

A Basic Guide to Understanding Credit Report Results



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Personal Information Since 4/1/1993		Reported
Name	JAMES L. GIBSON	
DOB	03/24/1958	
SSN	000-00-0000	
Address	1234567890, WASHINGTON, DC, 20000	01/2000
Address	1234567890, WASHINGTON, DC, 20000	01/2000
Phone	000-000-0000	

Employment		Employer	Date Reported
Employer	ABC COMPANY		01/2000
Employer	DEF COMPANY		01/2001

Add-On Products Summary	
Product	ABC COMPANY
Notes	Default product selected

Scoring	
Score Model	EXPERIAN/BEACON 4.0
Score	750

Credit Summary From 4/1/1993 To 12/31/2000						
Public Records	10	Collection	2	Negative Trades	7	
Hardship Trades	1	# Trades	10	Revolving	4	
Hardship Closes	1	Completion	0	Charge-off	0	
Open Trades	4	Inquiries	11			
Type	High	Low	Balance	Paid/Due	Payment	Status
Revolving	\$500	\$0	\$100	\$0	\$10	10%
Open	\$500	\$0	\$500	\$500	\$0	10%
Closed	\$0	\$0	\$0	\$0	\$0	-
Total	\$500	\$0	\$600	\$500	\$10	-

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→ The following guide is an excerpt from the American Landlord book published by McGraw-Hill in cooperation with AmerUSA.net

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about

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- ★ Tenant Screening
- ★ Lease Agreements
- ★ Security Deposits
- ★ Mortgage Loans
- ★ Section 8
- ★ And Much More...



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Personal Information

The information displayed here is exactly what it appears to be: **the subject's name (including any known aliases), date of birth, social security number and up to three of his or her most recent addresses, as reported by creditors** (banks, mortgage lenders, credit card companies, etc.).

Personal Information Since 12/1/1985 FAD 1/1/2008		
		Reported
Name	DOE, JOHN Z	
SSN	123-45-6789 DOB: 01/01/1965	
Address	1234, MAKE BELIEVE ST, ANYTOWN, USA, 12345	10/31/2004
Address	30100, MAKE BELIEVE AVE, ANYTOWN, USA, 12345	1/01/2008
Address	3420, MAKE BELIEVE DR, ANYTOWN, USA, 12345	
Phone	555-5555 Personal	

- *What if my applicant's current address isn't listed? Does this mean the applicant(s) are lying about where they live?*

Chances are, probably not. *While this section can corroborate the information found on an application, it is not a lie detector or a "Magic 8-Ball."* Unfortunately, **there are too many variables to even list as to why an applicant's current address may not appear** (e.g., creditor statements sent to a different address, the applicant hasn't applied for credit since moving to their last address, etc.). *You should really only become concerned when an applicant proclaims that they have only lived in one state their entire life and another one pops up – or if they claim to have lived at the same place for the past ten years and three different addresses were reported in the past five. Situations like that should be seen as pretty clear red flags.*



If you feel uncomfortable with your credit report findings, don't hesitate to ask the applicant (*politely* – it's not an interrogation) *for an explanation and for any supporting documentation to back it up*. Always give the applicant the benefit of the doubt and an opportunity to clarify any discrepancies – *there may very well be a reasonable explanation*.



Employment Information

Only if available, up to three current and previous employers will be listed here and the data *may or may not include* city and state, position and date the applicant's employment was verified, reported or date on which they were hired.

Employment				
		Date Hired	Date Separated	
Employer	ACME PUBLIC SCHOOLS			Reported 9/1/2002
Employer	ABC EDUCATION			Reported 8/1/1994

➤ ***There was no employment information listed – what should I do?***

Actually, **don't be surprised to find most credit reports missing this information**. One theory is that consumers change jobs too often to have an up-to-date file – it's not as if people continue to work for IBM for 20 years the way they used to back in the day... Remember, **creditors usually report this information when you apply for credit – and a lot of the time, they don't even bother asking for this information or report it**. So don't worry if the current employer is not reported.

If you are *truly* concerned, the obvious recommendation is to contact the current employer directly – a Verification of



Employment (VOE) form has been included on the enclosed CD-ROM for your convenience *if you'd prefer getting a written response*. Simply fax over the VOE to the Human Resources manager at the applicant's current place of employment, along with a copy of your applicant's authorization to release information – and then hope for a timely response.

Now **if the employer appears to be in any way suspect (*possibly a friend or relative of the applicant's*)**, you may then also wish to **verify the existence of the business itself – this is easy to do using directory assistance (such as 411.com) or by searching for an occupational license or business filings** through the applicable city, county or state department websites.

In order to open up a business account, most banks usually require some type of formal documentation – so you can expect to find something on public record about the employer. You could even settle for a **Better Business Bureau** listing, for that matter.

