

CREDIT RESTORATION

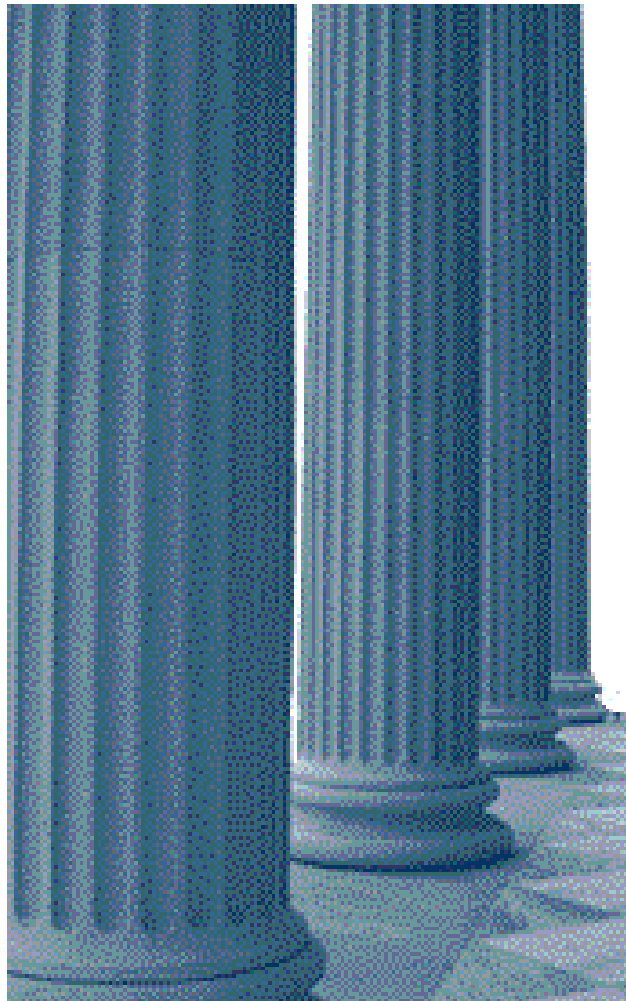
A Credit Repair Guide
for the *Truly*
Credit Worthy



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Forward

Without credit, the best opportunities of our society are unquestionably out of reach. We have created something of a class system, where the credit unworthy are restricted to a lower station. They rent apartments, drive used cars, pay in cash, forego vacations, and skimp on Christmas gifts for their children. And while it might seem hard, we could probably all accept descrimination between the creditworthy and the credit unworthy if only the descrimination were fair and accurate. Yet, today, a large percentage of those tagged "credit unworthy" are truly **responsible** citizens who have suffered financial hardships or credit report errors that were out of their control.

It is not the goal of Lexington Law Firm to assist those who would abuse the credit system. Rather, it is our mission to bring some measure of equity to those who are truly credit worthy - regardless of what their credit reports say.

We are committed to educating individuals about the credit system, with an emphasis on exposing credit reporting abuses, collection mispractices, credit repair rip-offs, and invasions of privacy. Credit Restoration: **A Guide for the Truly Credit Worthy** is part of our effort to increase consumer awareness concerning this important aspect of American life.

As you will discover, there is much more to the credit system than you may have imagined. You will see that there is no "quick fix" for all of your financial woes. Rather, we are here to let you know that professional help is available through a variety of resources, and that all problems are redeemable - no matter how difficult they may appear at the outset. We wish you success in all of your endeavors.



The Attorneys and Staff of
Lexington Law Firm

Can Bad Credit Be Restored?

On April 11th, 1996, the evening edition of CNN repeated a two minute story about credit restoration and credit repair companies. Jodie Bernstein, the Federal Trade Commission Director of Consumer Protection, passionately discouraged those seeking assistance through a credit repair company: "Don't do it. Don't give them any money. They're **LYING** to you!" She stated, "Only time will cure a credit record that contains adverse, but accurate credit information." At last, a news correspondent stood somewhere in a cold, Washington D.C. afternoon and informed consumers that their bad credit would stay on their credit file for at least seven years and there was nothing they could do about it.

For the next week we watched as news story after news story, article after article barraged the American consumer proclaiming that "nothing can be done about bad credit" and that "time is the only anecdote to bad credit." We were quite familiar with these catch-phrases; we had seen them before on propaganda literature written by the credit bureaus themselves.

