

Do-It-Yourself Kit

Credit Repair

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Instruction Manual
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How to use your Credit Repair Kit

This Credit repair kit can help you achieve an important legal objective conveniently, efficiently and economically. Nevertheless, it is important for you to properly use this kit if you are to avoid later difficulties. Follow these step-by-step instructions:

1. Carefully read all information, warnings and disclaimers concerning the forms in this kit. If after thorough examination you decide that you have circumstances that are not covered by the forms in this kit, or you do not feel confident about preparing your own documents, consult an attorney.
2. If you use the letters provided be sure to use them only as a guide to writing your own letter containing your personal information.
3. Type on legal documents-never use pencil.
4. Avoid erasures and “cross-outs” on final documents. Use photocopies of each document as worksheets, or as final copies. All documents submitted to the court must be printed on one side only.
5. If you prefer, correspondence forms may be reproduced on your own letterhead.
6. Whenever legal documents are to be executed by a partnership or corporation, the signatory should designate his or her title.
7. It is important to remember that on legal contracts or agreements between parties all terms and conditions must be clearly stated. Provisions may not be enforceable unless in writing. All parties to the agreement should receive a copy.
8. Instructions contained in this kit are for your benefit and protection, so follow them closely.
9. You will find a helpful glossary of terms at the end of this booklet.
10. Always keep legal documents in a safe place and in a location known to your spouse, family, personal representative or attorney.

Credit ratings and reports

Good credit is essential in America today because so many of the things we want to buy must be financed or purchased on credit.

Here are a few ways your credit can affect you that you may not have known. Today in many states when you apply for auto insurance the insurance company will use your credit to determine your insurance rate. If you have negative credit you will pay a higher rate. More and more employers are looking at your credit before they make their decision on whether they should hire you.

However, once you have a bad credit rating it is nearly impossible to avoid detection. A vast network of credit reporting agencies keep track of every American who does business or buys on credit. These agencies are the gatekeepers of credit. Each time you apply for credit through a bank, store or credit card agency, the prospective lender typically checks your credit with one or more of these agencies before issuing you credit.

Credit bureaus

There are nearly 2,000 credit bureaus in the United States, but there are only a few large regional bureaus. The top ones are Experian, Equifax and Trans Union. Experian (formerly known as TRW) the largest with approximately 80 million credit files in storage, have processed over 35 million credit reports in the last year and boasts 50,000 business subscribers.

Subscribers are the many businesses that pay to obtain your credit information contained in the files. Subscribers rightfully believe that the information contained in your credit file is a good indication of your creditworthiness. How you have paid other creditors in the past is an indication of how you may act in the future. Subscribers also use the credit file to verify information on your credit application.

Usually the same potential creditors who receive information about you also provide information to the credit bureaus. When you fill out an application for credit to one of these organizations, that information is forwarded to the bureau. While constant updates on the status of your account are sent to the bureau to keep the data up to date, not all creditors report what they know about you to the credit bureaus. Of those that do, not all report the entire contents of their files.

Creditors who deal with the credit bureaus most often, for purposes of both receiving and issuing information, are the commercial banks, including the credit card departments, credit card companies, larger savings and loans, major department stores and finance companies.

What kind of account is usually not reported? Utilities, hospitals, credit unions, oil company credit cards and checking and savings account information. For example, this means there is little chance your bounced check history will be discovered.

For businesses that deal with these credit bureaus, transfer of account information is a simple matter of sending the bureau computer disks every month or quarter, transmitted either physically or over telephone lines. The disks contain the account information and any changes and additions to be made to your credit file, and thus ensure continuously updated credit profiles.

What your credit report discloses

Credit reports may vary slightly between agencies; however, most credit reports include:

□ **Identification Information.** Your full name, last two addresses, Social Security Number, date of birth, and place of employment if they have received that information. Length of employment and income are typically not reported, but watch the former if it is reported, because it often is incorrect. Creditors will sometimes reject an application because they “can’t confirm employment.” If you are self-employed, credit bureaus may have you listed as unemployed, which should be corrected immediately.

□ **Detailed information on the accounts** that are listed: Name of the issuer, date account was opened, original balance or limit, current balance (beginning with the reporting date, which is also listed), terms of account, and the current status of the account. The status of each item is indicated by a complicated coding system that signifies exactly what has happened to the account. This leaves little room for guessing. It also leaves little room for paying a delinquent account and therefore changing your status so you are “cleared.” An example is CO NOW PAY, which means that the account was a “charge off” but you are now paying.

□ **Public record information:** Bankruptcies, tax liens, judgments and other filings.

□ **Credit report requests.** Each time a creditor requests a copy of your report, it is recorded in your report as “non-evaluated” by the bureau. However, this can be seen as negative if you have many inquiries with no subsequent accounts opened. Creditors who later see this will assume you were turned down even though there are other possible explanations for the inquiries.

□ **Consumer statement.** Finally, there is space on the report for you to place a consumer statement. This allows you to challenge or explain any creditor entry in your file in 100 words or less.

Five common reasons for credit denial

When prospective lenders inquire about your credit standing, they examine your record with certain expectations.

Five most common reasons for credit denial based on a credit report are as follows:

- 1. Delinquent credit obligations:* Late payments, bad debts or legal judgments against you make you look like a risky customer.
- 2. Credit application incomplete:* Perhaps you left out some important information or made an error on the application. Any large discrepancy between your application and your credit file can count against you. The lender will wonder if you are hiding something.
- 3. Too many inquiries:* Inquiries are made whenever you apply for credit. Requesting your own report also counts as an inquiry, but is usually not held against you. At the creditor's discretion, as few as four inquiries within six months' time may be considered a sign of excessive credit activity. The creditor may then presume that you are trying desperately to get credit, and are being rejected elsewhere.
- 4. Errors in your file:* These may arise simply from typing mistakes, or from confusing your name with someone else's similar name. If you have changed your address, this can also create problems in the recording of your credit history. Since the credit bureaus handle millions of files, the possibility for error is substantial. Errors can be found and corrected only by carefully reviewing your file for accuracy and then taking the necessary steps to correct any errors that you do find.
- 5. Insufficient credit file:* Your credit history is too scanty for the type or amount of credit you have requested. You need to develop your credit history more fully before qualifying for the level of credit you are now requesting.

