

Premier Wealth Strategies

Presents

The Do It Yourself Credit Repair Manual

Table of Contents

Chapter 1- Introduction

Chapter 2 - Credit

Chapter 3 - Credit Repair Companies

Chapter 4 - Credit Reporting and Credit Reporting Agencies

Chapter 5 - Credit Reports

Chapter 6 - Credit Protection Laws

Chapter 7 - The Credit Repair Process

Chapter 8 - Credit Repair Strategies

Chapter 9 - Building/Rebuilding Credit

Appendix I - Credit Repair Form Letters

Appendix II - Deciphering Credit Report Forms

Chapter 1 - Introduction

Credit problems in the United States are reaching epidemic proportions. In going from the financial excesses of the 80's to the turbulent 90's, many good people have experienced the horrors of not having enough cash to meet all their monthly obligations. There are the credit card bills, utility bills, car payments, house payments, etc. that all need to be paid every month. And in choosing how to make all these payments, it is all too common that some payments fall behind and subsequently damaging your good credit rating.

And when you add in all the credit problems that are the result of data entry and reporting errors, computer errors and outright fraud, the number of people who are affected by "bad" credit grows tremendously. In fact, if bad credit were a disease, it is such a large problem that it would be labeled as an epidemic. It is impossible to approach a group of people nowadays and not find someone with some credit problems. If I were to venture a guess based on conversations with my fellow Americans, I would say that over 25% of all the people know they have some sort of a credit problem. And there are another 20% who are unaware that they have some sort of a credit problem.

Like many financial planning matters, it is very easy to believe that bad credit will not have an impact on your life. This is just not true. Bad credit, even a little bit, can make it difficult to impossible to get a credit card, new car, house, or even certain types of jobs. It can affect your life no matter who you are. Bad credit is not limited to the poor. Many wealthy people like doctors, lawyers, and corporate executives have bad credit. They are affected in numbers just as great as the rest of us more common people.

Contents Of This Book

This book supplies you with all the tools you need for your credit self defense plan, from getting your first loan or credit card all the way through reporting and rebuilding your credit after a disaster.

This book is divided into nine chapters devoted to describing this process to you. Briefly, I'd like to introduce the remaining chapters to you.

Chapter 2 - "Credit" is a discussion about credit; what it is, how to get it, and how to keep it.

Chapter 3 - "Credit Repair Companies" is a discussion about credit repair companies and how they operate.

Chapter 4 - "Credit Reporting and Credit Reporting Agencies" is a discussion of how credit entries are tracked. It discusses how information is gathered, what kind of information is gathered, what is done with this information, and how errors commonly creep into the system.

Chapter 5 - "Credit Reports" is an in-depth discussion of credit reports, how to get them and more importantly, how to read them.

Chapter 6 "Credit Protection Laws" is a description of your rights under the law. It discusses the rights you have under the law and how you can use them to your benefit.

Chapter 7 - "The Credit Repair Process" is the heart of the entire book. This chapter gives a step-by-step guide to analyzing and repairing your credit report.

Chapter 8 - "Credit Repair Strategies" is a compendium of examples on how you might handle various complex situations. It takes you through the entire credit repair process for several different credit problems.

Chapter 9 - "Building/Rebuilding Credit" provides information on building credit if you are just starting out. It also provides information on how to rebuild a solid credit rating even if you still have bad credit.

Appendices are provided to answer commonly asked questions as well as providing detailed information on all those mysterious codes in your credit report. Also included are several sample letters for you to use when writing to various creditors and credit reporting agencies and information on how to sort out all those complex fields in your credit reports..

Chapter 2

CREDIT What is credit? Why do I need it? How do I get it? These are very important questions. Credit has a major impact on your lifestyle and flexibility of choice in this world of ours. This chapter is a detailed exploration of credit and its significance in our lives.

Credit is one of those words that have many different definitions. For our purposes, it has two main definitions: 1) confidence on the lenders part of your ability and intention to repay any obligations you incur and 2) the time allowed for payment of goods obtained on trust. In simple English, credit is your ability to get a loan from a lender or get a credit card and a measure of your ability to repay that loan in a timely manner.

Credit In Everyday Life

A large percentage of Americans operate some part of their lives on a credit basis. You may have a car loan or a credit card. These are credit instruments. You may have a house, the major credit purchase in most peoples lives. Even utility payments are a credit transaction because you use the utilities services before paying for them.

Since credit is so prevalent in all our lives, it is vital that we maintain a good credit rating if we want our lives to ran smoothly. While it is possible to live with no credit or even bad credit, it severely limits your options in today's society.

How To Get Good Credit

Given credits importance in society, how do you go about getting credit? How does your application get evaluated?

To get credit, you must make an application to a lender for credit. You fill out a form that asks for information about you, your job, your income, and sometimes your financial obligations (like the cost of rent/home mortgage, etc.). This information is analyzed by the creditor and if it is deemed positive, you are granted the credit you requested.

Types Of Credit

In general, there are two types of credit you can obtain; secured and unsecured. Secured credit means that the loan is secured by the merchandise purchased with that loan. For example, if you buy a car, that is a secured credit transaction because the lender can repossess the car if you do not repay the loan in a timely manner. Even credit card purchases are secured. This is because the credit card issuer can legally take back the merchandise you purchased if you default on the payments. But this is very rarely done for credit cards. The credit card issuer doesn't want books and TVs, not to mention the meals and gas, etc. you charged on your credit card. So credit card issuers usually treat a default in the same manner as unsecured credit is treated. Unsecured credit means that you were lent money on the strength of your signature. This is usually called a signature loan. There is no specific merchandise backing the loan, just the lenders belief that you will repay the money.

The first step in getting credit is figuring out what you need it for. Are you trying to get a car, boat, credit card, or something else? Generally, if it is a major purchase, your lender (the car dealership, home mortgage lender, etc.) will help you fill out all the paperwork. If it is just a credit card you are applying for, you must shop around on your own. Find a bank offering a low interest rate. Ask them for a copy of their application. Then fill out all the information they are asking for as accurately as you can.

How You Are Evaluated For Credit

The lender will then use this information for two things. First, the application will be used to get a copy of your credit report from one or more credit reporting agencies. (In general, for larger loans, like a car or house, two credit reporting agencies will be contacted and for smaller loans, like credit cards, only one credit reporting agency will be contacted). Second, your application, along with your credit report, will be used to "score" you. Creditors use a scorecard to evaluate your creditworthiness. If you score high enough and, in their eyes, can handle the additional debt load, you are granted the loan. If you score too low, you are rejected. If you are in the gray middle zone, it becomes a judgment call by the lender. If the lender feels comfortable about you, your marginal status will turn into an approval. If the lender feels uncomfortable with you, your marginal status will turn into a rejection.

Creditors like to see the following information items listed on your credit application in order of importance to them when evaluating your credit request:

- * A positive, up to date credit report
- * A home with a mortgage and up to date payments
- * An American Express and/or Diners Club card
- * A job you have had for more than one year
- * An address you have resided at for at least one year which is in your name.

- * A current or paid off bank loan
- * A Master Card or Visa card
- * A department store credit card
- * A telephone/utility bill in your name

From these items and whatever additional information your lender uses, a decision will be made on whether or not to extend you credit. If you are just starting out or if you have bad credit, it becomes much tougher because you don't score very many points on the lender's scorecard. Chapter 9 discusses many methods of getting credit if this situation affects you.

Credit And Employment

One other surprising place you may find your credit report used is as part of an employment application. The law allows potential employers to examine your credit report as part of your employment interview process. They use the information provided in your credit report as part of their evaluation of you. Credit reports are being used by more and more companies to check out a potential employee's "stability". With all the job shifting going on now, this is another very vital reason to keep your credit report as healthy as possible.

Negative Credit

What is negative credit? How is it repaired? Negative credit is created when you do not live up to your contractual obligations. It finds its way onto your credit report in many different ways. The majority of negative items are due to fiscal missteps by you such as paying your credit card late. A much smaller but still significant number of entries comes from errors, fraud, and other abuses of the system. Lets look at each of these categories in a bit more detail.

Fiscal missteps, the most common cause of negative credit, are caused by actions often originated by you. This could be something as innocent as misplacing a bill and missing a payment as a consequence or it could be something as devastating as the loss of a job which leads to your house being foreclosed upon or you needing to declare bankruptcy. Anything you do which generates a late payment or causes a collection action to be taken against you will probably show up as a negative item in at least one credit reporting agencies report on you.

Errors can be caused in many ways. A loan payment is made on time but the bank made an error when they credited it. Or perhaps a credit reporting agency entered incorrect information on your credit report. These are both examples of the types of errors that may occur.

Fraud occurs whenever someone else uses your social security number on a credit application. By doing this, the lender is accessing your credit report and will make a decision based upon it. If the person doing this is committing fraud, that person will use that credit card until it is full and then walk away from it. When the bank doesn't get paid, it reports to the credit reporting agencies that you are in default and you now have a negative credit entry through no fault of your own.

Abuses are a subset of fiscal missteps. Basically abuses are usually credit card abuses. Some people have trouble controlling their spending and soon find that they have \$20,000 or more in credit card debt and not enough money to cover the bills. These abuses generally end in bankruptcy and destroy a person's credit rating for a very long time.

The good news is that no matter which combination of the above problems faces you there are solutions. You can definitely remove 100% of all efforts and frauds with a few letters. Any you will find that many of your personal problems can also be removed fairly easily. And, if you are not 100% successful, there are always simple ways to rebuild your credit in a reasonably short period of time.

Protecting Your Credit

Given the turbulent nature of the economy where losing a job is a very real possibility, what can you do to further protect yourself. The best way is to build a sizable nest egg to ride out the bumps that may get put in your path. But, that is hard for many people to do.

It is not the purpose of this book to discuss this matter in detail. There are many excellent personal financial management books on the bookshelves that deal with this situation. What this book can discuss is a way to protect your credit rating and decrease your expenses during this difficult, transitional time.

If you ever get laid off or otherwise find your source of income has dried up, contact everyone to whom you make payments. I mean everyone! Call your credit card companies, the bank with your car loan, the bank with your home mortgage, your utility and phone company, etc. Talk to the credit manager or equivalent person at each place. Explain your situation and ask if you can skip a few payments.

You may state something like "I just was laid off from my job and don't have an income. Its going to take some time for me to get a new job and get back on my feet. Is there my way I can skip a few payments until I get that new job and can start paying you again?"

After this, let the lender talk. He or she will discuss options with you. Some will not be able to give you any bargaining room while others may give you a 1-6 month grace period from payments. You don't know what you can get until you ask.

After calling them all, you now know what bills you have to pay and what ones can wait for several months. If your unemployment and savings can cover the "must pay" bills, your credit rating will stay healthy. And, if you find that replacement job in time, your good credit rating is preserved, just as though there were no financial crunch.

With this disaster planning and a bit of luck in the job market, you will get through these troubles with your good credit intact. And, if things don't work out well and it takes a bit longer than expected to get back to work, this method will at least minimize the damage done to your credit rating. And this will make the subsequent cleanup of your credit report much easier to accomplish.

Chapter 3

Credit Repair Companies any good sized community, you will no doubt see ads for credit repair companies. And perhaps you have considered hiring one. Before making that decision, let me tell you a bit about what they are and what they can do for you.

The first and most important thing to know is that no credit repair company can guarantee that they will be 100% successful in cleaning your credit report. They are bound by the same laws that are discussed in this book. They may take a different approach than I suggest you follow in this book. A few of these alternate methods will be discussed a bit later in the chapter. For now, just be aware that these alternate methods are no more a guarantee of success than the simple, straightforward methods presented in this book.

Credit repair companies are business that charge a great deal of money to clean up your credit report. They charge anywhere from \$500 to several thousand dollars for their service. Due to the large amounts of money that can be made and the large number of people in need of this service, this is a business that attracts many con artists. Many credit repair companies set up shop, make lots of money, and then skip town without doing the work they promised. If you choose to work with one, be sure the company has been around for a while. Call the Better Business Bureau to check them out. And ask for references from the company and check them out too.

Tricks Of The Credit Repair Trade

A legitimate credit repair company will take the time to explain your rights under the credit repair laws and what results can reasonably be expected. The company should tell you that it cannot promise to clean your credit report 100%. If a credit repair company tells you otherwise, they are making exaggerated claims. In fact, if you deal with one of these companies, you will often find that they offer a guarantee that states that they will "improve your credit or your money back". It sounds good until you think about it. All it is really saying is that they will make your credit better than it was when you started. And this is a very easy process. All that needs to be done is something as trivial and unbeneficial as changing a 60 day late payment to a 30 day late payment. It doesn't help you but it does meet the requirements of the guarantee.

In addition to following the techniques described in this book, credit repair firms use two additional techniques to help improve your credit; one legal and the other not legal.

Letter Blitz: The letter blitz is a totally legal credit repair method that uses the fact that a credit reporting agency must respond to an investigation request in "a reasonable period of time" as a loophole to help get your credit repaired. The credit repair company will literally blast the credit reporting agency with so many letters that some will end up being greatly delayed. This means that the credit reporting agency will have responded to that letter in an unreasonable period of time. When this happens, the credit repair company uses the law to its advantage. It reminds the credit reporting agency that when this happens, the negative item must, by law, be removed from your credit report. In the past this technique was very effective.

But it is now losing effectiveness for several reasons, First, credit reporting agencies are becoming so computerized that the typical response to a credit repair request that many less requests are falling through the cracks than ever before. And, second, the law allows the credit reporting agencies to disregard frivolous requests. If their computers show that 10 requests are made to investigate a single item within days of each other, they will often dismiss all these requests as trivial and not investigate the claim at all. And there is nothing you can do to change that. It is within their rights under the law, So, multiple letters can and sometimes do backfire and end up hurting you rather than helping you.

Chapter 4

Credit Reporting and Credit Reporting Agencies. Credit reporting is big business. And it is a very profitable business earning in excess of \$1 billion a year. Credit reporting as an Organized business came about as a result of lenders needing a way to measure a clients creditworthiness. Years ago, this wasn't a very necessary service. People didn't move around the country much and generally did all or most of their business at their local bank. But, like in many areas of our lives, progress has changed and complicated this banking relationship. The advent of computers allowed for new credit instruments like credit cards to come into existence. They also allowed banks and other companies to communicate with each other and to transfer money and information back and forth easily and quickly. Also during this revolution, people became more mobile, moving from one part of the country to another with little more thought than packing the car and going.

Lenders now needed a more effective means of determining an individuals credit history. To service this need, several large companies set up credit reporting bureaus. With just a few central repositories of data and several branch offices, any lender could find out all about your credit history with a simple phone call. A lender could also update your credit report at these credit bureaus to reflect the current status of your loan with them.

