

Credit Repair Uncovered

**Attorney David Whisnant's
Ground-Breaking Credit Repair System**

By David P. Whisnant, JD

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WELCOME

I would like to welcome you to my advanced credit workshop where you will learn in a step-by-step way the exact techniques and ideas that will allow you to improve your credit so that you can qualify more easily for loans, and put your real estate investing career in high gear. If you do not have my real estate investing course, I would urge you to consider acquiring it, as it contains a blueprint on how to prospect for and find deals that most investors cannot find. If you have it, thank you for continuing to learn with me, and I know that this course will give you everything you need to make your credit good enough to do the types of little known deals that we talk about in my course.

CRITICAL BONUS INFO

Please take a few minutes and register your course to get your bonuses immediately. I know that you are eager to get started, but I want you to have the most current info possible. As you know, one of the bonuses is free updates of the course. You need to register your course so that I can send you updates, or any refinements to the course automatically. When you register your course, you will receive the other bonus item download instructions as well.

To register, simply send a blank email to our auto-responder. You will receive your information immediately:

creditsecrets@getresponse.com

As an attorney, I know that many lawyers make an excellent living giving the type of advice that I am giving you here. You are smart to have bought this course. Teaching you this information in an attorney/client mode would take at least 10 hours, and well over a thousand dollars.

We have done everything in our power to give you the finest book ever written on this subject. Everything in this book is tried and true. Can I make bad credit perfect? Not overnight, but we can make some real improvements to your credit score. Remember that there are so many great investor loan programs out there, that you don't need perfect credit to make it in this business. We detail many of these loans in the bonus section, including low doc loans, hard money loans, and B/C paper loans. (If you are not familiar with these terms, I will explain them in the bonus section).

I wish you the best in this process, and PLEASE send me your success stories. I'd love to hear about them, and share them with others who are frustrated and discouraged by having bad credit.

If you are wondering if these materials will work with your "terrible credit," take heart. These materials are designed for people with severely damaged credit. I will give you every tool that I can to help you improve your scores as quickly as possible.

I know that a person's score is sometimes hurt because of factors that are out of their control such as illness, failed businesses, job loss, or divorce. Thankfully, it is possible to repair credit. The laws are written so that a bad credit mark will not impact you for the rest of your life. It is up to me to show you how to use those laws to your best advantage.

Let's get started on this incredible voyage that will change your life! Good credit is worth the time and effort that you will expend.

Dave Whisnant, JD

CHAPTER ONE

INTRODUCTION TO CREDIT

"Charge it." It's a phrase we hear all too often in this ever-changing land of trade and commerce. And never before have Americans been faced with so many different opportunities to buy products and services on credit. From the ordinary to the ultra high-tech, companies are allowing us to purchase almost anything on our good names and signatures (and sometimes, even our electronic signatures). They make it so easy. Just swipe your card, enter your account number, and sign on the line. From gas station fuel dispensers and big-name department stores, to computer and web sites across the World Wide Web, they make it seem so appealing. Sounds good — until we get the bill. Then it becomes very real. Too real. And that's the problem.

In fact, personal credit challenges are affecting people across American in astounding proportions. It is estimated that about 1 in 6 people are afflicted with credit problems. One sixth of the population! The reason for this epidemic is quite obvious: individuals use credit to purchase items that they would normally be unable to afford. The problem has compounded over the years as well. Where once people used credit to purchase automobiles and homes, they are now using credit as a means of buying such luxury items as DVD players, computers, recreational vehicles, furniture, carpet, boats, refrigerators, and household appliances.

Statistics show that the average person carries three credit cards, totaling approximately \$5,000 in debt. And that is the 'average' person. Keep in mind that averages are the products of extremes. So, while some people may only carry three to five hundred dollars of debt, others may far exceed twenty or thirty thousand dollars. These figures total about 3 trillion dollars in personal debt for all Americans combined. And the 1990s did not help.

Beginning in about 1989, more and more consumers started experiencing critical credit difficulties. There are several possible explanations for this sudden surge in purchases on credit, the most likely is the changing economy, which resulted in downsizing, lay-offs, and relocation. Other contributing factors were real estate devaluation, illness, and injury, which resulted in more and more credit companies competing for the chance to extend credit to the downcast population. Of course, one of the most overlooked (and serious) reasons for credit complications is living beyond one's means.

Regardless of your specific situation, you have decided to take control of your credit, and charge toward your debt-free future. That's why you are reading this book. Nobody likes to be in debt. It's dangerous, stressful, and it can do serious damage to your relationship

with family, friends, and relatives. This book is designed to put you in charge of your financial future. To take control.

The problem is that buying unimportant things, like new cds, clothes, or expensive meals out can hurt our chances of buying the things that we really want to buy, like investment real estate.

The first step in the journey is the understanding that there is no quick-fix available to help you through this. There are no pills you can take, no potions you can drink. You must think in terms of the future and you must be willing stay the course.

You have taken a powerful step already. In reading this book, and understanding the procedures and options available to you, you will learn to control your spending in a manner that, over time, will provide tremendous rewards and satisfaction.

Throughout this journey, it is important to keep in mind that all credit problems are surmountable, no matter how frightening and complicated they may first appear. The only way to repair and rebuild damaged credit is to continue moving in a positive direction, step by step.

And you are not alone. Almost everybody has faced credit challenges in the past. But not everybody has shown the will that you now possess. Not everybody has the desire to change, as you do. Finance related stress is one of the most difficult emotions to have to deal with. You are working to reach a goal, moving towards your future, and only *you* can stand in the way. Be strong, and do your very best. Success is just around the corner.

WHAT IS CREDIT?

Simply defined, credit is financial responsibility. For lenders, this is interpreted as your ability to borrow money for products or services, with the guarantee (and assurance) that you will pay for them at a later time.

As you know, credit enables us to purchase our homes and automobiles more easily. In fact, without credit, very few people would be able to pay full price for these items at the time of purchase. Can you imagine trying to come up with one hundred thousand dollars in cash to pay for a home? Or less — would you even be able to "scrape together" an extra fifteen thousand dollars for a new economy car? Not many people could. It's just not realistic. And it's a fact of life. Through credit, however, most people are able to buy these types of items.

HOW IS CREDIT USED BY LENDERS?

When you apply for credit, you usually grant permission for the respective lender to retrieve and review your personal credit file from a credit bureau (discussed later). The

lender, using a variety of mathematical formulas in which entries on your credit history are assigned numerical values, calculates your credit-worthiness. These formulas generally result in a final score. (FICO Credit Score).

Before your application for credit is granted, creditors and lenders will consider this score, as well as your debt to income ratio to approve or decline your application for credit. A typical debt to income ratio is derived from a calculation in which your short-term debts are divided by your annual income. A lender may decline your application if your short-term debt is more than a certain percentage of your annual income.

Some lenders prefer to use a different method for determining your ability to pay back a loan. In this method, all of your monthly bills are totaled (excluding mortgage, rent, and utilities), and divided by your annual income (pre-tax). Typically, a lender will approve the loan when the ratio falls below 35%. As I discuss in my real estate investing course, many B/C lenders are able to go higher than this percentage. We have seen examples where 50% ratios are accepted, so don't lose heart if you are carrying a high debt load.

OTHER IMPORTANT CREDIT CONSIDERATIONS

Aside from the ratios discussed above, there are several other considerations a lender will make when reviewing a loan application. Following are some of those considerations:

Your Occupation: Lenders are very interested in your line of work, because they view job stability as less of a risk to them. In reviewing your occupation, a lender will factor in the length of time employed in your field (more time is always better), and the type of work that you do. Certain occupations are more desirable to a lender than others. Following is a listing of occupations as lenders view them, from the most desirable to the least desirable:

Professional: This generally includes such professions as attorneys, doctors, bankers, financial planners, architects, and other executive level positions such as Presidents, Vice Presidents, CEOs, etc.

Managerial: This includes manager-level positions in various fields and industries, ranging from insurance, to customer-service, to banking.

Self-Employed: Self-employment can include a wide range of industries.

Clerical: Clerical positions are generally entry-level or subordinate positions within professional companies and corporations.

Manual Labor: This field includes most phases of residential and commercial construction, builders, road workers, and any profession requiring a high-degree of manual labor.

Negative Entries: Lenders will review your credit history for negative entries. Following are the worst entries to have on your credit report (listed from most severe to least severe):

- Bankruptcy
- Charge-Offs
- Collections
- Court Judgments
- IRS Liens
- 120 days late payment
- 90 days late payment
- 60 days late payment
- 30 days late payment

Current Credit: Lenders want to know how much debt you can afford. In so doing, they will review all sources of credit on your report, and calculate how much debt you would incur if you were to reach the spending limit on all of those credit sources. For this reason it is prudent to own as few credit cards (and department store credit cards) as possible.

Savings and Checking Accounts: Lenders like stability, continuity, and dependability. To help them determine if you are dependable, they will review your current savings and checking accounts. Specifically, they will be looking at the length of time each account has been opened, the balances, and, of course, unusual fluctuations. As for continuity, lenders don't like to see if you have opened several checking accounts in a relatively short period of time. It is important to have a checking and savings account for your credit.

Current Address: As previously mentioned, lenders like stability and continuity. Another way they determine this is by the amount of time you have lived at your current address, and when necessary, your previous address. Many more than two addresses in a relatively short amount of time is considered to be less desirable to a lender.

Home Ownership: Homeowners, as far as lenders are concerned, are more credit-worthy than renters. Why? Lenders reason that homeowners understand financial obligation: they are obligated to make their monthly mortgage payments, and they are accustomed to doing it. Furthermore, lenders assume that homeowners are more responsible in matters of long-term employment, and job stability.

TWO MAIN TYPES OF CREDIT

For the most part, when you borrow money, you will encounter two primary types of credit: Secured and unsecured.

Secured credit is a loan that involves collateral. Lenders retain rights of ownership to these products until you have paid for them in full. Once you have paid for the item in full, you are granted full ownership and consequently, issued the original title or deed. Typically, we use a secured line of credit to purchase our homes and automobiles.

Unsecured credit, also known as a signature loan, is a line of credit extended to you based solely on your reputation and credit-worthiness. In other words, the lender has faith in your ability to pay back any amount that you borrow. Credit cards are an example of unsecured credit. If you don't pay your credit card, the repo men don't show up in the middle of the night to take the clothes and groceries that you charged on the card.

Chapter 2

Credit Bureaus

Three nationally recognized and highly respected credit bureaus (Equifax, Trans Union and Experian) comprise the whole of those used by professional and reputable lenders. The primary function of a credit bureau is to compile, update and sell information about consumers' credit history. This information consists of payment habits of consumers, including loans from banks, credit unions, finance companies, and retail department stores. Also included is information about landlord, lease, and rent payments, mortgage companies, and the Internal Revenue Service. These reports are stored in huge database files, and are sold to prospective lenders.

In simplest terms, your credit report tells a prospective lender who you owe, how much you owe them, and how diligently you have been paying them — and they are extremely thorough. For example, within those three main topics, many specific facts about the consumer can be revealed. Late payments, returned checks, judgments, liens, and repossessions are just a few of the many topics found on credit reports.

Some examples of specific data that may appear on a consumer credit report are as follows:

- Bank Credit Cards (Visa, MasterCard, American Express, Discover, etc.)
- Retail Credit Cards (Circuit City, Target, Sears, etc.)
- Home Loans
- Automobile Loans
- Student Loans
- Additional Loans

As mentioned, the reports are very thorough. Therefore, if you have defaulted on any payments, the report MAY include such information as:

- Utility Bills (gas, power, water, telephone)
- Medical Bills
- Rent Payments
- Property Taxes
- Attorney's Fees/Bills

Note that not every account you have, or person that you do business with will report information to credit bureaus. For example, I know that my utility bills do not show up on my credit report.

Thus, if you have two bills to pay, and you cannot pay both, pay the bill that is reported on your credit reports. Doing so will keep your credit from being damaged, and you can probably make arrangements with the other creditor to make a partial payment or late payment that will keep you in good standing in the future.

To give you an understanding of the depth of information contained on your credit report, consider the following: You are 25 years old. When you were 20, you charged \$500 worth of credit to your account at "Ed's Audio." The music only lasted three months, because you missed a few bills...then you missed a few more. To you, the incident seems like ancient history, because it happened over 5 years ago. However, if you're applying for a major loan, and you're working with a lender, don't just expect to *see* the incident at Ed's Audio on your credit report—expect to *answer* for it.

Every individual's credit information is stored under his or her Social Security Number. So, when you apply for a loan, say, an automobile, the lender will order a copy of your credit report from one of the three bureaus. The bureau will input your Social Security Number into their database, then compile all the information that is associated with your number, and forward it to the lender. Once received, the lender will thoroughly study your credit history. It is on the basis of this credit history that a lender determines whether or not you are credit worthy.

WHAT ELSE DO THEY KNOW?

The credit reporting bureaus have expanded their services well beyond reporting. This is hardly surprising, considering how much information an agency retains in their databases.

Following are some examples of the ways in which consumer data is sold by credit reporting bureaus:

- **"You're Pre-approved:"** Have you ever received a letter in the mail informing you that you have been pre-approved for a specific amount of credit? It's not uncommon for some people to receive two or more of these letters every week. Who, exactly, has given us this "pre-approval?" The answer is simple: Lenders will prepare a list of criteria for granting credit, and send this list to the bureau. For a fee, the bureau provides a list of people who match the lender's parameters. In turn, these lenders have their "word-spinners" draw up tempting offers that they send to you in the mail. Fortunately, there are laws governing this practice.
- **Consumer Rating:** In the financial services industry, there is a phrase attached to practically every piece of paper they generate. Maybe you've heard it: **"Past performance does not guarantee future results."** Sounds reasonable, doesn't

it? Maybe — but the credit bureaus don't follow this rule. In fact, they practice just the opposite — in what is known as consumer rating. This means that a bureau will evaluate the credit history of an individual, and assess their future performance (sort of). For now, just know that consumer rating categorizes consumers into sectors that lenders can view easily: from least desirable, to most desirable.

- **"How about a new patio?"** If credit bureaus know exactly whom you owe money, as well as how much you have been spending with each company, it is not difficult for them to draw some conclusions about you—like it or not. For example, if you have charged a few thousand dollars recently at the *Home Builder's Supply House*, a credit bureau may add you to a list of individuals they consider "most likely to buy a new patio." Naturally, these are just some rough examples. But when it comes to reality, don't forget that credit bureaus compile and sell targeted lists containing your spending habits, and income ranges to retailers and lenders all the time.
- **"Where's my money?"** Certain companies will use outside collection agencies to track down and collect on unpaid debts owed them. Many of these third-party agencies will utilize information bought from credit reporting bureaus to accomplish their collections objectives.

ERRORS IN REPORTING

Most large national lending institutions file consumer credit information with all three reporting bureaus. Smaller lending facilities and local banks typically report to only one bureau. For this reason, your credit report from one bureau may not look exactly the same as the report issued by another.

Here is another detail of which you should be aware: while compiling large volumes of information about so many different individuals, it is not uncommon for credit bureaus to enter information about you that is incorrect.

Because errors do occasionally find their way onto your credit report, it is critical that you review your report about once per year to ensure all of the information is accurate. To obtain a copy of your credit report, you may write to any (or all) of the reporting bureaus. To make this as easy as possible, you may use form **770, "Request for Credit Report,"** in the forms section of this book. I like to call on the phone and use the automated system. I will give you the phone numbers and addresses so that you can choose the method that works better for you.

The cost for ordering a report is \$8-\$10.00. Note that some states require by law that the credit bureaus give you a free copy of your credit report each year. Georgia, where I live is one of them. We'll list the others later. The bureaus will tell you if you are in a "free" state when you order. It is more beneficial to order a copy from each of the three main credit bureaus. The request will take approximately 30 days to fulfill, and will closely

resemble the report issued to lenders. Usually, the bureaus will include a report to help you understand the credit report.

CHAPTER THREE

WHAT ARE MY RIGHTS?

Now that you understand how credit works, you need to learn about the laws that govern it. This book is designed to help you repair your credit record as quickly as possible. In doing this, you may decide to follow any number of suggestions. It is also possible that you will find it necessary to pursue a course of legal action.

Additionally, the credit card companies and lenders are very large corporations with limitless resources. These resources can include attorneys, third-party collection agencies, etc. Perhaps you've received letters from people offering to help you, or worse; threatening action against you. Perhaps you've heard various rumors and myths about the options available to you. You may even be confused.

The first thing you need to do is relax — you can't be put in jail for bad credit. The second thing you need to do is to close your ears to the outside world, if only for a few minutes. Now you are ready to learn. In the next few pages, we are going to talk about the law, about your rights regarding your credit. Once you begin to understand your rights, you will come to know the truth from the rumors, and your mind will feel more at ease. Only then will you be ready to think logically about repairing your credit. Following is summary of your rights as specified by the Fair Credit Reporting Act of the Federal Trade Commission:

A SUMMARY OF YOUR RIGHTS

- **You must be told if information in your file has been used against you.** Anyone who uses information from a credit reporting agency/bureau ("CRA") to take action against you—such as denying an application for credit, insurance, or employment—must give you the name, address, and phone number of the CRA that provided the report.
- **You can find out what is in your file.** A CRA must give you **all** the information in your file, and a list of everyone who has requested it recently. However, you are not entitled as a matter of law to a "risk score" or a "credit score" that is based on information in your file. These scores are now available to the public by request, or by paying an additional fee. There is no charge for the report itself **if** your application was denied because of information supplied by the CRA, and if you request the report within 60 days of receiving the denial notice. You are also entitled to one free report a year if you certify that (1) you are unemployed and plan to seek employment within 60 days, (2) you are on welfare, or (3) your report is inaccurate due to fraud. Otherwise, a CRA may charge you a fee of up to eight dollars.
- **You have the right to be notified of any investigative consumer reports:** If the credit bureau is interviewing other people (such as friends, neighbors, fellow-

employees) about you, then the credit bureau, or its agents, must inform you in writing that such an investigation is underway. Secondly, you have the right to send a written request asking about the nature and purpose of this investigation.

- **You can dispute inaccurate information with the CRA.** If you tell a CRA that your file contains inaccurate information, the CRA must reinvestigate the items (usually within 30 business days) unless they determine that your dispute is frivolous. We will definitely learn how to avoid that. The CRA must pass along to its source all relevant information you provided. The CRA also must supply you with written results of the investigation and a copy of your report, if it has changed. If an item is altered or deleted because you dispute it, the CRA cannot place it back in your file unless the source of the information verifies its accuracy and completeness, and the CRA provides you a written notice that includes the name, address and phone number of the source.
- **Inaccurate information must be deleted.** A CRA must remove inaccurate information from its files, usually within 30 days business after you dispute its accuracy. The largest credit bureaus must notify other national CRAs if items are altered or deleted. **However, the CRA is not required to remove data from your file that is accurate unless it is outdated or cannot be verified.**
- **You can dispute inaccurate items with the source of the information.** If you tell anyone — such as a creditor who reports to a CRA — that you dispute an item, they may not legally report the information to a CRA, without including a notice of your dispute. In addition, once you've notified the source of the error in writing, they cannot continue to report the item if it is, in fact, an error.
- **Outdated information may not be reported.** In most cases, a CRA may not report negative information that is more than seven years old -- ten years for bankruptcies.
- **Access to your file is limited.** A CRA may provide information about you only to those who have a need recognized by the FCRA — usually to consider an application you have submitted to a creditor, insurer, employer, landlord, or other business.
- **Your consent is required for reports that are provided to employers or that contain medical information.** A CRA may not report to your employer, or prospective employer, about you without your written consent. A CRA may not divulge medical information about you without your permission.
- **You can stop a CRA from including you on lists for unsolicited credit and insurance offers.** Creditors and insurers may use file information as the basis for sending you unsolicited offers of credit or insurance. Such offers must include a toll-free number for you to call and tell the CRA if you want your name and address excluded from future lists or offers. If you notify the CRA through the toll-free number, it must keep you off the lists for two years. If you request and complete the CRA form provided for this purpose, you can have your name and address removed indefinitely.
- **You may seek damages from violators.** You may sue a CRA or other party in state or federal court for violations of the FCRA. If you win, the defendant may have to pay damages and reimburse you for attorney fees. If you lose and the

court specifically finds you sued in bad faith, you or your attorney may have to pay the defendant's fees.

Users Seeking Access to Your Credit File Must Have A Permissible Purpose

Congress has limited the use of consumer reports to protect your privacy. All users must have a permissible purpose under the FCRA to obtain a consumer report. These are:

- As permitted by order of a court or a federal grand jury subpoena.
- For any purpose if the consumer gives permission in writing.
- For the extension of credit as a result of an application from a consumer, or the review or collection of a consumer's account.
- For employment purposes, including hiring and promotion decisions, where the consumer has given written permission.
- For the underwriting of insurance as a result of an application from a consumer.
- When there is a legitimate business need, in connection with a business transaction that is initiated by the consumer.
- To review a consumer's account to determine whether the consumer continues to meet the terms of the account.
- To determine a 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.
- For use by a potential investor or current insurer, in a valuation of, or an assessment of, the credit or repayment risks associated with an existing credit obligation.
- For use by state and local officials in connection with the determination of child support payments, or modifications and enforcement thereof.
- In addition, creditors and insurers may obtain certain consumer report information for the purpose of making unsolicited offers of credit or insurance.

Now can you see more clearly? If not, please read over your rights again and again, until you understand them. If you do understand your rights, no doubt you are already formulating ideas in your mind as to what course of action (or actions) you would like to take. You are protected. You know your rights. It is important to note here, that the processes outlined above are legally enforceable and are not difficult to accomplish, they just take time and perseverance.

Just like you, credit reporting agencies and lenders know these laws very well. And, as you learned earlier, some of these large corporations have unlimited resources with which to make the process as time consuming and complex as legally possible. Some of them do. Regardless, this neither changes the law, nor affects your rights. Do not allow yourself to become bogged-down by the system. Persist, and you will prevail.

