



# COMPREHENSIVE CREDIT REPAIR

by Joseph L. Chiappetta Jr.



# COMPREHENSIVE CREDIT REPAIR

by Joseph L. Chiappetta, Jr.

<b>SECTION</b>	<b>SUBJECT</b>
**	Index of Forms / Letters
***	Introduction
I	Questions and Answers
II	Organizing Your Credit Picture
III	Paying Your Debts
IV	Credit Reports – Obtaining, Reading, Types Of
V	Negotiations, Q&A
VI	Collections / Cease Collections
VII	Form Letters for Escalating Your Attack
VIII	Credit Bureau Dispute
IX	The Credit Score Rx Kit
X	Identity Theft
	Parting Shot

# **INDEX OF FORMS / LETTERS/ WORKSHEETS**

## **FORM / LETTERS/WORKSHEETS**

Debt Consolidation Worksheet

Monthly Household Budget

Bank Credit Cards

Retail Credit Cards

Mortgage Accounts

Car Loans

Bank Loans / Unsecured Loans

Medical Accounts

IRS Settlement / Tax Debts

Extra Work Area

Record of Payments

Credit Bureau Report Request Letter

Debt Settlement Agreement

Credit Bureau Update Letter

Unrated Account Agreement

Inquiry Dispute Letter

Cease Collection Letter

To Creditor, Sent w/ Notice of Summons and Complaint

To Debt Collection Agency, Sent w/ Notice of Summons and Complaint

To Creditor, Billing Errors, Sent w/ Notice of Summons and Complaint

To Creditor, Wrong Billing Address, Cash for Clear Credit Agreement

To Creditor, Cash for Clear Credit Agreement

Credit Bureau Dispute Letter

ID Theft Affidavit

Fraudulent Account Statement

## **FOR BEST RESULTS YOU MUST READ THIS FIRST!**

This comprehensive repair guide is written expressly for those who already have a need for credit repair and are looking for effective ways to resolve outstanding issues in their credit histories. We firmly believe that the need for credit repair techniques are mostly unnecessary if people will follow one simple, but sometimes difficult to apply financial strategy; *live within your means*.

Living within your means can be thought of as making sure, each month, that you have money left in your checkbook or bank account after every debt and/obligation is paid. This includes setting aside enough money to pay all of your bills for six months in case you lose your job. It also means putting 10% to 30% of your take-home pay aside in a savings and investment fund of some sort. There are places in today's economy where you can safely earn 20% to 30% year after year. And with some commitment you can reasonably expect to set aside several million dollars by the time you retire. Some people do it a lot earlier. Look for the success stories.

Living within your means also is learning to resist buying everything you think you need. If you take a look at everything you bought last month you would find that most of your purchases were things you wanted, but in most cases didn't really need. Resist the temptation to use buying as a form of "medication" to ease the pain of everyday life. You are just tightening the noose you already have created around your financial neck. Try buying most of your necessities online. We have found, in addition to convenience, it is a great way to eliminate impulse buying.

Credit problems come from a lack of discipline and you must make a conscious decision to have good credit. It is your responsibility to take care of yourself financially. Nobody is going to do it for you. The good news is that it is not nearly as hard as you think it is once you get going. Many people, we included, make a game out of building excellent credit ratings. We know that is hard to believe from the position most of you find yourselves in right now. Why else would you be reading this guide, right?

So use this guide wisely. Use the techniques you will learn here to make a commitment to yourself to change your financial future. Get out of debt once and keep going. Make financial freedom your dream and then your reality.

## I. QUESTIONS AND ANSWERS

On the subject of credit, there is a tremendous amount of information to cover, and the information changes frequently. The following is the most current information available. We begin with a Question & Answer format. These are most of the frequently asked questions that we have been asked. For many, finally getting a direction, even knowing that there is one, has been a great relief. We believe these questions and answers will do exactly that for you.

### **How Can I Pay My Bills For Only 3-15% of What I Owe Without Bankruptcy?**

The thing most feared by creditors is that you will actually file for bankruptcy. In fact, even with the new bankruptcy laws, they still stand to lose all of the money you owe. By failing to pay your debt for a period of more than six months, your account will be written off as a loss. This is known as a “profit and loss write-off” or a “charge-off” which means the debt can’t be collected. In fact, standard accounting practices dictate that any debt unpaid for six or more months must be considered uncollectible. At this point the debt is either sold or transferred to a collection or legal department.

Since the creditor has written off your debt, you can now contact them and offer to make a settlement. Most know that if they don’t accept something, they won’t get anything, and therefore are quite open to making a payment arrangement. When you offer them a partial settlement (five or ten percent of the debt), they may ask you for an accounting of your finances to back up your claim that this amount is all you can afford. You’re not obligated to comply, but some sort of written response may speed their acceptance of your terms. Mind you, this is not a guaranteed system, but it is quite common to make settlements such as are described here.

### **Is There A “Fill-In-The-Blank” Form Letter I Can Use To Clean Up My Debts And Credit?**

Yes. Some easy-to-follow forms with blanks for your account numbers and the amount of your settlement offers are included with this packet. These are also designed to protect your interests by spelling out the terms of your new payment agreement. Please feel free to use these templates as a guideline, or use them “as is”.

### **How Do I Get A Free Copy Of My Credit Report?**

There are a number of ways to do this, and some vary by state. One way is by challenging an error on your report. The bureaus will generally respond with a copy of your report.

### **What Is The Easiest Way To Make My Debts Disappear?**

There are two basic ways. The first is to wait. Unless your creditor has a court judgment against you on any particular debt, all record of the debt will disappear from your credit report in seven years (except for bankruptcy which lasts for ten years). By simply waiting, time will erase your problem; then, by opening new accounts, you will get new credit and a good rating. The second way is to pay off your debts more quickly. By strategically refinancing your mortgage, you can use the equity in your home to immediately pay off all of your high-interest credit. It is not unusual to save as much as \$1000 per month by using this method. Additionally, by applying this savings to your principal, your mortgage will be paid at double or triple speed. This will save you literally hundreds of thousands of dollars.

## **How Long Will It Take Me To Recover From Bankruptcy?**

There was a time when bankruptcy stained your credit for decades. This is no longer the case. An entire industry has sprung up to offer fresh credit to the recently bankrupt. Even mortgage companies will work with you, some when you first file your bankruptcy plan, and others after you've completed it, and/or waited one year.

## **Can I Get A Credit Card, Even Though I've Been Declined Over And Over Again?**

Yes. There are many 'secured credit card' programs for those who have been repeatedly declined credit. In this 'secured' arrangement, you establish a regular savings account with a bank offering such a card, say for \$200. The bank then issues you a credit card with a \$200 to \$300 spending limit. Some banks have a stipulation that your credit must be clean for the past three months. Others have absolutely no rules other than that you must deposit at least \$100 in your secured account.

Be advised that any money in this secured account is meant only as insurance against your potential failure to pay. You must pay the bill each month. If you pay your bill on time, you can get unsecured credit in as little as six months, with a limit increase in six more months (many secured card companies will give you an 'unsecured' or regular credit card with as much as a \$2000 spending limit). This process of moving from secured to unsecured credit is an excellent and increasingly common way to establish a restored, positive personal credit history. Several highly recommended secured card programs and their terms are available at [www.betterfinancialsolutions.com](http://www.betterfinancialsolutions.com).

## **Can I Use Legal Pressure To Repair My Credit?**

The way credit bureaus report on you is controlled by a strict set of laws and court rulings. One ruling in particular found that a credit bureau wasn't protected by the first amendment in the way a magazine or news agency might be. The law says that, as long as a publisher's error isn't intentional, they are 'held harmless'. The credit bureau, on the other hand, was ruled to be selling an information product which is purported to be accurate. When the product fails, whether by mistake or not, the bureau is liable for the damages they've caused, with no limitation. It's a product liability issue.

Bad credit is repaired by identifying errors in your credit, and then bringing those errors to the attention of the credit bureau. Initially, they often respond that they have inquired of your creditor and confirmed that the negative credit entry is accurate. Even if that is not true, they won't remove it. This is where you get out the bigger guns and inform them that they are obligated to have a "preponderance of systems in place" (*Fair Credit Reporting Act*) in order to avoid such errors. Merely reconfirming the initial error is insufficient. If they refuse to do their job, you have even bigger guns. In the forms section, there is a *Notice of Complaint* and a *Summons and Complaint*. The 'Notice' is an initial step to show your serious intent. The 'Summons' is the last step before you go to court. Bear in mind that credit bureaus don't like to go to court, because they generally acknowledge (to themselves anyway) that their system is flawed and that they have serious liabilities.

## **How Can I Stop The Harassing Collection Efforts Of My Creditors?**

Write your creditor a letter, certified/return receipt requested, stating you will no longer honor their collection attempts, and that they may no longer contact you by phone or in writing regarding your account. The *Fair Debt Collection Practices Act* states that the creditor may only contact you once more, to tell you what action they will take since you have asked them to stop.

## **Can Asking About A Car Can Loan Trigger A Negative Entry On My Credit Report?**

When you apply for a loan, an *Inquiry* is recorded on your credit. Too many of these can lower your credit rating. A creditor has the right to look at your credit if they have a reasonable belief that you might enter into an agreement involving the extension of credit terms. By writing to your credit bureau and explaining that you were shopping around and merely pricing, not actually requesting credit, you can get the inquiry deleted. Today's credit scoring system better takes into account this 'shopping around' process. If you look at credit terms for automobiles over a two week period, no matter how many times, this will show up as only one inquiry.

## **I Have Heard Of Interest-Free Credit Card Rates. How Can I Get One?**

Many credit card companies offer 0% teaser offers for the first six months that you have the card. By switching your balance from one card to another, moving from 0% offer to 0% offer, you can borrow money at no interest almost indefinitely. However, keep in mind that record keeping is an extremely vital part of this process.

## **Can I Get A Lower Interest Rate, Or Even A Refund?**

Call your creditor and ask that your rate be lowered somewhat, specify that you want the lower rate applied retroactively, and let them know that you have offers from other creditors at a better rate. You can pay less now and get money taken off your existing debt. The credit card business is a field of great competition – take advantage.

## **Is It Possible To Punish Creditors Who Harass Me?**

Under the *Fair Debt Collection Practices Act*, every violation of collection rules is punishable by a \$1000 fine, payable to you. For example, your request that you are no longer to be contacted, if violated, will net you \$1000 per incident in court. Many attorneys make their entire living exercising this law. By carefully recording your request that you are left alone and then recording phone calls from creditors using the record device on your answering machine, you will likely catch more than one creditor violating these laws.

## **Should I Wait To Pay Off My Credit Card Balance?**

If you are delinquent on your bills, the only leverage you have is the money you still owe. Before you actually settle your debt, negotiate an agreement with your creditor that includes how the debt will be reported on your credit report. Make them agree not to respond to any credit bureau inquiries about the account's status. This way, when you finally pay, your bad credit will be removable. You can challenge the credit bureaus saying that you "don't believe the creditor will confirm the negative information on the report". Since your creditor has agreed, as part of your payment terms, not to confirm the negative information, the item must be removed. The law states that any disputed credit that is unanswered within thirty days must be removed from your report.

