

**N**ewspapers, radio, TV and the Internet are filled with advertisements that offer—for a fee—to erase **accurate negative** information in your credit file. The scam artists who run these ads can't deliver. Only time, a deliberate effort, and a plan to repay your bills will improve your credit record.

Do yourself a favor  
and  
save some money,  
too.

DON'T BELIEVE  
THESE  
STATEMENTS.

**We can remove bankruptcies, judgments,  
liens and bad loans from your credit file,  
FOREVER!**

**We can erase your bad credit—100%  
guaranteed.**

**Create a new credit identity—legally!**

**Credit Problems? no problem.**

This publication is designed to help you understand and legally improve your credit report. This publication has five sections:

**Community**

explains how consumer reporting agencies work and your rights under the Fair Credit Reporting Act.

**Housing**

explains how you can legally improve your credit report.

**Development**

cautions you about credit-related scams and how to avoid them.

**Corp.**

lists resources for additional information.

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## Consumer Reporting Agencies

**I**f you've ever applied for a credit card, a personal loan, or insurance, there's a file about you. This file contains information on where you work and live, how you pay your bills, and whether you've been sued, arrested, or filed for bankruptcy.

Companies that gather and sell this information are called Consumer Reporting Agencies (CRAs). The most common type of CRA is the credit bureau. The information CRAs sell about you to creditors, employers, insurers, and other businesses is called a consumer report.

### The Fair Credit Reporting Act (FCRA)

The FCRA is designed to promote accuracy and ensure the privacy of information used in consumer reports. Recent amendments to the Act expand your rights and place additional requirements on CRAs. Businesses that supply information about you to CRAs and those that use consumer reports also have new responsibilities under the law.

Here are some questions consumers commonly ask about consumer reports and CRAs—and the answers.

**Q. How do I find the CRA that has my report?**

**A.** Contact the CRAs listed in the Yellow Pages under "credit" or "credit rating and reporting." Because more than one CRA may have a file on you, call each until you have located all the agencies maintaining your file. The three major credit bureaus are:

<u>Equifax</u> PO Box 740241 Atlanta, GA 30374-0241 (800) 685-1111	<u>Experian</u> PO Box 2104 Allen, TX 75013-2104 (888) EXPERIAN (397-3742)	<u>Trans Union</u> PO Box 1000 Chester, PA 19022 (800) 916-8800
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In addition, anyone who takes action against you in response to a report supplied by a CRA—such as denying your application for credit, insurance, or employment—must give you the name, address, and telephone number of the CRA that provided the report.

**Q. Do I have a right to know what's in my report?**

**A.** Yes, if you ask for it. The CRA must tell you everything in your report, including medical information, and in most cases, the sources of the information. The CRA also must give you a list of everyone who has requested your report within the past year—two years for employment related requests.

**Q. Is there a charge for my report?**

**A.** Sometimes. There's no charge if a company takes adverse action against you, such as denying your application for credit, insurance or employment, and you request your report within 60 days of receiving the notice of the action. The notice will give you the name, address, and phone number of the CRA. In addition, you're entitled to one free report a year if you certify in writing that (1) you're unemployed and plan to look for a job within 60 days, (2) you're on welfare, or (3) your report is inaccurate because of fraud. Otherwise, a CRA may charge you up to \$8.50 for a copy of your report.

Even if you have not been denied credit, you may want to find out what information is in your credit report. Some financial advisors suggest that you review your credit report periodically for inaccuracies or omissions. This could be especially important if you're considering a major purchase, such as buying a home or a car. Checking in advance on the accuracy of the information in your credit report could speed the credit-granting process.

**Q. What type of information do credit bureaus collect and sell?**

**A.** Credit bureaus collect and sell four basic types of information.

**Identification and employment information**

Your name, birth date, Social Security number, employer, and spouse's name are routinely noted. The CRA also may provide information about your employment history, home ownership, income, and previous address, if a creditor requests this type of information.

