

A Good Credit Report Card?

Credit files are often used by lenders to help assess whether to lend you money.

So, what is a credit file, who can look at yours, and how can you make sure it's in good order?

Virtually all of us apply for credit in one form or another. It may be for a home or personal loan, or even for a service like a mobile 'phone or electricity where the payment is deferred (invoiced) rather than "cash on delivery".

As part of their assessment process, the lender or credit provider will seek access to your credit file.

What Is A Credit File?

The file contains information about you and your credit history, including:

- **Personal Details** - such as your name, date of birth, current and past addresses, driver's licence number and employment details.
- **Credit Applications** - who the credit provider was, the amount and type of credit applied for. Note that this is all applications made, whether or not the credit was approved or the credit offer taken up by you.
- **Credit Defaults** - all overdue payments of 60 days or more can be listed provided that the provider has taken steps to recover the outstanding amount. These steps must include writing to the defaulter at their last known address to request payment of the outstanding amount.
- **Paid Credit Defaults** - provided that the default was correctly listed in the first place, then it will remain on the person's file for five years for when reported, even if it has been paid. The file must, however, note that the debt has been paid.
- **Serious Credit Infringements** - information on the Public Record such as default judgements and bankruptcy information are stored on a credit file.

	+ Homes + Investments +	Tel: (07) 3818 1144 Fax: (07) 3818 9944
	+ Commercial + Vehicles +	Email: info@finance4.com.au
		Web: www.finance4.com.au
		Office: 2 Rawle Street, Camira Q 4300
		Postal: PO Box 4227, Springfield Q 4300

- **“Clearout” Listings** – which is when a credit provider chasing an outstanding debt has tried to contact a person in writing and failed, and has reported that person as a missing debtor.

How To Check Your Credit File

Credit files are created and held by credit reporting agencies. Two of the main agencies in Australia are Baycorp Advantage and Dun and Bradstreet.

Additional listings are made on your credit file each time that you **apply** for credit providing that the credit provider made it clear beforehand that your application’s assessment included a credit file check. A listing will also be made if you are in default to a credit provider.

You can get a copy of your credit file for free by writing to one of these agencies. This may take up to ten working days. By paying a small fee you can get your file much more quickly.

It’s a good idea to check your credit file a few weeks before applying for a loan or other credit facility, to ensure that it is up-to-date and accurate:

- **Are your names and addresses spelt correctly?** Simple errors could mean that you have multiple listings for one loan application or have someone else’s defaults showing on your file.
- **Has someone stolen your identity?** Identity theft is a growing problem, and one of the ways it is used is to falsely obtain credit, which of course is never repaid. If it is your identity that is being used, your credit file will show this through the listing of applications for credit that you know nothing about!
- **Check the accuracy and age of any listed credit defaults, serious credit infringements and Public Record information.** Were the guidelines followed? Is the information accurate?

In the event of any mistakes or disputes, you should inform both the credit provider and the credit reporting agency and ask that they amend the report accordingly – and check that they do. For example, a disputed debt should be noted as such on your file.

If you are unable to fix any inaccuracies on your file then you can take your complaint to the Office of the Federal Privacy Commissioner www.privacy.gov.au.



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Maintaining A Good Credit File

Here's some tips to ensure your credit file stays clean:\

- Pay all bills on time.
- If there is a problem in meeting a commitment, contact the credit provider ASAP and agree a payment schedule. This is far better for both parties, and many credit providers will be prepared to come to an arrangement.
- Don't make too many applications for credit. Each one shows up on your credit file and can be an issue for some lenders as it can give an impression that you have a debt problem. For example, continuously applying for new credit cards chasing low rate balance transfer deals can cause a provider to refuse you credit. Even if you don't have a debt problem, they may believe that they won't be able to make any money from you.

What If The File Shows Past Credit Issues?

There can be a number of reasons why a person can have had credit issues in the past.

It is important to be honest and upfront about a situation, rather than hide it and let the provider or broker find the issue when reviewing the credit file.

Many credit providers are understanding of past credit issues, and have products designed to take this into account. Further, there are many home loan lenders that specialise in lending to such applicants.

Provided that the applicants can demonstrate they are able to make the regular repayments, a **non-conforming home loan** can be an important first step on the road to improving a credit "rating."



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Sources

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