CHAPTER FOUR

MYTHS ABOUT YOUR CREDIT

Alongside any law, it seems, there are a list of rumors and myths to be found. Credit laws are no exception. To empower you with as much knowledge as possible, the next few pages are designed to dispel many of the rumors you may have heard. The theory, again, is that once you know the difference between truth and fiction, you will be able to more effectively fight for your rights.

Common (Untrue) Myths About Your Credit

- **Myth: Inquiries Do Not Affect Your Credit:** The truth is, that every lender or creditor who requests and receives a copy of your credit file is listed on your credit report. Creditors who see a large list of inquiries on your credit report are generally more likely to reject your application for credit. Each inquiry you authorize by applying for credit reduces your credit score as well. We recently did a test with my wife and made an application for credit on her file. It actually dropped her score over 5 points, so be careful with your credit applications!

A question often comes up from students who are “shopping” for the best rate from mortgage companies. Each mortgage company may want to “pull” your credit. (Pulling credit means ordering a credit report and credit score).

The credit scoring system is SUPPOSED to be set up so that multiple inquiries that are clearly connected with the same transaction do not lower your score. However, I can tell you from experience that this is not always so in practice. Once you have a good mortgage broker, I think that you should stick with them. I always know that I MIGHT be able to get a little cheaper rate somewhere else, but to me, dealing with someone who has proven that they can get the deal done is more important. If I get a difficult underwriter assigned to my loan application, I had much rather have my mortgage broker, who is not afraid to take them on, in charge than to try and save a quarter percentage point of interest.

What you should do if you are shopping different mortgage brokers is to obtain your credit score once, and tell the other mortgage brokers what your score is. They should be able to tell you what they can offer based on that score without pulling your credit again.

- **Myth: When I pay off a delinquent account, it will stop hurting my credit:** The truth is that paying off debt is a good thing. However, just paying off the debt will not put you in the same position as if you had taken out the debt and paid for it on time. You are still better off than the person whose account continues to slide deeper into delinquency. A 30-day late is better than a 60 day

late on your credit account. Note that you should try to negotiate debts where you can so that if you pay off the amount, the creditor will remove negative information from your credit report.

• **Myth: Credit Reporting Agencies are empowered with governmental authority:** This is absolutely not true. CRAs operate like any other business, and as such, they must adhere to the government authorities and laws overseeing their operations. Simply put, they buy and sell products and services to turn a profit, and absolutely no special authority exists.

• **Myth: Bankruptcy is a way to start over:** Not true! What many attorneys don't clearly explain, is the devastating effect bankruptcy has on one's credit. Bankruptcy is not a clean slate. Every account included in the bankruptcy will be so noted in your credit file. Additionally, there will be a court record generated that will also be added. Avoid bankruptcy if at all possible. The chances of successfully restoring your credit are reduced drastically, because of the number of negative entries that are associated with bankruptcy filings.

• **Myth: Bankruptcies are impossible to remove:** The truth is, certain types of credit entries can be much more difficult to expunge from your credit record than other types. Difficult — but not impossible. In fact, thousands of bankruptcies have been removed from consumers' credit profiles over the years using various creative methods and tools. We will mention those in this course.

• **Myth: Investigation Period -- 30 Days and Gone Forever?**

Basically, the credit bureau has 30 business days from when you request an investigation to prove or disprove the item that you are challenging. Thus, if they cannot verify the information in 30 business days because the creditor in question does not respond, or does not respond with sufficient evidence, the information must be removed from your credit report under section 611 of the Fair Credit Reporting Act.

This period can be extended for an additional 15 days if **you** provide more information during the investigation to the credit bureau. Thus, it is generally a good idea to give them all the information that you have when you make your initial challenge to avoid any such extension.

To elaborate on this subject, if you have submitted an honest and convincing letter of dispute, and the bureau agrees to investigate the claim, your chances of you succeeding are usually very good. The reason for these favorable odds is a matter of procedure: when a credit bureau is unable to verify an item, they will delete that item. Additionally, many lenders do not like to spend the money (or time) necessary to verify data regarding submitted disputes.

More Untrue Myths...

• **Myth: Once an item has been deleted from your credit record, it cannot be replaced:** The possibility remains that an item that is deleted from your credit report (because it cannot be verified) will be placed back on your credit report. This does not apply to items that have been proven to be false. There is no maximum time limit for this to happen, but the real world fact is that the longer it is off, the less likely that it is to reappear.

If any information does reappear on your credit file that was taken off because it could not be proven, the credit bureau has to inform you of this fact in writing.

Do not let this worry you too much. We have seen numerous items removed, and very few placed back on reports. The creditors generally are not devoting that much time and energy to making sure that your credit report shows bad information on you. They are not generally going to reopen something years later that was taken off.

• **Myth: A credit bureau must investigate every dispute they receive:** Wrong. Just because a consumer submits a written dispute, a credit bureau may decide to ignore it. If this were not so, the bureaus would probably never accomplish anything, because they would be spending all of their time investigating unreasonable disputes. So what exactly is considered unreasonable?

Basically, the credit bureau will not investigate a dispute in which a consumer's point of argument is based on personal circumstances such as unemployment (lay-offs, termination), personal relocation, family trauma (divorce, death, newborn), injury, etc. If your dispute is based solely on personal circumstances, do not expect the bureau to act on it. They may also choose not to investigate your dispute if you do not give them sufficient information to use in their investigation. Not giving sufficient information might mean leaving off the account number of the account you are challenging a late payment on, or not noting which lender you think is reporting inaccurate info. You also need to make sure that they understand what specifically you do not agree with. If an account shows a 30-day and a 60-day late, make sure that you tell them which of these, or both that you are disputing. This will not be a problem for you, as we will make sure that you give them all the specific info they need to figure out what you are disputing, and what account you are disputing.

• **Myth: Filing a "100 Word Statement" is equal to removing negative information:** Wrong. While many credit repair professionals recommend that you file a 100-word statement explaining the circumstances surrounding the negative credit entries, we believe this does not really help as much as many would have you believe. Do one of these if you simply cannot get the matter off your report, but do not expect this to cure the item. Keep fighting to get it off.

The reason these are not very effective is that most creditors will not take the time to read anything besides the credit bureau's initial rating (the numerical rating you receive when you apply for credit). If you are a borderline credit case, and you are dealing with a lending institution that has some flexibility on approving you (a bank, or private lender), such a statement may help make you a better credit risk in their eyes. It is better to have one of these statements than not to have it, but you really need to continue trying to have the item removed.

Dangerous Myth: “I can just use a different Social Security Number, or begin using my EIN tax number, instead of my SSN”: Two words: Absolutely not. The truth of the matter is that, while this illegal scheme may actually help you to build a new credit profile, it will definitely end up on your permanent record — criminal record. In fact, you may even spend a very long time in jail for attempting to do this. Tampering with your Social Security Number is illegal on a Federal level. Don't do it.

- **Myth: Enough good credit will overshadow bad credit:** The fact is, bad credit is *bad*. However, a few boo-boos won't kill you. Remember that we will be doing everything that we can to remove all of your negative items that we can. Negative items will always show up “loud and clear” on your credit report—especially when your credit report is mechanically rated.

- **Myth: If something is wrong on my credit report, I should challenge right off the bat:** You should challenge anything that is not correct right off the bat, but you should consider who you deal with first. We cover this later in the course, but I generally will contact my creditor if something is wrong on my credit report and assuming that they realize their error, have them send a letter to each of the three bureaus, and send me a copy as well. This is the fastest way to get something removed. I only do this if I am absolutely sure that I am in the right on something.

- **Myth: Small Claims Court Credit Repair:** This one sounds nice, but doesn't work for legal reasons. The idea is that you sue your creditor in small claims court asking that negative information be removed from your credit report. You do not ask for monetary damages at all. The lender will probably not show up, and you will get a default judgment against the lender for what you asked for. The problem here is that not all small claims courts are courts of equity that can order someone to do something. They may not be able to issue injunctions, which is what you are trying to get — an injunction that the items must be removed, or not reported as negative. Thus the court is unable to give you what you are asking for. A State Level Court (names differ in different states) could give you this equitable relief, but small claims court probably cannot do it. I am sorry to report that this sounds like pie in the sky to me. Your case will probably be thrown out.

I should probably just hire a credit repair company: Probably not. The good news is there are actually some very reputable credit repair companies doing business today. The bad news is, there are also a lot of scamsters and con-artists. If you do not have the time to follow through with the entire credit-repair process on your own, a credit repair company might be a viable solution. If you decide to respond to a credit repair offer, beware of companies that:

- Want you to pay before any services are provided.
- Do not tell you your legal rights and what you can do — yourself.
- Recommend that you not contact a credit bureau directly.
- Suggest that you try to invent a "new" credit report by applying for Employer Identification Number to use instead of your Social Security Number; or
- Advise you to dispute all information in your credit report or take any action that seems illegal, such as creating a new credit identity. If you follow illegal advice and commit fraud, you may be subject to prosecution.

Remember: If you do business with a company that negotiates a new monthly payment for you, make sure that the lender agrees to report your payments as being on time and current, under the plan, in this payment agreement. This is a critical point. Some lenders, if there is no agreement to the contrary, will report these smaller payments as late, since you are not keeping up with the original minimum payments that you agreed to make. Don't take anyone's word that this is part of the agreement. Insist in seeing it in writing, and monitor your credit report to make sure that these payments are shown as "on time." The risk here is that you will follow the payment schedule over several years, get your debt paid off, and discover that you have several years of continuously late payments. This could happen if you made all of your payments according to the agreement.

CHAPTER FIVE

Commit Not To Quit

If you have learned anything so far, it is that credit restoration requires time and devotion, perseverance and mettle. Obviously you are willing to put forth the effort, or you wouldn't have bothered reading this far. Even so, you should be aware of the exact nature of some of the challenges you are about to face. Remember that challenges can be overcome, so I never want you to feel like the situation is hopeless or impossible.

Time Commitment: Initially your time will be spent writing correspondence, reading responses, analyzing reports, writing follow-up correspondence, responding to requests, and speaking with representatives on the telephone.

Mental Commitment: Rejection is simply another rung in the ladder of success. The fact is that you are going to face some rejection along the way. During this time, persistence and assertiveness will be your greatest allies. Credit bureaus do not enjoy disputes. For this reason, they could meet you with hostility, accusations of deceit and artificiality, annoyance, resentment. They may tell you that they do not believe you. And, now that you know this, you won't be a bit surprised — you'll be unwavering and strong.

Planning: As mentioned earlier, the process of credit restoration is intense, and often, you will be accountable for over 50 different communications components. For example, you will need to keep track of the dates on which verification time limits expire, and then act on this information. Also, you will be speaking and writing to all three major credit bureaus. That triples everything. Mail, responses, calls, time-limits, etc.

CHAPTER SIX

DON'T SHOOT YOURSELF IN THE FOOT

COMMON MISTAKES (AND THE 'FRIVOLOUS' TRAP)

Repeat the following sentence: "I will not allow the credit bureaus to figure out what I'm doing." Memorize it, because the minute the credit bureaus realize what you are trying to accomplish, you'll find it very difficult to get any results. And, while a complete list of dos and don'ts would fill a book of its own, there is room here for a definite list of NEVERS.

Using a pullout sample or fill in the blank form letter from a credit restoration manual may draw unfavorable attention. The bureaus have seen them all, and can spot them very quickly and easily. They don't care for form letters, and they'll flag your account if they encounter one. The solution? Don't use a standard form. Take the information presented to you, and rework it slightly to reflect your own personality. (This doesn't mean doing anything to the letter that will change the intended purpose.) Simply retype or handwrite the form letters in this manual.

Another common mistake is to unknowingly verify the negative information on your report. This happens all the time. For example, you may inadvertently add a statement to the negative listing which substantiates it. Or, you may reveal information that you do not think has any bearing on the situation, when, in fact, the information verifies a negative entry. The bureaus are thorough. They will make note of every listing you accidentally verify, and they will refuse to compromise on any of them.

Always be sure to keep dispute letters under one page in length. Long, drawn-out letters tend to draw unwanted attention to you. Remember, action is what you seek, and that can be accomplished without drawing negative attention. Using our forms, you should have nothing to worry about here.

Do not reveal or repeat any other disputes you have made. Slipping up here could result in the bureau instantly recognizing that you are attempting to rebuild your own credit.

Never threaten physical bodily harm. Sounds strange, but it happens. Also, be sure to keep your *tongue* on the professional level. Foul language will only result in a black mark against your record.

Anything you do that suggests you are attempting to repair your own credit will be frowned upon by the bureaus and can earn you "frivolous" status. So, whatever you do, don't draw this type of attention.

CHAPTER SEVEN

O.E.R. SYSTEM OVERVIEW

THE PROCESS OF RESTORING YOUR CREDIT

Credit restoration essentially involves *three* main phases: Opposition, Enforcement and Renovation.

1. **Opposition:** In this procedure you are going to analyze and review your credit reports, take notes, and initiate the process of opposition, including the preparation and dissemination of all written **disputes** on negative entries. The objective of the Opposition phase is to oppose (dispute) all negative entries through written communications. Following are some guidelines to remember about the Opposition phase:
 - **The letter of dispute is the most powerful tool in your credit-repair "toolbox."** The FCRA requires the credit bureaus to handle your dispute with precision and accuracy. However, the bureaus still reserve the right to "escape" their responsibilities if you don't compose your dispute properly. The most common loophole through which they may escape, is the determination that your dispute is technically "frivolous or irrelevant."
 - Analyze your reports often, (every three to six months initially), and mark every negative listing. This efficiency technique, sometimes referred to as "power blocking," will allow you to get more done in less time, by focusing on only one specific task at a time. In this way, you will first mark all of the negative entries, then you may begin drafting the dispute letters. If you were to bounce back and forth between credit report and letter, you could become bogged-down very easily.
 - The credit bureau needs to know if you are disputing the **existence** of the listing itself, or the information within the listing.
 - If the intention of your dispute is unclear, the credit bureau will immediately return your letter for more information. Thus, if you say that the notation regarding the Bank of America account is not correct, and that is all you say, your letter will probably be returned. You need to be specific: "The account number is correct, but the 30 day late is incorrect. I have no 30 day late payments on this account."

- Make certain that your letter includes the desired outcome of the investigation. You must always list what you would like done with the negative credit listing. Typically, you will be asking for one of two things: delete the entire listing, or erase the negative information surrounding a listing.
- Provide proof and reason for your claim. If you do not list an explanation as to why you believe the credit report is wrong, the credit bureau will return or ignore your dispute.
- Don't be a "know-it-all." While this manual teaches you to how to systematically restore your credit, you should never allow your 'secret' knowledge to become apparent to the bureau. Try to write your letters from an average point-of-view. Our sample letters will strike the right balance. In other words, try not to sound too much like an expert. The credit bureaus receive thousands of disputes every day. If you quote laws and regulations, or remind the credit bureaus of your rights, or make any other claims, it is not difficult for them to deduce that you have read a book about credit repair, or you are using a credit repair company.
- **Dispute the listing with the creditor who reported it.** The creditor is also required to adhere to proper procedures in verifying consumer disputes. Therefore, you may take your challenge to the creditor by writing letters directly to that creditor.

2. **Enforcement:** The Enforcement phase is critical, for it is within this phase that you will be fighting the majority of your battles: ensuring that every dispute mailed has been acknowledged, recording the progress, tracking the dates and deadlines. The objective of the Enforcement phase is to get all the negative credit entries deleted from your record.
3. **Renovation:** Once the Enforcement stage has been successfully completed, you will be ready to rebuild and reestablish your new credit profile. That is the objective of the Renovation phase.

CHAPTER EIGHT

WHAT HAPPENS WHEN YOU START A DISPUTE

THE DISPUTE PROCESS (FOLLOWING YOUR DISPUTE LETTER)

To help you understand the importance of “saying all the right” things in your letter of dispute, it may be helpful to know some of the bureau’s standard procedures. Following are the most common actions that can be taken (by the bureau) once they receive your letter:

Checker: This will be the first person to read your letter at the bureau. The "Checker" is typically an entry-level employee, whose primary job is to read your letter, and determine if it is valid or frivolous. Several criteria exist to help the Checker make this determination:

Long letters: If your letter is too long, complicated, not direct in purpose or intent, or otherwise unclear, the checker might throw your letter in the trash. This is why our sample letters are short and to the point.

Return mail: The checker may write back to inform you that your dispute is frivolous. The checker may request additional information about a dispute. As I stated before, we are going to be very definite in what we ask for, so this should not be anything that you run up against.

Reinvestigation: If your letter passes the scrutinizing eye of the checker, it will be passed along to the department of reinvestigation.

Waiting Game: If your letter makes it to reinvestigation, plan on waiting before you hear back from the bureau. Remember that they have a 30 business day limit, and we intend to hold them to it.

Soft Delete: To discourage individuals from attempting self-credit repair, the credit bureaus have spread rumors that once a negative entry has been deleted from your credit record, it will just as quickly be put back onto your file. The bureau would like you to believe that credit repair efforts are fruitless and nonproductive. The truth of the matter is that the credit bureaus must temporarily delete a negative listing if they haven't heard from the creditor after the thirty-day verification period. But, if the creditor does eventually report back to the bureau, even after six or more weeks (and they are able to verify the negative entry), the credit bureau may reinsert the negative listing on your credit report. This is often known as a "soft delete." Typically, however, the creditor simply does not

respond back, and the negative listing is permanently deleted from your credit record.

It is important to remember, that creditors and credit bureaus must follow very strict procedures and laws to notify you if they decide to re-report an entry on your credit report.

Court of Law: When investigating legal records (such as bankruptcies, judgments, and liens) the credit bureau must actually send a representative to the courthouse to verify the listing. The bureau may also contact any of the creditors involved in the case, and verify the necessary information with them.

Statistics: If your dispute is finally acknowledged and accepted, you may expect that many of the negative entries will be deleted or improved. If (and when) this happens, the bureau will send you notification, as well as a fresh credit report showing the changes.

CHAPTER NINE

ORDERING YOUR CREDIT REPORT

The first thing you need to do is order a copy of your credit report from each of the three credit reporting agencies.

Critical: Order your report and also your spouse's/business partner's report at the same time. It is important that you clear up both of your reports at the same time. You probably will both be on whatever loans you get, and you will need to have the highest scores possible between you.

When you do something on one report, you should do it on the other as well. In other words, when you challenge a 30-day late that appears on both your report and your husbands report, make sure to send a letter yourself, and have your spouse send one as well. Do not send one letter for both of you.

Expect to pay \$8.00 for each credit report ordered. However, there are a few circumstances in which you are eligible to receive a free copy of your credit report. These are:

- If you have been denied credit or employment based on your credit report, you can obtain your credit report from the bureau from which your creditor obtained the report, free of charge, if you request it within a 60 DAYS after receiving the denial letter. Thus, if you receive a credit denial letter saying that the company used Equifax to obtain your credit history, you can get a free copy of your credit report from Equifax if you request it within 2 months after your credit was denied. **[Letter 770(b)]**.
- If you write a letter certifying that you are unemployed and plan to seek employment in the next sixty days; or you are a welfare recipient, or you believe you have been a victim of fraud, you will not be charged for your report.
- Residents of Colorado, Georgia, Maryland, Massachusetts, New Jersey or Vermont, are eligible for one free copy of your credit report each year. It must be ordered by phone or mail.

Traditionally, the most common way to order a credit report has been through the use of standard mail. Today, however, a consumer may order a credit report through the mail **[Letter 770(a)]**, by telephone, or online from the website of the respective bureau. Following are some guidelines you should follow when requesting a copy of your credit report.

Regardless of the method by which you are requesting a credit report, you will need to have the following information available. In the case of standard mail, all of the following information must be included in your request. If any of the information is not included in your request, the bureau will not send you a credit report. Note that this information is equally important for both online and telephone requests — these methods will generally ask you for all the information that they require. In so doing, it is not possible for you to leave out anything they may need.

- Full name (including Jr., Sr., II)
- Social security number
- Copy of your utility bill displaying current address
- Copy of your driver license
- Current and previous addresses within the last 5 years
- Date of birth
- Your current employer (if employed)
- Signature
- Telephone number (home)

Written Requests: **The internet ordering system is much faster and easier to use than composing and mailing a letter.** When making written requests for you credit report, only provide the information they require to fulfill your request. Make no mention of your intentions. In fact, include nothing more than the required information and your payment (when required).

If, after a reasonable time (30-40 days), you have not received a copy of your credit report as requested, you may wish to send a follow-up letter to the bureau. In your follow-up letter, include a copy of the your cancelled check (where applicable), as well as a copy of the certified mail receipt or label. Be sure to send any follow-up correspondence through certified or traceable mail as well.

Telephone: If you decide to telephone the bureau to request your report, be careful not to reveal any information beyond the required information. You really will not have the option to reveal any information, as they ask for the information they need to find your report and nothing more. Under no circumstances should you mention the fact that you are planning to review your credit report in order to file a dispute. Typically, computers are used for this process, so you will not speak with a live person. Typically, if you are ordering by telephone, you must be eligible for a free report. They do not accept money over the phone.

Online Reporting: The process for obtaining your report via the Internet is a bit different for each agency. One bureau may provide you with an immediate copy of your credit report, while another may take several weeks to compile and mail your report. Following are each of the bureaus' policies and procedures on

ordering an online credit report. The best way to order is online, or phone if you fall within one of the exemptions that allows you to receive a free report. You will get the most accurate pricing information that way. Note that you should NOT use the online dispute forms. Stick with mailing letters for that. The fees are different for different states. I have provided the exact email address you need to get your state's updated fees.

Equifax Information Services, LLC

P.O. Box 740241

Atlanta, GA 30374

888-685-1111

URL: www.equifax.com

Charge: http://www.equifax.com/about_efx/rights.html

Online Viewing: Yes

Additional Info: Equifax allows you to access your credit report for thirty days online after ordering. You can also get a copy of your credit score from Equifax. This can be ordered from the site: www.myfico.com If you are just getting started on this process, and don't really know how your credit is, this (myfico.com) might be a good place to start. By getting your credit score, you might find out that your credit rating is actually good enough to do what you need to do. By speaking with mortgage brokers (we cover how to do this the RIGHT way in my real estate investing course), you will know the type of score that you need to have.