The Big Three Credit Reporting Agencies

Currently, there are three credit reporting agencies that cover everyone in the country. They are TRW, TransUnion, and CBI/Equifax. Each company is dominant in certain parts of the country. What this means is that every lender, big and small, in a certain region of the country uses one agency, say TRW, for all their credit information gathering transactions. For bigger loan transactions, or when someone just moved from another part of the country, creditors will pull an additional report from another credit bureau to be sure they get an accurate picture of your credit history.

The same scenario is true for when you are late with payments, in default, etc. If it is a small loan, this negative information is generally reported to just the dominant credit reporting agency in that region. If it is a large loan, such as a house loan, that is affected, it will be reported to all three credit reporting agencies.

As you now probably realize, credit reporting agencies are nothing more than repositories of information about you. When they receive information about you, whether if be positive or negative, it goes into your credit file. Whenever they get a request for information about you, they send the information in your credit file to the requester.

This is both good and bad. It is good that lenders have a standardized source to measure the risks before granting a loan. It is bad because the data is never checked for validity. If incorrect information is entered, it is assumed to be correct until the credit reporting agency is told by you that this is incorrect. Only at this point, will they take steps to verify its validity.

How Credit Reporting Agencies Operate

Credit reporting agencies work with creditors on a subscription basis. For an annual fee, a creditor (lender) has access to the credit reporting agencies databases. This allows a creditor to both get credit information on you and also allows them to post credit status on any loans you have with them. Typical information on a credit report includes:

- * Bank credit cards (Master Card, Visa, American Express, etc.)
- * Retailer credit cards (Sears, Macys, Etc.)
- * Student loans
- * House loans
- * Other types of loans

Additionally, it is common to see the following information on your credit report if you are in default:

- * Utility bills (phone, electric, etc.)
- * Rent payments
- * Medical bills
- * IRS Liens
- * Property tax bills
- * Attorney's bills
- * Other suits and judgments against you

Each persons credit information is stored by his or her social security number. When a creditor requests or reports information, the credit reporting agency uses your social security number to work with the correct data. This is why many community protection groups advise against you giving out your social security number to too many people. With it, someone else can get your credit report via computer and use that information to commit fraud (and have the undesirable side effect of damaging your credit report and your creditworthiness).

This system unfortunately has many imperfections. There are not enough checks and balances to guarantee the integrity of the data. Each entry has the potential for human error at any point in the reporting process. The person applying for credit may accidentally put down the wrong social security number. The person at the lending institution may make a typing error and enter the wrong social security number or check off an incorrect field in the report, making your payment late instead of on time. These simple mistakes that occur because we are less than perfect can have a very devastating effect on you, One of these errors could cause you to get rejected for a car loan or a home mortgage.

Fortunately, all of these types of errors can be easily repaired. Unfortunately, it can take up to two months (or more) from the time you discover them till the time you can get them removed from your credit history.

There is no way to protect yourself from these errors or from people committing fraud with your social security number. The only defense you have is to actively work to keep your credit report clean.

Every year, get a copy of all your credit reports and examine them. If they have incorrect information on them, take steps immediately to get these items repaired or removed. A clean, positive credit report is a very valuable resource in your financial life. Protect it and keep it clean and it will serve it well when you most need it.

Additional Credit Reporting Agency Services

As credit reporting agencies grew in size and completeness, they have added several additional services to clients based on the information they have about you. They offer the following additional services (with more services being added all the time):

Prescreening - Many of us receive credit card offers saying that we are pre-approved. This happens via a process called prescreening. The creditor gives the credit reporting agency a list of criteria for granting credit. The credit reporting agency matches this list against all of the people in its database and provides the creditor with a list of the people matching the creditor's prescreening criteria.

Targeted marketing lists - Since the databases generally contain some information about our income and spending habits, many companies make use of this information to send you sales catalogs and other mail offers.

Consumer ratings - At a creditor's request, a credit reporting agency will give a rating of how good a risk they feel a customer will be based on the customer's payment history, etc. in the credit report.

Collections - Many credit reporting agencies are now offering to perform collection duties for creditors.

Chapter 5

CREDIT REPORTS What is a credit report? A credit report is a collection of facts and fallacies about your financial life. It includes all information about your credit transactions that were reported to the credit reporting agency. No checking on the validity of this information is performed by the credit reporting agency. The agency takes it on blind faith that the information provided by a creditor is 100% accurate no matter what it says. And, it is inserted into your credit report as received. This is often the cause of credit report mistakes because this information is entered into your credit report just as it is reported to them without being verified. Another major area of error is within the credit reporting agencies themselves, The information is entered by people and it is somewhat common for mistakes to be made while a clerk is entering data about you. It is also fairly common to find credit information that is not yours on your credit report. This can happen by a data entry error, a computer matching problem, or by the actions of someone trying to commit fraud.

Data Collection Procedures

How is credit information collected? Credit information is collected by the credit reporting agencies in a variety of ways, both automated (via computer) and manually. Information that is collected in an automated way is never viewed by the credit reporting agency. It goes directly from the creditors computer to the credit reporting agencies computer. Information entered manually is physically entered into the credit reporting agencies computer by one of their employees. This information also originates at a creditor but for various reasons cannot be entered in an automated manner. All information in a credit report is compiled from information sent to the credit reporting agencies by creditors. Credit reporting agencies do not actively collect information about you. It is supplied to them by creditors like Visa, Master Card, and your bank.

Because of the passive role of credit reporting agencies, it is fairly common to find information about a loan or other type of credit not even reported on your credit report. All it means is that the creditor did not take the time to report a credit transaction to a credit reporting agency. If good credit information is missing from your credit report, you can get it included in your credit report. It is a valuable statement about your creditworthiness. A form letter, letter #1 I - Reporting Accounts Not Appearing in Your Credit Report; is provided in Appendix III to help you do this.

Uses Of Credit Reports

How is this credit report information used? Every time you fill out a loan application form for a house, car, credit card, furniture loan, etc., the potential creditor runs a credit check on you at one or more credit reporting agencies. The potential creditor then uses this credit report information as part of its scoring process. These scores are based on the types of credit and their status (good or bad) in this credit report.

Assuming that there are no negative marks that are totally unacceptable to the creditor, the points from your credit report and other items on your application are added together. If the score is high enough, the credit is granted. If it is too low, credit is denied. Getting a loan really is that mechanical.

I guarantee that if there are enough negative marks or just one or two that me major negative marks like a foreclosure, you will almost definitely be denied credit from that potential creditor and you will not get that car, house, or whatever you were trying to purchase.

Obtaining Your Credit Report

If you need to contact one of the Big Three agencies directly, here is contact information for each of them.

Experian (formerly TRW) <http://www.experian.com>
National Consumer Assistance Center
PO Box 2106
Allen, TX 75013-2106
(800) 682-7654

Equifax Credit Information Services, Inc.
<http://www.equifax.com>
PO Box 740241
Atlanta, GA 30374-0241
(800) 685-1111

Trans Union Corporation <http://www.tuc.com>
Trans Union Consumer Relations
760 West Sproul Road, PO Box 390
Springfield, PA 19064-0390

Each credit reporting agency is dominant in certain areas of the country. This means that more credit information will be reported to the agency that is dominant in the region where you live than to my other agency. Many local credit ends and installment loans will appear in this agencies files while not appearing in the other credit reporting agencies files. For example, if TRW is dominant in your region, it will show the loan from the local furniture store but your credit report from TransUnion might not show it because it generally does not carry local credit information from its non-dominant region of the country. This is simply because a local creditor often does not want the expense of being a subscriber to multiple credit reporting agencies. So it only subscribes to the dominant credit reporting agency in its region.

However, large items like cars and houses and of course negative credit items generally are reported to all three agencies. Due to this disparity in reporting, lenders of big ticket items will almost always get credit reports from more than one credit reporting agency when determining your creditworthiness.

The law on getting credit reports constantly changes. The best way to get your credit report is to write to the agency at the address above. The agency will then send you a form to fill out and tell you if and fee is charged for this service. Some agencies provide one free report per year and charge for additional reports. Others charge every time you request a credit report. This charge is in the neighborhood of ten dollars.

However, if you were recently denied credit, you are guaranteed a free credit report. In this case, your creditor will send you a letter telling you how to get a free credit report. Take advantage of this. It is your legal right. And it will probably save you wound ten dollars.

However you make your request, you will be receiving your credit report within 30 days. It will be a computerized accounting of many of your credit activities for the past seven to 10 years. They will also send you a little booklet telling you how to read your credit report. Unfortunately, credit reports generally contain a bunch of cryptic codes. These codes need a bit of deciphering to be easily understood. The rest of this chapter discusses how to decipher your credit report into plain English.

How To Read Credit Reports

Credit reports contain a tremendous amount of information, any item of which may be incorrect. At first glance, these reports seem overwhelming. By carefully wading the report and following the instructions that come with it, you will quickly learn how to interpret the information and identify the incorrect information. And if you get stuck at any point, make use of the toll free number listed above to call the credit reporting agency and ask me the questions you need to ask to decipher the information on your credit report,

Verify all information of each item for accuracy. This includes account number, name of creditor, date account was opened, balance, and credit rating as well as any other information that may appear.

This is going to be a lengthy process, especially translating all the codes. Don't get frustrated. Just do one entry at a time and follow the instructions that come with your report on how to read it. All abbreviations and the meaning of each field on the credit report is fully described in these instructions. Reading all the instructions before decoding your credit report is a worthwhile task. Please note that each agency uses a different format for reporting information so it is imperative that you read the instructions provided by each company before decoding that company's report.

Important items to look for are bankruptcy, judgment, tax liens, suits, wage assignments, charge offs, inquiries, checkpoints, past-due accounts, and foreclosures to name a few. Items of this type are red flags to potential creditors. They do not like seeing these types of items on your credit report. It is these types of items we will concentrate on removing.

Appendix 2 lists all the different types of negative items that may appear on your credit report. It also includes a suggested dispute statement to use when contesting each negative item. Appendix UV gives a plain English description of all the different fields that are currently used on all three of the credit reporting agencies' reports.

Chapter 6

Credit Protection Laws. The Consumer Credit Reporting Act and its various amendments was created to give the consumer protection from the inappropriate conduct rampant amongst credit reporting agencies. It was written to force credit reporting agencies to listen to your complaints and perform specific steps to correct any inaccuracies. Without this law, your complaints were often ignored.

A copy of the main body of the Consumer Credit Reporting Act as it relates to credit repair is presented below. It is included so you know exactly how the law is written. Following this section is a more readable point by point description of your rights under the law.

TITLE VI - CONSUMER CREDIT REPORTING

Section 601. Short title

This title may be cited as the Fair Credit Reporting Act

Section 602. Findings and purpose

(a) The Congress makes the following findings

(1) The banking system is dependent upon fair and accurate credit reporting. Inaccurate credit reports directly impair the efficiency of the banking system, and unfair credit reporting methods undermine the public confidence which is essential to the continued functioning of the banking system.

(2) An elaborate mechanism has been developed for investigating and evaluating creditworthiness, credit standing, credit capacity, character, and general reputation of consumers. (3) Consumer reporting agencies have assumed a vital role in assembling and evaluating consumer credit and other information on consumers.

(4) There is a need to insure that consumer reporting agencies exercise their grave responsibilities with fairness, impartiality, and a respect for a consumer's right to privacy. (b) It is the purpose of this title to require that consumer reporting

agencies adopt reasonable procedures for meeting the needs of commerce for consumer credit, personnel, insurance, and other information in a manner which is fair and equitable to the consumer, with regard to the confidentiality, accuracy, relevancy, and proper utilization of such information in accordance with the requirements of this title.

Section 603. Definitions and rules of construction

(a) Definitions and rules of construction set forth in this section are applicable for the purposes of this title

(b) The term 'person' means any individual, partnership, corporation, trust, estate, cooperative, association, government or governments] subdivision or agency, or other entity.

(c) The term 'consumer' means an individual.

(d) The term 'consumer report' means any written, oral, or other communication of any information by a consumer reporting agency hewing on a consumer's credit worthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living which is used or expected to be used or

collected in whole or in part for the purpose of serving as a factor in establishing the consumer's eligibility for (1) credit or insurance to be used primarily for personal, family, or household purposes, or (2) employment purposes, or (3) other purposes authorized under section 604. The term does not include (A) my report containing information solely as to transactions or experiences between the consumer and the person making the report; (B) any authorization or approval of a specific extension of credit directly or indirectly by the issuer of a credit card or similar device; or (C) any report in which a person who has been requested by a third party to make a specific extension of credit directly or indirectly to a consumer conveys his decision with respect to such request, if the third party advises the consumer of the name and address of the person to whom the request was made and such person makes the disclosures to the consumer required under section 615 (e) The term 'investigative consumer report' means a consumer report or portion thereof in which information on a consumer's character, general reputation, personal characteristics, or mode of living is obtained through personal interviews with neighbors, friends, or associates of the consumer reported on or with others with whom he is acquainted or who may have knowledge concerning any such items of information. However, such information shall not include specific factual information on a consumer's credit record obtained directly from a creditor of the consumer or from a consumer reporting agency when such information was obtained directly from a creditor of the consumer or from the consumer.

(f) The term 'consumer reporting agency' means any person which, for monetary fees, does, or on a cooperative nonprofit basis, regularly engages in whole or in part in the practice of assembling or evaluating consumer credit information or other information on consumers for the purpose of furnishing consumer reports to third parties, and which uses any means or facility of interstate commerce for the purpose of preparing or furnishing consumer reports.

Section 604. Permissible purposes of reports

A consumer reporting agency may furnish a consumer report under the following circumstances and no other

- (1) In response to the order of a court having jurisdiction to issue such an order.
- (2) In accordance with the written instructions of the consumer to whom it relates.
- (3) To a person which it has reason to believe--
 - (A) intends to use the information in connection with a credit transaction involving the consumer on whom the information is to be furnished and involving the extension of credit to, or review or collection of an account of the consumer; or
 - (B) intends to use the information for employment purposes; or
 - (C) intends to use the information in connection with the underwriting of insurance involving the consumer; or
 - (D) intends to use the information in connection with a determination of the consumer's eligibility for a license or other benefit granted by a governmental instrumentality required by law to consider an applicant's financial responsibility or status; or
 - (E) otherwise has a legitimate business need for the information in connection with a business transaction involving the consumer.

Section 605. Obsolete information

(a) Except as authorized under subsection (b), no consumer reporting agency may make any consumer report containing any of the following items of information

- (1) Cases under title II of the United States Code or under the Bankruptcy Act that, from the date of entry of the order for relief or the date of adjudication, as the cause may be, antedate, the report by more than 10 years.