## **Who Should I Deal With At A Credit Company?**

Start with the customer service department. After you have exhausted your efforts with customer service, the only place you will likely get satisfaction is with the *legal* department, or sometimes the *recovery* department, and occasionally the *collections* department. By complaining about specific violations of the *Fair Debt Collection Practices Act*, you will certainly get their attention, especially if you use the *Notice* (or summons) and *Complaint*, with a letter from the *Letter Writing* section. Always ask to speak to a manager, and become deaf to the word ‘no’. Remember, everyone at the company is encouraged to say “no”, but few are authorized to say “yes”. Through persistence, you will eventually find the person who has the authorization to agree to your terms.

## **What Credit Card Industry’s Policy Can Add Thousands Of Dollars To A Mortgage?**

There is a policy found in the small print on many credit card applications that says essentially “no matter what rate we give you, if we find out in the future that you are late, or were late with another creditor, we can as much as double your rate.” Suddenly, your manageable bills can become unmanageable and even one late mark on an account turns it from a good account into a bad one. This can also change the income ratios used to judge any future mortgage application. Remember; first and foremost; always pay your mortgage on time. This can mean a difference in all future debt negotiations.

## **How Do Lenders Trick You Into High Interest Products Without Your Knowledge?**

The first answer is ‘Marketing’. The industry is counting on you to react to the product offered and sign the credit application without reading the fine print. The documents for credit application are long, complicated and hard to understand, even for an expert. Once you sign your name, you’ve signed away any future argument about the terms. Think carefully before applying for new credit, and if you do to apply, read the fine print, asking as many questions as necessary until you completely understand the offer. Many of these offers have terms which will substantially change your payment amount and interest rate without any notice. If you pay during your grace period (an allowed time of later payment) you won’t get a bad credit mark to tip you off to a problem, but your interest rate might go up, perhaps to as much as 21%, without any obvious sign. This is how a good deal for you becomes a hugely profitable deal for them.

Another trap to look for occurs when you make your minimum monthly payment while you are near your credit limit. By using your grace period, you can technically violate your credit limit because your new bills are at a much higher rate and what used to be the right minimum payment is now much too little. You can incur hundreds of dollars in *over limit* fees.

## **What Are The 6 P’s Of Successful Personal Finance Management?**

**Proper Preparation Prevents Poor Personal Performance.** Every part of this booklet is arranged to help you prepare and stay prepared. For example, with a little preplanning, you can save hundreds of thousands of dollars by prepaying your mortgage. Any extra payment amount each month will affect the overall outcome. By paying as little as \$50 extra per month you can save years and many thousands of dollars over the life of your agreement. Want to save embarrassment while shopping for a new car or home? First find out exactly what you can afford. Knowledge is power.

## **II. ORGANIZING YOUR CREDIT PICTURE**

### **Setting Your Goals.**

Among the most important tools you can use in the pursuit of credit and financial success are planning and goal setting. So, where do you start? Set your goals and decide what corrective actions you need to take first. It may be that you need to correct poor credit. Maybe you need to consider bankruptcy or, having recently emerged from it, need a path back to the top. If you don't yet have a plan, this is the right place for you to start.

For those who don't immediately know which issue is in need of resolution, it is best to make a list of all your financial challenges. For some of you, it will be debt. For others, it might be income – you would like to earn more to reach your dreams – still others might feel that they simply need a plan where none exists now. Prioritizing your life is an ongoing challenge. Even for those with experience at following a self organized agenda, redoing this effort on a regular, at least annual, basis can be an enlightening exercise. Organizing involves writing, because without a written plan, what you hope for is likely to remain a dream, never to become fruitful reality. This is a time for making lists, for being honest and forthright with yourself.

### **Getting Organized.**

Listing your debts is likely the most important first step in creating an overall plan. Once your debt has been mastered, you can then decipher the financial power available from your present income. From there, you can begin to decide what you need and what you will have to do to get it.

What is it about the necessary reality of facing debt that causes so many people to put their heads in the sand? Problems are rarely as bad as fearing them. When you understand exactly what you owe, you can figure out what you need to resolve that issue. Money is a tool toward fulfilling your goals. Planning, with an accurate view of your debts, is the way to reach those goals. Distinguishing amongst wants, needs, and desires is an additional important benefit of this exercise.

### **Looking At The Whole Picture.**

We have added a worksheet that covers total debts, your monthly payments, and the interest rate associated with each, and we've also added the 'people' side of the equation. You will list who you have already spoken to in connection with a debt, whether or not more than one party (such as a collection agency) is involved, the type of debt, and how important that debt is to the overall picture.

## **Start Your Organization By Type Of Credit.**

To organize your credit, differentiate between mortgage, auto, credit card, store credit card, and debit cards. Include the account's payment status. Whether it is on time, currently paid in full, thirty, sixty, or ninety days late, and how many times lateness has occurred are primary examples. The worst sort of credit comes in categories such as *Foreclosure* on a mortgage. *Charge off* and its equivalent *Profit-and-Loss Write-off* notes debts your creditor considers uncollectible. On an actual credit report, a series of codes represent these written phrases. The codes will be explained, but plain English is the most useful for your personal working plan. Instead of credit status codes, you can use your own description of where you stand. For instance, you might write "account is late, but only once, not four times like the credit report says." Fill this out carefully and accurately.

Start the worksheets with your mortgage payment or rent payment. On your credit report, this debt is signified by an *M* and the addition of a number between *01* and *09*. For your purpose here, you should know that an *M01* is a perfect or nearly perfect credit score, and an *M09* is the worst rating.

### **Debt Worksheets**

Their order of importance is as follows:

1. Begin with credit rated with an *M* for Mortgage
2. Next is credit rated with an *I* for Installment (car or finance company loan)
3. Finally, fill in the accounts that have an *R*, representing revolving debts such as bank or store credit cards.

Again, the numbers 1-9 added to the letter summarize the range of good to bad payment history. Following the debt consolidation worksheet is one for household income and expenses. These two, when seen together, give the clearest picture of your money situation.



# MONTHLY HOUSEHOLD BUDGET

For the month of \_\_\_\_\_

## MONTHLY INCOME

Salaries \$ \_\_\_\_\_  
Commissions/Bonus \$ \_\_\_\_\_  
Interest \$ \_\_\_\_\_  
Dividends \$ \_\_\_\_\_  
Alimony \$ \_\_\_\_\_  
Child Support \$ \_\_\_\_\_  
Rent \$ \_\_\_\_\_  
Royalties \$ \_\_\_\_\_  
Sales of Property \$ \_\_\_\_\_  
Trust Fund \$ \_\_\_\_\_  
Annuities \$ \_\_\_\_\_  
Pensions \$ \_\_\_\_\_  
Social Security \$ \_\_\_\_\_  
Other \_\_\_\_\_ \$ \_\_\_\_\_  
\_\_\_\_\_ \$ \_\_\_\_\_  
\_\_\_\_\_ \$ \_\_\_\_\_  
\_\_\_\_\_ \$ \_\_\_\_\_

## MONTHLY EXPENSE

Mortgage \$ \_\_\_\_\_  
Rent \$ \_\_\_\_\_  
Food \$ \_\_\_\_\_  
Auto Loan \$ \_\_\_\_\_  
Utilities \$ \_\_\_\_\_  
Credit Card Accounts \$ \_\_\_\_\_  
Charge Accounts \$ \_\_\_\_\_  
Insurance Premiums \$ \_\_\_\_\_  
Installment Loans \$ \_\_\_\_\_  
Travel and Gasoline \$ \_\_\_\_\_  
Clothing \$ \_\_\_\_\_  
Personal Care \$ \_\_\_\_\_  
Health Care \$ \_\_\_\_\_  
Child Care \$ \_\_\_\_\_  
Education \$ \_\_\_\_\_  
Home Maintenance \$ \_\_\_\_\_  
Membership Fees \$ \_\_\_\_\_  
Entertainment/Recreation \$ \_\_\_\_\_  
Contributions \$ \_\_\_\_\_  
Property Tax \$ \_\_\_\_\_  
Investments \$ \_\_\_\_\_  
Savings \$ \_\_\_\_\_  
Other \_\_\_\_\_ \$ \_\_\_\_\_

**TOTAL MONTHLY INCOME**

\$ \_\_\_\_\_

**TOTAL MONTHLY EXPENSE**

\$ \_\_\_\_\_

### III. PAYING YOUR DEBTS

#### **Paying Your Debts**

The following worksheets are for compiling a complete record of your debt repayment efforts. If you don't know the interest rate you are paying on a particular debt, you should contact your creditor. The interest rate can be the primary factor in deciding who to pay or when to negotiate a lower payment. Even though you are working with your personal finances, it is time to start operating as a well-run business would. You are recording, evaluating and prioritizing your debts. You can then make factually based decisions on how to use your income best. There is a *Record of Payments* form at the end of the section you should use as a second page for any account settlements requiring multiple payments.

Keep your records together in one place, making work on the phone or traveling with your information easier. You can staple bills and receipts to the forms, keeping these items readily available. One critically important change in your new financial business is to always know where things stand. Many of us put off important follow through because we need to find something and can't take the effort to search for it. You should make a copy of your tax return's front page and include it in your file. Mark on the copy where the original is.

# BANK CREDIT CARDS

## ACCOUNT STATUS

## PAYMENT HISTORY

Debt priority # \_\_\_\_\_  MasterCard  Visa  Amex  
 Discover  Optima  Other

Account number \_\_\_\_\_  Was late  Charge off  
Lender name \_\_\_\_\_  Is late  Judgment  
Address \_\_\_\_\_  Collection  Closed  
\_\_\_\_\_ Date Opened \_\_\_\_\_  
Phone # (\_\_\_\_) \_\_\_\_\_ Expiration Date \_\_\_\_\_  
Balance \$ \_\_\_\_\_ Annual Percentage Rate \_\_\_\_\_%  
Minimum Payment \$ \_\_\_\_\_ Credit Limit \$ \_\_\_\_\_ Total interest owed \$ \_\_\_\_\_  
Month/Year of last payment \_\_\_\_\_  
How many payment have you missed \_\_\_\_\_  
Total amount overdue (update every 30 days) \$ \_\_\_\_\_

Name \_\_\_\_\_ Direct Phone (\_\_\_\_) \_\_\_\_\_  
Address \_\_\_\_\_

Date of 1<sup>st</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_  
Follow-up date \_\_\_\_\_  
Date of 2<sup>nd</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_  
Follow-up date \_\_\_\_\_  
Date notice of claim sent \_\_\_\_\_ Date federal suit filed \_\_\_\_\_  
Name \_\_\_\_\_ Direct Phone (\_\_\_\_) \_\_\_\_\_  
Address \_\_\_\_\_

Date of 1<sup>st</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_  
Follow-up date \_\_\_\_\_  
Date of 2<sup>nd</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_  
Follow-up date \_\_\_\_\_