TransUnion

Trans Union LLC

Consumer Disclosure Center

P.O. Box 1000

Chester, PA 19022

800-888-4213

URL: www.transunion.com

Charge: Approximately \$8.50 (includes credit score) See

<http://www.transunion.com/personal/creditreportandscorefees.asp>

Online Viewing: No

Additional Info: You can order and pay for your credit report and score online, however you currently **cannot view these documents online**. After a thorough verification process to ensure confidentiality, TransUnion will mail your credit report and score to you. You need a credit card to purchase your credit report and you will receive your TransUnion score for no additional fee.

Experian (Formerly TRW)

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

888-EXPERIAN

URL: www.experian.com

Charge: \$9.00 (credit report only) / \$12.95 (includes credit score) (Please verify amount online before ordering by mail).

Online Viewing: Yes

Online Dispute Resolution

All three bureaus currently offer, or will soon offer online investigation and status inquiries. While this online service may seem immediately appealing, keep in mind that one of your main goals throughout the credit-restoration process is to **not attract unwanted attention to yourself**. In order to use this service, you must register with the bureaus. **Registration**, by definition could draw unwanted attention to you. Bottom line: The online investigation and status inquiry service is potentially one of the fastest ways for you to earn the “frivolous” label. Remember the story of the tortoise and the hare. Slowly and surely wins the race. Stick with the program and mail old-fashioned snail-mail letters.

CHAPTER TEN

INTERPRETING YOUR CREDIT REPORT LIKE A PRO

When your report arrives, the first thing you will notice is that there is a lot of information packed into it. In fact, at first glance, you may feel overwhelmed with what you see.

It is important that you stay *on top* of your credit report at all times. Here's why:

- Your personal credit file can change without your approval or knowledge. This, in turn will affect your credit score. By watching for such changes, you will be able to take any necessary preventative action. Plus, if any items crop up that need to be challenged, or deleted, you will be able to take care of these on a timely basis.
- Your credit report (and scores) are used to make extremely important decisions about your life, including loans and interest rates for the items you may purchase. In fact, potential employers and landlords may even review your credit report before hiring you or renting to you. With so much riding on your credit file, it is essential that you monitor your report for any mistakes that may arise.
- Whenever your credit score drops, you have the right to find out exactly why the score was reduced, as well as steps you can take to improve it.
- If you happen to notice any unusual activity in your credit file, (or activity that you did not initiate), you can take immediate steps to protect yourself against identity theft (discussed later in this book).

INTERPRETING THE REPORT

As you work through each credit report, use the following information as a guide for marking negative entries. NOTE: You may wish to work from a photocopy of your credit report so that you will always have a clean and clear copy for quick reference. On each of the reports, mark any negative items:

EQUIFAX

- Entries rated higher than I1, M1 or R1.
- Entries bearing the ">>>" symbol.
- Bankruptcy, repossessions, foreclosures, settled, write-offs, charge-offs, settled for less than full balance.

- Any account turned over to collections (paid or unpaid).
- Judgments, liens, bankruptcies.
- Chapters 7, 11, or 13, divorce, satisfied lien, or satisfied judgment.
- Late payments showing 30, 60, 90, 120 days late.
- Any inquiries on your account.

TRANS UNION

- Entries rated higher than I1, M1 or R1.
- Bankruptcy, repossessions, foreclosures, settled, write-offs, charge-offs, settled for less than full balance.
- Any account turned over to collections (paid or unpaid).
- Judgments, liens, bankruptcies.
- Chapters 7, 11, or 13, divorce, satisfied lien, or satisfied judgment.
- Late payments showing 30, 60, 90, 120 days late.
- Any inquiries on your account.

EXPERIAN

- Any item marked with an asterisk (*).
- Inquiries.
- Items listed above.

One day, perhaps all bureaus will adopt an easy to read, standardized reporting format. Until then, the next few pages are designed to show some specific examples of each of the three major bureaus' reporting methodologies. As you will discover, many of these differences are really not as different as they seem. For example, Equifax uses the field designation "Company Name" to describe the lender. TransUnion places the lender's name in a field called "Subscriber Name." As you can see, the difference is very slight. Both companies list the name of the lender; they just call the lender something different. Confusing? A little. Difficult? Not at all, especially with the help of the following descriptions. In the next few pages, we'll take an up-close look at all of the intricate codes and numbers each of the three bureaus use.

Guides To Reports: Trans Union, Equifax, Experian

TRANSUNION

Subscriber Name: This is the name of the lender.

Account Number: This is the account number associated with the lender.

ECOA (Equal Credit Opportunity Act): The following codes describe the type of ownership of each account listed:

A: Applicant is the authorized user of shared account.

C: Applicant shares joint contractual liability of this account.

I: This is an individual account for sole use of applicant.

M: Applicant is a co-signer, primarily liable for this account.

N: Non-applicant spouse inquiry.

P: Participant in shared account that cannot be designated as C or A.

S: Co-signer, no spousal relationship.

T: Relationship with account terminated.

Subscriber Code: This lists the lender's subscriber code number.

Date Opened: This lists the date that the account was opened.

High Credit / Credit Limit: This number reveals the highest credit or the highest amount ever owed on the account.

Date Verified / Date Closed: This is the date that the credit information was first reported to TransUnion. Following are the corresponding codes for these dates:

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 (not verified)

S: Slow answering

T: Terminated or temporarily frozen

U: Never / Not used account

V: Verified

X: No reply

Balance Owning: This lists the amount you still owe on the account.

Amount Past Due: This lists the amount past due on the account.

Type of Account: This lists the account type, using the following codes:

O: Open account

R: Revolving or Option account

I: Installment account

M: Mortgage

C: Check credit (line of credit)

Manner of Payment (MOP): This shows the manner of payment for the account, according to the following codes:

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 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: Reveals the collateral offered for an installment loan.

Terms: This details the terms of the loan, including the number of payments, frequency of payment, and the dollar amount due for each payment.

Remarks: This describes the type of installment loan, such as an automobile, boat, etc...

Maximum Delinquency: This is the date when the maximum state of delinquency occurred, the total amount involved, and the rating at the time of delinquency.

Payment Pattern: This details your pattern of payments for the account, covering the last 24 months.

Historical Status: This lists historical information about your account. Examples include, the date the account was reported to the bureau, the number of times the payment was late, etc.

Other Account Information: This lists information that does not fit anywhere else.

Inquiry: Includes a listing of all parties who have requested a copy of your credit report. The Fair Credit Reporting Act (FCRA) protects your rights to privacy, and therefore only inquiries from those entities with a permissible purpose are granted access to your report.

Promotional Inquiries

Vendors query the TransUnion database using a set of parameters, and receive mailing address information for individuals matching their criteria. These vendors are not viewing your report. They just want to give people who meet their parameters an offer of credit or insurance.

Collection: This shows any accounts that were turned over to collection. This field contains the following information:

- The subscriber code of the lender
- The amount of the collection
- The ECOA designator
- The status of the account
- The date collection was reported to TransUnion
- The date your account was paid (if applicable)
- The lender involved in the unpaid balance

Following are the collection status codes:

- 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 field lists information regarding information reported to TransUnion, including the location of the court where the public record was recorded, the court type, the date, the ECOA designator, any liabilities, etc.

EQUIFAX

Company Name: This is the name of the lender.

Account Number: This is the number of the account.

Whose Account: This designates who is responsible for the account, according to the following codes:

- J: Joint Account
- I: Individual Account
- U: Undesignated
- A: Authorized User
- M: Maker
- C: Co-Maker or Co-Signer
- B: On Behalf of Another
- S: Shared

Date Opened: This lists the date (month and year) the account was opened.

Months Reviewed: This shows the number of months the lender has reported your account history to Equifax.

Date of Last Activity: This shows the date of the last activity on your account.

High Credit: The highest amount charged to your account, or the highest credit extended to you by the lender.

Terms: This details the terms of your account with the lender, including number of installments, and the amount of monthly payments.

Items As of Date Report/Balance: This shows the amount you owe on your account (at the time it was reported to Equifax by the lender).

Items As of Date Reported/Pmt Due: This is the amount that is past due on the account (at the time it was reported).

Items As of Date Reported/Status: This is the status of the account, according to the codes listed below:

- O: Open (entire balance due each month)
- R: Revolving (payment amount is variable)
- I: Installment (fixed number of payments)
- 0: Account is approved but unused
- 1: Paid as agreed
- 2: 30 days past due
- 3: 60 days past due
- 4: 90 days past due
- 5: 120 days past due
- 7: making regular payments under wage-earner plan or similar arrangement.
- 8: Repossession
- 9: Seriously delinquent bad debt (paid or unpaid)

Date Reported: The date when information was updated on the account.

Other Account Information: Information that does not fit elsewhere in this report.

Collection Accounts: Shows any accounts turned over to collection agencies. The following information is included:

- When the collection was reported
- When your account was given to a collection agency
- The amount involved in the collection
- Date of last activity on your account
- Type of account

Courthouse Records: This contains public record items which reflect your history of meeting your financial obligations.

Additional Information: Shows any previous addresses and employers.

Inquiry Status: Lists businesses that have received your credit report in the past 24 months.

EXPERIAN

Unlike the previous two formats we have discussed, the Experian bureau utilizes a format that is much easier to read and understand. There are no codes or lettering systems. All of the information presented is clearly defined and described.

KEY POINTS IN REVIEW

So far, you have learned the basics of credit, credit reporting, how to read your report, and the importance of reviewing your report often, and correcting any mistakes you find. You have also learned how lenders and creditors use your credit report to approve or decline your applications for credit, and the areas they consider most important when making these determinations.

WHAT'S WRONG WITH THIS PICTURE?

When you have finished marking all of the negative entries on each of the reports, you will need to begin searching for entries that are wrong. In this case, “wrong” has several meanings. Whether you believe the information is wrong because it contains an inaccurate balance, because some of your personal information is incorrect, or because you recognize an obvious contradiction in the report itself,

highlight anything that you believe to be wrong. Pay close attention to the following areas as you scan the entries:

Verify that all of the following are correct (or wrong):

- Account Number
- Date of Account
- Account Status
- Account Balance
- Account belongs to you
- Late Payment History
- Account Type
- Verify that personal information relating to specific account (as well as overall) is correct
- Verify that past addresses are correct.
- Check for duplicate accounts

CHARTING YOUR COURSE

When you have finished marking all the negative entries on all three of your credit reports, take a minute to congratulate yourself — you have taken a major step, and dedicated yourself to sticking with it. Now it is time to begin planning.

As we progress through the planning phase, you might like to compare the process to planning a cross-country vacation. For example, when planning a vacation, some people place a large map on their wall, and stick colored thumbtacks in all the states and cities they want to visit along the way. Then, when all the thumbtacks have been stuck to the map, they can take a few steps back, and really take a look at the map. From this new perspective, they are able to more easily plan their journey. As you've probably guessed, your marked-up credit reports are much like a map on the wall. The negative entries you have highlighted are like the thumbtacks.

So, step back, and prepare to take a new perspective on your “map” to credit restoration. One more thing: Just as if you were planning a road trip, there are certain “rules-of-the-road” you should keep in mind when planning your course of action here. For example, you wouldn't take a gravel road instead of an interstate, right? To do so would take five times as long to reach your destination, and might damage your vehicle. That's just one of the rules that we must follow.

Following are some quick-reference rules that you should try to remember as you begin to plan for credit-restoration success.

- **Truth or Dare:** You are disputing the report because you believe it contains incorrect, unverifiable, or inaccurate information. Therefore, there is really no need for you to lie about anything. Additionally, when

you lie in a dispute, it becomes a part of your permanent file, thus creating a domino effect for all future communications you make with the bureau. In other words, one lie will inevitably force a second lie. Eventually, you will find that it is difficult for you to remember everything you have told the bureau. You begin to forget which is truth, and which is falsehood.

- **Loud and Clear:** Is important for you to state exactly what you are disputing in your letter. Generally, there are two main disputes: the existence of the entry itself, or the data surrounding a specific entry. Letters that do not clearly state their point will be quickly returned. So, whether you are disputing the entry or the data, you must make your points loud and clear.

- **You're Giving the Orders:** In your letter of dispute, it is important for you to tell the credit bureau exactly what you want them to do. Let them know what actions you would like them to take when they finish reading your dispute. Do you want them to delete a listing from your record or delete negative information regarding an entry? When it comes time to make your demands, remember, you're giving the orders. (Politely of course!)

CHAPTER ELEVEN

WHAT IS A FICO®?

If you've already seen your credit report, you know how complex it can be. Strange codes, intricate letters and numbers — it almost makes you wonder if anybody can read it properly. The answer, of course, is yes — lenders know exactly what they are looking for, and they can read your credit report as smoothly as you can read an article in a magazine.

But there are ways to make it easier to judge whether or not a person is credit-worthy. In fact, Equifax clarified the credit scoring process when they allowed consumers to see their own FICO credit scores. Previously, only lenders who were considering a loan application saw this score.

The FICO scoring system was developed by Fair, Isaac. In simplest terms, it is a numbering system used to determine a consumer's credit rating, with scores ranging from 300 to 850. Your FICO score is viewed as a summary of everything on your credit report, and it changes with each report. The higher your FICO score, the more likely you are to be approved for loans. My goal is to get you into the 600's. A score in the 600's will have some late payments showing, and some past problems, but it is high enough to allow you to obtain financing.

All of the following factors affect your credit score:

- Your Payment history
- Account Balances
- Length of credit history
- New credit
- Types of credit in use

More specifically, an individual's credit score is determined by a mathematical formula in which numbers are assigned to entries on the credit report. Some of the primary factors considered into a credit score are as follows:

- **Responsibility:** Are you paying your accounts on time?
- **Accountability:** How much money do you currently owe on each account?
- **Longevity:** How long have your accounts been open?
- **Versatility:** How many different types of credit do you use?
- **Appetite:** How much of your available credit do you “consume” on each account?

- **Inquiries:** How often and how recently have you have applied for credit?

What is a good score?

Most lenders view any score over 700 as an “A” credit rating. As scores begin to fall below this number, interest rates on loans tend to rise. Eventually, creditors will reject an application entirely if the score is too low. Because all lenders use credit scores differently, it is difficult to say how low is too low. If you have read my course, Foreclosure Secrets, you know that there are some awesome loan programs out there that for people of all credit score ranges.

We constantly hear students who tell us that their credit is so bad that they will be unable to ever get a mortgage on a piece of property. They relegate themselves to complicated no money down schemes when they really don't have to.

FICO scores in the 600's can get any type of loan that you would need with minimal down payments. If you are going after an owner occupant loan (you will live in the house), your score can really be on the low end.

There are several ways in which you can improve your credit score. The most obvious is to have derogatory listings removed from your credit profile. (That is the objective of the Enforcement phase). Other credit-building techniques will be covered later in this book (the Renovation phase).

CHAPTER TWELVE

ORGANIZATION: YOUR VIRTUAL SECRETARY

As we mentioned in an earlier chapter, this program requires excellent organization skills. For the next few months, you are going to be dealing with dozens (if not hundreds) of pieces of documentation and correspondence. You will need to be able to easily recall and retrieve this information as needed. Over the next few pages, we will suggest some methods to help you “keep it all together.”

Calendar of Events: For this program to work smoothly, you will need to become an expert record-keeper. Of all the records you will be keeping, *dates* are probably the most important. You’ll be keeping exact records of events like, when you mailed a letter, when you received a response, who the response was from, what action was taken, when you expect a return letter from a particular bureau. All of these dates will play a vital role in the way you handle your operation.

There are several items you can use to make this recording process as easy as possible. Here are a few of our recommendations:

- **Day Planner:** Costing between ten and twenty dollars, most day planners include 1-2 pages for every day of the year. This provides you with plenty of space on which to record *all* of the events of a particular day. For example, if you are mailing a letter of dispute on October 1, your journal entries might look something like this:
- **October 1, 2001:** Mailed 1st dispute letter to Equifax, regarding the derogatory entry for Alliance Bank. Disputed 60-day late payment. Expected response in XXXX weeks (see Nov X, 2001).

Now, under Nov X, make the following entry:

Nov X, 2001: Response should be arriving from Equifax, regarding the derogatory entry for Alliance Bank. Dispute letter was mailed X business days ago (October 1). Be on the lookout.

- Additionally, day planners include weekly, monthly, and yearly calendars. So, in addition to recording a specific entry in the day calendar, you could mark the date you expect a return with an X.
 - **Full-Sized Desk Calendars:** For about \$10, these huge calendars show one month at a time, and allow enough space on each day for you to mark specific dates, and record important information.
 - **Computer Software:** If you're willing to spend a bit more money, there are several excellent computer software applications that are designed to keep track of important dates, times, etc. If have extra money to spend, consider using a scheduling program. Last ditch: Computer spreadsheet files are less expensive, and can be customized to fit your recording needs.
 - **Make Your Own:** Blank paper and a pencil are really the only two instruments you need to create your own calendar for recording your daily events. Not only does this save you money, but a do-it-yourself calendar can be customized to work for your exact needs. Following is an example how you can easily create your own day-by-day calendar for just such a purpose:
- **Credit Restoration Calendar**

Date: October 1, 2002

Bureau: Equifax

Describe Event: Mailed 1st dispute letter, regarding the derogatory entry for Alliance Bank. Disputed 60-day late payment. Expected response in _____ weeks (see _____, 2002).

Date of Expected Response (where applicable): On or before _____, 2002.

Action Taken: N/A

Date: October 2, 2002

Bureau: TransUnion

Describe Event: Received response from bureau, regarding August 24 dispute letter for XYZ Credit.

Date of Expected Response (where applicable): N/A

Action Taken: Derogatory entry has been deleted from credit record.

File Folders: Every piece of documentation should be kept where it can be retrieved easily. We recommend using a filing system in which you keep a separate file folder for each lender or creditor against whom you are filing a dispute. Within each file you should keep all original statements, copies of all letters sent, all letters received, and detailed notes of anything that has been said, received, or done regarding this lender or creditor.

Telephone Conversations: If you do need to speak with your lender for any reason, write down the following information every time you speak to them: everything that was discussed, what you agreed to do, what the lender agreed to do, the date and time of the call, the name of the person you spoke with, his or her direct telephone number, and the name and telephone number of this person's superior.

From personal experience, I can tell you that some of the low level employees are not that helpful, or they don't understand the process.

We had a 30-day late that showed up on our credit report recently from a lender on one of our rental houses. We had not made any late payments on that loan, and certainly none that were over 30 days late.

My wife, Julianne, contacted the lender and asked them what on earth was going on. The person on the other end of the phone looked at our account records and stated that there were no late payments, and that the item must be error. Good, we all agreed on that!

At that point, Julianne asked her to send a letter to the credit bureaus (all three!) showing that they were not reporting any 30-day late, and that this entry should be taken off of our credit report.

The clerk working for the lender then informed her that this was not the correct path to take, that Julianne should challenge the item on her credit report, and that they would then tell the bureau that there are no late payments. Needless to say, this was not the way that Julianne wanted to do it. And, it was not the fastest way to get the problem solved.

Long story short, my wife asked to speak to a supervisor. She politely told the supervisor that the lenders records showed no 30 day late, but that they were reporting one to the credit bureaus. She further explained that our living was made with our credit, buying and selling houses, and that they were liable to us for damages for falsely reporting information that was simply not true. She stated

that all we wanted was for the incorrect information to go away. She requested that they write to each bureau and also cc (send us a copy) to us.

The supervisor was smart enough to understand the situation, agreed, and the items are being taken off the credit report as this is being written.

Note that I generally will go directly to the creditor if something is on there that I know is completely false or untrue, which is what we did in this case. You can get it wiped from your credit faster if the creditor sends a letter directly to the bureau telling them that the information is false. You will have a copy of this letter for your records as well in the UNLIKELY event that it ever cropped up on your credit again. Note that the FCRA is very direct on the point that items deleted from credit reports should never be placed back on credit reports unless there is new proof or information that the late payment was true.

Common Area of Confusion

Note that you always want to note on your filing system when a letter was ACTUALLY received by the bureau. You will know the exact date it was received from the return receipt that you get with each letter you sent. (This is why we mail Certified, Return Receipt Requested). You start the 30 business day cycle (6 weeks) on the day actually received. You should note when you expect to receive a response on your calendar, and update that information when you know the date they received your letter.

CHAPTER THIRTEEN

INCREASING YOUR SCORE BEFORE CHALLENGING ANY ITEMS

Remember that the Enforcement phase is critical, for it is within this phase that you will be fighting the majority of your battles: ensuring that every dispute mailed has been acknowledged, recording the progress, tracking the dates and deadlines. The objective of the Enforcement phase is to get all the negative credit entries deleted from your record.

Did you know that showing too many open accounts can lower your credit score?

If you notice any closed accounts on your credit report that are showing as open, phone your creditor and alert them to this fact. Tell them that they are reporting this account as still open, and you are requesting that they notify the credit bureaus that these accounts are closed. Request a copy of the letter that they send to the bureaus, and also a letter stating that the accounts are closed addressed to you as well.

If you have some open accounts that you do not need anymore, call and cancel those accounts, and request the information above.

This is a quick and easy way to gain some points on your credit score.

CHAPTER FOURTEEN

ENFORCEMENT PHASE: CONTACTING THE LENDER DIRECTLY—SINGLE LATES

First Move

This is a great secret that no one really knows about. Did you know that if you have a credit card or other account where you have one late payment (and only one!) that the lender will often remove that item as a courtesy to you? You may be able to really do a good bit of cleanup right here, quickly and easily.

Step One: Go through your credit reports and pull all of those accounts where you see a SINGLE late payment on the account. These can be accounts that are open or closed. You can get the 800 number for the lender off of your old statements.

Call the lender on the phone and use this script. Be friendly and upbeat. Smile while you are talking. It will come through in your voice.

“Hello, this is _____. I hope you can help me out today. I have a problem that I really need some help on! (Say this smiling). (They will take your account number from you).