In these pages, you will discover the **real truth** about credit, debt, and credit reporting - information collected from the law and the day-to-day experiences of Lexington Law Firm and others in our field of practice.

Ultimately, you will realize that you have many credit and debt options that are denied by those who would prefer that you endure the punishment of bad credit. What they don't want you to know is that ***you can restore bad credit in much less time than seven years.***

In an effort to understand the mindset of those who fight credit restoration, a Lexington associate interviewed a government agent to get

his opinion. It wasn't long before the agent began to quote the favorite mantra of the credit bureaus and

government agencies: "Accurate, negative credit information cannot be deleted, and if it is deleted, it will simply reappear." The Lexington representative asked how he knew that to be true. The agent puffed up and responded that he knew because the credit bureaus themselves had told him so.

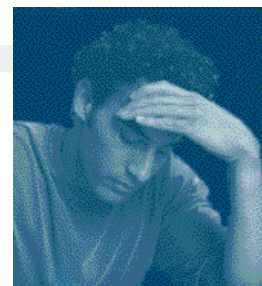
We then asked how many negative items he would have to see deleted from credit files before he would believe that it was possible to restore credit. Ten? . . . One hundred? . . . One thousand? . . . Tens of thousands? It wouldn't matter to him, he explained as he glossed over the question, because he felt that people with bad credit should just take their medicine and quit looking for an easier way out.

This publication is founded on the belief that each American should know his rights, then follow his **own** moral compass. We believe that moral activism and corporate favoritism are wrong when committed by government agencies.

In the recent rush to stamp out unscrupulous "Credit Repair" companies, something has been lost: namely **the TRUTH**.

Every day, thousands of credit worthy citizens are denied credit on the basis of unfair and often inaccurate credit reports.

In a society sworn to uphold the standard of "innocent until proven guilty," we must not allow citizens to be cut off from the most important public utility of all: CONSUMER CREDIT.



SECTION ONE



Credit 101

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/Experian, Trans Union, or Equifax..

These credit bureaus collect and maintain information on the vast 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.

The credit bureaus receive your personal information through the same lenders who grant you credit. They have agreements with each of these credit grantors that require the credit grantor to inform the credit bureaus of everything that occurs in your relationship with the credit grantor. If you make a payment late, the negative credit listing is quickly reported to at least one of the three 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 collect this information, list it 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, then the creditors' computers will immediately reject your application.

Just 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 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 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 may become nervous and deny you credit.

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 for up to ten years. These are the time *limits* for reporting negative credit. The creditor or the credit bureau can choose to have the negative credit information deleted whenever they please. Inquiries may remain on the credit report for up to two years.

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 bureau 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 relatively 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, even one small late pay listing may result in credit denials. It is a myth that a large amount of positive credit can outweigh some negative credit. *Any negative credit whatsoever* can become a substantial credit obstacle.

Who Looks at My Credit Report?

With the passing of each year, your credit report is used more and more often as a yard stick to measure your character. Prospective creditors 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.

SECTION TWO



Understanding Credit Restoration

Credit is a way of life in America. Without good credit, you have to take your seat in the second-class section of our economy. But, if your credit is in shambles, you may not be willing to wait for seven years while your credit report clears.

Is there anything you can do to speed your return to creditworthiness?

Many authorities, such as the news media, will tell you there is nothing you can do. Newspapers, magazines, and TV news journals all seem to be unanimous in discouraging you from making any effort to clear your credit before the seven year limit.

How do these journalists explain the western U.S. law firm that has removed over **thirty-five thousand negative items** from individual consumer credit reports in the last two years? What about the thousands of Americans who have restored their own credit? Why has the media repeatedly denied the possibility of restoring credit when substantial evidence points to the contrary? Who stands to gain from such a broad campaign of disinformation?

The giant credit reporting bureaus have maintained a consistent public relations effort to dissuade **you** from challenging the information appearing on your credit reports. The credit bureaus are especially intent on steering you clear of "credit repair" companies that promise to help you restore your credit. The bureaus claim that these companies "cannot have accurate information removed from your credit report."

If you are like 70% of Americans that have less than perfect credit, you're sure to be interested in the truth about credit reporting. If there **were** a legitimate alternative to seven years of credit denial, that alternative could mean early parole from the bad credit prison.