Always examine your credit record before applying for credit. Periodic checking is important because credit bureaus can and do make mistakes in their credit information. They may confuse you with another individual, carry erroneous information in your file, or perhaps include false,

incomplete information provided by a creditor. Most of these problems can be resolved once you understand the procedures.

How to get a copy of your credit report

It is easy to get copies of your records from those credit bureaus that have a report on you. You can purchase your credit report from the “Big Three” credit bureaus by going on-line. Each report will cost between \$9.00 and \$12.00. The e-mail and physical addresses of the “Big Three” national credit bureaus are listed below.

Equifax.com

Equifax Credit Information Services:

PO Box 105873,
Atlanta, GA 30348 1-800-685-1111

Transunion.com

Trans Union Corporation:

PO Box 390, Springfield,
PA 19064-0390 1-800-916-8800

Experian.com

Experian Credit Information Service:

PO Box 2104, Allen,
TX 75013-2104 1-800-682-7564 (formerly TRW)

The fastest way to get a copy of your credit report is on line. You can also obtain a copy of your credit bureaus through the mail or by phone. The bureau usually needs your full legal name, spouse’s name, your current and previous addresses, your Social Security numbers, and your birth dates. They may also ask for information about current open accounts on your credit bureau, this information is used to ensure your identity. Call the bureau you wish to obtain a report from for the specific information they will need to process your request, including the charge for issuing your report; the amount varies in certain states, but credit bureaus typically charge \$12 for issuance of a credit report.

You are entitled to a free copy of your credit report if, for example, you have received a credit rejection within the past 60 days, or if you are unemployed. Enclose a copy of the rejection to the credit bureau listed on the rejection letter and demand the bureau provide a free copy of your credit report.

Know your legal rights before you start

What can you do if your credit report contains false, misleading or incomplete information?

The Fair Credit Reporting Act (FCRA), 15 USC sections 1681 through 1681t, protects you against credit abuse that might result in an unfair description of your creditworthiness.

Knowing these six basic rights is essential if you are to successfully erase the negative marks in your credit report and regain a good credit status:

Right #1 – You are allowed to challenge the accuracy of your credit report at any time.

Right #2 – The credit bureau must “reinvestigate” anything you challenge.

Right #3 – The credit bureau must reinvestigate the disputed information within 30 days. As of September 30, 1997, the 30-day period is a matter of law. The time period begins when the bureau receives notice of dispute from the consumer. The only exception to the 30-day rule: when the consumer sends the bureau additional material within that 30-day period. The bureau may then extend the deadline a maximum of 15 days.

Right #4 – If the credit bureau cannot confirm the adverse information or finds any error, it must promptly delete that erroneous information from its files.

Right #5 – If the bureau cannot or does not confirm the information you have challenged within a reasonable time period, it also must delete that information from your files.

Right #6 – If a creditor verifies the information and the bureau responds in a timely manner, the negative marks must remain on your record. However, if you maintain that the information reported is in dispute, you have the right to submit a Consumer Statement of your view of the problem. In other words, if you as a credit consumer dispute the accuracy of certain information in your report and receive no satisfaction from the bureau or the creditor, then the credit bureau is required by law to attach your explanation to every copy of the report it sends out. If you ask for assistance, the bureau will help you write your statement of 100 words.

The 10-step strategy to repair your credit report

With your credit report in hand and knowledge of your legal rights, you are ready to “repair” your credit rating. Follow this ten-step plan:

Step 1 - Identify your credit problems.

Find the negative marks or “dings” in your credit file and circle them. The information on these reports is usually coded like you bank statement. However, the FCRA require credit bureaus to explain anything on the report that you cannot reasonably understand. Each report contains a key to the coding symbols. Familiarize yourself with the symbols and then look for damaging remarks in these four sections of your report:

1) The **Historical Status** is a record of your monthly payments. Ideally, this is free of “past due” symbols, which may be 30-day, 60-day, or 90-day periods. Almost 90 percent of the bad marks can be from past-due symbols. Many of these could have been entered accidentally, or because the mail was late, or because of delays in processing your payments. Of course, you also may have actually made late payments.

Remember that you must have your payments credited to you’re accounts before the due date, not just mailed by that time, if you are to avoid past due symbols.

2) The **Comments** section may contain remarks such as “Charged to P & L.” P & L means profit and loss. When a company charges an account to profit and loss, this means it has

charged it off as a bad debt loss and does not expect to be able to collect. This, of course, implies that you are a bad credit risk.

3) **Inquiries** made by any bank, store or other company to which you applied for credit will be listed in the report. “Too many” of these may be taken by a potential creditor as an indication that you are in financial difficulty and may be seeking credit as a solution. Creditors often will refuse to give credit on the basis of “too many” inquiries.

How many is “too many” is subjective judgment by the individual creditor. As little as 4-5 inquiries in 6 month time period can be “too many” for some creditors.

4) **Public Records** may appear in your credit report as tax liens, bankruptcies, or court judgments that affected you. These entries should also be examined for accuracy.

Step 2 - Determine your overall credit score.

Somewhere on your credit report you will find a column with a title such as “Account Profile.” This column contains a summary rating for each of your accounts. A summary may read positive, negative, or non-related. Positive means you are OK. Your payments are all on time. Negative means you have a serious credit problem. Perhaps you have defaulted on a debt. Non-related means perhaps you have a few late payments here and there each negative or non-rated entry has a code reflecting the nature of the problem. Your goal is to protest, and eventually remove, all negative or non-related profiles.

Step 3 - Draft a protest to the credit bureau disputing each “ding.”

To exercise your legal rights, you must aggressively challenge any bad marks or “dings.” The credit bureau will only verify the facts if you assert that they are in error, so don’t be shy. Stand up for your rights! Draft a strong polite protest for each item you want to challenge and tell them you are exercising your rights under the FCRA, 15 USC sections 1681i.