I have/had an account with you from (date) to (date). I am getting ready to apply for a loan and noticed [name the one late] on my credit report. I have no idea what this is, as I have always paid you all on time. My credit is very important to me, and I always pay things on time. I am really upset at seeing this on my report, as I cannot imagine how it got on my credit report. You can see from my payment record that I have always paid on time, and I cannot imagine why it is on my report.

Is there any way that you all could remove that for me? I have been an excellent customer, and always have paid on time to my knowledge. I would really appreciate whatever you could do for me, as I am trying to get the loan done right now, and this looks like it could mess me up. (Keep warmth in your voice through all of this. You are NOT trying to sound demanding or bossy. Talk like you are begging for your life).

At this point, you may be surprised to hear them say o.k. Remember that this will only work if there is ONE item that you are trying to get removed. Let's pick up how this goes from here:

Thanks so much! Could you send a letter to each of the three bureaus saying that there are no late payments on that account and a copy of that letter to me as well? Great! Could I get your name and extension in case I need to reach you again? Thanks so much! How long do you think it will take to get the letter out?...

If you find a creditor that is willing to work with you like this, be on the lookout for the letter, and check your report later to see if the item is in fact removed. You will have a letter from the lender if you need to prove later that you made no late payments.

Important Note: If you use this procedure, and are told, "No way," don't worry about it. You will move onto the traditional mode of challenging the item directly on your credit report through the credit bureau. Your other option is to call the creditor back at a later time and see if you get someone more sympathetic. Sometimes there will be no record of your earlier call on their account screen, so you may get lucky and get it removed. You may also be given to another person who has the authority to make a decision. You may have to make your request several times with several people.

IF THE CREDITOR AGREES TO REMOVE THE ONE ITEM, DO NOT SEND A LETTER OF CHALLENGE INTO THE CREDIT BUREAU ON THIS ITEM. This can create a nightmare. One person in the creditor's office will send a letter stating that there are no late payments, while another may send a letter stating that there was a valid report of a 30 day late in response to the credit bureau's investigation. The item will disappear and reappear on your credit report. If they are willing to remove it, give them a chance to get the letter to you and the bureaus, and for the bureaus to remove the item. Keep working through the creditor. If you don't get a letter, call back the person you spoke with. MAKE SURE TO GET HIS OR HER NAME AND DIRECT DIAL PHONE NUMBER!

CHAPTER FIFTEEN

STEP TWO—DEALING WITH THE CREDITOR DIRECTLY:

WHEN YOU ARE IN THE RIGHT AND YOU CAN PROVE IT

While you are working on the single pay lates discussed in step one above, you may have spotted some items that are simply not true. These will really irk you, as they should.

If you know something is not true, and you have a paper trail to prove it, contact the lender directly on the phone and explain the situation. You will probably have to follow up with a letter detailing the facts as you explained them on the phone and attaching your evidence. You are in the right, so the lender should recognize that and work with you.

I gave the example in this course of the 30 day late that showed up on our credit report for a rental property. This was not true. We paid on time, and we could prove it. A quick call took care of this problem, and we have received a letter stating that there are no late payments. I was prepared with my cancelled checks if they needed that proof. Their records reflected no late payments, however, so we didn't even need to produce those.

We handle these in the same way as discussed in Chapter 14: You want a letter sent to each of the bureaus from your lender stating that there are no late payments or other negative information. Plus, you want a copy of those letters sent to you as well for proof if the items reappear later, or are not taken off in a timely manner.

CHAPTER SIXTEEN

STEP THREE: CHALLENGING ITEMS THROUGH THE BUREAUS

Old Items

We are going to start with the easiest items to remove first. The credit bureaus are rarely “on the ball” when it comes to deleting records that are older than seven years. This means that it is up to you to dispute the entries if you notice them. In other words, don’t expect the credit bureaus to take notice of your old entries—you’ve got to let them know. This can be done with a simple letter based on **Form 771**. Simply state that the item is older than 7 years, and must be removed. If a bankruptcy is older than 10 years, it must be removed. What you are looking for are late payments that are over 7 years old, or a bankruptcy that is over 10 years old.

Note that some judgments may appear for longer than 7 years. Remember that a judgment is obtained by a creditor when they actually have sued you in court over a debt. When a creditor gets a judgment, for example – Joe Smith owes ABC Credit Card Company \$2,300 for the VISA that he defaulted on – they can file this judgment, in a document called a Fi Fa at your local courthouse. These operate as liens against you and any property that you own for a period determined by state law.

These can typically be refiled after they expire, and this can be longer than 7 years. Thus, the 7 years starts over when they are refiled. Thus in a state where a judgment filed as a Fi Fa is good for 7 years, and where it can be refiled for 7 years, this item might stay on your credit report for 14 total years. For example, in Georgia, when you file a judgment and Fi Fa in the public records, that Fi Fa is good for 7 years. After 7 years, it can be simply refiled for a total of 14 years. (A Fi Fa is simply a statement of the amount of the judgment, the parties etc. When someone is checking your credit, and they refer to judgments on record against you, this is what they are referring to).

However, if you have late payments, or charge offs, or any other credit items that are older than 7 years, you should challenge those immediately so that they are taken off your report. You should also challenge judgments (Fi Fa’s) that are

older than 7 years. Even if your state law allows your creditor to refile the judgment, they may not have. Put the burden of proof on them.

First Challenges

The first group of credit bureau challenges includes: Late Payments (30,60,90) that are over 2 years old on closed accounts. Included on this list are the single late payments on closed accounts that the lender was not willing to take off voluntarily. Start with 30 day lates, then 60 day lates, then 90 day lates and so forth. Do the easiest first. We'll save the single late pays on open accounts for later.

Letter 1: Form 771

The first letter should respectfully state your intentions: that you have found a problem with an entry on your credit report, which you would like the bureau to investigate, and which needs immediate resolution. Naturally, your letter should be reserved enough that you do not say anything more than is necessary at this time. To make this as easy as possible, you may draft your letter as seen in form 771, "**Initial Letter of Dispute**," in the forms section of this book.

When you put your letter in the outgoing mail (always certified, return receipt requested!), mark the day on your calendar, and note all relevant information. Be sure to include the following information on your calendar entry:

- Date Sent
- Recipient (TransUnion, Equifax, Experian)
- Entry Disputed
- Letter Number (first, second, third, etc..)
- Expected response date (30 business days)

When you finish recording the information in your calendar, move to the date you expect a response, and repeat the same information.

You want to send this letter by certified mail return receipt requested so that you can absolutely prove when you sent it, and when it was received. This will be important for our 30 business day period, as discussed earlier. Thus, you will want to update your calendar when you receive the receipt telling you when the letter was received. That is when the 30 business days starts to tick.

What to Expect:

First, your letter must make it past the checker. Because you have been reading this book, your letter should have no problems with this. It is not uncommon for the checker to request more information from you. Again, because you have been reading this manual, you will have already established an organizational system that is second-to-none, and providing the bureau with more information will not be a problem for you at all. You'll just refer to the applicable bureau file, containing the lender or creditor file, and retrieve the necessary documentation.

Following checker approval, your letter will be passed to an investigator, who will attempt to verify the information you have provided them. They will then verify the entry with the original lender or creditor. If they are unable to verify the entry with the lender, they will remove the entry. Remember, this removal is considered to be a "soft delete," which can be reversed if the lender is able to verify the entry at a later date.

Note that in our experience, many of these "soft deletes" stick. And, as we have said before, the more time that goes by, the more likely that the lender will not bring forth new evidence, or make any type of challenge to this item being removed.

If you have not heard back from the credit bureau within 30 business days of mailing plus a few days for any response they may have sent to arrive at your door, it is time to force their hand into doing a "soft delete" for you. A sample letter is attached in the forms section of the course (form 771(b) 30-day nudge). (Send it certified return receipt requested!) Remember that the creditor might get their act together and provide proof at a later date that you actually were late on a payment etc., but this will remove it for now, and potentially forever. Critical—use their dispute number on the Re line so that they can find your dispute easily. (They will have sent you an earlier letter giving you a dispute number). You don't want them to look up your social and discover all of your other challenges.

Finer Points Of Credit Repair: IMPORTANT

You are probably going to have numerous items to challenge on your credit report, and not just one. I basically have written this as if you had one item to challenge, and the process can be repeated over and over again for numerous items.

What we do not want to do is make the credit bureau people aware of what you are doing. **Thus, you never want to write one letter where you challenge multiple items.** Remember that the people who work for the credit bureaus are regular people just like you or me. They come to work in the morning, have families, need to get to the grocery store a couple of times a week, have to put gas in their car etc. They want to do a good job and not make any major mistakes at work. If a letter comes in with 15 items that someone wants to remove from a

report, they will probably figure that they do not need to mess that one up. They will make sure that it gets their attention. Such a letter will not get lost in the shuffle.

This is why it is crucial to challenge only one item per letter. Not two items, or three, but only one per letter.

How often should you mail these letters? One letter a year would obviously not tip them off to what you are doing, but that is too slow. I helped my wife straighten out her credit after we were married, and we challenged everything basically at once, and moved her score dramatically up. Her score is actually greater than mine now (she loves to tease me about this) since I have numerous loans on rental properties that pull my score down somewhat.

Thus, at most, you should challenge one item per day. You might run some risk if the same clerk got a letter from you each day, but these are such big companies (the credit bureaus) that I don't see how you will be noticed submitting things at this frequency.

When you challenge each item, challenge it with all three bureaus at once. Thus, send a letter challenging one item to all three bureaus on the same day. This is really important, so I'll give an example to make sure that it is clear. Bear with me if you got it the first time, but I don't want anyone to stumble here.

Example: On your credit report, you might have a 30-day late on your Visa card. You also have a 30-day late on your Discover card. Thus, on Monday you would mail three letters (one to each bureau) challenging the 30-day late on the Visa. Each of these letters is the same, just the name of the credit bureau is different. On Tuesday, you would mail one letter to each of the bureaus challenging the 30-day late on the Discover.

This is the most aggressive way to go that I would recommend. You might want to spread out your challenges if you are a patient person, or if your score is good enough to get loans now. The longer you wait in between challenges, the higher the likelihood that you will fly under the radar screen of the credit bureau.

THUS, WE WILL START THE CREDIT REPAIR PROCESS BY:

IDENTIFYING ALL 30, 60, AND 90 DAY LATE ITEMS THAT ARE OVER 2 YEARS OLD. FURTHERMORE, THESE ITEMS WILL ALL BE ON CLOSED ACCOUNTS. WE WILL CHALLENGE THE INFORMATION WITH OUR FORM LETTER 771. YOU WILL MAIL ONE LETTER PER DAY TO EACH OF THE THREE CREDIT BUREAUS, OR ONE LETTER TO EACH OF THE THREE CREDIT BUREAUS LESS FREQUENTLY IF YOU DO NOT WANT TO BE AS

AGGRESSIVE. (YOU DO NOT NEED TO BE AS AGGRESSIVE IF YOUR CREDIT IS ALREADY GOOD ENOUGH TO GET LOANS, OR IF YOU ARE NOT TRYING TO REPAIR MANY ITEMS). ONLY CHALLENGE ONE ITEM PER LETTER. MAKE SURE TO SEND ONE LETTER TO EACH BUREAU FROM THE HUSBAND, AND ONE LETTER FROM THE WIFE ON THE SAME DAY. (Thus, if a negative mark is on a husband and wife's report, send a letter from the wife to each of the three bureaus, and on the same day send a letter from the husband to each of the three bureaus. The husband should sign his own letter; the wife should sign hers). REMEMBER THAT YOU WILL START WITH THE EASIER ITEMS FIRST AND MOVE TO THE MORE COMPLICATED REMOVALS. FINALLY, YOU WILL MAIL YOUR LETTERS CERTIFIED MAIL, RETURN RECEIPT REQUESTED.

CHAPTER SEVENTEEN

If You *Don't* Get What You Want On Your Initial Challenge

Sometimes, your first letter will not achieve the desired results. (Our desired response is having the credit bureau agree to remove the item). Don't worry. This is only a temporary setback. And, because you are prepared, you simply sit down and write another letter in which you request a re-investigation. In this second letter, you will include all the information you included in your first letter, and you are requiring the bureau to prove that they have actually verified the entry. This is accomplished by asking the bureau (in your second letter) who they have been dealing with at the creditor's office. You may work from the sample letter as seen in form 773, "**Follow-up (Reinvestigation) Letter**," in the forms section of this book.

As with the first letter, when you put the second letter in the outgoing mail (certified return receipt requested), mark the day on your calendar, and note all relevant information. Be sure to include the following information on your calendar entry:

- Date Sent
- Recipient (TransUnion, Equifax, Experian)
- Entry Disputed
- Letter Number (first, second, third, etc.)
- Expected response date (three weeks)

When you finish recording the information in your calendar, move to the date you expect a response, and repeat the same information.

This second letter is designed to get a response from the bureau. If they are unable to verify the information with the lender or creditor, they will remove the entry. If the lender or creditor does not respond in a timely manner, they may "soft delete" the entry. Or, if they are able to verify the information with the lender or creditor, the bureau will provide you with the names and contact information for the individuals with whom they have spoken. With this information, you will be able to contact the lenders yourself, to discuss the issue further (as necessary).

While awaiting the bureau's response, you must not contact them or the lender or creditor. This does not mean, however, that you cannot do something more to ready yourself for the next encounter. In fact, right now is a prime time for you to study the following list of "attack plans" we have drafted. These plans

are drawn up as counter-responses to the many various types of responses you might receive from the bureau:

COUNTER RESPONSES

Before we examine some of the possible counter responses, it is important to talk about the value of professionalism. The credit reporting bureaus are gigantic, corporate, professional institutions. And, just like any professional institution, they do not respond well (or at all) to rude, demeaning, angry, or otherwise insulting remarks or letters.

Each bureau is like a fire, and must be approached as such. For you, this means fighting fire *with* fire. In other words, the bureaus are rife with bureaucracy (just look at the name), and professionalism is the only way in which to make your voice heard. Politeness will rise far above anger. A "please" will make it ten times farther than an angry demand. Keep this in mind at all times — especially if you receive a response from the bureau that you do not like or approve of. While your natural instinct may be to scream and curse, you will never allow the bureau to know this.

When you receive a response that angers you, scream all you want — at home, in private. Then, take a few breaths, and put your "professional" hat back on your head. The bureau is a fire, and if you add fuel to this fire with profanity, anger, or insults, you can expect no better results than a pile of hot ashes.

Request for More Information: It is not uncommon for the bureau to request more information. This is often a technique that the bureau uses to "brush-off" dispute letters. Their hope is that people will forget about the dispute, or "let it slide." You, however, will not "let it slide," because you have established an organizational reminder system. When you receive a letter from the bureau, requesting more information, respond immediately and mark your calendar.

Not all requests for more information by the bureau are made to stall you. Very often, the bureau really does require more information. When such a request is made, you are going to write a new dispute in which you repeat what you said in your first letter. You will then include a copy of the first letter, and **all** the information that the bureau has requested from you. This information should be readily available to you if you have been keeping up with your filing system. To make this process as easy as possible, you may work from the sample letter as seen in form 774, "**Response Letter: Request for More Information,**" in the forms section of this book.

One Too Many: If, somehow, the bureau notices that you have sent too many disputes, your chances for success will decrease because they will no longer take

your disputes seriously. So, the goal of your counter response will be to reaffirm that you are serious. Repeating your dispute will help, along with the demand that immediate action be taken. Basically, you are going to convince the bureau that you are serious, very serious—despite any other disputes you may have sent. To make this process as easy as possible, you may work from the sample letter as seen in form **775, "Response Letter: Too Many Disputes,"** in the forms section of this book.

Frivolous: Remember, one of your main objectives throughout this process is to remain firm and serious. Sometimes, however, we simply cannot escape the label of "frivolous" that the bureau gives in certain instances. Nobody likes to be considered irrelevant. But, should you receive a rejection letter from the bureau, stating that your dispute is frivolous, do not get angry. Instead, calm yourself, resituate your "professional" hat, and write a counter response. To make this process as easy as possible, you may work from the sample letter as seen in form **776, "Response Letter: Frivolous Rejection,"** in the forms section of this book.

Red Handed: Sometimes, despite your best efforts to the contrary, the bureau recognizes (or thinks they recognize) that you are attempting to repair your credit improperly or frivolously. They believe that they have caught you "red handed." If you receive a notice saying that your dispute was rejected because the bureau believes you are manipulating the system, do not fear, a firmly-worded letter can get you back on track in short time. To make this process as easy as possible, you may work from the sample letter as seen in form **777, "Response Letter: Red Handed Rejection,"** in the forms section of this book.

Investigation in Progress: If all goes well, you should receive a letter from the bureau telling you that they have started investigating your dispute. Mark this day on your calendar. In the short-term, there is nothing you can (or should do). If, however, you do not hear from the bureau for 30 business days, we have prepared a letter for you to send them. Refer to the forms section of this book for sample number **771(b), "Response Letter: 30 Day Nudge."**

Pass Through: Occasionally, credit bureaus use what are known as "Pass Through" agencies. These are local reporting bureaus that are retained by a national bureau to handle the entire verification process for them. In the event your credit bureau passes your dispute to a pass through bureau, you will receive notice of this. Generally, this will increase your waiting time. The good news is,

pass through bureaus work quickly and efficiently, and you can always expect a timely response once they are assigned to your dispute. I take the position that they should give you a soft delete once you hit the 30 business days.

Success: While success requires no response at all (save a quiet personal celebration), if you are successful, you may expect to receive a letter showing the results of the investigation. You will also receive a copy of your revised credit report. Be sure to examine this new credit report to make certain that the action stated has actually been taken on your credit record. If you are unsure about the new changes, compare your new report with your old report.

IMPORTANT REMINDER

As we have learned, nearly every letter you send will generate a different type of response from the bureau. Some responses will require you to take additional action, send more information, or write more letters; Others will require only that you be patient as the bureau processes your dispute. As you can see, this process can be very complicated. Fortunately, you have learned to keep accurate records.

- The point we would like to stress is that you need to be certain to keep records of everything that occurs. So, in your calendar, you should be recording every letter you send, every letter you receive, information about the letters, the expected response dates, names of important contacts. It may even be helpful to assign each dispute a different number. Then, write that number beside every piece of documentation you write or receive. Keep a list of numbers and disputes handy.

Keeping accurate records throughout the entire process is critical. Although we make the process sound more difficult than it may really be, we feel that this is the only way to ensure an organized system.

WHAT? WHY? HOW?

Suppose you receive a letter from the bureau stating that they have verified the accuracy of what you dispute, and that they are going to take no further action. This is not the result we are hoping to achieve. Nevertheless, you have options when it comes to handling this type of response. After all, this is an entire “system” for restoring your credit profile. And not every letter you write will generate positive results every time.

In order to equip you with the knowledge necessary to counter almost every possible result the bureau sends your way, we have devised the following section, detailing: **What** the bureau may do, **why** they may do it, and **how** you can respond to them.

What: The bureau simply ignores your letter or tosses it into the wastebasket.

Why: Typically, the bureau will ignore letters that are not absolutely clear in their intentions.

How: If you have not heard anything at all from the bureau **sixty days** after submitting your original letter of dispute, your next course of action is to READ your original letter and VERIFY that your dispute and demands are clear. If not, start over again, and send a new letter that clearly states your dispute and what you are asking for.

If you were clear, send the 30-day nudge letter. Continue this process for as long as is necessary.

What: The bureau verifies your dispute. The entry will remain on your credit profile as is.

Why: The bureau has verified the dispute with the lender or creditor.

How: Regardless of their decision, you have the right to dispute an entry, as many times as you feel is necessary. Therefore, if you receive a letter informing you that your dispute was verified, simply file it in the applicable folder, wait sixty days, and **start fresh**. READ your original letter and VERIFY that your dispute and demands are clear. Once you have corrected any possible misunderstandings, resend your letter, and record the date on your calendar. Continue this process for as long as is necessary.

Make sure to continue to send out letters on items you have not disputed. You can shelve some of these items that received an unfavorable ruling until you have improved everything that you can, and then go back and continue to attack these items.

What: Specific entries that you had disputed were found to be incorrect, inaccurate, or unverifiable.

Why: In theory, if your dispute is not verified within thirty business days, the bureau must delete the derogatory entry from

your credit record. If the entry is found to be incorrect, inaccurate, or unverifiable, the bureau will send you notice of this, as well as a new credit report.

How: Check the new credit report with the old credit report to verify that the derogatory entry has, in fact, been changed.

What: A "soft-delete" has been reinstated.

Why: This happens when the lender or creditor eventually verifies information that was previously unverified. When this happens, the bureau restores the original derogatory entry in your credit record.

How: If this happens, your only course of action is to **start fresh, sixty days after you receive notice.** When you do this, read your original letter and verify that your dispute and demands are clear. Make them a bit stronger if necessary. Once you have corrected any possible misunderstandings, resend your letter, and record the date on your calendar. Continue this process for as long as is necessary.

"EXCELLENT, ANOTHER REJECTION. EVERYTHING IS GOING AS PLANNED."

No doubt you are beginning to see how complex this process can be. We have given you the training necessary to handle the complicated issues such as organization, preparation, and even some letter templates to help you through each and every situation. And, while we may be able to offer you warnings and encouragement, I really cannot prepare you for rejection. But I can try. ☺

One of the first things to remember is that you are probably going to face rejection several times throughout this process. It is a part of the system. You are dealing with a very powerful entity, and they do not give in to people's demands without a good fight. Unfortunately, too many people either give up on the fight at the first sign of rejection, or they become overly aggressive and angry. They may say or write something to the bureau that forever classifies them as "troublemakers."

Perhaps you have heard the phrase, "the squeaky wheel gets the oil." While this may be true in some facets of life, when applied to the credit reporting bureaus, "being the squeaky wheel" is the same thing as getting the "troublemaker" label. And one thing is definitely certain: Troublemakers will not win this fight.

