

Credit Repair 101

“Learn how to legally repair
your own credit”



The myth is, that you need to spend hundreds or even thousands of dollars with a large company to have your credit repaired. This is just not true! In this report, I will explain the process and give you a sample letter that you can send directly to the credit reporting bureaus to legally accomplish the same results that the so called “experts” do. I will also give you a few “Valuable Nuggets” to help keep your credit scores consistently on the high side!

BEWARE OF THE COMPANIES THAT PROMISE TO CLEAN UP YOUR CREDIT!

It is no secret that having a high credit score will save you money. When you apply for a home, auto or personal loan the terms you get are directly related to the 3 main scores that are reported from the credit reporting agencies. The higher the scores; the better the terms. Your credit report is also used in other ways, such as ratings from insurance companies and even some prospective employers review credit reports before making the decision to hire you. This is why you must ensure that the information on your credit reports are both accurate and precise.

Thanks to the Fair Credit Reporting Act (FCRA), you have a legal right to ensure the validity of your credit report. This law allows you to ask for an investigation of information found on your reports that may be inaccurate or incomplete. There is no charge for this. The FCRA also entitles you to a free credit report if you are turned down for credit. Also, each of the credit reporting agencies, Equifax, Experian and TransUnion are required to provide you with a free copy of your credit report, upon request, once every 12 months. For your convenience, the three companies have set up a central website and a toll free number for you to order your annual credit reports. To get your reports, simply go to www.annualcreditreport.com or call 877-322-8228. The process is simple and takes only a few minutes. (Although the reports are free, your scores are not. I suggest you also get a copy of your scores. For a nominal fee, they can be obtained by going to Equifax- www.equifax.com, Experian- www.experian.com and TransUnion- www.transunion.com)

Once you have obtained a copy of your reports you will need to carefully and thoroughly evaluate all information provided. ANY inaccurate or unverifiable information can negatively impact your scores. It is necessary to have copies from all three reporting agencies (or a “tri-merge” report) because what shows on one report may not be on the other- thus giving you a false evaluation. Now that you have evaluated your reports, you have a roadmap to correct any inaccurate information. You are ready for the next step! You may have many items with several different companies that need disputed. Simply repeat the process for each company.

All correspondence should be done in writing and sent by certified mail, “return receipt requested.” This way, you can document that the consumer reporting company received it. Tell the consumer reporting company what information you think is inaccurate. Include copies (NOT originals) of documents that support your position. In addition to providing your complete name and address, your letter should clearly identify each item in your report that you are disputing. State the facts, explain why you dispute the information and request that it be removed or corrected. You may want to enclose a copy of your report with the items in question either circled or highlighted. Keep copies of your dispute letters and enclosures. (Your dispute letter should look similar to the letter I have provided to you).

Consumer reporting companies must investigate the items in question, usually within 30 days. They also must forward all the relevant data in which you have provided about the inaccuracy to the organization that reported the information. After the information provider receives notice of a dispute from the consumer reporting company, it must investigate, review the relevant information, and report the results back to the consumer reporting company. If the information provider finds the disputed information is inaccurate, it must notify all three nationwide consumer reporting companies so they can correct the information in your file.

When the investigation is complete, the consumer reporting company must give you the results in writing, as well as a free copy of your report, if the dispute results in a change. If an item is changed or deleted, the consumer reporting company cannot put the disputed information back in your file unless

the information provider verifies that it is accurate and complete. The consumer reporting company also must send you written notice that includes the name, address, and phone number of the information provider.

If you request, the consumer reporting company must send notices of any correction to anyone who received your report in the past six months. You can also have a corrected copy of your report sent to anyone who received a copy during the past two years for employment purposes.

If an investigation doesn't resolve your dispute with the consumer reporting company, you can ask that a statement of the dispute be included in your file and in future reports. This entire process, while time consuming, will produce results for you. As you have learned, there are very precise laws put in place to protect you as the consumer. I urge you to take advantage them!

FAQs

What is a credit score?

A credit score is a complex mathematical model that evaluates many types of information in a credit file. A credit score is used by a lender to help determine whether a person qualifies for a particular credit card, loan or service. Most credit scores estimate the risk a company incurs by lending a person money. By doing this, the creditor evaluates the likelihood that the person will make payments on time in the next two to three years. Generally, the higher the score, the less risk the person represents.

Can I remove negative information from my credit if the report is accurate?

Not legally. Remember, when negative information in your report is accurate, only the passage of time can assure its removal. A consumer reporting company can report most accurate negative information for seven years and bankruptcy information for 10 years. Information about an unpaid judgment against you can be reported for seven years or until the statute of limitations runs out, whichever is longer.

Where can I get a copy of the Fair Credit Reporting Act?

For your very own copy of the 86 page document, simply go to <http://www.ftc.gov/os/statutes/031224fcra.pdf> for a free download.

What is a Beacon Score vs. a Fair Isaac Score vs. a Classic Score?

When you hear these terms, these are just the names that each of the credit reporting agencies have “tagged” as their names for your credit scores. Equifax uses Beacon Score, TransUnion uses Classic Score and Experian uses Fair Isaac Score.

So what's a good credit score?

By Freddie Mac standards, borrowers with FICO scores above 660 are likely to have an "acceptable" credit reputation and their loan files need only a basic review. The credit risk is "uncertain" for those with scores between 620 and 660, with a thorough review of the borrower's entire credit history. A score below 620 indicates "high risk" with an unacceptable credit reputation that could make traditional financing difficult to obtain. You should aim for a credit score above 680.

What other ways help keep my credit scores high?

One way you can keep your credit score high is to pay all your credit card payments on time or, if possible, ahead of time. By never being late with your monthly payment you can raise your credit scores by 15 to 20 points. Also make sure all loan payments for personal, mortgage, car or home equity loans are made on time and for the full amount due. By being late on just one or more loans can cost you as much as 100 points from your credit score.

If you use credit cards, make sure that you don't have more than four open accounts, as this can reduce your credit score by 10 or more points. The reason for this, is that credit card issuers are afraid that people with a large number of cards and/or a lot of available credit, are more likely to run up more debt than they are able to pay back. Keep in mind that credit cards with longer positive history are better for your credit score than those with

shorter history. So if you need to reduce the number of credit card accounts you have, it would be better to close newer accounts than positive older ones. Keeping a lower balance on your cards is helpful as well. Having maxed out cards is a big red flag! When possible, try and use 50% or less of the available credit allowed, (30% or less is ideal).

If you are seeking a loan, make sure you do not allow anyone to pull your credit until a competent Loan Officer or Lender assures you that chances are good that you will be approved for the loan and that you are certain you would be going ahead with the loan application from that particular lender. Having multiple credit reports run on your account, or showing a lot of inquiries, can cause your credit scores to drop as well.

Sample Dispute Letter

Date

Your Name

Your Address

Your City, State, Zip Code

Complaint Department

Name of Company

Address

City, State, Zip Code

Dear Sir or Madam:

I am writing to dispute the following information in my file. The items I dispute are also encircled on the attached copy of the report I received.

This item (**identify item(s) disputed by name of source, such as creditors or tax court, and identify type of item, such as credit account, judgment, etc.**) is (**inaccurate or incomplete**) because (**describe what is inaccurate or incomplete and why**). I am requesting that the item be deleted (**or request another specific change**) to correct the information.

Enclosed are copies of (**use this sentence if applicable and describe any enclosed documentation, such as payment records, court documents**) supporting my position. Please investigate this (these) matter(s) and (delete or correct) the disputed item(s) as soon as possible.

Sincerely,

Your name

Enclosures: (**List what you are enclosing**)