The Law versus Practical Reality

As the credit bureaus computerized their processes and greatly expanded their reach and influence in the late 1960s and early 1970s, consumer complaints began to mount at the FTC and state attorney general offices. The credit reporting agencies quickly became huge bureaucracies second only in size to the federal government. The credit bureaus expressly served only the needs of their clients, the credit grantors.

Many consumers were negatively effected by the credit bureaus, but they had no way to correct or change their credit information. The American consumer lay completely at the mercy of the credit bureaus. The United States Congress enacted the Fair Credit Reporting Act (FCRA) in 1971 to insure that the credit bureaus investigate the credit items disputed by consumers. This federal law set procedural guidelines which gave the consumer the right to challenge the accuracy, validity, and verifiability of the credit listings appearing in their consumer credit report. It also required that the credit bureau delete any credit listing if it was inaccurate or could not be verified.

Understanding Credit Restoration



In theory, the FCRA charges the credit bureaus with responsibility to the consumer as well as the credit grantor. In reality, the credit bureaus resist, resent, and reject consumer disputes. The credit bureaus would rather be left alone to make a profit. And, each time a consumer challenges his credit, profit is lost.

The credit bureaus first defend their profits by erecting walls of stall tactics, including requests for more information, further clarification, and additional identification. The vast majority of consumers give up before they even receive copies of their credit reports. If a consumer manages to get a credit report, decipher the codified information, write a coherent dispute, and mail it, the bureaus may still find some reason to disregard the challenge. The entire dispute system is designed to frustrate and discourage the consumer.

Many consumers have the idea that the credit bureaus must complete their investigation within thirty days or be forced to remove all disputed information. They threaten to sue the credit bureaus if they don't conclude their investigation in time. In practice, such thinking is delusional. Nobody forces the credit bureaus to do *anything*.

However, if you manage to submit a valid dispute letter, and the credit bureau investigates your dispute, the chances of success are good - ***whether or not the negative listings are accurate!*** Accuracy actually has little to do with the deletion of negative items.

If a credit bureau cannot verify an item before completing its investigation, that item will be removed. Many creditor grantors are simply

reluctant to take the time to verify the data. While the credit bureaus are in the business of reporting credit histories, creditor grantors are not.



The Truth About Credit Repair Companies

Many "credit repair" companies claim to remove negative credit with the flick of a wrist. Their advertisements make bold assertions and money-back guarantees; "Bankruptcy, tax liens, judgments, . . . no problem!! One hundred percent guaranteed!! Credit report 100% cleared in 30 days!!" Can they really make such sweeping guarantees?

While some credit repair companies are outright frauds others are *not* frauds and they use the dispute process to obtain impressive results. In fact, they delete thousands of negative credit listings every day - regardless of whether or not the listings are technically accurate.

Unfortunately, it's risky to trust anyone to help you restore your credit. It is estimated that credit repair companies have bilked Americans out of more than fifty million dollars. The majority of credit repair companies were started by entrepreneurs with a penchant for marketing. Consumers have flocked to these "credit doctors" only to discover that their advertisements proved far more impressive than their results. Hiring a credit repair company is like playing Russian roulette. Many of them are effective and legitimate, but it is difficult to tell a rip-off from the real article.

Working within the credit bureau maze requires substantial background knowledge; knowledge it takes credit repair companies years

Understanding Credit Restoration



to learn. In fact, U.S. District Court Judge J. Wexler entered the following legal opinion in the Federal Supplement. "Since allowing third parties to assist consumers will likely lead to the expedited correction of credit reports, it will further the purposes of the [Fair Credit Reporting] Acts."

So, can credit repair companies really guarantee results?

Not a chance! No credit repair company is so good that it can guarantee a specific outcome. It would be like a defense lawyer guaranteeing that the jury will find his client innocent. Guarantees are a sure sign of credit repair fraud. A warranty, where the credit repair company promises a refund if certain results don't occur, is a better, more realistic claim.

Not surprisingly, the credit bureaus have declared war against the credit repair companies and those selling instruction on how to do-it-yourself. The bureaus lambaste credit repair companies in the media and send anti-credit repair literature to anyone whom they suspect of using credit repair services. The bureaus unflinchingly deny that accurate information can be removed from a credit report.

