

Today Lending- Credit Repair Book

Going through life with bad credit is very expensive; especially, in an economy where the price of goods and services are rapidly becoming more and more difficult to pay for necessities. This causes the need to finance the items in our life that are necessary to maintain our standard of living. Many times individuals do not regard what they can afford by the price of the item. They determine the afford ability by the amount of monthly payment and the percentage of that payment to their total monthly income. This is why so many people get upside down in life and have to declare bankruptcy to secure relief from creditors. It is the American reality to live pay check to pay check. In fact, the average American savings is negative one percent of their annual income. This means that the average American is actually 30, 60, 90 days from bankruptcy. If something unexpected happens in life that is an additional burden or monthly income is interrupted, they are financially ruined. When this happens it is important to get yourself back on track so you don't have to take high interest loans. If you understand your credit report and maintain high credit scores you can stretch your dollars further and provide savings for your family's future.

I have read many other books on credit repair. This book is really a manual on credit reports and a library of individual experiences. It is also important to know that the information from this book came from many other sources. The research is primarily from the Federal Trade Commission, Equifax, TransUnion and Experian. So trust that this manual is a practical approach to obtaining great credit.

What makes up your credit score?

Payment History 35%: This is very simple *pay your bills on time.*

Credit scores are an indicator of you ability to keep your word. The first mistake that people tend to make when faced with a difficult situation with creditors is to bury their heads in the sand and hide. Hope! That the funds miraculously arrive at a future time to make their next payment. When in fact, the first reaction should be call the creditor well in advance so they know the payment is not going to be paid in full. Creditors want you to pay. The cost of collections is enormous for creditors. If you will provide the basic courtesy of calling your creditor in advance to let them know your situation many times reduced payment arrangements can be made to provide relief. A partial payment is still a payment if the creditor accepts the arrangement. If the creditor tells you to go fly a kite, then you are in the exact situation you were in the first place so don't get overwhelmed, **take responsibility and call.**

Amounts Owed 30%: *Keep your balances below 50% of the available credit.*

Especially in revolving accounts such as credit cards. It is better to have several open accounts with minimal balances than to have one account balance near its credit limit. It is very unfavorable to lend money to people that desperately need money, creditor's look for stability.

Length of Credit History about 15%: *Don't close accounts!* Even if an account isn't being used don't close it especially if you have an active balance. *The only exception to this is if there are high annual fees.*

If you are trying to establish credit it behooves you to keep an account open. When looking at the overall credit picture there is a simple rule. Creditors make money from the interest you pay to use their money. Just like Vegas the longer they keep you at the table playing the more you are going to pay. The higher the likelihood that you are going to become a long term client the more desirable your business becomes. It is very expensive to create new clients, so higher scores are assigned to individuals that maintain their business relationships.

New Credit: "FICO scores distinguish between a search for a single loan and a search for many new credit lines, in part by the length of time over which inquiries occur. If you need a loan do your rate shopping within a focused amount of time." It is best to do your shopping in a focused 14 days when it is necessary to pull new credit inquiries. All creditors that have the capability to pull your credit are categorized into one industry. Thus, if you are looking for a home loan it is best to narrow the credit providers you intend to use have them all pull your credit within a confined 14 days. Meaning they don't pull it again at a later date. These inquiries will affect your score as one individual inquiry.

Others Factors: It is up to the credit Gods. This is the balance of the different types of trade lines. Installment (fixed payment) as opposed to revolving (payment based on balance) trade lines. It is a good sign to have an equal balance between the two. Individuals with longer credit history tend to have an even balance.

What To Do Now?

There is a simple philosophy with credit repair. ***Fix your old*** trade lines and ***establish new*** trade lines.

The first thing that you have to realize is that no one is in a hurry to admit or fix a mistake on your credit report. You are just another social security number, the next in line, the one that will more than likely be pacified by the statement, "we are looking into it." In the meantime you are either stuck paying high interest rates or unable to purchase a large item needed.

It will take on average four continuous hours to fix your credit. If you dedicate this amount of time you'll save thousands over a life time.

