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Beware of credit report errors  
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Kathy M. Kristof

June 28, 2004

LOS ANGELES -- Consumer credit reports remain riddled with errors despite regulatory sanctions and consumer lawsuits, an advocacy group contends.

The U.S. Public Interest Research Group says its recent survey found that nearly 8 in 10 credit reports contained factual errors &#8212; and about 1 in 4 contained errors so serious that they could result in the borrower being denied a loan.

"The credit bureaus don't seem to be improving," said Ed Mierzwinski, the group's consumer program director. "We are recommending that consumers check their credit reports because both the companies and the regulators are falling down on the job."

Although some credit bureaus maintain that the Public Interest Research Group's inaccuracy claims are exaggerated, everyone agrees on one point: Consumers should check their credit records regularly.

Checking reports is particularly important for those buying cars or homes, both credit bureaus and consumer advocates note. Not only can credit inaccuracies cost a consumer a loan, but they can significantly raise the cost of credit.

Indeed, a single serious mistake can cut a consumer's credit score by 50 points, said Ryan Sjoblad, a spokesman for Fair Isaac & Co., a Minneapolis-based company that tabulates the so-called FICO credit scores from the information provided by credit bureaus. For someone attempting to secure a \$300,000 mortgage, that difference can result in a monthly payment of \$2,200 versus \$1,838.

How do consumers check these reports, and what do they look for? Here's a step-by-step guide:

\* Request reports. Any consumer planning to make a major purchase should get copies of his or her credit report from all three major credit bureaus, Mierzwinski said. That typically costs \$8 to \$9 per report. Married couples need to get copies of each spouse's reports.

In the future, consumers will be able to get free copies of their credit reports once annually. However, this right, won through the Fair and Accurate Credit Transactions Act of 2003, does not go into effect until December and, even then, will not be available everywhere.

The Federal Trade Commission decreed that the service would roll out by region, with consumers on the West Coast getting first access to free credit reports in December and those on the East Coast finally gaining access in September 2005.

In the meantime, consumers can receive free reports only if they are indigent, unemployed or a victim of fraud or if they have been turned down for credit as the result of adverse information on their credit reports.

You can request reports by calling the credit bureaus' toll-free service lines.

The numbers:

Experian: (888) 397-3742.

TransUnion: (800) 888-4213.

Equifax: (800) 685-1111.

\* Spot signs of identity theft. Credit reports are usually set up in several parts. The first part contains the consumer's personal information, including name, address, birth date and Social Security number. Then there are sections listing credit data; public record information, such as tax liens and court judgments; collection proceedings; and credit inquiries, said Evan Hendricks, author of "Credit Scores & Credit Reports: How the System Really Works, What You Can Do" (Privacy Times, 2004).

Hendricks suggests that consumers first check their personal data and credit inquiries for signs of identity theft. Identity theft is when a crook uses enough personal information about a consumer to apply for credit in that person's name. The crime has reached epidemic proportions, according to the FTC, which estimates that 10 million consumers were victimized in 2002, the most recent year for which statistics are available.

The red flags of identity theft include inaccurate personal information. ID thieves commonly change your address so they will get the bills for charge cards they have opened and not tip you off to the scam. Another red flag is a "hard inquiry" from an unfamiliar lender.

What's a hard inquiry? It's an inquiry from a lender, such as a bank, credit card company or auto finance firm that is checking your report with the intent of providing credit, and it shows up on your report.

Other types of inquiries, such as those marked "PRM" (for promotional offer), typically reflect companies that are planning to pitch you something, such as a new credit card. Those types of inquiries don't have to be initiated by you, whereas a hard inquiry does. If you see a hard inquiry from a lender that you have not contacted, call the fraud alert number on the credit report, Hendricks says.

That should stop the identity thief from opening more accounts in your name and allow you to erase accounts opened by the thief from your report.

\* Check credit, collection and public information. The section of the report that shows credit information normally will note when each account or loan was opened, your balance outstanding and your credit limit, as well as whether the loan is in good standing.

Aside from the obvious checks for mistakes &#8212; cards that were closed or that belong to someone else &#8212; Mierzwinski suggests looking for missing information.

One common error that the Public Interest Research Group discovered was missing credit limits, he said. These limits are important because when the credit limit does not appear on the report, credit scoring software assumes that the current balance &#8212; or, when noted, the high balance &#8212; related to that card is the credit limit. That can make the consumer appear to be running his or her cards up to their maximums, which lowers the credit score.

Another common error: Public record information, such as tax liens, legal judgments, child support arrears and the like, is sometimes accurate but out of date, Mierzwinski said. If you had a tax lien but it has been cleared, have the credit bureau update the file.

\* Finally: Correct mistakes. If there are errors or omissions, Hendricks suggests you send a letter spelling out the mistakes and providing any proof you might have to establish your case.

For instance, if the address on your file is incorrect, you can send a utility bill to establish your correct address. If your file is merged with someone else's ("juniors" are

often confused with their namesake fathers, for example), you may have to send a copy of your birth certificate to straighten things out.

Keep records of everything and maintain a calendar, Hendricks says. Credit bureaus are required to investigate inaccurate items within 30 days or erase the disputed information. The consumer should expect to hear the results of that investigation within 45 days and get a corrected copy of the credit report. If the credit bureau hasn't contacted you within that time, Hendricks says, try again.

Kathy M. Kristof welcomes your comments and suggestions but regrets that she cannot respond individually. Write to Personal Finance, Business Section, Los Angeles Times, 202 W. First St., Los Angeles, CA 90012, or e-mail [kathy.kristof@latimes.com](mailto:kathy.kristof@latimes.com).

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