Recently, a couple in the Northwestern United States, who were using the services of a legitimate credit repair company, received a scathing letter of reproach from their local credit bureau. The letter chastened them for relying on the "unethical" methods of credit repair, and pointed out how all their efforts had come to nothing. "As you can see," the letter chastened, "your credit reports remain unchanged." The couple was bewildered because almost *all* of their many negative credit listings, including a bankruptcy, *had long since been deleted*.

The simple truth is that you don't have to endure bad credit for seven to ten years. It is possible to restore creditworthiness within a much shorter time.

However you decide to address your credit challenges, realize that regardless of what you may hear in the news media, thousands before you have sought help and restored their credit. They can show you their homes, cars, and credit cards. Despite the newspaper articles, TV reports, and other credit bureau propaganda to the contrary, you *can* restore your credit.

Is it Right To Restore Bad Credit?



The following table details the ethical arguments commonly heard on both sides of the issue of credit restoration.

| It <u>is</u> ethical to restore bad credit. | It <u>is not</u> ethical to restore bad credit. |
|--|---|
| <p><i>Arguments commonly made by:</i></p> <ul style="list-style-type: none"> Credit Repair Companies Consumer Groups Americans with Bad Credit | <p><i>Arguments commonly made by:</i></p> <ul style="list-style-type: none"> Credit Bureaus Government Regulators Americans with Perfect Credit |
| <p>The information in the credit report is so fraught with errors, a consumer should be able to challenge his credit at will.</p> | <p>It's perfectly acceptable to challenge inaccurate credit information. It is unethical to challenge bad credit that really happened.</p> |
| <p>Bad credit financially destroys a consumer for seven to ten years: an unreasonable and excessive period of time. Convicted rapists typically serve less time than people with bad credit.</p> | <p>It is up to the credit grantor to choose how much credit history to review when granting credit. Besides, the consumer should have considered the penalty before breaking his agreements.</p> |
| <p>Challenging negative information on a credit report is no different than pleading "not guilty" in a court of law. It is an American's right to be considered innocent until proven guilty. The prosecution (the credit bureau) must prove its case beyond a reasonable doubt.</p> | <p>The credit grantor tells the credit bureau what to list on the credit report. That alone is enough evidence that the consumer broke his agreement. Credit reporting isn't a court of law. Challenging the credit report (pleading "not guilty") is a frivolous expense that others are forced to bear.</p> |
| <p>Credit bureaus are for-profit businesses and no one should feel morally obligated to protect the sanctity of the credit report.</p> | <p>Correct credit reports protect creditors from bad risks thereby saving us all money. We should feel responsible to protect the accuracy of the credit report.</p> |
| <p>The credit report makes no allowances for why the negative credit incident occurred. Even a court of law takes the circumstances of a crime into consideration. What about bad credit circumstances that weren't the consumer's fault, such as; medical disasters, job loss, recession, or divorce?</p> | <p>If the credit grantor is interested in the circumstances surrounding bad credit, he can always ask the consumer directly.</p> |

Top Ten Credit Myths



Myth #1

When I pay off a past-due account, such as a charge off or a collection account, it will show "paid" and will no longer be negative.

It is quite difficult to restore your credit without somehow satisfying your outstanding debts. However, the act of paying off a debt can actually hurt your credit. Negative credit is allowed to stay on the credit report for a maximum of seven years, except for bankruptcy which may remain on the credit report for 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 *still* 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 help so that you may settle your debts without further damaging your credit (see *Should I Seek Professional Help?*)

Myth #2

If I succeed in deleting a negative item, it will just come right back on my credit report.

The credit bureaus have cleverly spread this myth through the news media and government agencies. In truth, the credit bureaus will often temporarily delete a negative listing if they haven't heard from the credit grantor after approximately thirty days.

If the credit grantor reports late, say after six weeks, and then verifies the negative listing, the credit bureau will often reinsert the negative listing on the credit report. This is often known as a "soft delete." Usually, though, the creditor simply fails 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 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 thousands of times. Negative items, 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 with the severity of the bad credit item. For example, judgements and tax liens are severely negative listings, yet are easier 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

Top Ten Myths



type of business. Remember, the credit bureaus are primarily interested in protecting their profits. Investigating your challenge consumes these profits. Short of sparking a mass number of lawsuits, the credit bureaus seem to 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 known creditor considers information given in a 100-word statement. The statement only serves to verify some of the negative listings on the credit report. Make 100-word statements the first things you delete from your credit file.

