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How to Build a Credit Rating, Part 3

In summary, any errors you find in your credit report that are descriptive in nature – referencing where you live or work, your personal information, such as the spelling of your name or your Social Security number – those are cases where you write directly to the credit bureaus. For anything specifically account-related, if you are contesting the information in your credit file, go right to the source of the information. Try to work it out with them initially, and then get them to update the information with all three credit reporting agencies. Get a letter in writing that they have in fact done so. I suggest that if you have a conversation with a bank, credit card company, or lender of any type in which the outcome is that they are supposed to update your credit report, make sure you follow up that conversation in writing. Mail a letter summarizing your conversation, and send that letter certified, return receipt requested through the U.S. Postal Service. Lastly, follow up with the Big Three credit bureaus in 60 to 90 days to make sure that your accounts were, in fact, updated and any misinformation was fixed as agreed.

Show a Track Record

If you want to build up your credit report without taking on new debts, there's a way to do it that can be especially advantageous for students, recent college grads, and others looking to build or re-establish their credit. The alternative is to use a service like Payment Reporting Builds Credit (www.prbc.com). This organization lets you use any recurring bills, like rent or utility payments, as the basis for showing a stable credit history and building credit. In other words, you need not apply for credit, and take on debt, in order to build credit. You can just show your track record of paying certain obligations on time, and lenders can use this nontraditional information as an indication of how reliable and creditworthy you are.

The experts at Fair Isaac are also launching their own alternative scoring system, called a FICO Expansion score, for individuals with nontraditional credit data. Like the original FICO credit risk score, the FICO Expansion score rank-orders consumers by the likelihood that they will become severely delinquent (90 days or more past-due on a credit account) in the 24 months following scoring.

The universe of people without traditional credit files is enormous. Of the 215 million credit-eligible adults in the United States, some 50 million people don't have traditional credit scores, according to Fair Isaac. These include immigrants, young adults, recently divorced or widowed individuals, and members of ethnic groups that typically don't use credit. The FICO Expansion score ranges from 300 to 850, and like the classic score, the higher your score, the better a lending risk you are.

If you don't have a traditional credit file or would like to obtain your FICO Expansion score, it will soon be available at www.myfico.com. You can also call Fair Isaac at 1-866-838-3427 for information about your FICO Expansion score.