

The Secrets Of Credit Repair

A Consumer Guide to Real Credit Repair

Lexington Law Firms

Chapter One: The Secrets Of The Credit Bureaus

What is a Credit Report? What Kind of Information Appears on a Credit Report? How Long Will Negative Information Stay on my Credit Report? How does Bad Credit Affect a Mortgage? Can I See My Credit Report? How Much Bad Credit Does it Take for Me to be Denied Credit? Who Looks at My Credit Report? 10 Favorite Myths about Bad Credit What is a Credit Report?

Whenever you apply for any type of credit or financing, a credit report is pulled from at least one of the three major credit bureaus. While there are hundreds of smaller credit bureaus around the country, virtually every credit bureau is affiliated with either TRW, Trans Union, or Equifax. These credit bureaus collect and maintain information on the majority of Americans, but they are not affiliated with the government in any way. The credit bureaus are for-profit corporations and they sell your personal information for money. They receive your personal information through the same lenders who grant you credit.

The credit bureaus have agreements with each of these credit grantors that require the credit grantor to inform the credit bureau of everything that occurs in your relationship with the credit grantor. If you make a late payment, the negative credit listing is quickly reported to at least one of the major credit bureaus and is added to your credit history. Credit reports are not just a record of how you are currently managing your credit accounts. Credit reports are histories of everything you are doing with your credit now, and everything you have done in the past.

The credit bureaus gather this information, list the information on your credit report, then sell it to other credit grantors who wish to see your credit history before they decide to lend you money. The credit grantors who review your credit are especially interested in any negative credit. If you have shown any tendency to pay late, or to disregard your financial commitments in the past, the creditors' computers will immediately reject

your application. Exactly like when you were in grade school, your credit report is your financial report card to the world.

What Kind of Information Appears on the Credit Report? **Merchant Trade Lines** These include all regular credit lines, such as department store cards, auto loans, mortgages, and credit cards. If there is any history of late payment, or if the trade line was included in the bankruptcy, charged off, or put into repossession, the listing will be considered negative by all credit grantors. **Collection Accounts** When an account is referred to collections because of delinquency or because of a bad check, this appears on the credit report as a collection account. Collection accounts can appear as paid or unpaid accounts.

Any type of collection account, whether paid or not, is considered very negative by all credit grantors. **Court Records** Court records include bankruptcies, judgments, liens, divorce, satisfied judgments, and satisfied liens. All court records, including satisfactions, are considered very negative by all credit grantors. **Inquiries** Every time a potential credit grantor looks at your credit file, a credit inquiry appears on at least one of your credit bureau reports. If the number of inquiries is very few over the last two years, then there may be no negative effect on your credit worthiness. However, if there are many recent inquiries showing on your credit report, credit grantors will become nervous and you will probably be denied.

How Long will Negative Information Stay on my Credit Report? The Fair Credit Reporting Act (FCRA) requires that most negative credit items be deleted from your credit bureau file in no more than seven years, except for bankruptcy which can be reported up to ten years. These are the time limits for reporting negative credit. The creditor or credit bureau can choose to have the negative credit information whenever they please. Inquiries remain on the credit report for two years.

How Does Bad Credit Affect a Mortgage? Would you believe that it is usually much harder to qualify for a gas card than it is to qualify for a home loan? Like many, you may have already disqualified yourself from buying a home due to bad credit. Little do you know, you may be considered an "A" buyer by many brokers and lenders. Even if your bad or insufficient credit disqualifies you as an "A" buyer, a home loan at standard interest rates may still be within your reach.

Homes are very secure collateral. Because of this, the lenders feel more comfortable lending you money against the property. As opposed to unsecured credit lines, the lender will be primarily interested in your job

security, debt to income ratio, and ability to pay a reasonable down payment. Your credit report will only represent minor role in your mortgage approval.

Can I See My Credit Report? Most credit grantors are not allowed by the credit bureaus to show you your own credit report. But, you can purchase your credit report from the credit bureaus for a fee. Once you receive your credit report, you may find that you cannot read it because the information is listed in an unfamiliar code. Trans Union and Equifax credit reports are very difficult to interpret and understand. TRW credit reports, however, are quite easy for most people to read.

How Much Bad Credit Does It Take for Me to be Denied Credit? As you may have already experienced, as little as one small late pay listing will bring credit denials at every turn. It is a myth that a large amount of positive credit can outweigh some negative credit. Any negative credit whatsoever will become a substantial credit obstacle in almost every case.

Who Looks at My Credit Report? With the passing of each year, your credit report is used more and more often as a yardstick to measure your character. Prospective collectors will always review at least one of your credit reports before granting you credit. Today, it is increasingly common for insurance companies to review your credit before extending auto or health insurance. Many employers now check credit before they consider you for a position. If you rent, you may have already been through a credit check to determine your worthiness as a renter.

10 Favorite Myths about Bad Credit

Myth #1 When I pay off a past-due account, such as charge off or collection account, it will show "paid" and will no longer be negative. It is practically impossible to restore your credit without somehow satisfying your outstanding debts. However, the act of paying off a debt actually hurts your credit. Negative credit is allowed to stay on the credit report for a maximum of seven years, except for bankruptcy which may remain up to ten years. This seven year clock begins ticking on the "date of last activity," or, in other words, when the last action took place on the account. By paying an outstanding, delinquent debt you will change the account status to "paid collection," "paid was late," or "paid was charged off"-- which will stand out as a very negative listing. Furthermore, you will create a new date of last activity on the day you settle the account. The seven year clock will reset and begin all over again. When you have outstanding debt, it is almost always prudent to seek professional aid so

that you may settle your debts without further damaging your credit (see Should I Use a Professional?)

Myth #2 If I succeed in deleting a negative item, it will just come right back on my credit report. The credit bureaus have very cleverly spread this myth through the news media and even government regulators. In truth, the credit bureaus will often temporarily delete a negative listing if they haven't heard back from the credit grantor after approximately thirty days. If the credit grantor reports in tardy, say after six weeks and verifies the negative listing, the credit bureau will often reinsert the negative listing on the credit report. This is often known as the "soft delete." Eventually, though, the creditor simply fails to respond to respond and the negative listing is permanently deleted. If the item is verified by the credit grantor, either before thirty days or after, the account may still be challenged again at some future time.

Myth #3 There are some types of negative listings, such as bankruptcies and foreclosures, that are impossible to remove from the credit report. There is no type of negative listing that hasn't been removed from a credit report a thousand times. Some types of negative listings, such as bankruptcy or unpaid debts, are certainly more difficult to remove from the credit report, but this has more to do with the operational systems of the credit bureaus than it has to do with the severity of the bad credit item. For example, judgments and tax liens are severely negative listings, yet are easier negative listings to remove.