**Payment history**

Your accounts with different creditors are listed, showing how much credit has been extended and

whether you've paid on time. Related events, such as referral of an overdue account to a collection agency, may also be noted.

### **Inquiries**

CRA's must maintain a record of all creditors who have asked for your credit history within the past year, and a record of those persons or businesses requesting your credit history for employment purposes for the past two years.

### **Public record information**

Events that are a matter of public record, such as bankruptcies, foreclosures, or tax liens, may appear in your report.

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## Improving Your Credit Report

**U**nder the law, both the CRA and the organization that provided the information to the CRA, such as a bank or credit card company, have responsibilities for correcting inaccurate or incomplete information in your report. To protect all your rights under the law, contact both the CRA and the information provider if you have a dispute.

1. First, tell the CRA **in writing** what information you believe is inaccurate. Include copies (not originals) of documents that support your position. In addition to providing your complete name and address, your letter should clearly identify each item in your report you dispute, state the facts and explain why you dispute the information, and request deletion or correction. You may want to enclose a copy of your report with the items in question circled. Your letter may look something like the one below. Send your letter by certified mail, return receipt requested, so you can document what the CRA received. Keep copies of your dispute letter and enclosures.

### Sample Dispute Letter

Date

Your Name

Your Address

Your City, State, Zip Code

Complaint Department

Name of Credit Reporting Agency

Address

City, State, Zip Code

Dear Sir or Madam:

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

This item (identify item(s) disputed by name of source, such as creditors or tax court, and identify type of item, such as credit account, judgment, etc.) is (inaccurate or incomplete)

because (describe what is inaccurate or incomplete and why). I am requesting that the item be deleted (or request another specific change) to correct the information.

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

Sincerely,

Your name

Enclosures: (List what you are enclosing)

- CRAs must reinvestigate the item(s) in question—usually within 30 days—unless they consider your dispute frivolous. They also must forward all relevant data you provide about the dispute to the information provider. After the information provider receives notice of a dispute from the CRA, it must investigate, review all relevant information provided by the CRA, and report the results to the CRA. If the information provider finds the disputed information to be inaccurate, it must notify all nationwide CRAs so that they can correct this information in your file.
- Disputed information that cannot be verified must be deleted from your file.
  - If your report contains inaccurate information, the CRA must correct it.
  - If an item is incomplete, the CRA must complete it. For example, if your file showed that you were late making payments, but failed to show that you were no longer delinquent, the CRA must show that your payments are now current.
  - If your file shows an account that belongs only to another person, the CRA must delete it.
- When the reinvestigation is complete, the CRA must give you the written results and a free copy of your report if the dispute results in a change. If an item is changed or removed, the CRA cannot put the disputed information back in your file unless the information provider verifies its accuracy and completeness, and the CRA gives you a written notice of its intent to reinsert the items that includes the name, address, and phone number of the provider.
- If you request, the CRA must send notices of any correction to anyone who received your report in the past six months. You can have a corrected copy of your report sent to anyone who received a copy during the past two years for employment purposes. If a reinvestigation does not resolve your dispute, ask the CRA to include your statement of the dispute in your file and in future reports.
- In addition to writing to the CRA, you should tell the creditor or other information provider in writing that you dispute an item. Be sure to include copies (not originals) of documents that support your position. Many providers specify an address for disputes. If the provider continues to report the disputed item to any CRA after receiving your notice, it must include a notice that you dispute the item. If you are correct—that is, if the information **is not** accurate—the information provider may **not** report it again.

### Accurate Negative Information

When negative information in your report is accurate, only the passage of time can assure its removal.

Accurate negative information generally can stay on your report for seven years. There are certain exceptions:

- Bankruptcy information may be reported for 10 years.
- Credit information reported in response to an application for a job with a salary of more than \$75,000 has no time limit.
- Information about criminal convictions has no time limit.
- Credit information reported because of an application for more than \$150,000 worth of credit or life insurance has no time limit.
- Default information concerning U.S. Government insured or guaranteed student loans can be reported for seven years after certain guarantor actions.
- Information about a lawsuit or an unpaid judgment against you can be reported for seven years or until the statute of limitations runs out, whichever is longer.

