



Just the FACTA, Mom

The Motley Fool

By Dayana Yochim

Quick, Mom, turn on the TV. (And don't let Dad change the channel.) The newscasters in Lawrence, Kan., should be abuzz about "FACTA" and how you can get free copies of your credit reports starting March 1.

This isn't one of those fake "freebies" that an AARP bulletin warned you about. This deal's for real. It's part of the updated Fair Credit Reporting Act (FACTA) passed in January 2004 that guarantees U.S. citizens a free peek into the credit files that the big three reporting agencies keep on us.

In December, cousins Jimmy and Barbara in California got their peek. On March 1, you and all the Chicago relatives can compare credit files. On June 1, your cousin Marvin and his clan in Texas become eligible for free copies. And come September, cousin Josh in North Carolina, Dad's cousins Susan and Michael in Boston, and I can see how we stack up against the rest of the family tree.

Since you don't have TiVo to pause, rewind, and replay the newscast to write down the vitals, have Dad print out this cheat sheet with nearly everything you need to know to get the goods.

FACT-huh? That's FACT Act, which stands for Fair and Accurate Credit Transactions Act. It's a part of the Fair Credit Reporting Act (FCRA), which regulates how your credit information gets used. But don't bother committing any of that to memory. All you really need to know is that every 12 months, everyone in this great land of ours is entitled to a free credit report from the three major credit reporting agencies — **Equifax** (NYSE: EFX), TransUnion, and Experian. The credit reports do not contain your credit score; instead, you get the three-digit "credit GPA" that each bureau assigns to you. The Federal Trade Commission is still determining a standard price that credit reporting agencies can charge consumers for their scores. The final price should be between \$4 and \$8.

Who cares? Newscasters and financial writers desperate for fodder. OK, the real answer: You should care. Why? Read on...

What's in it for me? Three free credit disclosures! As in really free, not jump-through-a-three-ring-circus-laden-with-opt-out-loopholes free. Residents of Colorado, Georgia, Maryland, Maine, Massachusetts, New Jersey, and Vermont have been enjoying this annual costless peek for years. (Nice job, state legislators.) Anyone in any state may qualify for a free report for a number of reasons, none of which you'd ever wish on your second-worst enemy. If you've never looked into your credit history, now you have no excuse. As you've no doubt read on these pages before, there's a good chance that what's being reported in your file isn't a 100% accurate reflection of your money-handling history.



What's in it for the credit reporting bureaus? You mean besides hoping that your undying gratitude for the free glimpse will inspire future transactions that boost revenue? The credit reporting agencies are completely prohibited from marketing to you from the annualcreditreport.com website. But once you exit the site to get your free report from one of the three bureaus' sites, the sales pitches are no longer stifled. If you show any signs of interest, the bureaus will be quite grateful. But remember: *You are not required to purchase anything to receive your free report.*

When can I get my free reports? FACTA went into play on Dec. 1 in Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming. On March 1, the hubbub reaches the Midwest (Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin). Southern states (Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, Oklahoma, South Carolina, Tennessee, and Texas) will be next in line starting June 1, 2005. The Eastern states (Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, Vermont, Virginia, and West Virginia), as well as the District of Columbia, Puerto Rico, and all other U.S. territories, will have to wait until Sept. 1 of this year.

What took so long? You try making the folks in a competitive, for-profit industry play nice together. The truth is, it takes time to set up a free system out of something that everyone in the country with credit information on file once had to pay for. Approximately 100,000 entities report information to the credit reporting agencies. That includes lenders, collection agencies, credit card companies, leasing firms — anyone who extends you credit or reports information about you. Currently, 2 million credit reports are ordered each day, and 2 billion pieces of information are added to these files each month. You can probably imagine how a rush of citizens requesting their freebie could easily overwhelm the system. (Thus the rolling nationwide rollout.) The credit reporting agencies had to work together — a first! — to create a centralized point of contact for consumers. That required inventing an entirely new system and bulletproofing it from any form of fraud. Given that the system deals with such sensitive information, the process should probably not be rushed.