Myth #4 Disputing the credit report is easy and any consumer can do it himself for the price of a few postage stamps. Disputing the credit report is easy. Getting results from the credit bureaus is amazingly difficult, complex, and infuriating. It isn't a coincidence that the Federal Trade Commission receives more complaints against credit bureaus than any other type of business. Remember, the credit bureaus are primarily interested in protecting their profits. Investigating your challenge consumes these profits. Short of sparking mass numbers of lawsuits, the credit bureaus will do everything in their power to discourage consumers from making progress with their credit restoration. Restoring your own credit is like repairing your own transmission or representing yourself in court: it is possible, but you must decide if you are willing to take the time and assume the risks of doing it yourself.

Myth #5 If I declare bankruptcy, I can begin my credit report all over with a clean slate. Many bankruptcy attorneys do not adequately understand or explain the effects of bankruptcy to their clients. Stated simply, bankruptcy is to the credit rating what the nuclear bomb is to

war. When you file for bankruptcy, every credit account that you decide to include in bankruptcy will become an "included in bankruptcy" account. Additionally, a bankruptcy filing and bankruptcy discharge listing will appear in the court records section of your credit report. Because so many negative items are attached to the bankruptcy, it becomes very difficult to remove all trace of the bad credit. If at all possible, you should avoid bankruptcy.

Myth #6 If you are not satisfied with the results of your credit bureau challenge, you may file a "100 word statement" on your credit report explaining your side of the story. Creditors will read your statement and will take it into consideration. No creditor, that we know of, considers information given in a 100 word statement. The statement only serves to verify some of the negative listings on the credit report.

Chapter Two: Creating Good Credit

Maybe you've recently finished restoring your credit or maybe you're young and haven't used credit yet. In either case, it's easy to build a positive credit history quickly and cheaply. Most times you can build a glowing credit report in just a couple of weeks. First, you must make sure that your credit report is spotless. Most times, creditors will protect their liability by giving you several reasons for your credit denial. If you receive a denial letter that states, "Derogatory credit accounts & insufficient positive credit accounts," don't worry about the positive credit until you've repaired the bad credit. That creditor would've probably denied you regardless of your bad credit history.

If you have any bad credit on your credit report, see the Restore Bad Credit file in this web site. Now that your credit is perfect, you are ready to build a positive credit profile. Follow any or all of these techniques to stack your report with A-1 listings. But, beware, if you stack too many open accounts, or too many credit inquiries, you will be denied based on debt to income ratio and excessive credit inquiries. If you already have a problem with excessive credit inquiries, see the Erase Credit Inquiries file in this web site. **Piggy-back on a Friend** If you know someone (like a good friend or parent) who has good credit, you can "borrow" their good credit listings. This friend must have credit cards, and must trust you enough to allow you to become an "authorized user" on his credit cards. Just have your friend call his credit card company and request that you be placed on his card as an authorized user. A copy of the card will be sent and you may simply return it to your friend. Your credit file should soon show an open account with all of the positive history that your friend has created over the years with that credit card. A small footnote will show that you

are an authorized user of that card.

Remember, though, when a new credit grantor goes to review your file, he may insist that the balance on the card appear on your debt to income ratio balance sheet. That shouldn't disqualify you for credit if your income is sufficient and you don't have an excess of debt on your file. Get a Collateralized Credit Card Telephone the North American Consumer Alliance (NACA) at (801) 263-1373 and request their collateralized Visa card. You can get this card even if you have some bad credit still on your credit file. The Visa that NACA offers will allow you to utilize 150 % of the money which you place as collateral. So, if you put up \$500.00 as collateral, you will be allowed to charge up to \$750.00. Do the Credit "Waltz" Most banks will help you to build credit by allowing you to borrow against an amount placed in savings.

Here's how you can "waltz" \$500.00 to \$1000.00 into a good credit rating without tying the money for more than a few hours.

Step One. Deposit an amount over \$500.00 in a bank savings account. Explain to your account representative that you would like to build good credit by taking out a loan against that amount. Make sure you understand the terms of the loan. You must make certain that at the bank will allow you to pay the note off within 90 days without an interest penalty.

Step Two. Take your new \$500.00 loan to another bank and repeat Step One.

Step Three. Repeat Step Two until you are satisfied that you have enough accounts to constitute sufficient positive credit.

Step Four. After ninety days, return to each bank and ask that each loan be retired with the \$500.00 being held as collateral. Seek Easy Credit Many stores extend credit without tremendous regard for the credit standing of the applicant. These stores usually can be found in industries with small products or traditionally high mark-ups.

Here are a list of creditors who will often extend credit to those without much credit history: Fingerhut Radio Shack Jewelers Furniture Stores Tire Stores Appliance Stores Easy credit Auto Dealerships

Chapter Three: Obtaining A Mortgage

Would you believe that it is usually much harder to qualify for a gas card

than it is to qualify for a home loan? Like many, you may have already disqualified yourself from buying a home due to bad credit. Little do you know, you may be considered an "A" buyer by many brokers and lenders. Even if your bad or insufficient credit disqualifies you as an "A" buyer, a home loan at standard interest rates may still be within your reach. Homes are very secure collateral.

Because of this, the lenders feel more comfortable lending you money against the property. As opposed to unsecured credit lines, the lender will be primarily interested in your job security, debt to income ratio, and ability to pay a reasonable down payment. Your credit report will only represent minor role in your mortgage approval. On the other hand, much depends on the mortgage broker whom you choose. For example, you may walk into a bank, apply for a mortgage loan, and be turned down flat.

On the same day, you could step into the office of an independent mortgage broker, and he will pre-approve you for an "A" mortgage. Each mortgage broker uses one or more lenders to fund the home loans which come to him. The mortgage broker's job is to match you with the appropriate lender. For this service, you or the home seller will pay the mortgage broker "points". These points are equal to percentage points of the loan amount. If you are paying your broker "2 1/2 points" on a \$120,000 home loan, that will come to a \$3000 payment to the broker.

There is nothing wrong with making the mortgage broker (and your real estate agent) earn their fees. Almost invariably, there will be problems that arise with your mortgage. Your mortgage broker and real estate agent are responsible for coming up with creative solutions to those problems. Some mortgage brokers will look at your less-than-perfect credit and suggest that you accept a "B", "C", or "D" paper mortgage. This means that the loan will require a larger down payment, a higher interest rate, better debt to income ratio, and, of course, more points for the mortgage broker. These high-risk loans are not very good deals. Many times, with the right mortgage broker, you could've qualified for an "A" paper mortgage.

Remember, a very small difference in your interest rate will cost you tens or hundreds of thousands of dollars. Do everything in your power to qualify as an "A" paper lender. Even if your broker encourages you to go with the high-risk mortgage, don't cave in. You have other options. Certain negative credit items can kill a home mortgage. A bankruptcy that has taken place in the last one year usually represents a deal-killer. With some mortgage brokers bound by less permissive guidelines, even a two

year bankruptcy will kill the deal. The good news is that the right lender won't care if you declared bankruptcy as long as it is at least one year old. Any unsatisfied court record, such as a tax lien or judgment, will become an obstacle to your loan.

