Chapter Seven

Do-It-Yourself Credit Repair

The credit repair industry is a multi-million dollar business.

Why? Your credit score is used to determine a variety of factors including whether you are hired for a job, whether you qualify for insurance or a home loan, and, most importantly, the rate at which you can borrow money. For major purchases like a car or home, having a better credit score can literally translate to a difference of thousands of dollars in interest payments alone.

What most credit repair companies won't tell you is *they can't do anything for you that you can't do yourself*!

The average credit repair company simply sends out generic form letters. In essence, they throw a lot of paper at the credit bureaus' walls and hope a few stick. These credit repair companies seldom look for specific problems *within* items to dispute, look for discrepancies between credit reports from different bureaus, or send supporting documentation. They just plug and chug.

Furthermore, no credit repair company I know of sends disputes to the credit bureaus by certified mail with return receipt. Without proof of delivery, there is no recourse if a bureau fails to respond to a dispute in a timely manner. Sadly, millions of negative records remain on credit reports that could have otherwise been removed if proof of delivery could have been demonstrated.

This section will teach you all of the insider tricks that credit repair companies use, and even some they don't! By the time you are finished reading this section you will know more than most "professional" credit repair companies out there.

Why You Can, and Should, Do-It-Yourself

1. The overwhelming majority of credit repair companies simply dispute negative entries on your credit report in the hopes that the credit reporting agencies won't be able to verify the information with creditors and will be forced to remove those entries from your credit report. Although 70 – 90% of all credit reports include some errors, the vast majority of negative entries on the average credit report are in fact valid. Since most credit repair companies simply dispute negative entries on your report, those entries will most likely be verified by the credit reporting agencies and will not be deleted.
2. Using a credit repair company that simply disputes tradelines is like playing the slots: your hope is that all three bureaus will be unable to verify the entries in a timely or appropriate manner. More than likely, if a valid negative entry is

removed at all, it will only be removed from a single bureau's report and can easily be reinserted.
3. Most credit repair companies don't teach you how to BUILD your credit.
4. By law, no one but you is allowed to dispute any information on your credit file. Many credit repair companies have to "pretend" to be you when they send dispute requests to the credit bureaus. If the credit bureau determines that someone other than you is disputing information on your credit report, they are entitled to deny the request.
5. Best of all, you can do all of this yourself for the price of postage and proof of delivery!

All you need now are a few simple rules from the Fair Credit Reporting Act, an understanding of how your credit score is calculated, and the insider credit repair techniques outlined in this book.

Why You Must Take Action: The Consequences of Bad Credit

A poor credit history and a low credit score can have a devastating effect on your finances and on your lifestyle. I cannot stress enough the importance of erasing bad credit, increasing your credit score, and regularly monitoring your credit report for fraudulent activity. Your credit score creates a virtual reputation that can have far-reaching and sometimes unexpected consequences. Let's look at a few.

Increased Fees & Penalties

Falling behind on credit payments can result in late fees, over-limit fees, legal fees, repossession fees, penalty fees, deficiency payments, and default rates. In fact, creditors often charge fees even before they extend you credit based upon your credit score: you might be charged a set-up fee, a monthly maintenance fee, an annual fee, or a new customer fee.

Higher Interest Rates

The lower your credit score, the higher your interest rate—and the difference can be significant. At first glance, the differences in monthly payments in the chart below may not look significant. However, if you have a credit score between 620 and 639 you'll pay more than $110,000 in additional interest over the life of the loan than a person with a credit score above 760!

Sample of the Interest Rate on a 30-Year Fixed Mortgage for $300,000

FICO® score	APR	Monthly payment
760-850	5.404%	$1,685
700-759	5.626%	$1,727
680-699	5.803%	$1,761
660-679	6.017%	$1,802
640-659	6.447%	$1,886

620-639	6.993%$1,994

Even something minor like having too many account inquiries in your file, or carrying a high balance on your credit card, can drop your score and trigger an automatic rate increase.

Loss of Employment Opportunities

Many potential employers review your credit report to determine your suitability for hire. Why? Many people feel the way a person manages their finances is a reflection of how they handle other areas of their life, including work. They view potential employees with a bad credit history as potentially unreliable and unproductive. Conversely they view prospective employees with good credit as responsible, productive, and trustworthy.

Increased Insurance Premiums

The guys at the insurance companies who crunch numbers and look for trends will tell you there is a strong correlation between clients with bad credit and the number of reported insurance claims. The result of their findings: if you have bad credit, you'll be charged a higher premium and may even be denied insurance altogether.

Inability to Rent Property

If you have your eye on renting a new apartment, your credit history may affect the acceptance of your application. Almost without exception, landlords perform a credit check. They look for late payments, missed payments, or defaults on your credit report. To a landlord, your payment history is a good indication of how you will pay, regardless of whether you have a stable income or outstanding references.

Inability To Buy a Home

The number one indicator of financial stability and net worth is whether or not an individual owns a home. A bad credit score can keep this aspect of the American Dream permanently out of your reach.

Chapter Eight

What Is Credit?

Credit begins with you, the *debtor*. If you wish to purchase something now and pay for it later, one way is to apply for credit with a *creditor* (or lender). Your payment history is then reported to the credit bureaus by your creditors and becomes part of your credit report and score. There are many types of credit available, but most fall into two basic categories:

1. Secured Credit: secured credit involves, you guessed it, *security*. The credit is secured with real property—like a house, a vehicle, or some other tangible asset—and the lender is protected if you should default on your loan. Under default, they can repossess the property tied to the loan. Secured credit usually comes with lower interest rates and longer terms because it's less risky for a lender.
2. Unsecured Credit: unsecured credit is backed only by your promise to repay the debt. The lender faces greater risk and for that reason unsecured credit usually comes with higher interest rates and shorter terms. Most credit card accounts, signature loans, and lines of credit fall into this category.

In order to determine whether you are a good credit risk, the lender conducts a credit check by contacting one of the three major credit bureaus: Equifax, Experian, or TransUnion. Besides the "Big Three" credit bureaus, there are many other specialty credit bureaus, but for the most part creditors obtain consumer credit information from one or more of the three major bureaus. The credit bureaus provide lenders with a credit report that contains information on your credit and payment history along with a credit score. A credit score is a numerical rating based on the information on your credit report, and is used to quickly tell the lender how likely you are to default on a loan.
As you can now see, your credit report and credit score makes all the difference in whether or not you will be approved for a loan, and under what terms. Since 70 – 90% of all credit reports include some number of errors, the government has created legislation allowing you to dispute incorrect, outdated, and/or incomplete information. In addition, agencies were created to regulate and oversee the industry as a whole—both the reporters of credit information and the credit bureaus themselves. Guidelines for regulating the industry and protecting your rights are spelled out in the Fair Credit Reporting Act.

What Is the Fair Credit Reporting Act?

The Fair Credit Reporting Act (FCRA) is a set of federal laws that regulates how a consumer's credit information is collected, shared, and used. The FCRA promotes accuracy, fairness, and privacy by outlining the responsibilities of:

- Consumer Reporting Agencies (CRAs): credit bureaus, like Experian, TransUnion, and Equifax that report your credit information to creditors, employers, landlords, insurance companies, etc.
- Furnishers of credit information: usually your creditors, but also collection agencies, employers, and courts, all of which can provide your credit information to the consumer reporting agencies.
- Users of credit information: businesses and individuals that extend credit, insurance, employment, apartments for rent, etc.

Your Rights: How the FCRA Helps You

So why should you care about the FCRA? Understanding and using the provisions of the FCRA is the basis of the credit repair process. With a clear understanding of the rules contained within the FCRA and how to use those rules to your advantage, you can remove almost any negative entry from your credit report. Though the intent of the FCRA is to allow you to remove outdated or inaccurate information, it can also be used to remove negative items that are valid but that contain reporting errors. There are over 40 pieces of information that each of your entries should contain. If any piece of information is missing or inaccurate and is not updated in a timely or appropriate manner, then the *entire entry must be removed!* (Coincidentally, the Federal Trade Commission doesn't allow credit repair companies to state that valid negative entries can be removed using the FCRA. Good thing I'm not a credit repair company!)
Here is a brief description of your rights under the FCRA:

- You have the right to review your credit file. Upon request, the credit reporting agencies are required to provide you with a copy of your credit report. You may receive one free credit report per year. Additional copies are available for a fee.

