

# Credit Repair

## Introduction

The credit reporting industry has gone through tremendous changes in recent years. Most of these changes are the result of pressure brought to bare on the industry by Congress and public interest groups. Needless to say, these groups felt that the consumer wasn't getting a fair shake when it came to credit reporting and the effects of it. And rightly so with a history replete with stories of incorrect negative information on the credit files of unsuspecting citizens un-removed information and an industry that turned a deaf ear to outraged individuals.

This information package deals with some of the more important changes in the credit industry and is directed at equipping you with the necessary knowledge of how the industry works, how to effectively get the system to work for you the consumer and to prepare you with the facts that can turn a request for credit to a gratifying experience.

This report is not designed to encourage any illegal activity on the part of anyone reading it. This must be stated up front because there are so many unscrupulous peddlers of mayhem out there who are only to quick to take your money while providing inadequate information of the illegal sort.

It is really simple. It is not possible to get a completely new credit file overnight without doing it illegally. Anyone who says it is, is lying. We will discuss some of those credit repair scams in some detail later on to inform you of what to watch out for in the section "If It Walks Like a Duck." The principals laid down in this report are built upon the foundation of solid information known by the insiders of the industry and unfortunately, little know or understood by the average consumer.

Credit is a wonderful asset for personal financial management and a necessary tool for business growth. It is imperative that every citizen knows the inner workings of an industry that has such a profound affect on all our lives. It is to this end that this information package is designed.

## What's the Buzz? Tell Me What's Happening.

Silence is never golden when it comes to your credit report. And just because you ignore it doesn't mean it will go away or heal itself. You have to be engaged, plugged in, in control and informed to maximize your ability to change it for the better.

That process begins with you getting a copy of your credit file from the agencies that are oh so willing to give it out to everyone else it seems. This is a simple process that can be accomplished as easily as writing a letter and requesting it.

First figure out who has it. If you're like most people it probably can be found at one and probably all three of the "Big Three" credit reporting agencies. They are Equifax, Experian and TransUnion. There are several smaller local credit reporting agencies but most are connected with the Big Three.

The cost of your credit report varies from state to state and can be found at their respective web sites listed below as well as their addresses. It is usually \$8.00 or less.

Experian [www.experian.com](http://www.experian.com)

A copy of your credit report can be ordered by phone at 1-800-397-3742 and can be paid for by Visa or MasterCard. It will be mailed to you within 48 hours. You can also contact them by writing to:

Experian National Consumer Assistance Center  
P.O. Box 2104  
Allen, TX 75013-2104

A printout form can be accessed at their web site.

You can also receive this report free if:

You have been denied credit, employment, insurance or rental housing based at least in part on info in your Experian credit report.

You're a resident of Colorado, Georgia, Massachusetts, Maryland, New Jersey or Vermont.

You are unemployed, a victim of fraud or on welfare.

Note: they have however discontinued their voluntary program of a nationwide complimentary credit report each year.

Equifax [www.equifax.com](http://www.equifax.com)

Click on "order your credit profile online."

You can receive a copy of your credit report:

On-line Visa or MasterCard  
By phone 1-800-997-2493  
By mail Check or money order

Equifax Information Service Center  
P.O. Box 740241  
Atlanta, Georgia 30374-0241

TransUnion [www.transunion.com](http://www.transunion.com)

On-line Visa or MasterCard  
By phone 1-800-997-2493  
By mail Check or money order

TransUnion Corporation  
Consumer Disclosure Center  
P.O. Box 390  
Springfield, PA 19064-0390

This letter of request must include some necessary information or they won't give you the file. They will want your full name including your middle name and be sure to include Jr. and Sr. and so forth when

applicable. Also include your date of birth, SSN, current address and former address if you've not been at your current address for at least five years. TRW wants a list of your full addresses for the past five years. Include your spouses name if you're married and your daytime and evening phone numbers with area codes. Also, send along a copy of a billing statement from a utility bill, your drivers license or any document that reflects your current name and address. Don't forget to sign the letter so the credit bureau has your signature on file and they'll want it for security purposes.

## **Would you rather have a ticket to be in the studio audience for the last Sienfeld show or a copy of your credit report?**

Before you answer that let me tell you what's in that little report. Besides the basic stuff you would expect it also contains (no big surprise here) your credit history. But what's in that credit history may be a surprise.

