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How to correct credit-report errors

By Andrew Housser
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More and more in today's world, having a healthy credit report makes a big difference. Not only does a person's credit score affect the interest rate he or she pays on a mortgage or auto loan -- credit reports also might be viewed by prospective landlords, employers and insurers. Additionally, the credit report often is the first indicator that your identity has been compromised by fraud or theft.

For all of these reasons, it is important to monitor your credit report at least yearly to be certain it reports accurate information about your use of credit. Every American has the right to receive a free copy of his or her credit report each year by visiting http://www.annualcreditreport.com/ or calling 877-322-8228.

Additionally, guard against identity theft by shredding all documents that contain personal information, closing unneeded accounts, and never giving personal information to those who solicit it by phone or e-mail. (Note, however, that closing a long-standing credit card account could negatively impact your credit score. Instead, consider putting the card in a safe place if you are not using it.)

If you find an error on your report, use this information to dispute the incorrect item:

1. The federal Fair Credit Reporting Act requires that credit bureaus provide a procedure for consumers to dispute inaccurate listings on their credit reports. Follow the guidelines provided by each of the three credit reporting agencies on their Web sites. The easiest way to file an effective dispute letter is online.The Federal Trade Commission also offers a free guide to disputing credit report errors at http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre21.shtm. If a consumer disputes an item with one of the three major agencies (Equifax, Experian or TransUnion), the bureau will notify the creditor that the item has been disputed.The creditor then has 30 days in which to respond to that dispute.

2. If the creditor provides substantial evidence that the item is valid, then the listing will remain on the report.If the creditor cannot substantiate the item, then the credit bureau is required to remove it.

3. If the creditor does not respond to the credit bureau within 30 days, then the credit bureau is required to remove that listing from the consumer's credit file (though this period can be extended by 15 days under certain circumstances). However, even after an item has been removed, if the credit bureau receives information from the creditor substantiating the listing, the credit bureau can replace the item on the consumer's credit report.

4. If a credit reporting agency refuses to remove a listing that is truly invalid, even after the consumer has provided substantial evidence, the consumer should consider filing complaints with the Federal Trade Commission and with his or her state's Attorney General's office. Legal action also is an option; consumers would need to discuss this course of action with an attorney.

5. Occasionally, a debt will reappear even after a consumer has successfully disputed it and had it removed. This may happen if a debt is sent to a collection agency that begins reporting the item to the bureaus again. In that case, the consumer must dispute the item all over again.

The bottom line: Credit reporting agencies report on your file whatever information creditors or collectors report to the agencies. Unfortunately, that sometimes includes incorrect information. Therefore, monitoring your credit is your responsibility. Take that responsibility seriously, and you also take charge of protecting a valuable, intangible asset -- your credit rating.