Sometimes, if you can just show your broker that you have satisfied the lien or judgment, they will forgive one court record. Otherwise, you will need to restore your credit a little before you apply. Any kind of outstanding, delinquent debt will pose a major obstacle. Even if you have paid the debt within the last twelve months, it will probably still be a problem. Unpaid collections, charge-offs, deficiencies on a repossession, remaining balance on a foreclosure will all destroy your chances of "A" paper. If you go to pay the debt immediately before you go to get a home, the creditor who you are paying will not likely agree to remove the "Paid collection" listing on your file. In order to pay outstanding, delinquent debt such as this without jeopardizing a home loan, you will require the assistance of an attorney.

The best solution is to simply settle the debt a year before you intend to apply for a mortgage (see Eliminate existing debt.) If you do this, the "Paid collection" notice will be one year old when you go to apply and the right mortgage broker will be able to get you into "A" paper. A foreclosure in your past is the ultimate black mark when you're applying for a home loan. If you have a foreclosure, you will need to delete that listing from the credit report before you can qualify for "A" paper (See Restore bad credit.) Any late pays that have happened within the last year will also present a problem.

You can usually explain one or maybe two thirty-day late pays, but if you have more, you will need help getting them removed. You can try to contact the creditors reporting the late pays and ask them to remove the listing. If you have a decent reason why the late pay is a mistake, then the creditor might delete the item for you. Do not bother to tell them why you were late. They will not care what happened to you. Your only salvation will be to convince the creditor that there was a mistake and that, by some logic, it was their fault that you were late. If you aren't making progress with your creditors, you will need the help of an attorney. You will be amazed at how easily a law firm can get your creditors to come around to your way of thinking. When a mortgage broker prepares your file for the underwriter (the lender), he will use a Standard Factual Report to check your credit.

The Standard Factual company can aid in the deletion of negative credit listings. If you get a creditor to agree to remove a derogatory listing, all

you need is a letter or a phone call from the creditor to the Standard Factual company and the derogatory credit item will disappear from the Standard Factual report (not the credit report, though.) Most lenders will allow several negative items if you can adequately explain them. But, they only want to hear explanations that are medically related. If you can show the lender where an accident or illness caused a late pay or collection, they may let the derogatory listing slide. The good news is that any satisfied, derogatory credit listings that are over one year old (besides a foreclosure) can be overlooked by a lender. Any problematic derogatory listings can usually be overcome by you or a practiced law firm.

Don't accept high-risk paper until you have exhausted all of your options. Remember, you can save yourself tens of thousands of dollars by investing a little now to perfect your credit before you go into a new home. If you would like help, just telephone the Toll-Free Credit questions number: 1-800-653-9529.

Chapter Four: Erasing Credit Inquiries

Every time you apply for credit, and the credit grantor checks your credit report, a credit inquiry is placed on your file. Even if you receive a credit offer in the mail and you respond, your credit will almost certainly be checked and a credit inquiry will be added to your credit report. Credit inquiries are bad because too many of them can indicate to a creditor that you're "credit hungry" and may be in financial trouble.

Worse yet, the creditor has reason to believe that you received many of the credit lines that are showing as inquiries, and that many of those credit lines have not yet appeared on your credit report. Too many recent inquiries indicate to a potential credit grantor that your debt to income ratio may be much higher than you say. Most creditors disregard inquiries once they have been on your credit report for six months or more. This may not help your situation if you need credit right away or if applying to a creditor who looks at all of your inquiries. All credit inquiries should come off your credit report after two years.

If you're not willing to wait, you may take these steps:

Step One. First, you must find out which credit inquiries are getting in your way. Order all three of your credit reports following the instructions in the Order Your Credit Reports file on this web site. When your reports arrive, look toward the end of your credit report to find the inquiries. Some of the inquiries are only promotional and will not be shown to

prospective credit grantors. You need not worry about those. Identify only the inquiries that are shown to credit grantors. You should recognize some of these as places where you applied for credit, but others may be a complete mystery to you.

Step Two. You must then find the addresses for each credit inquirer. Your TRW credit report will list addresses for each of the inquirers. Your Trans Union and Equifax reports will show no addresses for credit inquirers. Match your TRW with your Trans Union and Equifax reports; you should be able to use the same addresses on the inquirers that are listed on TRW and on one of the other credit reports. If some of the addresses don't show up on TRW but do show up on either Trans Union or Equifax, you will have to call the corresponding credit bureau to find the address. It is almost impossible to get a live body on the telephone at Trans Union, but Equifax has an 800 number listed at the top of their reports. If you have a inquirer on your Trans Union and you can't reach Trans Union by phone, then you might try calling the 800 directory (1-800-555-1212) and request the 800 number for the inquiring creditor. Once you have collected all of the addresses for each inquiring creditor on each credit report, you are ready for step two.

Step Three. Now you must prepare letters to each inquiring creditor asking them to remove their inquiry. The Fair Credit Reporting Act allows only authorized inquiries to appear on the consumer credit report. You must challenge whether the inquiring creditor had proper authorization before pulling your credit file. You may write the inquiring creditors a letter such as this:

Re: Unauthorized Credit Inquiry

Dear American Express,

Recently, I received a copy of my TRW credit report.

The credit report showed a credit inquiry by your company that I do not recall authorizing. I understand that you shouldn't be allowed to put an inquiry on my file unless I have authorized it.

Please have this inquiry removed from my credit file because it is making it very difficult for me to acquire credit. I have sent this letter certified mail because I need your prompt response to this issue.

Please be so kind as to forward me documentation that you have had the inquiry removed. If you find that I am remiss, and you did have my

authorization to inquire into my credit report, then please send me proof likewise.

Thanking you in advance,

Jane Caveat-Debtor

Step Four. Some of your creditors may provide documentation that a credit inquiry was authorized by you. Read the authorization that you signed very carefully. If there is any ambiguity, you can write back and argue that the inquirer's authorization form was too complicated and not easily understood by the layman. You can threaten to contact the state banking commission and complain about a deceptive and unclear authorization form if they don't remove your inquiry. Some creditors will try to ignore your challenge. Be sure to send each letter Certified Mail Return Receipt Requested and keep close track of the time that you sent the letter. If the inquiring creditor doesn't respond within about thirty days, you will have ample grounds to call the inquiring creditor and demand some action.

At that point, it's almost irrelevant whether or not you authorized the inquiry. Then it becomes about the creditor's lack of response to a consumer dispute. Be sure to hold your ground and demand that the inquiry be immediately removed or you will complain to the state banking commission or similar authorities. Many of your inquiring creditors may simply agree to delete the inquiry as a courtesy or because they cannot or will not verify your authorization. That is the goal. Remember, it is not likely that you will need all of your credit inquiries removed - just enough to keep you from being denied credit.