Payment history on accounts that were reported to the credit reporting agency.

Name of the creditor and account/loan number.

Nature of the account (joint or individual)

Type of account/loan (revolving or installment, student loan, mortgage etc.)

Date account was opened or loan was established.

Credit limit on account/loan amount.

Current balance on account/loan. The dollar amount shown in this section of a person's report reflects the account balance at the time the information was obtained. It does not reflect what has been paid on the account or charged on the account since that time.

Account payment history, including number of late payment and whether an account has been referred to collections or has been closed by the consumer or the creditor.

Date information on the account loan was reported.

Number of months for which information has been reported.

Amount of credit that has been extended to a consumer.

Whether the consumer is disputing information related to an account.

It may not be as entertaining as seinfeld but it's a heck of a lot more important to you. Besides, the last show wasn't that funny, except for the soup nazi of course.

## **Inquiries**

Your credit report also contains an inquiry section listing all those creditors and others who have checked it. Some of the inquiries listed will be preceded by such abbreviations as AM, AR, and PRM. PRM indicates that the inquiry was made for promotional purposes such as a review or screening for a pre-approved credit card offer and such. AM stands for account monitoring and AR stands for account reviews, both of which mean that one of your creditors reviewed the info, perhaps to determine whether your line of credit should be increased or to cancel your credit card. This is an important section because lenders consider the number of credit-related inquiries to be an indicator of how much credit you are trying to obtain. They may conclude that you will not be a responsible user of credit if they see a lot of inquiries. Every time you apply for a credit card, a mortgage loan, a car loan or some other type of credit your credit record is likely to reflect it so use great discretion.

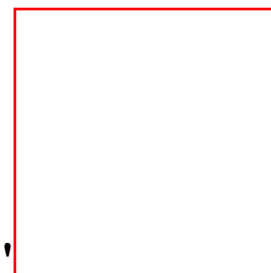
## **Public Record Information**

This section of your credit report reflects credit-related events that are found in the public record, such as bankruptcies, foreclosures, judgements and tax liens. They also sometimes make note of convictions (And you thought nobody would find out about that little incident back in college.) And recently some states have begun to report child support delinquencies as well.

## **What your credit file says about you**

Almost everyone with a few exceptions is surprised to find out what is and isn't in their report and how incomplete they usually are. There is also a different picture in each of the Big Three that has a credit file on you. Some credit-offering companies tend not to report regularly to credit bureaus, small department stores, auto dealers, mortgage companies, utility companies and medical providers fall into this group. The ones that do tend to report regularly are bankcards, large department stores and federally guaranteed student loans.

**"I'm a victim of coicumstances"**



**Correcting credit report errors**

## **Phase One**

It's been estimated that as many as 50% of credit files have errors contained in them. This is not surprising when you consider the industry collects more than 2 billion pieces of credit related information each month and generates more than 550 million credit reports on 180 million consumers every year.

If you find errors in your credit report, complete the special form that is provided along with it. All of the Big Three include this research or investigation request form.

You can also attach a letter or additional information to your completed form as well as any evidence that helps prove the error in your report, such as copies of receipts, canceled checks, correspondence between the creditor and yourself.

This letter will go a long way to creating the paper trail you might need later on. Especially if legal action becomes necessary. Make sure when you send this letter it is sent via certified mail and ask for a signed receipt to guarantee that the right person sees it.

This letter will set in motion an investigation process from the Big Three and they will try to respond within 30 days.

Once the credit bureau receives your letter, it will ask the creditor involved to verify the disputed information, or public record if applicable. If they find it truly was a error, or if they cannot verify the disputed information, by law they must delete the information from your credit record. If however the credit bureau confirms the debt, and this is frequently done by a superficial investigation , they will let the report stand as it was. This does not mean the battle is over however. Credit bureaus tend to believe their customers word over the consumers.

## **Phase Two**

If they have still not corrected the problem, you're ready for the second process. First see if you can find additional documentation to help further substantiate the claim. Make copies of it and send it along with another letter. Don't forget to copy all letters and correspondence as well as documenting phone calls and conversations and file it. Send the letter as before, i.e. certified mail with a return receipt requested. Next contact the creditor involved and ask that it correct the problem. Do this by certified letter as well. To make sure the creditor follows your instructions, ask for copies of the correction in writing.

