

# What is Credit History?

Courtesy of *CreditAdapter.com*

Your credit history matters — not just to you but to banks, credit card companies, employers and others.

If you're not familiar with the term "**credit history**," now might be a good time to learn it — especially if you ever plan on borrowing money to purchase a home or other property, or want future employers to consider hiring you.

Loaning money out to anyone, including family and friends, is a risk. That's why, when banks, credit card companies and mortgage holders consider letting you borrow large sums of money, they check a credit report that shows how responsible you've been with your **credit history**.

## **Knowing your credit history is extremely important. Here's why.**

Your credit history is compiled by a credit bureau or consumer reporting agency (CRA). Currently, there are three major credit bureaus in the United States — TransUnion, Equifax and Experian. After gathering your information and storing it, credit bureaus, when authorized, provide your **credit history** to a number of different people and organizations, including banks, employers, landlords, creditors and insurance companies, all of whom need to know your credit history in order to make financial decisions about you.

Think of it this way: Just as you wouldn't buy a car before seeing what it looks like, creditors won't lend money to you until they see that, based on your **credit history**, you are very likely to pay that loan back.

## **Building a solid credit history starts with common sense.**

There are several things you can do to avoid a bad credit rating. Paying your bills on time, for example, is a good practice that will help prevent any negative information and help bolster your credit worthiness.

It is also critical to monitor your credit to ensure that the information being provided to your creditors is complete and accurate.

## **What do I do if my credit history has errors? Can my credit history be changed?**

If you look at your credit history report and find errors, don't panic. Although identity fraud is always a possibility, it is very common for mistakes to appear. In fact, during a recent survey, U.S. PIRG, a well-known advocate for the public interest, found that 79 percent of credit histories contained mistakes of some kind.<sup>1</sup>

If you do find information that you think is incorrect, be sure to contact the credit bureau right away and ask them to investigate the error. You should get a reply to your question in about six weeks.

#### <sup>1</sup>U.S. PIRG - Mistakes Do Happen: A Look at Errors in Consumer Credit Reports

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