

Understanding Credit Reporting and Credit Scores

Between huge medical expenses and reduced income, people with cancer often struggle to pay their bills on time, if they can afford to pay them at all. Paying bills late can have a lot of negative consequences, and it is important to understand how paying bills late can impact your credit score. Keep in mind that every individual has unique financial circumstances and it is best to speak with a financial professional for advice that is personalized for you.

Credit Reports

A credit report contains information about your loans, bill payment history, current debt, and other types of financial information. This information is used to calculate a “credit score,” which is a numerical rating on your credit report used by lenders to determine whether to approve you for a loan, credit card, mortgage, apartment, or a loan to finance a new car. The score helps lenders figure out your risk in paying back a loan. A higher credit score can help your chances of getting approved for loans.

If you want to find out what kind of debts you owe or what kind of impact your debt is having on your credit score, you have the right to view your credit report. It is a good idea to periodically check your credit report to monitor for mistakes or fraud.

How to check your credit report

You are entitled to one free credit report from each of the credit reporting agencies every twelve months. The credit reporting agencies are: Equifax, Experian, and TransUnion.

- Equifax: <https://www.equifax.com/>
- Experian: <https://www.experian.com/>
- TransUnion: <https://www.transunion.com/>

Additionally, there are credit score websites that offer free credit scores. If you choose to use a credit score website other than Equifax, Transunion, or Experian, be sure you read the company policy. Some consumer credit websites are free, while others ask for credit card information and charge you a fee after a trial period or for using certain services on the website. Make sure you understand the privacy agreement to ensure your personal information will not be given to any third parties. Some banks and credit card companies now allow you to check your credit score through your bank account as well.

Negative information on a credit report

Creditors can report information about missed or late payments to the credit bureau(s). These reports can negatively impact your credit score. This negative information and having a low credit score can affect your ability to get loans, credit cards, buy a car, house, or even rent an apartment, since landlords usually run credit checks before deciding whether or not to rent to a new tenant. Your credit score can also impact the interest rate on the loans or credit card that you

may be able to secure. Over time, having a low credit score can end up costing you a lot of money. Negative information can remain on your credit report for seven years. However, if you file bankruptcy, a bankruptcy can show on your credit report for up to ten years. Additionally, unpaid tax liens may show on your credit report for fifteen years.

You are entitled to fair and accurate reporting of your credit information under the Fair Credit Reporting Act. However, if your credit is affected because of high medical debt or because you were unable to pay your bills during an illness or disability, there is no legal right to repair or improve your score just by showing that you have disability.

Removing negative information from your credit report

Removing negative information from your credit report can be complicated, depending on whether the information you want removed is valid or not. If you find a mistake on your credit report, you can file a credit report dispute with the credit bureau that provided the report, either online or by mail. You can also contact the debt collector/credit card company/bank directly to dispute the error. If the bureau finds that there was an error, they will have to remove it from your report. If the debt collector finds an error, it has to send a notice to all of the credit reporting bureaus to remove the error from your reports.

Removing accurate negative information from your report can be difficult. One option is to contact the debt collector to request what is called “pay and delete,” where you offer to pay off the debt in return for the debt collector removing the negative information from your report. While the debt collector is not required to do this, they may be willing to negotiate. Alternatively, if you do not have the money to pay off the debt or if you have already paid it in full, you can still ask the debt collector to remove the negative information. Again, the debt collector is not required to remove the negative information in this situation, but may do so. If you are not able to have negative information removed, you may need to wait the full seven years for it to come off of your credit report.

Medical bills and credit reporting

As of September 15, 2017, the three credit reporting agencies are required to follow a 180 day (six month) waiting period before including any medical debt on your credit report. This waiting period is to ensure that you have time to resolve any disputes with insurers and deal with any delays in payment. If medical debt does show up on a credit report, the credit reporting agencies will remove medical debt from your credit report once it is paid by the insurer. This removal may not be automatic; you may need to request to have the debt removed from your credit report.

Credit counseling services

Many people need help managing debt. Credit counseling services provide resources and advice to help with your debt. These services are not the same as debt consolidation services. Credit counseling services are often free, and can help with budgeting or managing your money by personalizing a plan for you. When looking for a credit counseling service, make sure to confirm that they are accredited by the National Foundation for Credit Counseling (NFCC) or the Financial Counseling Association of America (FCAA).

Resources

To receive help from a credit counseling service, please contact:

National Foundation for Credit Counseling:

(800) 388-2227

<https://www.nfcc.org>

Financial Counseling Association of America:

(800) 450-1794

<https://fcaa.org>

Federal Trade Commission- Consumer Information

<https://www.consumer.ftc.gov/articles/0153-choosing-credit-counselor>

For more information about credit reports, visit:

Credit Karma

<https://www.creditkarma.com/free-credit-report>

(provides free access to your credit scores, reports, and monitoring)

Consumer Financial Protection Bureau

<https://www.consumerfinance.gov/consumer-tools/credit-reports-and-scores/>

(resources can help you better understand your credit reports and scores, learn how to correct inaccuracies, and improve your credit record over time)

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