For example, suppose you find the code “Charge Off.” This means that the creditor charged your account off to profit and loss and that the creditor thinks your debt is un-collectable. You could protest that this comment should be removed because, in fact, the debt was satisfied and therefore should not be reported as a charge off. Or, perhaps you later paid off the delinquent account, but the creditor failed to note this in your credit report.

Another problem might be a series of Past Due notations. You could protest that those payments were delayed due to a mix-up with the post office when you changed address. Most often the credit bureau and creditor will state that the payment was in fact, late and therefore it is correctly reported. However, if the mix-up really did occur, you could submit a consumer statement to the effect that the account is in dispute because bills were not delivered by the creditor even though a change of address was furnished.

Step 4 - Send your letter of dispute.

Using the sample letters included at the end of this manual, write a letter of dispute to the credit bureau. Never send a form or pre-printed letter to the credit bureau. Re-type or handwrite the letters in this manual using plain paper with no letterhead. The reason is that you do not want it to appear that your letter originated from a credit repair company or an attorney, because these are either automatically returned or sent to the bureau's legal department. A handwritten, nonprofessional letter will start the process sooner.

Carefully list each ding that you want to challenge. Be sure to include photocopies of any documents you provide to support your claims. These might include correspondence with your creditors, cancelled checks indicating payment, receipts or other documents.

Remember that the law states that you have the right to dispute any citation on your report if the information contained in that citation is inaccurate or incomplete - Fair Credit Reporting Act 15 USC section 1681. The only limitation to your dispute is that it should not be "frivolous or irrelevant." When you have finished your on-line dispute be certain to make a copy for your records. If sending a letter be sure use certified mail with return receipt requested so that you can be sure the bureau receives it. It is also a good idea to include a copy of your credit report to make sure the bureau check the right file.

Sample Letter No.2 can be used to demand an update of your account, deleting outdated comments.

Sample Letter No. 3 can be used when you wish to "merge inquiry" with the account. This helps eliminate excessive "inquiries" from your credit history.

Step 5 - Record your actions.

As soon as you mail the letter, log the date for each ding or negative entry you have protested. Keep related disputes together in a file with a copy of the letter, the credit report and any other documents you include with it.

Step 6 - Wait for a response.

By law, credit bureaus must respond within 30 days.

Step 7 - Send a follow-up letter.

If the credit bureau does not respond within 30 days, you should write a follow-up letter. Point out that federal law requires the credit bureau to respond to a consumer dispute within 30 days or the agency is in default. Should you wish, use Sample Letter No. 4 as a reminder. This will be sufficient enough to prompt a response from most credit bureaus. Should the credit bureau fail to respond within 30 days of the reminder, use Sample Letter No. 9 as the final follow-up. Failure of the credit bureau to respond entitles you to have any negative mark on your report deleted, provided it was one that you challenged.

Remember – it is frequently possible to eliminate negative marks simply through the process of disputing these entries. Since many creditors won't take the time or effort to defend the negative entry, you can eventually “repair” your credit through the default of your creditors.

Note that if the credit bureau fails to immediately provide an updated credit report, free of the disputed entry, you have several recourses:

- the Subcommittee on Banking, Credit and Insurance and the Federal Trade Commission can bring legal action against the bureau
- the bureau can be liable to you for damages resulting from further issuance of the old report
- the bureau can also be liable for your attorney fees

Step 8 - Ask for an updated credit report.

At the end of your letter, always ask for an updated copy of your credit report. 15 USC section 1681j of the FCRA requires the bureau to send a free notification of any updates to anyone who has received a copy of the report within six months previous to any corrections or statements that are added to the report. Therefore, you are also entitled to receive a free update, but you must request it to receive it. So be sure to make your request, and include a request to send an update to anyone else who has recently inquired about you credit.

Note: The bureaus are not required to send a copy of the entire report, but they will often do so because it is more convenient for them.

Step 9 - Compare the new report with the prior report.

Most bureaus will send you an updated report. Carefully compare the updated report with the original one. Mark all the improvements that you find. Highlight anything negative that has moved up to non-rated or any non-rated or negative that have moved up to positive. Chances are that you will not get results on every protest the first time, but some progress is likely. Notice that the bureau may delete some items only because a creditor failed to respond to its investigation in a

timely manner - this commonly occurs. The creditor's failure to deal with a bothersome piece of paperwork has now been turned to your advantage and is helping you clear your record.

Step 10 - Repeat the process.

There are probably still some bad marks remaining. Also, it sometimes happens that a dispute results in an update to an account that is even more negative than before. For example, reinvestigation could uncover the fact that you actually had more late payments than were previously reported.

So what do you do? Now it is time to go back to the beginning of the process and start over again. You should put your credit record through this process at least twice before going on to the next phase. Remember that credit cannot be rebuilt in a day. It takes patience and persistence. Also remember that during this process you must be very careful not to allow any new problems to appear on your record. Keep all your accounts current or pay ahead of schedule.

How to gain creditor cooperation

Many negative remarks cannot be deleted without creditor cooperation because the dings are accurate and the creditor persistently cooperates with the bureau's request for verification. Your goal then will be simply to persuade the creditor to soften their stance by either toning down or entirely deleting their remarks on your credit report.

In the second stage we will deal with the bad debts that you still owe. There we will get more creative and attempt to persuade the creditor to remove the damaging remarks completely! For now, we only want to turn those current bad debts into positive credit ratings.

Here are seven steps to follow:

Step 1. Set up a worksheet for each creditor.

Accurate record keeping is an essential part of your dealings with the remaining creditors who still give you bad marks. So use a creditor worksheet containing names, account numbers, credit remarks and any documents, correspondence or notes you have on your dealings with them.

Step 2. Write to each creditor, using Sample Letter No. 7.

After studying all the facts concerning each account and the nature of the credit complaints, write each creditor explaining your version of how the problem arose. Be specific and give all the relevant details, including full documentation. Be factual, the company went bankrupt suddenly or you lost your job. Or perhaps you were detained several weeks in a foreign country while on a business trip and therefore unable to pay your accounts on time.