- You have the right to receive your credit score. A credit score is a number used to rate your credit worthiness. For a nominal fee, you may obtain your current credit score from the credit reporting agencies.

- You must be notified if information in your credit report is used to deny you credit, insurance, or employment. If you are denied, you may also, at no charge, request a copy of the credit report that served as the basis for denying you credit.

You have the right to dispute inaccurate or outdated information in your credit report, and the consumer reporting agencies are required to investigate those disputes.

Consumer reporting agencies must correct or delete inaccurate, incomplete, or unverifiable information within 30 days.

Consumer reporting agencies cannot report negative information about you that is outdated—this means information that is more than seven years old, or a bankruptcy or tax lien that is more than ten years old.

Access to your credit file is restricted only to those who have a verifiable need, such as creditors, employers, and insurers.

Employers, or potential employers, are not allowed to review your credit report without your written approval.
You have the right to sue anyone who violates the FCRA.

But wait, there's more!

The FACT Act
The Fair and Accurate Credit Transactions (FACT) Act of 2003 provides additional consumer protection. It redefines and sets new credit-reporting standards for accuracy, privacy, limits on information sharing, and consumer rights to disclosure. The FACT Act expands your rights, protects your identity, and grants you more power regarding your credit report. Here's what the FACT Act does:

Allows you to receive free copies of your credit report if you have suffered an adverse action based on your credit file.

Requires your consent before anyone may view your credit report or specialty reports that contain your personal medical information.

Requires creditors to inform you if they place any negative information in your file.

Lets you place a 100-word statement in your file to explain any extenuating circumstances or details about specific disputes or negative entries.

If your identity is stolen, allows you to place a fraud alert and freeze your credit file by simply calling one of the credit bureaus.

Allows you to sue and receive damages from anyone who violates the FACT Act.

Each state also maintains its own laws related to credit reporting. Visit your state Attorney General's website for additional state-by-state information.

Chapter Nine

What is a Credit Score?

Back in the 1950s, a company called Fair Isaac Corporation created a modeling method to predict consumer payment behavior. As a result, the credit score was born. A credit score is a three-digit number ranging from 300 to 850 that summarizes your risk of default. A credit score is a key component used in most credit reviews performed today. There are two main types of credit scores: FICO and VantageScore. In addition, there are a number of proprietary credit scoring models, like NextGen, BEACON, and EMPIRICA. In almost every case your credit-worthiness will be evaluated using a credit score calculated by FICO or VantageScore.

What Affects Your Credit Score?

Your credit rating is affected by your payment history, the total amount you owe all creditors, your debt to available credit ratio, the types of credit you have, how long you've had credit, and how much new credit you've received or recently applied for. Let's look a little closer at each component of your credit rating:

Payment History takes into account how you have paid your creditors over the past 7 years—if you pay on time as agreed, made late payments, or defaulted on a loan.

Balances considers how much you owe your creditors and how many high balances you carry.

Ratio of Debt to Credit is the percentage you owe on an account compared to the account's total credit limit. When you owe more than 50% of the credit limit your credit score is adversely affected. As a general rule, your goal should be to keep your balance below 50% of the total credit limit. Below 30% of the credit limit is even better. (Though not a part of your credit score, most lenders will also look at your overall debt to income ratio—short, how much you owe versus how much you earn. The lower the ratio the better.)

Types and Diversity of Credit means the kind of credit you carry, such as revolving credit (the riskiest type of credit), or secured credit (the safest type of credit). According to the credit bureaus an ideal number of entries is made up of two installment accounts (like a mortgage and an auto loan) and two revolving accounts (like credit cards, store cards, gas cards, etc.).

Credit History. The longer you have had positive credit accounts, which remain open and active, the higher your credit score.

New Credit and Inquiries. Every time you apply for new credit, or ask for an increase in credit, your credit score is adversely affected. Credit and collection agency inquiries are considered “hard pulls” and lower your credit score. According to credit industry statistics, six or more recent inquiries on your credit report implies you will be eight times more likely to file for bankruptcy than if you had no inquiries in your file. Receiving promotional offers or requesting your own report or score are considered “soft pulls” and do not affect your score.

Even though “soft pulls” do not affect your credit score, if you wish to opt out of pre-screened offers you can do so by submitting your contact information at www.optoutprescreen.com.

What Does *Not* Affect Your Credit Score:

Age, Gender, or Income

Inquiries made by you to review your own credit score or credit report

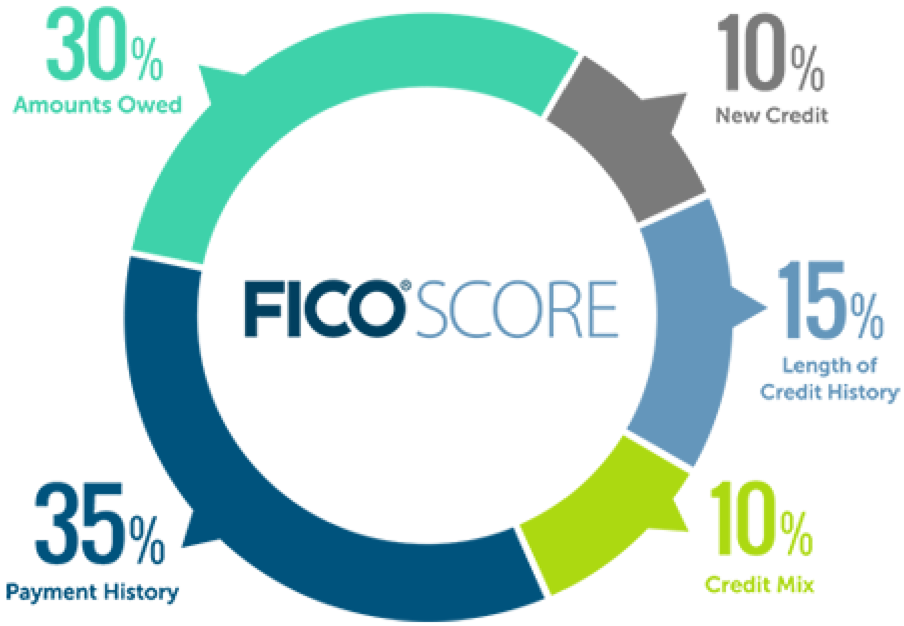
Inquiries made for the same type of credit, such as for a mortgage or car loan within a 14-day period—this allows you to comparison shop for financing without your credit score taking a big hit (keep in mind this grace period does not extend to credit card inquiries)

Your spouse’s credit score or credit history–any joint credit accounts you hold with your spouse will appear on both of your credit reports and affect both of your credit scores, but your and your spouse’s credit scores are not merged

Credit Scoring Models

So how is your credit score determined? FICO and VantageScore use slightly different scoring models.

