



Glossary of Credit Terms

Bankruptcy – Bankruptcy is a federal law that allows individuals, married couples, and businesses to eliminate or restructure their debts when they have financial difficulties. There are many different forms and types. The most common are Chapter 7, Chapter 11 and Chapter 13. A bankruptcy settlement will generally show up on credit reports for a period of *7 to 10 years*.

We include information about all bankruptcies, but will only “count” the number of **open** Chapter 7 bankruptcies.

Chapter 7 Bankruptcy – A type of bankruptcy allowed by federal law requiring the liquidation of all assets. It eliminates debt instead of restructuring it. Chapter 7 Bankruptcy generally remains on a credit report for a period of *10 years*.

Chapter 11 Bankruptcy - Typically for corporations or partnerships. In Chapter 11, the debtor usually remains in possession of his assets and continues to operate any business, subject to the oversight of the court and the creditors committee. Chapter 11 Bankruptcy generally remains on a credit report for a period of *10 years*.

Chapter 13 Bankruptcy – A type of bankruptcy allowed by federal law allowing a debtor to restructure their debts without relinquishing their assets. The debtor keeps his property and makes regular payments to a trustee out of future income over a 3 to 5 year period. Repayment in Chapter 13 generally ranges from 10 percent to 100 percent, depending on the debtor's income and the type of debt. Chapter 13 Bankruptcy generally remains on a credit report for *7 years*.

Credit Score – A credit scoring system that identifies creditworthy customers and predicts the likelihood of serious delinquency within 24 months. The lowest possible score is 300, while the highest is 850.

The final number is a composite of individual ratings in five categories:

- Payment history (35% of the rating)
- Length of credit history (15%)
- New credit (10%)
- Types of credit used (10%)
- Debt (30%)

Companies and individuals rate **credit scores** differently. In general

- 740 – 850 is considered excellent
- 680 – 740 is considered good
- 620 – 680 is considered ok
- 580 – 620 is where the trouble starts
- 500 – 580 is considered bad
- Below 500 is quite bad

Collection - A collection account shows a past due or delinquent account. Typically it occurs when the account has been transferred from a routine debt to an internal Collection Department or to a separate professional debt collecting firm. Collections generally remain on a credit report for a period of *7 years*.

We report "*Entity owed, Date of balance and amount of balance*".

Discharge – To discharge a debt simply means to pay it, or satisfy it.

Dismiss – The ruling by a judge that all or a portion of the plaintiff's lawsuit is terminated (thrown out) at that point without further evidence or testimony. This judgment may be made before, during or at the end of a trial, when the judge becomes convinced that the plaintiff has not and cannot prove his/her/its case. A defendant may be "dismissed" from a lawsuit, meaning the suit is dropped against that party.

Dismissal of a *bankruptcy* means that the judge did not allow the party(ies) to declare bankruptcy.

Dismissal of a *judgment* means the judge did not find sufficient evidence and the charge was thrown out.

Judgment - An official court decision of an action or suit containing the rights or obligations of the parties to a case.

We report judgments in the format of "*Entity owed, Date of judgment and amount*".

Judgment in the credit section – We list all judgments that appear on an applicant's credit report. Judgments generally remain on a credit reports for *7 years*.

Judgment in the civil section – We list only judgments that are relevant to the screening being performed, for example we report rental cases for tenant screening. Judgments generally remain on civil records for as long as that particular court decides to archive them, typically at least five years.

Lien – A notice that a creditor attaches to one's property that informs the world that creditor is owed money. One can't sell that property

without paying off the creditor. Liens will generally show up on credit reports for *7 years*. And unpaid tax liens for *15 years*.

Liens are reported in the format of "Entity owed, date of lien and amount".

Negative Trade – An account with a payment history of one of the below

- ▲ Pays 61 – 90 Days; Not more than 3 payments Past Due
- ▲ Pays 91 – 120 Days; Not more than 4 payments Past Due
- ▲ Pays over 120 Days; 5 or more payments are Past Due
- ▲ Making Regular Payments or Paid under wage earner plan or Similar arrangements
- ▲ Repossession
- ▲ Charged off to bad debt

Negative trades generally remain on a credit report for *7 years*.

No credit history – The individual does not have any accounts that are being reported to the credit bureau.

OFAC (On Terrorist Watch List) – Shows whether individual is in on the "Specially Designated Nationals" list. "Specially Designated Nationals" are organizations and individuals who are restricted from doing business with the United States or American companies, or Americans. This includes terrorist organizations, individual terrorists, and state sponsors of terrorism (such as Iran, and North Korea). The list of "specially designated nationals" is maintained by the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC).

Paid account – Paid account means that the obligation was fulfilled or paid. Typically accounts that are completely paid off, sent to collections or sold are paid accounts. Credit cards with a zero balance are not considered paid because they are open-ended lines of credit. The individual can charge an amount on the account at any time.

Positive Trade – An account with a payment history of one of the below

- ▲ Too new to rate, approved but not used
- ▲ Paid as agreed; Satisfactory; Current
- ▲ Pays 31-60 Days; Not more than 2 payments Past Due

Positive trades generally remain on a credit report indefinitely although paid closed accounts generally display for 10 years.

Social Security Number Verified – The SSN has been verified through major customers of the credit bureau. The Social Security Administration will not verify Social Security Numbers.

The SSN may not be verified for several reasons:

- ▲ Insufficient credit history to verify SSN.
- ▲ SSN provided is incorrect.
- ▲ SSN belongs to another individual.

Time information stays on a credit report - Potentially negative information, such as missed payments and most public record items remain on a personal credit report for 7 years, with the exception of Chapters 7, 11 and 12 bankruptcies, which remain for 10 years, and unpaid tax liens, which remain for 15 years. A paid tax lien will remain for 7 years. Positive information may remain on a report indefinitely. Paid closed accounts generally display for 10 years. Requests for your credit history remain on your personal credit report for 2 years.

Trades – Trade is the word used to describe a credit account. Examples include: credit card, charge account, secured loan, home equity line of credit, line of credit, personal loan, unsecured loan, real estate mortgage, auto loan, auto lease, paid account, collection account, inactive account and others.

Total Trades – Represents the total trades on the credit report. We do not include inactive accounts, i.e. accounts that are no longer reported by the creditor.

Total Trade Payment (Monthly Payments) – Represents the sum of all minimum monthly payments on all outstanding accounts. See sample in Total Trade Balance

Note – sometimes when an account is overdue or sent to collection, the creditor will report the entire amount as the next payment due.

Total Trade Balance – Represents the sum of all outstanding trade balances on the credit report. An example follows

| Trade | Monthly Payment | Balance |
|-----------------------|------------------------|-----------------|
| Citibank credit card | \$575 | \$575 |
| First USA credit card | \$10 | \$300 |
| US Bank loan | \$250 | \$2,400 |
| Student loan | \$ 35 | \$5,000 |
| Honda auto lease | \$300 | \$9,000 |
| Total | \$1,170 | \$17,275 |