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An Agricultural Perspective of Consumer Credit Reporting

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There has been a recent surge of media attention regarding consumers accessing their credit information. Consumers are using credit at an increasing rate and institutions are using credit information for many purposes beyond acquiring credit. So what does this mean for the agricultural producer? What information is being stored? Who has access to the information? How long is the information stored?

The information stored in the credit files consist of four major components: (1) personal information -- current and past addresses, phone numbers, employers and date of birth; (2) credit information and payment history for all consumer credit accounts like auto financing, credit cards, and home mortgages; (3) public information on bankruptcy filings, tax liens, etc.; and (4) a list a firms that have accessed your credit report in the past. Items that are not included in the credit files are information on deposit accounts, salary or wages, income taxes, land and machinery values, and medical records. Moreover, information on agricultural loans is typically not reported.

Most of the financial information is kept for 7 to 10 years. Not making minimum payments can impact your credit score and history for a long period of time.

Many agricultural lenders access your credit report and score. Most acquire the information to validate the level of credit balances and recent payment history. It is becoming more common for agricultural lenders to use the consumer credit score as one of the key evaluation and pricing criterion for an agricultural loan.

Even if you do not borrow, it is important to maintain good credit standing. Auto and home insurers are now incorporating consumer credit information into their underwriting and insurance pricing criteria. According to the Insurance Information Institute over 90% of insurance companies utilize credit data in underwriting insurance. Credit data can also be used for employment purposes, certain licenses, leases, and other legitimate reasons outlined in the Fair Credit Reporting Act.

In general, institutions are required to inform you when using your credit data. Moreover, when the use of credit data results in an adverse action, such as a credit or insurance denial or an increase in loan or insurance rates, the institution must inform you that credit data were used.

Since credit data are being used frequently, new regulations have passed that allow easier access to your information. As of March 1, 2005, Illinois residents can

access your free credit reports through a central web site www.AnnualCreditReport.com, a toll free number 877-322-8228 or a written request sent to Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281. You are entitled to one free report annually from each of the three major credit bureaus.

The credit scores that are used by lenders and insurers require an additional \$5 to \$7 fee. This is a good investment since you are also given the factors that are most important to improving your specific score.

It is good business practice to check your credit report periodically for accuracy and to help prevent identity theft. If the information is incorrect, it is your responsibility to initiate the forms to correct the problem. Additional information regarding consumer credit information and the potential impact on agricultural producers are available in the finance section of *farmdoc* (www.farmdoc.uiuc.edu).