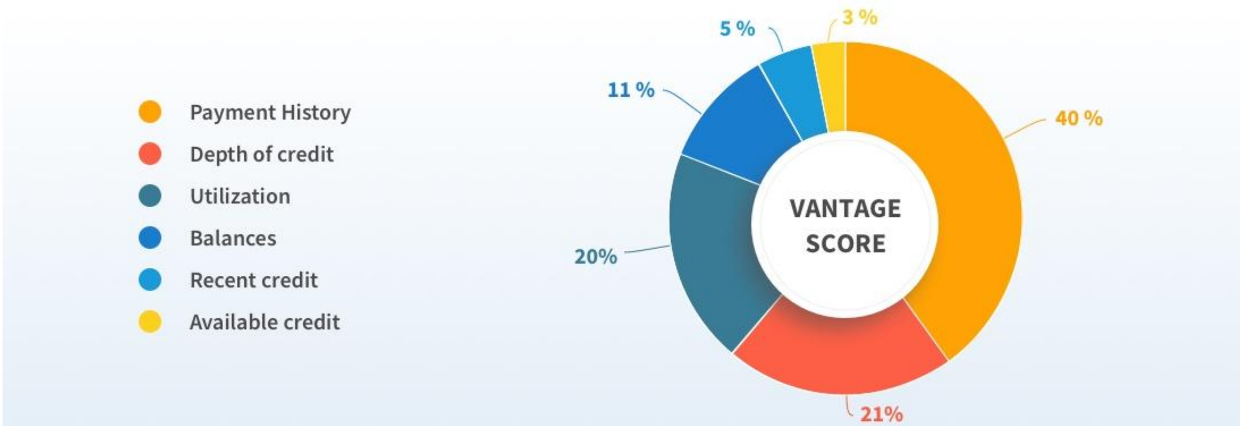
The FICO score is the most widely used by creditors. The FICO score ranges from 300 to 850. The higher your score, the better your credit rating. Your FICO score is made up of five components:



1. Payment History (35% of score)
   This section includes payments made on time as well as the number of late payments (including how many late payments you have and the dollar amount of the late payments). Recent activity has a larger impact on your score than older activity.
2. Amounts Owed (30% of score)
   This section includes the total amount you owe, the amount you owe by account type (such as revolving, installment, or mortgage), the number of accounts on which you're carrying a balance, and the proportion of the available credit lines used. To receive a high number in this category, you should have a low balance owed in relation to the amount of credit available. For installment credit, your proportion of balance is defined as the amount remaining on the loan in relation to the original amount of the loan. For revolving credit, your proportion of balance is defined as the amount you currently owe in relation to your credit limit.
3. Length of Credit History (15% of score)
   A longer credit history increases your credit score. This is both the age of your active accounts and the length of your credit history across all accounts.
4. Variety of Accounts (10% of score)
   In an ideal situation you will use a mix of different types of credit. If you carry a high-percentage of risky types of credit, such as revolving credit (credit cards) or finance-company loans, your score will be lower than if you debt is from more secure credit, such as car loans or mortgage loans.

5. New Credit (10% of score)
   This category takes into account the types and number of new (and increased) credit lines, which includes applications for credit. The more new, requested, or increased credit you have, the lower your score in this category. Why? Fair Isaac assumes that if you apply for more credit (and especially for several new accounts at the same time) you may be living beyond your means and will be unable to afford to pay off the debt.

On March 14, 2006, the “big-three” credit bureaus created another model, VantageScore, for use as a common scoring product method, although they each still offer their own proprietary scoring methods as well. The VantageScore numerical range is 501 to 990.
As of 2020, your VantageScore is determined by six components:



1. Payment History (32% of score)
   As with the FICO score, your payment history is the most significant element in determining your VantageScore credit score.
2. Utilization (23% of score)
   This is the percentage of your available credit that you have used. Using a smaller proportion of your available credit has a positive affect on your credit rating.
3. Increasing Balances (15% of score)
   Recent increases in your balances indicates greater risk and lowers your score.
4. Depth of Credit (13% of score)
   This means how long you’ve had credit, along with the types of credit you hold.
5. Recent Credit (10% of score)
   This is the number of credit accounts you have recently opened and new inquiries you have made. Initially, when new credit appears on your record it will lower your score. Over time, if you keep new accounts in good standing, they can

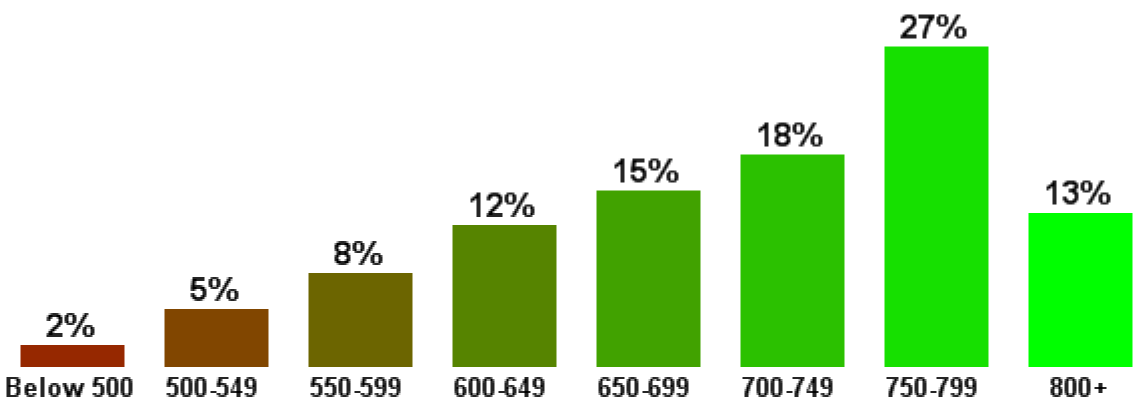
actually help increase your credit score, especially if you keep your utilization rate low.

6. Available Credit (7% of score)
   This is the amount of credit available on *all* your accounts. The more credit available (and the less used) the higher your credit score.

What Is a Good Credit Score?

What is considered a "good score" changes over time, depending on changes in the overall population's credit and payment history. No matter what the current "good range," think of a "good credit score" as a score that allows you to obtain credit at an affordable rate.

Below is a current bar chart showing the national distribution of FICO scores. Take a look and see where you stand.



VantageScore uses a grading system scale to estimate your ranking:

Grade	Name	Score Range	Percentage of Population
A	Super Prime	901 to 990	15%
B	Prime	801 to 900	50%
C	Near Prime	701 to 800	25%
D	Sub-Prime	501 to 700	10%

Obtaining Your Credit Score

Remember, because there are different credit bureaus, you will always have more than one credit score. You will have at least four credit scores: your FICO Score, your VantageScore, and the credit bureaus' proprietary scores. Equifax uses BEACON, TransUnion uses EMPIRICA, and Experian uses VantageScore. Each of your credit scores will be different because each of the credit bureaus maintains separate files of your credit history, and not all creditors report to each bureau.

The credit bureaus charge an additional fee (not to exceed $9.00) to provide your credit score along with your credit report.

Chapter Ten
What Is a Credit Report?

A credit report details a consumer's borrowing and repayment history. Each of the three big credit bureaus—Equifax, Experian, and TransUnion—provide credit reports to your creditors and others, such as potential employers, landlords, and insurance companies, who seek information about your credit history.

Who Is Allowed to Get a Copy of Your Credit Report?

If a business or individual has a valid reason to review your report *and* has your permission to do so, they can get a copy of your report. Keep in mind you might not know you're giving permission; your "permission" is often included in the fine print of the credit card, loan, or employment application you sign.

Here's a quick summary of who can review your report:

- Creditors: Anyone you ask to grant you credit, including for a credit card, a car loan, a student loan, or a mortgage
- Landlords: If you submit an application to rent an apartment
- Employers: If you submit a job application
- Insurance Companies: If you apply for insurance, including auto, homeowner's, renter's, and medical insurance
- Professional Licensers: If you apply for certain professional licenses, including investment banking, stock trading, and gambling licenses
- The Courts: Your credit record can be viewed by court order or subpoena
- Collection Agencies: If you have defaulted on an account and it is sold to a third-party debt collector

- Internal Revenue Service: If you owe the IRS money
- You: Last, but definitely not least, you are allowed to review your own file (see the section below on Obtaining Your Credit Report)

How Negative Information Gets on Your Credit Report

All the information on your credit report is supplied to the credit bureaus by your lenders, employers, bill collectors, courts, public utilities, and anyone else who supplies you credit.

The Fair and Accurate Credit Transactions Act (FACT Act) requires that you be notified if negative information about you is reported to a credit bureau. Your creditor (or third-party debt collector) must send you a one-time notice either before, or no later than 30 days after, negative information (late payments, missed payments, partial payments, or other defaults) is given to a credit bureau. This notification rarely happens and can be a factor in your favor in some of our debt relief and lawsuit strategies.

How Long Does Information Stay on Your Credit Report?

Most entries made in credit reports have a limited lifespan and must be removed from the credit file after that time has elapsed.