Debt priority # \_\_\_\_\_  
Account number \_\_\_\_\_  
Lender name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

Account Status  
 Was late       Charge off  
 Is late       Judgment  
 Collection

Phone # (\_\_\_\_) \_\_\_\_\_

Balance \$ \_\_\_\_\_ Annual Percentage Rate \_\_\_\_\_%

Minimum Payment \$ \_\_\_\_\_ Credit Limit \$ \_\_\_\_\_ Total interest owed \$ \_\_\_\_\_

Month/Year of last payment \_\_\_\_\_

How many payment have you missed \_\_\_\_\_

Total amount overdue (update every 30 days) \$ \_\_\_\_\_

Name \_\_\_\_\_ Direct Phone (\_\_\_\_) \_\_\_\_\_

Address \_\_\_\_\_

Date of 1<sup>st</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_

Follow-up date \_\_\_\_\_

Date of 2<sup>nd</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_

Follow-up date \_\_\_\_\_

Date notice of claim sent \_\_\_\_\_ Date federal suit filed \_\_\_\_\_

Name \_\_\_\_\_ Direct Phone (\_\_\_\_) \_\_\_\_\_

Address \_\_\_\_\_

Date of 1<sup>st</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_

Follow-up date \_\_\_\_\_

Date of 2<sup>nd</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_

Follow-up date \_\_\_\_\_

Debt priority # \_\_\_\_\_  
Account number \_\_\_\_\_  
Lender name \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

Account Status  
 Was late  
 Is late  
 Foreclosure filed

Phone # (\_\_\_\_) \_\_\_\_\_

Property Address \_\_\_\_\_ Section # \_\_\_\_\_ Block# \_\_\_\_\_ Lot # \_\_\_\_\_

Mortgage Value \_\_\_\_\_ Yearly taxes \_\_\_\_\_%

Balance \$ \_\_\_\_\_ Annual Percentage Rate \_\_\_\_\_%

Payment \$ \_\_\_\_\_ Total interest owed \$ \_\_\_\_\_

Month/Year of last payment \_\_\_\_\_

How many payment have you missed \_\_\_\_\_

Total amount overdue (update every 30 days) \$ \_\_\_\_\_

Name \_\_\_\_\_ Direct Phone (\_\_\_\_) \_\_\_\_\_

Address \_\_\_\_\_  
 Date of 1<sup>st</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_  
 Follow-up date \_\_\_\_\_  
 Date of 2<sup>nd</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_  
 Follow-up date \_\_\_\_\_  
 Date notice of claim sent \_\_\_\_\_ Date federal suit filed \_\_\_\_\_  
 Name \_\_\_\_\_ Direct Phone (\_\_\_\_\_) \_\_\_\_\_  
 Address \_\_\_\_\_  
 Date of 1<sup>st</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_  
 Follow-up date \_\_\_\_\_  
 Date of 2<sup>nd</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_  
 Follow-up date \_\_\_\_\_

Debt priority # \_\_\_\_\_ Account Status  
 Account number \_\_\_\_\_  Was late  
 Lender name \_\_\_\_\_  Is late  
 Address \_\_\_\_\_  Repossessed/Returned to owner  
 \_\_\_\_\_  End of lease  
 Phone # (\_\_\_\_\_) \_\_\_\_\_ Equity (if any) \$ \_\_\_\_\_  
 Balance \$ \_\_\_\_\_ Annual Percentage Rate \_\_\_\_\_ %  
 (Value – Balance Due) \$ \_\_\_\_\_  
 Payment \$ \_\_\_\_\_ Total interest owed \$ \_\_\_\_\_

Month/Year of last payment \_\_\_\_\_  
 How many payment have you missed \_\_\_\_\_  
 Total amount overdue (update every 30 days) \$ \_\_\_\_\_  
 Name \_\_\_\_\_ Direct Phone (\_\_\_\_\_) \_\_\_\_\_  
 Address \_\_\_\_\_  
 Date of 1<sup>st</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_  
 Follow-up date \_\_\_\_\_  
 Date of 2<sup>nd</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_  
 Follow-up date \_\_\_\_\_  
 Date notice of claim sent \_\_\_\_\_ Date federal suit filed \_\_\_\_\_  
 Name \_\_\_\_\_ Direct Phone (\_\_\_\_\_) \_\_\_\_\_  
 Address \_\_\_\_\_  
 Date of 1<sup>st</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_  
 Follow-up date \_\_\_\_\_  
 Date of 2<sup>nd</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_  
 Follow-up date \_\_\_\_\_

Debt priority # \_\_\_\_\_

Account number \_\_\_\_\_

Lender name \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

Phone # (\_\_\_\_) \_\_\_\_\_

Balance \$ \_\_\_\_\_

Payment \$ \_\_\_\_\_

Account Status

Was late

Is late

Charge off

Judgment

Annual Percentage Rate \_\_\_\_\_%

Total interest owed \$ \_\_\_\_\_

Month/Year of last payment \_\_\_\_\_

How many payment have you missed \_\_\_\_\_

Total amount overdue (update every 30 days) \$ \_\_\_\_\_

Name \_\_\_\_\_ Direct Phone (\_\_\_\_) \_\_\_\_\_

Address \_\_\_\_\_

Date of 1<sup>st</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_

Follow-up date \_\_\_\_\_

Date of 2<sup>nd</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_

Follow-up date \_\_\_\_\_

Date notice of claim sent \_\_\_\_\_ Date federal suit filed \_\_\_\_\_

Name \_\_\_\_\_ Direct Phone (\_\_\_\_) \_\_\_\_\_

Address \_\_\_\_\_

Date of 1<sup>st</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_

Follow-up date \_\_\_\_\_

Date of 2<sup>nd</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_

Follow-up date \_\_\_\_\_

Notes: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Debt priority # \_\_\_\_\_

Account number \_\_\_\_\_

Doctor/Facility name \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

Phone # (\_\_\_\_) \_\_\_\_\_

Balance \$ \_\_\_\_\_

Account Status

Was late

Is late

Collection

Charge off

Judgment

Minimum Payment \$ \_\_\_\_\_

Terms of Payment Agreement \_\_\_\_\_

Month/Year of last payment \_\_\_\_\_

How many payment have you missed \_\_\_\_\_

Total amount overdue (update every 30 days) \$ \_\_\_\_\_

Name \_\_\_\_\_ Direct Phone (\_\_\_\_\_) \_\_\_\_\_

Address \_\_\_\_\_

Date of 1<sup>st</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_

Follow-up date \_\_\_\_\_

Date of 2<sup>nd</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_

Follow-up date \_\_\_\_\_

Date notice of claim sent \_\_\_\_\_ Date federal suit filed \_\_\_\_\_

Name \_\_\_\_\_ Direct Phone (\_\_\_\_\_) \_\_\_\_\_

Address \_\_\_\_\_

Date of 1<sup>st</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_

Follow-up date \_\_\_\_\_

Date of 2<sup>nd</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_

Follow-up date \_\_\_\_\_

Notes: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Debt priority # \_\_\_\_\_

Account number \_\_\_\_\_

Lender name \_\_\_\_\_

Address \_\_\_\_\_

Phone # (\_\_\_\_\_) \_\_\_\_\_

Balance \$ \_\_\_\_\_

Minimum Payment \$ \_\_\_\_\_

Account Status

Settlement agreement

Installation agreement

Collection

Tax lien

Annual Percentage Rate \_\_\_\_\_%

Total interest owed \$ \_\_\_\_\_

Month/Year of last payment \_\_\_\_\_

How many payment have you missed \_\_\_\_\_

Total amount overdue (update every 30 days) \$ \_\_\_\_\_

Name \_\_\_\_\_ Direct Phone (\_\_\_\_\_) \_\_\_\_\_

Address \_\_\_\_\_

Date of 1<sup>st</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_

Follow-up date \_\_\_\_\_

Date of 2<sup>nd</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_  
 Follow-up date \_\_\_\_\_  
 Date notice of claim sent \_\_\_\_\_ Date federal suit filed \_\_\_\_\_  
 Name \_\_\_\_\_ Direct Phone (\_\_\_\_\_) \_\_\_\_\_  
 Address \_\_\_\_\_  
 Date of 1<sup>st</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_  
 Follow-up date \_\_\_\_\_  
 Date of 2<sup>nd</sup> contact \_\_\_\_\_ Outcome \_\_\_\_\_  
 Follow-up date \_\_\_\_\_

Date	Amount Paid	Balance
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____

**RETAIL CREDIT CARDS**

**PAYMENT HISTORY**

**CONTACTS FOR NEGOTIATION**

**First Contact Person**

**Second Contact Person**

**MORTGAGE ACCOUNTS**

**PAYMENT HISTORY**

**CONTACTS FOR NEGOTIATION**

**First Contact Person**

**Second Contact Person**

**CAR LOANS**

**PAYMENT HISTORY**

**CONTACTS FOR NEGOTIATION**

**First Contact Person**

**Second Contact Person**

**BANK LOANS / UNSECURED LOANS**

**PAYMENT HISTORY**

**CONTACTS FOR NEGOTIATION**

**First Contact Person**

**Second Contact Person**

**MEDICAL ACCOUNT**

**PAYMENT HISTORY**

**CONTACTS FOR NEGOTIATION**

**First Contact Person**

**Second Contact Person**

**IRS SETTLEMENTS / TAX DEBTS**

**PAYMENT HISTORY**

**CONTACTS FOR NEGOTIATION**

**First Contact Person**

**Second Contact Person**



## IV. CREDIT REPORTS – OBTAINING, READING, TYPES OF

### How To Get Your Credit Report

In order to negotiate or fix your credit, you will need to see how it is reported. Experian (was TRW), Trans Union, and Equifax are the three largest companies that gather and resell credit information. It is necessary to obtain your credit history from each bureau to get a full picture, because any single reporting agency may or may not have a complete record of your activities.

There is more than one type of credit report, and it is necessary to differentiate between them. The most common consumer version often fails to give credit score information – the main criteria for deciding what interest rate you will pay on a loan. A professional report obtained from a single credit bureau is referred to in the banking trade as an *infile*. It includes a credit score and a detailed record of how you actually paid your debts on a month-by-month basis. A report that combines at least two and preferably three individual credit bureau *infiles* is referred to in the reporting trade as a *Trimerge*, and in the mortgage trade as a *full factual* or *residential mortgage credit report*. This is a complete picture of your credit history used in making decisions for home and auto loans and other large purchases.

### Steps To Get Your Report

You can get a free report from any credit bureau if it reported data used in a decision used to deny you credit. To obtain this free report you must submit the following information:

- A copy of the rejection letter of the creditor
- Your full name
- A copy of a photo ID
- Current address and previous address if different in the last 5 years
- A copy of your driver's license, social security card or a bill sent to your home address.

The following states have legislated your right to a free credit report each year: CO, GA, MD, MA, NJ, and VA.

Credit bureaus provide a free report as part of a dispute resolution process, though Experian has been known to send an updated version of only the exact portion of your report in dispute. The three bureaus often have overlapping information, but just as often, they have disagreeing or unique entries on your credit history. It takes at least two and preferably three reports to get a complete picture. Look at a Trimerge every six months and no less than 30 days prior to a major purchase.

