What Makes Up Your Credit Report

- Your name
- Your Social Security number
- Your address (and any previous addresses)
- Your current and past loan information
- Your public record information (court judgments, bankruptcies, liens)
- A list of other companies who have reviewed your credit.
- Your 3 digit credit score (optional)

While some of this information is self explanatory, some of the other aspects, especially your credit score, are a bit of a mystery to most consumers. Few people know their credit score or understand how it is calculated. Additionally, most people are unclear about how their behavior can affect their scores.

The majority of people understand the basics, like failing to make a payment will make your score go down, but there are a number of complexities that trip up the average consumer. If you pay your debts on time, don't carry too much debt on any one card, don't close older accounts unless absolutely necessary and only apply for new credit when you have to you will generally be in good shape. However, it is important to keep yourself informed so you can maintain a credit score that accurately reflects your consumer status.

Your credit score is determined by an algorithm developed by the Fair Issue Corporation (hence its other name of FICO score). Since its inception, three corporations, called "credit bureaus" specialize in collecting and reporting on financial histories. Those three companies are Equifax, Experian and TransUnion. While, the exact formula used to calculate your credit score is a tightly guarded industry secret, these companies provide general guidelines about financial behavior that can affect your credit score. When calculating your score, the basic formula includes:

35 percent: History of on-time or late payments of credit.

30 percent: Available credit on your open credit cards

15 percent: The age of your lines of credit (old = good)

10 percent: How often you apply for new credit.

10 percent: Variable factors, such as the types of open credit lines you have

Lenders use your credit report in order to judge your reliability as a loan candidate. Your credit report indicates your ability to handle debt responsibly and will help banks decide if you are a desirable loan customer. A high credit score can help you lock in low APR rates or secure special deals on loans. A bad credit report may prevent you from securing loans and can damage your ability to buy a car, open a credit card or rent a home. A history of inability to manage your credit successfully will make lenders uncomfortable about trusting you with additional funds in the future.

You are entitled to a free copy of your credit report once a year, an offer you should take advantage of. When you do receive your credit report, check to ensure the figures are accurate and act quickly correct any mistakes. This may include any clerical errors, identity theft issues or incorrect information. If your credit score is low, you should begin working on a financial rehabilitation plan, either on your own or with a certified debt councilor, to begin correcting your bad debt habits.