Remind the creditor that you eventually paid and mention that you appreciated his services and products in spite of the payment problems that arose. Appeal to the creditor's compassion and ask him to either re-move the bad marks now that the account is settled, or at least put in a statement that the account is paid up.

As you write the letter, consider it in light of other accounts that may have been affected by the same circumstances. Each letter you send should be consistent with the others, so if the creditor's new comments appear on your credit file they will appear reasonable and consistent. And don't send in lame excuses for late bill-paying habits. Use strong, compelling reasons. Send the letter by certified mail, return receipt requested. To help document the process, keep a copy of each letter and receipt with your worksheet file.

Step 3. Add your statement to your credit report.

Frequently your creditor won't back down. However, you may still question the accuracy or completeness of the entry the creditor has filed against you. If the creditor has not improved the marks on your report, you should write directly to the bureau and ask it to add your consumer statement to the account in accordance with 15 USC section 1681i (b) of the FCRA.

Your comments must be submitted in responses to any creditor request, and may greatly mitigate the damage of a particular entry.

You may not want to comment on any one particular entry, but still have your credit record reflect reasons for a generally poor credit. For example, if you have several negative entries, were they caused by:

Personal or family business?
Tax problems?
Divorce?
A layoff from work?

You see the idea. These unfortunate experiences can hit anyone and wreak havoc on an excellent credit history. Let credit inquiries know if there was one definable event that ruined your good credit. Point out your prior track record. Be convincing that these problems are behind you and are not likely to recur. Sample Letter No. 8 can be used to ensure that your statement is added to your credit record.

Step 4. Order an updated credit report after 30 days.

Quite often creditors will cooperate and remove dings. Allow about 30 days for the creditor to respond to your letter and then order a new credit report to see if the creditor has made any changes in your report. Have the remaining bad marks been deleted? Have some softer remarks been added?

Step 5. Contact the creditor by telephone.

If your creditor is not cooperative and letters are futile, do not give up. Use the telephone. This will allow you to interact with the creditor in a more personal way. Before you call, study the information you have gathered from your credit report, your creditor's responses, and the worksheet you have compiled. Then write a simple outline of all the points that you want to make during your call.

Step 6. Be persistent.

Sometimes the first call to a creditor will have no effect. Don't be bashful or discouraged. Try again and be persistent. Try talking to a different person; larger companies will have many people working in their customer relations departments. Each person will react differently to you and sooner or later you may find someone who will relate more positively to your problem.

Once a creditor agrees a change in the report is justified, get the creditor to agree on the phone that the change will be made in your credit status. Offer to send the creditor a letter with that

agreement in writing, along with a self-addressed, stamped envelope. (Be certain to obtain the creditor's name and office address.)

The creditor should sign the letter and return it to you for your own records. This letter is important if the creditor forgets to change your status or later changes his or her mind about helping you. You can send this letter to the credit bureau yourself to repair your credit.

Step 7. Try Again.

Remember persistence. Wait a few months and repeat the process. After a lapse of time the situation may have changed. See what happens when you try the creditors again. After a few months have gone by you may find a new person in the office who will be more cooperative and willing to help you regain a good credit rating.

Turning around your bad credit rating

Did you know you can successfully turn even current bad debts into a positive credit rating? Your goal is to approach these creditors and negotiate repayment plans that sincerely demonstrate your ability to make regular payments on time, pay off the debts you owe, and revive their interest in you as a customer. In return you are going to ask your creditors to restore your positive credit rating.

How can this be accomplished if your account has gone to the collection agency? If this has happened, deal first with the original creditor. A collection agency receives a percentage of what it collects from you, so it will try to get as much as possible from you. The creditor, on the other hand, may have already given up any expectation of full payment. By dealing with the creditor, you may have more flexibility to negotiate the time or the amount to pay.

But often, because of this agreement with the collection agency, the creditor may not deal with you after turning over your account for collection. Remember, the collection agency is not consumer-oriented and will be more difficult to negotiate with. Therefore, it's always best to do what you can to avoid having a debt turned over for collection. If you cannot avoid negotiating with the collection agency, use the following points, which also apply to dealing with a creditor.

1. Make a “win-win” offer. Keep in mind that your goal is to trade money for a positive credit rating on your credit report. Perhaps you can offer to set up a payment schedule in exchange for a promise to improve your credit rating. For example, you could agree to pay 100 percent of what you owe in 12 monthly installments in exchange for the creditor agreeing to recognize your new bill-paying commitment with better credit ratings. Be specific. Perhaps you can agree that after three months of punctual payments a negative rating could be raised to a non-rating. Perhaps after six months of regular payments, the non-rating could be lifted to a positive rating. You see the idea.

2. Obtain “open account” status. It certainly looks bad if, even though you are making regular payments, your account is closed to further purchases. Therefore, when you are negotiating an offer with your creditor, ask him to reopen your account while you uphold your end of the agreement. You can be very persuasive if you offer to pay 100 percent of the debt, perhaps with some interest or a service charge added.

If the creditor will give you a clean bill of credit health, your extra effort to pay him is certainly worth it. Just make sure that whatever terms you finally agree upon are within the range of your budget so you can faithfully keep your promise.

3. Put it in writing. The “win-win” negotiation procedure up to this point can be carried out over the telephone. However, once you have reached verbal agreement, it is vital to put it in writing. So, carefully list all the points of agreement, reciting them over the phone to get verification. Then type up the letter, sign it, and send it with a stamped, self-addressed envelope. Before you send the letter, you may want your lawyer to check the wording. Once the creditor signs the agreement and returns it to you, it can become part of your credit record.

4. Honor the agreement. Now that you have a written agreement, you need to fulfill it and your credit rating will be restored. So be punctual. Make every payment on or ahead of time. Be responsible. If your ability to meet the payment schedule in the agreement should be threatened by unemployment or illness, inform your creditor right away, before you miss any payments. Discuss your plans for meeting the payments with the creditor and explore ways to solve your temporary setback.

