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## Credit Reports Deserve a Look

It seems as if every time I ask a client if he or she has looked at their credit report in the past few months they roll their eyes at me and then grudgingly admit that no, they have not checked their report. If I don't have them do it right then and there, it frequently won't be done any time soon. Checking your credit report on a periodic basis however, is very important as it is the best way I know of to ensure no one has stolen your identity. And, if that has happened, then hopefully you can catch it early as it can be extremely time consuming and frustrating to get it all straightened out otherwise.

The other reason to check your credit report frequently is to ensure its accuracy, particularly as erroneous medical bills are increasingly appearing as unpaid collections on credit reports. The information contained in your credit report is used to calculate your credit score. Your credit score will determine how low an interest rate you might be offered if you apply for a loan. Your credit score might also impact the amount of your home and automobile insurance premiums. And, what is in your credit report could determine whether you are offered a job or not. Fair or not, a low credit score could be interpreted to mean a person is irresponsible and therefore not someone a company wishes to hire.

The best way to check your credit report is at [www.annualcreditreport.com](http://www.annualcreditreport.com) or call (877) 322-8228. There are three credit reporting agencies and everyone is entitled to one free report from each firm once a year. My suggestion is to check one today then check a second one in four months and the third one eight months from now so you stagger them throughout the year. Be careful not to use one of those companies advertising a free report. As I learned many years ago in economics class – there is no such thing as a free lunch and a “free” credit report isn't necessary free. If you have to provide your credit card number before receiving your credit report, you are probably not at the correct website.

In addition to ensuring the credit information is all correct – you recognize it as belonging to you and the data is correct, check the personal information section of your report. If you see an address listed that you do not recognize or there is an alternate social security number shown, that might be a clue of possible identity theft so be sure and dispute that information – meaning, inform the credit reporting agency that the information is not correct so they can fix your report.

If you would like to know your credit score, you might be best off requesting it separately at [www.myfico.com](http://www.myfico.com). The credit scores you may purchase when you request your credit report are not necessarily the official FICO score used by the banks and scores reported could vary

significantly from your FICO score so it might be just a waste of your hard earned money to obtain a credit score which is not the official FICO score.

Exactly how the credit score is calculated is proprietary information. What we do know though is that your payment history accounts for approximately 35% of your score, how much you owe compared to your available credit accounts for about 30% of the score, roughly 15% of the score is based on your credit history, about 10% of the score is impacted by new credit and inquires and the remaining 10% or so is a mix of other factors.

The best way to improve your score is to pay your bills on time. Any payment more than 30 days late could be reported on your credit report. Also, try to keep your credit card balances to less than 25% of your available credit (and of course pay them off each month!) as using only a small amount of your available credit might help increase your credit score. Keeping your older credit cards open ought to give you a long credit history, which might help boost your score a bit. Also, use each credit card you own at least three times a year or the account might not be included in the score formula. And, every time you open new credit, whether it is a mortgage or a new credit card, your score could take a short term hit. So, if you know you are going to be shopping for a mortgage or car loan in a few months, don't request a new credit card until after the loan is approved.

It should only take a few moments to check your credit report and for a variety of reasons, it might be beneficial to get into the habit of doing so on a routine basis.