It costs approximately \$8 to obtain a report from any of the three bureaus. You can find out the exact fee using the 800 numbers listed below. It may take up to thirty days to receive a response to your request, so be patient.

## Credit Bureau Contact Information

**Experian** [www.experian.com](http://www.experian.com)

(888) 397-3742

Or, for applicable states, to request your free report call (866) 200-6020.

Experian

P.O. Box 2104

Allen, TX 75013

**Trans Union** [www.transunion.com](http://www.transunion.com).

(800) 916-8800

Trans Union

760 Sproul Road

Box 403

Springfield, PA 19064

**Equifax Information Service** [www.equifax.com](http://www.equifax.com).

(800) 685-1111

Equifax Credit Information Services, Inc.

P.O. Box 740241

Atlanta, GA 30374

Credit bureaus change their addresses in an effort to thwart credit repair organizations, which are recognized by their use of old addresses in high volume dispute mailings. It is always a good idea to confirm the address by calling first.

## Protect Yourself

When sending correspondence, always do the following:

- Use return receipt requested/certified mail at the post office. This ensures that you have proof the correspondence was received.
- Photocopy everything you mail.
- Keep a file and document the date you mailed any letter.
- Send a second request if a response doesn't arrive within one month from the original letter date, sooner if it's urgent.

If you encounter delaying tactics when trying to get a report, it is often helpful to explain that you will contact the FTC to inform them of the credit bureau's failure. Credit bureaus are obligated by law to provide consumers with requested information within 45 days from receipt of a demand. Beware of tactics that include asking for documents that were already included and asking for additional proof of identity. If your address has changed often over the years, you may be denied a copy of your report because you are requesting it be sent to the 'wrong address'. Providing proof that you have received official bills or mail in your name at an address will cure the problem. In order to avoid these hassles, make your requests brief, your identity confirmation and photocopies clear, and your address consistent across all documents you provide.

## How To Read Your Credit Report

Credit reports were originally intended for use by professionals, and are generally difficult to understand. More people have access to their reports these days, so the bureaus have felt the need, reluctantly, to make them somewhat easier to read. It is still difficult to fully understand all the coding and information gaps. Even some professionals are confused as to the meaning of the parts of a given report. Making decoding difficult is absolutely done with purpose. You can't fight what you don't understand.

Probably just as important to understanding how to read your report is figuring out how to fight what's wrong. Some bureaus, for instance, use a code of 1s and 2s to express if an account was paid on time or 30 days late. The trouble is a 1 can mean 30 days late on one bureau's report, or it can mean on time on another's; a 2 can mean either 30 or 60 days late, again depending on where you get your information.

Most accounts are represented by the following information:

- The name of the creditor and the type of creditor
- Your account number
- The status of the account – open, closed, past due ...
- Whether individual payments were timely or late

A brief explanation of number and letter codes may be located on the back side of a consumer credit report. In some cases, credit bureaus will offer, for a fee, a more concise booklet on reading credit. This is self published as both a profit center, and a way of warding off complainers. (“Why don't you just buy the book, Sir?”) Do not count on the bureau to provide you with advice on challenging reported information. Who owns the ‘free credit’ report sites? The credit bureaus own them. For a fee, after you have fallen for a marketing pitch, you will learn how to actually understand your credit.

Publications from banks, credit card companies, even the FTC traditionally say that it isn't possible to change credit reporting through credit repair. They suggest you wait for seven years for removal of bad credit. The major bureaus also provide useless ‘explain yourself’ areas to limit credit disputes. These offer you the ‘right’ to add your side of the story in up to 100 words. The problem is, credit is a numbers game and written excuses don't change the numbers. Explanations do nothing to resolve problem accounts or lower the higher interest you pay because of negative account histories.

## Types Of Credit Reports

### Infiles

Although all credit reports start with the same basic data, they do not contain the same level of information. When you apply for credit, your potential lender sees an *infile*, as professional bureau reports are known. It contains much more information than a sanitized consumer report. This is especially true for the negative information. One feature of an infile often omitted from the consumer version is a national credit risk score known as a FICO score. It ranges from a low of 375 to a high of 850. Useful credit is anything above 720, although you can work with scores in the high 500's – at higher interest rates.

Another piece of information on an infile is the lettered or numbered additions that appear under the score. These indicate exactly what factors have contributed to your credit score deficiency. Not surprisingly, they are called factors. You might see letter codes like a, d, e, m, s, b, or number codes like 34, 19, and 27. Some examples of factors are: too many accounts with open balance, too many delinquent accounts, proportion of balance to credit limit too high. The FICO score and the factors are perhaps the most informative infile components not found on most consumer versions.

### **Full Factual/Residential Mortgage Credit Reports**

When applying for a mortgage, a report known as a *full factual report* is used to determine the outcome of your application. It is a combination of at least two of the bureaus' infile reports. It may also contain information about your lifestyle, such as:

- Employment and income
- Residence
- Details of your credit application

This information is verified by someone working for the bureau or agency compiling the report.

### **Reading Consumer Disclosures and Infiles**

Account status and payment history are the two more important aspects of any credit report entry. Following is an overview of how to read this information from each of the three bureaus' reports:

#### **Experian's Consumer Disclosure**

Experian's consumer report emphasizes a few facts:

1. You are responsible for your account.
2. There is an amount of money you owe, and
3. Whether or not you have made late payments to your account, although it does not say when. This makes it difficult to attempt the repair or removal of poor credit marks. If you cannot pinpoint when you are accused of having been late, it is quite a challenge to dispute it.

#### **Consumer Disclosure Example**

“Account is current and all payments being made on time. 60 days late was reported during the account's history. Scheduled monthly payments: \$75.00, last payment was reported to Experian: 10/2004. Account balance: \$2,708.00 on 10/2004. Months previewed 76.”

#### **Experian's Infile**

Located in the right-hand column of an infile report is the following information:

Cur-Was 90  
nnccccccc12  
ncc1nncccc

“Cur-Was90” states that a current account was ninety days late at some point in the last seven years. Your payment history is the letter and number code (nnnccc...12), the first n on the middle row stands for the status of the account 24 months ago and the last c standing for the most recently reported month. Nothing was due on the account in months with an ‘n’. The letter ‘c’ means money was in fact owed and paid on time. If your account was one month late, a ‘1’ appears. If you go another month with no payment, a ‘2’ is used.

“Cur-Was 90” is an account status that reflects your payment history. Since the status covers the past seven years, it is possible that all of the letter codes could be a ‘c’, indicating payments were made on time for the last 24 months, but at some time between two and seven years ago, you were 90 days late. Almost all consumers are confused by the combination of codes representing the last two years’ indicating on time payment, and the account status representing the last seven years that says you were late.

### **Trans Union**

Consumer disclosures and infiles are similar. Payment history on both reports appears like:

11112311111	1 = on time, 2 = 30 days late, 3 = 60 days late
1111X111112	
56 2 1 1	This means 56 months of history reported, 2 30 day late marks, 1 60 and 1 90 day late marks.

The past 24 months are reflected in the top two lines, containing numbers/letters. The first line is two years ago starting with the number ‘1’ (on time). The most recently reported month is reflected by the final ‘2’ indicating that you are 30 days late.

These numbers don’t refer to the same months as Experian’s code system. A payment made on time, in this report, is indicated by the number 1; thirty days late is represented by a 2. The third line is a notation of the account status indicating this particular account has been reported for 56 months and there is one ninety-day late payment, one sixty-day late payment and two thirty-day late payments. Since a ninety day late payment is represented by a ‘4’ on the top two lines, and none are visible, you may conclude that it happened more than two years ago.

### **Equifax Payment History And Account Status**

Equifax has experimented with plain English reports of differing types over the years, with predictably sanitized results. Their account payment history does a fairly good job of relaying the information, with some confusing points noted.

>>>30(2) 60 (1) 90 (0) 8/04-R2<<<<

This says the account has twice been thirty days late, once sixty days late and never ninety days late. This final notation – 8/04-R2 explains that the date of the sixty day late payment was in August 2004.

Note: “R1” may represent both an on-time and thirty-day late account. As in other reports, it may be hard to pinpoint the date of all late payments. For those unschooled in credit, this can make it hard to challenge. Equifax might only provide a history for accounts with negative credit reporting.

## **Point Of Confusion**

When a credit report contains information from all three major bureaus, a muddle of their reporting features can result. This 'Trimerge', or 3 report combination, is made strictly for professionals and is very complete. Usually, the date of any lateness and the changes in lateness over the entire seven year period is easily discerned, making disputes easier.

The information here covers all three credit bureaus and their reporting styles, yet there are many sub-forms of credit reporting. Depending on the end use, the information released by the three major bureaus is distilled, edited, and embellished as need requires.

Common reporting errors still shine through though. Often, account information is not updated or just plain inaccurate. Just as often, it belongs to someone else. The mixing of identities has been a problem in credit reporting from its inception. When you examine your report, take the time to compare your billing information with their information, and double check the amount owed. It has a sneaky way of becoming more than you thought, or more than you agreed to. Often, payments are not credited on reports, even if the lender has done so on a statement. For all the flaws in this system, it is the system. Whatever manages to remain on your report after you get through with your repair work represents you – or the electronic version of you. No matter how incorrect an item is, regardless of the proof you have that it is wrong, it is the 'truth' until changed on the report. Only you can make sure what they report fits the facts.

## CREDIT BUREAU REPORT REQUEST LETTER

Credit Bureau's Name:

Address:

Your Name:

Your Address:

Dear (Credit Bureau's Name):

I am writing to request a copy of my credit report. Enclosed is a money order for \$\_\_\_\_\_. Also enclosed is a copy of my \_\_\_\_\_ (driver's license, or social security card, or a bill from the phone or electric company).

Best regards,

\_\_\_\_\_  
Signed, Dated

## V. NEGOTIATIONS – Q&A

### Beginning Your Negotiations

Debt negotiation has high stakes. The financial well being of you and your family hangs in the balance. More often than not your perseverance will count for much more than any clever turn of phrase, or quick witted counter offer.

### Q & A

*I'm calling to make an arrangement to start paying on my account. The account number is \_\_\_\_\_. What is my current balance?*

If applicable you should ask: “What was my balance at the time of my default?” (If it’s lower, you may be able to revert to it.) Finally, ask: “What are the minimum payments you will accept?”

Your creditor will ask why you need a payment plan if you have never been in default, especially if you’ve been mostly on time to this point. If you are already delinquent, they may try for a lump sum payment. It is their job to get the most money quickly. They may offer you a payment plan that doesn’t fit your budget. It is up to you to insist on a plan that can work, and will fit your income and debt level. In the end, they really only have the choice of accepting what you can and will pay.