### Seven-year Reporting Period

There is a standard method for calculating the seven-year reporting period. Generally, the period runs from the date that the event took place.

With regard to any delinquent account placed for collection—internally or by referral to a third-party debt collector, whichever is earlier—charged to profit and loss, or subjected to any similar action, the seven-year period is calculated from the date of the delinquency that occurred immediately before the collection activity, charge to profit and loss, or similar action. For example, assume that your payments on a loan were late in January, but that you caught up in February. You were late again in May, but caught up in July. You were again late in September, but did not catch up before the account was turned over to a collection agency in December. You made no more payments on the account, and it is charged to profit and loss in July of the following year.

Under the FCRA, the January and May late payments each can be reported for seven years. The collection activity and the charge to profit and loss can be reported for seven years from the date of the September payment, which was the delinquency that occurred immediately before those activities.

### Adding Accounts to Your File

Your credit file may not reflect all your credit accounts. Although most national department store and all-purpose bank credit card accounts will be included in your file, not all creditors supply information to CRAs: Some travel, entertainment, gasoline card companies, local retailers, and credit unions are among those creditors that don't.

If you've been told that you were denied credit because of an "insufficient credit file" or "no credit file" and you have accounts with creditors that don't appear in your credit file, ask the CRA to add this information to future reports. Although they are not required to do so, many CRAs will add verifiable accounts for a fee. However, understand that if these creditors do not report to the CRA on a regular basis, the added items will not be updated in your file.

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## Dealing with Debt

**A**re you having trouble paying your bills? Are you getting dunning notices from creditors? Are your accounts being turned over to debt collectors? Are you worried about losing your home or your car?

You're not alone. Many people face financial crises at some time in their lives. Whether the crisis is caused by personal or family illness, the loss of a job, or simple overspending, it can seem overwhelming, but often can be overcome. The fact of the matter is that your financial situation doesn't have to go from bad to worse.

If you or someone you know is in financial hot water, consider these options: realistic budgeting, credit counseling from a reputable organization, debt consolidation, or bankruptcy. How do you know which will work best for you? It depends on your level of debt, your level of discipline, and your prospects for the future.

## Self-Help

### Developing a Budget

The first step toward taking control of your financial situation is to do a realistic assessment of how much money comes in and how much money you spend. Start by listing your income from all sources. Then, list your "fixed" expenses—those that are the same each month—such as your mortgage payments or your rent, car payments, or insurance premiums. Next, list the expenses that vary, such as entertainment, recreation, or clothing. Writing down all your expenses—even those that seem insignificant—is a helpful way to track your spending patterns, identify the expenses that are necessary, and prioritize the rest. The goal is to make sure you can make ends meet on the basics: housing, food, health care, insurance, and education.

Your public library has information about budgeting and money management techniques. Low cost budget counseling services that can help you analyze your income and expenses and develop a budget and spending plan also are available in most communities. Check your Yellow Pages or contact your local bank or consumer protection office for information about them. In addition, many universities, military bases, credit unions, and housing authorities operate nonprofit financial counseling programs.

### Contacting Your Creditors

Contact your creditors immediately if you are having trouble making ends meet. Tell them why it's difficult for you, and try to work out a modified payment plan that reduces your payments to a more manageable level. Don't wait until your accounts have been turned over to a debt collector. At that point, the creditors have given up on you.

### Dealing with Debt Collectors

The Fair Debt Collection Practices Act is the federal law that dictates how and when a debt collector may contact you. A debt collector may not call you before 8 a.m., after 9 p.m., or at work if the collector knows that your employer doesn't approve of the calls. Collectors may not harass you, make false statements, or use unfair practices when they try to collect a debt. Debt collectors must honor a written request from you to stop further contact.