- (2) Suits and judgments which, from date of entry, antedate the report by more than seven years or until the governing statute of limitations has expired, whichever is the longer period.
 - (3) Paid tax liens which, from date of payment, antedate the report by more than seven years.
 - (4) Accounts placed for collection or charged to profit and loss which antedate the report by more than seven years.
 - (5) Records of arrest, indictment, or conviction of crime, which, from date of disposition, release, or parole, antedate the report by more than seven years.
 - (6) Any other adverse item of information which antedates the report by more than seven years.
- (b) The provisions of subsection (a) are not applicable in the case of any consumer credit report to be used in connection with--
- (1) a credit transaction involving, or which may reasonably be expected to involve, a principal amount of \$50,000 or more;
 - (2) the underwriting of life insurance involving, or which may reasonably be expected to involve, a face amount of \$50,000 or more; or
 - (3) the employment of any individual at an annual salary which equals, or which may reasonably be expected to equal \$20,000, or more.

Section 606. Disclosure of investigative consumer reports

- (a) A person may not procure or cause to be prepared an investigative consumer report on any consumer unless--
- (1) it is clearly and accurately disclosed to the consumer that an investigative consumer report including information as to his character, general reputation, personal characteristics, and mode of living, whichever are applicable, may be made, and such disclosure (A) is made in a writing mailed, or otherwise delivered, to the consumer, not later than three days after the date on which the report was first requested, and (B) includes a statement informing the consumer of his right to request the additional disclosures provided for under subsection (b) of this section; or
 - (2) the report is to be used for employment purposes for which the Consumer has no specifically applied.
- (b) Any person who procures or causes to be prepared an investigative consumer report on any consumer shall, upon written request made by the consumer within a reasonable period of time after the receipt by him of the disclosure required by subsection (a)(1), shall make a complete and accurate disclosure of the nature and scope of the investigation requested. This disclosure shall be made in a writing mailed, or otherwise delivered, to the consumer not later than five days after the date on which the request for such disclosure was received from the consumer or such report was first requested, whichever is the later.
- (c) No person may be held liable for any violation of subsection (a) or (b) of this section if he shows by a preponderance of the evidence that at the time of the violation he maintained reasonable procedures to assure compliance with subsection (a) or (b),

Section 607. Compliance procedures

- (a) Every consumer reporting agency shall maintain reasonable procedures designed to avoid violations of section 605 and to limit the furnishing of consumer reports to the purposes listed under section 604. These procedures shall require that prospective users of the information identify themselves, certify the purposes for which the information is sought, and certify that the information will be used

for no other purpose. Every consumer reporting agency shall make a reasonable effort to verify the identity of a new prospective user and the uses certified by such prospective user prior to furnishing such user a consumer report. No consumer reporting agency may furnish a consumer report to any person if it has reasonable grounds for believing that the consumer report will not be used for a purpose listed in section 604.

(b) Whenever a consumer reporting agency prepares a consumer report it shall follow reasonable procedures to assure maximum possible accuracy of the information concerning the individual about whom the report relates.

Section 608. Disclosures to governmental agencies

Notwithstanding the provisions of section 604, a Consumer reporting agency may furnish identifying information respecting any consumer, limited to his name, address, former address, places of employment, or former places of employment, to a governmental agency.

Section 609. Disclosures to consumers

(a) Every consumer reporting agency shall, upon request and proper identification of any consumer, clearly and accurately disclose to the consumer

(1) The nature and substance of all information (except medical information in its files on the consumer at the time of the request.

(2) The sources of the information; except that the sources of information acquired solely for use in preparing an investigative consumer report and actually used for no other purpose need not be disclosed: Provided, That in the event an action is brought under this title, such sources shall be available to the plaintiff under appropriate discovery procedures in the court in which the action is brought.

(3) The recipients of my consumer report on the consumer which it has furnished-

(A) for employment purposes within a two-year period preceding the request, and

(B) for my other purpose within the six-month period preceding the request.

(b) The requirements of subsection (a) respecting the disclosure of sources of information and the recipients of consumer reports do not apply to information received or consumer reports furnished prior to the effective date of this title except to the extent that the matter involved is contained in the files of the consumer reporting agency on that date.

Section 610. Conditions of disclosure to consumers

(a) A consumer reporting agency shall make the disclosures required under section 609 during normal business hours and on reasonable notice.

(b) The disclosures required under section 609 shall be made to the consumer--

(1) in person if he appears in person and furnishes proper identification; or

(2) by telephone if he has made a written request, with proper identification, for telephone disclosure and the toll charge, if any, for the telephone call is prepaid by or charged directly to the consumer.

(c) Any consumer reporting agency shall provide trained personnel to explain to the consumer my information furnished to him pursuant to section 609.

(d) The consumer shall be permitted to be accompanied by one other person of his choosing, who shall furnish reasonable identification. A consumer reporting agency may require the consumer to furnish a written statement granting permission to the consumer reporting agency to discuss the consumer's file in such person's presence.

(e) Except as provided in sections 616 and 617, no consumer may bring an action or proceeding in the nature of defamation, invasion of privacy, or negligence with respect to the reporting of information against any consumer reporting agency, any user of information, or any person who furnishes information to a consumer reporting agency, based on information disclosed pursuant to section 609, 610, or 615, except as to false information furnished with malice or willful intent to injure such consumer.

Section 611. Procedure in case of disputed accuracy

(a) If the completeness or accuracy of any item of information contained in his file is disputed by a consumer, and such dispute is directly conveyed to the consumer reporting agency by the consumer, the consumer reporting agency shall within a reasonable period of time re-investigate and record the current status of that information unless it has reasonable grounds to believe that the dispute by the consumer is frivolous or irrelevant. If after such re-investigation such information is found to be inaccurate or can no longer be verified, the consumer reporting agency shall promptly delete such information. The presence of contradictory information in the consumer's file does not in and of itself constitute reasonable grounds for believing the dispute is frivolous or irrelevant.

(b) If the re-investigation does not resolve the dispute, the consumer may file a brief statement setting forth the nature of the dispute. The consumer reporting agency may limit such statements to not more than one hundred words if it provides the consumer with assistance in writing a clear summary of the dispute.

(c) Whenever a statement of a dispute is filed, unless there is reasonable grounds to believe that it is frivolous or irrelevant, the consumer reporting agency shall, in my subsequent consumer report containing the information in question, clearly note that it is disputed by the consumer and provide either the consumer's statement or a clear and accurate codification or summary thereof.

(d) Following any deletion of information which is found to be inaccurate or whose accuracy can no longer be verified or any notation as to disputed information, the consumer reporting agency shall, at the request of the consumer, furnish notification that the item has been deleted or the statement, codification or summary pursuant to subsection (b) or (c) to any person specifically designated by the consumer who has within two years prior thereto received a consumer report for employment purposes, or within six months prior thereto received a consumer report for any other purpose, which contained the deleted or disputed information. The consumer reporting agency shall clearly and conspicuously disclose to the consumer his rights to make such a request. Such disclosure shall be made at or prior to the time the information is deleted or the consumer's statement regarding the disputed information is received.

Section 612. Charges for certain disclosures

A consumer reporting agency shall make all disclosures pursuant to section 609 and furnish all consumer reports pursuant to section 611 (d) without charge to the customer if, within thirty days after receipt by such consumer of a notification pursuant to section 615 or notification from a debt collection agency affiliated with such consumer reporting agency stating that the consumer's credit rating may be or has been adversely affected, the consumer makes a request under section 609 or 611 (d). Otherwise, the consumer reporting agency may impose a reasonable charge on the consumer for making disclosure to such consumer pursuant to section 609, the charge for which shall be indicated to the consumer prior to making disclosure; and for furnishing notifications, statements, summaries, or codifications to person designated by the consumer pursuant to section 611 (d), the charge for which shall be indicated to the consumer prior to furnishing such

information and shall not exceed the charge that the consumer reporting agency would impose on each designated recipient for a consumer report except that no charge may be made for notifying such persons of the deletion of information which is found to be inaccurate or which can no longer be verified.

Section 613. Public record information for employment purposes

A consumer reporting agency which furnishes a consumer report for employment purposes and which for that purpose compiles and reports items of information on consumers which are matters of public record and are likely to have an adverse effect upon a consumer's ability to obtain employment shall--

- (1) at the time such public record information is reported to the user of such consumer report, notify the consumer of the fact that public record information is being reported by the consumer reporting agency, together with the name and address of the person to whom such information is being reported; or
- (2) maintain strict procedures designed to insure that whenever public record information which is likely to have an adverse effect on a consumer's ability to obtain employment is reported it is complete and up to date. For purposes of this paragraph, items of public record relating to arrests, indictments, convictions, suits, tax liens, and outstanding judgments shall be considered up to date if the current public record status of the item at the time of the report is reported.

Section 614. Restrictions on investigative consumer reports

Whenever a consumer reporting agency prepares an investigative consumer report, no adverse information in the consumer report (other than information which is a matter of public record) may be included in a subsequent consumer report unless such adverse information has been verified in the process of making such subsequent consumer report, or the adverse information was received within the three-month period preceding the date the subsequent report is furnished,

Section 615. Requirements on users of consumer reports

(a) Whenever credit or insurance for personal, family, or household purposes, or employment involving a consumer is denied or the charge for such credit or insurance is increased either wholly or partly because of information contained in a consumer report from a consumer reporting agency, the user of the consumer report shall so advise the consumer against whom such adverse action has been taken and supply the name and address of the consumer reporting agency making the report.

(b) Whenever credit for personal, family, or household purposes involving a consumer is denied or the charge for such credit is increased wither wholly or partly because of information obtained from a person other than a consumer reporting agency bearing upon the consumer's credit worthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living, the user of such information shall, within a reasonable period of time, upon the consumer's written request for the reasons for such adverse action received within sixty days after learning of such adverse action, disclose the nature of the information to the consumer. The user of such information shall clearly and accurately disclose to the consumer his right to make such written request at the time such adverse action is communicated to the consumer.

(c) No person shall be held liable for any violations of this section if he shows by a preponderance of the evidence that at the time of the alleged violation, he maintained reasonable procedures to assure compliance with the provisions of subsections (a) and (b).

Section 616. Civil liability for willful noncompliance

Any consumer reporting agency or user of information which willfully fails to comply with any requirement imposed under this title with respect to any consumer is liable to that consumer in an amount equal to the sum of--

- (1) any actual damages sustained by the consumer as a result of the failure;
- (2) such amount of punitive damages as the court may allow; and
- (3) in the case of any successful action to enforce any liability under this section, the costs of the action together with reasonable attorneys fees as determined by the court.

Section 617. Civil liability for negligent noncompliance

Any consumer reporting agency or user of information which is negligent in failing to comply with any requirement imposed under this title with respect to my consumer is liable to that consumer in an amount equal to the sum of--

- (1) any actual damages sustained by the consumer as a result of the failure;
- (2) in the case of any successful action to enforce any liability under this section, the costs of the action together with reasonable attorney's fees as determined by the court.

Section 618. Jurisdiction of courts; limitation of actions

An action to enforce any liability created under this title may be brought in any appropriate United States district court without regard to the amount in controversy, or in my other court of competent jurisdiction, within two years from the date on which the liability arises, except that where a defendant has materially and willfully misrepresented any information required under this title to be disclosed to an individual and the information so misrepresented is material to the establishment of the defendant's liability to that individual under this title, the action may be brought at any time within two years after the discovery by the individual of the misrepresentation.

Section 619. Obtaining information under false pretenses

Any person who knowingly and willfully obtains information on a consumer from a consumer reporting agency under false pretenses shall be fined not more than \$5,000 or imprisoned not more than one year, or both.

Section 620. Unauthorized disclosures by officers or employees

Any officer or employee of a consumer reporting agency who knowingly and willfully provides information concerning an individual from the agency's files to a person not authorized to receive that information shall be fined not more than \$5,000 or imprisoned not more than one year, or both.

Your Rights And The Law

Now that you have had a moment to look at the legalese version of your fights, lets take a look at the rights you are given in plain everyday English.

Basically, the above section of the Consumer Credit Reporting Act and a few other amendments not included here grant you, the consumer of credit, many rights. I have broken these fights into 11 different points. They are described below.

Right 1: The right to view your credit report - This portion of the law requires that the credit reporting agencies supply you with a full report on your credit transactions at any time you request one. This report will contain every item recorded in their files about you. It may not include every credit item you have but it will include every credit item that they have in their files about you. Additionally, the credit reporting agencies are allowed to charge a reasonable fee for this service if it is being performed at your sole request. However, if you have recently been rejected for credit by a creditor, they will by law send you a copy of your credit report for free if you request it.

Right 2: The right to know who has inquired into your credit file - The law allows you to know every bank, credit card company, employer, etc. who has requested a copy of your credit report. This even includes all the times the credit reporting agency has pulled your file. Every time the credit reporting agency pulls your credit report to fix an error or examine some information, this action is recorded. This son of information is very valuable in doweling fraud. If your credit report has many inquiries that you don't recognize, someone is probably trying to commit fraud using your social security number.

Right 3: The right to request verification of information you believe is incorrect - This portion of the law allows you to have a negative entry checked multiple times. This guarantees that every time you tell a credit reporting agency an item is incorrect, they will investigate that item. Without this portion of the law, they could refuse to investigate your claims more than one time whether or not your request was legitimate.

Right 4: The right to insert missing data into your credit file - Often you will have credit granted to you that never makes its way into your credit report. This happens for a variety of reasons. You may have been granted credit at a local department store which doesn't report information to a credit reporting agency. Or perhaps you moved to another part of the country and you have credit information that didn't follow you from your old address to your new address. This portion of the law allows you to report all this good credit information to the credit reporting agencies and have it entered into your credit report. The following are examples of the types of information you may want to have added to your credit reports:

- * Details on loans, both current and paid off, when you have a good payment history.
- * Credit cards with good payment histories that do not appear on your credit report.
- * Salary increases at your current job or when you switch jobs.
- * Any active accounts which have good payment histories that do not appear on your credit reports.
- * Information related to your mortgage, especially if it is not being reported on your credit report.
- * Settlements on any judgments, tax and IRS liens, disputed bills, etc.

Right 5: The right to automatically remove all detrimental information from your credit report after seven years; 10 years for bankruptcy - This portion of the law guarantees that past financial indiscretions do not follow you for the rest of your life. This process is automatic and is handled by the credit reporting agencies. If you ever find a negative credit item on your credit report over seven years old (10 for bankruptcy), a simple letter reminding the credit reporting agency of this law will get that item instantly removed.

Right 6: The right to place your own personal statement in your credit report - Some of you will have some negative credit due to an extraordinary event such as the loss of a job, sickness, divorce, etc. And, after trying to clean it from your credit report, will find that you were unsuccessful. This portion of the law was written for you. It allows you to have a written statement of 100 words or less placed in your credit report. This can be used to explain to future creditors what caused the bad credit and why it was a one time occurrence.