Another option to be considered for resolving this credit record problem is to call your state attorney general's office or Office of Consumer Affairs to see if they can help. Their answer will vary from state to state. Many states have consumer protection laws that are stronger than the Fair Credit Reporting Act of Congress. Contact them by writing with all of the pertinent information and follow up with a phone call.

## **Phase Three**

If you still can't get satisfaction and want to stop short of a law suit, the FCRA gives you the option to put a written statement of up to 100 words explaining your side of the issue within your credit report. This is allowed under law if the credit bureau's investigation fails to resolve your complaint. The law also

requires that the credit bureau must make the statement a permanent part of your credit record and that it must be included whenever there is a request for a copy of your report. If you need help writing your statement, the FCRA requires credit reporting agencies to provide someone to assist you. (This alone could be a gratifying experience at this point.)

## **Phase Four**

Now you're at the point where you have to take the gloves off.

1. File a formal complaint within the Federal Trade Commission. This is the agency that regulates the credit bureaus. Although they will not take action on behalf of an individual consumer, they will move against, as they have in the past, a credit reporting agency if it receives a sufficient number of complaints. Credit bureaus hate these formal complaints with the FTC and sometimes the mere threat of it can go a long way in resolving your complaint.

Federal Trade Commission  
Bureau of Consumer Protection  
Washington, DC 20580

2. The Big Kahuna -- Legal Action. The FCRA gives you the option of pursuing legal action if you are unable to resolve a credit record problem. It says that you may sue a credit reporting agency or the creditor, whichever is at fault, and that the suit can be for actual and punitive damages. (See "I Told You This Would Be Fun.")

If the courts decides in your favor, you can collect court costs and attorney fees. To win a case you will have to prove they acted negligently and this is where you will begin to have an appreciation for all of that paper work you filed away.

Depending on the laws in your state, you may be able to use the FCRA or your own state's credit reporting law to sue in small claims court. If this is not an option, you can take your case to a traditional civil court.

Many communities offer sources of low cost and even no cost legal assistance. Among these are legal aid, law school clinics and clinics run by your area's bar association. They all have different income-qualifying levels so check your area.

## **Rebuilding Your Credit Or How To Make An Elephant Disappear**

How do you eat an elephant? Yeah, yeah, you know, one bite at a time. Well that simple principle is very applicable to rebuilding your credit report. Although, with a few tricks of the trade, one can speed up the process considerably.

## Technique 1

This simple tried and true method has been used by millions of people over the years and it's still the best one anybody has come up with. You first have to put together some savings of \$500 to \$1000 (I didn't say it was easy, just simple). Once you have your savings, start calling banks, starting with your most local one. Talk to a loan officer and be honest and frank. Explain to him or her that you've had some credit problems in the past and you want to rebuild your credit. Ask for a 12-month secured loan using your savings as collateral.

On the surface this may sound like a win win situation and it is but some banks don't like to loan small amounts even if they are secured. But there are plenty of others who do, so keep trying. Many loan officers are very attracted to a person serious enough about being credit responsible that they would go to the trouble of taking out a loan they don't need just to rebuild a credit history. If nothing else, it shows determination and after all, the bank has nothing to lose anyway.

Once you have the loan, be responsible. The easiest way to do this is to make the monthly payments out of the money you've borrowed. It's good to pay 2 months ahead and keep it one month ahead for the duration of the loan. Don't try to pay it off too early! Paying a loan off too fast will sometimes cause it not to be reported on your credit file. Besides what creditors are looking for is a pattern of on-time steady payment over a period of time.

After you have paid the loan off, go back to the same bank and ask for another loan but unsecured this time. You'll be surprised how much easier this loan will be to get. But try to deal with the same loan officer. I can't emphasize enough how important it is to build a personal relationship with a loan officer. They have more pull that you would think. Obviously the second loan is paid back in like manner as the first.

## Technique 2

Using the same principle of a secured bank loan apply for a secured credit card. The amount you have to put up as deposit can be as little as \$150 or less. The largest advantage of a credit card to rebuilding credit is the regular reporting they do to the credit bureaus.

