

Credit Reporting Agencies

How They Work and Affect You

What Is a Credit Reporting Agency?

A credit reporting agency, also known as a credit bureau or consumer reporting agency, is an organization that gathers and maintains data on individuals' borrowing and repayment activities.

This information is compiled into a credit report, which can be accessed by lenders, landlords, employers, and others who have a legitimate need to evaluate an individual's creditworthiness. There are three major credit bureaus in the United States: Equifax, Experian, and TransUnion.

How Credit Reporting Works

Credit reporting agencies collect detailed financial data, including credit card balances, loan amounts, and payment histories. This information is typically provided voluntarily by creditors, such as financial institutions, auto lenders, and mortgage companies. Some creditors report to only one bureau, while others may report to multiple.

In addition to account data, credit reporting agencies may also gather information from public records, such as bankruptcies or legal judgements. Credit reports are then sold to entities that use the information to make informed decisions, whether to extend credit, approve a lease, or offer employment.

Credit Reporting and You

The credit reporting system plays a crucial role in today's economy by providing transparency and trust between consumers and businesses. Organizations with a permissible purpose may request a copy of your credit report to assess financial responsibility. For example, a financial institution might evaluate your credit before issuing a loan or credit card.

While credit reporting may seem intrusive, it ultimately benefits consumers by enabling access to credit and services beyond where their reputations are known. A strong credit history allows individuals



to carry their financial reputation with them wherever they go.

The Major Credit Bureaus

The three primary credit reporting agencies in the United States are Equifax, Experian, and TransUnion. While each credit bureau collects and distributes similar types of data, they operate independently and may hold slightly different information about the same individual.

Equifax

Headquartered in Atlanta, Georgia, Equifax was established in 1899 and now operates in 25 countries. According to Equifax, they maintain credit data on more than 245 million American consumers.

Experian

Experian is a global agency with over 125 years of experience. Their North American headquarters are located in Costa Mesa, California. According to Experian, they maintain credit files for nearly 245 million American consumers and process 1.3 billion data updates each month.

TransUnion

The youngest of the three major bureaus is TransUnion. It was founded in 1968 and is headquartered in Chicago, Illinois. According to TransUnion, they maintain credit information on over 260 million Americans, compiled from data submitted by more than 85,000 businesses.

Other Credit Reporting Agencies

In addition to the three major bureaus, there are several specialized agencies that collect and report consumer data for specific purposes, such as employment, housing, or financial services.

Employment Screening Companies

These companies assist employers by providing pre-employment background checks, which may include credit history, salary verification, educational credits, and prior employment. Typically, a report is only generated if you authorize a background check during the hiring process.

Examples of these companies include Experian Verify, Certiphi, The Work Number, and HireRight.

Tenant Screening Companies

Tenant screening services compile reports to help landlords access prospective renters. These reports often include credit history, criminal background checks, income verification, employment data, and rental payment history. A report is usually generated only when you apply for rental housing.

Examples of these companies include Experian RentBureau, TransUnion SmartMove, AppFolio, and AmRent.

Check And Financial Institution Screening Companies

These agencies provide information to financial institutions to help determine an individual's risk level when opening a checking account or processing checks. Reports typically include details on unpaid overdrafts, suspected check fraud, and other financial history.

Examples of these companies include ChexSystems, Certegy Payment Solutions, and CrossCheck.

How To Manage Your Credit Reports

A number of credit reporting agencies maintain files on your credit history. To take control of your credit reports, it is important to understand your legal rights, regularly review your credit information, and dispute any inaccuracies you may find.

Understand Your Rights

The Fair Credit Reporting Act (FCRA) regulates credit reporting agencies. This is a federal law designed to protect consumers' privacy and ensure the accuracy of credit report data.

Under the Fair Credit Reporting Act (FCRA):

- Only individuals or organizations with legitimate need, such as lenders, landlords, or employers, can access your credit file.
- You have the right to know what information is in your file.
- You can dispute information that you believe is inaccurate or incomplete.

Request Your Credit Report

Reviewing your credit report regularly helps you to understand what lenders and other parties see when they check your credit. It also allows you to identify and correct any errors.

You can request free weekly credit reports from Equifax, Experian, and TransUnion by visiting AnnualCreditReport.com. You can also contact other specialty bureaus, such as those tracking tenant history or employment records, directly to request any reports that they have on you.

Dispute Inaccurate Information

If you discover errors in your credit reports, take prompt action. Start by filing a dispute with the credit reporting agency that provided the inaccurate information. You can file disputes online, by phone, or by mail. Be sure to clearly identify the error, request that it be corrected, and include any supporting documentation.