5. Verify your credit upgrade. Before using your newly improved credit status, remember to order an updated copy of your credit file to verify that the creditor has honored his or her side of the agreement and made the promised changes. Allow a reasonable time period from the date the creditor agreed to make the changes, and then request your update. If the changes have not been made, you should immediately call the person who made the agreement with and you remind that person of his or her side of the agreement.

If the agreed changes are not made, you can effectively dispute the information on your credit report using a copy of the creditor-signed agreement as supporting evidence for the change.

We have shown you how to clear up the majority of dings that can occur in a credit report. However, in your financial past you may have encountered some serious problems, such as bankruptcies, court claims, repossessions, or foreclosures. These negatives may “stick” to your credit report after you try every method we’ve discussed. For these major problems we can only recommend the virtues of patience and persistence. You will be surprised at how much you can accomplish merely by sticking it out with patience. As these events drift further into your past, they will become less significant in your credit history.

However, you should know that any adverse information more than seven years old must be deleted automatically from your file. So you cannot be penalized forever for past mistakes. One exception to this is a bankruptcy, which may be kept on your record for up to 10 years. One other special exception is when you request credit or life insurance worth \$50,000 or more, or when you apply for a job paying \$20,000 or more. The credit bureau may keep an unexpurgated version of your credit history in a separate file that it can only release in the above-mentioned circumstances.

How good credit can ease bad credit

Through vigorous application of the Fair Credit Reporting Act (FCRA), many new entrepreneurs have opened businesses that claim the ability to clear your credit record. The strategy these clinics used generally works. It can clear most of the negative items (true or not) off your credit profile years before they would have been eliminated under the time limits set by federal law. However, applying this program of credit repair is so simple that you do not need a credit clinic to help you. It can easily be done on your own.

How do these credit clinics operate? First, they know what credit bureaus will not tell you: that each item on a record must be proven if it is to remain. If the bureau cannot prove the item, it must be removed from the file regardless of whether it is a true statement. And the clinics know that every negative entry can be denied or challenged at any time. The bureau must then re-investigate. If the item cannot be verified within 30 days, it is automatically removed from the file.

The clinic will have you send a letter to the bureau denying all the negative items in your file. The clinic will have you state the negative items are incorrect or perhaps that it isn't your account or that you don't recall making a late payment. The letter is sent to the bureau with demand for a re-investigation of the disputed items. About a month later you will receive a corrected report that likely has some of the negative items removed.

How or why were these "blotches" removed? There are several things that can force the bureau to erase the item(s). It may run up against the time limit it had set for re-verification. It could have been very busy and not had the time to handle it properly. Or more likely, the original source of the data does not re-verify soon enough, if at all.

There's also a small chance that a negative item will be mistakenly erased. Operators do make errors. Some creditors do not bother to respond to re-verification because it is extra work for them. If you have had trouble with an account in the past but it is corrected now, the creditor may not care to continue punishing you and eventually may give up on re-verification. Please note that if you are currently in an upsetting situation with a creditor, the creditor will almost always make a strong effort to keep the negative item on your record. However, the urge to keep it on diminishes once the problem has been rectified.

In addition, many creditors only keep account information for two or three years. So if you challenge an item that old, it is possible it cannot be verified since the records no longer exist.

These credit clinics also understand the value of persistence. After one to six months, the credit clinic will have you send another letter to the bureau starting the process all over again. And the clinics usually encourage you to continue this until all of your negative items are removed. Should you tire of this at any point, the credit clinic asks you to take advantage of the 100-word consumer statement profile. If you follow this program, you are guaranteed to be years ahead in rebuilding your credit.

But as you can see, you don't need to pay a credit clinic to repair your credit. With this E-Z Legal Credit Repair Kit you can easily and inexpensively do it on your own.

Bolster your credit record

What about all of those positive accounts you have that aren't listed on your credit report? Do you have sterling payment records that are unmentioned? If so, you can have these placed on your report.

The law remains unclear about adding favorable items to a credit report. The FTC has advised credit bureaus that where a report has resulted in unfavorable action against a debtor, the debtor should be able to add to the report to create a more complete and balanced picture of his or her repayment history. Consequently, most credit bureaus will, for a small fee, contact any creditor you name and add that creditor's information to your file. The charge will usually run \$2 to \$3 per item.

If you feel it will help in offsetting some negative items on your report or that it will fill out an otherwise incomplete report, it is well worth the small investment.

Call your non-reporting creditors with whom you have a good relationship. However, your payment record with them must be spotless. Let them know you need your account information listed on your credit report. Once they agree to release your account record, tell them which credit bureau will contact them. Do this for each "good" account you want listed.

Next, contact the credit bureau with your list of non-reporting creditors. Ask the credit bureau to contact these creditors and add the items to your report as soon as the information is verified.

Once you have cleared your credit report of as many negative items as possible and added all possible positive items, you should have a new and reasonably good credit report, one that will give you the credit you need for a more enjoyable future.

Tax liens and your credit rating

A tax lien on your credit report will definitely hurt your chances for significant credit, such as a loan to buy a home, business, car, boat or any other major purchase. It may also prevent you from obtaining credit cards.

Unfortunately, the fact that you had tax liens may not be erased from your credit report for 10 years. However, a past lien isn't nearly as damaging as a current tax lien. That's why you must be certain every credit bureau update your credit history to show that your outstanding tax liens have been fully paid and discharged.

Once you have fully paid your taxes, the IRS must send to you a certificate for each office that has a lien on file. This may include the clerk of your city, town or county, the Federal District Court closest to your residence and wherever real estate transactions for your locale are recorded. If you have moved, there may be liens filed where you originally lived. There may also be several liens for the same tax liability filed in the same place. This commonly occurs if your tax problems extend over a number of years. To ensure that you obtain a Certificate of Release for each lien filed, you must conduct a complete lien search. This can be done in several ways:

1. Ask the IRS agent for copies of every lien the IRS filed against you.
2. Have a commercial lien search service comb the public records. These firms know how and where to look for liens, but be certain they know everywhere you lived or worked from the very beginning of your tax troubles. Also let them know of any change of name. Docu-Search is a good place to start; call toll-free at (800) 332-3034. This company gives good reliable nationwide service at a reasonable cost; however, there are many other excellent firms that provide the same service.
3. Review your credit report. This may disclose outstanding tax liens, but don't rely upon your credit report alone. A credit report may easily overlook some tax liens.
4. Conduct your own lien search. It's very simple. The clerk at the public recording office is usually cooperative and will assist you in your search.