Regarding rejection, here are some ideas that might help you prepare for it:

- Always remember that you are taking a "systematic approach" to rebuilding your credit status. In so doing, do not allow a single incident to interfere with the big picture you have drawn in your mind. In other words, do not let one bad apple spoil the entire bunch.
- Plan for rejection. Read the following sentence, and see if you can guess what the next word will be: "Once upon a _____." The answer is "time." Did you guess correctly? Of course you did. Were you surprised at the answer? Most likely, you were not at all surprised. Why not?
 - The reason you were not surprised by the answer, is because the answer was **predictable**. You knew it was coming. So, it would seem, that as long as something is predictable, it will not be surprising. Likewise, events that lack surprise do not cause alarm. Therefore, if you plan for rejection, it will not come as a surprise, and it will not cause alarm. Agreed?

By taking this one step farther, we are going to establish a plan that will not only keep you smiling during times of rejection, but it can actually turn rejection into happiness. Here's the secret: When you draw up your master course of action, assume that you will receive a series of two rejections to each and every dispute you plan to file. That's it. This way, any rejections you receive will be part of your master plan. Just imagine thinking to yourself, ***"Excellent, another rejection. Everything is going as planned."***

We mentioned earlier that the Enforcement Phase is the most difficult (and important) of the credit restoration process. Now you see why. It's not easy, but with the tips outlined above, I believe you'll be able to persevere and succeed.

As we progress through the next few chapters, it is important for you keep current on the topics we have discussed. Let's take a moment now to reflect on the information we have covered so far:

***Always put everything in writing — using certified mail, return receipt requested:

- As difficult as it may be, with patience and persistence, you can restore your bad credit profile.
- There is no law prohibiting you from disputing incomplete or inaccurate information, or information that you do not believe can be verified.
- It is not necessary to lie when disputing your negative listings. You are simply disputing the accuracy of those listings.
- The "seven year law" is really a myth. There is no law requiring entries to remain on your credit report for seven years.
- Credit bureaus do not serve you. Their clients are lenders and creditors. Do not expect them to make concessions without a fight.

- Credit reports are often full of errors. The information within them is often incomplete or inaccurate. You reserve the right to dispute this information.
- Always write your own letters of dispute. Do not use letters that have been written by professionals (without using your own words), and never use the request form that credit bureaus enclose with your credit report.
- It is the responsibility of a credit bureau to notify the other bureaus of any changes or modifications they make to your credit report.
- Do not substitute your Social Security Number for an Employer Identification Number. It is illegal.

CHAPTER EIGHTEEN

STEP FOUR: DEALING WITH MULTIPLE LATES ON OPEN ACCOUNTS

The next group of debts that we will attempt to remove from our credit report are multiple lates on open accounts that are presently current and paid on time, but that you have late payments showing. **If you only have one late payment on an account, see Chapter Fourteen!** For example, you may have a credit card that is still open. You are making the minimum payments (or more) currently, but you fell behind awhile back, and have some late payments on the account.

Basically, we will challenge these the same way we challenged the prior late payments on the closed accounts. **(Chapter Sixteen)**. Start these challenges after you started challenging the late payments on closed accounts. You will follow the same procedures and use the same letters. Thus, any of the single late payments that creditors would not remove on open accounts will be challenged here.

CHAPTER NINETEEN

STEP FIVE: FIXING OPEN ACCOUNTS ON WHICH YOU ARE CURRENTLY BEHIND

Here is a fact that you must face: If you are currently behind to a lender or creditor (or in collections), it will be tough to have the negative entry erased from your credit report. And, even if you are successful in having the entry removed from your credit report, there is a chance that it will reappear. The reason for this should be obvious: You cannot escape your debts. But you can haggle. That's right — most people do not know that they can actually negotiate with their creditors. The fact is there is a process known to the financial industry as "Settling for Less." This means that you initiate negotiations with your lender in order to reach a mutual agreement as to how much money you will actually pay them. Part of your agreement will be for the lender or creditor to erase any and all negative information from your credit file. Note that if you are in collections, you want to negotiate with the creditor and not the collections agency.

The following chapter highlights several helpful ideas to consider when attempting to *settle-for-less* with a creditor. Before you begin, remember that these strategies should be used to negotiate with the original creditor. Do not attempt to negotiate with a collections agency.

Statute of Limitations: Collectors and creditors only have a limited amount of time in which to sue you for payments. This time frame is called a statute of limitations, and it should be the first thing you research. If the law reveals that your debt is older than the statute of limitations in your state, you can simply inform the collectors of this fact. This will free you from the collections procedures, and allow you to proceed with credit repair methods we have already discussed. An important distinction to make is the difference between the statute of limitations, and the "seven-year" myth. For example, if you have debts that no longer appear on your credit report, you may still be liable under state law, because the statute of limitations has not expired in your state. The key point to

remember is: do not mistake your credit report for an accurate record of active debts for which you are liable.

Actually, you're off the hook: Earlier, we stated that you couldn't escape your debts. This statement was not absolutely true. Under proper circumstances, and providing enough time has passed, you may actually end up debt-free. Here's how: If the debt you owe exceeds the statute of limitations in your state, and the entry has expired from your credit record (after seven to ten years), you are actually free of this debt. It's certainly not a pleasant way to erase debt, and the chances of escaping without a lawsuit (before the SOL expires is quite rare). Nevertheless, it is possible. Following is a listing of the statute of limitations for each state:

STATUTE OF LIMITATIONS BY STATE

(The first listing is for promissory notes—the second listing is for open accounts.) This information is believed to be accurate and was provided to us through a third party reference. However, lawmakers may change these time periods, so they are subject to change. It is always best to verify these for yourself. These are provided for your convenience.

- Alabama: 6 years / 3 years
- Arizona: 6 years / 3 years
- Arkansas: 5 years / 3 years
- California: 4 years / 4 years
- Colorado: 6 years / 6 years
- Connecticut: 6 years / 6 years
- Delaware: 6 years / 3 years
- Dist. of Colombia: 3 years / 3 years
- Florida: 5 years / 3 years
- Georgia: 6 years / 4 years
- Idaho: 5 years / 4 years
- Illinois: 10 years / 5 years
- Indiana: 10 years / 6 years
- Iowa: 10 years / 5 years
- Kansas: 5 years / 3 years
- Kentucky: 15 years / 5 years
- Louisiana: 5 years / 3 years
- Maine: 6 years / 6 years
- Maryland: 3 years / 3 years
- Massachusetts: 6 years / 6 years
- Michigan: 6 years / 6 years
- Minnesota: 6 years / 6 years
- Mississippi: 6 years / 3 years
- Missouri: 10 years / 5 years
- Montana: 8 years / 5 years

- Nebraska: 5 years / 4 years
- Nevada: 6 years / 4 years
- New Hampshire: 6 years / 6 years
- New Jersey: 6 years / 6 years
- New Mexico: 6 years / 4 years
- New York: 6 years / 6 years
- North Carolina: 3 years / 3 years
- North Dakota: 6 years / 6 years
- Ohio: 15 years / 6 years
- Oklahoma: 5 years / 3 years
- Oregon: 6 years / 6 years
- Pennsylvania: 6 years / 6 years
- Rhode Island: 6 years / 6 years
- South Carolina: 6 years / 6 years
- South Dakota: 6 years / 6 years
- Tennessee: 6 years / 6 years
- Texas: 4 years / 2 years
- Utah: 6 years / 4 years
- Vermont: 6 years / 6 years
- Virginia: 5 years / 3 years
- Washington: 6 years / 3 years
- West Virginia: 10 years / 5 years
- Wisconsin: 6 years / 6 years
- Wyoming: 10 years / 8 years

Settling For Less: Most people are unable to wait for the statute of limitations to pass. In these instances, it is possible, though not guaranteed, for the average consumer to settle a debt with the creditor for about 75 cents on the dollar. While this will save you money in the immediate term, your credit report may take the hit and reflect this settlement for less than full value. Therefore, it is equally important to negotiate ways in which creditors will report the settlement as well as the monetary amounts involved. We will give details later in the course.

How Am I Going to Pay for This?

When dealing with the *worst* of times (financially speaking), you really need to know your options on finding additional money to pay your debts. While, there is no magic solution to this problem, the following list provides some helpful ideas on finding additional cash when you need it most:

Repossession Reversal: Instead of waiting in fear for a lender or creditor to repossess your assets, perhaps you should consider selling one of your automobiles or assets to raise additional cash. With the money you make, you'll be able to pay off creditors, liens, and other debts.

Reduce your Expenses: An excellent way to raise cash is to cut your expenses. You may be surprised at the amount of money you can save each month by making small sacrifices, and buying more wisely. For example, clip coupons, purchase items that are on sale, buy generic brands, buy in bulk; carpool, walk, ride your bicycle, take public transportation, conserve utilities such as water, power, and gas; discontinue semi-luxury services such as cable television, newspaper, high-speed internet access, and satellite television; make your own lunches, eat dinners at home, buy used appliances and furniture. You need to keep an exact accounting of your expenses to see where you are wasting money, or letting it slip through the cracks.

Not Exactly *Early Retirement*: It's not the best idea in the world, but it may save your home. If you have a retirement or 401K (tax-deferred) account, consider withdrawing money to cover expenses. Remember, you'll have to pay a penalty of 10% of the money you withdraw, and you'll also owe income taxes on the money you take out of the account. You must decide if it is in your best interest to face these penalties or seek alternative funds. A better option would be to borrow money against your 401(k) if your program allows you to take out loans. *I personally hate to see people borrow against or use 401(k) money. I don't know where social security will be in the future, and I would hate to pay off a few credit cards with the ultimate cost being that I am impoverished when I retire.*

Borrow From Family or Friends: In times of need, some people are fortunate to have friends or relatives who are willing to lend a hand (or a few hundred bucks). But, before you ask your friends or relatives for money, there are several considerations. Think about the individual you are going to ask, and then mentally run through the following checklist:

- **Can s/he afford to help me?** If your family member/lender is just trying to be nice, despite his or her own limited budget, you may want to find somebody else.
- **Can I handle the emotional angle?** If borrowing money from this person will cause either of you emotional stress, you should probably back out.
- **Am I prolonging the inevitable?** In other words, don't borrow money to make payments on debts if there is a good chance that you will eventually have to file for bankruptcy.
- **What are the terms?** This is a hard time for you — and you definitely can't afford another payment. When borrowing money from somebody, be sure that the lender understands your situation, and is willing to wait for you to pay back the money.

Danger Level: Many consumers overestimate the amount of risk involved in overdue debts. Primary fears stem from the possibility of wage garnishment and property seizure by their lenders. Here are the facts: If your debt relates to a

secured property, such as your automobile or home, the possibility of repossession is very serious. If the debt is an unsecured debt (credit cards), the risk of repossession is much less serious. However, do not underestimate the law. Legally, a creditor has the right to seek a garnishment of your wages, and seize your property for even the smallest debts. In other words, there is definite risk when any debt goes unpaid.

In reality, few creditors are willing to fight for garnishment on relatively small, unsecured debts. The formal process of seeking a judgment against you adds to this reservation. So, while a creditor may threaten wage garnishment and repossession of personal property as tools of intimidation, it is much less likely that they will actually follow through with these threats, because the judicial process is expensive and time-consuming. And, even when a creditor does follow through with a small debt recovery, their costs typically exceed the amount they are able to recover. As a consumer, you must weigh the risks of judgments, garnishments, and property seizures against the likelihood that collection measures will ever happen.

Settling Debts: Following are a few different types of debts, and some settlement information about each:

- **Unsecured Debts:** Unsecured debt is that in which no collateral exists. This includes such debts as credit cards, department store credit, medical bills, personal loans, and student loans. Do not be frightened by the fact that some creditors simply will not settle — most of the others are willing to take less than the full payment amount as settlement-in-full to rid their books of a negligent account.
- **Secured Debts:** You may be thinking "*why would a creditor negotiate a settlement when they can simply repossess the property in question?*" Not surprisingly, they typically won't — so do not expect to be able to settle-for-less with creditors with whom you have secured debts. On the plus side, many of these creditors are willing to renegotiate payment relief with a secured debt. This allows you to keep the property while working toward a long-term solution. **Make sure that they will report the payments as being on time and current even though you are paying less than originally agreed!**

Holding the Aces: While working toward a settlement with a creditor, do not forget that while it appears that you are on the short end of the bargaining table, you still hold all of the aces, because you have exactly what the creditor wants. So be strong. This minor advantage allows you to hold out until the lender agrees to your terms. Following are some helpful considerations as you work toward settlement. As you will discover, these tips require the same intense organization skills. Fortunately, you've been preparing for this all along, right?

- **Get It in Writing:** This should be an old lesson by now, but, just in case you are on the telephone with a creditor who is eager to settle immediately, remember your mantra: *Get it in writing*. If you decide to write to your creditor in an attempt to settle for less, work from the example in the forms section of this book. Form **782, "Settle for Less."**
- **Keep Accurate Records:** This is where you will shine. As with all other forms of communication we have discussed throughout this book, you should keep accurate records of everything that is said or mailed regarding your settlement, including all correspondence, letters, documents, phone logs, etc.
- **Fees:** Ok, it may sound strange, but the fact is, much of the debt you owe represents interest and late penalties accrued while you were unable to pay. These should be your first targets. It will be in the best interests of both parties to reach a reasonable arrangement for settlement, and most creditors are willing to waive the added fees in exchange for payment of the original debt.
- **The Power of Time:** As time passes, many creditors will stop calling you, and your debt may be filed away for attention at a later date. The good news is, the longer the debt remains uncollected, the better your chances will be of getting a good settlement, because sooner or later, the creditor can consider the debt a loss and receive a tax write-off. The bad news is this will not necessarily excuse your debt. In fact, the corporation may then collect on the debt themselves, sell or assign the debt to a collection agency, press for a judgment and garnishment, or temporarily ignore the debt. The course of action chosen by the creditor varies between corporations and debts.
- **Take Your Time:** Try not to appear eager when you are discussing settlement options with a creditor. Definitely don't accept the first offer. And you probably don't want to accept the second settlement offer. Let the creditor work for you. As we mentioned, you have the advantage, and you will not be able to use this advantage if a creditor believes they have the upper hand.
- **The Clock Is Ticking:** Research every debt for which you will be negotiating settlement. Know when the statute of limitations will expire for each. Then, as you discuss settlement with each creditor, be sure to remind them of this deadline. By applying serious time-pressure to your creditors, your advantage for a favorable settlement will increase dramatically. If you are not making current payments, be careful not to delay if that means racking up more late payments.

CHAPTER TWENTY

BACK UP PLAN--TAKE IT TO YOUR CREDITORS

You'll remember from an earlier chapter, we discussed the fact that an opening move is to talk to those creditors with whom you only have one late payment with.

Sometimes, if you have been working with the credit bureaus for quite some time without results, it may be time for you to contact a lender directly as a back-up plan. This is especially the case if you have been beating your head against the wall with no results from the bureau.

If you have a legitimate gripe, and something really is amiss, I like to approach my individual lender first before I go through the challenge process. Note that if you are doing that, do not file a challenge right around the same time. This adds to the confusion significantly. You are better to proceed on one track or the other — creditor or credit bureau challenge.

Even when you do still owe money, it can be helpful to talk with your creditors and explain your situation. When discussing such issues with the lender, never take accountability for the entry. It is much easier (and your chances for success are better) if you are able to sidestep fault. For example, perhaps you moved when the payment was due, and never received a bill, even though you had filled out a forwarding slip at the post office and notified the lender of your new address. Perhaps the listing was the result of an actual computer error.

When the time comes to speak with your lender, you need to be ready. Following are some helpful ideas to consider:

- **Be Nice First:** We have been saying all along that the best way to approach somebody is to be polite. And most of the time, politeness will take you farther than anything else.
- **When Polite is Not Enough:** Once in a while, you will encounter a situation where politeness just does not seem to work. In these awkward situations, it may become necessary for you to use a more aggressive approach. As a last ditch effort, if your kind words are not cutting through the thick shell of the person on the other end of the line, ask for a supervisor. Whatever you do, do not lose your composure. Yelling a good point is one thing — yelling in vain is quite another.

- **Make your dispute:** As with the letters, it is important that you make your dispute known to the lender over the telephone. Tell them exactly what you are disputing.
- **Give Your Evidence:** When you have finished introducing yourself and your reason for calling, give them the exact reasons for your dispute. Do not waste time. Simply tell them why you feel the dispute is valid.
- **Make Your Demands:** Finally, when you have sufficiently explained the situation, tell them exactly what you would like them to do (delete a listing, change the information, etc.).

You may also request a copy of your personal credit file for a given loan etc. directly from the lender. This can be used as a reference point when you are discussing your case with them. It may also be helpful in determining the dates and possible causes of late payments, missed payments, etc. When requesting a copy of your personal credit file and correction of an item from a lender, work from the example in the forms section of this book. Form **783, "Request From Lender."**

Just because the FCRA allows you to request this information, don't think your lender is going to act quickly. You've requested a lot of information. It takes time and money to compile such information. Sometimes, it will benefit you to call back and restate your original demands (for deletion, modification, etc.). Other times, your request will not be honored at all. If it seems as if your request has been ignored completely, you have the right to call, and call, and call. Get the picture? The more often you call the lender, and the more often you demand that your request be fulfilled (or the records deleted), the higher your chances for success. (Note that this is the opposite of credit bureaus, who may label you as a troublemaker the more you "squeak"). Each time you call, ask to speak with a decision maker — someone vested with the authority to delete items from your file.

Then again, maybe your lender *will* act quickly. If this is the case, and you have received all of the information you requested, you have an excellent chance at finding discrepancies (you also need to dedicate time to the process of reviewing these documents). Spend as much time as necessary to compare each and every entry from the lender's file with the information in your credit file from the bureau.

Make note of every discrepancy you find. When you are finished, you will use some clever thinking to transform these discrepancies into "mistakes" that the lender and/or creditor has made. Use everything and anything you can find (no matter how small) as a foothold for further disputes. The lenders are not expecting to deal with someone as knowledgeable as you. On an average day, they deal with angry people who rant and rave with little reason to do so. When you begin to politely hammer them with facts, laws, and errors they have made, you will find that getting what you ask for is not as difficult as you thought.

However, just as you were unable to get through to the credit bureau, you may find that it is similarly impossible to gain the attention of your lender. If your requests are continually ignored, feel free to heat up the discussion with threats of legal action and complaints. Be sure to warn the lenders of your intentions before you actually begin filing complaints. To make this process as smooth as possible, you may wish to work from the sample letter in the forms section of this book. Form 784, "**Lender Ignore No More.**"

MOMENT OF REFLECTION

There are times when everything goes right for you (and there are times when nothing is working for you). We have taught you how to deal with negativity and rejection (on a mental level). But you want results — that's why you're reading this book. Frankly, credit restoration is a complicated procedure. But you will succeed!

Another Option:

If all else fails, you can attempt to get a lender to remove a negative entry from your credit report. As we discussed before, usually, but not always, they will remove one as a courtesy, if you have only one late. Some are very stubborn. Remember that they do not have to do that, but often they do. Sometimes if you have multiple lates, you can convince the lender to remove one of them from your file. This is a great way to approach the problem if you have already gone through the multiple late challenge with the credit bureau and failed.

CHAPTER TWENTY-ONE

STEP SIX: THE TOUGHIES-- BANKRUPTCY AND PUBLIC RECORDS

Bankruptcy

Most people assume that there is nothing that can be done with a bankruptcy, other than to sit around and wait for it to fall off of your credit report. This is not actually true.

Bankruptcy, like any other public record or item on your credit report, is subject to being verified. The credit bureaus have people who work in the record rooms and courthouses to verify information such as bankruptcies. If you challenge a bankruptcy, and it is not verified in 30 business days, it must be taken off of your credit report. A soft delete.

Circle of Debt: That certainly sounds dramatic — and it should. If you have declared bankruptcy, you may find yourself trapped in a circle of debt. This is an incredibly difficult circle to escape. Here's why: when you file bankruptcy, any accounts that are "cleared" in the filing will show up on your credit report as "Included in Bankruptcy." This means that you must first contact all lenders and creditors involved with this bankruptcy, before you approach the bureau with a dispute, or the bureau will simply verify the entry with the lender. As you can see, it's a difficult process, but it is absolutely critical that you contact the lenders first, and the bureau second. Once you have convinced the lenders to clear the bankruptcy (remove the bankruptcy notation from the account — showing it as closed or satisfied instead), you will find it much easier to achieve success with the bureau. If you cannot get a lender to take this off, you are left with no other choice than to challenge the bankruptcy directly. Work first to get the bankruptcy notation removed from the individual debts that were discharged.

There are inaccurate entries so far as bankruptcies go. For example, the case number, or the amount of the discharge may be incorrect. A way that some

credit repair folks recommend to improve your odds that the bankruptcy will not be verified is to call your bankruptcy court and get them to pull your file. As an officer of the court, I cannot recommend this tactic as an attorney. They will typically leave it out for several days before they put it back. If you do this a number of times, it may not be available when the records checker from the bureaus comes around. Thus the info could not be verified, and it would have to be removed. Remember that even if something is verified, you can always come back later to challenge some other aspect of it. This is a little on the edge, and I am really not recommending that you do this as an officer of the court, but it is something that I have heard used as a technique. I'm just passing this info along so that you can select the tools you want to use.

PUBLIC RECORDS

Like bankruptcies, you can challenge any item on your credit report that is a public record in the same way you would challenge any late payment or account default.

If you have **federal tax liens**, these can often be settled for less than the total amount owed (offer in compromise). You would need to talk to a tax attorney or CPA who specializes in settling these liens.

Judgments will remain on your credit for longer than most other liens, as they can typically be renewed under state law for an additional period. For example, in Georgia, the initial term is 7 years, and it can be refiled for an additional 7 years. You can either pay these off, which is better than having an unpaid lien hanging around, or speak to an attorney to see if service was done properly, or if there is any other reason to reopen the case on procedural grounds. If you decide to settle a judgment, make it a condition of the settlement that the lender delete any negative information on your credit report. They can write you a statement that the judgment was issued in error, and that the account should reflect all payments on time

On **property tax liens**, the government will not budge. Your best bet is to pay them as soon as you can. Of course, the same rules follow concerning the 30 business day period: If the info cannot be verified, it must be removed. It may appear later, or it may not, but it is worth a try.