NOTE: If your prospective tenant's friend or relative actually owns a business, there is nothing you can do to verify the employment history *independently* unless you want to start pulling previously filed tax returns from the IRS – possible, but a little too extreme for even an American Landlord.

Scoring (Credit Score)

This area lists the applicant's infamous *credit score*, which purports to predict the likelihood a consumer will become delinquent within the next two years. Proprietary algorithms developed by the Fair Isaac Corporation (known as the FICO Score) are the most commonly used when generating an applicant's credit score. In addition to the *actual score number*, the *top four components* which influence the score (called "score factors") *are also included in this section* – these are listed in their order of importance from top to bottom.



Scoring	
Score Model: FICO CLASSIC 98 +514	
Factor: 038 Serious delinquency, and public record or collection filed	
Factor: 002 Level of delinquency on accounts	
Factor: 020 Length of time since derogatory public record or collection is too short	
Factor: 010 Proportion of balances to credit limits is too high on bank revolving or other revolving accounts	+514

➤ *How low and how high can a credit score get?*

The most popular and commonly used credit score (FICO) ranges from 300 to 850 – statistically speaking, the lower the score, the greater the credit risk.

➤ *What's a good credit score for rental agreements?*

Generally speaking, you want to strive for applicants that score a **minimum of 600 or higher**. As soon as a credit score drops to **599 or below**, there is a *much greater risk that the person will become delinquent within the next two years*. However, any decision-making criteria that you decide to adopt should not be based on scoring alone, as you will soon discover... This will be discussed in greater detail in the next chapter on **Determining Credit "Worthiness."**

Credit Summary

This section provides a **quick snapshot of all the fine detail you will discover throughout the rest of the credit report**. Instead of having to perform your own calculations to determine the number of **public records**, **historical negative trades** (accounts that were paid late at least once in the past seven years – abbreviated "**Hist Neg Trades**"), **historical negative occurrences** (total number of times accounts were paid late in the past seven years – abbreviated "**Hist Neg Occurr**"), **open trades** (number of open accounts), **collection accounts**, **trades** (total number of



closed and open accounts), **installment accounts**, **inquiries**, **negative trades** (accounts that are now past due), **revolving accounts** and **mortgage accounts**. This section also **summarizes the total amount of debt** and the **available percentage on the revolving accounts**, so you can *immediately* assess the applicant's activity.

Credit Summary From 12/1/1985 To 6/15/2007						
Public Records	1	Collections	2	Negative Trades	8	
Hist Neg Trades	5	# Trades	39	Revolving	12	
Hist Neg Occurr	15	Installment	25	Mortgage	2	
Open Trades	0	Inquiries	9			
Type	High	Limit	Balance	Past Due	Payment	%Avail
Revolving	\$1,500	\$14,300	\$1,269	\$0	\$99	91%
Installment	\$57,586	\$0	\$31,584	\$0	\$609	-
Closed	\$0	\$0	\$29,483	\$2,833	\$464	-
Totals	\$59,086	\$14,300	\$62,336	\$2,833	\$1,172	-

➤ *Can I stop at this point and make an informed decision – or do I need to review the rest of the information that appears on a credit file?*

It ultimately depends on you – after all, you're the one that gets to decide what you are willing to accept. However, *unless you have had enough experience in evaluating credit reports, it is strongly recommended that you take your time to review the entire file and fully understand all of its components.*

Public Records

This information is **obtained from county, state and federal courts** and **includes bankruptcies, civil judgments and tax liens**. The data reported will vary, but *typically includes a file date, case number, case type, jurisdiction, amount and other relevant details.*



Public Records					
Reported/ \$Amount	ECOA/ Subscriber	Assets	Type/ Plaintiff/Attorney	Docket/ Paid	Court/ City, State
04/03	C A 00000000	\$0	Chapter 7 bnkrptcy discharged Pltff: JOHN AND JANE DOE	BK00000000 08/03	Federal District

➤ ***How long do public records remain on a credit report?***

The length of time varies for each type of public record so a list has been provided below:

- ◆ **Bankruptcy Chapters 7 and 11 stay on for 10 years**
(7 years if voluntarily dismissed)
- ◆ **Bankruptcy Chapter 13 filings stay on for 10 years**
(7 years if discharged or dismissed)
- ◆ **Tax liens that are *unpaid* stay on forever**
- ◆ **Tax liens that are *paid* stay on for 7 years**
(from the date paid in full)
- ◆ **Civil judgments that are *unpaid* stay on for 7 years**
- ◆ **Civil judgments that are *paid* stay on for 7 years**
(from the date paid in full)

Collections

Any accounts listed here are ones that have been **assigned to collection agencies because the original creditor was unsuccessful in getting the applicant to completely satisfy their outstanding obligation**. Some creditors have their own internal collection division, so **you may only see the name of the original creditor listed**. Other types of data reported here include the **account number**, **ECOA (Equal Credit Opportunity Act) designation** – which simply indicates whether it’s an ***individual or joint account***, **DLA (date of last activity)** – when the last payment was made – the ***balance owed*** and the ***current account status*** (whether or not the debt has been paid, is being paid or remains unpaid).