Once you are satisfied and have identified all the records and liens, then make certain the IRS files a Certificate of Release for each lien. Don't assume the IRS will do this on their own accord - frequently they don't. You must be diligent in following up on this or you'll have outstanding tax liens that will haunt you for years. Remember: Even one outstanding tax lien can ruin your chances for credit.

Review your credit reports. For each recorded lien (not noted as discharged) you must insist that the reporting agency contact the IRS or check the public records to confirm that the lien(s) have been released. You may also send the credit bureaus copies of the Certificate of Release of Federal Tax Lien. Follow-up to make sure your credit report reflects the discharge of all tax liens against you.

Credit bureaus can be slow to update you credit report. You can easily be penalized with poor credit for many years only because the credit bureaus stubbornly show outstanding liens. So, it is up to you to clear your credit profile and again rebuild your credit.

You can also help your credit picture if you are only now resolving your tax problems. For example, if you pay the IRS in installments, then your credit report can reflect the anticipated discharge of your lien because an agreement has been reached with the IRS. You can submit a statement to the credit bureau and insist that it accompany your credit report.

It is possible to erase existing (and unpaid) tax liens by following the same strategies used for erasing other negatives. If you challenge a tax lien, the government does not always substantiate the lien within the required 30 days. In many instances, the government won't respond to the credit bureau for 45 to 60 days. Nevertheless, since the documentation was not provided within the required 30 days, the credit bureau must delete the tax lien notice and cannot later reinstate it.

You will be most successful if you attempt to erase the tax lien after your tax file has been transferred to the federal archives. This transfer usually takes about a year and increases the turn-around time to retrieve the records beyond the required 30 days.

Bankruptcy and your credit rating

Bankruptcy stays on your credit report for 10 years. While bankruptcy will obviously damage your credit rating, it may be less damaging than many negative marks on your credit report. For that reason, you should file bankruptcy before your credit deteriorates to the point you have a heavily spotted credit report. The one mark “bankruptcy” may be far less harmful.

Credit usually eases within a year or two of filing bankruptcy if you can show a consistent pattern of prompt bill-paying and financial stability following your bankruptcy filing. For this reason, try to establish even nominal credit from several sources you can use as references. Have these credit sources notify the credit bureaus of your prompt payment history so you have a favorable post-bankruptcy credit report.

The reason why you filed bankruptcy can be an important factor in the credit decision. You may, for example, have a good credit history but fell victim to that one big financial disaster. Perhaps your business failed, leaving you with an unmanageable bank loan that necessitated your bankruptcy.

If you are otherwise a prompt bill-payer, you want prospective credit sources to know the circumstances behind your bankruptcy. You do this by submitting a 100-word statement to each of the credit bureaus with instructions to be made part of your credit history. Your statement should highlight:

- . the isolated factor that caused your bankruptcy
- . your otherwise good credit history

□ . that the financial problem has been erased and you are now financially stable

Many credit managers consider bankruptcy a positive sign if you can show you are not a chronic credit risk. The reason your financial problems are in the past and you cannot file bankruptcy (Chapter 7) again within 7 years. (You can, however, repeatedly file Chapter 11 or Chapter 13 bankruptcy.)

You can possibly eradicate a bankruptcy mark on your credit rating as you do a tax lien. If you challenge a bankruptcy notation, the government must document your bankruptcy to the credit bureau within 30 days. Bankruptcy cases are ordinarily sent to the federal archives after two years. Therefore, a high probability exists that the credit bureau will not receive a reply within 30 days if you challenge the notation after two years.

Using the forms in this kit

On the pages that follow we include 9 sample letters that are to be used as examples only. They are offered to give you the basic format of how credit repair correspondence may be written. However, it is your responsibility to prepare correspondence that appropriately meets your circumstances.

We also provide form letters with blanks to indicate where your specific information would be inserted. Feel free to use the language on the form letters verbatim, adding your own circumstances, dates, and addresses. However, your correspondence will be much more powerful if you type or hand write the sample language on personal stationery or plain paper. Form letters receive less attention from creditors and credit bureaus than do personal letters.

Glossary of Useful Terms

Accounts receivable

Any outstanding money owed to a business, usually by its customers, that is considered collectible.

Applicant

The person who applies to a creditor for credit.

Assets

The resources, property or property rights owned by an individual or company.

Bankruptcy Code

The body of federal statutory law that governs the bankruptcy process.

Balance

The amount owed on an account.

Certified mail

A postal service allowing you to obtain proof of delivery.

Chapter 7

A form of bankruptcy in which the debtor's business is liquidated and its assets are distributed to creditors who have verifiable claims.

Chapter 11

A bankruptcy re-organization proceeding. The debtor continues to operate the business after bankruptcy is filed.

Chapter 13

A bankruptcy proceeding filed by an individual debtor with limited debt. It allows a payment plan for an individual's personal or business debt.

Charge-off

A debt that is no longer considered to be collectible.

Collateral

Assets given as security for a loan.

Consumer credit counseling services

Non-profit organizations established to help debtors make payment arrangements with creditors.

Consumer Statement

A statement of 100 words or less from a consumer explaining why he or she continues to dispute a credit-report entry. This statement must be attached to and sent out with the credit report.

Credit history

A record of what you have borrowed and repaid.

Creditor scoring system

A statistical system used to evaluate an applicant's creditworthiness.

Creditor

One to whom you owe money.

Creditor settlement agreement

An agreement between creditor and debtor whereby the creditor agrees to remove negative entries from the debtor's credit report in exchange for full or partial repayment of the debt.

Creditworthiness

A creditor's evaluation of an applicant's past and future ability and willingness to repay debts.

Debtor

One who owes debts.

Default

Failure to meet the terms of a credit agreement.