Right 7: The guarantee of privacy of the information in your credit report from anyone other than legitimate members of the credit reporting agency - This portion of the law states that no one can look at your credit report without your permission. That is why creditors have you sign a form allowing them to examine your credit report. The only exception to this rule is the credit reporting agencies. They are allowed to look at your credit report without your permission only for legitimate business purposes such as updating the information in your file.

Right 8: The right to have your credit report transferred from one area to another any time you move - This provision of the law guarantees that your credit history follows you wherever you go. This allows your hard earned good credit to follow you all over the United States. Unfortunately, it also means that any bad credit you have also follows you across the country.

Right 9: The right to use the small claims court system to resolve any disputes with the credit bureaus about incorrect or inaccurate information in your credit report - This portion of the law gives you the right to your day in court. If something on your credit report is inaccurate and you can't get it repaired through the credit repair process, you have the right to present your evidence in a court of law to resolve the dispute. If the court finds in your favor, the item will be corrected. If not, the item will stay in your credit report.

Right 10: The right to know exactly why you were refused credit - This portion of the law requires that my creditor who refuses you credit must inform you of exactly why you were turned down. This request must be made by you to the creditor within 10 days of your being turned down for credit.

Right 11: The right to remain silent about bad credit information that does not currently appear in your credit report This provision of the law simply states that you do not have to correct my omissions you find in your credit report, whether positive or negative.

These 11 points pretty much summarize your rights under the Consumer Credit Reporting Act. Certain points are actively used to repair your credit and others are used to make sure you are treated fairly by the credit system. Chapter 7, The Credit Repair Process, details how to use the former to repair your credit report.

Chapter 7

The Credit Repair Process. The credit repair process is a simple step-by-step process. process is presented below. It walks you through each step you need to follow to repair your credit report as much as it can be repaired. To make this task even easier, a checklist is provided at the end of this chapter. This checklist will show you at a glance where you are in the credit repair process for each disputed item. The checklist will also serve as a record of contacts just in case you feel a need to plead your case in Conn. To successfully repair your credit, you must accept two things. The first is that credit repair is a slow process, often taking many months to complete. The second is that not all negative items can be successfully removed. If, after following all the steps given in this chapter, you cannot remove a negative item, accept that it will stay on your report. Then, use the techniques in chapter 9 to strengthen your credit enough that those bad marks on your credit report no longer matter.

The steps involved in repairing your credit are:

Part 1: Analysis

- 1) Obtain a copy of your credit report from all three credit reporting agencies.
- 2) Analyze the information on each credit report.
- 3) Make a list of all the negative entries you find and write down the cause of each of them.
- 4) Make a list of the negative entries and write down the reason each should be removed. Use Appendix 11 to help you with this part.

Part II: Repair

Break up negative entries into small groups of approximately three items. For each group, perform the following steps:

- 1) Write a letter to the credit reporting agency explaining why the items in this particular group are incorrect. Ask that the matter be investigated and corrected. If this step does not resolve the matter, then
- 2) Write a second letter to the credit reporting agency requesting that the items be reverified and that for any items not corrected at this time, let them know that you want to be supplied with the contact information on the person at the creditor's organization who verified this negative information about you. If this investigation does not resolve the matter, do the following:
- 3) Write directly to the person at the creditors office that the credit reporting agency said they contacted. Explain the situation to the employee and why you think this item is inaccurate and should be removed from your credit report. At this point, if the creditor does not agree to remove this item, it will probably stay on your credit report. (Note: Sometimes a negotiation can be entered into with the creditor to have this item removed. This method will be discussed in more detail a bit later.)

The above three steps should be done for each group of negative entries on all of your credit reports. If all three steps need to be followed, this process will take approximately 3-4 months.

After the credit repair process is completed, it is time for:

Part III: Damage Control

To minimize the effects of any negative items left on your credit reports after the credit repair process, do the following: Examine all the negative items left on each credit report and develop an explanation of up to 100 words on why these items appear in your credit report. Send this explanation to the credit reporting agency. It will then become part of your permanent credit record.

Part IV: Legal Action

If, after all your efforts, you still have items on your credit report that legitimately do not belong there, there are legal steps you can take to have these removed.

This is basically all that is involved in the credit repair process. Following these few simple steps will dramatically improve your credit rating.

The Plan In Detail

Let's examine each of these steps in a bit more detail. This will give you a better understanding of all the options available to you at each step. It will also give you some examples to make the concepts clearer to you.

Analysis

How to analyze information on a credit report:

Each of the three credit reporting agencies has a different way of reporting your credit information to you. When you receive your credit report, you will also receive instructions on how to read and decipher all the codes in the report. These instructions will tell you what each field in your report represents. In general, the type of field you will be concerned with is the field that gives your credit status for each entry. Generally, this field tells you whether or not your payments are current, and if not, the reason they are not. This field is very important. If the credit item is in any way negative, this is where you get the information you need to understand the reason why it is negative.

Other fields you need to check for accuracy include the time the account was opened, the monthly payment on the account, and the account's credit limit. Basically, you want to examine every item in detail to verify that all the information is correct. If any entry is incorrect, negative, or older than 7 years (10 for items relating to bankruptcy), they will go into your list of items to correct. Once you have completed your list, it is time to move on to the next step.

Generate a facts list:

As you examined your credit report, you probably found some entries with inaccurate information as well as some entries with accurate information that was negative. The fact list helps you keep all this information organized and lets you know what will be easy to correct and what will be difficult.

Any items you found on your credit report that are erroneous entries will be very easy to correct or remove. When the credit reporting agency, at your request, tries to verify this information, it will find that it is incorrect and remove it. Any items found on your credit report that are outdated (generally after 7 years, 10 for

bankruptcy) are also very easy to remove. A letter requesting their removal is generally sufficient.

The items described above are just clean-up items. They are items that clearly do not belong on your report because they are either wrong or outdated. The third group of items on your list will be negative items that are legitimate entries. Some of these will be easy to remove. Some will be hard. It is dealing with these items that will be taking the majority of your time and energy.

Generate a reason list:

For each item on your fact list, figure out the reason you are going to use to have it removed. For items that are wrong or outdated, the reasons are very simple and obvious. For incorrect entries, the reason is that the entry is incorrect and that the information is misrepresented. For all outdated items, the reason is that by law all outdated entries must be removed from the credit report.

For all other entries, the legitimate negative entries, the reason depends on the situation. Appendix 11 suggests a possible reason for each negative entry you may encounter. These reasons can be used as is or as a guide for you to use in wording your own reason for having the item removed or improved.

These steps complete the analysis you need to complete to begin the actual repair of your credit report. The next several sections detail everything you need to do to achieve maximum success in repairing your credit report.

General guidelines for dealing with credit reporting agencies:

The very first and most important rule when dealing with credit reporting agencies is to be polite. Remember, your letters are being read by people. If you are nasty to them, they will not be willing to help you much. If you are polite, they will try to do a good job for you. If you have trouble writing good letters, Appendix III contains several businesslike letters that are excellent for communicating with these people on a professional basis. Just find the one you need, fill in the blanks, and mail it in.

Second, if your handwriting is legible, it is better to write the letter than to type it. People tend to give more attention to a handwritten letter than to a typed letter. It is no promise of better service but is a small effort that may help you get it.

Third, no matter how you prepare the letter, be sure to sign and date it.

Fourth, mail your letter via certified mail, return receipt requested. This process starts the clock ticking at the credit reporting agency. By law, they are required to investigate your claim and report back to you the results of their investigation in a reasonable period of time, (A reasonable period of time is generally accepted to be around 30 days from receipt of your letter.) If they do not respond in this period of time, the item in dispute must be assumed to be unverifiable and must be removed from your credit file. The return receipt lets you know when they received your claim and lets you know when to write them again to inform them that an unreasonable period of time has passed and the item(s) must by law be removed.

[Note: Credit reporting agencies are very aware of this law and are generally quite responsive. But, you could get lucky on a hard to remove item and have it removed by default. This gamble is worth the slight extra cost incurred by sending the letter certified mail.]

Lastly, it is best to deal with your request for corrections in batches of 2-4 entries. You can do more if you want but in general, the people at the credit reporting agency are much more responsive and friendly when given a small number of items to work on than when given a huge number of items to work on. Of course, the more specific you are, the more entries you can put in a single letter. If you do multiple letters to cover many problems, mail them approximately three days apart. That way different people will work on them and each item will get the proper attention it needs to investigate your claim properly. A second reason to dispute only a few items per letter is to guarantee that the credit reporting agency does not consider your request frivolous and discard it. By law, they are allowed to discard frivolous requests. They may find a letter stating that 30 items in your credit report are wrong to be a frivolous request.

Repair

The First letter:

The first letter you write to a credit reporting agency for a particular problem is very simple. It is just a statement of the problem that you are requesting be resolved along with information identifying who you are.

It will be written in a polite, yet firm manner. The idea is to let them know you are aware of your rights under the law in a respectful and professional manner. A template for this letter can be found in Appendix III.

The whole purpose of this letter is to let them know you have an issue that needs to be resolved and that you are willing to work with them to give them whatever information they need to help you solve the problem.

The credit reporting agency will take the information you sent them and verify that it is on your credit report as stated in your letter. They will then attempt to verify the accuracy of this item with the original creditor in a timely manner. If they cannot successfully verify this information, they will remove that entry from your credit report. If they verify with the creditor that it is correct, it will stay on your credit report. Either way, you will get a reply from them in about thirty days detailing the results of their investigation.

Assuming this letter did not resolve your problem, it is time to move on to:

The second letter:

The second letter is sent to the credit reporting agency if the first letter did not resolve the issue to your satisfaction. This letter gives all the information the first letter supplied. Additionally, it states that it is a request for re-investigation of this matter and further states that you want the information on who was contacted at the creditor's firm. There is a template for this letter in Appendix III.

When the credit reporting agency receives this letter, it will re-investigate the items requested. If any items are not resolved to your satisfaction, they will send you the information on the person they contacted at the creditor's office to verify this

information. It will usually include the company, the person's name and address/phone number. This information can be used later by you to contact the creditor directly and discuss the matter.

At this point, you have done all you can to get a credit reporting agency to remove a negative item from your credit report. If there are still negative items left on your credit report, they are legitimate insofar as your creditor and the credit reporting agencies are concerned. At this point, it is necessary to contact the creditor directly to try to get the item removed from your credit report by them.

Letter(s) to creditor:

There are several approaches you can take when communicating with your creditors. You can claim the information is incorrect or you can claim it is correct and you want to come to a resolution that is satisfactory to both you and the creditor.

If you claim the information is incorrect, you will need proof to back up your claim. Creditors assume their information is accurate. It is up to you to prove them wrong. If you can prove to them that they are wrong, they will quickly have your credit report updated with the correct information.

If the information is correct, you can request the creditor remove it and offer a negotiation with the creditor to restore your good credit. Some template letters for various situations are given in Appendix III.

Some examples: If you were late on your credit card payment for several months in a row but have been current with it the whole last year, you could write the creditor and state that you have been current the past year and would appreciate it if they would remove the negative entry on your credit report and have it reflect the current paid status your account now enjoys.

If you refused payment on something they have spent months trying to collect from you, you could offer the creditor a settlement; repayment of x% in return for having your status upgraded to paid in full and for your credit report being modified to reflect that new status.

For each different type of scenario that comes up, a different type of custom letter can be created but they are basically of the two types described above: having had late payments on a loan and now being current, and having an outstanding unpaid debt and offering a negotiated settlement for the amount still owed.

By talking to or writing directly to the creditors in a polite manner, you will find that you can generally resolve almost all of your remaining credit problems. But, if there are still some problems left after this step is complete, it is time to write a letter of up to 100 words describing your bad credit and have the letter become part of your credit report.

Damage Control

The 100 word letter:

The 100 word letter is your chance to tell your side of the story. This is the very last thing you want to do. It is only used if every other possibility is exhausted. This is because the letter does not remove your bad credit. It is just an explanation of why you have bad credit.

Is it ever useful? It definitely is! Future creditors will read the letter and use it in their evaluation of your creditworthiness. It often turns borderline credit applications into approvals rather than rejections.

Let me give you an example. Lets say that two years ago you lost your job and fell behind on several payments before you become re employed. Since then, you caught up on all your payments but some of your creditors refused to remove the negative marks they reported against you.

You would write a letter stating that you were unemployed for a while due to a layoff and suffered financial hardships during this period. Further, you would state that you have since become gainfully employed and have faithfully paid your bills ever since then.

A creditor who rated you marginally unacceptable based on your negative credit would read your letter, which by law is attached to your credit report, and understand why you have these items of bad credit. For many creditors, that will be enough to sway them to approve your credit, especially if you show steady employment for over a year.

Of course, other situations would require different types of letters. However, each letter would have a common theme along the following lines:

- 1) A one time extraordinary event occurred that damaged my credit.
- 2) I have since recovered from that one time event.
- 3) I'm now current in my obligations.

Take this outline and fill in the facts relating to your specific situation. This will give you a very powerful presentation of what caused your negative credit. And, remember the letter must be stated in 100 Words or less.

Although a written statement can be a very powerful technique in improving Your credit standing, there are some important limitations you should understand. As the reporting of credit information to creditors becomes more and more computerized, it is becoming common practice for your written statement to not be included in this electronic transmission. This means that the potential creditor may never see your written statement. This is one of the unfortunate costs of modernization and efficiency.

So how do you get around this potential problem with future creditors? Its quite simple. When applying for credit, tell the creditor that there is a written statement in your credit report that they should read and also give them a copy of your written statement to be sure you cover all bases. This little bit of extra work will guarantee that the written statement will be examined by the creditor with the rest of your credit profile.

Legal Action

Sometimes a situation arises where there is a negative entry on your credit report that is not correct and no matter what you try, you just cannot get it removed. This sometimes happens when the creditor's information does not match your information and they choose to ignore your request to investigate the situation properly.

This situation doesn't happen very often but it can be very annoying and troublesome when it does. To remedy these types of problems, the law allows you to go to court to get the matter resolved. So, if you have an incorrect entry on your credit report and can prove that it is incorrect, take the credit reporting agency and the creditor to small claims court. Unfortunately, it is beyond the scope of this book to describe this legal process in detail, as it is different in different parts of the United States. To find out more information for your part of the country, a phone call to the county courthouse will give you all the information you need to go to small claims court where you live. And the best part is that you can do it all without a lawyer.

These are all the steps you can do to repair your credit. As you can see, there is no guarantee of you being 100% successful. It is unfortunate but sometimes we have to just accept our mistakes and misfortunes and rebuild our lives from that point. If you are one of the people who cannot remove enough of your negative credit items from your credit report, don't despair. Chapter 9 discusses many techniques you can use to re-establish your credit rating even with a very negative credit report.

