

What is the difference between a credit bureau score and a credit bureau report?

In order to manage your credit wisely, you should understand how it is reported. The major credit reporting agencies – Equifax, Trans Union and Experian – each compile their own reports about you. They include where you live, how you pay your bills and whether you’ve been sued, arrested or filed bankruptcy. Banks and credit card companies, insurance companies and even employers use these “credit reports” to evaluate your applications for credit, insurance, employment or renting a home. A “credit score” is a three digit number that measures the risk lenders take when they lend you money. The higher the score the more you can borrow and the lower the interest rate you’ll pay.

Credit bureau scoring is a statistical means of assessing how likely a borrower is to pay back a loan. A Credit Bureau Score is based on the data available in the borrower’s credit report. The score measures the relative degree of risk a potential borrower represents to the lender or investor. It is not a measure of a borrower’s income, assets, or bank account, although those and other factors are still considered by lenders and investors, independent of the score.

Scores range from approximately 375 to 900 points, and are available through the three national credit data repositories (Equifax, Trans Union, and Experian). All of these three models are often referred to as “FICO” scores.

The score is calculated at the repository and is based solely on the data within that repository’s individual credit file. The FICO score is obtained by using actual credit data on millions of consumers and applies complex mathematical methods to perform extensive research into credit patterns that forecast credit performance. Each pattern corresponds to likelihood that a consumer will make his or her loan payments as agreed in the future. The score is based on all the credit-related data in the credit bureau report-not just negative data such as missed mortgage payments or bankruptcies.

The types of credit information used in the credit bureau scorecards are typically the same items an underwriter would use to make a credit decision. These can include: payment history, outstanding debt, credit history, pursuit of new credit, and types of credit in use.

By law you can get one free copy of your credit report from each agency every year. Just call 877-322-8228 or go to www.annualcreditreport.com. Your free credit report will not include your credit score. To check your score, contact the three credit bureaus. There is a charge to obtain your score.