

# How to Read a Credit Report?

Knowing your credit score is an essential component to using credit in a responsible manner. Knowing your credit score alone, however, is insufficient. You ought to be able to examine and assess your credit report. By doing this, you'll be able to recognise and comprehend any variables, if any, which contribute to a poor credit score. Furthermore, if one understands their credit report, any discrepancies in the report can be resolved.

## Credit Report: What is it?

A credit report is a graphic depiction of a borrower's financial situation. A credit report is crucial because financial institutions and lenders review it when approving a borrower's loan or credit application. The likelihood of securing several credit-based possibilities has either increased or decreased.

A strong credit score has several benefits, such as increased credit limits and reduced interest rates, but a negative or poor credit score is the cause of loan applications being turned down. Anything the borrower does has an impact on their credit report. The problem is made worse by criticisms, comments, or inaccuracies in the credit report, which can have a negative effect on the credit score.

It is wise to check your credit record at least once or twice a year to avoid such a predicament. By continuing to do this, a borrower may help keep their credit report correct and up-to-date by addressing any comments, notes, inaccuracies, or credit delinquencies.

The following details are listed in a credit report, which lenders and financial institutions use to decide whether to approve a loan or credit for the borrower:

When the credit accounts were first opened,

- Various credit accounts
- The total amount of credit
- Credit has been paid to date
- Payment history of the borrower any bankruptcies or credit inquiries
- Identity of the borrower
- Lender information

Since a credit report contains all of the credit information, reading one takes time. Therefore, carefully read the credit report. Here are the sections that are mentioned in the credit report, and from such information, you can analyse the credit report.

## **1. Information that identifies a person**

The borrower's name, employment, residence, current and prior account information, email addresses, date of birth, kind of credit used, ownership information, etc. are all considered personal information in a credit report.

## **2. Credit Report**

This area of the credit report is quite in-depth. It includes all credit-related data, including payment histories, credit accounts that have been opened and closed, information on borrowers and lenders, current balances, and payment histories. Therefore, it is wise to take your time and thoroughly assess the credit history.

## **3. Public Documents**

The credit report's debt-related information, which includes account foreclosures, bankruptcies, and repossessions, is displayed in public records. These records, which reflect the borrower's extreme financial delinquency, remain on the credit report for approximately 7 years and can adversely affect a borrower's credit score. Information on divorce, arrests, litigation, etc. is not included in this portion of the credit report, though.

## **4. Credit Checks**

An inquiry into credit provides information on who and when viewed the borrower's credit report. The following categories of credit inquiries exist:

**Soft inquiries:** A soft inquiry is when a borrower analyses their credit payment history. Additionally, it constitutes a soft inquiry when creditors or other lenders check the borrower's profile to offer some credit-based opportunities.

**Hard inquiries:** When a borrower applies for a loan, or credit, or to have their credit card limit raised, a creditor will make a hard inquiry, which involves checking their credit history. Because they are serious in nature, hard inquiries can have a negative effect on a borrower's credit score if they are made frequently. A hard inquiry essentially shows how many times a borrower has asked for credit or a loan.

## **How to Challenge Errors in Credit Reports**

In the event that they discover any unusual activity on their credit report or wish to have the hard inquiry item removed, borrowers may file a dispute with one or more credit agencies. Here's how to do it efficiently for multiple credit bureaus:

**Experian:** Borrowers can raise the issue with Experian either online or by contacting the toll-free number shown in the credit report.

**Equifax:** To get your question answered, submit a letter to Equifax Credit Information Services or send a message to the company's official email address.

**TransUnion:** Contact TransUnion to file a complaint by calling or emailing them at their listed number. To have the problem rectified as soon as possible, a letter might be written to their registered address.

## Conclusion

Do you recall getting a report card in school? Based on the grades or marks you received on your report card, your academic achievement was evaluated. A credit report functions similarly.

### Reference:

<https://www.bankbazaar.com/cic/how-to-read-a-credit-report.html>

<https://www.paisabazaar.com/credit-score/how-to-read-your-cibil-report/>

<https://paytm.com/blog/credit-score/what-is-tradeline-how-to-check-credit-report/#h-6-how-to-read-a-credit-report-properly>