Chapter Five: Settling Unpaid Debts

Many times we have been asked, "Can I just delete the negative listing without paying the debt?" In most cases, the question comes from someone attempting to dishonestly escape a legal obligation. While it is true that negative debt listings can be deleted from the credit report - even while the debt remains unpaid - it is also true that these listings stand a good chance of reappearing on the credit file sooner or later. There is a better alternative than attempting to escape the debt. You can create a true win-win situation by settling the debt with the creditor. It is our experience that the average consumer will settle a debt for about 75 cents on the dollar. It is also our experience that a professional negotiator will settle an average debt for about 60 cents on the dollar including their fee. There is rarely a good reason to attempt your own debt settlement.

Creditors will not take you half as seriously as they will take your attorney.

Handled properly, you will save time and money by seeking a good attorney to negotiate with your creditors. If you need debt settlement assistance, call Lexington Law Firm at 800-653-9529 for very low cost debt settlement. You will be money ahead if you get the right help.

Understanding the True Risks and Realities of Overdue Debts

Most consumers overestimate the risk involved with overdue debts. They worry about possible repercussions such as wage garnishment and property seizure by their creditors. When the debt relates to a secured property, such as an automobile or a home, the possibility of repossession is quite serious, but unsecured debts, such as credit cards and deficiencies are much less pressing. In fact, very few creditors will push all the way to a garnishment on a relatively small unsecured debt. Garnishment and seizure are a creditor's most terrifying weapons used to collect past due debt, but they are expensive and time-consuming.

Even if the creditor went all the way to recover the debt, they probably wouldn't be able to recover enough to offset their collection costs. Therefore, there is very little risk of a creditor taking an unsecured debt past simple collections. It is important to remember, however, that the creditor would be in his rights to get a garnishment and seize property, even for a small debt. There is some risk of financial reprisals when a debt goes unpaid. Many consumers fold under the perceived strain of unpaid debts. Hundreds of bankruptcies take place in the United States each week for amounts under \$5000.

These consumers are so intimidated by their creditors, that they flee to bankruptcy, even though bankruptcy can bring total financial devastation for at least the next ten years. If these same consumers had simply waited, and ignored the threatening letters and telephone calls, they would have realized that their creditors were all bark and no bite. Bankruptcy is the best option for some few consumers, but it is much overused. And, when a consumer files for bankruptcy, everyone loses - especially the creditors. The risks of judgments, garnishments, and property seizures must be properly balanced against the likelihood that such drastic collection measures will ever happen. The risk, and the decision to take that risk, are entirely yours if you're in such a position.

Which Debts Can Be Settled? An unsecured debt is a debt where there is no collateral. Unsecured debts include medical bills, credit cards,

department store cards, personal loans, collection accounts, student loans, amounts remaining after foreclosure or repossession, and bounced checks. Most unsecured debts can be settled. But, utility companies generally won't settle for less than the full balance. There are some few creditors who will never compromise, but most will take a less-than-full payment as settlement in full to close a troublesome account. Secured, collateralized debts, such as a home or automobile, are another story.

If the creditor can simply repossess the property, why should he negotiate? You can often renegotiate a short payment relief with a secured debt, but don't attempt to settle the account while you still possess the property. Also, the creditor must have a good reason to want to settle. If the account is paid current, and there is no recent history of late payment, it will be difficult to convince the creditor that it is in their best interest to settle. This should not be read as a commendation that you stop paying your bills that are current. If you stop paying your current bills, you will almost certainly make your credit situation worse. Perhaps bad credit is not an issue for you at this point and you feel you must stop paying your bills in order to settle them and get back on top of your debt load. If this is the case, you make such a decision at your own risk.

Getting the Upper Hand As time passes, the creditors will likely stop calling and the debt will be filed away for future attention. The longer the debt remains uncollected, the better your chances will be of getting a good settlement. Eventually, the creditor will consider the bad debt a loss in order to receive a corporate tax write-off. This does not mean that you don't owe the debt. The corporation may then collect on the debt themselves, sell or assign the debt to a collection agency, press for a judgment and garnishment, or temporarily ignore the debt. The course of action chosen by the creditor will vary widely between corporations and debts. In our experience, the consumer rarely has sufficient funds to repay a debt in full when a creditor demands payment. In many cases, much of the debt represents interest and penalties accrued while the consumer was unable to pay. It will be in the best interests of both parties if a reasonable arrangement for settlement can be reached. However, you cannot expect to reach an affordable settlement if the creditor thinks he has the upper hand. If, for example, you tell a creditor that you really need to get this debt settled to get into your dream home, you can forget any kind of settlement.

The creditor will insist on the full balance. It will be in your best interest if the creditor believes that you have very little money and you are teetering on the edge of bankruptcy. The attorney who handles your

settlements should approach each creditor as though this is their last chance to compromise, and get something out of your debt, before you declare bankruptcy and they get nothing. Also remember that time is on your side. Never look too eager to settle. Take plenty of time to reach an agreement. Don't accept the first, or even second, settlement offer. Make sure that they are the ones calling you to push the deal forward. You have the natural advantage in debt settlement, because you have something the creditor wants. You must hold out for your terms until the creditor gives you what you want. Once you've written that settlement check, your advantage disappears. So, get your terms in writing before you even open your checkbook.

Using Settlements to Restore Your Credit

The credit reporting system gives consumers very little reason to pay their debts. If the debt were ignored, the consumer would have a good chance at never hearing from the creditor again, and, after seven years from the date the debt was written off, the negative credit listing would disappear. If the consumer were to pay the debt, then that seven year period would begin all over again. A paid collection or charge off will trigger credit denial as quickly as an unpaid collection or charge off. It's like getting time added to your sentence for good behavior.

Fortunately, creditors make their profits by collecting from their customers, not reporting negative credit information. Because creditors can see this "catch-22" situation, they will often agree to delete any negative listing upon settlement of the debt. Collection agencies will always agree more readily to delete the negative listing than banks or credit cards. The only case where you should have a real problem with collection agencies is when they represent a larger, institutionalized creditor. Many creditors, though, have an agreement with the credit bureaus that they will not allow a negative listing to be deleted upon settlement.

Larger creditors, such as huge credit cards or banks will require more pressure before they will agree to delete a negative listing, but virtually every creditor will give in with the right amount of convincing. Every creditor who reports to the credit bureaus can also change the information they report. In most credit organizations, there are dozens of people with the authority to make changes on the credit report. Anything a creditor reports, a creditor can change.

You may take two approaches to having the negative information deleted upon settlement of a debt: pre-notification of terms and post-notification

of terms. Pre-notification of terms: you tell the creditor up-front that you will require the deletion of the entire negative listing as a part of the payoff. The agreement to delete the listing and consider the debt settled is documented in writing and signed before the payoff takes place.

Advantage: Time will be saved and you won't be disappointed at the last moment. It is also less likely that you will have to fight the creditor later to actually delete the negative listing.

Disadvantage: When the creditor discovers that your credit is important to you, he will usually ask for a larger settlement amount - sometimes full balance - to meet your terms.