Myth #7

By changing numbers in my social security number or by using an EIN tax number, I can fool the credit bureaus into creating a completely clean, new credit file under my name.

This scheme has proven to be complex, difficult, and illegal. Lying about any personal information on a credit application is usually a criminal offense. Using these "file segregation" schemes requires an enormous amount of coordination, not to mention personal risk.

Myth #8

If I build enough good credit, it will offset my bad credit and make me credit worthy. After all, I was only late a couple of times.

Any amount of bad credit is devastating to your chances of being approved by a credit grantor. Most credit grantors never actually look at your credit report. A computer pulls your credit report, rates your credit standing, income, indebtedness, and stability, then spits out an acceptance or denial. Even one or two slow pays will usually trigger a credit card or personal loan denial. The slightest amount of negative credit will cause the

Top Ten Myths



interest on an auto loan to skyrocket. You will probably find that even a little bad credit, regardless of how much good credit you have, is an unacceptable barrier to credit approval.

Myth #9

If I'm having trouble paying my bills, I can go to Consumer Credit Counseling Service and they will help me to restore my credit.

Consumer Credit Counseling Service or CCCS is a nonprofit debt counseling service that assists consumers who are over their heads in debt. CCCS is funded and controlled by the credit grantors and the credit bureaus. Often, CCCS provides a beneficial service to the consumer. Because of the obvious allegiance between CCCS and the credit bureaus, you cannot reasonably expect CCCS to do anything that the credit bureaus would frown upon, such as help you restore your credit. In fact, if you decide to leave CCCS before you have finished their program, they can list your failure to complete the process as a negative listing on your credit report. When you are participating in the CCCS program, your creditors will often note it on your credit report. The fact that you resorted to a debt counseling program is a huge red flag for prospective credit grantors. Remember, paying off your debts is a step in the right direction, but *it does not restore your credit.*

Myth #10

It is illegal for creditors to take a negative, accurate listing off my credit report. The law

requires that these items remain on the credit report for at least seven years.

When you speak with credit grantors, collection agencies, or credit bureaus, their typically under-educated staff may tell you all manner of such pseudo-legal nonsense. The law demands that negative listings appear on your credit report for ***no longer*** than seven years. The credit grantor or the credit bureau can choose to delete the negative credit listing whenever they see fit.

Professional Help



Should I Seek Professional Help of Do-It-Myself?

What's Involved with Restoring My Credit?

As mentioned before, restoring your credit by yourself is possible. But remember, the credit bureaus are committed to the failure of your efforts, and the credit bureaus have far more experience in discouraging hopeful consumers than you have in beating giant credit bureaus.

Yet, some consumers *have* achieved results in clearing their own credit without professional assistance. The following is a guide to help you determine whether or not you should seek professional assistance in restoring your credit.

Attempting to restore your own credit while failing to dedicate sufficient time or attention can result in further damage to your credit rating and may make it impossible for anyone to restore your credit for you. For this purpose, we provide a comprehensive rating system and a preview of the time commitment required to restore your credit. Examine very carefully your capabilities and your schedule before deciding to restore your own credit.

Example of a Month's Activities in Restoring Your Credit (for a couple):

| Activity | hours required |
|--|----------------|
| Monitored calendar daily to check deadline of each of six credit bureau correspondences | 2 hours |
| Drafted six new original credit bureau query challenges | 2 hours |
| Visited post office six times to mail correspondences by Certified Mail/Return Receipt Req. | 2 hours |
| Carefully analyzed and marked six credit reports to find negatives/deletions/ positive changes | 2 hours |
| Drafted 4 tardy credit bureau response follow-up letters | 2 hours |
| Visited post office 4 times to mail follow-up letters by Certified Mail/Return Receipt Req. | 2 hours |
| Responded to 2 credit bureau stall letters by providing further information/ challenging time loss | 1 hours |
| Visited post office 2 times to mail stall responses by Certified Mail/Return Receipt Req. | 1 hour |
| Responded to 2 "frivolous or irrelevant" credit bureau rejection of dispute letters | 2 hours |
| Visited post office 2 times to mail "frivolous or irrelevant" claim Certified Mail/Return Receipt Req. | 1 hour |
| Requisitioned six new credit reports at \$8.00 each through local credit bureau | 2 hours |
| Contacted ten creditors and made creditor-direct challenges | 8 hours |
| Drafted 20 letters to creditors (one per spouse) to challenge and demand further documentation | 3 hours |
| Visited post office once to mail letters to creditors Certified Mail/Return Receipt Req. | 1 hours |
| Contacted ten creditors by telephone to negotiate deletion of negative listing | 4 hours |
| Carefully analyzed ten responses from creditors with billing histories and promissory agreements | 3 hours |
| Contacted six state, federal, and licensing organizations to locate addresses and forms for complaints | 2 hours |
| Prepared complaints to six state, federal, and licensing organizations | 3 hours |
| Visited post office to mail complaints Certified Mail/Return Receipt Req. | .5 hours |
| Total hours per month (first month) | 45.5 hours |