### Credit Counseling

If you aren't disciplined enough to create a workable budget and stick to it, can't work out a repayment plan with your creditors, or can't keep track of mounting bills, consider contacting a credit counseling service. Your creditors may be willing to accept reduced payments if you enter into a debt repayment plan with a reputable organization. In these plans, you deposit money each month with the credit counseling service. Your deposits are used to pay your creditors according to a payment schedule developed by the counselor. As part of the repayment plan, you may have to agree not to apply for—or use—any additional credit while you're participating in the program.

A successful repayment plan requires you to make regular, timely payments, and could take 48 months or longer to complete. Ask the credit counseling service for an estimate of the time it will take you to complete the plan. Some credit counseling services charge little or nothing for managing the plan; others charge a monthly fee that could add up to a significant charge over time. Some credit counseling services are funded, in part, by contributions from creditors.

While a debt repayment plan can eliminate much of the stress that comes from dealing with creditors and overdue bills, it does not mean you can forget about your debts. You still are responsible for paying any creditors whose debts are not included in the plan. You are responsible for reviewing monthly statements from your creditors to make sure your payments have been received. If your repayment plan depends on your creditors agreeing to lower or eliminate interest and finance charges, or waive late fees, you are responsible for making sure these concessions are reflected on your statements.

A debt repayment plan does not erase your negative credit history. Accurate information about your accounts can stay on your credit report for up to seven years. In addition, your creditors will continue to report information about accounts that are handled through a debt repayment plan. For example, creditors may report that an account is in financial counseling, that payments have been late or missed altogether, or that there are write-offs or other concessions. A demonstrated pattern of timely payments, however, will help you get credit in the future.

### **Auto and Home Loans**

Debt repayment plans usually cover unsecured debt. Your auto and home loan, which are considered secured debt, may not be included. You must continue to make payments to these creditors directly.

Most automobile financing agreements allow a creditor to repossess your car any time you're in default. No notice is required. If your car is repossessed, you may have to pay the full balance due on the loan, as well as towing and storage costs, to get it back. If you can't do this, the creditor may sell the car. If you see default approaching, you may be better off selling the car yourself and paying off the debt: You would avoid the added costs of repossession and a negative entry on your credit report.

If you fall behind on your mortgage, contact your lender immediately to avoid foreclosure. Most lenders are willing to work with you if they believe you're acting in good faith and the situation is temporary. Some lenders may reduce or suspend your payments for a short time. When you resume regular payments, though, you may have to pay an additional amount toward the past due total. Other lenders may agree to change the terms of the mortgage by extending the repayment period to reduce the monthly debt. Ask whether additional fees would be assessed for these changes, and calculate how much they total in the long run.

If you and your lender cannot work out a plan, contact a housing counseling agency. Some agencies limit their counseling service to homeowners with FHA mortgages, but many offer free help to any homeowner who's having trouble making mortgage payments. Call the local office of the Department of Housing and Urban Development (HUD) or the housing authority in your state, city, or county for help in finding a housing counseling agency near you.

### **Debt Consolidation**

You may be able to lower your cost of credit by consolidating your debt through a second mortgage or a home equity line of credit. Think carefully before taking this on. These loans require your home as collateral. If you can't make the payments—or if the payments are late—you could lose your home.

The costs of these consolidation loans can add up. In addition to interest on the loan, you pay "points."

Typically, one point is equal to one percent of the amount you borrow. Still, these loans may provide certain tax advantages that are not available with other kinds of credit.

## Bankruptcy

Personal bankruptcy generally is considered the debt management tool of last resort because the results are long-lasting and far-reaching. A bankruptcy stays on your credit report for 10 years, making it difficult to acquire credit, buy a home, get life insurance, or sometimes get a job. However, it is a legal procedure that offers a fresh start for people who can't satisfy their debts. Individuals who follow the bankruptcy rules receive a discharge—a court order that says they do not have to repay certain debts.