Glossary of Useful Terms (cont.)

Discharge

The elimination of debts through bankruptcy, so that the debtor may engage in business, acquire property, and not be liable for past debts.

Dismissal

The cancellation of a bankruptcy case because of fraud, perjury, concealment of records of property, failure to cooperate with trustee, etc. This leaves the debtor with the same debts and obligations he/she had prior to filing for bankruptcy.

Excessive inquiries

At the creditor's discretion, as few as 4 inquiries within 6 months. Too many credit inquiries in a short period of time makes lenders' suspicious of a credit applicant's apparent sudden need for credit.

Fair Credit Reporting Act

A public law enacted to protect consumers from credit abuses.

Federal Trade Commission (FTC)

The government agency responsible for overseeing credit reporting practices.

File

The information the credit bureau has on a consumer, which is used to compile the credit report.

Foreclosure

A debt-collection procedure whereby the property (often real estate) of the debtor is sold.

Frivolous and irrelevant notice

A term applied by credit bureaus to consumer dispute letters that are suspected to be part of a plan to bombard the bureau with so much work that it cannot meet deadlines.

Grace period

The period of time beyond the due date during which payment may be made without penalty.

Liability

A current obligation.

Late payment

Any payment made after the due date of the credit agreement.

Lien

An interest in property securing the repayment of a debt.

Merged accounts

Two accounts are combined to become one entry.

Obsolete information

Negative entries that remain on a credit report beyond the statutory time limit, usually seven years

Public record information

Events that are a matter of public record and are related to your creditworthiness.

Regulatory agency

An agency that has the power to enforce laws.

Response time

The FCRA gives credit bureaus 30 days to respond to a disputed entry.

Secured loans

Loans that are backed by collateral.

Unsecured loans

Loans that are not backed by collateral.

Sample Credit Repair Correspondence

- Sample Letter 1: Request for Free Credit Report
- Sample Letter 2: Request for Removal of Outdated Information
- Sample Letter 3: Request to merge Inquiries with Account
- Sample Letter 4: Addition of Consumer Statement
- Sample Letter 5: Request for Husband and Wife File Separation
- Sample Letter 6: Request for Addition of Supplementary Credit References
- Sample Letter 7: Explanation for Delinquent Payment
- Sample Letter 8: Creditor Settlement Agreement
- Sample Letter 9: Request for Reasons for Credit Denial

Sample Letter 1

January 2, 2000

ABC Credit Bureau
500 Main Street
Any town, CA 10001

Re: Request for Free Credit Report (based on credit denial)

To Whom It May Concern:

Please send me a copy of my credit report as soon as possible. I have been denied credit within the past 60 days by *XYZ Department Store*, based upon a credit report from your company. Enclosed please find a copy of the denial letter.

The Fair Credit Reporting Act of 1970, 15 USC section 1681g provides the credit bureau should send me information which led to the rejection of my credit application. According to the provisions of 15 USC section 1681j, there should be no charge for this information.

My full name is:

My social security number is: 012-34-5678.

My date of birth is: 7/22/1953.

My current address is: 10 Elm Street
Any town, CA 10001

My previous address was: 800 North Main Street
Any town, CA 10001

Your immediate attention to this matter is appreciated.

Sincerely,

(Signature)

John Jay Smith, Jr.
Enclosure

Sample Letter 2

January 2, 2000

ABC Credit Bureau
500 Main Street
Any town, CA 10001

Re: Request for Removal of Outdated Information

To Whom It May Concern:

Please note that under Sections 605 and 607 of the Federal Fair Credit Reporting Act you are obligated within 30 days to delete obsolete information from my consumer credit report. The following items on my credit report are more than seven years old and exceed the statutory time period under this Act, and they must be removed:

*XYZ Department Store – delinquent payments.
Account closed April 5, 1992.*

Also, pursuant to Section 168 of the same Act, I am entitled to notification that the items have been deleted. Please send an updated copy of my credit report to the below address, as well as to any other party that has inquired about my credit rating in the last six months.

I anticipate your immediate attention to this matter.

Sincerely,

(Signature)

John Jay Smith, Jr.
10 Elm Street
Any town, CA 10001
012-34-5678
7/22/1953

Sample Letter 3

January 2, 2000

ABC Credit Bureau
500 Main Street
Any town, CA 10001

Re: Request to Merge Inquiries with Account

To Whom It May Concern:

The presence of inquiries as entries separate from accounts on my credit report inaccurately duplicates information. These inquiries reflect an incomplete and inaccurate processing of information in my file. The inquiry entries should be removed, or at least merged into the accounts which they belong. The accounts in question are:

| <u>Company Name</u> | <u>Account Number</u> |
|-----------------------------|-----------------------|
| <i>XYZ Department Store</i> | <i>9876-5432-1</i> |
| <i>AAA Department Store</i> | <i>2345-6789-0</i> |

Under the provisions of the Fair Credit Reporting Act 15 USC section 1681i, please re-investigate and delete these disputed items. Send me names and addresses of persons contacted. Thirty days from receipt of this letter is the length of time you are allowed under 15 USC section 1681i (5)(A) to complete these actions unless you immediately notify me otherwise. It should be understood that failure to re-verify within this time constitutes non-verification, and the items must be promptly deleted according to Section 1681i(a).

Also, pursuant to 15 USC section 1681i (d) of the Fair Credit Reporting Act, please send me notification that the items have been deleted. Send an updated copy of my credit report to the address below. According to 15 USC section 1681j, there is no charge for notification of changes on my credit report.

Sincerely,

(Signature)

John Jay Smith, Jr.
10 Elm Street
Any town, CA 10001
012-34-5678
7/22/1953

Sample Letter 4

January 2, 2000

ABC Credit Bureau
500 Main Street
Any town, CA 10001

Re: Addition of Consumer Statement

To Whom It May Concern:

I have disputed the accuracy and completeness of incorrect information on my credit report. Since re-investigation has not resolved my dispute, I want the following statement, without alterations, included in my credit report to set forth the nature of my dispute for others to see:

Payment was not made to Acme Company because goods were delivered in a defective condition. Acme Company refused to repair or replace these goods. Acme Company has refused to remove the items from my account, despite my attempts to return the damaged goods. I cannot use the items, therefore I would not pay for them. We are presently settling this claim in court.

