scores

A guide from MHAS' Consumer Finance Project

What is a credit score? What is a credit report?

- Your credit score and report are meant to be objective measures of your creditworthiness, which means whether you have the resources and trustworthy history to pay back loans. It helps lenders decide if you are a safe investment when they lend you money.
- A credit score is a 3-digit number, usually between 300 and 850.
 - Some things make the score go up, like paying a loan on time.
 - Some things make the score go down, like if you are late paying a loan.
- A credit report is a detailed history of the accounts linked to your identity. The accounts are listed on your report going back 7 years.
- Although these credit tools are supposed to keep lenders from discriminating against certain groups, Black and brown people tend to have credit scores an average of 80 points lower than those of white people. This is due to historically racist policies and ongoing systemic racism.

How to know more about your financial situation

- You have a right to one free copy of your credit report from each of the “Big 3” credit reporting bureaus each year (a total of three yearly reports).
- You can download your reports for FREE from the following website:
<https://www.annualcreditreport.com/index.action>
- Many potential landlords and employers will run background checks on you. These are types of consumer reports, and you have a right to review them. You can request to see the landlord or employer’s report, or ask them which company they used to get the report and request it yourself from the company.

What to do if you spot an error on your credit report

- If your Credit Report has a factual error, you can contest it with the credit reporting bureau. You can go to the bureau’s website for easy instructions on how to argue or “dispute” the error.
- If you are not sure whether the error is a factual or legal one, reach out to an attorney for help.

What to do if you spot an error on your credit report *(continued)*

- If you believe the error is because of Identity Theft, there are more steps to take:
 - You should file a report/complaint of ID theft as soon as possible. Go to <https://www.identitytheft.gov/#/> for assistance.
 - You may wish to place a Fraud Alert or Credit Freeze on your accounts to protect yourself from further theft. See MHAS' guide on identity theft for detailed information on these and other options to protect yourself against ID Theft.

Disclaimer: This handout is for educational purposes only and does not constitute legal advice. If you have a legal question, please contact MHAS or another attorney of your choice.