There are two primary types of personal bankruptcy: **Chapter 13 and Chapter 7**. Each must be filed in federal bankruptcy court. The current fees for seeking bankruptcy relief are \$160: a filing fee of \$130 and an administrative fee of \$30. Attorney fees are additional and can vary widely. The consequences of bankruptcy are significant and require careful consideration.

**Chapter 13** allows you, if you have a regular income and limited debt, to keep property, such as a mortgaged house or car, that you otherwise might lose. In Chapter 13, the court approves a repayment plan that allows you to pay off a default during a period of three to five years, rather than surrender any property.

**Chapter 7**, known as straight bankruptcy, involves liquidating all assets that are not exempt. Exempt property may include cars, work-related tools and basic household furnishings. Some property may be sold by a court-appointed official—a trustee—or turned over to creditors. You can receive a discharge of your debts under Chapter 7 only once every six years.

Both types of bankruptcy may get rid of unsecured debts and stop foreclosures, repossessions, garnishments, utility shut-offs, and debt collection activities. Both also provide exemptions that allow you to keep certain assets, although exemption amounts vary. Personal bankruptcy usually does not erase child support, alimony, fines, taxes, and some student loan obligations. Also, unless you have an acceptable plan to catch up on your debt under Chapter 13, bankruptcy usually does not allow you to keep property when your creditor has an unpaid mortgage or lien on it.

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## Avoiding Scams

**T**urning to a business that offers help in solving debt problems may seem like a reasonable solution when your bills become unmanageable. Be cautious. Before you do business with any company, check it out with your local consumer protection agency or the Better Business Bureau in the company's location.

### Ads Promising Debt Relief May Be Offering Bankruptcy

Consumer debt is at an all-time high. What's more, a record number of consumers—nearly 1.3 million in 1999—are filing for bankruptcy. Whether your debt dilemma is the result of an illness, unemployment, or overspending, it can seem overwhelming. In your effort to get solvent, be on the alert for advertisements that offer seemingly quick fixes. While the ads pitch the promise of debt relief, they rarely say relief may be spelled b-a-n-k-r-u-p-t-c-y. And although bankruptcy is one option to deal with financial problems, it's generally considered the option of last resort. The reason: it has a long-term negative impact on your creditworthiness. A bankruptcy stays on your credit report for 10 years, and can hinder your ability to get credit, a job, insurance, or even a place to live.



***term negative impact on  
your creditworthiness.***

The Federal Trade Commission cautions consumers to read between the lines when faced with ads in newspapers, magazines, or even telephone directories that say:

**"Consolidate your bills into one monthly payment without borrowing"**

**"STOP credit harassment, foreclosures, repossessions,  
tax levies and garnishments"**

**"Keep Your Property"**

**"Wipe out your debts! Consolidate your bills! How? By using the protection  
and assistance provided by federal law. For once, let the law work for you!"**

You'll find out later that such phrases often involve bankruptcy proceedings, which can hurt your credit and cost you attorneys' fees.

### Advance-Fee Loan Scams

These scams often target consumers with credit problems or consumers who have difficulty getting credit. In exchange for an up-front fee, these companies guarantee that applicants will get the credit they want—usually a credit card or a personal loan.

The up-front fee may range from \$100 to several hundred dollars. Resist the temptation to follow up on advance-fee loan guarantees. They may be illegal. Many legitimate creditors offer extensions of credit, such as credit cards, loans, and mortgages, through telemarketing and require an application fee or appraisal fee in advance. But legitimate creditors **never guarantee in advance** that you'll get the loan. Under the federal Telemarketing Sales Rule, a seller or telemarketer who guarantees or represents a high likelihood of your getting a loan or some other extension of credit **may not** ask for or receive payment until you've received the loan.

### Recognizing an Advance-Fee Loan Scam

There are many fraudulent loan brokers and other individuals misrepresenting the availability of credit and credit terms. One of their favorite strategies is the "advance-fee" loan scam. That's where they claim to guarantee that they can get a loan or other type of credit for you—but you must pay a fee **before you apply**.