Post-notification of terms: once settlement negotiations are complete, the creditor receives the agreed payment with the requirement that the negative listing be deleted attached to the check. This approach requires use of a "conditional endorsement" document (drafted by your attorney) notifying the creditor of your terms.

Advantage: You will almost always get a better settlement amount. The creditor will often be tempted by the payoff when the terms arrive and will deposit the check without blinking at the new terms.

Disadvantage: The creditor often hangs up on the new term and might send the settlement check back. The creditor might still ask for more money, or reject on the deal altogether. If the creditor simply deposits the check without intending to follow through with your new term, you will have to fight the creditor later and force him to delete the negative listing. Never expect a creditor to meet an agreement that was made verbally.

Everything must be in writing and, even then, you will probably have to fight to make the creditor live up to his end of the bargain. You may find that some of your creditors are willing to hold out longer than you are willing to hold out before agreeing to delete the negative listing from your file. In other words, they will not agree to delete the negative listing under any circumstance. Once again, let it be said that every creditor will give you what you want if you speak to the right person long enough and you make the right offer.

But if you are on a time-line, and your attorney can't get them to agree to full deletion, you have a couple of other options: List the Account as "Paid" only. You may counter-offer that the creditor simply list the account as "Paid" rather than delete it altogether. This is a true indication

of the status of the account and many creditors will concede and agree to this wording. A "Paid" status is still very negative for a collection account or an account that will show "Paid Charge-off" or "Paid repossession." You should only agree that the account show "Paid" if all other negative notations, such as "Charge-off," "Repossession," late notations, and "Collection," are deleted at the same time. A simple "Paid" notation on a regular trade line is neutral and should not hurt your credit. List the Account as "Settled" only. You may counter-offer that the creditor simply list the account as "Settled" rather than delete it altogether. "Settled" is an inherently negative listing but not as negative as "Paid charge-off." Don't agree to a "Settled" listing until you have exhausted all other possibilities. "Settled" will still trigger a credit denial. You should only agree that the account show "Settled" if all other negative notations, such as "Charge-off," "Repossession," late notations, and "Collection," are deleted at the same time. If you agree to a "Settled" notation, you must continue to work hard to delete the notation through the credit bureau dispute process. List the Account as "Paid Charge-off" or "Paid Collection" or "Paid was 30, 60, or 90 days late." This will be the creditor's first choice, and your last choice, of what to place on your credit report once you have paid. These notations are almost as damaging as showing the same debt unpaid. It is very common, though, for an account to be deleted (through credit bureau disputes) once it has been paid. The creditor now has no compelling reason to keep the negative listing on your report. For this reason, it is still usually a good idea to settle even if the creditor wont budge on deleting or positively modifying the negative listing.

Chapter Six: Restoring Bad Credit

What are the risks of doing it yourself? Ordering your credit reports. Organizing Yourself Analyzing your Credit Report Drafting your Disputes Sending your Disputes Getting a Response Seeing Results Fourth Quarter Strategies Settling your Debts Disputing the Information with the Source Submitting a 100 Word Statement with the Explanation What are the risks of doing it yourself? Most how-to credit restoration books include example form letters for the reader to use in disputing his negative credit.

But, employees of the credit bureaus are usually the first in line at the newsstand to buy the new how-to book. Therefore the credit bureaus immediately spot these standard forms. Once the bureau has zeroed in on the structure of the form, any such letter will immediately earn a "frivolous or irrelevant" response from the checker. Many times, the credit bureau will see this as a sign that the customer is "yanking their chain" and the checker will "red flag" the client's credit report for future

reference.

These instructions will not provide for specific techniques or form letters, as the credit bureaus have proclaimed publicly that they can spot such forms. Rather, we provide general outlines and strategies that you may follow as you dispute your negative credit. However, it is important for you to understand that there are risks in restoring your own credit. These risks are greatly multiplied if you cannot dedicate sufficient time to the task, or if your organizational skills aren't top notch. Countless do-it-yourselfers make seemingly harmless mistakes in the process of disputing their credit, only to make their credit files worse - ultimately seeking professional help after too much damage has been done.

These risks include: - Red flagging the individual file as someone attempting credit repair.- Unwittingly self-verifying negative information.- Making statements that create a fraud indicator, hawk-alert, or trans-alert.- Adding statements to the negative listings which do nothing but substantiate them.- Doing anything to tip the credit bureau that you are systematically attempting to restore your credit. While restoring your own credit may save you money, if it is done improperly it can cost you thousands of dollars in lost time, hassle, and you may do more damage than good to your credit. Ordering your Credit Reports Before you begin the battle, you must study the battlefield. The struggle to restore your credit will be fought between the lines of your three credit reports.

These reports will cost \$8.00 each, unless you live in Maine or South Dakota, where the reports will cost \$2.00 each. As mentioned before, the credit bureaus change addresses regularly, so we will provide the current credit report ordering addresses, but you may wish to telephone the credit bureaus to confirm that these addresses are still correct (phone numbers available through www.bigyellow.com TRW PO Box 949-0949 Chats worth, CA 91313 Trans Union PO Box 390 Springfield, PA 19064 Equifax PO Box 105873 Atlanta, GA 30348 You may also obtain credit reports for free, but this method only works if you have recently been denied credit. If you have been denied credit in the last 60 days, you may write to the credit bureau listed on your denial letter and request a free copy of your credit report. It may take a little longer than if you simply purchased the report, but it will save you \$8.00. If you telephone the credit bureau to order your credit reports or to confirm their mailing address, you will most likely reach their phone mail system.

However, if you do speak to a credit bureau representative about any issue, be careful. Say nothing that would indicate you are attempting to restore your credit. Don't try to submit your dispute over the telephone;

it will be hard enough to get it right in writing, even with plenty of time to weigh your words. Be sure to send your request for a credit report via certified mail, return receipt requested. Your local post office will provide you with the necessary forms. Copy your letters and checks and file them according to the date they were sent. The credit bureaus will, very often, take your check and send you nothing. Don't despair, this is just another skirmish in a long battle. If you receive no credit report after you have followed these steps and waited about three weeks, then you must send a follow-up letter, again certified mail, return receipt requested, demanding that the credit bureau forward a credit report immediately. Include a copy of your check and your original letter. Remember, you have the right to purchase and see your credit report.

Organizing Yourself

As soon as you have ordered your credit reports and copied your order letters and checks, you must create a precise organizational system to track your correspondences with the credit bureaus and your creditors. Purchase a large, desk blotter-size calendar and a fine-point pen. On each date box, reserve the top portion of the box for correspondence deadlines, such as the date you expect to receive a credit report from a particular bureau, or when you expect a reinvestigation to be completed. Reserve the bottom portion of the date box for notations, including actions you have taken, such as when you ordered your credit report, or when you sent your dispute letter. Purchase a small file cabinet to keep your credit bureau and creditor files organized. You should open a file for each credit bureau, two files per credit bureau if you are working as a couple.

