

## **Buyer Beware: Arm Yourself with Information**

For most people, few things in life are more exciting—and more stressful—than buying a home. You can take steps, though, to ease your worries and make the process as smooth as possible. For greater peace of mind, begin by arming yourself with information.

### **FCRA and FACTA**

The Fair Credit Reporting Act (FCRA) was originally passed in 1971 as a consumer safeguard in the reporting, use, accuracy, and privacy of personal credit information. In 2003, the Fair and Accurate Credit Transactions Act (FACTA) was signed into law, amending the FCRA to include new protections and rights for consumers who dispute inaccuracies, as well as several new provisions regarding credit and identity theft.

FCRA and FACTA have been hailed for making lending less discriminatory, making credit more widely available, and making the U.S. credit markets far more efficient. Still, the system used by credit reporting agencies to report and score consumers' credit worthiness is not without flaws; the extensive collecting and sharing of credit histories has also raised concerns that those histories may contain significant errors or be shared without consumer consent.

### **Consumer Rights under FCRA/FACTA**

Perhaps the most well-known provision of FACTA is the mandate that every person is entitled to obtain a free copy of his or her credit report each year. There are additional rights guaranteed under FCRA/FACTA, however. For example:

- You must be notified if any information in your credit report has been used against you—for example, in denying your application for credit, insurance, or employment.
- You have the right to know what is in your file. In addition to a free annual credit report, you are entitled to receive an interim credit report if you:
  - have been denied credit;
  - are the victim of identify theft or fraud;
  - are on public assistance;
  - are unemployed but seeking employment.
- You have the right to know your credit score (you may be charged a fee for this information).
- You have the right to dispute inaccurate information, and consumer reporting agencies must make corrections, usually within 30 days.
- Consumer reporting agencies may not report outdated negative information—generally information that is more than seven years old, or bankruptcies greater than ten years old.
- Access to your file is limited to those parties specified by FCRA/FACTA as having a valid need, such as a creditor or insurer.
- In most cases, consumer reporting agencies may not give information about you to an employer or a potential employer without your written consent.
- You may opt out of unsolicited, prescreened offers of credit and insurance that are based on information from your credit report. Call 888-5-OPT-OUT (888-567-8688) or visit [www.optoutprescreen.com](http://www.optoutprescreen.com).

- You may seek damages in a state or federal court if a consumer reporting agency violates the FCRA.

Keep in mind that this list is not exhaustive. Identity theft victims and active duty military personnel, for example, may have additional rights under FCRA and FACTA. For more information, visit [www.ftc.gov/credit](http://www.ftc.gov/credit).

### What's in Your Report?

It's important for all of us to know what's contained in our credit reports, but if you're considering buying a home, it's absolutely essential. Understanding your credit report before you shop for a mortgage will allow you to correct errors and resolve problems that could cost you thousands of dollars in higher interest or cause your mortgage application to be declined.

To obtain a free copy of your credit report, visit [www.annualcreditreport.com](http://www.annualcreditreport.com). You'll find that your credit report contains four main types of information:

- **Personal Information**—name, address, Social Security number, date of birth, and employment information.
- **Credit Account Information**—type of account (credit card, auto loan, mortgage, etc.), the date the account was opened, credit limit or loan amount, current balance, and payment history.
- **Credit File Inquiries**—lenders who have accessed your credit report within the last two years. Inquiries may be voluntary, i.e., driven by an application for credit, or involuntary, such as those triggered by unsolicited offers of credit.
- **Public Record and Collection Items**—judgements, foreclosures, bankruptcies, and wage attachments, as well as information from collection agencies.

If you find an error on your credit report, circle or highlight the error, and send a copy along with a letter of explanation to the consumer reporting agency. Include documentation to support your corrections, such as receipts, driver's license, etc. Remember—there are three major credit reporting agencies, and their reports may contain different information. You can find more information about reporting inaccuracies on each agency's website. The addresses and URLs for all three agencies are listed below.

Equifax Credit Information Services Inc.

<https://www.econsumer.equifax.com/consumer/forward.ehtml?forward=home>

P.O. Box 740241  
Atlanta, GA 30374

TransUnion LLC

<http://www.transunion.com/Personal/OrderOtherMethods.jsp>

Consumer Disclosure Center  
P.O. Box 1000  
Chester, PA 19022

Experian

<http://www.experian.com/consumer/index.html>

National Consumer Assistance Center  
P.O. Box 2002  
Allen, TX 75013

### FICO Score

The information contained in your credit report provides the data credit reporting agencies use to calculate your credit score. The method most commonly used to rate credit worthiness is the

FICO score—named for Fair Isaac Corporation, developers of the model that calculates the score. A number of factors are weighed in calculating your FICO score, including the number of open accounts in your name, the balances on those accounts, the amount you owe on different types of accounts (secured and unsecured), your payment history, the length of credit history, and new accounts.

FICO scores can range from 300 to 850, with higher scores meaning greater creditworthiness. While the best credit rates are generally reserved for people with scores above 770, a score of 700 is considered good, and the median score is about 725. Consumers whose FICO scores fall below the mid-600s may qualify only for subprime lending at significantly higher interest rates.

In addition to correcting errors in your credit report, you can improve your FICO score by paying your bills on time, paying down your debt, and maintaining low credit card balances. Avoid opening or closing any accounts just before you apply for credit.

### **Get a CLUE**

The information contained in your credit report will help you to protect yourself against unwelcome surprises in the financing process. But other reports are available to help you be a smart buyer. A Comprehensive Loss Underwriting Exchange (CLUE) Report, for example, can provide a history of the insurance claims on a property within the past five years. Only the home's owner may request a copy of the CLUE report, but as the buyer, you may require the homeowner to provide a copy of the CLUE report as a contingency of the sale. Knowing the home's insurance history can provide peace of mind or alert you to potential problems.

ChoicePoint, the developer of the CLUE report, provides reports to assist consumers in making many kinds of decisions, from choosing a doctor or a nanny to deciding on a nursing home for a loved one. To learn more about the CLUE report or to order any of ChoicePoint's consumer reports, visit <http://www.choicetrust.com>.