What's the difference between the "credit disclosure" I get through the FACT Act and the one I get with a regular old "credit report"? This is one of those rare instances when the freebie may actually be better than the product with a price tag. You'll see the Fed-mandated freebie referred to as a "credit disclosure," "consumer disclosure," or "personal credit report." It contains all the information the credit agency has in your file, including a record of everyone who has requested information from that particular bureau for promotional purposes (e.g., "We want your business!") or review purposes (e.g., "Are you still a good customer of ours?"). This list of interested parties is for your eyes only: Any credit grantor accessing your file gets a "retail" or "business" version of your report that does not include a list of such prying eyes. [Click here](#) for a list of what else is included in your personal credit report.



Checking up on the checkers — who they are and how frequently they take a peek — is important. Why?

Credit inquiries can be detrimental to your score. Too many “hard inquiries” will raise red flags at your lender’s office. And it’s estimated that each such inquiry can cost you five points on your overall credit score.

Your current lender is keeping an eye out. Even the smallest gaffe can send your credit card APR through the roof. Lenders call it the “universal default clause,” and it lets them raise interest rates based not on your history with them, but on your payment history or credit activity with other companies. And how do they know whether you’ve been good or bad about paying your bills? That’s right: They’re pulling your credit file.

It’s not just lenders looking: More and more companies and entities are claiming a permissible purpose (legal-speak for “full access to this sensitive data”) to pull your credit file. They include landlords, insurance companies, employers, ISPs, and many more. Your credit file could reveal why your car insurance premium went up last quarter.

If you find erroneous information on your report, you can compose your “Dear Lender” letter and get the wrongs righted.

Why do the reports look different from one another? Each credit reporting bureau operates independently and creates its own templates, product lineups, and standards. So you’ll notice that the format of your free reports — graphics, fonts, layouts — will vary. But the cosmetic stuff doesn’t really matter. What’s really important is the information contained in all three of your files. Businesses that provide data to the credit reporting agencies are not required to report to all three — or any — of the credit bureaus. So some report to one and not the other. So if you notice that you’re not getting the best rates on loans, but that the information in your Experian file looks top-notch, it may be that some piece of data being reported to another agency is counting against you.

The agencies also have some leeway with what they include in your report. Your free TransUnion credit disclosure, for example, contains not only a list of the reporting businesses, but also the estimated dates that each record will expire. Expiration dates are particularly useful for those trying to improve their credit score.

Should I get all three reports at once? When you’re offered a plateful of freebies, it’s tempting to cram as many as you can into your purse... so I’ve been told. But you might want to be more strategic about acquiring your free credit reports. If you do not anticipate applying for a loan of any kind in the near future, you could spread your inquiries over the course of a year. If you’re working on fixing credit problems, the periodic freebie will reveal your progress. Strategically timed peeks can also work as a kind of personal ID fraud alert system — so long as any alarming entry shows up on the report you are checking at the time.



Those with a long-term outlook may want to pull all three reports at the same time during this first year of FACTA. Then you'll have a baseline for future peeks. If you are refinancing, or if you're undergoing some other major financial event, your lender will most likely check all three files, so you should, too. No matter when you decide to get the goods, it's important that you do check all three credit reports eventually, since, as already mentioned, each may contain different information.

Give me the goods, already! All right, all right.... Go online, type www.annualcreditreport.com into your browser, and follow the prompts to get your free reports from one, two, or all three agencies. You will be asked to input your Social Security number and then to answer a question about your past financial history that only you (and your psychic) will know. If you're more comfortable with telephone or mail, the site lets you print credit report forms that you can send by mail. Consumers who aren't plugged in can use the following contact information. Telephone and mail requests will be processed within 15 days of receipt.

Annual Credit Report Request Service P.O. Box 105281 Atlanta, GA 30348-5281

When FACTA launched on the West Coast in December, there were reports of technical troubles at the main website and at those of the individual credit reporting bureaus. If you can stand the anticipation, you might want to postpone your free peek until later in the week.

Finally, an important note. The official website — www.annualcreditreport.com — will not send out emails. You will not receive any phone calls, snail mail, instant messages, or fruit baskets from the official FACTA-designated entity. Carefully question any emails or other contact you get from any organization claiming to be a part of the new nationwide program. Chances are, those “freebies” are worth passing up.

For related Foolishness, see:

Credit Lies and Urban Legends Anatomy of a Credit Report

Dayana Yochim is counting the days until she's eligible for a free peek into her credit file. Until then, you can take a look-see into her personal profile. The official Fool disclosure is not FTC-mandated.

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