Every time you receive a credit report, credit bureau correspondence, or you send a correspondence, a copy of the document must be dated (by date sent or received by you) and filed in the appropriate file. Keep all the documents in chronological order in the file. Open another file for each creditor. You will also be communicating with the individual creditors. Follow the same rules for document filing as mentioned above for credit bureaus. Every time you have a telephone conversation with a creditor, you must document the contents of the conversation by writing the name of the person you spoke with, his or her position, the date and time of the conversation, what was said, and what you agreed to do. You should also get the name of the person's superior, and the superior's direct phone number as well. This documentation should be noted on a single sheet of paper and filed chronologically in the creditor's file.

Analyzing your credit report

When you first receive your Trans Union and Equifax credit reports, you will be totally lost. The information is coded in a way that is not immediately readable by the average consumer. Each credit report should arrive with a key that interprets the codes and indicators on the credit report. Sit down with the report and the key and study it until you understand what each number and code means. Don't write on your original credit report -- yet. Make all of your notes on a copy of the report. You will be sending your original report with your dispute letter, so you should make at least two copies of each new report. The original goes with the dispute, one copy is for notes, and the other copy is kept clean for your file. Gather a yellow and orange highlighter pen. Whenever you identify a negative listing, mark it in yellow on your scratch copy of the credit report. Often, it is difficult to tell if an item on the credit report is negative or positive.

The following table will help you identify every negative listing on your credit reports: Negative Credit Indicators If the listing contains one or more of these indicators, then the listing is negative. If the listing contains none of these indicators, then the listing is positive. TRW Credit Report any item marked with an asterisk any inquiry Trans Union Credit Report any item rated higher than I1, M1, or R1. any item listed as repossession, foreclosure, profit and loss write-off charge-off, paid profit and loss write-off, paid charge off, settled, settled for less than full balance, or included in bankruptcy any collection amount, whether paid or not. any court account, including a lien, judgment, bankruptcy chapters 11, 7, or 13, divorce, satisfied lien, or satisfied judgment. any item showing one or more thirty, sixty, or ninety day late payments in the column to the far right. any inquiry. Equifax Credit Report any item rated higher than I1, M1, or R1 (such as R2 or I9). any item preceded by a ">>>" icon. any item listed as repossession, foreclosure, profit and loss write-off charge-off, paid profit and loss write-off, paid charge off, settled, settled for less than full balance, or included in bankruptcy. Any collection amount, whether paid or not. any court account, including a lien, judgment, bankruptcy chapters 11, 7, or 13, divorce, satisfied lien, or satisfied judgment. any item showing one or more thirty, sixty, or ninety day late payments in the column to the far right. any inquiry. Once you have marked all negative items on your credit report with a yellow highlighter, you may begin looking for inaccuracies and inconsistencies in your credit report. Whenever you identify an inconsistency or inaccuracy on your credit report, mark it with the orange highlighter. An inaccuracy is something you know is not true, such as a listing that doesn't belong to you or a listing showing the wrong balance. An inconsistency is when the same information on the credit report contradicts itself, such as a listing showing 12 thirty-day late notations when the listing only shows 4

months reviewed. Later, when you are constructing your dispute, you can use these inaccuracies and inconsistencies to lend credibility to your challenge.

Drafting your Disputes

Don't wait for all of your credit reports to arrive before you begin to analyze and dispute them. Remember, you will need to invest two things to restore your credit: money and time. Not only will you invest substantial time in analyzing your credit report, preparing your disputes, speaking with creditors, and tracking your results, but you will invest calendar time. You want every day to eat away at your bad credit. That can only happen if you never procrastinate any step of this process. If you procrastinate drafting your disputes, you will never finish the job. If you tend to procrastinate, seek professional help to restore your credit.

After you've analyzed your reports and marked every negative listing in yellow and every inaccuracy and inconsistency in orange, you may begin to develop your dispute letter. As previously mentioned, we will provide no form letters for disputes as they will quickly be spotted and rejected by the credit bureaus. Rather, we provide general strategies which have proven effective in forcing the credit bureaus to fulfill their responsibility and conduct an investigation into your disputed items.

Fundamentally, you must follow these rules: The Ten Commandments of Disputing Your Credit

Commandment One: Never lie in your disputes or on your credit applications. In many states, it could be a crime for you to lie when disputing your credit report. Therefore, you are cautioned that you must never lie or make misleading statements when disputing your credit report or completing a credit application. In most cases, it is a federal crime to lie on a credit application. Furthermore, it is unnecessary to lie when disputing your credit report. Remember, you have the right to dispute your credit report so long as you have reason to believe that is unverifiable, inaccurate, or obsolete. In order to dispute information that is technically accurate, but should still be investigated and deleted on the basis of verifiability, you must invent other means of disputing the listing besides claiming that it is "not mine" or "was never late."

Commandment Two: Always indicate whether the disputed listing is being challenged as "not mine" or "not late." While you must never say that the account isn't yours or that you were never late unless you have reason to believe that statement is true, the credit bureau must know if you are

disputing the existence of the listing or just the information within the listing. They cannot begin an investigation unless they know whether you believe the listing doesn't belong on your report at all, or if you believe the information on the listing should be changed. If you are unclear about the nature of your dispute, the credit bureau will promptly return your letter. If you dispute a listing on the basis that you were "not late," and if the credit bureau fails to verify the listing, then the listing will be perfected and appear as a positive listing. If you dispute a listing on the basis that it is "not mine," and if the credit bureau fails to verify the listing, then the listing will disappear from the credit report altogether. Since a positive listing is much better than no listing at all, you should dispute all simple late pay listings as a "not late" type of dispute. All others must be disputed on the basis that they may not belong to you.

Commandment Three: Always tell the credit bureau the desired outcome of the investigation. You must always include what you would like done with the listing. There are two options: delete the entire listing, or erase the late pay notation within the listing. Don't bother challenging the information within a collection listing, charge-off, court record, repossession, foreclosure, or settled account. As the basic nature of these listings is negative, changing the information within the listing will yield no improvement. Severely negative listings, such as these, must be disputed on the basis of complete deletion or not be disputed at all.

Commandment Four: Always provide a reason for your dispute. If you don't give some kind of explanation as to why you think the credit report is wrong, then the checker may return or ignore your dispute.

Commandment Five: Always include indicators of authenticity in your dispute. Don't forget that the job of the checker is to reject irrelevant disputes and to investigate the bona fide disputes. You may ensure that your disputes sound authentic by adding things that only a true, frustrated consumer would write, such as "my son's a banker, and he mentioned that I could write you and you would clear up these mistakes." Original indicators of authenticity cannot be listed here, or they would cease to be effective, but you must get creative and always include sentences or phrases that will convince the credit bureau that you're for real.

Commandment Six: Never sound like an expert. The credit bureaus receive over 10,000 disputes per day, and your dispute should look like any other. If you quote legal statute or you remind the credit bureaus of your rights under law, the checker will suspect that you read a book about credit repair or you are using a credit repair company. If the

checker believes you are attempting to restore your credit, your dispute will be tossed in the "frivolous or irrelevant" bin.