CREDIT REPAIR CHECKLIST

Credit Repair History for (Your Name)

For Credit Reporting Agency

DATE / /

First letter to credit reporting agency mailed on / /
(attach copy of letter to this form)

Received reply from credit reporting agency on / /
(attach copy of reply to this form)

Second letter to credit reporting agency mailed on / /
(attach copy of letter to this form)

Received reply from credit reporting agency on / /
(attach copy of reply to this form)

Contacted original creditor on / /
(attach copy of letter to this form)

Received reply from original creditor on / /
(attach copy of reply to this form)

100 word letter mailed to credit reporting agency on / /
(attach copy of letter to this form)

RESOLUTION OF DISPUTE

How to use this form:

This form is to be used as a record of all your contacts with credit reporting agencies and creditors. Use one copy for each item you are disputing. By filling in contact dates and saving all correspondence you have a complete record of all your dealings with the agencies and creditors for each disputed item. You also know at a glance what step you are on with each disputed item and what you need to do next to continue your credit repair process for that item.

"sample letters"

Sample Letter 1

Re: Request For Credit Report

To Whom It May Concern:

Please send me a copy of my credit report.

My full name is:

My social security number is:

My date of birth is:

My current address is;

My previous address was:

Enclosed, please find my check (or money order) in the amount of \$, as payment for this credit report. Also enclosed is a copy of my driver's license, billing statement or utility bill with my current address clearly stated. Please send the report to:

Sincerely,

Enclosures

Sample Letter 2

Re: Request for Free Credit Report on
credit denial)

To whom It May Concern:

Please send me a copy of my credit report as soon as possible I have
been denied credit within

the past 60 days by based upon a credit report from your

company. Enclosed please find a copy of the denial letter

The Fair Credit Reporting Act of 1970, 15 USC section 1681g
provides the credit bureau should send me information which led to
the rejection of my credit application. According to the provisions of
15 USC section 1681j, there should be no charge for this
information.

My full name is;

My social security number is:

My date of birth is:

My current address is:

My previous address was:

Your immediate attention to this matter is appreciated.

Sincerely,

Sample Letter 3

Re: Complaint Letter to Delete Inaccurate
Information

To Whom It May Concern:

I formally request that the following inaccurate items be immediately investigated. They must be removed in order to show my true credit history, as these items should not be on my report. By the provisions of 15 USC section 1681j of the Fair Credit Reporting Act of 1970, I demand that these items be reverified and deleted from my record.

Item No. ComDanv Name Account Number Comments

Since 30 days from the receipt of this letter is your allotted time under the law to reverify these entries, it should be understood that failure to do so within that 30 day period constitutes reason to promptly delete the information from my file (FCRA 15 USC 1681j(5)(A)).

Also, pursuant to 15 USC 1681j(6)(A) of the Fair Credit Reporting Act, please notify me when the items have been deleted. You may send an updated copy of my credit report to the below address. According to the provisions of 15 USC section 1681j, there should be no charge for this notification. Also, please send me names and addresses of individuals you contacted so I may follow up.

Sincerely,

Sample Letter 4

Re: Request for Removal of Outdated
Information

To Whom It May Concern:

Please note that under Sections 605 and 607 of the Federal Fair Credit Reporting Act you are obligated within 30 days to delete obsolete information from my consumer credit report. The following items on my credit report are more than seven years old and exceed the statutory time period under this Act, and they must be removed;

Also, pursuant to Section 168 of The same Act, [am entitled to notification that the items have been deleted. Please send an updated copy of my credit report to the below address, as well as to any other party that has inquired about my credit rating in the last six months.

I anticipate your immediate attention to this matter Sincerely,

Sample Letter 5

Re: Required to Respond

To Whom It May Concern:

Thirty days ago you received my letter disputing several items listed in my credit report, issued by your firm. The items were inaccurate and incomplete. I have attached the original letter.

Under the Fair Credit Reporting Act 15 USC 1681j (5)(A), you have 30 days from receipt of this letter to respond to my request for re-verification of the erroneous items. I have not received a reply from you within these 30 days. Therefore, it must be that the information on my report was either inaccurate or could not be re-verified. In either case, according to the provisions of 15 USC section 1681i (a), the items must be deleted immediately.

Please respond immediately so that I do not need to pursue my legal rights under 15 USC section 1681n or 1681o, which require your compliance with the law.

Also, pursuant to 15 USC section 1681i (d) of the Fair Credit Reporting Act, please send me notification that the items have been deleted. Send an updated copy of my credit report to the address below, as well as to any other party that has inquired about my credit rating in the last six months. According to the provisions of 15 USC section 1681j, there should be no charge for notification of changes on my credit report.

Sincerely,

Sample Letter 6

Re: Request to Meet Inquiries with Account

To Whom It May Concern:

The presence of inquiries as entries separate from accounts on my credit report inaccurately duplicates information. These inquiries reflect an incomplete and inaccurate processing of information in my file. The inquiry entries should be removed, or at least merged into the accounts to which they belong. The accounts in question are:

Company Name Account Number

Under the provisions of the Fair Credit Reporting Act 15 USC section 1681i, please reinvesfigate and delete these disputed items. Send me names and addresses of persons contacted. Thirty days from receipt of this letter is the length of time you are allowed under 15 USC s1681i (5)(A) to complete these actions unless you immediately notify me otherwise. It should he understood that failure to reverify within this time constitutes non-verification, and the items must be promptly deleted according to Section l6SliCa).

Also, pursuant to [5 USC section 1681i(d) of the Fair Credit Reporting Act, please notify me when the items have been deleted. Send an updated copy of my credit report to the below address. According to 15 USC section 1681j, there is no charge for notification of changes on my credit report.

Sincerely,

Sample Letter 7

Re: Demand For Corrected Credit Report

To Whom It May Concern:

On (year),] wrote to tell you I had not heard about any specific actions taken to reverify the items I had identified as inaccurate or incomplete in my credit report.

Copies of my correspondence are attached for your review.

Since you have not given me names of persons you contacted for reverification of the information, nor have you complied within the statutory time period-30 days- to my request for reverification, I assume that you have not been able to reverify the information [have disputed. Therefore, you must comply with the provision of the Fair Credit Reporting Act, and drop the disputed items from my credit report.

I demand that you send me a copy of my updated credit report showing the elimination of the items which I disputed on the attached letters. This copy must be provided free, according to USC section 1681j. I demand that it be postmarked within five days after signing the certified mail receipt for the letter you are holding.

If [do not receive an updated copy of my credit report with the disputed items dropped, my attorney will pursue my legal rights under 15 USC section 1681n or 1681o of the Fair Credit Reporting Act, "Civil liability for willful noncompliance." Your credit bureau may be liable for:

- 1) any actual damages I sustain by your failure to delete the items
- 2) punitive damages as the court may allow
- 3) costs of the court action, plus attorney's fees

I have forwarded a copy of this letter to the Federal Trade Commission, the Subcommittee on Banking, Credit and Insurance, the Consumer Protection Agency and Department of Business and Professional Regulations (Division of Consumer Complaints.)
Sincerely,

Sample Letter 8

Re: Addition of Consumer Statement

To whom it May Concern:

I have disputed the accuracy and completeness of incorrect information on my credit report. Since reinvestigation has not resolved my dispute, I want the following statement, without alterations, included in my credit report to set forth the nature of my dispute for others to see:

According to the Fair Credit Reporting Act 15 USC section 161 li (b), I have the right to enter this "consumer statement" in my credit report. The Act also states that you are obligated to include my statement in any subsequent consumer report that includes the disputed information. Furthermore, because my statement contains less than 100 words, I demand that you include the full text of the statement in my report, without changes, alterations or summaries.

Pursuant to the Fair Credit Reporting Act, please send me a free updated copy of my credit report with the above statement included. I assume that 15 days from your receipt of this request represents a reasonable time for completing this update, unless you immediately notify me otherwise.

Since rely,

Sample Letter 9

Re: Request for husband and Wife File Separation

Current Account Number:

To Whom It May Concern:

Under the Equal Opportunity Act, a husband and wife are allowed to maintain separate files pertaining to credit information. The undersigned request that credit information on file accounts of the undersigned be maintained in separate files.

We further request that all past, current and future and information be reported as separate account information to all credit reporting agencies.

Sincerely,

Sample Letter 10

Re: Request For Addition of Supplementary
Credit References

To Whom It May Concern:

Pursuant to the Fair Credit Reporting Act, ~5 USC section 1681i, I
am requesting that you add the following credit references to my
credit report:

Creditor's Name Creditor's Address Account Number Type of
Account

Thank you for your attention. Please inform me within the statutory
30-day time period from your receipt of this letter of your compliance
with the 15 USC 1681e requirements that all information in a
consumer's credit report be reflected with". maximum possible
accuracy."

Sincerely,

Sample Letter 11

Re: Explanation For Delinquent Payment

To whom It May Concern:

It has recently come to my attention that several of my payments to your account have been labeled "late" on my credit report.

These missed payments were due to:

I have been prompt in paying in the past, and since the late payments occurred for The above excusable reason, please correct the payment history for my account at the following credit bureaus, which carry your account histories:

It is important that my credit report reflect the good relations I have had with your company in the past. The corrections in the credit report will make it more representative of my financial habits.

I appreciate your assistance.

Sincerely,

Sample Letter 12

Re Request for Reasons for Credit Denial

To whom It May Concern:

Recently, the undersigned was denied credit by your company.

Please be advised that, pursuant to Section 615~) of the Federal Fair Credit Reporting Act, the undersigned hereby requests a full disclosure of the factual information disclosed to you by persons other than Consumer Reporting Agencies concerning the undersigned. Such information must be in sufficient detail to allow the undersigned to refute, challenge or dispute its accuracy.

Please take further notice that you are required to render such notification to the undersigned within a reasonable time. The Federal Trade Commission has defined such reasonable time as thirty (30) days.

Sincerely,

Chapter 8

Credit Repair Strategies. Even after reading the previous chapter on how to repair your credit report, you may be unsure of how to proceed. This chapter will walk you through three different credit problems; 1) many past due accounts, 2) foreclosure and 3) bankruptcy. Each problem will be presented as a full scenario from start to finish with comments on alternate routes that might be explored by you.

Past Due Accounts

The first scenario deals with the most common source of bad credit in this country; late and occasional missed payments. These can be payments on a credit card, car loan, house loan, etc. and may range from one to six months late. Lets assume that a year ago you were laid off from your job for five months.

During this time, you fell behind by three months on two credit cards, one month on your car payment, and paid your home mortgage 15 days late every month. Since then, you have been recalled and have caught up on all your payments. There negative entries will be identified in your credit profile as follows:

- * Credit cards - current account; was past due for 90 days.
- * Car payment - current account; was past due 30 days.
- * Home mortgage current account; was past due.

Anyone viewing your credit profile will see this information and use it in determining whether or not to grant you credit. Because you are current on all payments, you will sometimes be granted credit. And sometimes you will be rejected. It depends on the guidelines at any particular lender and also the type of credit you are requesting.

To handle this credit repair scenario, I would recommend following the credit repair process along these following guidelines:

First, after examining the damaging entries in your credit profile, decide how to break them up. You have two choices here; one letter covering all entries or four letters, one covering each entry. I would recommend taking the latter approach. This way each item gets handled individually and properly.

Sometimes, if you bunch many entries together, the credit reporting agency only verifies a few and takes it on faith that the rest are correct if those few check out properly. This is very likely to happen in this type of case where all the negative items occurred at around the same time. It sort of implies that they are all related. Or the credit reporting agency will assume that you have made a frivolous request and do nothing. By doing individual letters, this implication is not made and each individual entry is properly checked. Now, write the four letters to the credit reporting agency based on the template for letter number three in appendix III. An example of this letter is filled out below.

SAMPLE DISPUTE LETTER #3

FIRST CHALLENGE OF NEGATIVE ENTRY THAT BELONGS TO YOU.

YOUR NAME
ADDRESS
CITY, STATE ZIP
SOCIAL SECURITY NUMBER

CREDIT BUREAU NAME
ADDRESS
CITY, STATE ZIP

Date: 1/29/94

To Whom It May Concern,

Pursuant to my rights under the Fair Credit Reporting Act, I hereby challenge the credit report entry(ies) as noted below:

Credit Report Date: 1/17/94

Entry(ies) I dispute: issued by

Visa Card Acct # 1234123412341234 - states that the account was past due 90 days. This statement is not true.

Please return a summary of your investigation stating that you have or have not obtained verification as to the accuracy of the credit report entry in question.

Should verification not be provided you within 30 days I fully expect such entry(ies) to be permanently deleted from my credit report and no mention made of it henceforth.

Sincerely,
John Doe

After all the letters are written, mail them all to the credit reporting agency in separate letters according to the guidelines discussed in the previous chapter, Repairing Your Credit Report.

After a period of time, usually about 30 days, the credit reporting agency will send you the results of each of the four investigations. Several different results may be reported:

- 1) The credit reporting agency verified that the information on your credit report was accurate and that your credit profile remains unchanged.
- 2) The credit reporting agency verified that the information in your credit report was inaccurate and corrected your credit profile to reflect this fact.
- 3) The credit reporting agency could not verify the information in your credit report and had it removed.
- 4) More than 30 days has transpired during the investigation and the credit reporting agency by law removed the damaging information from your credit profile.

Of these four scenarios, it is most likely that the first one will be true in all four cases. After all, the information in your credit report is accurate. But sometimes you get lucky and get one of the other three replies for some of the items you had the credit reporting agency investigate.

The next step is to again contact the credit reporting agency about all the items that were not resolved in your favor. This contact uses template letter number seven in appendix III.

An example of this letter is filled out below.

SAMPLE DISPUTE LETTER #7

SECOND CHALLENGE OF A NEGATIVE ENTRY THAT BELONGS TO YOU.

YOUR NAME
ADDRESS
CITY, STATE ZIP
SOCIAL SECURITY NUMBER

CREDIT BUREAU NAME
ADDRESS
City, STATE ZIP

Date-

To Whom It May Concern

Even though you have conducted an investigation concerning the item(s) below that appeared on my credit report, I am still in disagreement with this entry. This entry is highly injurious to my credit rating and is not true. Please re investigate. Please reference my letter submitted to you on 11/29/93.

Furthermore, I would like the NAMES and business addresses of each individual with whom you verified the below information, so that I may follow up with this person(s).

Please forward to me an updated credit report after you have conducted your investigation.

Credit Report Date: 1/17/93

I am still in disagreement with the following report entry(ies):

Entry(ies)

Visa Card Acct # 1234123412341234 - states that the account was past due 90 days. This statement is not true.