CHAPTER TWENTY-TWO

ADDITIONAL ENFORCEMENT

Though the Enforcement phase of credit restoration can be very effective, there remains a possibility that you will not achieve *all* of the results you are seeking. This may happen for a variety of reasons, but the most common reason is that the credit bureaus become less willing to cooperate the more often you file disputes. The reason for their “unwillingness” is a simple matter of credibility: the more you dispute entries on your credit profile, the less seriously the bureau will take you. If such a formula existed, it would probably read like this: Your credibility will continue to diminish as the number of disputes you file continues to rise.

Sometimes, it becomes necessary to seek additional help. In the next few chapters, we will discuss additional ways in which you can attempt to restore your credit rating. **These remedies are only used after you have cleared everything that you can from your entire credit report.**

Threaten Legal Action: Yes, we have steered clear of this subject throughout all previous chapters. In fact, we have suggested that you not even mention the law in your communications to the bureau. However, the fact is, you have followed the law precisely. You have done all that you can legally do, and the bureau, it seems, is not willing to cooperate. This strategy will get their attention. An important thing to remember is if you decide to threaten legal action against the bureaus, you must be willing (and able) to back it up. Do not threaten to “sue” anybody without justification. Think about your situation, and if it seems appropriate at this point, consider the following:

- **Talking Tough:** As we just learned, “talking tough” is a good idea when you can back it up, and when you are in the right. If you believe that your complaints are being wrongfully or continually ignored, a lawsuit (preceded by fair warning), may truly be the best course of action for you. If you decide to threaten the bureau with legal action for this reason, you may wish to work from the sample letter included in the forms section of this book: Form 779 : “**Talking Tough—Lawsuit Threat.**” Caution: Do not threaten legal action if you are not prepared to back it up. This strategy works well, simply because of the vast number of lawsuits and monetary settlements that credit bureaus deal with on a daily basis. Generally speaking, the bureaus would prefer to handle your dispute outside of the courtroom.
- **Lodge an Official Complaint:** The Federal Trade Commission (FTC) regulates the activities of all the credit bureaus. If you feel that you have been subjected to severely unfair treatment by one of the bureaus, you may wish to file an official complaint with the FTC. Above all, this action

may achieve the results you are seeking. If you decide to file a complaint against a credit bureau, you may work from the sample letter included in the forms section of this book: Form **780 : "Talking Tough—FTC Complaint."** When you send this letter to the FTC, you may want to consider sending a copy of the letter to the respective credit bureau. This is a powerful way to show the bureau that you are very serious.

- **Congressional Attention:** When it seems that you are losing at every turn, you may take comfort in the fact that the United States was founded upon a series of personal freedoms and rights. One way to express your rights is to write a letter of complaint to your state senator or congressperson. Letters to Congress are an effective way to deal with unfair credit reporting agencies, because credit bureaus do not like any type of confrontation with federal or state representatives at any time. Including a copy of your letter to congress in your dispute to the bureau is an excellent way to show them that you are finished playing the "game" their way. If you choose to write to Congress, follow the example letter in the forms section of this book: Form **781, "Letter to Congress."** Make sure that you are correct on the item you are disputing if you decide to involve your Congressman.

CHAPTER TWENTY-THREE

ENFORCEMENT IN REVIEW

So that's the Enforcement phase. Did you remember everything? If not, do not worry, you can refer to this book often as you progress through the levels of rebuilding your credit profile. However, it wouldn't hurt to review just a few key points from the enforcement phase. Below, we've listed a series of questions and answers. Try to answer the question before moving on to the answer. Good luck.

Q: What is the objective of the Enforcement phase?

A: The objective of the Enforcement phase is to get all the negative credit entries deleted from your record.

Q: What is the job of the "Checker"?

A: The "Checker" is typically an employee whose primary job is to read your letter, and determine if it valid or frivolous.

Q: What is a "soft delete"?

A: A temporarily deletion of a derogatory listing.

Q: You should always try being polite first.

A: True.

Q: Eventually, you can resort to threats of legal action.

A: True. When repeated attempts at communication has failed, it may be necessary to threaten (and pursue) legal action.

Q: It is not possible to repair my own credit.

A: False. With patience and perseverance, anybody can restore damaged credit.

Whatever you do, please do not become intimidated by either the credit bureaus, the lenders, or by collections agencies. You have the knowledge to counter

anything they may say to you. Be strong. The future of your credit depends upon your resolve.

Q: How do I mail my letters?

A: Certified mail return receipt requested! You must be able to prove when you mailed your letters (AND WHEN RECEIVED), as time is ticking to have items removed for slow response!

Q: Is there any risk to me in doing this?

A: The main risk, and it is only a possibility, is that if you start stirring up old bones, something will rattle. By this, I mean that if you begin to challenge old accounts that the creditors have given up on, they may see that you are still around, and may wonder if you are in a better financial position now than you were when you defaulted. They may try to collect on the debt again if the statute of limitations has not expired. I have never heard of this happening personally, but it is a possibility. You should be able to settle anything like this for cents on the dollar. If you do choose to settle with them, make sure that part of the written agreement between you and the creditor includes them removing any and all negative information regarding the account from your credit file. They will report paid as agreed with no lates etc. You want to see and sign this agreement before you give them a dime of your money.

The other risk is that you will be identified as a frivolous credit repair person. Your requests will not be taken seriously, and you may find that you are denied relief on extremely legitimate challenges that you might bring up.

Q: I can't sum up my explanation into 100 words or less for a negative event in my credit history!

A: No problem. However, I bet that you might be able to if you really think about what you want to say, and the most economical way to say it. Your other option is to make a statement such as: "Please contact the consumer for a full explanation."

CHAPTER TWENTY-FOUR

THE FINAL PHASE

Once the Enforcement phase has been successfully completed, you will be ready to rebuild and reestablish your new credit profile. That is the objective of the Renovation phase.

What is Positive Credit?

In order to rebuild your credit record, we must first understand exactly what it means to have positive credit. Many people think that living totally debt-free is viewed as a positive trait by lenders and creditors. Actually, this is absolutely not true. In the eyes of the lenders, a person with no credit history is considered to be almost as much of a risk as somebody with bad credit. Lenders need to know about you before they lend you any money, and the only way a lender comes to know an individual is by his or her credit history.

There are really three primary requisites a lender will consider when reviewing your application for credit. Naturally, the better you are able to satisfy each of the requirements, the more likely you are to receive more credit. This does not mean, however, that you will be declined credit if you are lacking on one area, and stronger in another. These three requisites are:

Credit History: Lenders review your credit history to determine whether or not you have handled your debts in a responsible manner. Most of the information we have discussed so far has been geared toward satisfying this requisite. Credit responsibility is one of the most important considerations a lender will make while reviewing your credit application.

Capital: This is also an important consideration for the lender, because it is through capital that a lender may eventually receive their recompense in the event you cannot make your payments. Capital can be defined as the total value of everything you own, including any savings or money market accounts. (Also known as collateral). If you are trying to buy your first investment property, you will be surprised at the lack of capital you need. If you are willing to state that you will live in the property, or intend to live in the property, you may be able to get in with no real assets.

Capacity: Can you handle more debt? Capacity can be defined as your ability (present and future) to meet your financial obligations. For example, do you have

a steady job? How long have you worked? How much do you already owe? Using a unique formula, a lender will determine your credit capacity from such figures as your current payments, loan amounts, and monthly income.

STEP ONE

Good Information Three Times...

This step is included in renovation, because it is something that you will want to do going forward forever. It also is an important skill and technique that you can utilize when you are starting this process from scratch.

Often, a creditor will report information to only one credit bureau. The chief reason for this is that particular credit bureaus are typically stronger in different regions of the country. Equifax is centered here in Atlanta, so you can bet that I make sure my Equifax file is squeaky clean. When I bought my new truck, Equifax was the only bureau that was checked with. They are here in our local market, and they dominate it.

As real estate investors, we need to be concerned with ALL of the credit bureaus. Why? Because most of the lenders you will be working with will not be local if you are going through mortgage brokers, which is where I would like to see you get your money. Most of these lenders, in my experience, use a blended rate of all three bureaus, or they toss out the high and the low and take the middle score. Thus if you have one really good score, that might not even help you if your lender tosses the high and the low.

Thus, you want to make sure that all of your good accounts wind up on all three credit bureau files. Why not get credit for your good payment history? It goes without saying that you do not want to alert any bureau to negative information that appears with another bureau. (I'd better say it, just in case!)

I have attached a sample letter at the end of the course to help you do this. **Form 786.**

STEP TWO

Maximize Positive Factors

Maximize positive factors where you can that will help to boost your credit rating going forward.

- **Employment:** As we just mentioned, one cannot gain capital without a source of income. But, your job can tell a lender much more than you might think. For starters, it can definitely help a lender determine your capacity for more debt, based on the amount of money you make each month. Also the amount of time you have been at your job, the better your chances for approval. Traditionally, tenure on the job tells a lender that you are less likely to lose your job (because of the seniority status). From doing a great number of loan apps, I can tell you that most lenders for real estate loans do not hold job hopping against you, as long as you basically have been in the same industry. Many like to see two years in the same industry or work area. Of course, you can always make what you do seem like the same industry. Management is management, even if you work as a manager for a cement factory this year, and you managed a medical office last year.
- **Savings & Checking Accounts:** Holding a checking and savings account (in good standing for a long period), is an excellent way to bolster your credit-worthiness. The logic goes that by reviewing information about your checking and savings accounts, lenders can make two judgments about you: First, based on the activity within your checking account, they can gauge your ability to manage money (whether or not you have bounced any checks). The second judgment a lender can make is your ability to pay back a loan, based on the amount of money you have in your savings account.
- **Automobiles:** If you own a car (or have financed a car), you may be rewarded with two quick credit advantages. First, if you do not owe any money on the car, a lender will view this as capital. If, however, you have financed the automobile (providing you have made your payments on time), the lender will view this a positive display of character. Both can help your credit tremendously. Note that missing a car payment can cause you to be turned down for loans, so be careful with these.
- **Telephone:** You may not have considered your telephone as an example of your credit worthiness. However, if you hold a telephone in your name, a lender will deduce that you have been paying your utility bills in a timely manner (or else the telephone would no longer work). One other aspect of holding a telephone in your name is the fact that a lender knows they will be able to reach you when necessary. Note that I have never had a lender for a real estate loan ask me if I had a telephone in my name.

These comments are really more relevant in the consumer loan area, such as credit cards.

- **Home Ownership:** If you are a homeowner, you stand to benefit (credit-wise) in several ways if you have been making your mortgage payments on time (if not, your credit will suffer greatly). First and foremost, lenders view home ownership as a sign of both commitment and stability. They know that, above all, people do not want to lose their homes, and will therefore be more responsible in all of their financial matters. Secondly, homeowners who pay their mortgages on time, year after year eventually build credit-worthiness on this alone. Lastly, if you do not owe money on your home, you are essentially living in a gigantic reserve pool of capital. Home equity is another form of capital.

STEP THREE

Credit Cards

There is evidence that not having a Visa or MasterCard hurts your credit rating. Lenders like to see that you hold these cards, and have managed them responsibly. We will review the different types of charge cards in general, and some strategies for improving your credit using various types of cards. If you already have a Visa or MasterCard or Discover, make sure to pay it on time going forward. You really don't need to get any more cards. Make sure to actually charge a little on it each month, and pay on time each month. You are rewarded by the bureaus for the length of time an account has been open, so make sure to keep the card you have, and not jump from card to card. If you do not have a Visa/MasterCard/or Discover, you might be amazed at your ability to acquire one. You may want to apply at a bank that also offers secured cards (see below in this chapter) so that if you do not qualify for an unsecured card, you will get a secured card offer. The following discussion assumes that you have applied for a card and been rejected.

- **Bank Cards:** Visa, MasterCard or Discover are an excellent reference to have on your credit. If these have been paid on time for 6 months or more, your score will really bounce up. Remember that you only need to make the minimum payment to be considered "on time." However, I would like to see you pay off what you charge each month as part of your responsible use of credit.
- **Monthly Pay Cards:** These include cards that you have to pay in full each month. Examples would include American Express, Carte Blanche, or Diner's Club. These do not have the same positive power on your

report if paying on time as a Bank Card like Visa or MasterCard. The good news with these cards is that they often do not report late payments as quickly as Bank Cards. I am not advocating that you pay these late, but if you did, the odds are better that your credit would not be scarred from the late payment. I base these comments on a relative who did not pay her AMEX balance off in full each month. There were no negative reports. This could change at any time, and if you asked the credit card companies, they would deny it. I just want to pass this along. Always pay on time, especially Bank Cards.

- **Department Store Cards:** These are the easiest to get. They do not carry a great deal of weight in raising your score, but they can be critical stepping-stones to get a Visa or MasterCard. Late payments will still hurt you severely on these, so pay them on time.

We have compiled a step-by-step path of the most helpful and effective ways in which to build positive credit. As you work from your plan, refer to this list often, and try to implement as many of the following credit-building strategies as possible. Remember, this is your brand new start — your second chance — use it wisely. After all, the most important success factor in building a positive credit profile is self-discipline.

Authorized User Strategy

- **Welcome to the Credit Family:** If you have a friend or relative who has very good credit, you can actually "ride" on the coat-tails of their credit for a while. Of course, this friend or relative must trust you enough to allow you to become an "authorized user" on his or her credit card. To begin the process, simply ask your friend call the issuing agent for credit card, and request that you be added to his account as an authorized user. Or, when he or she first applies for the card, your name may be added at that time. Either way, a credit card will be mailed to you in your name. The good thing about this method of credit revival is you never have to use the card. In fact, to make your friend more comfortable, have the card sent to them at their address, and tell them that you do not want to know the account number etc. Thus, there is no way that you could make any unauthorized charges on their account.
- Soon, your credit profile will begin to reflect all of the positive credit history that your friend has created (on this account). **If you decide to use this method, be sure to choose a friend who you know to be very responsible with their credit cards—for as certainly as she can help you build good credit, this friend can also help you damage your credit profile through her own careless financial ways. Try to stay on their card for at least 6 months. This will not be as stong as having a card in your own name, but it will help!**

Co-Signer Credit Card Strategy:

- I would note that most people will run from you if you ask them to co-sign something. That is only natural. Remember that most people have heard horror stories of someone who co-signed a loan and had to make the payments because the primary borrower flaked out. These stories are often full of heartbreak, with an elderly grandmother having to pay off a new Camaro with the last of her savings because her grandson decided he didn't want to work anymore.

I have tried to take this whole thing in a new direction and really take a new slant on it. I would like you not to ask for anyone to co-sign something for you directly. Instead, I would like for you to send them a business-like letter that they can accept or reject with no pressure. You will give them some compelling reasons to help you, and take as much of the risk out of the equation as possible. This letter comes straight from my full real estate course. I like it so much that I had to include it again here.

Example:

Dear Dad,

I wanted to write a brief note to make a business proposition to you. I thought that writing a note would not “put you on the spot,” and let you take your time to consider my offer, which would benefit both of us.

As you know, I am trying to re-establish my credit (or say that you are trying to establish credit if you have never had credit). I have been turned down from several credit providers, and have been informed that the best thing for me would be to have someone co-sign a loan or account with me, and to pay off this debt according to the terms of the loan.

I know that no one wants to co-sign something and be stuck with the obligation of paying it back if the primary borrower (me) did not pay according to the terms of the agreement. I want to take away that risk for you, and set this up in a way that you will never be left “holding the bag.”

Therefore, I propose that we apply for a (insert whatever option you want here — something that you could NOT qualify for on your own and preferably a Visa or MasterCard) together. The card would be put in your sole possession, and I would never have a copy of it. I would not even want you to tell me the account number, and the bill would be sent directly to your house or office.

When you are going to Sears (or some other store you frequent), I can come with you and buy a few items on the credit card, which you would have exclusive control of. I would give you the cash, that day, for the items that we purchased with the

card, and you would use that money to repay the card on time for me when the payment became due. We could do this for 6 months, and cancel the card. I should then be able to get credit on my own.

I hope this seems like something that you might be interested in. I wanted to structure things to take any risk out of it for you, and your help would mean the world to me. Let me know what you think, or if there are any concerns that you have. Establishing good credit is important to me, and I need a little help to get started. Thanks again for considering this.

Sincerely,

Joe

P.S. If this is of interest to you, I would be happy to help you (list some project here that they would appreciate like paint the garage door on the house) as repayment for the time and effort that you will have to expend on this project. I could get started this weekend if you want and finish the job before you co-sign!

Note that if your co-signer is making the payments, you want to pick someone who you can trust to make the payments on time. You don't want this to mess up your credit more than it already is.

This letter can also be modified to be used for having your name added to a credit card as an authorized user. (Technique described earlier in this chapter). Having the card in your name is going to build your credit more quickly, but either will get you started.

Secured Credit Card Strategy

- **Get a Secured Credit Card from Your Bank:** A fairly new trend among large national banks is issuance of secured credit cards. If you remember from the first chapter, a secured loan is one in which you have put up some amount of collateral in order to obtain the loan. Because you will be depositing an equal (or relatively equal) amount of money into a savings account, lenders are less concerned with your credit history (or lack thereof). This means that you may be able to obtain a secured credit card even when some derogatory entries remain on your credit file. Make sure not to call one of the late night cards that advertise on TV. Or, if you do, make sure that you understand exactly what the terms are. You should NEVER have to make an application fee for this type of card. A local or regional bank will give you a better rate and terms than many of the

heavily advertised cards. Make sure that the annual fee is no more than \$25-\$50.

Some Good Sources For These Cards Nationally:

(Note that plans change all the time. At the writing of this book, none charged an application fee. Minimum deposits varied. Call for current details).

First Consumers 800-937-3795

Citibank 800-743-1332

Western Security 800-262-2085

Union Plus 800-651-5108

First Union 800-377-3404

Capital One 800-445-4523

Easy To Get Card Strategy

- **Easy Does It:** If you are unable to qualify for a major credit card, try obtaining smaller cards from gas stations and retailers. You can also obtain one of these to help your credit even if you have a Visa or MasterCard already. Many companies and stores are willing to extend credit without ultra-serious consideration of the consumer's credit history. This is an excellent way to build your credit standing. As long as you continue to make your payments on time, your credit will continue to improve, and sooner than you realize, you will be able to qualify for a major credit card. Following is a list of companies who will generally extend credit to consumers without too much credit history:
 - Radio Shack
 - Shell, Mobile, Exxon, Chevron
 - Jewelry stores
 - Tire stores
 - Furniture and appliance stores
 - "Easy" credit car dealerships

STEP FOUR

INSTALLMENT LOANS

To have a strong credit score, you will need to demonstrate the ability to manage a bank card, and manage installment debt. That is what this step will do for you.

Co-Signer Strategy

- **Another Free "Ride":** Ask friend or relative to co-sign on a bank loan in the smallest amount they will issue. You should get an initial term of one year for repayment, and make payments for at least six months. Once issued, make each and every one of your payments on time. This will grow your credit very quickly. Of course, the difficult part about this process is the fact that you may have to prove your credit-worthiness to your friend or relative before you ever get to the bank. One possible way to do this is to offer your co-signer a few months of up-front cash (or all of the loan proceeds) as collateral. The cosigner can then make the payments directly. **Make sure that you trust your co-signer. Also, make sure that the lender you use reports to the credit bureaus.**

Do It Yourself Credit Line Strategy

- **A Circle of Secured Loans:** Apply for a secured loan from your bank, offering money in your savings account as the collateral. Generally, banks will have no problem giving you this type of loan. Ask your bank to report your payments to the credit bureaus, and verify that this is being done. Now for the circle: Deposit the money your bank lends you into a new savings account at a new bank, and apply for another secured loan from *that* bank. One more time around the circle: Deposit the money that bank number "two" lends you into a new savings account at bank number "three." Apply for a secured loan from bank "three." Now you have created a powerful *circle of secured loans* that can build your good credit standing very quickly. Just be sure to pay each payment on time — do not rush to pay off any of the loans — just keep making your monthly payments for at least 6 months.

After you have done this, you can begin to apply for unsecured loans. If you have 10 lenders that you have done this with, and each gives you a \$10,000 credit line on your signature, you are suddenly in a position where you can pay cash for houses in many parts of the country.

Here is the step-by-step plan to implement this system:

First Step: Open a savings account with four or five local banks. Deposit the minimum amount required, often \$50 or lower. You can get this done in a Saturday. If you have very limited funds, establish this account in the lowest priced banks you can find. If you are a member of a credit union, you can deposit the money there with super low minimums.

In one of these accounts, deposit as much as you can spare. Several hundred dollars is a good figure.

Second Step: Wait one week, and go into the bank dressed nicely. Call ahead for an appointment to speak with a loan officer. Ask for a loan in the amount of the savings account balance. They may ask you why you want this loan. Just tell them that you want to pay off some other debt, and it is easier to repay a mandatory loan than to voluntarily replace savings. Or, you can tell them it is for personal reasons. Either is fine. You will want to get a term for at least 12 months. Verify with the loan officer that they do report to the credit bureaus, as you want to repay the loan on time and build another positive credit reference.

Third Step: Note that you will then have cash in your pocket from the loan equal to the amount in your savings account. Then go to the second bank, and repeat the process all over again. Then the third, and so forth. In the end of this example, you will have 4 savings accounts with \$300-500 in each (depending on your initial deposits), and 4 loans for the same amount.

Fourth Step: Make payments on time, or even a little early each month. The longer you pay on these loans the better for your credit. You are building a solid track record of credit here. Pay for at least 6 months, but an entire year would be better if your credit is really wrecked.

Fifth Step: After you pay off these loans, you can ask for unsecured loans in the amount you borrowed originally, or for even more since you now have a nice credit history. This is how you can raise down-payment money instantly.