Commandment Seven: Become more insistent and more threatening with each dispute. As you submit one dispute after another, it will become increasingly difficult to get the checker to initiate an investigation. Your first one or two disputes should be friendly and polite. Just like any other consumer, you can become frustrated and threatening as time passes. You may threaten to hire an attorney; you may threaten to complain to the FTC and your state's attorney general, etc.

Commandment Eight: Do not bombard the credit bureaus with disputes. Sending one dispute right after another is wasteful and counterproductive. You may send no more than one dispute every ninety days. If you dispute more often, the credit bureau will simply return the dispute as "frivolous or irrelevant."

Commandment Nine: Use inaccuracies and inconsistencies as examples of how the credit listings are wrong. Remember that it will do you no good to change minor information contained in a severely negative listing. Use inaccuracies and inconsistencies as a basis of dispute. You will do well to use the other two credit reports to establish inconsistencies by comparing the other credit report to the report you are disputing. Remember, though, that you can only use another credit report for comparison if that report doesn't confirm negative credit listings that you are attempting to dispute.

Commandment Ten: Create and utilize other techniques that help further the idea that the dispute letter is from a truly wronged and disadvantaged consumer. The checker is only interested in investigating disputes from consumers who have totally inaccurate credit reports due to credit bureau errors. In short, the checker only wants to help consumers who have a good case against the credit bureau and might likely sue them.

According to the Fair Credit Reporting Act, the credit bureaus should legally investigate all disputes that are not "frivolous or irrelevant." In practice, the checker will only do what he or she has to do in order to avoid a lawsuit. For this reason, it becomes necessary to contrive all manner of strategy to compel the checker into doing what the credit bureaus should be doing anyway -- which is to conduct an investigation into every reasonable dispute.

There are many other techniques used by credit restoration professionals, but you must figure those out on your own. It would render those

techniques useless if they were published. As you may have noticed, only general strategies have been provided. If you earned a high Success Rating on the self-rating questionnaire Do you need the help of an Attorney , then you should be prepared and inclined to invent your own, effective techniques following the guidelines set forth in the Ten Commandments.

Your dispute will be taken more seriously if you print it from your computer. If you don't own a home computer, seek a professional, as writing your disputes by hand or on a typewriter will take up enormous amounts of time and may yield disappointing results. With each copy of your credit report, you should find a form supplied by the credit bureau for disputing credit listings. You should not use these forms for your dispute letters. The form may force you to lie about your credit situation and thereby possibly break the law. Also, the forms are not specific and they are not taken as seriously by the credit bureau checkers. Prepare your disputes on your personal computer, preferably on personal stationery. You should send an original copy of your credit report with the dispute letter. You may now mark the original report to make it easier for the checker to see any inconsistencies, inaccuracies, or notes. Remember not to verify any severely negative listings by correcting minor information on the listing. Make sure all your personal information is either on the credit report accompanying your dispute, or on the dispute letter itself. This important information includes: your full name, date of birth, current address, and social security number.

As you draft your dispute letters, remember that the checker is only interested in investigating disputes from consumers who have totally inaccurate credit reports due to credit bureau errors and that those consumers represent a threat to the credit bureau. Sending your Disputes When you mail your dispute, you should include the original copy of the credit report with your dispute letter. You will be amused to note that the credit bureaus take space in their literature to convince you that your credit cannot be "repaired." In TRW's words, "No one can have accurate, current, and verifiable information removed from your credit report." Take note that even TRW admits that accurate information can be removed if it is not verifiable. You must send your dispute letters via certified mail, return receipt requested. This means you must go to a post office to mail every dispute. Certified mail, return receipt requested, will cost more than a dollar extra, but it will demonstrate that you are serious about your correspondence. Without certified mail, return receipt requested, you would have no record of the credit bureau receiving your letter nor the date they received it. When you receive the return receipt in the mail, make sure to staple it to your copy of the original dispute in

your file. Don't hold disputes until you have a full set of credit reports. Send each dispute as soon as it is ready, as long as it is 90 days after your last dispute to the credit bureau.

Getting a Response You will receive one of eight types of response to your dispute:

No response at all.

A stall letter asking for more information.

A rejection based on the timing of your dispute.

A rejection letter on the grounds that the dispute is "frivolous or irrelevant."

A rejection based on the grounds that the credit bureau believes you are manipulating the system.

A letter announcing that your investigation has begun.

A letter announcing that your dispute has been forwarded to the appropriate credit bureau.

A new credit report showing the results of an investigation.

Don't be discouraged if you receive multiple stalls or rejections. Remember, restoring your credit isn't easy. If you decided to restore your own credit, you knew from this text that you would encounter delays. Each case requires a different response. However, you should remember this rule of thumb: the credit bureau is a bureaucracy; you shouldn't expect the credit bureau to react as though it were an individual. There is no single person handling your case. If you type out a ferocious counter-letter in response to the credit bureau's rejection or stall, the credit bureau employee who receives it will have little idea why you are fuming.

Usually, it is better to simply write the dispute again. Here are some guidelines to reacting to the eight types of credit bureau responses:

1. No response at all: 52 days after you sent your dispute, if you haven't heard anything from the credit bureau, you may assume that your dispute was ignored. There is really little you can do except to document the lapse and draft another dispute. This dispute should mention the previous ignored dispute as well as certified mail number of that dispute.

The new dispute should be more threatening than the first.

2. A stall letter asking for more information: Often, if your dispute alleged that someone else's file was merged with your own, the credit bureau will send this type of stall. A new dispute should be drafted basically repeating the first dispute (but doesn't allege that your file was merged) and includes all information requested by the credit bureau response. You may remind the bureau that this information was previously included in the credit report that accompanied the first dispute. This second letter should be more threatening than the first dispute.

3. A rejection based on the timing of the dispute: If you sent a dispute before 90 days after your last dispute, you will likely earn this response. Also, if the credit bureau sees that you have sent in many disputes, they may choose to brush you off with this rejection. You must respond by becoming more demanding. If they had finished the job properly with the first dispute, you wouldn't be forced to dispute the listings again! Send another dispute, much like the first, and insist on immediate action.

4. A rejection based on the grounds the dispute is "frivolous or irrelevant." This type of response would infuriate any consumer. Maybe the bureau thinks you are working with a credit repair company, or maybe they think that you will not stand up to an initial rejection, and they may even ask you to pay for their investigation. You must prove them wrong by becoming even more insistent and threatening in your disputes. Send the same dispute over again with some additional substantiation.

5. A rejection on the grounds that the credit bureau believes you are manipulating the system: The rejection letter may imply that you are working with a credit repair company, or that you are unduly barraging them with disputes. As a consumer who has been treated unfairly, these are not your problems. Insist, in another dispute, that the credit bureau is responsible for conducting the investigation and they are taking a very unwise risk in rejecting your dispute. All you want is your credit report properly corrected.

