

Credit scores for millions getting boost; check yours



Bill Moak

CONSUMER WATCH

This month, up to 20 million Americans who keep a close watch on their credit scores will get a pleasant surprise as all existing civil judgments and many tax liens will disappear from credit reports. The result will be an immediate bump — as much as 20 points — in the credit scores from the “Big 3” credit reporting agencies. Many expected the changes to take effect July 1, so it may have already happened.

Because of new policies requiring more documentation, Experian, Equi-

ifax and TransUnion announced recently they’ll be removing these items from their credit reporting. The action comes after many regulators and advocates have expressed concerns over the reliability and accuracy of the information contained in many credit reports. In particular, the Consumer Financial Protection Bureau called out the credit reporting industry in a March report, citing lax standards for researching the information contained in credit reports and leading to inaccuracies.

You may recall that, last October, Attorney General Jim Hood announced a settlement with the Big 3 over a variety of supervisory practices that led to large numbers of errors affecting thousands of consumers. The companies agreed to pay more than \$7.1 million to settle the charges, gave Mis-

issippi residents free credit reports (see below), promised to remove certain liens and judgments and said they’d make substantial changes in their practices.

The credit report — and the scores generated from them — are extremely powerful in determining whether you get credit, a job or even a place to live. But with the increase in their usage, it’s more important than ever that the information is accurate. Errors can unfairly ding your credit and limit your options when it comes to credit.

Credit scoring — typically called “FICO” or “Vantage” — uses a computer algorithm to look at your credit history, including how much debt you have and how long you’ve had it, how much of your credit you’re using, whether you’ve been responsible with credit in the past and several other factors. It all

comes down to a number between 30 and 850. (Wallethub reports that the average FICO score in the U.S. is 699.) People on the high end generally get better credit, while those stuck in the low end of the range are often out of luck.

The credit report is divided into several sections, one of which is Public Records. In this section, you’ll find whether you’ve been the subject of negative actions by the government or courts including tax liens and civil judgments. For example, if you’ve lost a lawsuit and the court has ordered you to pay, it might appear on your credit report as a civil judgment. If you’ve gotten behind on your taxes, the government can claim some of your assets until the debt is paid. That would be

See Moak, Page 8A

Moak

Continued from Page 3A

considered a tax lien. These are simple examples, but both civil judgments and tax liens can be quite complicated.

The latest action by the credit bureaus wipes the slate clean on civil judgments and many tax liens in credit reports, removing civil judgments entirely and removing at least half of tax liens. (It doesn't mean new ones won't be reported; just that the old ones will be eliminated.) In the future, civil judgments and tax liens must contain your name, address, Social Security number or birthdate, and must be updated at least every 90 days.

Eliminating these items from credit reports, Wallethub notes, will mean 6 to 9 percent of Americans (in other words, 12 million to 20 million people) will see their scores improve. The average person will see their scores rise by

10 points, up to a maximum of about 20 points. Most of those seeing an increase, Wallethub adds, are people whose current scores are between 351 to 500; those with scores above 600 are less likely to see a bump. Some credit-industry watchers have expressed concerns the changes might be good for some consumers, but could increase lending to high-risk borrowers. However, most believe the effect on the industry will be minimal.

If you read this column on a regular basis, you know that you're allowed by law to review your credit report once every 12 months from annualcreditreport.com. And Mississippians, as I noted above, can review their credit reports as often as they want by getting an activation code. (But don't delay; you have until July 24 to get your code at <http://www.mississippicreditreportsettlement.com/>.)

"While any credit-score increase associated with these changes is unlikely to exceed 20 points, every piece of negative information that falls off your credit reports is good for your credit score," advises Wallethub in its article. "So we definitely recommend reviewing your credit reports on a regular basis, both to confirm the removal of problematic public records and to make sure no other mistakes wind up costing you money."

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