- 1) Order your Free Credit Report from all three Credit Bureau's**
www.annualcreditreport.com

The Fair Credit Reporting Act (FCRA) requires each of the nationwide consumer reporting companies – Equifax, Experian, and TransUnion – to provide you with a free copy of your credit report, at your request, once every 12 months. The FCRA promotes

the accuracy and privacy of information in the files of the nation's consumer reporting companies. The Federal Trade Commission (FTC), the nation's consumer protection agency, enforces the FCRA with respect to consumer reporting companies. **"FTC"**

If you order your report by calling toll-free 1-877-322-8228, your report will be processed and mailed to you within 15 days. If you order your report by mail using the Annual Credit Report Request Form, your request will be processed and mailed to you within 15 days of receipt.

You can dispute the items on your credit report. The item disputed must be on the credit report direct from the bureau and you may be asked to give a credit report reference number.

2) Find Out What They Have On You:

You are entitled to have the documentation from the creditor used against you.

Use (Sample Letter 1) provided to request the information from the creditors. Verify the address of the creditor or collection agency. Then send the letter **certified mail**. Wait 30 days then go to the next step. Once you receive responses from the creditor (The chances are low that they will respond) compare the data against your credit report. Once you have the data from the creditor you can provide proof to the bureaus that the information is incorrect and it should immediately be removed. Only wait 30 days. The creditors may not provide the data. Then you will need to move on to the next step. Remember this step is in conjunction to help you initiate further action to prove your case in court, "Only as a last resort."

Hopefully the next step will eliminate the need for legal action.

Sample Letter 1 (letter provided from www.creditinfo.com)

Your Name
123 Your Street Address
Your City, ST 01234

ABC Collections
123 NotOnYourLife Ave
Chicago, IL

Date:

Re: Acct # XXXX-XXXX-XXXX-XXXX

To Whom It May Concern:

This letter is being sent to you in response to a notice sent to me on September 30, 2006. Be advised that this is not a refusal to pay, but a notice sent pursuant to the Fair Debt Collection Practices Act, 15 USC 1692g Sec. 809 (b) that your claim is disputed and validation is requested.

This is NOT a request for "verification" or proof of my mailing address, but a request for VALIDATION made pursuant to the above named Title and Section. I respectfully request that your offices provide me with competent evidence that I have any legal obligation to pay you.

Please provide me with the following:

- * What the money you say I owe is for;
- * Explain and show me how you calculated what you say I owe;
- * Provide me with copies of any papers that show I agreed to pay what you say I owe;
- * Provide a verification or copy of any judgment if applicable;
- * Identify the original creditor;
- * Prove the Statute of Limitations has not expired on this account
- * Show me that you are licensed to collect in my state
- * Provide me with your license numbers and Registered Agent

At this time I will also inform you that if your offices have reported invalidated information to any of the 3 major Credit Bureau's (Equifax, Experian or TransUnion) this action might constitute fraud under both Federal and State Laws. Due to this fact, if any negative mark is found on any of my credit reports by your company or the company that you represent I will not hesitate in bringing legal action against you for the following:

- * Violation of the Fair Credit Reporting Act - reporting inaccurate information
- * Violation of the Fair Debt Collection Practices Act - continuing collection activity on a debt which has not been validated

Also during this validation period, if any action is taken which could be considered detrimental to any of my credit reports, I will consult with my legal counsel for suit. This includes any listing any information to a credit reporting repository that could be inaccurate or invalidated or verifying an account as accurate when in fact there is no provided proof that it is.

REQUEST FOR CEASE AND DESIST OF CONTACT BY YOUR OFFICE: I would also like to request, in writing, no further contact, either in writing or telephone be made by your offices to my home or to my place of employment, unless it is to provide validation or release of liability of the debt. If your offices

attempt telephone communication with me, including but not limited to computer generated calls and calls or correspondence sent to or with any third parties, it will be considered harassment and I will have no choice but to file suit.

It would be advisable that you assure that your records are in order before I am forced to take legal action. This is an attempt to correct your records, any information obtained shall be used for that purpose.

Best Regards,

Your Signature

Your Name

Wait 30 days to hear back from the creditors. More than likely they will not respond or will send incomplete data from that requested in the letter. At this point you will dispute to the credit bureau.