It is best to use it monthly for small purchases and then make your monthly payments on time and in full. Note: make sure you shop around for the best deal because there are some real stinkers out there with all kinds of hidden charges.

You can get a secured Visa, MasterCard or even American Express but don't yield to the temptation of too many of these cards. Too many credit cards on your file can scare off some loan officers. It may look irresponsible to them. You can find a ton of these credit card companies with any search engine.

## Technique 3

This one may not be for everyone but I can tell you from personal experience that it works great: buy a home! "Yeah right." you say but let me tell you how I did it. This technique is discussed in some detail in many "How to Buy Real Estate with No Money Down" courses such as Carlton Sheets and others. It really does work.

First find a piece of property that has good investment potential.

1. It should be a single family residence.
2. Usually a fixer upper.
3. In a part of town on its way up, not down.
4. It should also have a motivated seller.

Once you've done your homework and compared comparable housing in that area, you're ready to make an offer. Since you can't get a conventional mortgage with a poor credit file, offer the owner a "contract for deed, bond for deed or what ever they call it in your part of the country." If they are at all flexible, their next question will be "How much down?" Now you're in negotiation stage which is where you want to be.

From personal experience, I've found most property owners are more willing to sell contract for deed than they are to rent it and for obvious reasons. A home owner tends to take better care of the property than a renter. Anyway, you'll be amazed at how many property owners and especially realtors are willing to sell this way.

I bought a 3-bedroom, 2-story fixer upper for \$32,000. I offered 2000 down with 1000 now and 1000 in 6 months. The contract was for 2 years, meaning I had to get it refinanced else where in 2 years. I made all payments by check and kept them in a file. For 2 years I made many improvements both inside and out. When it came time to refinance, I went to a loan broker. These are the people all over the radio and TV offering to refinance mortgages. They sent out their appraiser who claimed the home was now worth \$55,000 and loaned me \$45,00 at an unbelievably high interest rate. That was expected, the \$45,000 wasn't. Needless to say, the wife and I did a little jig and took the money. We paid the original contract for deed off and had \$15,00 left to finish our remodeling. They tell me the home is worth closer to \$75,000 now and as soon as we finish our remodeling, guess who's selling out.

The 2 things that really sweetened this deal were 1) since I was refinancing, the mortgage company said I didn't need any down payment and 2) I got a mortgage loan on my credit report reflecting on time regular payments now.

As I said, this may not be for everyone because of the work involved but it can be done with property that doesn't need as much work as mine did and the principle of being able to get a real mortgage loan on your credit file is doable.

I should also mention that purchasing a home from any of the government repossessed housing auctions is another viable option. First, they are usually fixer uppers (People tend to get stupid when they know they're loosing their home.). Secondly, government offers financing for most of these repossessed homes. And thirdly, their credit requirements are extremely liberal by most standards (How do you think they get so many repossessed homes?)

We are currently offering an information package on buying from these agencies along with a current list of what's available in your area. If you're interested in more info, contact us about buying government repossessed homes.

## Technique 4

Buy a car. You'd be amazed by how many new car dealers are financing vehicles to folks with far less than perfect credit. As usual, the trade off is higher interest rates and often large down payments. I have to admit that I'm not really big on this one. The cost incurred from owning a brand new vehicle is high enough without throwing in an even higher interest rate. And unlike investing in a home or even rental property, cars lose value every time the sun goes up and down. Nevertheless, for those of you who feel you simply must own a new car, there are usually several new car dealers in every major city who are only too happy to accommodate. First you have to do that phone thing and literally call every single dealer in and out of your area. To save everyone a lot of time and trouble, be very honest and blunt about your credit report. Don't waste time on an overly anxious sales man. Ask to speak directly to the credit department. Every major dealership has one. If they say they can finance you, your in like flint. Anyway think this one over carefully. Of all the techniques we've listed so far, this one has the biggest potential for problems.

And never, never, never finance from a used car dealer. I know I'll get some flack over this but I have too many friends in the used car business. It's hard enough to come out without too much collateral damage from a new car dealer, it's impossible to come out on top from a used car dealer. Besides it won't go on your credit file.