Should verification not be provided you within 30 days I fully expect such entry(ies) to be permanently deleted from my credit report and no mention made of it henceforth.

Sincerely,
John Doe

In this stage, again send one letter for each item you are disputing. This particular letter serves you in two ways. First, it requires a m-investigation of each item by the credit reporting agency. This investigation could result in my one of the four resolutions mentioned above. If it is one of the resolutions that are in your favor (2-4), the negative credit entry will simply be removed from your credit report or modified to reflect the corrected response. If it is not resolved in your favor, the credit reporting agency must tell you who they contacted in the creditor's organization. This is the second way this letter serves you. You will be using this information to contact the creditors directly so you can work with them to get your negative credit entries removed.

After these two contacts with the credit reporting agency, you will probably not get my farther with additional letters to them. Although you can keep writing to try to get them to miss the 30 day reply window and have your negative credit item removed by default, it is a very long shot.

Your time and energy would be much mom productively spent by moving on to the next set of people who can help you achieve your goal of a clean credit report; your creditors.

With the information just obtained from the credit reporting agency about each creditor, you will he able to contact that specific person to follow up your request to clean up your credit entry.

In this specific case, I would write a letter as follows, based on letter template number 10 in appendix III.

SAMPLE DISPUTE LETTER #10

REQUEST CREDITOR TO UPDATE YOUR CREDIT REPORT AFTER TIMELY PAYMENTS.

YOUR NAME
ADDRESS
CITY, STATE ZIP
SOCIAL SECURITY NUMBER
ACCOUNT NUMBER
(1234123412341234)

CREDITOR NAME
ADDRESS
CITY, STATE ZIP
Attn.: Mr. Jones

Date:

Dear Sir:

My credit rating was adversely affected by your statement to the credit bureau that showed a past due status of my account with you. Since I have paid the past due balance and have made regular payments on this account as agreed, I request that you submit a statement to TRW that reflects the fact that the account is now in good standing.

Thank you for your timely attention to this request.

Sincerely,
John Doe

Address this letter to the same person in the creditors organization that the credit reporting agency contacted.

This person will review the information stated in the letter and if he or she feels the request is reasonable, the entry will be corrected to reflect the accounts current status rather than a previous status. These people are generally willing to work with you and help you once you explain the situation to them. For this sort of scenario, I would expect about a 75% success ratio.

Assuming the worst happens and you can't get all your negative entries removed from your credit report, what is the next step?

At this point, it is now time to write a small statement of no more than 100 words and mail it to your credit reporting agency. This statement will be inserted in your credit report. It will explain in your words why you have negative credit entries in your credit report. A sample statement for this scenario follows:

"I, John Doe, was laid off from my job of 6 years at XYZ Corp. for a period of five months before being recalled. This unexpected layoff caused some financial difficulties in my family's life. This caused me to be late with some payments. I have since been recalled and have made all my - v accounts current and in good standing. It was only this catastrophic event and not any deliberate actions on my part that cause these late payments. I have always been on time with my payments before this event and I immediately made good all my late payments after being re- employed."

At this point it is necessary to contact the other two credit reporting agencies and get copies of their reports about you. And, if necessary, repeat all these steps with these other two agencies to fix any negative entries in them. And after completing this entire process, if you have not been able to completely clean your credit report, I would recommend that you follow the steps outlined in the next chapter that will let you rebuild your credit in spite of the negative entries.

Foreclosure

The second scenario deals with a fairly common source of bad credit in this country; late and missed payments leading to foreclosure.

Let's assume that a year ago you seem laid off from your job for eight months. During this time, you fell behind by five months on two credit cards, fell behind on your car payments enough to have the car repossessed, and missed so many house payments that it was foreclosed upon by the bank. Since then, you have been recalled and have caught up on all your payments. These negative entries will be identified in your credit profile as follows:

Credit cards - current account; was past due for 150 days.
Car payment - merchandise taken back by a credit granter (repossession), there may be a balance due.
Home Mortgage - foreclosure - credit granter sold collateral to settle defaulted mortgage.

Anyone viewing your credit profile will see this information and use it in determining whether or not to grant you credit. Because you are current on all payments, you will sometimes be granted credit. And sometimes you will be rejected. It depends on the guidelines at any particular lender and also the type of credit you are requesting.

To handle this credit repair scenario, I would recommend following the credit repair process along these following guidelines:

First, after examining the damaging entries in your credit profile, decide how to break them up. You have two choices here; one letter covering all entries or four letters, one covering each entry. I would recommend taking the latter approach. This way each item gets handled individually and properly.

Sometimes, if you bunch many entries together, the credit reporting agency only verifies a few and takes it on faith that the rest are correct if those few check out properly. This is very likely to happen in this type of case where all the negative items occurred at around the same time. It sort of implies that they are all related. Or the credit reporting agency will assume that you have made a frivolous request and do nothing. By doing individual letters, this implication is not made and each individual entry is properly checked.

Now, write the four letters to the credit reporting agency based on the template for letter number three in appendix III. An example of this letter is filled out below.

SAMPLE DISPUTE LETTER #3

FIRST CHALLENGE OF NEGATIVE ENTRY THAT BELONGS TO YOU.

YOUR NAME
ADDRESS
CITY, STATE ZIP
SOCIAL SECURITY NUMBER

CREDIT BUREAU NAME
ADDRESS
City, STATE ZIP

Date: 11/29/93

To Whom It May Concern,

Pursuant to my rights under the Fair Credit Reporting Act, I hereby challenge the credit report entry (ies) as noted below:

Credit Report Date: 1/17/94
Entry(ies) I dispute: issued by
Visa Card Acct # 1234123412341234 - states that the account was past due 150 days. This statement is not true.

Please return a summary of your investigation stating that you have or have not obtained verification as to the accuracy of the credit report entry in question,

Should verification not be provided you within 30 days I fully expect such entry(ies) to be permanently deleted from my credit report and no mention made of it henceforth.

Sincerely,
John Doe

After all the letters are written, mail them all to the credit reporting agency in separate letters according to the guidelines discussed in the previous chapter, Repairing Your Credit Report.

After a period of time, usually about 30 days, the credit reporting agency will send you the results of each of the four investigations, Several different results may be reported:

- 1) The credit reporting agency verified that the information on your credit report was accurate and that your credit profile remains unchanged.
- 2) The credit reporting agency verified that the information in your credit report was inaccurate and corrected your credit profile to reflect this fact.
- 3) The credit reporting agency could not verify the information in your credit report and had it removed.
- 4) More than 30 days has transpired during the investigation and the credit reporting agency by law removed the damaging information from your credit profile.

Of these four scenarios, it is most likely that the first one will be fine in all four cases. After all, the information in your credit report is accurate. But sometimes you get lucky and get one of the other three replies for some of the items you had the credit reporting agency investigate.

The next step is to again contact the credit reporting agency about all the items that were not resolved in your favor. This contact uses template letter number seven in appendix III. An example of this letter is filled out below.

SAMPLE DISPUTE LETTER #7

SECOND CHALLENGE OF A NEGATIVE ENTRY THAT BELONGS TO YOU.

YOUR NAME
ADDRESS
CITY, STATE ZIP
SOCIAL SECURITY NUMBER

CREDIT BUREAU NAME
ADDRESS
CITY, STATE ZIP

Date:

To Whom It May Concern,

Even though you have conducted an investigation concerning the item(s) below that appeared on my credit report, I am still in disagreement with this entry. This entry is highly injurious to my credit rating and is not true. Please re-investigate. Please reference my letter submitted to you on 11/29/93.

Furthermore, I would like the NAMES and business addresses of each individual with whom you verified the below information, so that I may follow up with this person(s).

Please forward to me an updated credit report after you have conducted your investigation.

Credit Report Date 1/17/93

I am still in disagreement with the following report entry(ies):

Entry(ies)

Visa Card Acct # 12341234121141234 states that the account was past due 150 days. This statement is not true.

Should verification not be provided within 30 days I fully expect such entry(ies) to be permanently deleted from my credit report and no mention made of it henceforth.

Sincerely,
John Doe

In this stage, again send one letter for each item you are disputing. This particular letter serves you in two ways. First, it requires a re-investigation of each item by the credit reporting agency. This reinvestigation could result in any one of the four resolutions mentioned above. If it is one of the resolutions that are in your favor (2-4), the negative credit entry will simply be removed from your credit report or modified to reflect the corrected response. If it is not resolved in your favor, the credit reporting agency must tell you who they contacted in the creditor's organization. This is the second way this letter serves you. You will be using this information to contact the creditors directly so you can work with them to get your negative credit entries removed.

After these two contacts with the credit reporting agency, you will probably not get any farther with additional letters to them. Although you can keep writing to try to get them to miss the 30 day reply window and have your negative credit item removed by default, it is a very long shot.

Your time and energy would be much more productively spent by moving on to the next set of people who can help you achieve your goal of a clean credit report; your creditors.

With the information just obtained from the credit reporting agency about each creditor, you will be able to contact that specific person to follow up your request to clean up your credit entry.

In this specific case, I would write a letter as follows, based on letter template number 10 in appendix III.

SAMPLE DISPUTE LETTER # 10

REQUEST CREDITOR TO UPDATE YOUR CREDIT REPORT AFTER TIMELY PAYMENTS.

YOUR NAME
ADDRESS
CITY, STATE ZIP
SOCIAL SECURITY NUMBER
ACCOUNT NUMBER
(1234123412341234)

CREDITOR NAME
ADDRESS
CITY, STATE ZIP
Attn.: Mr. Jones

Date:

Dear Sir.

My credit rating was adversely affected by your entry to the credit bureau that showed a past due status of my account with you. Since I have paid the past due balance and have made regular payments on this account as agreed, I request that you submit a statement to TRW that reflects the fact that the account is now in good standing.

Thank you for your timely attention to this request.

Sincerely,
John Doe

Address this letter to the same person in the creditors organization that the credit reporting agency contacted.

This person will review the information stated in the letter and if he or she feels the request is reasonable, the entry will be corrected to reflect the accounts current status rather than a previous status. These people we generally willing to work with you and help you once you explain the situation to them. For this sort of scenario, I would expect about a 75% success ratio for the credit cards. For the repossessed car and foreclosed house, creditors will be less forgiving than with credit cards that at one time had late payments.

To have any luck at removing these items at this point, it will be necessary to enter into negotiations with the creditor, offering to make up a percentage of their losses in return for writing a letter to your credit reporting agency granting you favorable credit, For example, if you owed \$8000 on your car and they sold it for \$4500, they lost \$3500. If you offered them say \$1000 in return for changing your credit report entry to positive, they may very well be willing to do that. It all depends on how flexible the creditor's guidelines are in negotiating trouble accounts. At worst, they won't negotiate and the bad credit stays on your credit

report, At best, you negotiate a settlement you both can live with and have a cleaned up credit report. Just ask and you may find yourself pleasantly surprised by the results. Assuming the worst happens and you can't get all your negative entries removed from your credit report, what is the next step?

At this point, it is now time to write a small statement of no more than 100 words and mail it to your credit reporting agency. This statement will be inserted in your credit report. It will explain in your words why you have negative credit entries in your credit report, A sample statement for this scenario follows:

"I, John Doe, was laid off from my job of 6 years at XYZ Corp. for a period of eight months before being recalled. This unexpected layoff caused some major financial difficulties in my family's life. This caused me to be late with some payments and lose my house and car. I have since been recalled and have made restitution as best as I could It was only this catastrophic event and not any deliberate actions on my part that caused these horrible events. I have always been on time with my payments before this event and I immediately made good all my late, payments to the best of my ability after being re employed"

At this point it is necessary to contact the other two credit reporting agencies and get copies of their reports about you. And, if necessary, repeat all these steps with these other two agencies to fix my negative entries in them. And after completing this entire process, if you have not been able to completely clean your credit report, I would recommend that you follow the steps outlined in the next chapter that will let you rebuild your credit in spite of the negative entries.

Bankruptcy

The third scenario deals with the most difficult to repair source of bad credit in this country; bankruptcy. These can be late payments on a credit card, car loan, house loan, etc. and may range from one to many months late and then be followed by a bankruptcy, closing all accounts.

Lets assume that a year ago you were hurt and out of work for two years. During this time, you fell way behind on your credit cards, on your car payment, and your home mortgage and to get some peace of mind from the collections actions, you declare bankruptcy.

These negative entries in your credit profile will all read the same; debt discharged through chapter 7 bankruptcy (or chapter 11, 12, or 13 bankruptcy). Additionally, they will have supplemental information about how delinquent the account was before the bankruptcy was declared.

Anyone viewing your credit profile will see this information and use it in determining whether or not to grant you credit. Because of your status, you will almost always be denied credit. But you never know. Some creditors are very lenient and may grant you credit.. It depends on the guidelines at any particular lender and also the type of credit you are requesting.

To handle this credit repair scenario, I would recommend following the credit repair process along these following guidelines:

First, after examining the damaging entries in your credit profile, decide how to break them up. You have a few choices here; one letter covering all entries or four letters, one covering each entry. I would recommend taking the latter approach. This way each item gets handled individually and properly.

Sometimes, if you bunch many entries together, the credit reporting agency only verifies a few and takes it on faith that the rest are correct if those few check out properly. This is very likely to happen in this type of case where all the negative items occurred at around the same time and are all listed as bankruptcy. It sort of implies that they are all related. Or the credit reporting agency will assume that you have made a frivolous request and do nothing. By doing individual letters, this implication is not made and each individual entry is properly checked.

Now, write the four letters to the credit reporting agency based on the template for letter number three in appendix III. An example of this letter is filled out below.

SAMPLE DISPUTE LETTER #3

FIRST CHALLENGE OF NEGATIVE ENTRY THAT BELONGS TO YOU.

YOUR NAME
ADDRESS
CITY, STATE ZIP
SOCIAL SECURITY NUMBER

CREDIT BUREAU NAME
ADDRESS
City, STATE ZIP

Date: 1129193

To Whom It May Concern,

Pursuant to my rights under the Fair Credit Reporting Act, I hereby challenge the credit report entry(ies) as noted below:

Credit Report Date: 1/17/94
Entry(ies) I dispute: issued by
Visa Card Acci # 1234123412341234 - states that the account was past due 180 days before a bankruptcy was declared. This statement is not true.

Please return a summary of your investigation stating that you have or have not obtained verification as to the accuracy of the credit report entry in question.

Should verification not be provided you within 30 days fully expect such entry(ies) to be permanently deleted from my credit report and no mention made of it henceforth.

Sincerely,
John Doe

After all the letters are written, mail them all to the credit reporting agency in separate letters according to the guidelines discussed in the previous chapter, Repairing Your Credit Report.

