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NEWS RELEASE

For Immediate Release Financial Literacy Month "Tip of the Week" 04-28-2016

YOUR CREDIT REPORT

Check it – Know it – Own it
A snapshot of your financial wellness

Boise, Idaho . . . In this week's Financial Literacy Month "Tip of the Week," the Department of Finance encourages consumers to take ownership of their credit report information. "We encourage consumers to check their credit reports for accuracy at least every year," said Gavin Gee, Director of the Idaho Department of Finance. "In this way consumers can help to ensure the accuracy of their credit reports and detect identity theft and other fraudulent activity damaging to their personal finances."

Along with checking and understanding their own credit reports, consumers can learn how they will be evaluated by potential lenders, landlords, insurance agents, and employers. "Consumers who understand how their credit worthiness is measured often feel more empowered to take necessary steps to improve their scores and credit reports, thus enabling them to obtain better and lower cost products and services," said Gee.

Recent reports have also brought to light the significant number of Americans who do not have traditional credit scores. Some lenders have begun to realize that an alternative method to measure individuals' credit worthiness is important to a fair and healthy financial marketplace.

EVALUATING YOUR CREDIT WORTHINESS

There are standard tools used by industry to evaluate consumers' credit worthiness. When analyzing consumer credit information (credit reports and scores) industries may also use variations of the standard measure called the "five C's of credit." These include:

- **Character:** a borrower's character relates to responsibility and fulfillment of obligations.
- **Capacity:** capacity relates to borrowing history and track record of repayment on loans.
- **Capital:** capital refers to a borrower's personal resources.
- **Conditions:** conditions reflect on a borrower's current economic state.
- **Collateral:** collateral is a borrower's alternative source of repayment.

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Looking for better credit risk assessments, some lenders have begun using a nontraditional analysis of credit worthiness. Nontraditional information, which may help to prequalify a borrower, includes:

- Residential and employment stability
- Asset ownership
- Information from court documents or other public information sources including social media
- Life-stage analysis

These alternative indicators of nontraditional information may offer consumers a chance to build a strong history of credit. This includes those just beginning a credit history, those having just immigrated to the United States, or those who have had limited opportunities to obtain credit.

TIPS TO IMPROVE YOUR CREDIT

The most powerful tool available to help consumers understand the credit reporting system, which impacts their daily lives, is education. All consumers, those who have a long credit history as well as those who have just begun to build credit, should remember and apply the following basic tips to improve and retain their credit:

- Obtain your once-a-year free credit report. Go online at annualcreditreport.com or call 1-877-322-8228.
- If you see errors on your credit report — alert the credit reporting bureaus “in writing” or dispute the error via the credit reporting agencies’ online dispute link. The Federal Trade Commission publishes a brochure entitled “Disputing Errors on Credit Reports” which is available on the Department’s website at <http://finance.idaho.gov>.
- Pay all your bills on time. Utility bills, rent, as well as credit cards, mortgage, and others.
- If you experience financial difficulty, consult a reputable debt/credit counselor before your bills become delinquent. (A listing of licensed credit/debt counselors can be found on the Department of Finance’s website.)

For more information on credit reports and scores, call the Department at 208-332-8000 or toll-free in Idaho 888-346-3378 or visit the Department of Finance’s website at www.finance.idaho.gov. The information provided includes brochures and links on choosing credit, credit reporting, disputing credit reporting errors, identity theft and more.

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*Department of Finance Press Releases and a **Financial Literacy Month Calendar of Events** can be found on the Internet at www.finance.idaho.gov and may be obtained by contacting the department at (208) 332-8000 or Idaho toll-free at 1-888-346-3378.*