*If I can't make the minimum payment, what do we do?*

No matter what you hear at this point, stick to your guns and insist on getting a payment plan that fits your needs. If the person you are talking to won't make a deal, ask for someone who can. At the first level of customer service, personnel usually have no power to do anything other than enforce the original agreement. Once you have someone who can make a deal, insist on a payment plan that fits reality. Agreeing to anything else might cause you to look at bankruptcy as an option – say so. Also say that you have other accounts that have agreed to cooperate and you need this creditor to be part of the entire picture or your plan may fail and no one will get paid.

*Will you freeze further interest, and deal with the original debt, not the one that it has grown into?*

Often, a creditor will forgo interest payments and focus on getting the principal. This is especially true with retail debts, where a large profit was already made on your purchase. Credit card firms who have collected high interest payments and are fearful of mounting defaults will also entertain freezing interest, either from the day you start negotiating or from the month of your default.

*How will my credit be reported now that I'm paying? Will you 'un-rate' my account?*

Unrated credit means that when you challenge the credit bureau to confirm the information reported, the creditor either doesn't answer, in which case the item is removed, or they answer that they don't have information on that account. Either way, they can't rate the account without proper information. You need to lock down exactly how paying your creditor will affect your past and future credit rating as part of any negotiated plan. Generally, if you pay 100 percent of your debt you can get an agreement that the creditor will stop reporting on your account, allowing it to become unrated. Though it is possible to get this 'unrated' debt settlement for less than 100 percent, creditors are understandably reluctant to let you have good credit for a discounted settlement.

### ***What about “re-aging” my account?***

Re-aging an account simply means that your creditor, usually in exchange for a payment, will dispose of old payment history on the account and report only newer, on-time payments.

### ***Will the account be listed as a ‘settlement’ on my credit report, or will you agree to un-rate my account if I pay you as agreed?***

You need to be specific in written agreements. Be clear that the word ‘settlement’ is not acceptable as a term of your paying off the debt. You must keep any deal you make with the creditor. This is your second chance. If you default on a renegotiated settlement, all bets are off.

### ***Why won’t you help with credit reporting? Haven’t you done this for other consumers?***

They may tell you that changes in credit reporting, or agreeing not to report isn’t possible. Everything is negotiable. Most creditors have agreed to unrated settlements in the past. Say that you know that unrated accounts are common; if the person you are talking with can’t make one, ask them to refer you to someone who can. The odds are against them showing you these cards in your first negotiation. They often read from a prepared script and don’t have the authority to make command decisions. Also, it reflects poorly on them to fail in their collection effort.

### ***Will this new agreement, when complete, be considered payment in full?***

Be clear when making an agreement over the phone. The term payment in full or paid in full must be agreed upon. Follow up and solidify your agreement in writing before you pay. Unscrupulous collectors agree to anything you ask to get your money, with no intention of keeping their end of the bargain. They credit your payment, take their commission, and nothing changes on your credit report.

## **Legal Alternatives**

After you have exhausted negotiation alternatives, you may only be left with legal means to convince your creditors to settle. We shouldn’t sue if you don’t have cause, but you can voice (in writing) your feeling that laws may have been violated and action on your part may be taken.

Section 1692f of the Fair Debt Collection Practice Act is titled Unfair Practices. You can skim this section to see if you have been subject to violation under this law. Section 1692k is entitled Civil Liability. Quoting the Title, Section, and Sub-section of these two laws, even in an amateurish letter, will make an aggressive collection agency wonder if you have evidence of their unfair practices, and could possibly collect a big monetary award under their civil liability exposure. Since these laws were drafted to protect individuals from the unfair balance of power between creditor and debtor, you’ll find that much of what is written could apply to one of your credit problems.

## **Why Do I Have To Use Letters If I Reach An Agreement On The Phone?**

Just because you reach an understanding with someone from your creditor’s company doesn’t mean that will translate to your credit report. Sometimes, commissioned collection personnel will outright lie to you, agreeing to whatever will get you to write the check. By the time you seek to enforce the agreement, you find that they did not have the power to make it, or worse, they aren’t still with the company. With a certified letter, you have proof of the date your terms were received, and create a legal trail should future disagreement result.

## **Is The Agreement ‘Legal’ If I Don’t Have Something Signed By The Other Side?**

You can create what is known as a ‘restrictively endorsed’ payment. Your letter dictates the terms agreed to in the phone call, and adds that cashing of the enclosed check or money order means that those terms have been agreed to. Send this letter twenty days in advance your payment and make sure to send it to an actual named individual at that organization. Merely sending a blind letter will not enforce your rights because automated systems often open and deal with consumer correspondence. You will need to do the work of finding someone who will make an agreement and document that agreement with a letter prior to sending your money.

## **What Are Some Of The Terms I Should Negotiate For?**

Most important is that the payment or sum of the payments made over the term of your new agreement will constitute *Payment in Full*. This is distinguished from a *Settlement* which is still a derogatory credit entry. Next is an agreement that the creditor will no longer answer questions about the account from credit bureaus. This will allow you to tell the bureau that your creditor is not confirming the negative information. Information remaining unconfirmed for more than thirty days must be removed – and that is successfully negotiated, permanent, legal, credit repair.

## **What Terms Are Most Likely To Be Accepted?**

A single lump sum is the most likely way to get a discounted settlement that is called ‘paid in full’. Remember, especially when you hear the phrase “it’s not possible”, that everything is negotiable. You can test their resolve by saying, “OK then, no deal. Call me when you are serious.” You’ll be surprised how many phone calls you get within a few hours or days capitulating to your terms.

## **How Do I Prove That They Received My Information?**

Send your letter through Certified/Return Receipt Requested Mail so you have proof of who received it and when. The return receipt must be signed and dated in order to complete delivery. The receipt comes back through the mail, generally within a week.

## **Does It Matter If I Write Well, With Perfect Grammar And Spelling?**

As long as you get your point across, and do it as described so it is legally enforceable, you will appear to be a potentially difficult customer who is best dealt with and accommodated. It also doesn’t matter whether you type or handwrite if it’s readable.

## **What Information Should Be On My Correspondence?**

Your name, address, phone number, account number, the amount they are asking for, the amount you’re willing to pay, and the terms on which payment will be rendered (a lump sum, 12 monthly payments, for example).

## **Points To Remember**

You should always push for a paid in full. Your final goal in negotiating settlement can also be 'paid as agreed' or 'account closed – paid as agreed'. Anything other than these listings will have a negative effect on your credit report. Creditors make their profits by collecting from their customers, not by reporting negative credit information. Creditors realize this, and often will agree to allow the deletion of negative items upon settlement of the debt. Creditors won't try to ruin your credit rating as a personal vendetta. It's strictly business. If it pays to collect from you and restore your rating to perfect, they will do this. Talk to them about money, not principles or morals. An example is, "I know you would love to receive the \$3000 I owe you, but it will not help my credit report if you can't change my rating to 'paid as agreed'. I'm better off paying it to other creditors who will agree in writing to change my credit rating."

## **Summary**

The preceding questions are geared toward pushing your creditors to an agreement in exchange for money. If you have already made a settlement, the only leverage you have is your offer to pay in full. If you've already paid, you can use legal pressure based on the past wrongful actions of the creditor or collection agent. If they think they might lose money or have to spend more money, they will be more eager to settle. Lending institutions lose money all the time and write off their losses. Doing so is a last resort for everyone – it affects profitability and can ruin your credit. By modeling your negotiation on the questions above, you can make a settlement that fits your budget and gets your creditor paid, leaving you with intact credit in the bargain. If you don't get what you want with your first negotiation, stick to your guns. Remember, if you already have a number of late credit marks on your account, there is little more a creditor can do to ruin your credit. By holding out for your position, no matter how long it takes, you will likely get the settlement you desire.

## DEBT SETTLEMENT AGREEMENT

Date:

Your Name:

Your Account Number:

Your Address:

On the (date) \_\_\_\_\_, I had a conversation with \_\_\_\_\_  
(name of customer service employee) in which it was agreed that I will pay \_\_\_\_\_  
(fill in amount).

*If in installments:* I will make payments of \_\_\_\_\_ (fill in amount) for \_\_\_\_\_  
(number of months), until the full amount of \_\_\_\_\_ (fill in total debt) is paid.

As part of this agreement, \_\_\_\_\_(name of company) will consider my debt  
\_\_\_\_\_ (EITHER paid in full or settled) and will not answer any credit bureau  
inquiries regarding the above listed account.

\_\_\_\_\_  
Signed, Dated

## CREDIT BUREAU UPDATE LETTER

Credit Bureau's Name:

Address:

Your Name:

Your Address:

Dear (Credit Bureau's Name):

I am writing to request that you update my account #\_\_\_\_\_. This creditor no longer reports the derogatory credit that you have on record. Please contact it and update my history accordingly.

Best regards,

\_\_\_\_\_  
Signed, Dated

## UNRATED ACCOUNT AGREEMENT

Creditor's Name:

Address:

Your Name:

Your Address:

Re: Account #:

Dear (Creditor's Name):

As we agreed on the phone, enclosed is my payment for our settlement. As per the terms of our agreement: *(choose between these options you may have negotiated)*

1. You will freeze my interest payments and let me pay down 100 percent of the balance due, that is, \$ \_\_\_\_\_, in monthly installments of no less than \$ \_\_\_\_\_.

OR

2. You will let me pay 100 percent of the balance due, currently at \$ \_\_\_\_\_, in monthly installments of no less than \$ \_\_\_\_\_.

OR

3. You will let me pay 100 percent of the balance due, currently at \$ \_\_\_\_\_, in a lump sum.

Upon completion of the above payments, you will report nothing on credit, thus unrating my account.

Best regards,

\_\_\_\_\_  
Signed, Dated

## INQUIRY DISPUTE LETTER

Credit Bureau's Name:

Address:

Your Name:

Your Address:

Dear (Credit Bureau's Name):

I am writing to dispute the following inquiries on my credit report. Unless these inquiries were generated from marketing program or your list sales, they are the result of unauthorized file review. I gave none of these companies reason to believe that I would do business with them and, in fact, specifically told them not to look at my credit.

Best regards,

\_\_\_\_\_  
Signed, Dated

## **VI. COLLECTIONS / CEASE COLLECTIONS**

### **Collection Issues**

If an account has been transferred to a collection agency outside of the original creditor's organization, then you will have two negative report entries for that one debt. By using the Cease Collections Letter you can shut down the collectors and cause the debt to be transferred back to the original creditor. However, sometimes that debt has been outright sold, and no return will ever happen. Where it is possible, insisting that you have issues directly concerning the original creditor (such as failure to bill correctly, at the right address, in the right amount, product failure) may spur the process on. You can then negotiate with the original creditor to agree on a payment, deletion of the collection account, and an updating of their records to paid account or the like.

Collection agencies will always agree more readily to delete the negative listing than banks or credit cards. Why? They can change their rating, but you are still stuck with the original creditor reporting you late. Who cares if you have a 'paid as agreed' collection account: no matter what the rating, every collection is a negative mark. You need to get the collection agency to agree to remove their listing entirely from your report and have the original creditor change the rating to 'paid as agreed'. At the very minimum, you are within your legal rights to demand the removal of the collection account from your report. Some collection agencies will tell you they have no power over what the original creditor will do regarding your credit. To some extent, this is true. However, both the collection agency and the creditor want their money. If collected, the agency gets paid, and so does the creditor; therefore, it is to their advantage to cooperate. Explain that if they can get a written agreement from the creditor, you will pay them their money, or else you will find a better way to spend your cash.