Downside: The downside here is that you will have to pay interest. However, this is really an investment in yourself and your credit. After you have this whole thing set up, you will want to pull your credit report to make sure that every institution is reporting. If not, ask them to report and offer to pay a portion of the reporting fees. Note that with the low interest rates available today, the interest expense will be minimal. That is why it is important to start now, and take advantage of the present economic climate.

GENERAL NOTES

- **Keep the Accounts Active:** Once you begin receiving new lines of credit, it is important to keep each account active. This may include a \$40 to \$50 dollar purchase each month on each card — don't use them to charge up large amounts of debt. Then, despite what you may have to pay in interest charges (very small amount), pay the account off in full each time your bill arrives. Over time, this builds up a profile of stability and reliability. You will be rewarded for this pattern of payment with a higher credit limit. **Accounts that are currently inactive, and those that always have a balance of zero do not reflect positively on your credit rating. Instead, lenders view these as poor money management.** Note that one of the factors that can hurt your score is carrying too high of a balance on your card compared to the total credit line. I get caught in this loop when I am working on a rehab. I'll charge materials to credit cards. These costs can really add up each month. To a lender, and on my credit report, it appears that my cards are pretty maxed out every month, though I am paying them off in full every 30 days. This hurts my rating, so I try to pay with checks or other means to keep this practice from hurting my credit.

Another trick of the trade is to not pay off the balance each month in full. You don't want to have too high of a balance compared to your credit rating, but you do want to show some balance. Credit card companies love people who make a payment on time each month, but carry some balance. The balance represents income to them in the form of interest charges. Thus, if you are interested in seeing your mailbox full of pre-approved offers, you should leave some balance on your card, but not over 30% of the credit limit. Thus, if you have a thousand dollar limit, do not leave a balance on the card each month over \$300.
- **Credit Unions:** The easiest source of money in the world is at Credit Unions. They make car loans, home equity loans, personal loans etc. You are probably eligible to be a member of a credit union if you or a spouse works for the government in any capacity. Did you also know that you are probably eligible if a family member belongs to one, or is eligible to belong to one? Contact credit unions where family members bank, and ask what the eligibility requirements are. If you can join one, you will have an easy time getting new loans and rebuilding your credit quickly. Credit unions do not make loans for investment property (typically), but they are excellent places to get signature or secured loans for credit rebuilding or rehabbing.

Go for the Gold: Eventually, by following the techniques outlined in this chapter, you will begin building positive credit (unless you fail to make your payments). After you have demonstrated restraint and responsibility, you will notice that lenders will begin to take you more seriously. When they do, you need to graduate to a higher level of credit: Visa, MasterCard, or American Express. These are the "heavy lifters" of the credit world. Whether you need them or not (financially speaking), you should carry one of these credit cards just to improve your credit. Keep the accounts active, make your payments on time, and you will see tremendous improvements on your credit profile. If you cannot get a one of these, the unsecured credit card route is an excellent way to rebuild your credit.

Note that debit cards with Visa or MasterCard logos on them are NOT credit cards, do not show up on your credit file like credit cards, and do not offer you the protection that real credit cards offer. Thus, you should either get an unsecured card (best), or secured card if you cannot obtain the unsecured card.

A Note On Too Much Credit

Having too many open lines of credit and credit cards can eventually hurt your credit score. Lenders may worry that you have the ability to borrow a lot of money quickly, and thus that your financial situation could change for the worse very quickly.

For that reason, I recommend that you have one Visa, MasterCard or Discover, a gas card, and another credit card for business like a Home Depot Card or supplier card/account. Use all of these cards each month and pay at least the minimum payment on time or early. Close out old accounts that you no longer use that you may currently have open.

CHAPTER TWENTY-FIVE

IDENTITY THEFT

Identity theft occurs when somebody uses your credentials and identification to obtain credit cards, and other loans; and then spends thousands of dollars in your name. It happens all the time, and the results can be devastating to your credit report. (Yes, you can eventually fix the damage, but the process itself is not pleasant). There are several steps you can take to prevent this from happening to you: the first step is awareness. Some people don't know they have been victimized for several weeks (or months), because they do not keep abreast of their financial affairs. To minimize the risk of someone stealing your identity (and the bother of cleaning up the damage), follow these guidelines:

- **Leave Home Without Them:** Contrary to the advertising slogan made popular in the eighties, you *do not* need to carry all of your credit cards with you whenever you leave the house. Doing so only opens you up to further disaster in the event your wallet or purse is stolen. Leave the credit and bank cards you do not plan on using at home in a safe place.
- **Your Signature is Worth a Thousand Words:** By signing your credit cards immediately, you reduce the risk of somebody else using them, because most merchants will not accept cards that are not signed. Therefore, signing your cards when you receive them for the first time can save you hours on the telephone — or rather — one thousand words of explanation.
- **Social Security Is a Number:** Memorize it. There are very few instances in which you will be asked to actually display your social security card for identification. Institutions that do require it will generally notify you in advance. Do not carry your social security card with you. Leave it at home.
- **Jackpot:** Personal Identification Numbers (PINs) are the most coveted item a thief can find. In fact, thieves consider PINs to be the jackpot of stolen treasures. The reason is that they provide a thief immediate access to your cash. Never, ever write your PIN number on anything remotely related to your bank or credit cards. Likewise, do not write the number on anything you may discard at a later date (e.g. a receipt).
- **Better Shred than Read:** Any document containing your credit card number should be shredded before it is discarded.
- **In Receipt of the Wrong Receipt:** It is not uncommon for you to receive somebody else's credit card receipt when you make a purchase—especially at locations that do not require a signature (such as gas stations). Always wait for your receipt! Such receipts can contain all the information an identity thief would need to spend a day in your financial shoes.

- **Death, Taxes, Statements:** In life, three things are certain: Death, taxes, and the fact that your credit company will never mail your statement late. So, if haven't seen it within two or three days of the normal time, you might want to call your credit company and ask them about it. Thieves sometimes steal your statement from your mailbox, and use your credit card number.
- **I.D. Please:** Many scam artists will ask you for your credit card number over the telephone. Never give out personal information until you have confirmed the identity of the person requesting the information, AND verified that you need to provide them with the information.

Masters Technique For Preventing Identity Fraud:

Each of the credit bureaus will allow you to place a fraud alert on your credit statement. Basically what this does is force the lender or creditor to contact you by phone to verify if it really is you asking for the credit.

Thus if you were at a Circuit City applying for instant financing, they would not accept your application. Instead, they would call whatever number you gave on your credit file as your contact number. If you answer, you can verify that indeed you are seeking that credit. If you do not answer, they will leave a message, and you will need to call them back, or speak to them in person on the phone from the store.

This seems like a real disadvantage or pain in the rear, but it really is the best way to make sure that no one can get your name and information or start applying for credit in your name without you knowing about it. If you make the contact number your cell phone, you can answer on the spot. No big deal.

I have often read in books such as this that these do little to help you, since the credit issuer probably won't read the whole report and see your statement that you want to be contacted. I can tell you from real life that this is not true. Why? Because they base their decision on the FICO score, and they don't get one if a fraud alert is on the account. Pretty neat huh? Because you and I are both investors, and our credit is precious to us, you should consider setting yourself up like I am. Calling the 800 number for each credit bureau will get you started in this direction.

Finally, you should always have your checks mailed to the bank, and not to your home when you order more checks. Some thieves make a full time living out of looking for checks that have been left for residents who are not at home. Writing bad checks can often land a person in jail. Don't allow anyone to steal your checks and get you into trouble. (You would eventually prove your innocence, but why go through this!)

CHAPTER TWENTY-SIX

FINAL WORDS

It's a simple fact of life — for one reason or other — most people prefer to pay for things one payment at a time. And there are only two ways in which we can accomplish this: pay before (layaway), or pay later (credit). Nobody, it seems, wants to pay before.

The world is embracing credit in a way we have never thought possible. As a society, we are straying farther and farther from traditional spending methods. Credit is everywhere, and without it, many people feel as if they are sliding deeper into the past. Today, an individual needs to maintain a good credit standing for a growing number of reasons. And one day, perhaps, we might even need good credit to tie our own shoes.

Perhaps a more accurate ending to our previous statement would be as follows: "Most people prefer to pay for things one payment at a time, because that is the only way in which they are able to afford those things." It's a simple fact of life.

The world is embracing credit in a way we have never thought possible. Consider a gas station. Forty years ago, you could pull your car into a gas station and wait while a friendly attendant filled your tank, washed your windows, and checked your oil. When finished, you would hand the attendant two dollars and be on your way. Somewhere between then and the 1980s, we ditched the attendant in favor of self-service. All of a sudden, we could fill our tanks, pay the clerk, and forgo the windows and oil. This would save us valuable time, and afford us a certain measure of independence. Today, twenty years later, all we have to do is swipe our credit card through a slot on the gas machine, fill-up, and go. No attendant, no clerk, no windows, no oil. Just convenience and independence.

In a way, you could say that good credit gives us independence. For example, those of us with good credit can pay at the pump, while those of us with bad credit must make the trip into the store. It is precisely this type of independence that allows certain people to embrace technology to the fullest, and others to slide deeper into the past. In so many ways we are witnessing a financial revolution, and *credit* seems to be at the forefront of it all.

Today, an individual needs to have good credit to obtain employment, buy an automobile, rent an automobile, buy a home, and many other such things. All of these things relate in some way to the theme of *independence*. Employment brings

us money, which allows us to enjoy life; an automobile allows us to travel at our own free will; and home is where we escape with our families and our friends.

With credit playing such an important role in our daily lives, it is impossible to say what this financial revolution will bring next. Perhaps one day, we will even need good credit in order to tie our own shoes: Those of us with good credit will be able to swipe our cards through a machine, and an aluminum "shoe-tying robot" will emerge from a trap door and deliver an award winning double-bow each and every time. Those of us with *bad* credit will still have to drop down to one knee, and do it the old fashioned way.

Credit is freedom, and you are on your way. The road has been long and difficult, but you have been strong. You planned, fought, organized, and eventually succeeded. You can see the future of credit, and for the first time in a long time (maybe ever), you have a chance to join in the race. Focus on your credit. Be responsible, and take the steps necessary to ensure a spectacular credit rating. You know how difficult it can be to correct mistakes. It was not easy, but your perseverance has paid off. Congratulations!

I can tell you that you will be able to accomplish more with this course than you can ever believe. People can dramatically improve their credit, and you will be next with a little perseverance. The rewards are well worth it. Once you lick this problem, loans will be no problem for real estate deals. If you have my full course, you have all that you need to create a huge pipeline of lucrative deals.

OTHER RESOURCES

If your back is against the wall with your level of debt, you might consider calling The Consumer Credit Counseling Service at 1-800-873-2227. They can help you work on your credit report, restructure your debt, and learn to live in your budget. Make sure to always deal with a group that is a member of the National Foundation For Consumer Credit. Some people say that restructuring your debt will hurt your credit score, but my opinion is that it will hurt it less than a 30 day late or bankruptcy, so do consider this. It will cost you nothing to talk to them. You may have money slipping out of your hands each month on non-essential purchases that would allow you to catch up on your bills. They can help you identify these areas.

The one thing to be extremely careful of when you go with any company or organization that attempts to negotiate lower payments for you is that all of your payments are shown as "on time," and not late. The creditor may agree to the lower payments, but they might also report each payment late each month while you are making those payments because you are not paying the full amount that would ordinarily be due. Your credit is REALLY messed up at that point, even though you thought you were doing everything

correctly. Note that while these companies are “non-profit,” that does not mean that they do not charge a fee. Try to do this yourself if possible AND MAKE SURE TO SEE IN WRITING THAT THEY WILL REPORT ALL PAYMENTS AS “ON TIME” IF YOU ABIDE BY THE AGREEMENT.

GLOSSARY OF FINANCIAL TERMS

Account Number: A unique number, which identifies the owner of the account. Every cardholder's account is identified by an account number.

Activate: To verify ownership (generally by telephone), thus allowing a new credit card to work. As a fraud-prevention measure, many card issuers require you to call them when you receive your new card in the mail to verify that the correct person has received it.

Activity: Activity can be defined as any transaction that appears on your bill, including purchases, cash advances, finance charges and fees. Payments toward your balance are also considered activity. This is why we hear the phrase, "Keep your account active" when you are trying to build your credit.

Advance-Fee Loan: A type of loan in which all finance charges, fees, and lender expenses are calculated and deducted before the consumer receives the principal.

Affinity Card: Offered by a great number of issuers, these cards work like this: A certain percentage of your finance charges are donated to the charity or organization on the card. Typically, the interest rates will be higher. Affinity cards have been under fire recently due to the very small percentage of finance charge revenue that goes to the organization sponsoring the card.

Agreement: The contract that outlines the terms of usage for a credit account or credit card. The agreement should include, at least, the interest rates (throughout the lifetime of the account), interest calculation method, and any transaction fees.

Amount Due (See Also Minimum Monthly Payment): This is the amount that you are required to pay during the current billing cycle. This amount will vary depending on the total balance of the account. For credit accounts, the amount due is also known as the minimum monthly payment. For charge accounts, the amount due may be the entire balance. You are considered to be current if you make at least the minimum monthly payment each month, on or before the due date.

Annual Fee: Some credit agencies may charge you a yearly fee in addition to the interest charges that accumulate as you make purchases. Depending on the issuer, a card with no annual fee but a high interest rate could cost you significantly more than one with a higher annual fee and a low, or no, interest rate.

Annual percentage rate (APR): The Annual Percentage Rate or APR, is the percentage of interest you would pay on a balance each year. You can find your monthly rate by dividing your APR by twelve. Obviously, the lower the APR, the better. If you pay the balance off in full every month, APR will not affect you.

Annual Summary of Charges: An Annual Summary of Charges shows you exactly where your money has been spent throughout the year. Typically, these statements are only offered to gold, titanium, or platinum cardholders.

Authorized User: This would be the primary owner of the account. This is also the person who is responsible for all charges incurred on the account. Most cards allow you to add an authorized user. When you add someone, they receive their own card with their name on it. The main difference between an authorized user and a joint cardholder is that they can use the card at their discretion without liability for the charges if you default.

Automatic payment: A routine payment that is taken directly from your savings or checking account. For example, if you have a savings or checking account with the same bank that issues your card, you may be able to automatically transfer money from your bank account to pay your credit card bill. This type of payment eliminates the risk of paying a bill late because the money is automatically deducted every month.

Available credit: When you receive a credit account, say, a credit card, you are given a specific amount of credit that you can spend. Available credit is the unused portion of credit (money) that is available for spending within your account.

Average daily balance (including or excluding new purchases): The most common method of calculating interest. To figure out your average daily balance, the bank will add up the amount you owe for each day of your billing cycle and divide that number by the number of days in the billing cycle. New purchases may or may not be added to the balance, depending on the individual card's terms. The most favorable calculation excludes new purchases.

Balance: A balance is the amount you owe the lender, including purchases, interest and fees.

Balance Transfer: The process of transferring a balance from one card to another card. Doing this can, in some cases, save you hundreds or thousands of dollars in interest payments. Some issuers offer a promotional rate when you transfer a balance (introductory rate), which will increase shortly thereafter. Be sure you understand the interest terms for each credit card you own.

Bill: (Also known as the monthly statement). Each month, your lender will send you a monthly statement, detailing the purchases, fees, transactions, etc., you have accumulated for the billing cycle. Your bill also lists the total balance you owe on the account, as well as the minimum amount you must pay for the month.

Billing Cycle: The amount of days between your last bill and your current bill, generally 28 to 31 days.

Cash Advance: When necessary, you can use your credit card to obtain a cash loan. This can be done by using your card and PIN at an ATM, or going directly into a bank. A word of caution: try to limit cash advances to emergency situations only — issuers generally charge a much higher interest rate when you take a cash advance. Also, there is no grace period, which means that interest accrues daily until it is paid back in full.

Charge Card: A charge card requires that you pay the entire balance due each month. Charge cards, however, do not charge interest for purchases.

Closing date: The closing date is when all the charges that you make monthly are added onto your statement. You can usually find out when your closing dates will be for the entire year (or just one month) by calling customer service. Making large charges a few days before your closing date can save you money, since the amount will be added in for only a few days, making your average daily balance less than it could be by making a large charge right after your closing date.

Collateral: Savings, automobiles, second homes, bonds, insurance policies, jewelry, or other assets that are offered as security for a loan or other debt.

Collection Agency: If you fail to pay a credit or charge card bill on time, the issuer may send your overdue bill to a collection agency. Collection agencies specialize in one thing: obtain payments from overdue customers. If your account is turned over to a collections agency, a notation such as "collection account" is generally made on your credit record. Additionally, you may be responsible for charges incurred by the collection agency.

Convenience Check: When you open a new account with a credit card issuer, it may send you one or more blank convenience checks, which may be used to transfer balances from other credit cards to your new card.

Copy Charge: Under certain laws, you are entitled to receive copies of all the documents (statements, charges, payment history) that are associated with your account. However, creditors may charge you a fee for this service. Check your service agreement to determine whether this fee will apply to your account.

Co-Signer: A parent, friend, relative (any person over 18 years old) who agrees to share responsibility for a credit account with the person for whom they are co-signing.

Credit Bureau: Also known as a Credit Reporting Agency (CRA). A credit bureau compiles records of your credit history. These records (your credit report) may be requested by a lender or creditor prior to approving your loan application.

Credit Card: A credit card allows you to make purchases, and pay for the items you purchase in monthly installments. In exchange for this service, card issuers charge interest on the amount you owe. Of course, to avoid these interest charges, you reserve the right to pay your balance off in full each month.

Credit Counseling: Professional advice regarding credit management.

Credit Limit: The maximum amount you may charge on a single account. Some card issuers set a separate limit for purchases and cash advances. Many banks will allow you to spend more than your credit limit, but may charge you a fee for doing so. It is up to you to keep track of your credit limit and how much available credit you have left.

Credit Report: A detailed breakdown of your credit history (and payment history), and includes facts about you such as your age, address, marital status, and employment history -- specific financial details that help creditors determine your creditworthiness.

Credit Union: A nonprofit financial cooperative offering savings and lending services to members.

Creditworthy: This means that an individual has been determined to be responsible enough to obtain a credit card or loan.

Daily Periodic Rate: The daily periodic rate is your annual interest rate expressed on a daily basis. It equals 1/365th of your annual percentage rate.

Debit Card: Often accepted at the same locations as a credit card, a debit card allows you to deduct the amount of your purchase directly from your checking account for payment to the merchant.

Default: Failure to pay a debt. Very often, if you default on your credit card account, the issuer will cancel your account and request full payment of the outstanding balance.

Deferred Payment: You may have participated in a deferred payment plan such as "no payments for 90 days." A deferred payment plan allows you to put off a payment, or extend the date on which payment is due.

Delinquency Assessment: A fee that is charged for a late payment.

Due Date: The date a payment is due to a creditor, after which time a late fee may be assessed.

Effective date: The date on which a new card is activated, and ready for use.

Equal Credit Opportunity Act: The Equal Credit Opportunity Act requires that U.S. financial institutions and other creditors make credit equally available to all creditworthy customers without regard to race, color, religion, national origin, sex, marital status or age.

Extended Warranty: Another "perk" to having a gold or platinum card, warranty protection usually doubles the warranty on your purchases for up to a full year. This, like other protection plans, varies from issuer to issuer, so be sure you understand their policy before you plan on using it.

Fair Credit Reporting Act: The U.S. Fair Credit Reporting Act seeks to achieve fair, timely and accurate reporting of credit information by regulating the activities of credit bureaus, limiting access to credit bureau information, and requiring that creditors disclose certain information regarding their use of credit bureau or third party information. Under the Fair Credit Reporting Act, you have the right to see the credit history maintained by a credit bureau about you.

Federal Reserve: A central bank that monitors and influences the total supply of money and credit through its 12 regional offices. The Federal Reserve Board sets interest rates, maintains the flow of cash to local and regional banks, clears checks, provides deposit insurance, and helps guarantee the stability and security of the U.S. banking system.

Finance Charge: The cost of consumer credit expressed as a dollar amount. A finance charge would include the following types of charges imposed by card issuers: interest, transaction fees and service fees.

Finance Company: A business that makes consumer loans, often to consumers who cannot qualify for credit at a credit union or bank. Typically, the interest rates charged by a finance company are higher than those charged by other creditors.

Grace period: The period of time (exceeding the due date) in which you can pay your balance without being charged interest. Some cards do not offer a grace period. Others only have a grace period if there was no outstanding balance on the account at the start of the billing cycle.

Inquiry: Any time a creditor or lender requests a copy of your credit file.

Interest: A charge for borrowed money. Interest charges vary greatly between credit companies and banks. Be certain you understand what the interest rate is for a card, before you apply.

Issuer: The Issuer is the bank through whom you obtained your card. There are thousands of different issuing banks in the United States.

Joint Account: Two people can share a card, and both are individually responsible for the total outstanding balance and debt incurred.

Late Payment: Most charge and credit card bills list the date by which payments are due. If you miss the due date, the account is considered past due and you may be charged a fee. Your credit report may reflect late payments, and if you have made a habit of paying late, creditors may be dissuaded from granting additional credit.

Liability: Liability refers to the responsibility for charges to an account. Generally, a cardholder agrees to be liable for any charges to his or her account, including purchases, fees and finance charges. If the cardholder allows someone else to make charges to his or her account (through, for example, an additional card), the cardholder is still responsible for paying the bill. Two people who apply for a card together are equally responsible for the entire balance. Your liability is described in the cardholder agreement you receive from the issuer. Be sure to read it carefully.

Minimum Monthly Payment: The minimum amount you are required to pay the credit card issuer each month. You may, however, choose to pay more. Paying the minimum monthly payment may be helpful when you can only afford to make a small payment. However, interest charges can really add up when you stretch out a loan with minimum payments. For example, at an 18.5 percent interest rate, it will take you more than 11 years to pay off a debt of \$2,000 if you only pay the minimum balance due each month. During this time, you will pay interest charges of \$1,934 -- almost doubling the cost of your purchase.

