

**Select Portfolio Management, Inc**

26800 Aliso Viejo Parkway

Suite 150

Aliso Viejo, CA 92656

949-975-7900

800-445-9822

info@selectportfolio.com

www.selectportfolio.com



# Credit Reports



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## What is a credit report?

Your credit report is a document prepared by a credit-reporting agency (or credit bureau). It contains certain information about your credit transactions with various merchants, information obtained from public records, and a list of parties that have made inquiries about you in recent months. Your credit report is primarily used to evaluate your creditworthiness for purposes of extending new credit. Lenders want to know if you have paid your debts in the past and whether you can be trusted in the future.

Credit reports may also be used to evaluate your character. Potential employers may seek to examine whether you are trustworthy where financial matters are concerned. Similarly, insurers may want to know more about your history with finances (including whether you have ever been convicted on fraud charges) before taking on risk by issuing a life insurance policy.

There are hundreds of credit-reporting agencies in the United States. The largest, and most important for the typical consumer, are Experian, Equifax, and Trans Union.

Subscribers, such as commercial banks, credit card companies, and other lenders, purchase quick and ready access to the credit bureaus' files. They can check a potential borrower's credit report using an on-site terminal. The subscriber periodically provides the credit bureau with updated information about any account it is presently servicing. Credit bureaus also obtain information from public records, such as local registries and courts.

## Why are credit reports important to you?

### *To get credit, you need to have credit*

It is very difficult to get by without using credit of some kind during your lifetime. Almost everyone, at some time, needs to borrow money for a home, a car, a major retail purchase, education expenses, or emergencies. Typically, to qualify for credit, you need to have established credit. This means that information about you must be on file at one or more of the major credit-reporting agencies. If you have not established a credit record, you may find it difficult to get credit if and when you need it.

### *People rely on the information in your credit report when making decisions that affect your life*

Your credit report should be important to you because lenders, landlords, insurers, and employers rely on it for information. If your credit report contains errors or misleading information, then those people may get the wrong impression. You could be denied credit or benefits that you deserve because of what appears on your credit report; therefore, you should take the time to regularly check your credit report and correct errors and misleading information before applying for credit or benefits.

### *You have rights with respect to your credit report*

Federal law, and sometimes state laws, grant you specific rights with respect to the contents and circulation of your credit report. Many of these rights allow you to control issues that affect your life. For instance, you have a right to ensure that your credit report is accurate, and you can demand that errors be corrected. You also have the right to take your name off solicitation lists compiled from credit bureau files, thus reducing the number of solicitations you receive.

This material does not constitute the rendering of investment, legal, tax or insurance advice or services. It is intended for informational use only and is not a substitute for investment, legal, tax, and insurance advice. State, national and international laws vary, as do individual circumstances; so always consult a qualified investment advisor, attorney, CPA, or insurance agent on all investment, legal, tax, or insurance matters. The effectiveness of any of the strategies described will depend on your individual situation and on a number of other factors.

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