Collections often come from odd places. Doctor's bills that were supposed to be handled by insurance, parking tickets you never knew about, and the like can be very difficult to resolve. This is especially true when you deal with state or city government bureaucracies. Student loans are another dead end. These loans have enforced payment, and can be stripped from your tax refund. They have very little need to negotiate anything, never mind help your credit. Focus your efforts where headway is likely.

### **Points To Remember**

In most credit organizations, there are many, many people with the authority to make settlements, accept pay agreements, and make changes on a credit report. Larger creditors, such as credit card companies or banks will require more pressure before they agree to delete a negative listing, but virtually every creditor will acquiesce with the right amount of pressure, persistence, and persuasion.

## **Ceasing Payments / Collection**

If you've decided not to pay certain creditors, or to hold off on those who either won't settle at this time or want what you can't give, you can temporarily stop them from attempting to collect the debt while you deal with your first priorities. This is done by sending a cease collection letter. The legal, debt collection, or recovery departments are the areas of a lending organization most capable of making a deal with you.

If you have never paid late and have perfect credit (though unlikely if you are reading this), you should know that stalling your creditors with cease collections letters will add a number of derogatory marks to your credit report and may cause the lender to seek judgment against you. Carefully consider whether or not it is in your best interest to stop payment on or attempt to settle previously unblemished accounts.

The goal of the debt reorganization process is to fulfill an agreement in which you demand from your creditors that they report your account as unrated or paid in full in exchange for them getting their money back. If, after attempting to negotiate with creditors, you don't think you can restructure your debt, bankruptcy may be the only choice.

## **Judgment-Proofing Yourself**

If you stop paying certain bills, you will eventually see legal papers demanding payment. You must deal with all legal correspondence, maybe hire a lawyer, and possibly even go to court to hold off default judgments. Withholding money as leverage to force a settlement can expose you to a judgment more often with mortgages and auto loans, though credit cards have also been known to sue if the debt is large. It is possible for the lender to gain a judgment against you within thirty days after you are mailed legal papers notifying you of your default and their intent to seek court relief. Your credit agreement and the law stipulate that they may seek a judgment after notifying you by mail, and giving you reasonable time to cure the default. If a lender does not send you a summons and complaint stating his intention to seek court relief, you aren't necessarily safe. More than a few creditors have snuck a case into court without proper service, believing (often correctly) that you won't have the wherewithal to fight them after the judgment is ordered.

## CEASE COLLECTION LETTER

Debt Collector's Name:

Address:

Your Name:

Your Address:

*Debt Collector's Account #:*

*Creditor's Account # (if different):*

Dear (Debt Collector's Name):

I am writing to ask that you cease collection on the above account. I will no longer honor your attempts at collecting these debts. I understand that you may not contact me except to inform me of any legal action you can or will take in regard to this debt.

Best regards,

\_\_\_\_\_  
Signed, Dated

## VII. FORM LETTERS FOR ESCALATING YOUR ATTACK

### Points To Remember

Whenever a letter includes a reference to a summons and complaint, you can omit that first sentence referring to the complaint, and send the letter alone. Include the reference and a copy of the Notice of Complaint in the next letter, and the actual Summons and Complaint in the third letter.

Depending on the creditor that you deal with, you may not need to escalate your battle through this formal process of a letter, followed by a Notice of Complaint, followed by a Summons and Complaint – they may agree early in the game.

A Notice of Complaint is simply a Summons and Complaint that has not been filed. It is a gentlemanly legal warning shot often taken to show that you are serious, but also open to settlement. None of these letters is written in stone. Make the changes that fit your case whenever possible or necessary.

**TO CREDITOR, TO BE SENT WITH NOTICE /  
SUMMONS AND COMPLAINT**

Creditor's Name:

Address:

Phone Number:

Your Name:

Your Address:

Dear Customer Service:

Enclosed is a (EITHER notice or summons) and complaint concerning a case against your company for violation of the Fair Credit Reporting Act. I believe you have failed adequately to investigate the information on my report, specifically account # \_\_\_\_\_.

Please un-rate this account or I will be forced to take all necessary actions to clear my name, including pursuing any and all legal recourse necessary to accomplish this.

Regards,

\_\_\_\_\_ Signed, Dated

**TO DEBT COLLECTION AGENCY, TO BE SENT WITH  
SUMMONS AND COMPLAINT**

Debt Collector's Name:

Address:

Phone Number:

Your Name:

Your Address:

Re: Collection Account # \_\_\_\_\_, Creditor's Name

Dear (Collector or Agency's Name):

Enclosed is a (EITHER notice or summons) and complaint concerning a case against your company for violation of the Fair Credit Reporting Act. I believe you have failed to cease collecting on my account even though I have requested this and now repeat my request. Additionally, your collection efforts are abusive. I will deal only with the original creditor on this issue.

Please un-rate this account or I will be forced to take all necessary actions to clear my name, including pursuing any and all legal recourse necessary to accomplish this.

Regards, \_\_\_\_\_ Signed, Dated

**TO CREDITOR – BILLING ERRORS  
TO BE SENT WITH SUMMONS AND COMPLAINT**

Creditor's Name:

Address:

Phone Number:

Your Name:

Your Address:

Re: Account # \_\_\_\_\_

Dear (Creditor's Name):

Enclosed is a (EITHER notice or summons) and complaint concerning a case against your company for violation of the Fair Credit Billing Act. I believe you have failed properly to bill me at my correct address, and for the correct amounts I owe. Since this is a revolving credit account, your reporting me as having paid late is in error.

Please delete the past late marks or un-rate this account, or I will be forced to take all necessary actions to clear my name, including pursuing any and all legal recourse necessary to accomplish this.

Regards,

\_\_\_\_\_  
Signed, Dated

**TO CREDITOR – CASH FOR CLEAR CREDIT AGREEMENT,  
FAILURE TO CHANGE ADDRESS, TO BE SENT WITH  
SUMMONS AND COMPLAINT**

Creditor's Name:

Address:

Phone Number:

Your Name:

Your Address:

Re: Account # \_\_\_\_\_

Dear (Creditor's Name):

Enclosed is a (EITHER notice or summons) and complaint concerning a case against your company for violation of the Fair Credit Reporting and Fair Credit Billing Acts. I believe you have failed properly to bill me at my correct address, and for the correct amounts I owe. Since this is a revolving credit account, your reporting me as having paid late is in error.

I have also enclosed a restrictively endorsed check for the amount now owed. If you cash this check, you agree that my account has a zero balance, that it is closed, and that you will un-rate it with all three major credit bureaus. Additionally, you will send me notice of your agreement to these terms.

Regards,

\_\_\_\_\_  
Signed, Dated

**TO CREDITOR – CASH FOR CLEAR CREDIT AGREEMENT,  
TO BE SENT WITH SUMMONS AND COMPLAINT**

Creditor's Name Collection / Agency's Name:

Address:

Phone Number:

Your Name:

Your Address:

Re: Account # \_\_\_\_\_

*And/or* Collection Account # \_\_\_\_\_

Dear (Creditor's Name):

Enclosed is a (EITHER notice or summons) and complaint concerning a case against your company for violation of the Fair Credit Reporting and Fair Credit Billing Acts. I am willing to settle this matter, but only on the condition that you un-rate my account with all three credit bureaus.

Upon receipt of your letter stating agreement to do so, I will send a restrictively endorsed check for the amount now owed. If you cash this check, you agree that my account has a zero balance, that it is closed, and that you will un-rate it with all three major credit bureaus. Additionally, you will send me notice of your compliance with these terms.

Regards,

\_\_\_\_\_

Signed, Dated

## VIII. CREDIT BUREAU DISPUTE

### Credit Bureau Dispute Letter

The following letter is used to dispute items directly with the credit bureaus when negotiation with your creditors won't work. This is especially true when the creditor is the government or the IRS, or if you're disputing public records.

Avoid the look of being coached. Customize this letter by altering the wording and layout. Even add a sentence or two explaining facts or details particular to your case. Remember, this letter is not based on a formula. It is a factual statement of your position and intentions regarding the creditor and an act of letting them know you believe they have made an error and that you are capable or pursuing it legally.

Use the creditor forms to record when you send this letter and the follow-up in thirty days. On subsequent letters include the phrase 'second notice'.

Remember to send this, and all creditor correspondence, by certified/return receipt mail. This will provide you with proof they have been notified, and show them you are organized and serious.

**Note:** After each account name and number you are disputing, you must include a specific reason why you think that credit entry is wrong. The reasons listed below are the more common ones, though you may list others. Do not, however, use an excuse such as, "I was late because I hurt my foot." The reasons that can cause a credit bureau to remove the bad credit must be rooted in the law, specifically, the *Fair Credit Reporting Act*.

*Reasons why an account can be wrong:*

- They didn't bill you correctly.
- They didn't send you a bill.
- This item is older than seven years (ten years for bankruptcies).
- This is not your account.
- You are not responsible for this account.
- You paid this account on time.

## CREDIT BUREAU DISPUTE LETTER

Credit Bureau's Name:

Address:

Your name, address, and social security number, and a copy of any of the following ID – driver's license, social security card, a phone or utility bill with the same name and address as your return address:

Dear (Credit Bureau's Name):

The following items are incorrectly reported on my credit account. These accounts are (not late, not mine, not billed correctly, etc.) [Add reason why the account is wrong] as reported. Please correct or delete. You are obligated to look at the underlying circumstances of this account and not merely re-report what you are told.

Account Names:

Account Numbers:

1.

2.

Etc.

Best regards,

\_\_\_\_\_  
Signed, Dated

## IX. THE CREDIT SCORE RX KIT

### How To Increase Your FICO Rating

To begin understanding your FICO Score, we have presented a number of questions and answers so you can get a background, or simply have basic questions answered so you can get on to the next area of your business.

### What Is A FICO Score?

It is a number on your credit report that is used to rank your payment habits and overall credibility. It ranges from 375 to 850. The U.S. mid-range is between 600 – 700, and a good score usually starts at 720.

### Who Makes The Score?

A company called Fair, Isaac generates the raw data from which each of the three major credit bureaus derives its own calculation. Experian, Equifax, and Trans Union all have your score on their credit report. Each of these credit bureaus usually comes up with a slightly different score calculation for a given individual, so that you will actually have three relatively similar scores. Fair, Isaac Corporation, whose initials generate the term FICO, creates their score by first looking at a control group of 2 million consumers. They transcribe a two year period of individual payment histories, as well as income, savings, debt, household size, marriage status and prior payment history. From this they get a model of how a similar group will behave. This information is used to set interest rates for individuals across the spectrum of credit behavior. It is just like an actuary in an insurance company gauging the likelihood that you will fall ill or die and setting policy prices accordingly. In the business of credit, though, a score summarizes the likelihood of your timely payment. The FICO scoring model is an excellent predictor of who is or is not a good credit risk, and how much so. Some might ask whether mistakes on the report skew the value of the score, but even here the question of accuracy is not completely well challenged. Those who care enough about their credit to keep abreast of its accuracy and move to maintain such, have higher scores, deserve them, and are a better credit risk.