3) Dispute To The Credit Bureaus:

In 2003, approximately 18% of the consumers interviewed in the GAO survey said that they disputed information in their credit file at some point for the following reasons. “2005GAO Report, *supra* note 63, at 30–31.”

- 17% Someone else’s information
- 14% Incorrect payment history
- 14% Incorrect late payments
- 13% Incorrect bill information
- 13% Incorrect credit card information
- 10% Incorrect personal information
- 7% Incorrect balance information
- 4% Incorrect bankruptcy information
- 3% Incorrect information from a former spouse
- 2% Identity theft
- 4% Another reason

Time Frame of Response from the Credit Bureaus

- 54% within 0–7 days;
- 18% within 8–14 days;
- 22% within 15–30 days; and
- 6% did not respond within 30 days.

The 6% (of creditors) that didn’t respond are required to treat the disputed information as unverifiable and delete the information. TransUnion stated that if a response is not received within twenty-eight days, the information in dispute is automatically deleted from the consumer’s credit file.

The FCRA mandates that CRAs modify or delete disputed information if the furnisher does not verify it within the thirty-day reinvestigation period.FCRA § 611(a)(5)(A).*See also* Comment of BECU, at 3; Comment of Juniper, at 4; Comment of CDIA, at 6.

Each of the negative trade line’s on your credit report needs to be disputed. The odds are in your favor that one of the thirteen reasons most commonly stated reasons for dispute apply to you. You know your credit better than anyone else. Take the documentation that you have collected from the creditors and dispute to the bureaus.

To Whom it May Concern:
Steve S.
SSN XXX-XX-XXXX
Address: 1 E. Any Street, Anytown, USA
(Current address for last 5 years)
DOB: 1/1/00

I've just reviewed my credit report and have noticed there are several inaccurate items on my report:

Chase VISA Acct: xxxxx-xxxxx-xxxx-xxx:
This account is listed as being 30 days late. I have never been late on this account.
Sears Acct: xxxxx-xxxxx-xxxx-xxx:
This account is listed as being 30 days late. I have never been late on this account.

Universal Acct: xxxxx-xxxxx-xxxx-xxx:
This account is listed as being 30 days late. I have never been late on this account.

In addition, there are a number of credit accounts which have been inactive for more than 7 years. As you know, the FCRA states that all credit older than 7 years should be removed from my report. The following accounts should be removed:

Diner's Club Acct: xxxxx-xxxxx-xxxx-xxx:
GE Consumer Card Acct: xxxxx-xxxxx-xxxx-xxx:
Macy's Acct: xxxxx-xxxxx-xxxx-xxx:

I have enclosed a copy of my driver's license as proof of identity.

Sincerely,

Steve S.

(letter provided from www.creditinfo.com)

Follow-Up Letter For Non Response

Your Name
123 Your Street Address
Your City, ST 01234

Credit Bureau
Credit Bureau Address
Some City, Any State 56789

Date:

RE: Dispute Letter of *Date you sent in first or subsequent requests*

Dear Credit Bureau,

This letter is formal notice that you have failed to respond to my dispute letter of *date*. I sent this letter registered mail and have enclosed a copy of the return receipt which you signed on *some date*.

As you are well aware, federal law requires you to respond within 30 days. It has now been over that period since your receipt of my letter. As you are no doubt aware, failure to comply with federal regulations by credit reporting agencies are in serious violation of the Fair Credit Reporting Act and may be investigated by the FTC. Obviously, I am maintaining detailed records of all my correspondence with you.

I am aware that you may have misplaced my letters or have failed to respond to my letter because of an oversight due to the high volume of the requests you receive daily. If this is the case, I'm sure you'll want to handle this matter as soon as possible. For this purpose, I have included a copy of my original request, the dated receipt of your reception of the original letter and a copy of the proof verifying the incorrectness of the credit item you have mistakenly placed on my records.

The following information therefore needs to be verified and deleted from the report as soon as possible:

CREDITOR AGENCY, acct. 123-34567-ABC

Please delete this erroneous item from my credit report as soon as possible.

Sincerely,

your signature

Your Name
SSN# 123-45-6789

4) Settle: When all else fails try to settle the account:

If your account has charged off or has Profit and Loss and the above action items did not eliminate the debts from your credit report then it may be time to settle the account.