**Hot Tip:** Used car dealers get most of their cars from new car dealers. They usually have high mileage and the down payment the used car dealer is asking is what he paid the new car dealer for the vehicle. So if you need a high-mileage used car, bypass the middle man (used car dealer) go directly to the back lot of a new car dealer. The back lot is where they hide them, excuse me, I mean save them for the new car dealers and make your offer. 9 times out of 10 you can get the vehicle for what the used car dealer was asking for a down payment. But be aware that these cars are always sold as is and many need some kind of repairs. But so do the ones from most used car dealers. Actually, the best place to buy a used car is usually a relative. This way you at least know the history. Besides, your brother in law has to face you again at family get togethers.

After you have implemented any or all of these techniques, check your credit file every 6 months from all of the Big Three. If your new good credit information is not on there, first contact the creditor and ask them to report it to all of the Big Three. If they can't or won't, have them give you updated documentation of your credit status and send it yourself to all of the Big Three asking them to add it to your credit file.

## IF IT WALKS LIKE A DUCK

### Quick Fix Methods & Other Tales From the Crypt

It's hard to know where to begin this section. Perhaps with the most organized high-profile scam out there. Translate that "credit repair companies." The only bigger scam than investing in property from Castle Grande in Arkansas would have to be credit repair companies.

Credit repair companies are businesses that charge exorbitant amounts of money to "clean up" a

consumer's credit record. Most charge fees ranging from \$50 to as much as \$2000. These companies claim they can erase bad credit and even make bankruptcies disappear from a credit record. Despite their claims, they cannot do anything you can't do yourself for little or no cost under the terms of the FCRA. As we said before, that law gives you the right to have inaccurate or out-dated information deleted from your credit records as well as the right to have inaccuracies corrected. The FCRA says that most negative information in your credit record is legally reportable for up to ten years, although most credit bureaus voluntarily drop it after 7. Credit reporting companies do not have the authority to change the law for their clients.

These companies usually advertise impossible extravagant promises such as:

Wipe out bankruptcies and other negative information, no matter what your credit history is.

Little-known loopholes in the FCRA to rid your credit record of negative information.

They are affiliated with the federal government.

File segregation, a technique used to create a new, problem free credit identity. This is flat out illegal. It is a federal crime to make false statement on a credit or loan application. It is also a federal crime to misrepresent your Social Security Number (SSN) and to obtain an employer identification number (FEIN) from the IRS under false pretenses.

Also if you use the mail or telephone to apply for credit and provide false information, you put yourself at risk of being accused of mail or wire fraud. In addition, in certain states "file segregation" might constitute civil fraud.

## **The Use of Loopholes**

The FCRA includes a section called "Procedure in Case of Disputed Accuracy." Credit repair scams abuse the provision of the FCRA by inundating credit reporting agencies with numerous and repeated requests to delete negative information in a consumer's record. The strategy is to overwhelm a reporting agency with so many requests that it cannot possibly verify all of them within a "reasonable period of time" hoping they will have to delete the info it was unable to verify. The credit reporting companies are now very wise to this tactic and exercise their right under the FCRA to dismiss the claims as frivolous.

## **Quick Fix Methods**

Another popular scam used by these con artists is to create a new problem free credit identity for you. Their tactic here is to trick the credit bureau's computer by the method of file segregation or skin shedding. This is usually done by the illegal process of getting a new FEIN from the IRS and using it rather than their SSN whenever they apply for credit.

Another quick fix technique is to send a check for partial payment of an account and to write on the check that in cashing it the creditor agrees to cease all collection activity and delete negative information related to the account from the consumer's credit file. However creditors are not obligated to honor such

terms of payment.

Quick fix repair methods are not recommended first and foremost because they are morally questionable and in some cases they are also illegal.

## **Closing Thoughts**

In conclusion, let me say that a good credit report is worth all of the work aggravation and diligence that is required to get it and maintain it. It can help open doors of employment, aid in acquiring insurance, come through in times of economic hardship and generally make life a lot more pleasant. Used with intelligent and responsibility it can even reflect on the image of a person that personifies respectability, a deserved respectability. Don't sell it or yourself short by being tempted by any of the sirens of quick fix. They will only lead to the sharp rocks of disappointment.

Good luck!