Muddling the accuracy question is the fact that the three credit bureaus each take the Fair, Isaac scoring information and adapts it to create their own individual score with its own name. Equifax has its *Beacon* score, Trans Union has Empirica, and Experian simply calls it a *Fair Isaac* score. Rarely do these bureaus agree numerically on the score they assign an individual. As often as not, they aren't within 20 points of each other. The method by which this discrepancy is overcome is to choose the middle of the three scores or the lower of two scores if an individual isn't reported on by three bureaus – not a completely uncommon occurrence. In fact, the rules for getting a federally insured loan insist on using the scores this way.

### Your Score, In Depth

To begin the process of understanding your credit, it is important to understand the credit system. In the end, whether through good credit habits from the start, better payment habits over the last two years, credit repair efforts, or some combination of these, achieving a good credit score from the three major credit bureaus will most influence your **ability** to get credit – at the right price. A good score alone does not guarantee you will not fall prey to the credit vultures. These are the companies who thrive on overcharging the naïve and uneducated.

## **What Is A Good Credit Score?**

It does depend on what type of credit you want, but generally speaking, a good score for a mortgage applicant starts at 620 instead of 720. This is the lowest score for what is known as a *conforming mortgage*. That means it conforms to the federal mortgage credit rules.

## **Which Of The Three Scores Counts?**

Mortgage companies, car dealers, and banks usually take the middle of the three scores. If only two credit bureaus report on your credit, as is sometimes the case, then the lower of the two scores is the one that counts.

## **How Do I Get My Score?**

You can get it from a credit report, but not all versions of credit reports have it. A professional lending organization will get complete reports from a credit bureau. This professional type report is called an *Infile*. Three infiles together, one from each bureau, is a *Trimerge Report*, also known as a *Residential Mortgage Report*. If a person makes phone calls to verify information you have supplied, it is called a *Full Factual Report*. You can get a report by purchasing it from the credit bureau.

## **What Can I Do To Improve My Score?**

You can improve your score if there are errors on your report and you have them corrected through a letter writing campaign to the credit bureaus. Another option is to use some automated private credit bureau services. Example: One person's score was raised by 32 points when they moved their credit balance from a card with a low limit to a higher limit account. This told the computer that they were using a smaller percent of their available credit, and the score went up. Another person had too few credit accounts. By simply getting two credit cards, their score went up 56 points.

## **What Else Can Help Me Improve My Score?**

In addition to these credit changes that are 'within the system', you can use the leverage of money you still owe to negotiate a change in how your credit is reported.

## **Getting Your Score**

To see your score, you will need to get a professional mortgage company style 'Trimerge' report. While you can get your credit report from each of the three bureaus, most consumer versions purposely omit the score. Worse, some organizations who sell credit reports have created alternative score systems that have nothing to do with the FICO score, and results that have no bearing on most credit grantors' decision process.

It is the general policy of most credit organizations not to give consumers a copy of any credit report in an effort to protect themselves from mistakenly giving private credit information to the wrong person. The contents of a credit report are more than enough to allow someone to steal your identity. Since credit bureaus make their service subscribers liable for damage caused by misuse of purchased reports, you can see why distribution is restricted. What can you do? There are legitimate places to purchase a Trimerge report. The three individual credit bureaus have recently taken to selling packages that include each others' reports, though they take some pains to keep this sideline discreet from their normal efforts, often creating a third party business to do so.

## **Your Scores In Hand**

Once you have your scores, it is important to understand the criteria that most affect them. Each of the credit bureaus' computers generates a list of the four reasons that most likely hinder you from receiving a higher score. These are called 'factors' and generally appear right below the actual score number, very close to the top of the first page of the credit report. Examples of these factors are:

- Too many open lines of credit
- Derogatory public record
- Proportion of outstanding balance to high credit limit
- Number of delinquencies
- Too many accounts with balances

Just because a factor such as 'too many open lines of credit' appears on your report doesn't necessarily mean that you actually have that problem. To some extent that issue may affect your credit, but it appears likely that the 'four most likely reasons' are included whether or not all of them, or any of them, are important to your situation. They are on the report because the bureaus have an obligation to give you some direction in bettering your scores. Most often, correcting a factor will only raise your score a few points. Some factors are more important than others. Removing delinquencies, either by paying them or proving them false, will do a lot to improve your credit report. Removing a charge-off, meaning you were written off as an uncollectible bad debt, will greatly increase your score. Each individual report has unique scoring circumstances. Someone with twenty trade lines (credit accounts) will not necessarily see as much of a gain from clearing off one single error as a person with only four trade lines. Similarly, those with a great amount of debt might not get as much of a boost from paying off one account as their thrifty neighbor.

Still, there are basic guidelines on how to optimize your score. Remember that optimizing your score is not the same as actually fixing it through credit repair. Repair is actually forcing items to be removed or changed through techniques such as negotiation and letter writing. These maneuvers involve attempting to persuade or induce a third party or organization to make changes. Optimizing your credit involves techniques which are fully within your power to control. These include:

### **Shift Your Account Balances So That No Single Account Is Charged Near Its Limit**

If you owe \$300 on an account with a \$350 limit, move that debt to an account with a higher limit, making the total ratio of debt to available credit lower. Put the \$300 on your card with a \$6000 limit, and you will still have the same total debt, but you will be using a smaller percentage of any available credit line. Also, concentrating your debts to fewer credit cards will help you avoid having too many accounts with open balances, this being a negative factor that shows up on credit reports.

### **Changing The Number Of Accounts You Have Open**

- If you have too few accounts, opening some will help. Those who have very little credit history need to show enough for an informed judgment to be made on their payment habits. Having at least 3 credit card accounts is generally considered optimum. If you only have one, open up two new ones. A secured card, which is an account backed by a savings deposit as collateral, is an easy way to guarantee speedy addition of new trade lines.

- If you already have three, but two of them have bad credit history, you can close the bad ones and open up two clean ones; these need not necessarily have very high credit limits as the point is only to have enough trade lines (credit accounts) from which your activities can be accurately judged.
- If you have many accounts open, say 10 or 15, your credit can often be improved by closing some of them. The criterion you should consider is how much total credit is available to you. The question of disposable income comes into play here. If, after paying your bills, you have \$400 left over each month ('disposable income'), and have accounts where you could potentially charge \$30,000, your ability to pay what you might charge could be a problem. Lower your available credit by closing a few higher credit limit accounts

### **How High Of A Score Should I Aim For?**

Your FICO score goal should be as high as possible. Scores derived from the FICO data range from 375 to 850. For the most part, a score above 620 will allow those with two years of steady income history to get an 'A paper' mortgage (qualifying you for the preferred rates). This is generally considered the acid test of your credit purchasing ability. The benefits of higher scores come into effect when you consider some of the add-on features of a loan. For example, many banks have programs where an applicant with a 720+ middle score isn't required to produce evidence of their income to get a loan at the best rate. This allows them the privilege of borrowing a larger amount at the preferred rate than their income would usually allow under guidelines associated with a lower score. The logic is that since they have shown themselves to be capable of paying their bills, as demonstrated by their score, they have the right to decide what they can or cannot handle financially.

The score you need depends on what you want to do. If you are buying a house, a higher score will afford you more flexibility, both in loan amount and terms. All other things being equal, a 740 score entitles you to more loan options than a 640. Such loan features as interest only payments, or payments below interest level are offered to those with the highest scores. Someone with a 640 score might still be able to get these same loan terms, but it would cost them more through higher interest rates. Professional lenders have a spreadsheet-style grid for interest rates, with the lower rates and better terms running in direct correlation to the FICO score.

A bad score doesn't necessarily mean that you can't get credit, just that your credit will be limited in one way or another. You may be able to get a mortgage, for instance, but you can only borrow up to 80% of your home's value under terms where someone with good credit (say, above 620) can borrow 90% or more. Your rate will be higher, too. Typically, lower credit scores can add as much as 1% to a mortgage interest rate. On a \$250,000 home, this can mean over \$200 each month and \$65,000 during the life of a 30 year loan.

## Credit Type

The type of credit you have is critical to the scoring process. The easiest type to get is called *revolving* credit. Revolving refers to credit cards and store cards. It ‘revolves’ because you pay and owe and pay and owe at different levels during any given month. Be careful of too much revolving credit, and too many accounts. It lowers your score to have a balance due in too many places. Whenever possible, consolidate your debts to one or two cards with the lowest interest rate. By having a minimal number of accounts, with perfect payment records, you will go a long way toward achieving a high FICO score.

The next type of credit is *installment* credit. This is typically a car loan or any financed loan where the monthly payment always has the same amount and due date. Your ability to make this regular obligation reflects greatly on your creditability. Although being late just once may seem like a trivial thing, nothing could be further from the truth. An account always paid on time is unblemished, whereas just one 30 day late mark turns it into a *derogatory* account. The frustration of feeling that your creditors are wrong because they mess up your credit for that one late ignores reality. This is a business of computers talking to computers. Nobody wants to ruin you for one late, but three accounts with just one 30 day late on each gives you three derogatory accounts. It helps if the *lates* aren’t in the last two years since time improves your score, but it is important to respect how sensitive the system is. You’re better off with all three *lates* on only one of the accounts than one on each of the three.

The top level of credit is your *mortgage*. If you pay this on time, getting another mortgage, and creating wealth through real estate purchases is much easier. If you are late, you can still get a mortgage or refinance, but you will pay more and more interest as each late is added to this particular account. The difference in rates between a person who has one 30 day late on their mortgage and three 30 day *lates*, or a 60 day late is as much as two percent. This can mean \$150,000 more over the life of a \$250,000 loan.

Finally, there is a separate type of rating on credit users made mostly by credit card companies. It deals with how profitable you will be. Many credit card users pay their balance off every month incurring no interest charges in the process. Often, these cards have no annual fee as a teaser to attract customers. That means the card company doesn’t make any profit. Consequently, the card company gives the no interest, no fee user a negative rating and will often veer away from granting credit to this customer. There are plenty of credit cards available, though. Besides, you shouldn’t let the profit motives of other people guide your decision making in choosing credit.

## X. IDENTITY THEFT

### What Are The Odds That I Will Be A Victim Of Identity Theft?

One out of five Americans will be victimized by this theft this year. That's over 38 million individuals!

### Beware: ID Theft

Identity theft occurs when someone uses your name, Social Security number, date of birth, or other identifying information to commit fraud. For example, someone may have committed ID theft by using your personal information to open a credit card account or get a loan in your name. For more information, visit [www.consumer.gov/idtheft](http://www.consumer.gov/idtheft) or write to: FTC, Consumer Response Center, Room 130-B, 600 Pennsylvania Avenue, N.W., Washington, DC 20580.