Professional Help



Should I Seek Professional Help of Do-It-Myself? cont.



Time Commitment

The chart on the proceeding page shows liberal estimates of time required to restore your own credit. If you are a single person working on his/her credit alone, you can subtract 25% from the total time required. This time investment will continue on a monthly basis, gradually shrinking as creditors agree to delete their listings. On the average, you can expect the process to take between twelve to eighteen months, unless you have very little negative credit (one negative item per report.)

Each response to a creditor or a credit bureau must be an *original* and must pertain specifically to your present situation or you may be red-flagged as a frivolous troublemaker or be ignored altogether. There are no effective "form letters" or "fill in the blank" responses that yield results.



Emotional Commitment

Dueling with the credit bureaus and credit grantors requires an aggressive and tenacious personality. You must be willing to wade through rejection after rejection until you achieve your desired results.

The credit bureaus will shoot down the majority of your claims and disputes. They will treat you like a disreputable person and a liar. You must take this rejection without becoming discouraged. If you are the kind of person who tires quickly from an emotional struggle, you should seriously consider hiring a professional to restore your credit. If you are the kind of person who becomes angry when dealing with the slow,

bureaucratic automatons of big bureaucracies, you will not fare well. Patience is an absolute requirement. If you are thick-skinned and have the fortitude to fight the credit bureaus and your creditors for as long as it takes, then you may have the proper disposition to restore your own credit.



Organizational Commitment

In the process of restoring your credit, you will have to track and monitor dozens of communications at once. This will require organized, disciplined habits. Every day, you must check up on each of these communications to make sure that the credit bureau or credit grantor hasn't overextended their time limit. You must spend at least one-half to one hour per day tracking your responses, results, and taking appropriate actions. Remember, you will be dealing with three credit bureaus per person plus you will be communicating with each credit grantor appearing on each credit report. In most cases, the number of simultaneous communications will exceed twenty or thirty. If you are not the most organized person, you are definitely not in a good position to attempt to restore your own credit.



Are You Cut Out to Restore Your Own Credit?

The questionnaire on the following page will help you to determine if you are in a good position to restore your own credit. Once you've finished the questionnaire, you can calculate your Success Rating which will help you to decide whether you should get help or handle your credit restoration alone.

Self-evaluation



ADD the indicated points for each "yes" answer

| | | |
|--|--|--|
| Have you ever had a dispute with a corporation and won? | + 50 points | |
| Did you speak with someone higher than the customer service rep? | + 30 points | |
| Do you have a college degree? | + 40 points | |
| Do you have a high school diploma? | + 20 points | |
| Have you ever represented yourself in small claims court? | + 25 points | |
| Do you always balance and reconcile your checkbook? | + 30 points | |
| Do you work in sales, marketing, or upper management? | + 25 points | |
| Have you already taken steps to begin building new credit? | + 15 points | |
| Rate your organizational skills: Extremely organized Moderately organized Not very organized | choose one + 50 points + 20 points + 5 points | |
| Do you love to debate an issue? | + 30 points | |
| Do you read the newspaper daily? | + 25 points | |
| Rate your level of patience: Extremely patient Moderately patient Rather impatient | choose one + 30 points + 10 points + 0 points | |
| How good are you at convincing others to do what you want: Very persuasive Moderately persuasive Not persuasive | choose one + 30 points + 10 points + 0 points | |
| How much time can you positively dedicate to restoring your credit? 20 hours per week 15 hours per week 10 hours per week Less than 10 hours | choose one + 50 points + 35 points + 15 points + 0 points | |
| Add up your First Page points here | | |