After a period of time, usually about 30 days, the credit reporting agency will send you the results of each of the four investigations. Several different results may be reported:

- 1) The credit reporting agency verified that the information on your credit report was accurate and that your credit profile remains unchanged.
- 2) The credit reporting agency verified that the information in your credit report was inaccurate and corrected your credit profile to reflect this fact.
- 3) The credit reporting agency could not verify the information in your credit report and had it removed.
- 4) More than 30 days has transpired during the investigation and the credit reporting agency by law removed the damaging information from your credit profile.

Of these four scenarios, it is most likely that the first one will be true in all four cases. After all, the information in your credit report is accurate. But sometimes you get lucky and get one of the other three replies for some of the items you had the credit reporting agency investigate.

The next step is to again contact the credit reporting agency about all the items that were not resolved in your favor. This contact uses template letter number seven in appendix III. An example of this letter is filled out below.

SAMPLE DISPUTE LETTER #7

SECOND CHALLENGE OF A NEGATIVE ENTRY THAT BELONGS TO YOU.

YOUR NAME
ADDRESS
CITY, STATE, ZIP
SOCIAL SECURITY NUMBER

CREDIT BUREAU NAME
ADDRESS
CITY, STATE, ZIP

Date

To Whom It May Concern,

Even though you have conducted an investigation concerning the item(s) below that appeared on my credit report, I am still in disagreement with this entry. This entry is highly injurious to my credit rating and is not true. Please re investigate. Please reference my letter submitted to you on 1/29/93.

Furthermore, I would like the NAMES and business addresses of each individual with whom you verified the below information, so that I may follow up with this person(s).

Please forward to me an updated credit report after you have conducted your investigation.

Credit Report Date: 1/17/93

I am still in disagreement with the following report entry(ies):

Entry(ies)

Visa Card Acct # 12341234123412.34 - states that the account was past due 180 days before bankruptcy was declared. This statement is not true.

Should verification not be provided you within 30 days I fully expect such entry(ies) to be permanently deleted from my credit report and no mention made of it henceforth.

Sincerely,
John Doe

In this stage, again send one letter for each item you are disputing, This particular letter serves you in two ways. First, it requires a re-investigation of each item by the credit reporting agency. This investigation could result in any one of the four resolutions mentioned above. If it is one of the resolutions that are in your favor (2-4), the negative credit entry will simply be removed from your credit report or modified to reflect the corrected response. If it is not resolved in your favor, the credit reporting agency must tell you who they contacted in the creditor's organization. This is the second way this letter serves you. You will be using this information to contact the creditors directly so you can work with them to get your negative credit entries removed.

After these two contacts with the credit reporting agency, you will probably not get any farther with additional letters to them. Although you can keep writing to try to get them to miss the 30 day reply window and have your negative credit item removed by default, it is a very long shot.

Your time and energy would be much more productively spent by moving on to the next set of people who can help you achieve your goal of a clean credit report; your creditors.

With the information just obtained from the credit reporting agency about each creditor, you will be able to contact that specific person to follow up your request to clean up your credit entry with a request to negotiate with each creditor for a settlement.

In this specific case, I would write a letter as follows, roughly based on letter template number 10 in appendix III.

SAMPLE DISPUTE LETTER #10A

REQUEST CREDITOR TO NEGOTIATE YOUR BANKRUPTCY AND REMOVE IT FROM YOUR CREDIT REPORT.

YOUR NAME
ADDRESS
CITY, STATE ZIP
SOCIAL SECURITY NUMBER
ACCOUNT NUMBER
(1234123412341234)

CREDITOR NAME
ADDRESS
CITY, STATE ZIP
Attn.: Mr. Jones

Date:

Dear Sir.

My credit rating was adversely affected by your entry to the credit bureau that showed a bankruptcy of my account with you. I wish to negotiate a settlement of the account and discuss having this bankruptcy status removed from my credit report at TRW.

Thank you for your timely attention to this request.

Sincerely,
John Doe

Address this letter to the same person in the creditors organization that the credit reporting agency contacted.

This person will review the information stated in the letter and if he or she feels the request is reasonable, will enter into a negotiation with you. These people are generally willing to work with you and help you once you explain the situation to them. But they will be willing to work with you only if some sort of cash settlement can be arranged. Often, they will settle your account favorably for anywhere from \$0.30 to \$0.70 on the dollar for each credit card account and an equivalent amount of the loss on the car and house.

Assuming the worst happens and you can't get all your negative entries removed from your credit report, what is the next step?

At this point, it is now time to write a small statement of no more than 100 words and mail it to your credit reporting agency. This statement will be inserted in your credit report. It will explain in your words why you have negative credit entries in your credit report. A sample statement for this scenario follows:

"I, John Doe, was out of work from my job of 6 years at XYZ Corp. for a period of two years due to injuries. This unexpected trauma caused some major financial difficulties in my family's life. This caused me to declare bankruptcy. It was only this catastrophic event and not any deliberate actions on my part that caused this bankruptcy. I have always been on time with my payments before this event and am now re-employed and capable of making timely payments on my credit obligations again.."

At this point it is necessary to contact the other two credit reporting agencies and get copies of their reports about you. And, if necessary, repeat all these steps with these other two agencies to fix any negative entries in them. And after completing this entire process, if you have not been able to completely clean your credit report, I would recommend that you follow the steps outlined in the next chapter that will let you rebuild your credit in spite of the negative entries

Chapter 9

Building & Rebuilding Credit. When a lender extends credit, several elements of your credit life are examined before making a decision. Before discussing methods of obtaining credit, I want to take a moment to explain many of the things of importance to creditors. It will give you a better understanding of how they evaluate your creditworthiness

A creditor scores you based on your credit and job history as well as your income and current debt/payment load. Owning a house is worth points, having a credit card is worth positive points, having bad credit is worth negative points, etc. If you have a high enough positive score, you get the loan. If not you are rejected. If you are in the gray area in between, the impression you make with the lender is often the deciding factor between acceptance and rejection.

Just to give you an idea of the relative importance of the various items a lender uses to score you, the following list is presented, Items represent the most important to least important on your loan approval score card.

- 1) A positive up-to-date credit report.
- 2) A house with a mortgage.
- 3) An American Express or Diners Club card.
- 4) A job you have held for more than one year.
- 5) A current or paid off bank loan.
- 6) A place where you have lived for more than one year.
- 7) A Master Card or Visa card.
- 8) A department store credit card.
- 9) A telephone in your name.

By examining each of these items, you will get an idea of how a lender perceives you. If you rank highly, it is very easy to get a loan (assuming your debt load is acceptable to them). If you rank poorly or have none of the above items, it is more difficult. Fortunately for you, this chapter is devoted to techniques for getting you credit in these less than ideal circumstances,

There are a variety of ways to build a positive credit rating. This chapter describes techniques to establish credit if you never before had any credit issued to you. It also describes as techniques to re establish a good credit rating if you are unsuccessful in getting your credit report completely cleaned. Although there are many similarities in both sets of techniques, there are enough differences that each has been given its own section.

Establishing credit for the First time

Around the time of getting your first job or perhaps before then, you may be thinking of getting that first credit card or first car loan. Or perhaps you have lived your life on a cash basis and now want to expand your lifestyle beyond what you can afford out of your normal cash flow. In either case, this can be a difficult time. The lending institution has no easy way of evaluating your creditworthiness. So, how do you get credit if you don't already have credit? There are many easy techniques you can follow to get credit issued and get that first (important credit entry on your credit report.

First, let's discuss how a lender will evaluate you. The lender uses a scoring system that is used to evaluate the creditworthiness of any applicant. Let's take a look at the scoring system as it applies to you.

In describing this, I am assuming you have no entries in your credit report at this time and you do not have a CO-signer on your loan/credit application. In this case, the creditor will look at the following items in making a decision:

Your income

How long you have been at your job

How long you have had a bank account

The typical balance of your bank account

How long you have been at your current address

Whether or not a telephone and utilities are in your name

[NOTE: If you apply in person, a neat appearance and good manners can go a long way towards approving a marginally acceptable application]

From these items, the creditor evaluates you. If the creditor feels you are an acceptable risk for the amount of money you are requesting, you will be granted the loan.

If you use a Co-signer, the situation is very different because the credit rating of the other person is used to evaluate the loan. If you make enough money to service the loan, and the other person has good credit, you will very likely get the loan. CO-signers are usually parents helping their children when they are in college or just starting in the workplace or a husband and wife going to buy a house or car.

A new wrinkle in easy credit that has come about in recent years has been banks soliciting college students to increase their credit card business. The assumption they operate under is that a college student has good prospects for a high paying job upon graduation. The (future) diploma has a cash value to the bank that they decided was good enough to make these people worthy credit risks. Given that it is possible to get that important first bit of credit, what are some techniques that can be used to get it? Some techniques are:

CO-signed loan

local department store credit card national department store credit card

Visa/MasterCard Card

American Express/Diners Club

automobile loan

home loan

local furniture/appliance store collateral loan secured credit card collateral loan

signature loan

Each of these items is described in detail below with suggested strategies to improve your chance of qualifying.

Co-signed loan

Getting a Co-signer for a loan or credit card is an excellent way to get established in the world of credit. Often, when you are just starting out in the world of credit, you are not yet established. You haven't been on the job long enough or you haven't lived in one place long enough. This is a very common situation among young adults just finishing school and getting started on their own. A Co-signer, usually a parent, is basically telling the lender that he or she will stand behind the applicant's ability to pay for the loan.

The downside of this method is that if you, the applicant, do not pay the loan in a timely manner, the lender will go after the CO-signer for payment. The upside is that the loan is evaluated on the basis of the co-signer as well as the applicant. If the Co-signer is a good credit risk in the eyes of the lender, the credit will be granted 99% of the time.

Local/department store credit card

Many mom and pop type stores offer credit cards that can be used for merchandise in their stores only. They are willing to do this because it generates extra profits for them. Normal credit card purchases on Visa, etc. cost local merchants approximately 1.5% of the purchase price of the merchandise. By giving out their own credit card, they again get full price for their merchandise plus they collect interest on the money they lend to you at a very high rate (around 18%). Because of these two reasons, mom and pop stores have a strong incentive to get people to use their store credit card rather than a Master Card or Visa.

How does that help you? You can use their desire to have you as a customer as leverage to get that credit card. The very best way to get one issued if you have no credit is to couple it with a major purchase, assuming you need something relatively expensive (in the range of several hundred dollars) at this store. You basically approach the owner or store manager with your filled out application and express your desire to get issued their credit card so that you can buy item X. If the store operates on commission, let the floor salesman for that department work for you. He will do all he can to get that credit card accepted so he can get his commission. It is possible you would have been approved without all the extra steps. And it is possible you may get rejected if you follow all these steps but most of the time, the personal touch described here will work wonders for you.

National Department Store credit cards

National department store credit cards include companies like Sears and Macys. I also include gas credit cards like Mobil in this section. National department store credit cards are a bit harder to get than local credit cards because you cannot deal with a "real person" to get your credit card. Credit card decisions are made by people and computers in the credit department of corporate headquarters for the company, not at the store where you apply. These places are generally not good places to apply for your first credit item because they generally have pretty strict guidelines. And if you are fortunate enough to get one, it will usually be for a small credit line of only a few hundred dollars initially.

About the only way to get one of these items as your first credit account is to have a Co-signer or to show a stable employment and residency period for over a year. If you can't do either one of these, I recommend you find another source for your first item of credit.

VISA/Master Card

As tough as national department store credit cards are to get, getting a Master Card or VISA used to be even tougher. But with growing competition and increased profits, many issuers are actively soliciting your business and are willing to overlook an empty credit report and many even overlook negative entries on your credit report. Just to give an example: A few years after my divorce and before I cleaned up my credit report, I was granted a VISA gold card. I had bad credit at the time. I had a new job every nine months or so. I was a poor risk according to

any scoring system. Why did I get the card? Because I lived in the same place for three years and has no late payments during this time. For these reasons, they were willing to overlook everything else.

Once, these cards were hard to get. That is no longer true. If you have had a job for a year (and in many cases for less than a year), you will almost automatically get one just by filling out the application. You may have to apply to a few places because some MasterCard and VISA lenders still follow strict guidelines. The best applications to use are the ones that come in the mail saying you are "pre-approved". These applications almost always result in a credit card being issued to you.

American Express/Diners Club

American Express and Diners Club and similar credit cards are what I call high end or luxury credit cards. These cards require the balance to be paid off every month. If you charge \$100 for a given month, you owe the credit card \$100 for that month. If you charge \$1000, you owe \$1000. They do not let you carry forward balances the way MasterCard and VISA, etc. do.

Because of this requirement, these types of cards are generally very difficult to obtain. The issuers need to be convinced you can pay off your charges each month. That is something difficult to prove if you have no credit history or have a low paying job.

Although it is possible to get one of these as your first credit card, it is very likely you will be rejected. Because of this, I strongly advise against trying to start your credit history with one of these cards.

Car loans

Car loans are a great way to establish your first entry in your credit file. If you make enough money for the car you want to buy, you will get the loan. The only way to get rejected is if you buy too much car for the money (i.e. trying to buy a \$20,000 car when you only earn \$1000/month). These loans are easy to get because the loan is backed by the value of your car. If you don't make your payments, they repossess the car. Putting down some cash with the deal will be a definite help in getting that car loan, especially when you are buying a more expensive car. Dealerships are so willing to work with someone who has no credit, they even have special programs for first time car buyers.

The one warning I give here is that many dealerships offer a buy here/pay here finance program. The program is good. It helps dealerships sell cars and it helps people buy cars. But as someone who is trying to establish credit, you need to ask a question before using a buy here/pay here option. Ask the dealership if this transaction is reported to the credit bureaus. If it is, go ahead and make the deal. If it is not, you may want to look around a bit more first. After all, one of your goals is to establish a credit file on yourself. If the car dealership doesn't report the transaction to a credit bureau, this goal will not be achieved.

House loan

A home loan is one of those types of loans that have so many variables, no universal statements can be made about them. If you approach a bank and say "I want a house loan and I want to put a 40% down payment on it", you will get the

loan regardless of any other factors. In fact, they will roll out the red carpet for you. However, if you are like most of us and only able to put 10% or so down, it becomes a bit tougher.

A home loan can be your first credit entry and if you have always lived on a cash basis before this, it may well be. If, in the bank's eyes, you are a good credit risk, you will get the loan. A good credit risk to them in these circumstances is someone with a stable (preferably growing) bank account, a stable, long term job, and a long term residence, preferably in your name.

If you don't have these things, it is going to be very difficult to get that loan. If your goal is to buy a house and you have the time, I strongly recommend that you use some of the other techniques in this chapter to build up a credit rating before trying to get a house. If not, talk to several lenders. Present your case and see if one is able to work with you. Or, get someone willing to Co-sign the loan and then in a year or so, get the loan reassigned to you.