6. A letter announcing that an investigation has begun. Trans Union will usually send these letters as a clever way of extending their 30 day investigation period. You really have no choice but to accept their timetable. Just place the letter in the file and watch closely for the response to arrive on the date indicated in the letter. If no response comes, see item number one on the list.

7. A letter announcing that your dispute has been forwarded to the appropriate credit bureau. If there is a local credit bureau involved in your dispute, the main credit bureau will forward your dispute to that bureau for verification. Count on an additional two week delay when this occurs.

8. A new credit report showing the results of an investigation. This is the desired result. When you receive your new report, you should copy and carefully analyze the credit report for deletions or changes to perfect.

Seeing Results

The easiest way to analyze the results of a successful challenge is to compare the newly investigated report with the previous report. You may simply go down the list of negative items and note the absences of negative listings or listings that were negative, but have become positive. You may also determine improvements by comparing information within the same credit report. Equifax and Trans Union now usually provide a list of items challenged and whether or not the items were changed, deleted, or verified as accurate. TRW has a list of items challenged at the back of the credit report. You may compare this list with the negatives remaining on the credit report to determine what progress has been made.

As you receive the results of the credit bureau investigation, you will note that each disputed listing will have been handled in one of five different ways:

1. The disputed listing was not investigated. Perhaps your dispute was not sufficiently clear, or perhaps the credit bureau simply chose to ignore your dispute. In either case, you will need to dispute the item again in your next dispute letter.
2. The disputed item was investigated but verified as accurate. The creditor may have responded to the credit bureau's request for reverification, or the credit bureau may have simply faked the investigation to get you off their back. You have the right to dispute the listing again at a future time. In fact, the FTC has determined that the credit bureau may become responsible, in future disputes, to look deeper into the disputed item than simply asking the creditor to check their computer records.
3. The disputed listing was investigated as to the correctness of the information within the listing such as late pay notations, and the listing was found to be inaccurate or unverifiable. In this case, the negative listing will now show up as a positive listing. This is the best possible

outcome because now you will enjoy good credit once your report is cleared.

4. The disputed listing was investigated as to whether or not the listings belong to you, and the listing was found to be inaccurate or unverifiable. In this case, the negative listing will disappear from the credit report altogether.

5. The disputed listing was deleted or improved to perfect, but the negative listing was later verified and re-listed on the credit report. If a listing is verified by the creditor after the thirty day investigation period, the credit bureau can replace the listing on the credit report. When this occurs, see item number two. Whatever your response, restoring your credit is a cycle. If you receive disappointing results, remember that it took you some time to create your bad credit, and it will take a little time to restore your good credit. Collect your results, mark your calendar, and wait for the next acceptable dispute date. Don't forget to allow at least sixty days between disputes.

Fourth Quarter Strategies

The more you dispute the negative listings on your file, the more difficult it becomes to get a new investigation started. As you find the frequency of investigations and deletions dwindling, you must consider these Fourth Quarter Strategies.

Threats

Remember, the checker must sense that you are a legal threat to the credit bureau; that you might sue them if they don't follow through with their obligations. There are several reasonable threats to the credit bureaus that may make them stand up and take notice of your dispute -- regardless of how many times they've previously looked into the negative listing.

1. "I have contacted a lawyer and am considering a lawsuit." Every day the credit bureaus are embroiled in consumer lawsuits, costing the credit bureaus hundreds of thousands of dollars in awards given to consumers. The credit bureaus pay even more to maintain the legal staff necessary to handle these cases. Technically, you may sue the credit bureaus every time they fail to comply with the Fair Credit Reporting Act. However, the most viable lawsuits are those from consumers with negative consumer information not belonging to them listed on the report. You must be careful about threatening to sue anyone. If you say, "I am going to sue

you," you must really be intent on filing suit. You may, in any case, express your consideration of a lawsuit or steps you have taken to proceed with preliminary work, such as seeking counsel with an attorney. This threat shouldn't be overused, but don't forget that an average consumer being mistreated by the credit bureaus would almost always make such a threat. If you fail to mention the option of a lawsuit, your dispute will lack punch, especially after you have submitted numerous previous disputes.

2. "I am filing a complaint with the Federal Trade Commission." The Federal Trade Commission (FTC) regulates and monitors the activities of the credit bureaus. The credit bureaus won't be crushed by a single complaint, but they would rather limit the number of complaints received by the FTC each year. As it now stands, the credit bureaus are the number one source of consumer complaints to the FTC. In order to file a complaint with the FTC, you may write: Federal Trade Commission Pennsylvania Ave. and Sixth St., N.W. Washington, D.C. 20580 WWW: www.ftc.gov Make sure that your complaint is brief and to the point. You may wish to include a copy of the complaint in your dispute letter and threaten to mail the complaint if you don't receive satisfaction within thirty days.

3. "I am preparing letters to my state senators and representatives." Every year, the credit bureaus fight off new legislation which would further restrict their practices and place greater financial penalties on their mistakes. Presently, they enjoy only the constraint of a 25 year-old statute that is, advantageously for them, outdated. In Congress, when a new, tougher, Fair Credit Reporting Act reaches the floor, the credit bureaus are forced to labor to keep the new act from passing. So far, they have succeeded in preventing changes to the Fair Credit Reporting Act, but as time goes on, and more consumers complain to their congressmen, fewer congressmen are willing to listen to the credit bureaus. Letters to federal and state congressmen that express outrage over the conduct of the credit bureaus will eventually change credit reporting as we know it. The credit bureaus want to delay that change, and they will shrink at your decision to write your local statesman. Feel free to send copies of your complaint letters with your dispute.

Settling your Debts

If you haven't yet settled your outstanding, delinquent debts, you must seriously consider doing so. Many of your creditors will see the negative listing on your credit report as a collection tool, and they will do whatever it takes to keep that negative listing on the report, even if it requires

verifying a thousand investigations. Even if you delete a negative unpaid listing, that negative listing may well reappear when the creditor or collector settles the account, seeks a judgment, or passes the amount to collections. Please see [Settling Delinquent Debts](#) for more information.

Disputing the Information with the Source Sooner or later in this process, you should dispute the credit information with the creditor who reported it. If you are in a hurry to restore your credit, you should be writing your creditors from day one. If you have worked with the credit bureaus for some time and the results are lagging, now would be a good time to take the fight directly to the source.

Submitting a 100 Word Statement of Explanation

Most do-it-yourself credit repair manuals recommend that you file a 100 word statement to be added to your credit report explaining the circumstances of the negative credit that remains. After all, the Fair Credit Reporting Act does give you that right. We have never seen a creditor who bothered to read or consider the 100 word statement. In fact, many creditors won't look much beyond the automatic credit bureau rating that appears with your credit report when you apply for credit. This instruction does not recommend that you file the 100 word statement. It would only serve to self-verify information that should come off through repeated disputation of the listing. If you have previously submitted any 100 word statements, they should be the first items you remove.

[Back to Index](#)