TYPE OF ACCOUNT	TIME LIMIT ON CREDIT REPORT
Credit Accounts in good standing	Up to 10 years
Credit Accounts in bad standing	7 years
Collection Activity	7 years
Charge-Offs	7 years
Unpaid Judgments	7 years from filing date or until the statute of limitations expires (whichever is longer)
Paid Tax Liens	7 years
Unpaid Tax Liens	No time limit
IRS Liens	Until removed by the IRS
Bankruptcies *(Chapter 7, 10, 11, & 13)*	7-10 years
Employer Inquiries *(for salaries greater than $75,000)*	No time limit
Insurance Inquiries *(for policies greater than $150,000)*	No time limit

What Is Included in Your Credit Report?

You will find the following information in each of your credit reports:

1. Personal Identification Information
   Name
   Social security number
   Birth date
   Past and present addresses
   Recent employment history

2. Public Record Information
   Tax liens
   Bankruptcies

Foreclosures
Judgments
Child support orders

3. Individual Credit Account Information
   Whether they are open or closed
   The name of the lender you owe
   What type of account it is
   Whether it is a joint account (shared with another person, such as a spouse) or individually held
   The outstanding balance
   The amount of your monthly payment
   Whether you've paid late or on time
   Your credit limit

4. List of Inquiries

The names of companies or individuals who requested your credit report for the purpose of granting you credit.

5. 100 Word Statement (optional)

An optional message you can write and submit, used to explain any extenuating circumstances related to negative information in your credit report.

6. Credit Score (optional)

An add-on you may request.

How Do You Read Your Credit Report?
Each credit report differs in its appearance, but contains the same basic information, usually divided into four sections:

1. Identifying Information
2. Account History

May be sub-divided into two sections: positive accounts and collection accounts.

3. Public Records
4. Inquiries

Divided into two categories: hard and soft inquiries.

Your personal profile details, public records section, and list of credit inquiries are self-explanatory and easy to read. The account history section is a little trickier to follow if you've never seen a credit report. Following is a breakdown showing how each of the three main credit bureaus lists the account history section.

EXPERIAN CREDIT REPORT

Experian groups accounts into categories like "Accounts in Good Standing" and "Potentially Negative Items." Each account is listed alphabetically by creditor. For security purposes, the full account number is not provided in the report, so other people don't have access to your account numbers. Here's what appears in the Experian Account History section:

- Status—open or closed account
- Date Open—the date the account was opened
- Reported Since—first reported date
- Date of Status—when the status was updated
- Last Reported—when the last update was reported
- Account Type—installment, revolving, or mortgage
- Terms—the number of payments in your payment plan
- Monthly Payment—the latest reported minimum payment due
- Responsibility—who has to make the payments (individual or joint)
- Credit Limit—the highest amount you have been approved to use
- High Balance—the highest amount you've ever owed on the account
- Recent Balance Information—the current total amount you owe
- Recent Payment—the most recent payment you made on the account
- Account History—indicates whether you have paid on time or late
- Your Statement—optional section where you can write a response to the account history information
- Account History—this section repeats as an optional response by the creditor to any statement you may have placed on the credit report

EQUIFAX CREDIT REPORT

Equifax reports its "Account History" by type of account, such as mortgages, revolving credit, installment accounts, etc. Equifax shortens account numbers to protect your privacy. Equifax provides a short summary before each account listing, including your "Account Status," which indicates whether you have paid the account as agreed or defaulted. An Equifax account history looks like this:

- Account Number—the number used to identify the credit card or loan
- Account Owner—who is responsible for the account (individual or joint)
- Type of Account—installment, revolving, other, or collections

Term Duration—the total number of payments in your repayment plan
Date Open—the date the account was opened
Date Reported—when the lender last reported on the account
Date of Last Payment—the last time you made a payment on the account
Scheduled Payment Amount—lists the amount due each month on an installment account
Creditor Classification—indicates the type of creditor
Charge-Off Amount—the amount of any debt that was not paid by you that the lender wrote off as uncollectible
Balloon-Payment Amount—the amount of the lump-sum payment at the end of the loan term (some loans will not have this payment)
Date Closed—when you closed the account
Date of First Delinquency—when you first defaulted on your payment plan
Comments—additional information about the account supplied by the creditor
Current Status—indicates if you are paying on time or are past due
High Credit—indicates the highest amount of credit you have ever used on the account
Credit Limit—the highest amount of credit available for the account
Term's Frequency—indicates when your payment is due (monthly, weekly, quarterly, etc.)
Balance—the total current amount owed on the loan
Amount Past Due—the amount that was due but has not been paid
Actual Payment Amount—the amount of money you paid on the due amount
Date of Last Activity—when you last used the account
Months Reviewed—how many months are reviewed and included on the credit report (Equifax maintains up to 81 months of an account's history)
Activity Description—indicates if it is paid, closed, etc.
Deferred Payment Start Date—indicates the start date to begin paying on a deferred loan (such as a promotional loan or student loan)
Balloon-Payment Date—when the lump-sum amount is due at the end of your loan term
Type of Loan—indicates if it's a credit card, auto loan, etc.
81-Month Payment History—outlines each month's payment status for up to seven years of account history (notations include "pays as agreed," VS for voluntary surrender, F for foreclosure, R for repossession, CO for charge-off, CA for collection account; a number, such as 30 or 60, indicates a range of days past due

TRANSUNION CREDIT REPORT

On the TransUnion report, your “Account History” is grouped into “Adverse Accounts” and “Satisfactory Accounts.” TransUnion displays the account numbers in full. Contact information for the creditor (mailing address and telephone number) is typically included. A Transunion “Account History” section looks like this:

Loan Type—indicates if the debt is a credit card, mortgage, auto loan, line of credit, etc.

Late Payments—grouped under 30, 60, or 90 days old

Remark—indicates if the account is open or closed

Balance—the current total balance on the account

Date Updated—when the lender last reported information on the account

High Balance—the highest amount you have ever owed on the account

Collateral—the security (usually property) used to ensure payment of the loan; may include the physical address of the property

Credit Limit—the highest amount you can use on this account

Past Due—the amount overdue on the account

Terms—the total payments you agreed to pay on the repayment plan

Payment Status—indicates if you have paid, late paid, or are past due on the account

Account Type—additional details about the type of account

Responsibility—lists who signed to repay the loan (individual or joint)

Date Opened—when the account was opened

Date Closed—when the account was closed

Date Paid—when the loan was paid off in full

How To Get a Copy of Your Credit Report

To thoroughly repair your credit, you must review a credit report from each of the three major credit bureaus since information will vary between reports, as will the credit score provided by each agency. The good news is you are entitled to one free credit report from each of the three agencies each year. You are also entitled to an additional free report from each of the bureaus if:

You were denied credit within the last 60 days

You are unemployed and attempting to find employment within the next 60 days

You are on welfare

You are a victim of fraud or identity theft (and have filed a police report)

You can request your free credit reports via telephone, the Internet (annualcreditreport.com), or snail mail (see the Appendix for a template*)*. The information you need to provide to verify your identity and qualify to receive your credit report varies from one bureau to the next, but in most cases you will be asked for your:

Social security number

Creditor information
Former addresses (and the dates you lived at each location)
Employment history

Following is the contact information for each of the credit bureaus:
Equifax
Post Office Box 740241
Atlanta, GA 30374
(Their telephone number changes frequently. The current telephone number will be listed on your credit report.)
www.equifax.com

Experian
Post Office Box 2104
Allen, TX 75013-2104
888.397.3742
www.experian.com

TransUnion
2 Baldwin Place
Post Office Box 1000
Chester, PA 19022
800.916.8800
www.transunion.com

To make obtaining your credit information easier there is also a central source where you can obtain your free annual credit report from all three bureaus:
Annual Credit Report Request Service
Post Office Box 105281
Atlanta, GA 30348-5281
877.322.8228
www.annualcreditreport.com

Chapter Eleven
Removing Negative Records

What Can You Dispute?
The Fair Credit Report Act (FCRA) defines a process you can follow to dispute inaccurate or outdated tradelines and have them removed from your credit report. The FCRA is not intended to allow you to remove legitimate negative tradelines. In fact, the Credit Repair Organizations Act, which regulates the credit repair industry, requires credit repair companies to make the following disclaimer to their clients:

You have a right to dispute inaccurate information in your credit report by contacting the credit bureau directly. However, neither you nor any "credit repair" company or credit repair organization has the right to have accurate, current, and verifiable information removed from your credit report. The credit bureau must remove accurate, negative information from your report only if it is over 7 years old. Bankruptcy information can be reported for 10 years.