Ads for advance-fee loans often appear in the classified ad section of local and national newspapers and magazines. They also may appear in mailings, radio spots, and on local cable stations. Often, these ads feature "900" numbers, which result in charges on your phone bill. In addition, these companies often use delivery systems other than the U.S. Postal Service, such as overnight or courier services, to avoid detection and prosecution by postal authorities.

Don't confuse a legitimate credit offer with an advance-fee loan scam. An offer for credit from a bank, savings and loan, or mortgage broker generally requires your verbal or written acceptance of the loan or credit offer. The offer usually is subject to a check of your credit report after you apply to make sure you meet their credit standards. You are usually not required to pay a fee in order to get the credit.

Be suspicious of anyone who calls you on the phone and says they can guarantee you will get a loan if

you pay in advance. Hang up. It's against the law.

### **Protecting Yourself**

Here are some points to keep in mind before you respond to ads that promise easy credit, regardless of your credit history:

- Most legitimate lenders will not "guarantee" that you will get a loan or a credit card before you apply, especially if you have bad credit, or a bankruptcy.
- It is an accepted and common practice for reputable lenders to require payment for a credit report or appraisal. You also may have to pay a processing or application fee.
- Never give your credit card account number, bank account information, or Social Security number out over the telephone unless you are familiar with the company and know why the information is necessary.

### **Credit Repair Scams**

You see the ads in newspapers, on TV, and on the Internet. You hear them on the radio. You get fliers in the mail. You may even get calls from telemarketers offering credit repair services. They all make the same claims:

**"Credit problems? No problem!"**

**"We can erase your bad credit—100% guaranteed."**

**"Create a new credit identity—legally."**

**"We can remove bankruptcies, judgments, liens, and bad loans from your credit file forever!"**

**Do yourself a favor and save some money too.**

**Don't believe these statements. Only time, a conscientious effort, and a plan for repaying your debt will improve your credit report.**

### **The Scam**

Every day, companies nationwide appeal to consumers with poor credit histories. They promise, for a fee, to clean up your credit report so you can get a car loan, a home mortgage, insurance, or even a job. The truth is, they can't deliver. After you pay them hundreds or thousands of dollars in up-front fees, these companies do nothing to improve your credit report; many simply vanish with your money.

### **The Warning Signs**

If you decide to respond to a credit repair offer, beware of companies that:

- want you to pay for credit repair services before any services are provided;
- do not tell you your legal rights and what you can do—yourself—for free;
- recommend that you not contact a credit bureau directly;
- suggest that you try to invent a "new" credit report by applying for an 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.

You could be charged and prosecuted for mail or wire fraud if you use the mail or telephone to apply for

credit and provide false information. It's a federal crime to make false statements on a loan or credit application, to misrepresent your Social Security number, and to obtain an Employer Identification Number from the Internal Revenue Service under false pretenses.

### **The Credit Repair Organizations Act**

By law, credit repair organizations must give you a copy of the "Consumer Credit File Rights Under State and Federal Law" before you sign a contract. They also must give you a written contract that spells out your rights and obligations. Read these documents before signing the contract. The law contains specific consumer protections. For example, a credit repair company cannot:

- make false claims about their services;
- charge you until they have completed the promised services; or
- perform any services until they have your signature on a written contract and have completed a three-day waiting period. During this time, you can cancel the contract without paying any fees.

Your contract must specify:

- the payment for services, including their total cost;
- a detailed description of the services to be performed;
  - how long it will take to achieve the results;
  - any guarantees they offer; and
- the company's name and business address.

### **If You Are A Victim — Where to Complain...**

If you've had a problem with any of the scams described here, contact your local consumer protection agency, state Attorney General (AG), or Better Business Bureau. Many AGs have toll-free consumer hotlines. Check with your local directory assistance.

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<b>FEDERAL TRADE COMMISSION</b>	
	<a href="http://www.ftc.gov">www.ftc.gov</a>