### Has Someone Stolen My Identity?

A quick look at your credit report will tell you if there are accounts under your name that you didn't open. If you feel you're the victim of ID theft and have some proof, you may request a free credit report. An account you don't recognize may be for a person who shares your name, but it's important to clear up ownership of any unrecognized account.

### How Do I Fight Identity Theft?

The Federal Government suggests the following steps when confronted by identity theft:

1. Contact the fraud departments of any of the major credit bureaus to place a fraud alert on your credit file. The alert requests creditors to contact you before opening any accounts or making changes to your existing accounts. As soon as the credit bureau confirms your alert, the other two credit bureaus will be automatically notified to place fraud alerts. Once the fraud alert is in place, you may request a free copy of your credit report from all three major credit bureaus.
2. Close the accounts that you know or believe have been tampered with or opened fraudulently. Use an *ID Theft Affidavit* when you are disputing new unauthorized accounts.
3. File a police report. Get a copy of the report to submit to your creditors and others that may require proof of the crime.
4. File your complaint with the FTC. The FTC maintains a database of ID theft cases that is used by law enforcement agencies for investigations. Filing a complaint also helps them learn more about ID theft and the problems of victims, so that more people can be helped in the future.

## 1. Fraud Alert

You have the right to ask that nationwide consumer reporting agencies place ‘fraud alerts’ in your file to let potential creditors and others know that you may be a victim of identity theft. A fraud alert can make it more difficult for someone to get credit in your name because it tells creditors to follow certain procedures to protect you. You may place a fraud alert in your file by calling just one of the three nationwide consumer reporting agencies. As soon as that agency processes your fraud alert, it will notify the other two, which then also much place fraud alerts in your file.

Equifax:	1-800-525-6285	<a href="http://www.equifax.com">www.equifax.com</a>
Experian:	1-888-397-3742	<a href="http://www.experian.com">www.experian.com</a>
Trans Union:	1-800-680-7289	<a href="http://www.transunion.com">www.transunion.com</a>

An initial fraud alert stays in your file for at least ninety days. An extended alert stays in your file for seven years. To place either of these alerts, a consumer reporting agency will require you to provide appropriate proof of your identity, which may include your Social Security Number. If you ask for an extended alert, you will have to provide an Identity Theft Report. An identity theft report includes a copy of a report you have filed with a federal, state, or local law enforcement agency, and additional information a consumer reporting agency may require you to submit.

## 2. Free Credit Report

You have the right to free copies of the information in your file (‘file disclosure’). An initial fraud alert entitles you to a copy of all the information in your file at each of the three nationwide agencies, and an extended alert entitles you to two free file disclosures in a 12-month period following the placing of the alert. These additional disclosures may help you detect signs of fraud, for example, whether fraudulent accounts have been opened in your name or whether someone has reported a change in your address. Once a year, you also have the right to a free copy of the information in your file at any consumer reporting agency, if you believe it has inaccurate information due to fraud, such as identity theft. You also have the ability to obtain additional free file disclosures under other provisions of the FRCA. See [www.ftc.gov/credit](http://www.ftc.gov/credit).

## 4. Debt Collectors Must Tell You The Facts

You have the right to obtain information from a debt collector. If you ask, a debt collector must provide you with information about the debts you believe were incurred in your name by an identity thief – like the name of the creditor and the amount of the debt.

## 5. You Can Block Credit File Information

If you believe information in your file results from identity theft, you have the right to ask that a consumer reporting agency block that information from your file. An identity thief may run up bills in your name and not pay them. Information about the unpaid bills may appear on your consumer report. Should you decide to ask a consumer reporting agency to block the reporting of this information, you must identify the information to be blocked, and provide the consumer reporting agency with proof of your identity and a copy of your identity theft report. The consumer reporting agency can refuse or cancel your request for a block if, for example, you don’t provide the necessary documentation, or where the block results from an error or a material misrepresentation of fact made by you. If the agency declines or rescinds the block, it must notify you. Once a debt resulting from identity theft has been blocked, a person or business with notice of the block may not sell, transfer, or place the debt for collection.

## **6. You Can Stop Reporting of the Fraudulent Debt in Your Name**

You may also prevent businesses from reporting information about you to consumer reporting agencies if you believe the information is a result of identity theft. To do so, you must send your request to the address specified by the business that reports the information to the consumer reporting agency. The business will expect you to identify what information you do not want reported and to provide an identity theft report.

To learn more about identity theft and how to deal with its consequences, visit [www.consumer.gov/idtheft](http://www.consumer.gov/idtheft) or write to the FTC. You may have additional rights under state law. For more information, contact your local consumer protection agency or your state attorney general. In addition to the new rights and procedures to help consumers deal with the effects of identity theft, the FCRA has many other important consumer protections.

### **How To Reverse The ID Theft**

To successfully challenge the theft of your good name and credit should be easy, but it isn't. You need to go through a series of steps, including filling out an *ID Theft Affidavit*. This will make certain that you are, in the end, free of the debts and problems caused by the theft. Included is a complete form and format for fulfilling this task.

### **Instructions For Completing The ID Theft Affidavit**

To make certain that you do not become responsible for any debts incurred by an identity thief, you must prove to each of the companies where accounts were opened or used in your name that you didn't create the debt. A group of credit grantors, consumer advocates, and attorneys at the Federal Trade Commission (FTC) developed an ID Theft Affidavit to make it easier for fraud victims to report information. While many companies accept this affidavit, others require that you submit more and different forms. Before you send the affidavit, contact each company to find out if they accept it. The affidavit has two parts:

Part One, the ID Theft Affidavit, is where you report information about yourself and the theft.

Part Two – the Fraudulent Account Statement – is where you describe the fraudulent account(s) opened in your name. Use a separate statement for each company you need to write to. When you send the affidavit to the companies, attach copies (NOT originals) of any supporting documents (for example, driver's license or police report). Before submitting your affidavit, review the disputed account(s) with family members or friends who may have information about the account(s) or access to them. Only information on accounts opened at the institution to which you are sending the packet.

Complete this affidavit as soon as possible. Many creditors ask that you send it within two weeks. Be as accurate and complete as possible. You may choose not to provide some of the information requested. However, incorrect or incomplete information will slow the process of investigating your claim. Print clearly. When you have finished completing the affidavit, mail a copy to each creditor, bank, or company that provided the thief with the unauthorized credit, goods, or services you describe. The companies will review your claim and send you a written response telling you the outcome of their investigation. Keep a copy of everything you submit.

If you are unable to complete the affidavit, someone with power of attorney may complete it for you. The information you provide will be used only by the company to process your affidavit, investigate the events you report, and help stop further fraud. If this affidavit is requested in a lawsuit, the company might have to provide it to the requesting party.

Completing this affidavit does not guarantee that the identity thief will be prosecuted or that the debt will be cleared.

**DO NOT SEND AFFIDAVITS TO THE FTC OR ANY OTHER GOVERNMENT AGENCY.**

**Remember:**

1. If you haven't already done so, report the fraud passwords. Avoid using easily available information like your mother's maiden name, your birth date, digits of your Social Security Number or your phone number, or a series of consecutive numbers.
2. Any one of the nationwide consumer reporting companies can place a fraud alert on your credit report. Fraud alerts can help prevent an identity thief from opening any accounts in your name.
3. Contact your local police or the police in the community where the identity theft took place to file a report. The company you called is required to contact the other two, which will place an alert on their versions of your report, too. Get a copy of the police report or, at the very least, the incident report. It can help you deal with creditors who need proof of the crime. If the police are reluctant to take your report, ask to file a "Miscellaneous Incidents" report, or try another jurisdiction, like your state police.
4. You can also check with your state Attorney General's office to find out if state law requires the police to take reports for identity theft. Check the Blue Pages of your telephone directory for the phone number or check [www.naag.org](http://www.naag.org) for a list of state Attorneys General. In addition to placing the fraud alert, the three consumer reporting agencies will send you free copies of your credit reports.
5. The Federal Trade Commission. By sharing (they will display only the last four digits of your Social Security Number) you will provide important information that can help law enforcement officials across the nation track down identity thieves.

You can file a complaint online at [www.consumer.gov/idtheft](http://www.consumer.gov/idtheft), or write to:

Identity Theft Clearinghouse  
Federal Trade Commission  
600 Pennsylvania Avenue NW  
Washington, DC 20580

Identity Theft Hotline  
1-877-ID THEFT

Send your correspondence and enclosures certified mail, return receipt requested.



Address (if known)

Phone number(s) (if known)

Phone number(s) (if known)

Additional information (if known)

Additional information (if known)

(15) I do NOT know who used my information or identification documents to get money, credit, loans, goods or services without my knowledge or authorization.

(16) Additional comments: (For example, descriptions of the fraud, which documents or information were used, or how the identity thief gained access to your information).

(Attach additional pages as necessary.)

### **Victim's Law Enforcement Actions**

(17) (Check one)

I \_\_\_ am \_\_\_ am not willing to assist in the prosecution of the person(s) who committed this fraud.

(18) (Check one)

I \_\_\_ am \_\_\_ am not authorizing the release of this information to law enforcement for the purpose of assisting them in the investigation and prosecution of the person(s) who committed this fraud.

(19) (Check all that apply)

I \_\_\_ have \_\_\_ have not reported the events described in this affidavit to the police or other law enforcement agency. The police \_\_\_ did \_\_\_ did not write a report. In the event you have contacted the police or other law enforcement agency, please complete the following:

(Agency #1) (Officer/ person taking report) (Date of report) (Report number, if any)

(Phone number) (Email address, if any)

(Agency #2) (Officer/ person taking report) (Date of report) (Report number, if any)

(Phone number) (Email address, if any)

### **Documentation Checklist**

Please indicate the supporting documentation you are able to provide to the companies you plan to notify. Attach copies (NOT originals) to the affidavit before sending it.

(20) A copy of a valid government-issued photo-identification card (for example, driver's license, passport, state issued ID card). If you don't have a photo ID, you may submit a copy of your birth certificate or a copy of official school records showing your enrollment and place of residence.

(21) Proof of residency during the time the disputed bill occurred, the loan was made, or the other event took place (for example, a rental/lease agreement in your name, a copy of a utility bill or a copy of an insurance bill).



**Fraudulent Account Statement**

Completing this Statement

- Make as many copies of this page as you need. Complete a separate page for each company you're notifying and only send it to that company. Include a copy of your signed affidavit.
- List only the account(s) you're disputing with the company receiving this form. If a collection agency sent you a statement, letter or notice about the fraudulent account, attach a copy of that document (NOT the original).

*I declare that:*

As a result of the event(s) described in the ID Theft Affidavit, the following account(s) was/were opened at your company in my name without my knowledge, permission or authorization using my personal information or identifying documents:

---

Creditor name/address (the company that opened the account or provided the goods or services)

---

Account Number

---

Type of unauthorized credit/goods/services provided by creditor (if known)

---

Date issued or opened (if known)

---

Amount/Value provided (the amount charged or cost of the goods or services) \_\_\_\_\_