Monthly Periodic Rate: The rate of interest per month, calculated by dividing the annual percentage rate (APR) by 12.

Non-Sufficient Funds Fee: If you send in a payment that is not honored by your bank (it bounces), then most issuers will charge you at least \$20.00 (the majority charge around \$29.00). Some issuers will run a check through twice if it is under a pre-defined amount. In addition, if you can't send another payment in before the due date, you will be charged a late fee - resulting in around \$60.00 in fees from one bounced check. And to make matters worse, some issuers will increase your APR, as you've suddenly become a bad risk.

Over-the-Limit Fee: If you spend too much money on your card, and happen to go over your credit limit, an over-limit fee will be applied to your account. Typically, the fee is \$29.00. As far as going over your credit limit is concerned, most issuers will allow you to go over by around \$100.00, but it depends on your past history with the issuer. When you receive your statement, most issuers will want the amount that is over limit back immediately.

Overdraft agreement: Protection from over-spending. Some issuers allow you to link your credit card to a checking or savings account that you hold with that bank. When you sign an overdraft agreement and you bounce a check, the bank can charge that amount to your credit card account and the check will clear. This way, you avoid a returned-check fee.

Partial Payment: Paying less than the full balance due.

Past Due: If you fail to make the minimum monthly payment, your account is considered past due.

Periodic Rate: The interest rate described in relation to a specific amount of time.

PIN Code: Your PIN (personal identification number) can be used at Automated Teller Machines (ATM) to withdraw cash from your card. However, not all ATMs will accept your card, as they all use different combinations of transaction networks. Be sure you understand what, if any, type of transaction fee will be charged to you for using your card. Also, be aware that most issuers charge a much higher interest rate for withdrawing cash, so it isn't really recommended unless it's an emergency.

Posting Date: The date that a transaction is recorded to your account.

Previous Balance: When you receive your monthly statement, you will see this term. Previous balance is the amount you owe after the previous month's payments and charges are added to your balance.

Prime Rate: The Prime Rate is what about 95% of the issuers base their APRs upon. Different issuers add in the newest (assuming that it changes) prime rate on different dates - some do it on the 15th, some on the 1st of each month, while a few cards add it quarterly. Having a rate based on Prime isn't necessarily a bad thing, but you will save money in the long run by having a fixed interest rate if you're paying off a large balance over an extended period of time.

Principal: The amount of money you owe, not including the interest due on it.

Revolve: To carry over a debt from month to month, paying interest on the amount owed.

Revolving Credit: A credit agreement that allows consumers to pay all or part of the outstanding balance on a loan or credit card. As credit is paid off, it becomes available again to use for another purchase or cash advance.

Secured credit or loan: This is a type of loan in which the consumer offers some form of collateral as security for the loan.

CREDIT REPAIR UNCOVERED SAMPLE LETTERS & TEMPLATES

General Notes: Notice the Re: line on each letter. Generally, when sending a letter, you always want to make a note on the Re line as to what the letter's subject matter concerns. If you are responding to a letter sent by a bureau, you always want to use their file number or case number, or however that particular bureau identifies your dispute. You do not want them entering in your social security number to find you, and discover a slew of challenges. Thus, always use their numbers so that they can have a way of entering their system without finding out everything that you are doing!

FORM 770(a): Request for Credit Report -- Note that you may not need to pay any money to receive your credit report. The course outlines those states that allow you to get a free copy of your report. You also can get a free report if you have been denied credit. See 770(b). Remember that I would urge you to order your report online. This is the fastest and easiest way to get your report, and you know that the pricing information you have will be current.

-

Your Name
Address
City, State, Zip
Phone
Today's Date

[Equifax / Trans Union / Experian]
Address
City, State, Zip

Re: Credit File on [your social security number]

To Whom It May Concern:

I would like to order a copy of my credit report. Following is the information you will need to fulfill this order:

- Your Full Name (Include Jr. Sr, II, III etc.)
- Current Employer
- Your Current Address
- Old Address (if you have lived at your current address for less than five years)
- Your Social Security Number
- Your Date of Birth
- Copy of your valid driver's license or a copy of a utilities bill, which clearly shows your current address.

Enclosed is a check for \$__ [(If Applicable!)] to cover the cost of ordering this report.

Sincerely,

Your Signature

Form 770(b): Free Report (Recent Credit Denial)

Your Name
Address
City, State, Zip
Phone
Today's Date

[Equifax / Trans Union / Experian]
Address
City, State, Zip

Re: Credit File on [your social security number]

To Whom It May Concern:

I applied for credit, and was denied that credit within the past 60 days. The creditor that denied my credit application was [Name Of Creditor]. I have attached a copy of the letter denying me credit. I would like to order a copy of my credit report. Following is the information you will need to fulfill this order:

- Your Full Name
- Your Current Address
- Old Address (if you have lived at your current address for less than five years)
- Your Social Security Number
- Your Date of Birth
- Copy of your valid driver's license or a copy of a utilities bill, which clearly shows your current address.

Thank you in advance for your prompt attention to this matter.

Sincerely,

Your Signature

FORM 771 : Request for Investigation of Incorrect Information

Your Full Name
Address
City, State, Zip
Phone
Today's Date

[Equifax / Trans Union / Experian]
Address
City, State, Zip

Re: Credit File of [your name and social security number]

To Whom It May Concern:

I am requesting that the information listed below be immediately investigated, as it is inaccurate or incorrect. My social security number is: [LIST SS NUMBER HERE].

- [List incorrect information specifically including account number and who the lender was. (Note also whether you are questioning the account being open in your name at all, or just the negative information. If there is more than one negative mark against you on this particular account (e.g. MBNA Visa), list which one(s) you are challenging—e.g. 30 day late and two 60 day lates)].
- [Date you received your credit report]

The above information does not reflect my true credit history, and needs to be removed.

Please send me confirmation, showing the results of your investigation. In the event you do not receive verification from the lender(s) in question within 30 business days, I request that the above entry be deleted from my credit record. Please send me an updated copy of my credit report showing this information deleted at that time. Thank you in advance for your attention to this matter.

Sincerely,

Your Signature

FORM 771(b) : Response Letter: 30-Day Nudge. (This letter is sent 8 weeks after the bureau receives your letter. You will know when they received your letter because we always send everything certified return receipt requested! Remember that the bureaus have 30 business days to respond (six weeks), not calendar days. You will have received a letter from the bureau acknowledging your initial letter (and a case number), but no response one way or the other as to whether the item will be removed.

-

Your Full Name
Address
City, State, Zip
Phone
Social Security Number

Today's Date

[Equifax / Trans Union / Experian]
Attn: [contact's name]
Address
City, State, Zip

Re: [Case number given to you by the bureau]

Dear [Contact's Name]:

Thank you for your response. However, I have not heard back from you for over eight weeks.

As stated previously, I completely disagree with the following entry in my credit report:

- o Date of Credit Report:
- o Disputed Entry: [Again, make sure to list the account and what on the account you do not agree with e.g. the two thirty day lates].

Please send me confirmation, showing the results of your investigation. If you have not received verification, I request that the above entry be deleted from my credit record. Thank you in advance for your prompt attention to this matter.

Sincerely,

Your Signature

FORM 773 : Follow-up (Reinvestigation) Letter

-

Your Full Name
Address
City, State, Zip
Phone

Today's Date

[Equifax / Trans Union / Experian]
Address
City, State, Zip

Re: [Your investigation number]

To Whom It May Concern:

According to my records, an investigation concerning the entry below (from my credit report) occurred on [date of investigation].

- o Date of Credit Report
- o Disputed Entry

However, I must request that the bureau please re-investigate this entry, as I am absolutely certain that it is incorrect. [reason for dispute]. Additionally, I request that you provide me with the name and business listing of any individuals with whom the bureau has spoken in regards to this incorrect entry.

For your convenience, I have enclosed a copy of my previous letter.

Please send me confirmation, showing the results of your investigation. Thank you in advance for your assistance with this matter.

Sincerely,

Your Signature

FORM 774 : Response Letter: Request for More Information

Your Full Name

Address

City, State, Zip

Phone

Today's Date

[Equifax / Trans Union / Experian]

Attn: [contact's name]

Address

City, State, Zip

Re: [Investigation number for this item as assigned by the credit bureau]

Dear [Contact's Name]:

I received your response dated [date]. Thank you for replying to my request.

As stated in my earlier letter, I completely disagree with the following entry in my credit report:

- Date of Credit Report:
- Disputed Entry:

As called for in your letter, I am including all of the information you requested.

Please send me confirmation, showing the results of your investigation. In the event you do not receive verification from the lender(s) in question within 30 days, I request that the above entry be deleted from my credit record. Thank you in advance for your prompt attention to this matter.

Sincerely,

Your Signature

FORM 775 : Response Letter: Too Many Disputes. The odds of needing this letter are fairly low. This letter would be needed if you mailed a single letter challenging many items. Of course, our strategy is to only handle one item per letter, so this should not come up.

Your Full Name
Address
City, State, Zip
Phone
Social Security Number

Today's Date

[Equifax / Trans Union / Experian]
Attn: [contact's name]
Address
City, State, Zip

Re: [Reference number on their letter, or date of their letter, or some identification of the letter informing you that you are making too many disputes]

Dear [Contact's Name]:

When I pulled my credit report, I did find several items that were incorrect. However, just because I found several items that were incorrect, this is no reason to reject my request to correct.

Per my earlier letter, I would like to again state that I disagree with the following entries on my credit report:

- Date of Credit Report:
- Disputed Entry:

Please send me confirmation, showing the results of your investigation. In the event you do not receive verification from the lender(s) in question within 30 days, please delete the above items from my credit record. Thank you in advance for your prompt attention to this matter.

Sincerely,

Your Signature

FORM 776 : Response Letter: Frivolous Rejection

Your Full Name
Address
City, State, Zip
Phone
Social Security Number

Today's Date

[Equifax / Trans Union / Experian]
Attn: [contact's name]
Address
City, State, Zip

Re: _____

Dear [Contact's Name]:

I received your letter dated []. Thank you for your prompt response. However, I do not understand why my request to remove inaccurate information has been rejected as frivolous. I completely disagree with the following entry in my credit report:

- Date of Credit Report:
- Disputed Entry: (Remember to be specific—that's probably why you received a rejection as frivolous. Make sure NOT to make any personal excuses for not paying like bad health, unemployment etc.)

Please send me confirmation, showing the results of your investigation. I would respectfully ask that you do not tell me that my request is frivolous again. This problem is very important to me, and it warrants an investigation.

Sincerely,

Your Signature

FORM 777 : Response Letter: Red Handed Rejection

Your Full Name
Address
City, State, Zip
Phone
Social Security Number

Today's Date

Equifax / Trans Union / Experian]
Attn: [contact's name]
Address
City, State, Zip

Re: [Your Letter Dated]

Dear [Contact's Name:]

I am writing in response to your letter dated []. I have attached it to this letter for your convenience.

I am surprised at the bureau's presumption that I am manipulating the system [customize this for the exact words they used]. I do not believe that I am manipulating the system. Rather, I am trying to work with you to ensure that my credit report accurately reflects my credit history. I know that you probably receive numerous pieces of mail similar to this everyday, and I wish that there were a better way for me to communicate my level of distress to you concerning the erroneous item listed below on my credit report.

I completely disagree with the following entry in my credit report:

- Date of Credit Report:
- Disputed Entry:
- What you are disputing specifically

I thank you in advance for acting responsibly in this matter, and honoring my legal rights to a fair and thorough investigation in this dispute. I believe that this entry is causing unjust damage to my personal and credit profile, and desire immediate resolution.

Please send me confirmation, showing the results of your investigation.

Again, thank you for your help in this matter.

Sincerely,

Your Signature

FORM 779 : Talking Tough: Lawsuit Threat

-

Your Full Name
Address
City, State, Zip
Phone
Social Security Number

Today's Date

[Equifax / Trans Union / Experian]

Attn: [contact's name]

Address

City, State, Zip

Re: _____

Dear [Contact's Name]:

As stated in my previous correspondence, I completely disagree with the following entry in my credit report:

- Date of Credit Report:
- Disputed Entry:

I know that your workload is extremely heavy. However, despite multiple attempts to bring this dispute to your attention, I have not received a reply from you. This negative information is having an extremely detrimental impact on my ability to borrow funds.

Because of this, you are forcing me to retain an attorney versed in the FCRA to proceed with legal action in order to achieve correction of the disputed entry on my credit report.

In a spirit of cooperation, I would like to give you an extra 30 days to reply. After that date, you may expect to hear from my attorney. I hope you understand that this is nothing personal, but that I must do everything I can under the FCRA to get this negative information removed. Thank you in advance for your prompt attention to this matter.

Sincerely,

Your Signature

FORM 780 : Talking Tough: FTC Complaint. Remember, you'll need to be able to back up your claim that the item is erroneous if you take this step.

Your Full Name
Address
City, State, Zip
Phone
Social Security Number

Today's Date

Federal Trade Commission
Pennsylvania Ave. and Sixth St. N.W.
Washington, D.C. 20580

Re: Unfair Practices

To Whom It May Concern:

I would like to file an official complaint against [credit bureau] for the following reasons:

- **Unfair Treatment:** I believe that I am being treated unfairly by the credit bureau, based simply on the premise that my legitimate dispute has been continually neglected while the bureau continues to act on other such disputes.

Please investigate the unfair practices of the [bureau] credit reporting agency. It is my sincere belief that this type of discrimination is unacceptable for any professional organization. This matter is of the utmost importance to me, and I thank you in advance for your prompt attention to this matter.

Sincerely,

Your Signature

Cc: [list the cras that you will send a copy of this to—presumably all]

FORM 781 : Talking Tough: Letter to Congress

Your Full Name
Address
City, State, Zip
Phone

Today's Date

The Name of your Congressman/Senator
Address
City, State, Zip

Re: DISPUTE OF ERROUNEOUS ITEMS ON MY CREDIT REPORT

Dear [name of recipient]:

I am writing to request your help. For months, I have been attempting to dispute derogatory information on my credit report. I have followed their rules precisely, only to be repeatedly told that [my very real requests for investigation are frivolous].[or repeatedly refused to remove information that I know is erroneous etc.] [or whatever applies in your situation].

Any assistance that you could give me would be greatly appreciated. I do not know what else to do, as the bureaus are not responding to my requests.

Thank you very much for your attention in this matter.

Sincerely,

Your Signature

Cc: [credit bureaus]

FORM 782 : Settle for Less: This form can be used when you are behind with a creditor. Often, they are willing to take a partial payment to satisfy the debt. As part of this settlement, they might be willing to remove any negative information on your credit report. Do not pay anything unless you have this agreement signed by the creditor. This has to be done in writing! You will want to contact your creditor to find out who can make this type of decision. Typically there are managers who handle these types of requests. If you can settle for .65 on the dollar, you are doing well. Note that the further behind the debt is, the lower the percentage they will take. You don't want to wait to settle, or get further behind, but use that as a general thought in negotiations. The key is to get your credit improved. If you can do that at a discount, all the better!

Your Full Name
Address
City, State, Zip
Phone
Account Number

Today's Date

Lender Name
Contact Person
Address
City, State, Zip

Re: [account number etc.]

Dear (Name of Contact):

As per our conversation, I am including an agreement to compromise my debt with you. Please sign and return this agreement to me at your earliest convenience.

AGREEMENT TO COMPROMISE DEBT

[Creditor Name], referred to as CREDITOR and [Your Name], referred to as DEBTOR, agree to compromise the indebtedness between them. CREDITOR hereby agrees to compromise the indebtedness due CREDITOR on the following

terms and conditions: CREDITOR and DEBTOR agree that the present debt due is \$[Amount Owed] (Spell-out full amount here). The parties agree that CREDITOR shall accept the sum of \$[Agreed Amount] (spell out e.g. five thousand) as full and complete payment on the debt. The acceptance of the payment will serve as a complete discharge of all monies due. The payment shall be made in cash.

In addition, upon accepting of the \$[Agreed Amount], CREDITOR will notify all Credit Reporting Agencies that account is PAID AS AGREED, and delete any and all entries showing this account as ever being late. CREDITOR will forward copies of these notifications to DEBTOR. Furthermore, CREDITOR will provide a separate letter to DEBTOR stating the account number and that all sums were paid as agreed, and that there were never any late payments made on this account.

Please sign this letter, and return a copy to me. Upon receiving it, I will forward a cashiers check for the above amount to you, at which point you will notify the three credit bureaus and mark this debt as satisfied on your records.

Thank you for your prompt attention to this matter.

[creditor name]

[representative name]

Signature of Authorized Credit Institution Representative

[Your Name] / Signature: _____

FORM 783 : Request To Lender:

Your Full Name
Address
City, State, Zip
Phone

Today's Date
Lender Name
Address
City, State, Zip

Re: [Account Number]

To Whom It May Concern:

Having recently received a copy of my credit report from [credit bureau(s) name(s)], I have discovered that it contains a notation of a late payment to your company. [Say exactly what the information is here, e.g. There is a thirty day late payment shown on this account for the period of July 1997 through the present date.]

I have always paid this account in a timely manner according to our agreement. This information is highly injurious to my credit rating, and my ability to qualify for credit. [Alternate information you could add here if true (or something to this effect): My records indicate that I had returned merchandise to your store, and the amount due was under dispute because of that return. The credit department was supposed to handle this so that no negative information appeared on my report, or that you had a change of address around this time].

Please correct this information with the three credit bureaus listed above pursuant to the Fair Credit Reporting Act, and send me a copy of the letters you send to the bureaus.

Thanks in advance for your prompt attention to this matter.

Sincerely,

Your Signature

Alternative FORM 783: (Text Body Shown Only). What to do if excessive inquiries are damaging your credit report. Send this to the lender that pulled your credit.

To Whom It May Concern:

Recently, I was denied credit because of a series of inquiries on my credit report that the lender (name them) viewed as excessive.

I ordered a copy of my credit report, and noticed that you ordered a copy of my credit report from (name credit bureau(s)).

I did not authorize this, nor have I applied for credit with your company. This inquiry is causing real damage to me, and I would request that you either provide proof that I did in fact apply for credit with your company, or immediately notify the credit bureau(s) to remove this item from my report.

Please send me a copy of any and all letters you send to the credit bureaus concerning this matter.

Thank you in advance for your prompt attention to this matter. Please send me documentation to the above address showing that this matter has been resolved.

Sincerely,

Your Signature

Alternative FORM 783: (Text Body Shown Only). Sometimes it helps if you have a plausible reason for the event they are showing on your credit report. (Note that this letter is going to the lender, not the credit bureau. Remember that you never want to admit paying late. Thus, you never want to say, "I was ill and could not pay my bills." Make sure to give the account numbers etc.

To Whom It May Concern:

Having recently received a copy of my credit report from [credit bureau(s) name(s)], I have discovered that it contains a notation of a late payment to your company for account number [account number]. [Say exactly what the information is here, e.g. There is a thirty day late payment shown on this account for the period of July 1997 through the present date.] [Example: According to my recollection of the situation, you misplaced one of my checks and credited my account for the check once it was located at a later date].

This inaccurate information is causing me great financial hardship and injury, and I am requesting that this information be verified and removed from my credit report immediately.

Thank you in advance for your prompt attention to this matter. Please send me a copy of the letter you send to the three credit bureaus.

Sincerely,

Your Signature

FORM 784 : Lender Ignore No More. You will use this letter if you have requested information from a lender and not received it (e.g. form 783). This is a “nudge” letter.

-

Your Full Name
Address
City, State, Zip
Phone

Today's Date
Lender Name
Address
City, State, Zip

Re: [number that the bureau has assigned to your complaint, or account number in question if you do not have this]

To Whom It May Concern:

I asked 30 days ago for a copy of my original agreement and application, a statement of payments made, interest, and all account related information, all charge slips or other documentation proving the sum owed. [Make sure that you did ask for this!] I have not yet received this information.

Your immediate attention is required. Thank you for your prompt attention to this matter.

Sincerely,

Your Signature

FORM 784(b): Letter To The Company President (text body only). If you have shopped at a store for some time, and are a good customer, sometimes writing to the top will get answers and solutions for you. Do this after you have exhausted the other means given here of getting an answer of help from the lender.

Re: Customer Assistance

Dear [President of the company]:

I have been a customer of your store for ____ years, and have always shopped your store over others and recommended your store to friends and family over this period.

I have a serious problem that I need your assistance to solve. I have written to your credit department several times (copies of letters attached) to receive assistance in removing erroneous information from my credit report. Currently, your credit department is reporting untrue information regarding my file to the credit bureaus that is injurious to my credit standing.

I am seeking documentation proving the information that they have placed on my credit report, and I am asking that this erroneous information be deleted immediately if it cannot be proven.

I do not appreciate the way I have been treated, especially as such a loyal and long-term customer of your business.

If this information cannot be proven, please have it removed from your report to the credit bureaus. This negative information is preventing me from [example: purchasing a home for my family.]

Thank you for your assistance in this matter.

Sincerely,

Your Signature

Form 786: Request To Add Data

Your Full Name
Address
City, State, Zip
Phone

Today's Date

[Recipient]
Address
City, State, Zip

Re: Request To Add Data To Consumer Report {Your social security number}

Dear Sir or Madam:

I am writing to request that the following information be added to my consumer credit report pursuant to the Fair Credit Reporting Act. Please let me know the fee, if any, for verifying and including this information in future consumer reports that you issue in my name. I have attached a copy of my credit report from (bureau/bureaus) showing this information on file with them, and referenced my date of birth and social security number at the bottom of this letter.

(Insert Info Here)

Thank you in advance for your assistance with this matter.

Sincerely,

Your Signature

CRITICAL BONUS INFO

Please take a few minutes and register your course to get your bonuses immediately. I know that you are eager to get started, but I want you to have the most current info possible. As you know, one of the bonuses is free updates of the course. You need to register your course so that I can send you updates, or any refinements to the course automatically. When you register your course, you will receive the other bonus item download instructions as well.

To register, simply send a blank email to our auto-responder. You will receive your information immediately:

creditsecrets@getresponse.com