According to the Fair Credit Reporting Act 15 USC section 1611i (b), I have the right to enter this "consumer statement" in my credit report. The Act also states that you are obligated to include my statement in any subsequent consumer report that includes the disputed information. Furthermore, because my statement contains less than 100 words, I demand that you include the full text of the statement in my report, without changes, alterations or summaries.

Pursuant to the Fair Credit Reporting Act, please send me a free updated copy of my credit report with the above statement included. I assume that 15 days from your receipt of this request represents a reasonable time for completing this update, unless you immediately notify me otherwise.

Sincerely,

(Signature)

John Jay Smith, Jr.

10 Elm Street
Any town, CA 10001
012-34-5678
7/22/1953

Sample Letter 5

January 2, 2000

ABC Credit Bureau
500 Main Street
Any town, CA 10001

Re: Request for Husband and Wife File Separation

Current Account Number:

To Whom It May Concern:

Under the Equal Opportunity Act, A husband and wife are allowed to maintain separate files pertaining to credit information. The undersigned request that credit information on the accounts of the undersigned be maintained in separate files.

We further request that all past, current and future information be reported as separate account information to all credit reporting agencies.

Sincerely,

(Signature)

John Jay Smith, Jr.
10 Elm Street
Any town, CA 10001
012-34-5678
7/22/1953

(Signature)

Mary Jane Smith
10 Elm Street
Any town, CA 10001
012-34-5678
7/22/1953

Sample Letter 6

January 2, 2000

ABC Credit Bureau
500 Main Street
Any town, CA 10001

Re: Request for Addition of Supplementary Credit References

To Whom It May Concern:

Pursuant to the Fair credit Reporting Act 15, USC section 1681i, I am requesting that you add the following credit references to my credit report:

| <u>Creditor's Name</u> | <u>Creditor's Address</u> | <u>Account Number</u> | <u>Type of Account</u> |
|------------------------|---|-----------------------|------------------------|
| <i>SOS Travel Club</i> | <i>300 Oak Street Any town, CA 10002</i> | <i>555-333-222</i> | <i>Charge Card</i> |
| <i>ZZZ Financing</i> | <i>999 Palm Avenue Any town, CA 10002</i> | <i>949-49-9494</i> | <i>Personal Loan</i> |

Thank you for your prompt attention to this matter. Please inform me within the statutory 30-day time period from your receipt of this letter of your compliance with the 15 USC 1681e requirements that all information in a consumer's credit report be reflected with "...maximum possible accuracy."

Sincerely,

(Signature)

John Jay Smith, Jr.
10 Elm Street
Any town, CA 10001
012-34-5678
7/22/1953

Sample Letter 7

January 2, 2000

XYZ Department Store
101 Main Street
Any town, CA 10002

Re: Explanation for Delinquent Payment

To Whom It May Concern:

It has recently come to my attention that several of my payments to your account have been labeled "late" on my credit report.

These missed payments were due to:

I was temporarily laid off from work due to company cutbacks. Once I resumed work, this account was paid up-to-dated.

I have been prompt in paying in the past, and since the late payments occurred for the above excusable reason, please correct the payment history for my account at the following credit bureaus, which carry your account histories:

*ABC Credit Bureau
500 Main Street
Any town, CA 10001*

It is important that my credit report reflect the good relations I have had with your company in the past. The corrections in the credit report will make it more representative of my financial habits.

I appreciate your assistance.

Sincerely,

(Signature)

John Jay Smith, Jr.
10 Elm Street
Any town, CA 10001

012-34-5678

7/22/1953

Sample Letter 8

January 2, 2000

XYZ Department Store
101 Main Street
Any town, CA 10002

Re: Creditor Settlement Agreement

To Whom It May Concern:

I am writing to confirm our agreement regarding the settlement of a debt that I previously owed to your company. The terms we agreed upon were:

1) "I", , agree to pay *XYZ Department Store* ("You"), the amount of *\$1000.00* , in full satisfaction of all amounts that I owe to You, and You agree to accept this amount in full satisfaction of all amounts that I previously owed You.

2) I agree to pay the above amount in *10* monthly installments of *\$ 100.00* without interest. The first payment to begin on *February 1, 2000* and each remaining payment on the *1st* day of each following month. I will mail these payments to your office located at *XYZ Department Store...*

3) If I do not pay the full amount of each payment when it is due, I will be in default. If I am in default, You may send me a written notice telling me that if I do not pay the overdue amount by a certain date, the entire unpaid balance will be due within 30 days after the date on which the notice is delivered or mailed to me.

4) Upon discharging this debt, you agree to notify each credit bureau to which You report credit information that any adverse credit information regarding my account with You is no longer verifiable and should be deleted from my credit report.

If you agree to the foregoing terms and conditions, please sign the Agreement and the enclosed copy in the places provided, and return the documents to me at the address below.
Accepted and Agreed

By: _____

Name: _____

Title: _____

Sincerely,

(Signature)

John Jay Smith, Jr.
10 Elm Street
Any town, CA 10001
012-34-5678
7/22/1953

Sample Letter 9

January 2, 2000

XYZ Department Store
101 Main Street
Any town, CA 10002

Re: Request for Reasons for Credit Denial

To Whom It May Concern:

Recently, the undersigned was denied credit by your company.

Please be advised that, pursuant to Section 615(b) of the Federal Fair Credit Reporting Act, the undersigned hereby requests a full disclosure of the factual information disclosed to you by persons other than Consumer Reporting Agencies concerning the undersigned. Such information must be in sufficient detail to allow the undersigned to refute, challenge or dispute its accuracy.

Please take further notice that you are required to render such notification to the undersigned within a reasonable time. The Federal Trade Commission has defined such reasonable time as thirty (30) days.

Sincerely,

(Signature)

John Jay Smith, Jr.
10 Elm Street
Any town, CA 10001

012-34-5678
7/22/1953