Collection Accounts							
Firm/ID Code	Paid/ECOA	Placed/CLSD	VRFD/CS(MOP)	\$PLCD/BAL	Acc#	Creditor Name	Remarks
ARROW FINCL Y 00000000	I	01/07	04/07A 09B	594 827	00000000	A F S ASSIGNEE OF FIRST PREMI	Placed for collection
FIN CR NETWK Y 00000000	I	10/06	11/06A 09B	187 147	00000000	10 AT T SOUTHWESTERN BELL	Placed for collection

➤ ***Why is there sometimes a difference in the “reported amount” versus the “balance amount?”***

When this occurs, it’s usually with a *larger* amount appearing in the balance field because collection agencies are entitled to add on their own penalties and interest. However, if payments have been made since the debt was transferred to the collection agency, then you should see a *lower adjusted amount* between the current balance and when it was last reported.

➤ ***How long do collection accounts remain on a credit report?***

The **Fair Credit Reporting Act** *only* allows collection accounts to stay on a consumer’s credit report for **seven years from the date of last activity**. Now this isn’t the *American Credit Repair* volume, but here is **A FRIENDLY TIP**:



TIP

If you were not to make a single payment on a collection account for seven years, it would have to be removed (usually automatically) from your credit report as if it never existed, as long as there continues to be no activity. You may still legally be responsible for the debt, but it will no longer negatively impact your credit score or be seen by any other creditors you decide to do business with in the future. How’s that for a consumer-friendly l’il loophole?



Revolving Accounts

The “tradelines” (accounts) that are listed under this heading *revolve*. In other words: **when you charge against the account, the balance goes up and the available credit goes down. Then when you make a payment, the balance goes down and the available credit goes back up.** This *revolving* cycle continues to repeat itself for the life of the account. Examples of revolving accounts include credit cards, department store cards and gas cards and *often have the greatest impact on an applicant’s credit score.*

Interpreting this section is very easy. It begins with the **name of the creditor**, followed by **when the account was reported or updated, the date of the last activity, when the account was opened, how much credit was ever used, the estimated monthly payment required to keep the account current, the balance, the number of months being reported, the historical status** (showing how many 30-, 60- and 90-day late payments were recorded during those months) and – *most importantly* – **the account’s current rating.** The rating system is as follows:

“**R**” – stands for **revolving** – and the **number appearing after** shows the **manner of payment**. For example: “**R1**” means the account was last reported as paid on time, “**R2**” signifies 30 days’ late payment, “**R3**” – 60 days’ late payment, etc. The *three most recent late payments* (if any) *will be reported underneath the current rating.*

Revolving Accounts											
Acc Name/Address	Rptd DLA ECOA	Opened Clsd/PD	High Limit	Current Status			Hist Status			Rating	
				Pmt Term	\$Bal	\$Past Due	Mths	30	60		90
CAPITAL 1 BK 5000000000000000 Subscriber: B 00000000 Loan Type: Credit Card Remarks: Canceled by credit grantor	05/07A 03/06 I	11/05 11/06F	856		977	977				R9	
PROVIDIAN 1000000000000000 Subscriber: B 00000000 Loan Type: Credit Card Remarks: Canceled by credit grantor Max Del: 11/01/00; MOP-03	05/02A 04/99 I	11/96 04/99C	10.6K 9900		0		24	02	01	00	R1
							111111211111				
							111113211111				



➤ ***What is a charged-off account?***

When an **applicant** stops paying an outstanding obligation, the **creditor** has the right to assume that debt can no longer be collected and writes it off as a loss – also known as a “charge-off.” The rating for this type of an account is listed as an “R9” and has a *very negative impact on an applicant’s credit score.*

➤ ***When an account has a remark stating that it was closed by the credit grantor, is this necessarily bad?***

There could be many reasons why a **credit grantor** (or **creditor**) has chosen to close an applicant’s account and *the reasons are not always negative.* So it’s not recommended that you act upon this information alone. It’s always *more important to focus on the account rating and historical payment status* as opposed to any remarks.

