

## Your Credit Report

You are a consumer who has just submitted a mortgage application to a lender. You have always thought of yourself as a low-risk applicant since you regularly pay your bills in a timely manner. Much to your surprise, you subsequently learn that the credit reporting agency has found that six years ago, you were 30 days late in making a credit card payment. Your lender has sent you a letter asking for an explanation of this late payment, even though you currently have an excellent re-payment history. Could the lender deny the loan on the basis of one late payment six years ago?

In reviewing the applicant's credit history, the lender is primarily looking for major indications of derogatory credit; i.e., a history of delinquent payments on a previous mortgage, undisclosed debt, revolving accounts, the presence of any judgement, garnishment, lien or bankruptcy, or a repeated history of payments that were late 60 days or more. Generally, one or two minor isolated instances of late payments is acceptable, as long as the applicant provides the lender with a satisfactory letter of explanation.

If you disagree with the information shown on your credit report, you should then file a dispute with the appropriate credit reporting agency. Your lender will be able to provide you with a telephone number or address to contact the credit agency. You will be asked to provide them with appropriate documentation stating your reason(s) for the dispute.

The procedure for rebuilding your credit record is basically the same as establishing credit initially. First, you should open a savings account and develop a regular savings habit; then, you should open a checking account and be diligent about not exceeding the balance in the account. Finally, you should obtain a credit card to use only occasionally; paying off the balance immediately after each use.