Important Reasons to Monitor Your Credit Report

Small Debts can Have A Big Impact

A lot of consumers assume that if that haven't had major credit deliquencies or a bankruptcy that their credit is good. Unfortunately, negative items even for paltry amounts of money can have a huge effect on your credit score, impacting your ability to obtain credit at competitive rates.

Some government agencies are now hiring collection companies to collect on unpaid parking tickets, traffic fines and even library late fees. In some cases, a debt that shows as going to collection can drop your credit scores as much as 100 points.

The bigger cities have been doing this for the past few years now. So, next time don't ignore that parking ticket. Also, make sure to return those library books.

Your Job or Promotion May Require a Credit Check

More and more companies are doing credit checks and background checks before hiring new employees and giving promotions. Even if your job does not require you to handle money, companies are using your credit reports and credit scores to decide whether you will get the job you are applying for or not.

If you have any collections, judgments, liens, or even late payments, they could prevent you from getting that job/promotion. Some things that you should do if you are going to apply for a new job or if you are in line for a promotion:

- Get a copy of all 3 of your credit reports.
- Do a background check on yourself if you think it's needed (check the phone book under “Investigation”).

If you find any information on your credit reports that seems inaccurate or unfamiliar to you, have it investigated. You can dispute the items through the credit bureaus yourself or you can hire a credit repair person/company. It is always a good idea to research the company who will be doing the credit repair work.

A Low Credit Score Can Mean Higher Insurance Premiums

Your credit score often determines how much you pay for car, homeowners, renters, and even health and life insurance. Almost all major insurance companies use credit scores to determine premiums for their customers.

If you have less than excellent credit, it may costing you in the form of higher insurance premiums. Insurance companies justify evaluating customers' credit reports by claiming that customers with bad credit entail a higher risk and are more likely to file claims.

Some states have enacted laws that restricting using a credit score as the sole basis to deny coverage and calculate the premium amount. However, insurance companies still use credit scores combined with other factors to create an "insurance risk score." These scores are not shared with the public but often roughly correlate with your FICO score.

When considering the effects of a low credit score, high insurance premiums may be the last thing that comes to mind. However, improving your score could potentially save you hundreds of dollars each year.