

Family Checkbook: Get Your Credit in Order

Have you checked your credit report lately? If you're not planning to borrow money, perhaps you think it's not important.

Well, your credit report can affect your finances even when you're not borrowing money!

Insurance companies, prospective employers (for some types of jobs) and utility companies may be looking at your credit history to determine what to charge you or whether to offer you a job.

When credit reports and scores first developed, mostly lenders used them. However today, consumer's financial lives are impacted by poor or non-existent credit histories in many ways. For example, a young adult who hasn't yet built a credit history, may pay a higher deposit when they set up electricity in their apartment than someone with a credit history.

Nearly one in five American consumers has no credit history, or so little data that a credit score cannot be calculated. People without credit history are credit invisible, and it can make it difficult to build assets. The effect is not equally felt among U.S. consumers; Blacks and Hispanics are more likely than Whites or Asians to be credit invisible or to have unscored credit records.

The CFED's report, The Importance of Credit Reports and Credit Scores for Building Financial Security, argues, in many ways, a credit report is the gateway to financial opportunity, determining who has the chance to build wealth and security and who does not. If someone chooses to not borrow money (or have debt), should they be penalized?

Researchers and policy makers are looking at ways to change this financial barrier. An experimental pilot study that includes rent payments in credit histories found that 79 percent of participants who were credit invisible increased their credit scores after rent reporting. Others are exploring whether to include phone and utility payments in credit reporting.

If you haven't checked your credit reports in the last year, now is the time to do it. We have three main credit bureaus that collect data. Because the credit bureaus are competitors, they don't share data. You want to be sure that all of your credit report are accurate. No one wants to spend more on auto insurance because there's a mistake in their credit report.

One of the best tools we have to check whether or not someone is using our identity is to check your credit reports. One of the reasons people steal and use other people's identity is so they can take out a loan or some form of credit in someone else's name. You'll never see any paperwork about this loan. However, if someone else starts credit accounts in your name, they will show up on your credit bureau. If you spot information on your credit report this is not accurate, follow the information listed on your report about how to correct it.

Check your credit reports for FREE at: <http://www.annualcreditreport.com> (<http://www.annualcreditreport.com>) Or, you can call 877-322-8228 to request them.