However, even if a negative item on your credit report is yours, it may not be reported accurately or be verifiable in a timely manner. And that's good news for you because, if a negative tradeline on your report contains *any* errors (such as incorrect number of days late or amount of your current balance) or omissions (like missing account information), you can initiate a dispute. If the credit bureau is unable to verify or update the information within 30 days, the entire entry must be removed from your credit file!

Finding Errors and Omissions
Research shows that approximately 80% of all credit reports include errors. Based on my experience in the industry, I feel that estimate is actually on the low side. Given all of the information that a single entry should accurately report, there are many opportunities for a creditor to make an error (see the section entitled What is Included in Your Credit Report for a complete list). All you need to find is a single error on an entry to initiate a dispute. In actuality, you can initiate a dispute even if you don't find a reporting error or omission at all! More on that later.

Here's what to look for when reviewing your credit report for errors and omissions:

1. Ensure your name is spelled correctly and that only one name appears on your report. If you're a Jr. or II it's easy for the credit bureaus to receive information that actually belongs on Sr.'s or III's report and not yours. Names are also frequently misspelled (like 'Smith' instead of 'Smyth'). Too many misspelled names on your account can cause creditors to be concerned that you may be using aliases to escape a bad credit history, or worse.

To remove erroneous names or variations of your name that may appear in your credit file, simply send a letter requesting the update, along with copies of your valid driver's license and signed social security card, to the credit bureau asking them to update their records with your current legal name.

If you have legally changed your name for professional or personal reasons (marriage, for example) and there is bad credit associated with your previous name, you might consider having the old name removed from your credit file using the method described above. This strategy can make it more difficult for the credit bureaus to verify negative accounts associated with your former name. Before you remove a previous name, however, try to make sure that all of your positive accounts are reflected on your credit reports. Not all creditors report to all three bureaus, but if you notice any omissions of positive entries, contact the creditor and ask them to update your credit report before removing an old name.

1. Check that your Social Security number and birth date are correct. The last thing you want is someone else's credit history associated with your credit file.
2. Make sure your address(es) are correct. Incorrect addresses can lead to incorrect information in your credit file.
3. See if there are any accounts listed that are not yours. If you have never done business with a bank or store listed on your report, either someone else's credit erroneously ended up in your file because of a misspelled name or incorrect Social Security number, or worse, your identity may have been stolen and someone is using your information and credit.
4. Identify the accounts that list negative activity and review those accounts in detail for any missing or inaccurate information you can dispute.
5. Look for any account balance histories that are not up to date. Check to see whether a lender has updated the status of a negative account to reflect recent positive activity.
6. Search for any duplicate accounts (especially collection accounts). Accounts may be duplicated when a lender issues different types of credit accounts, like revolving and installment accounts, or when you change addresses and the creditor incorrectly creates a second account number associated with your new address even though you really only have one account.
7. Often you will find duplicate listings for collection accounts. When a lender writes off a non-collectable debt, they sell the account to a debt collector. Both the charge-off account and the collection account will be listed on your credit report. However, *if the collection agency that purchased your debt then sells the account to another collection agency, only the latest collection agency account should appear in the file; the older one should be removed.*

One exception, however, is a student loan. Student loans are often reported more than once on your credit file because each loan is reported as a separate loan for each enrollment period, such as each semester or year you were in college.

1. Determine if any discharged debts are reported as charge-offs. In a bankruptcy, when debts are discharged the debt balance becomes zero. The credit report entry should indicate the debt was discharged under the bankruptcy chapter. If a discharged debt is recorded as a charge-off it should be removed and/or updated.
2. Look for any closed overdraft protection accounts. Lines of credit established as overdraft protection accounts are sometimes reported to the credit bureaus. If the account for which the line of credit was established to protect has been closed, this data should be completely removed from your credit file. Obviously, this kind of account can remain if it is a positive account.
3. Search for any debt that is the responsibility of an ex-spouse. If you incur debt from a joint account held during a marriage, the data will appear on both spouses' credit reports. After a divorce, the original debt will still appear on both parties' credit files. However, any debt that is acquired individually by an ex-spouse during divorce proceedings should only appear on that person's credit report.
4. Review all the positive accounts and determine if any are missing. Make a list of any missing accounts you would like to have added to your report to help boost your credit score.
5. Compare each of your three credit reports. Make note of accounts that do not have matching information on all reports. Also note any accounts listed on one of your credit files that are missing from one or more of the other reports. You can choose to dispute these non-matching and/or missing accounts.

The Dispute Process

As you know, the FCRA law allows you to dispute any information on your credit report that is outdated, inaccurate, or incomplete. When you file a dispute to help with credit repair, the credit bureaus are required to conduct an investigation and report the results of that investigation in a timely and appropriate manner.

There is absolutely no charge for this service—it's your right as a credit consumer.

You may file a credit report dispute online, over the telephone, or by mail *(*see the Resource Library for letter templates). It is best to do everything in writing to create a document trail you can reference in case something goes wrong or gets lost. (You'll also get better results by submitting written requests for several more reasons I will describe in more detail below.) Send your letter by certified mail, return-receipt requested, so you can document that your dispute letter was mailed and when it was received. Always keep a photocopy of your dispute letter and any enclosures.

After you submit your dispute, the credit bureau will then contact the creditor who reported the disputed information. When the creditor receives a request for verification from the credit bureau, it must investigate the data, review all relevant information provided, and report the results of that investigation to the credit-reporting agency.

The credit bureau has 30 days to complete its investigation and another 7 days to notify you of the results. That's why you send dispute letters return-receipt requested: when the dispute letter is received, the clock starts ticking. *If the credit bureau does not complete its investigation and notify you within 37 days of receiving your dispute—regardless of whether the entry is in fact valid—the entry must be removed from your credit file.*

If the investigation and notification is completed within the required timeframe, your results will be one of the following:

1. No change, along with a reason why the item is unchanged
2. Updated, with new information
3. Deleted (Yes!)

The credit bureau will also provide you with a free copy of your updated credit report if the dispute results in a change to your credit report.

If an entry is in any way changed or removed, the credit bureau is not allowed to put the information back on your report unless the creditor who provided the information later verifies its accuracy. In that case, the credit bureau is required to notify you, in writing, that the disputed data is being put back on your credit report (keep in mind, this rarely happens). They must also provide you with the name, address, and phone number of the company that submitted the verification.

You may also request that the credit bureau send notices of the corrections to anyone who reviewed your credit report within the last six months.

Chapter Twelve

Dispute Strategies

Disputing Primary Creditor Records

To initiate a dispute, send a letter of dispute to the credit-reporting agency (see the Resource Library for a template*)*.

Written requests for an investigation should:

1. Explain why you are disputing the item(s)
2. Request an investigation to resolve the issue, including the contact information of any furnisher of information
3. Include a copy of the credit file with the disputed entries circled
4. Include a copy of your driver's license and current utility bill to verify your identity
5. Include any additional supporting documentation coded to match the entries circled on the credit report

If you have accounts that do not reflect the same information on each of your three credit reports you can request that the two reports be made to match. For example, if your TransUnion file states that your Citibank account is 60 days late, but your Experian file reports the same account is 90 days late, you can send a copy of the TransUnion credit report to Experian along with a request stating you want the account to be reported as 60 days late.

If the credit bureaus fail to provide full report details on any account, each omission is considered a reporting error and the negative entry must be updated or removed. If, say, your Experian credit report lists a negative account while your TransUnion report shows no entry for that account, you can dispute the negative account by sending Experian a copy of your TransUnion report and request the negative account be removed because it is inaccurate.

Disputing Charge-Off Records

After 180 days of non-payment, an original creditor usually charges off a delinquent account and records it as a loss on its books. The lender then sells or assigns the uncollectible debt—uncollectible to the original creditor, anyway—to a debt collector who will then try to collect the debt from you.

The original creditor may write the debt off its books, but that does not mean the account is written off your credit file. In fact, a charge-off is considered a serious negative entry on your report—much more serious than, say, a late payment.

