

# THE CREDIT REPORT

ITEM	DETAILS
CREDIT REPORT	Shows information about a person's loans, credits, purchases and debt repayment for the previous <i>seven years</i> . Will show revolving credit accounts (credit cards and charge accounts), installment debts (car loans, student loans, etc.) and mortgages. Medical bills and utility bills are usually not listed unless they have been turned over to a collection agency. A bankruptcy may remain on a credit report for <i>ten years</i> .
CREDIT REPORTING AGENCIES	Private companies, not government agencies. Three major agencies are: Equifax, Experian and TransUnion. A tri-merge credit report combines information from all three agencies.
CREDIT REPORT INFORMATION	Information important to an underwriter include: the length of the credit history, the payment record, derogatory credit incidents, and credit scores.
LENGTH OF CREDIT HISTORY	Refers to how long an individual has been borrowing money and paying it back. General rule – applicant should have at least a one-year credit history inclusive of at least three active accounts. If an applicant does not have an established credit history, records showing timely payments of rent, utility bills, insurance premiums, medical bills, etc., may suffice.
PAYMENT RECORD	Shows whether payments have been made on time. Late payments are shown as 30, 60 or 90 days overdue. Late payments on a mortgage are particularly damaging – late payments occurring over two years ago won't usually affect a credit decision.
CHARGE-OFFS	Creditor is allowed to write-off or "charge-off" a debt when there has been no payment made for six months. This does not relieve the debtor of repaying the debt – can pay off debt or creditor may settle for partial payment – charge-off can still appear on the debtor's credit report.
COLLECTION	If debtor refuses to pay a bill, creditor can turn the bill over to a collection agency – will show up on the credit report.
REPOSSESSIONS	If a person purchases an item and fails to make payments as agreed, creditor may be able to repossess the item.
JUDGMENTS	When an individual is sued and loses the lawsuit, the court may order him to pay a sum of money (damages) to the person who sued. This order is called a judgment.
FORECLOSURES	Special concern for mortgage lenders. Deed in lieu of foreclosure is considered a derogatory incident.

BANKRUPTCY	Considered a bad sign on a credit report.
CREDIT SCORES	Uses information in credit report and a quantitative model developed by a national credit scoring company. Predicts the likelihood of successful repayment or default on a mortgage.
FAIR ISAAC AND COMPANY FICO	FICO is an acronym for Fair Isaac and Company, which developed the credit scoring model. Can range from 400 to 800 – a higher score is a positive sign. Equifax call its credit scores Beacon scores.