When a consumer becomes severely delinquent on a debt (often at the point of six months without payment), the creditor may declare the debt to be a charge-off. It will then be listed as such on the debtor's credit bureau reports (Equifax lists "R9" in the "Status" column.) It is one of the worst possible items to have on your credit report. The item will include relevant dates, and the amount of the bad debt.

A charge-off is considered to be "written off as uncollectable." A major reason for this involves taxes. Every year, corporations file a Profit And Loss Statement with the Internal Revenue Service. It is also made available to federal and state regulators, and to shareholders. All of the year's bad debts (individual charged-off accounts) are added together as an item in the "Loss" section of the P & L Statement, and are deducted from the corporation's tax return, much like other business expenses. To banks, bad debts and even fraud are simply part of the cost of doing business.

However, the debt is still legally valid, and the creditor can attempt to collect the full amount. This includes contacts from internal collections staff, or more likely, an outside collection agency. If the amount is large (generally over \$1500 - \$2000), there is the possibility of a lawsuit.

Paying an old charge-off will not remove it from your credit reports. It will simply be updated to a "Paid Charge-Off," which, while slightly better, is still a seriously derogatory item.

Some debtors may be able to negotiate with the creditor to have the item removed from the consumer's credit reports in exchange for partial or full payment. The chances of success may depend on the amount of the debt and settlement offered, the age of the item, and the particular creditor's policies. If you attempt this, do everything in writing (keeping copies), and be sure that the individual you are dealing with has the authority to grant your request. Remember that your payment is your leverage, and get a clear, valid, written agreement before you pay. If you have already paid without a written agreement, then the creditor will have no motivation to do you any favors.

(letter provided from www.creditinfocenter.com)

AGREEMENT TO SETTLE DEBT

Max Creditor, referred to as CREDITOR and Jane Doe, referred to for the purposes of this transaction as DEBTOR, agree to settle the alleged debt which the CREDITOR says owes. DEBTOR is not admitting that the debt is hers, but agrees to pay the amount in order to resolve the situation. CREDITOR, hereby agrees to compromise the alleged debt under the following terms and conditions:

The CREDITOR states that the alleged debt due is \$1436.18 (one thousand four hundred thirty six & 18/100 dollars). The parties agree that the CREDITOR shall accept the sum of \$1000.00 (one thousand & no/100 dollars) as full payment on the alleged 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 \$1000, the CREDITOR agrees to remove the information about the debt from DEBTOR's credit report.

This compromise is expressly conditioned upon the payment being received by January 15, 2007. If the DEBTOR fails to pay the compromised amount by January 15, 2007, this agreement shall be null and void.

This Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns.

Dated: _____

Signature: _____

Max Creditor
CREDITOR

Signature: _____

Jane Doe
Debtor

5) It is now time to establish new credit: Establishing new credit is the both the first and final step in credit repair.

Establishing new credit is mandatory for increasing your credit score. Establishing new credit doesn't mean creating new debt. It simply means opening accounts (make sure the creditors report to the credit bureaus') to manage your finances and establish your credibility to the financial community. It is best to establish three revolving accounts initially. Many lenders for large purchase items require three trade lines reporting for 12-24 months. When you are rebounding from a bad credit situation it is safe to say that you are not going to receive the best terms for credit, especially on credit cards. But keep in mind that if you pay the balances in full you will not be liable to pay interest charges. So use revolving credit as you use cash. If you can't afford it now then don't buy it at all. Payoff all balances at the end of each month.

You might be asking yourself. If I have no credit or my past credit has resulted in collections, who is going to give me credit? You will need to start with secured loans and secured credit cards. Typically, secured cards will ask for a deposit. The deposit will vary depending on your credit situation and the available credit limit will be in direct relation to the deposit. For example, most secured credit card providers will start small providing a credit limit of \$250-\$500 for a deposit of half the available limit. Once credit has been established the deposit (which earns interest) is refunded and available credit is increased.

It is important to know where you stand.