Strategies for removing a charge-off from your credit report include:

1. Check for any inaccurate dates, amounts, or missing information that should be listed. The balance of a charge-off account should be listed as zero. The account

must list the charge-off date, the write-off date, the first date of delinquency, and the date of removal.

2. Ensure account dates are correct, such as the date of the first delinquency and the date the bad credit is expected to be removed from the file.
3. Request a charge-off statement from the creditor. If they cannot supply a statement, the charge-off is considered to be invalid and must be removed.

Removing Remarks

The credit bureaus allow the consumer to include comments for each disputed account. However, they also allow the lender to include a comment in response to the consumer's remark, such as, "While consumer disputes information, data is verified as accurate." Comments in general can hurt your chances for receiving credit. Your best bet is to avoid including remarks for individually disputed items.

If a lender inserts a comment, request that the credit bureau remove it. Also keep in mind notations made by a credit counseling company carries serious weight, falling somewhere between the effects of a foreclosure and a bankruptcy. Therefore, always try to have these removed, or try to prevent them from being put there in the first place.

Disputing Third-Party (Debt Collectors) Records

As you already know from reading the Debt Relief section of this book, third-party records are accounts that have been written off and sold or assigned by the primary lender to a debt collector after the account was considered uncollectible.

Disputing collection accounts is an effective credit repair strategy since many debt collectors are unable to produce the information required to verify an account. When they fail to verify an account, the entire entry must be removed from your credit file.

Remember the dunning letter? After you receive it (or its verbal equivalent) you have 30 days to dispute the debt, otherwise it is deemed valid. If you receive a dunning letter, always send a verification and validation letter (see the Resource Library) to the collector requesting verification of the account. Unless or until the debt is verified, the debt collector is not allowed to continue collecting efforts nor can they report the debt on your credit report.

If the debt collector continues to list the debt on your credit report, you can report them to the Federal Trade Commission and the Attorney General, as well as threaten to sue or sue them under the Fair Debt Collection Practices Act. Your goal is to have them stop collection and reporting activities because of their default on your verification request. Most likely, the collection agency will not be able to verify all of the required information and will sell it to another debt collector. You will need to repeat your dispute each time the account is sold to another collector, but that's okay. You now know how.

If you send a debt validation request after the 30-day validation period ends, the debt collector isn't legally required to respond to your request or stop collection activity on the account. That said, I have never known of a debt collector sending validation notices using any type of delivery confirmation. Since they don't have delivery confirmation, they cannot prove whether you actually received the validation.

Tip: If it has been more than 30 days since you received your dunning letter, or you never received one in the first place, try sending the Debt Validation Request For 30+ Days After Dunning Letter found in the Resource Library. Send your validation request to a debt collector already reporting a negative to your credit report. Wait until you get your delivery confirmation return receipt back and then try disputing the negative *online* or *over the phone* with each credit bureau. Because debt collectors are required by law to not report negatives to the credit bureaus until they provide you with verification, many debt collectors (even if it has been more than 30 days since your dunning notification) will put your account in a non-reporting status until they provide validation. Initiating a dispute during this time may mean the entry is no longer verifiable and will be deleted from your report!

Time-Barred Debts

As you learned in the Debt Relief section, each state has a statute of limitations on debt collection. After a certain amount of time an unpaid, outstanding debt is no longer collectable and is considered a time-barred debt. If you have a time-barred debt still reporting on your credit report:

1. Verify the debt is time-barred by reviewing the statute of limitations chart below and verifying the date of your last payment. In some states, the clock starts ticking on the date of your first missed payment while in others, it starts on the date of charge-off.
2. Consider contacting the creditor and offering a settlement to remove the record from your report, or to update the entry as "paid as agreed." But be careful since making even a partial payment can reset the statute of limitations on your debt! In no way—verbally or in writing—should you admit the debt is yours. In fact, take the opposite position. State that although you dispute the validity of the debt, and have no previous agreement or contract with the debt collector, you may be willing to enter into an agreement that in exchange for $X they agree to remove the record from your report or have it updated to "paid as agreed". But never, ever admit the debt is in fact yours. (For more information see the Settlement Tutorial in the Roadmap section of this book)
3. Also, check your credit reports carefully. If your collection account has passed the statute of limitations you have the right to sue a collection agency for pulling your

credit report for review. The threat of this suit could also be used as a bargaining chip to have the record removed or updated.

Debt Collection Statute of Limitations by State

Alabama	3 years
Alaska	3 years
Arizona	3 years
Arkansas	5 years (2 years for medical debt)
California	4 years
Colorado	6 years
Connecticut	6 years
Delaware	4 years
District of Columbia	3 years
Florida	4 years
Georgia	4 years
Hawaii	6 years
Idaho	4 years
Illinois	5 years
Indiana	6 years
Iowa	5 years
Kansas	5 years
Kentucky	5 years
Louisiana	3 years
Maine	6 years
Maryland	3 years
Massachusetts	6 years
Michigan	6 years
Minnesota	6 years
Mississippi	3 years
Missouri	5 years
Montana	5 years
Nebraska	4 years
Nevada	4 years
New Hampshire	3 years
New Jersey	6 years
New Mexico	4 years
New York	6 years
North Carolina	3 years
North Dakota	6 years

Ohio	6 years
Oklahoma	5 years
Oregon	6 years
Pennsylvania	4 years
Rhode Island	10 years
South Carolina	3 years
South Dakota	6 years
Tennessee	6 years
Texas	4 years
Utah	6 years
Virginia	5 years
Vermont	3 years
Washington	6 years
West Virginia	5 years
Wisconsin	6 years
Wyoming	8 years

Disclaimer: This was updated April 2021. Please check with you state's secretary of state to determine the latest and most up-to-date info.

Disputing Medical Records

Most hospitals and physicians do not report your payment history to the credit bureaus, mainly because they wish to avoid paying fees for reporting payment histories. But, if an uncollectible medical debt is sold to a debt collector, the account will most likely end up reported in your credit history.

The good news is medical debt is easy to dispute. Why? Due to medical insurance fraud, the law requires that specific information be maintained to prove a claim is legitimate. Since most collection agencies do not have the information required, they will be unable to verify the debt and the entry must be removed from your credit file. Ask the collection agency to provide a copy of your driver’s license. If a collection agency or a medical provider can’t prove your identity, you can claim the charge is not yours.

Strategies for Removing a Bankruptcy Record

A bankruptcy record is the most damaging form of bad credit; having a bankruptcy listed in your credit file will destroy your credit score. Worse yet, Chapter 7 bankruptcies remain on your file for 10 very long years. The following is a two-part tactic you can try to have a bankruptcy record removed from your credit file.

The average person will have between 10 and 20 individual accounts included in their credit report’s bankruptcy listing. The credit bureaus refer to the listed accounts as the “tracks” of a bankruptcy. When a credit bureau runs a bankruptcy verification request through its automated system, the system pulls only one of the “tracks” in order to verify that the bankruptcy record is legitimate and should remain in the file. But what if the “track” the system pulls is missing? The system reports that the bankruptcy is not verifiable and it is removed from the credit report!

Therefore, the strategy here is to remove as many of those “tracks” as you can from your credit reports *first,* before you dispute the bankruptcy itself. The more tracks you can remove, the greater your odds of successfully removing the bankruptcy.

How do you remove “tracks”? Follow the same process as for disputing inaccurate or incomplete information from any other account. For example, compare your three reports. If a “track” is listed on one report but is missing from another, you can dispute whether it should be listed at all by sending the credit bureau a copy of the report on which it is not listed.

Once you have removed as many tracks as you feel you can, dispute the bankruptcy itself. Just like any other account, if bankruptcy data is inaccurate or incomplete you can dispute it. The following information must be included with a bankruptcy listing:

- All lender accounts associated with the bankruptcy
- The bankruptcy filing date
- The bankruptcy date of discharge
- The bankruptcy attorney’s name

First, dispute the bankruptcy itself. If it is verified, you can file additional disputes based on any of the above reasons. Remember to submit documentation to support additional disputes, otherwise the bureaus might consider your dispute frivolous and not re-investigate. The more times they re-investigate, the greater the odds that they will use one of the tracks you have deleted to verify the bankruptcy, and it will be deleted.

