

5 reasons to check your credit reports at least once a year

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(Photo: Thinkstock)

The information on your credit report can affect much of your life — the home you live in, the job you get, how much money you can borrow and how much interest you'll pay. But even though you can review these reports for free every 12 months, nearly two in three adults said they haven't, according to a [2015 National Foundation of Credit Counseling study](https://www.nfcc.org/wp-content/uploads/2015/04/NFCC_2015_Financial_Literacy_Survey_FINAL.pdf) (https://www.nfcc.org/wp-content/uploads/2015/04/NFCC_2015_Financial_Literacy_Survey_FINAL.pdf) sponsored by [NerdWallet](#). For some, that could have big consequences.

Here are five reasons you should check your credit reports at least once every year.

1. It can help you detect and dispute errors.

About one in four people identified potential errors that might affect their credit on one of their credit reports, according to a [study by the Federal Trade Commission](https://www.ftc.gov/sites/default/files/documents/reports/section-319-fair-and-accurate-credit-transactions-act-2003-fifth-interim-federal-trade-commission/130211factareport.pdf) (<https://www.ftc.gov/sites/default/files/documents/reports/section-319-fair-and-accurate-credit-transactions-act-2003-fifth-interim-federal-trade-commission/130211factareport.pdf>). [Credit scores](http://www.nerdwallet.com/blog/credit-score/whats-my-credit-score/) (<http://www.nerdwallet.com/blog/credit-score/whats-my-credit-score/>) — the three-digit numbers indicating borrowing risk — may tell you when your credit changes, but won't tell you why, or whether the change is due to a reporting error. Checking your credit report makes it easier to uncover these mistakes.

If your report includes information from someone else's report (known as a mixed file) or contains other inaccuracies, it may affect your credit and take weeks to correct. You don't want to delay resolving these issues, especially if you'll be applying for loans anytime soon. Here's [how you can file a written dispute](http://www.consumer.ftc.gov/articles/0151-disputing-errors-credit-reports) (<http://www.consumer.ftc.gov/articles/0151-disputing-errors-credit-reports>) to the credit reporting company and set the record straight.

2. Your credit may be affected by others' mistakes.

You may be conscientious about paying bills on time, but others may still make errors that could hurt your credit, and you may not realize it. If you cosign for your child's credit card and he or she is late on a payment, your credit may take a hit. Unless your child lets you know, or gives you access to the account, you may not find out until you check your credit report.

"A lot of times, people don't even realize they're hurting the people who helped them," says [Tracy Becker](http://www.nerdwallet.com/finance/financial-advisors/advisors/profile/938/tracy-becker) (<http://www.nerdwallet.com/finance/financial-advisors/advisors/profile/938/tracy-becker>), a credit expert at North Shore Advisory, in [Tarrytown, N.Y.](#)

Checking your credit report can be a painful way to learn about miscommunications and failings. But it can also serve as a reminder to monitor things that might usually escape your notice, such as medical bills that were supposed to be covered by insurance companies, or payments that were supposed to be made by bookkeepers.

3. You might stop identity theft and credit card fraud early on.

If someone else has been using your [Social Security number](#) to apply for credit, or making purchases with your payment information, you may not notice the signs unless you take a close look at your credit reports.

"Some of these transactions are very small," says [Richard Rosso](http://www.nerdwallet.com/finance/financial-advisors/advisors/profile/1160/richard-rosso-cfp-cima) (<http://www.nerdwallet.com/finance/financial-advisors/advisors/profile/1160/richard-rosso-cfp-cima>), a certified financial planner at Clarity Financial in Houston. "They fly under the radar. Then you get hit with a big one."

If you notice an unfamiliar account or [inquiry](http://www.nerdwallet.com/blog/credit-cards/credit-score/credit-report-soft-hard-pull-difference/) (<http://www.nerdwallet.com/blog/credit-cards/credit-score/credit-report-soft-hard-pull-difference/>), call up the issuer and find out how it ended up on your report. If necessary, file an [Identity Theft Report](https://www.consumer.ftc.gov/articles/pdf-0009-taking-charge.pdf) (<https://www.consumer.ftc.gov/articles/pdf-0009-taking-charge.pdf>) and freeze or place [fraud alerts](http://www.consumer.ftc.gov/articles/0275-place-fraud-alert) (<http://www.consumer.ftc.gov/articles/0275-place-fraud-alert>) on your credit reports to prevent further damage. Fraud alerts, which are free, require issuers to contact you and confirm your identity before extending credit to you. After placing a fraud alert on your account, you can get additional free credit reports to make sure the fraudulent accounts were removed.

4. You'll save money by being proactive about your credit.

Good credit could potentially save you thousands of dollars in interest payments over the course of your life.

If you're happy with your credit now, reviewing all your credit reports at least once a year and checking for any potential errors can ensure it stays protected year-round. This way, if you apply for a loan, you probably won't have to scramble at the last minute to dispute errors, and you likely won't have to shell out more in interest than you'd otherwise pay.

If you have poor credit, reviewing your credit reports can help you figure out how to rebuild it. Instead of guessing at the problem, you'll be able to see which negatives are bringing it down.

5. Did we mention it's free?

Under the Fair and Accurate Credit Transactions Act of 2003, you have the right to view your credit reports from each of the three major credit bureaus for free once every 12 months. Schedule credit check-ins near other significant annual events, such as yearly physicals, Rosso says, and you'll have an easier time remembering them.

To get your free reports, request them from the federally authorized website [AnnualCreditReport.com](https://www.annualcreditreport.com/index.action) (<https://www.annualcreditreport.com/index.action>). Contrary to the myth, pulling your own report won't hurt your credit. Usually, the whole process takes no longer than 10 minutes, and it can save you a lot of hassle later on.

Rosso says, "If I can get people to check their credit reports once a year, that's a good thing."

MORE: [These credit cards for bad credit can help repair your score \(http://www.nerdwallet.com/blog/top-credit-cards/nerdwallets-best-credit-cards-for-bad-credit/\)](http://www.nerdwallet.com/blog/top-credit-cards/nerdwallets-best-credit-cards-for-bad-credit/)

MORE: [How to find a credit card based on your credit score \(https://www.nerdwallet.com/low-interest-credit-cards\)](https://www.nerdwallet.com/low-interest-credit-cards)

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