It is generally accepted that 700 credit score is **A credit**
Over 720 is **AA credit**

This scale is considered pretty close as to what score constitutes approximately what "grade" equivalent:

SCORE CREDIT GRADE

720 and up = AA
700 to **719** = A
680 to **699** = A-/B+
660 to **679** = B+/B
640 to **659** = B
620 to **639** = B-/C+/C
600 to **619** = C/D
580 to **599** = D/F
579 and below = F

As your credit score increases the demand for your financial business increases. As the demand for your business increases companies become more competitive and provide you better terms. **Your goal should be to obtain an AA rating.**

A Summary of Your Rights under the Fair Credit Reporting Act

The federal Fair Credit Reporting Act (FCRA) promotes the accuracy, fairness, and privacy of information in the files of consumer reporting agencies. There are many types of consumer reporting agencies, including credit bureaus and specialty agencies (such as agencies that sell information about check writing histories, medical records, and rental history records). Here is a summary of your major

Rights under the FCRA. **For more information, including information about additional rights, go to www.ftc.gov/credit or write to: Consumer Response Center, Room 130-A, Federal Trade Commission, 600 Pennsylvania Ave. N.W., Washington, D.C. 20580.**

You must be told if information in your file has been used against you. Anyone who uses a credit report or another type of consumer report to deny your application for credit, insurance, or employment – or to take another adverse action against you – must tell you, and must give you the name, address, and phone number of the agency that provided the information.

You have the right to know what is in your file. You may request and obtain all the Information about you in the files of a consumer reporting agency (your “file disclosure”). You will be required to provide proper identification, which may include your Social Security number. In many cases, the disclosure will be free. You are entitled to a free file disclosure if: a person has taken adverse action against you because of information in your credit report; you are the victim of identify theft and place a fraud alert in your file; your file contains inaccurate information as a result of fraud; you are on public assistance; you are unemployed but expect to apply for employment within 60 days. In addition, by September 2005 all consumers will be entitled to one free disclosure every 12 months upon request from each nationwide credit bureau and from nationwide specialty consumer reporting agencies. See www.ftc.gov/credit for additional information.

You have the right to ask for a credit score. Credit scores are numerical summaries of your credit-worthiness based on information from credit bureaus. You may request a credit score from consumer reporting agencies that create scores or distribute scores used in residential real property loans, but you will have to pay for it. In some mortgage transactions, you will receive credit score information for free from the mortgage lender.

You have the right to dispute incomplete or inaccurate information. If you identify Information in your file that is incomplete or inaccurate, and report it to the consumer reporting agency, the agency must investigate unless your dispute is frivolous. See www.ftc.gov/credit for an explanation of dispute procedures.

Consumer reporting agencies must correct or delete inaccurate, incomplete, or Unverifiable information. Inaccurate, incomplete or unverifiable information must be Removed or corrected, usually within 30 days. However, a consumer reporting agency may continue to report information it has verified as accurate.

Consumer reporting agencies may not report outdated negative information. In most Cases, a consumer reporting agency may not report negative information that is more than seven years old, or bankruptcies that are more than 10 years old.

Access to your file is limited. A consumer reporting agency may provide information about you only to people with a valid need -- usually to consider an application with a

creditor, insurer, employer, landlord, or other business. The FCRA specifies those with a valid need for access.

You must give your consent for reports to be provided to employers. A consumer reporting agency may not give out information about you to your employer, or a potential employer, without your written consent given to the employer. Written consent generally is not required in the trucking industry. For more information, go to www.ftc.gov/credit.

You may limit “prescreened” offers of credit and insurance you get based on information in your credit report. Unsolicited “prescreened” offers for credit and insurance must include a toll-free phone number you can call if you choose to remove your name and address from the lists these offers are based on. You may opt-out with the nationwide credit bureaus at 1-888-5-OPTOUT (1-888-567-8688).

You may seek damages from violators. If a consumer reporting agency, or, in some cases, a user of consumer reports or a furnisher of information to a consumer reporting agency violates the FCRA, you may be able to sue in state or federal court.

Identity theft victims and active duty military personnel have additional rights. For more information, visit www.ftc.gov/credit.

Reference:

Complete FACTA Act Go To
<http://www.ftc.gov/os/statutes/031224fcra.pdf>

<http://www.cardreport.com/credit-problems/charge-off.html>

myfico.com

www.creditinfo.com