Another option is to find a home with an assumable non qualifying loan that you can assume. For about \$50, anyone can assume the loan, regardless of job or credit history. And best of all, it is looked at the same as if you received a new loan by the credit reporting agency and future creditors.

Local Furniture/Appliance store collateral loan

This is a variation of the local department store credit card discussed above. The main difference is that this is an actual loan for the price of the purchase, not a credit card. The loan is very easy to get because it is backed by the collateral and the strong desire on the store's part to make a sale. If you have a job and can afford the payments, you are almost guaranteed to get this type of loan.

Secured Credit Card

If you have some extra cash and want the convenience of a credit card but cannot get one, consider a secured credit card. It can serve many useful purposes. First, what is a secured credit card? A secured credit card is really a debit card. That means if you open a secured credit card account with \$1000, you now have a credit card with a \$1000 debit line of credit. This means you can charge up to \$1000 in merchandise before putting mom money into it.

You may be saying "Why not just pay cash for my purchases?". Remember, your goal is to establish a credit rating. To the credit world, a secured credit card is the same as a real credit card. They don't know your purchases have already been paid for. All they see on the credit reports is that you have a credit card and a good payment history. This is an excellent first step to getting other types of credit. The only drawback to a secured credit card is that the annual fee is a bit higher than a normal credit card charges.

Collateral Loan

A collateral loan is a loan secured by an item or items of value. For instance, if you have \$10,000 in jewelry in a safety deposit box, the bank will be willing to give you a loan for a portion of the value of the jewelry. During the loan repayment period, you would not have access to your jewelry. The bank would be holding it as collateral against repayment of the loan. That is a drawback only if you need constant access to the merchandise.

If you don't need frequent access, this is a great way to get a loan. Since it is backed by something of value, you have a very high probability of being approved for the loan.

Signature Loan

Signature loans are difficult to get because they are not secured by a house, car, or my other item of value. Basically, a signature loan means a bank is giving you money based on their perception of your credit history. Because you have none at this point, this is a very difficult type of loan to get. If you have done business with the same bank for a long period of time and keep a decent balance in your account at that bank, you have a chance of getting a signature loan from them.

In general, I would strongly recommend using another means of obtaining credit. This type of loan is not very friendly to first time applicants.

These are many of the common sources for getting your first loan and first credit entry. With a little effort, you will soon have your first credit card, car loan, etc. Just choose what makes sense given your current needs and use the easiest way possible to secure your credit. Once you get this first item, you are on your way. After this, future items will be much easier to get.

Reestablishing Your Credit Rating

After following all the steps outlined in this book on how to repair your credit report, you may find you could not get every negative item off of it. You may still be a person with bad credit, a poor credit risk.

Don't despair. There are many simple techniques you can use to rebuild your credit. These techniques will slowly establish you as a good credit risk even with those negative items on your credit report. The first step is to write a letter to the credit bureau to be placed in your credit report, This letter explains why these negative items are there. This letter is explained much more fully in the chapter on the credit repair process.

The second step is to take an inventory of where you are today. What do you have to work with? What are your strengths; weaknesses? The third step is to take positive steps to rebuild your credit history by getting new credit items in your credit report. Both steps two and three are expanded upon below.

Taking an inventory of where you are today is a relatively simple process. Make a list of every credit item you have; car loan, credit cards, house loan, etc.. This is your credit inventory. Each of these items can work for you to improve your credit health. If you have credit cards but do not use them, begin to do so. Potential creditors like to see credit cards being used. It shows them you make your payments on time.

NOTE: This inventory is very important to you. Part of getting and keeping a healthy credit report and credit life is to make timely payments. It is very important that you keep payments on all these obligations current. The third step, taking positive steps to rebuild your credit, can be handled in many ways, from very passively to very aggressively. Lets look at a few cases.

Case 1: You just went through a divorce and had your credit rating mined. Your credit inventory after the divorce was pretty good. You have a house with a mortgage, a new car with a car loan, and two credit cards. You also have a job that lets you support these loans and live a comfortable life.

In this scenario, you might not have a need for any new credit for several years. If during this time, you keep your payments current, it is very likely that you will be granted the new credit on the basis of your current payments on your preexisting loans. In this example, time is doing the work for you. You need do nothing except live your life as you normally do.

Case 2: You just had a bankruptcy. You lost your house and your car. Your credit card accounts were all canceled. You were lucky enough to find an apartment that didn't do a credit check.

Lets take a look at your credit inventory. You have a job. Lets assume the bankruptcy taught you some lessons in financial frugality and you are able to save some money each month.

The first thing you need is a car. Look in your newspapers for dealerships willing to work with bad credit risks. Make a list and call them to see which ones report their loan information to credit reporting agencies. Go to one of them and buy a car. Do not be surprised when they charge you a higher than normal rate of interest. This is to compensate them for the added risk of the loan they are making.

This is step 1.

Step two is to somehow come up with approximately \$1000 - \$2000 in a bank account. When you do that, go to the bank loan officer and tell him you want to borrow the amount in the account and leave it as collateral (i.e. if you have \$1500 in your account, you want to borrow \$1500 and leave the money in your account as collateral against repayment).

If they ask you why you want to do this, be honest. Tell them you are trying to rebuild your credit rating. You will get the loan because it is 100% covered by the money in your bank account. If you default on the loan (which you will not do), the bank will claim the money in your account as payment.

[NOTE: Some people recommend that you take the loan money, deposit it in another bank and repeat this process over and over again in a matter of days. This is not really necessary and it can be very confusing to you.]

A better approach than the above note, if you have the time, is to repay this loan in two monthly payments and then repeat the process at the same bank, trying to borrow a larger amount each time.

At the same time as you are doing the above, get a secured credit card and use it. Don't worry about how high a credit limit you get on it. It is not important,

After six months, your credit inventory looks much better. You have a car with a loan, a current credit card, and several progressively larger bank loans. All loans are being paid in a timely manner or are actually paid off.

At this point, you are ready and able to get a regular credit card. You may have to apply to a few places to get one but you will shortly be issued one.

From this point, you are again legitimate and don't need to do any "tricks" to get loans, etc..

The only type of loan that would be tricky to get at this point would be a house loan. If you "need" a house quickly, I strongly recommend finding a non-qualifying assumable mortgage to assume unless you have enough cash for a 20% down payment. If you have that much cash, you will be able to find a lender willing to give you a loan.

This is a brief analysis of two extremes. It is very likely that your own credit was place you someplace in between these two scenarios. If you haven't read it yet, read the preceding section on establishing credit for the first time for more ideas different techniques to use to secure additional credit.

The key things to remember when building or rebuilding your credit are to be assertive and positive. Credit rebuilding is a numbers game. If someone wants your business bad enough, you will get credit issued to you. Following the techniques and advice in this chapter will make the process much easier for you.

APPENDIX II

DECIPHERING CREDIT REPORT FORMS Appendix II was devoted to explaining the various types of bad credit items that can appear on your credit report. This appendix is devoted to the way the information is displayed on the credit report. Each credit reporting agency has its own way of reporting your credit information to you. With the exception of TRW, the format of the credit reports is fairly cryptic and until recently that also applied to TRW. They changed their format due to public pressure for an easier to read credit report. And hopefully the other two agencies will soon follow that trend. But until then, this section will go a long way toward making your credit reports easy to read.

The CBI/EQUIFAX Credit Report

The CBI/EQUIFAX credit report has several fields that contain various pieces of information pertinent to each item of credit in your report. The following sections detail each of these fields in a simple to understand English explanation.

Company Name

The company name is the business that is reporting credit information about you in regards to an account you have with them.

Account Number

This is the account number of the account that you have with the business.

Whose Account

This field indicates who is responsible for they account and the type of participation you have with each account. Them are nine possible designation.

They are:

- * J = Joint Account
- * I = Individual Account
- * U = Undesignated
- * A = Authorized User
- * T = Terminated
- * M Maker
- * C = CO-Maker/CO-Signer
- * B = On Behalf of another person
- * S = Shared

Date Opened

This field is the month and yew that you opened your account with the credit grantor.

Months Reviewed

This field is the number of months the creditor has reported credit history to Equifax on that specific account.

Date Of Last Activity

This field is the date of last activity on the account. It cm also be the date of last payment or the date of last change to the account.

High Credit

This field indicates either the highest amount charged to the account or the credit limit of the account.

Terms

This field represents the terms of the account. This is either the number of installments expressed in months or the monthly payment amount.

Items As Of Date Reported/Balance

This field gives the amount owed on the account at the time it was reported to CBI/Equifax by the creditor.

Items As OF Date Reported/Pmt Due

This field gives the amount of money that is past due on this account at the time it was reported by the creditor.

Items As Of Date Reported/Status

This field represents the status of the account. It is represented as a letter/number combination. All the possible codes we explained below.

Letter codes

0 = Open (entire balance due each month)
R = Revolving (payment amount variable)
I = Installment (fixed number of payments)

Number codes

0 = Account approved but not yet used 1 = Paid as agreed
2 = 30 days past due
3 = 60 days put due
4 = 90 days past due
5 = 120 days past due
7 = Making regular pmts. under wage earner plan or similar arrangement
8 = Repossession
9 = Seriously delinquent bad debt (paid or unpaid)

Date Reported

This field gives the date the information in the account was last updated.

Other Account Information

Items that do not fit into the neat columnar format above are given in their own sections, all of which are explained below.

Collection Accounts

These are accounts that your creditors turned over to a collection agency for collection. This section gives the following information for each account:

When the collection was reported.
The date the account was assigned to a collection agency
The dollar amount involved in the collection
The date of last activity on the account
type of account.

Courthouse Records

This section contains public record items which were obtained from local, state, and federal courts which reflect your history of meeting your financial obligations.

Additional Information

This section generally contains information about your former addresses and places of employment reported by your creditors.

Inquiry Section

This section is a list of business that have received your credit report in the last 24 months.

The TransUnion Credit Report

The TransUnion credit report has several fields that contain various pieces of information pertinent to each item of credit in your report. The following sections detail each of these fields in a simple to understand English explanation.

Subscriber Name

This field contains the name of the credit grantor.

Account Number

This field contains the account number as reported by the credit grantor.

ECOA

This field contains the Equal Credit Opportunity Act account designators. These are codes designating ownership of the account. The codes are:

- * A = Authorized user of shared account
- * C = Joint contractual liability
- * I = Individual account for sole use of applicant
- * M = CO-signer primarily liable for account
- * N = Non-applicant spouse inquiry
- * P = Participant in shared account which cannot be distinguished as C or A
- * S = CO-signer, no spousal relationship
- * T = Relationship with account terminated
- * U = Undesignated

Subscriber Code

This field contains the credit granters subscriber code number.

Date Opened

This field contains the date the account was opened

High Credit/Credit Limit

This field contains the high credit on the account or the highest amount ever owed on the account.

Date Verified/Date Closed

This is the date the credit information was reported to TransUnion. These dates all have codes associated with them. The codes are:

- * A = Automated
- * C - Closed
- * D = Declined
- * F = Repossessed/Written Off/ Collection
- * H - Hired
- * I - Indirect
- * M = Manually Frozen
- * N = No record

- * P = Paid out
- * R = Reported but not verified
- * S = Slow answering
- * T = Terminated or temporarily frozen
- * U = Never/Not used account
- * V = Verified
- * X = No reply

Balance Owing

This field shows the account balance as of the date reported above

Amount Past Due

This field shows the amount past due on this account as of the date reported above.

Type of Account and MOP

This field is made up of two codes; the type of account and the manner of payment on the account. These codes are described below:

Type of Account

- 0 = Open account (30, 60 or 90 days)
- R = Revolving or Option account
- I = Installment account
- M Mortgage
- C Check credit (line of credit)

MOP (Manner of Payment)

- 00 = Not rated, too new to rate or approved, but not used
- 01 = Pays (or paid) within 30 days of billing; pays account as agreed
- 02 = Pays (or paid) in more than 30 days, but not more than 60 days; or not more than one payment past due. 03 = Pays (or paid) in more than 60 days, but not more than 90 days; or two payments past due.
- 04 = Pays (or paid) in more than 90 days, but not more than 120 days; or three or more payments past due.
- 05 = Pays (or paid) in 120 days or more.
- 07 = Making regular payments under wage earner plan or similar arrangement.
- 08 Repossession.
- 8A Voluntary repossession.
- 8D Legal repossession.
- 8P Payment to a repossession account.
- 8R Repossession redeemed.
- 09 Bad debt; charged-off account.
- 9B Collection account.
- 9P Payment to a charged-off account
- UR Unrated.
- UC Unclassified.
- RJ = Rejected.

Collateral

This field describes the collateral for an installment loan.

Terms

This field describes the terms of sale. This can include the number of payments, payment frequency, and dollar amount due each payment.

Remarks/Type Loan

This field contains the type of installment loan; automobile, boat, personal, etc.

Maximum Delinquency (Date/Amount/MOP)

This field contains the date the maximum state of delinquency occurred, the dollar amount involved, and the rating at the time of delinquency.

Payment Pattern

This field contains information on your payment pattern for the specified account for up to the preceding 24 months.

Historical Status

This field contains historical information on the account; the number of months it has been reported to TransUnion, the number of times it was late, etc.

Other Account Information

Items that do not fit into the neat columnar format above are given in their own sections, all of which are explained below.

Inquiry

This section indicates the firms that have inquired on your credit file for the past two years.

Promotions

This section describes all firms that were provided information on you in connection with promotional activities they were doing.

Collection

This section describes any accounts that are or have been in collection. The following information is supplied; the subscriber code for the agency, the amount of the collection, the ECOA designator, the status of the account, the date reported to TransUnion, the date it was paid (if applicable), and the creditor involved in the unpaid balance (if applicable). The collection status codes are,

BK = Bankrupt
BL = Discharged in bankruptcy
CC = Consumer counseling
CD = Dispute after resolution
DM = Dismissed
DP = Disputed

MP = Making payments
PD = Paid
SK = Skip
UK Unknown
UP = Unpaid
WE = Wage earner bankruptcy

Public Record

This section lists public record information about you. It will include the location of the court where the public record was recorded, the court type, the date the public record was reported to TransUnion, the ECOA designator, any liabilities or assets and the type of public record. Also listed will be the date paid (if applicable), the docket number, and the plaintiff and attorney involved in the case.

The Experian Credit Report

Due to numerous customer complaints about the complexity of the credit reporting format, Experian has completely revised their credit reporting format. They now send out a report written in plain English clearly describing all the information for each of the entries. There are no cryptic codes or numbers to look up. Because it is now so clear, no further description of TRW credit reports is necessary.

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