Avoiding Frivolous Disputes

The credit bureaus are required by law to investigate a dispute unless they consider your request frivolous. If a credit bureau does determine that your request is frivolous, they are required to notify you within five business days and:

1. Tell you why your request is considered frivolous, and
2. Explain what you can do to convert the frivolous dispute into a legitimate request that will result in an investigation.

If you send a laundry list of disputes to the credit bureau, it can appear that your strategy is simply to dispute all the negatives on your report, which isn’t the intended purpose of the dispute process. The dispute process established by the FCRA is intended to update or remove inaccurate or outdated information from your credit report. If you dispute every negative entry at once, it looks like you are just trying to remove negatives from your report, regardless of whether they are valid or not. However, the FCRA states that the credit bureaus can deny your requests for this very reason!

To avoid the appearance of making frivolous requests, include one to three disputes per request letter, and space out your requests over six to eight weeks. This way you will stay under their “frivolous dispute” radar.

If you need to dispute an account that has already been investigated and verified, *you must dispute the account for a different reason*. For example, if your initial request disputed the high credit amount on a specific account, your next request might dispute the amount past due on that account. Remember to always supply supporting documentation if you have it.

TIP: Often waiting 3 months or so before submitting another dispute on a tradeline already verified is enough to have another investigation performed. Requests deemed frivolous will come back as “previously verified.”

If they continue to deny your valid reinvestigation requests, you may threaten to file a complaint with the Federal Trade Commission and with their state’s Attorney General. If it comes to this, see the section below on What to Do if the Credit Reporting Agency is Unresponsive for further instructions.

Avoiding the Credit Bureau’s Automated System

Working outside the automated system is perhaps the single most important technique you can use for credit repair. Credit reporting agencies receive approximately 10,000 disputes per day! That’s a lot of investigations they need to conduct. How do the credit bureaus handle the onslaught of disputes? They use an automated system to receive *and* investigate disputes. If your dispute gets picked up by the automated system, you’ll probably receive an automatic confirmation verifying that the information is correct; no actual investigation occurred and no corrections will be made to your file. The automated system is a “reconfirmation” system, rather than a “reinvestigation” system. The key is to have a person receive and investigate your dispute letter; that way not only does an actual investigation occur, but mistakes could be made because people make mistakes.

To make sure you avoid the automated dispute processing system:

1. Dispute everything in writing. Do not dispute items by phone or online.
2. Make a clerical error (or errors) in your letter, like adding an extra digit to your address, tossing in a punctuation sign in the middle of your Social Security number, or intentionally misspelling a few words.
3. Or, simply handwrite your dispute letter. Just make sure it is legible.
4. Cite sections, titles, and codes of the law in your letter (already contained in our letter templates).
5. Ask for the name and address of the person who verified the account, along with the method they used to verify the account.

Remember the bureaus have to respond in a timely *and* appropriate manner. By avoiding the automated dispute process and requesting the additional information contained in our letter templates, you are increasing the likelihood that the bureaus won't be able to respond in time (within 37 days), or that their response will be inadequate. Either scenario gives you leverage to have the record removed.

Making a Settlement Offer

Another strategy for removing negatives from your credit report is to reach a settlement agreement with your creditor. If you decide to settle on an account you should always include as part of the settlement agreement that they must:

1. Remove the tradeline from your credit report, or update your account status to "paid as agreed", and
2. Stop reporting the collection account to the credit bureaus.

If your account has been sold to a debt-buyer, they may not be able to update your original creditor record. If your account was assigned to a debt collector, you should be able to update the original creditor file and delete any associated collection accounts. *Remember to always get everything in writing prior to paying them.* Please review the section on Settlements if you want to go this route and remember:

1. Never concede the debt is your account or responsibility.
2. Any associated collection account(s) must be removed from each of your credit files.
3. The original account must reflect a zero balance and be listed as "paid as agreed" (if creditor is still the original creditor).
4. All collection proceedings must stop and the creditor or debt collector has no right to legally pursue the debt any further or to sell/transfer the account.

Remember, the difference between the amount you owe on a debt and the amount you actually pay in a settlement is considered by the IRS as taxable income. The creditor or debt collector is required by law to report to the IRS, using form 1099, the amount of money forgiven in the settlement, and you may be responsible to pay taxes on that amount. I use the word "may" because reporting doesn't always occur. In fact, most of the time it doesn't (people receive a 1099 less than 20% of the time). However, negotiating over 1099 reporting is something you should never do. Don't even make the request. Never ask that your account with the original creditor be updated as "paid in full", either. In both cases you are requesting—in writing—that they break the law. Always keep in mind tax implications if you are considering settling. Settling a $10,000 debt for $1,000 just to get it off your credit report might mean you are paying several thousand dollars more in taxes down the road. If you have the time, consider waiting until the statue of limitations expires on the debt. Creditors are much less likely to report on time-barred debts, so initiating a dispute after the statute of limitations has expired is likely to result in its removal.

To Add or Not To Add a 100 Word Statement

You are allowed to add a 100-word statement to your credit file to explain any negative information, or to dispute data you believe to be inaccurate and that the credit bureau will not remove from your record. A 100-word statement will not change your credit score, but it may help lenders or employers who check your credit report make a more informed decision.

Does a 100-word statement help? The answer depends on who reviews your statement and what you write. Some creditors will never read a statement, while other lenders may read it and ask you to verify the information you wrote as part of the process of considering your application.

Think of it this way: the only way a 100-word statement can hurt is if it remains on your file and becomes outdated. If you place a statement in your credit report and several months later the account is no longer delinquent and instead reflects a recent positive payment history, your old statement will only serve to highlight a past negative situation.

TransUnion offers assistance with writing your 100-word statement. Call 800-916-8800 for help.

What to Do if the Credit Reporting Agency is Unresponsive

If you have appropriately and diligently disputed an item and the credit bureau fails to notify you of the results of a dispute, re-investigate a dispute, or remove negative information from your file that was confirmed to be inaccurate, incomplete, or outdated, there are steps you can take and resources you can use to deal with the problem.

If the credit bureau fails to remove or correct the inaccurate, outdated, or unverifiable information within 30 days (you should receive investigation results within 37 days of their receipt of your dispute), you should send the letter Credit Bureau Failure to Respond in 37 Days found in the Resource Library.

As you can see, this letter is not a request for re-investigation, but a demand that they remove the negative from your report due to their failure to respond in a timely or appropriate manner. It gives them 30 days to comply or else you will file complaints with the Federal Trade Commission, their state’s Attorney General, and you will pursue legal action.

You can file a complaint online with the Federal Trade Commission at www.ftc.gov. After filing the complaint you will get a dispute number. Next, send a formal letter of complaint to the Federal Trade Commission along with copies of evidence that the bureau failed to respond to your dispute, yet is still reporting the disputed item.

Federal Trade Commission

Consumer Response Center
600 Pennsylvania Avenue, NW
Washington, DC 20580
Telephone: 877.382.4357

You should receive a response from the Federal Trade Commission within 15 to 30 days. If the FTC findings favor your position, send another letter to the bureau demanding that the item be removed along with a copy of the FTC letter.

If that still doesn't do the trick, you might consider getting legal representation and actually suing. The law allows you to recover attorney's costs and legal fees as well as any excess interest you paid creditors based on increased interest rates caused by the negative information remaining in your file. You may also recover punitive damages if the court finds the credit bureau acted willfully and intentionally in not correcting or removing the negative information.

To locate an attorney experienced in consumer credit issues, check out the National Association of Consumer Advocates at www.naca.net.

Chapter Thirteen

Credit Building Strategies

So far we have talked a lot about removing negative items from your credit report to help with credit repair. However, credit repair is a two-part process: 1) removing negative entries from your report that pull your score down, and 2) employing a number of other strategies to help *build up* your credit score.