Installment Accounts

Unlike credit cards, these tradelines do not revolve. They are opened with a **fixed loan amount** and come with a **set monthly payment that is paid until the balance reaches zero.** Then the account is closed and cannot be used again. Examples of *installment accounts* include **student loans, personal loans and automobile loans.**

The formatting of this section is similar to the one covering revolving accounts – the primary difference is that *the monthly payment is usually fixed and does not fluctuate like a credit card* – which has its monthly payment based upon whatever the outstanding balance is at the end of the statement period. **You’ll notice that the rating system is exactly the same,** however: an “I” for installment is used instead of an “R” for revolving.



Installment Accounts										
Acc Name/Address	Rptd DLA ECOA	Opened Clsd/PD	High Limit	Current Status			Hist Status			Rating
				Pmt Term	\$Bal	\$Past Due	Mths	30	60	
TINKER FCU 4000000000000000 Subscriber: Q 00000000 Loan Type: Secured Remarks: Closed	12/00A 11/00 I	04/99 12/00C	10.6K	275 42MO	0		03 X11			I1
SM SERVICING 4000000000000000 Subscriber: B 00000000 Loan Type: Student Loan Remarks: Transferred to another lender	01/00A 01/00 I	03/94 01/00C	7768	101	0					I1

- *What does “secured” or “unsecured” mean when it appears next to the loan type?*

When an applicant opens an account, it is sometimes **guaranteed with some type of collateral** – such as an automobile for a car loan or even a certificate of deposit for a personal loan. If this is the case, then **the account has been “secured,”** which means that – *should the applicant default on the account, then the creditor has every right to claim the collateral,* as is commonly seen with vehicle repossessions. If there is *no collateral attached to the loan,* then it is **“unsecured.”**

- *What does “deferred” mean should it be notated under a student loan account?*

Students are commonly allowed to defer (put off until a later date) their payment obligations **regarding a student loan** while they are either still in school, unemployed or seeking new job placement upon graduating. This allows students an opportunity to take full advantage of the education they financed, so they can **more adequately prepare themselves financially before having to pay back this obligation.**



Mortgage Accounts

All obligations that are secured by a mortgage are provided here, so you can easily see how the applicant's payment history has been in terms of real estate obligations only. Accounts reported in this section include *purchase and refinance mortgages*, as well as *home equity loans* and *lines of credit*.

As you can see, **this section is formatted the same way as the fields for revolving and installments accounts**, except an “M” for mortgage is used for the account rating as opposed to the “R” or “I.”

Mortgage Accounts										
Acc Name/Address	Rptd DLA ECOA	Opened Clsd/PD	High Limit	Current Status			Hist Status			Rating
				Pmt Term	\$Bal	\$Past Due	Mths	30	60	
ARVEST BANK 7000000000000000 Subscriber: B 00000000 Loan Type: Conventional RE Mortgage Remarks: Closed	08/04A 07/04 C	05/02 08/04C	67.5K	594 360MO	0		09 111111111			M1
SUPERIOR FED 1000000000000000 Subscriber: B 00000000 Loan Type: Conventional RE Mortgage Remarks: Transferred to another lender	11/03A 11/03 P	05/02 11/03C	67.5K	572 360MO	0		17 11111X111111 11111			M1

➤ ***When does a mortgage begin to face foreclosure and how is that displayed?***

When an applicant **fails to make a payment for three consecutive months**, the mortgage lender will usually begin initiating **foreclosure proceedings**. This means the account rating would most likely be “M4” or higher for this to happen – at which point a **remark would also be placed under the creditor’s name** stating *foreclosure process started*.



Inquiries

Every time a creditor or collection agency pulls an applicant's credit report (this includes landlords too) the inquiry is recorded and reported for other creditors to see for two years – after which the inquiry will simply fall off the record.

Inquiries					
Date	Name/Address	Code	MKT	Type Inq/Loan	Amount
06/15/07	AMERUSA.NET	Z 00000000	FLA	I	
02/14/07	TRUELOGIC FI	Y 00000000	IND	I	
02/01/07	ARROW FINANC	Y 00000000	IND	I	
11/03/06	NCO GRP	Y 00000000	IND	I	

➤ *How much of an impact do inquiries have on an applicant's credit score?*

First of all, **only the inquiries that an applicant voluntarily initiates (when applying for some type of credit) will be taken into account**; all other inquiries requested by the applicant *for personal review* – or for an employer or existing creditor performing an account review – **will not be considered**. An **initiated inquiry (pulled for the purposes on obtaining credit) may or may not have an impact on an applicant's score**; it all depends on the condition of the current file at the time of each pulling. *If it does have an impact, one inquiry could take as much as five points off a credit score.*

Unfortunately, **the score is a complex proprietary calculation** that the **Fair Isaac Corporation** does not disclose. However, it is safe to say that having an *excessive amount of inquiries in the past two years* (e.g., double digits) *could have a major negative impact on a credit score.*