15 Tips for Building Credit & Improving Your Credit Score

1. Add Positive Accounts to Your File. If you have accounts in good standing that do not appear on your credit file, your goal is to have them included. Not all creditors report to all agencies since it costs money to do so. If you see a positive account that does not appear on one of your reports, contact the creditor and ask them to report to that bureau. You can’t contact the credit bureau and ask them to verify positive information; they only handle disputes over negative records. Therefore, supplying a bureau with evidence that a positive entry is on another report will not cause that bureau to add the entry. Bureaus must be notified by the creditors themselves regarding positive accounts. While lenders are not required to report your credit to all three bureaus, they might do so for a fee that covers their reporting costs. If adding the account to a report will improve your credit rating, it could be well worth the cost. Just contact the creditor not reporting a positive account and ask.
2. Keep Your Oldest Accounts Open and Current. If you are finding that you can no longer service your debt on all of your accounts and you are trying to decide which accounts to default on, one strategy is to default on the account(s) you have opened most recently. The reason is that the older your active accounts are, the more positive impact they have on your credit score.
3. Get Up To Date, and Stay Current on Any Missed or Late Payments. Recent activity has a greater effect on your credit rating than older activity (for example, making a late payment on your car loan can drop your credit score by more than 100 points for as long as three months). Therefore, one way to improve your score is to get current and stay current on those accounts you can afford to pay on. The longer you pay your bills on time, the better your credit score. Whenever possible, set up automatic payments to ensure timely and consistent payments.
4. Do Not Use More Than 30%-50% of Your Credit Limit. To ensure maximization of your credit score you should use no more than 30 – 50% of the credit limit on your credit cards. If your credit limit is $1,000, don’t use more than $500 for purchases, and try to keep your balance below $300.
5. Don’t Pay Your Balances Off Every Month. Part of your score is your credit worthiness, but part of it also indicates how desirable (read “profitable”) you are

to a creditor. If you pay off the balances on your credit cards every month, then the credit card company doesn't get to charge you any interest. Though the actual percentage isn't known, you want to keep your balances somewhere between 0% and 30% of your credit limit to receive the maximum bump in your credit score.

6. Don't Move Debt Around. Transferring balances from one credit card to another to save a few points on your interest rate will cost you more than you realize—and the cost will be reflected in a lowered credit score.
7. Apply For and Open New Credit Accounts Only As Needed. New accounts lower your average account age; a lower average account age can have a dramatic effect on your credit score. Plus, rapid account "buildup" makes you seem like a greater credit risk, lowering your credit rating. Apply for and open new accounts (as well as request credit increases on already established accounts) only when you need to.
8. Build Credit with Everyday Purchases. If you pay your cable bill or grocery bill by check or debit card, consider making these payments with a credit card and then paying off the card. Yes, it is an extra step, but paying your cable bill on time each month by check is not going to build your credit. Remember, every on-time credit card payment helps raise your credit score.
9. Diversify Your Credit. An important goal is to develop a mix of different types of credit in order to show you are capable of balancing different repayment obligations for credit cards, retail accounts, installment loans, consumer finance accounts, etc. Of all the different types of credit, installment accounts like mortgage or auto loans will help improve your score the most. One store or gas card, one credit card, a mortgage and an auto loan is probably the best mix of credit. Try to stay away from financing companies (as opposed to banks) as these types of loans can actually hurt your score.
10. Use a Major Purchase To Boost Your Credit Score. Making an expensive, large-ticket item purchase like a home or a car will greatly increase your credit rating because: (a) the loan is secured with collateral (the safest type of loan), and (b) the loan payment is the same each month, allowing the credit bureaus to measure how you handle making a fixed payment every month.
11. Use Retail Cards. Retail cards, also called store cards, can be a great way to establish or build credit. Store cards are similar to credit cards, except they can only be used to make purchases at the store that issued you the card. Store cards are easier to get than standard credit cards, but they tend to carry much higher interest rates. If you get a store card, use it only for small purchases you can pay down each month; that way you don't get charged high interest, but you are still able to build a solid credit history by making payments on time. Make

sure the retailer reports the information to one or more of the main credit bureaus. If they don't, ask them to do so. If they will not, find a store that does.

12. Consolidate Student Loans. A good student loan strategy is to consolidate them after graduation. You can usually refinance all your individual loans into a single loan at a lower interest rate and on longer payment terms. After consolidation, all the individual student loans on your credit report will be reported as closed and paid in full, helping to improve your credit rating. A consolidated loan also allows you to change your payment plans based on your current income. Make sure to set up a payment plan that works best for you, since a student loan remains on your credit report until paid in full. Student loans are not written off or discharged in bankruptcy, and since most student loans are guaranteed by the government, if you fail to make your payments it is easy for Uncle Sam to hold back tax refunds or garnish wages.
13. Consider a Cosigner. If you have trouble getting credit, consider having another person with better credit co-sign for the loan. To a lender, having a co-signer means you and the co-signer are both liable for re-paying the loan, even if you are the only one who will actually make payments. Over time, if you maintain a positive payment history on the account, your credit score will improve. But, if you should default on the loan, your cosigner's credit will be adversely affected, so make sure you can consistently pay on time.
14. Obtain a Secured Card. If you don't qualify for a standard credit card account, you can get a secured card to help build your credit. A secured credit card requires you to deposit your own funds (equal to the secured card's credit limit) in an account to guarantee payment for purchases you make using the card. The account is reported to the credit bureaus and you make payments on the account just like you would a regular credit card. If you fail to make a payment the lender will pull the payment from your deposited funds. If you make all your payments on time, in about a year or so you should be able to qualify for an unsecured credit card. Keep in mind some creditors may try to take advantage of your inability to acquire a standard credit card by offering you a secured card that comes with an annual fee and monthly processing fees. You should not have to pay fees to obtain a secured card. Shop around until you find a bank or credit union that does not charge a fee or fees for granting you a secured card. Or just visit DebtClear.com for a referral.
15. Use a Savings Account or Equity in Your Home to Borrow Your Own Money. If you have a checking account at a bank, you can open a savings account and then use the savings account as collateral to take out a small loan the bank will report to the credit bureaus. As you pay back the loan you create a positive credit history. You'll be on your way to building your credit in a short period of time. If you have equity in your home you can take out a home equity loan and use your

on-time payments to build up your credit. Be careful, however, because unlike secured debt, this loan is secured by your home.

Credit Strategies for Purchasing a Home

If you plan to purchase a home, make sure your credit file is in as good shape as possible. The FHA requires all three of your credit reports to be reviewed to determine your credit risk before it will approve a mortgage. The best strategy to increase your credit rating is to clean up your credit file, get all your accounts current, and pay down your debt prior to applying for a home loan.

To qualify for a home loan:

1. You typically must have a combined credit score (the average of the three credit bureau scores) of 620 or higher.
2. You cannot have outstanding delinquent debt on your credit file (unless it is more than five years old and less than $5,000).
3. Charge-offs cannot be less than 3 years old.
4. Judgments must be paid off.
5. You cannot have too much open credit.
6. You cannot have too much new credit in the last year.
7. You should ideally have three types of credit: mortgage, credit card, and car loan. If you are a first-time homebuyer and do not have a mortgage loan history, the types of accounts in your credit file should be: a credit card (secured cards are acceptable but considered a higher risk), an auto loan or car lease (via a bank, not a financing company), and a retail store card (such as Sam's Club or Costco).
8. If you own your own business, your tax returns must report a profit for the previous two years.
9. There must be no record of late payments for any of your accounts for the last 6 months.

In Conclusion

I know we covered a lot of information in this section. Remember, credit repair is a process and not an event. It takes time, diligence, organization, and, of course, an understanding of how the game is played. Here are some of the finer points to remember:

1. Regularly monitor your credit report with a 3-in-1 credit monitoring service.
2. Dispute negative tradelines individually, and no more than a few at a time.
3. Avoid the automated system by only sending dispute letters with errors that are hand written, etc.
4. Send all correspondence certified mail with return receipt.

5. If a credit bureau fails to respond in a timely or appropriate manner escalate the issue and demand removal.
6. If a disputed tradeline has already been verified, wait a few months and try again.
7. Add positive accounts to your reports and have the right mix of credit.
8. Keep balances low and pay on time.

Because of the amount of work and diligence credit repair requires, many choose to hire a credit repair service. *Be careful when shopping around*. Most companies out there do little but send out form letters every 45 days with generic dispute requests.