| ADD the indicated points for each "yes" answer | | 2nd pg. Points |
|---|--|-----------------------|
| What do you wish to purchase once you restore your good credit? New Home Refinance Home New automobile Credit cards Personal loan | <i>choose one</i> + 50 points + 75 points + 25 points + 5 points + 0 points | |
| Do you need to have your credit restored within a set time? 6 months 12 months 18 months No set time | + 200 points + 35 points + 15 points + 0 points | |
| Do you have a bankruptcy on your credit report? | + 150 points | |
| Do you have a repossession or a foreclosure on your credit report? | + 75 points | |
| Do you have charge offs or collections on your credit report? | + 50 points | |
| Do you have any liens or judgements on your credit report? | + 25 points | |
| Do you have delinquent, outstanding debts on your credit report? | + 50 points | |
| If you can't dedicate at least ten hours per week add these points. | + 300 points | |
| If you don't have a computer and printer at home, add these points. | + 150 points | |
| If you've never read a credit report add these points. | + 50 points | |
| Total Your Second Page Points Here | | |
| Bring Your First Page Points Over to Here | | |
| Bring Your Second Page Points Down to Here | | - |
| Subtract Your Second Page From Your First Page Points If your second page points are greater than your first page points, your score will be a negative number. Place your score, negative or positive, in this box. | | Success Rating |

-300 -250 -200 -150 -100 -50 0 +50 +100 +150 +200 +250 +300
 → Get Professional Help Probably Get Help Consider Help Try it on Your Own

The number in the last box is your Success Rating. Place your score on the graph below to see how well-suited you would be to restoring your *own* credit.

Legal Groundwork



What the Law Requires of the Credit Bureaus When You Dispute Your Credit Report

The Fair Credit Reporting Act Public Law 91-508



The Fair Credit Reporting Act (FCRA)

allows a consumer to challenge the information on his credit report on the basis of "completeness and accuracy." If, after a reinvestigation by the credit bureau, the disputed information "is found to be inaccurate or can no longer be verified, the [credit bureau] shall promptly delete such information."

The credit bureaus are required to complete the investigation within a "reasonable period of time." In consent decrees, later signed by the credit bureaus, this period has been set at thirty days.

The credit bureaus can ignore the consumer dispute if they have reason to believe that the dispute is "frivolous or irrelevant." The FTC commentary on the FCRA cites, as an example of a frivolous dispute, a dispute wherein the consumer challenges all negative items on his credit report without providing any allegations regarding specific items in the credit file. However, "A [credit bureau] must assume a consumer's dispute is bona fide, unless there is clear and convincing evidence to the contrary."

When a consumer challenges a negative credit listing on the basis of extenuating circumstances, such as health problems, divorce, job loss, etc., the credit bureaus are entitled to *ignore* that dispute.

When a consumer submits a dispute which is neither frivolous nor irrelevant by credit bureau standards, the credit bureau must "at a minimum, . . . check with the original sources or other reliable sources of the disputed information and inform them of the nature of the consumer's dispute." In some cases of consumer dispute, "Reinvestigation and verification may require more than asking the original source of the disputed information the same question and receiving the same answer."

In other words, when a consumer files or re-files a valid dispute, the credit bureaus must contact the source of the credit information (the creditor) and confirm that the information is accurate, verifiable, and not obsolete. In some circumstances, the credit bureau is required to go beyond a simple verification of the creditor's own computer record. If, within 30 days, the credit bureau has not received verification from the creditor, then the credit bureau must promptly delete the credit listing.

In theory and law, the process is deceptively simple, thus leading many people to think that they can easily handle this themselves "for the price of a few postage stamps." In the next chapter, we will discuss what **ACTUALLY** happens when a consumer files a dispute with the credit bureaus.

Legal Groundwork



What Actually Happens When You Dispute Your Credit Report



Now we shall discuss what **ACTUALLY** happens when you attempt to challenge your credit report. Since we are unable to spy into the daily events in each credit bureau, this information has been gleaned from a variety of sources. These sources include information given up by the credit bureaus in legal deposition, information provided by ex-employees of the credit bureaus, and the practical experience of day-to-day dealings with the credit bureaus by CRC Advisory Committee Members.

When you challenge the negative listings on your credit report, you must be aware that the credit bureau will attempt to stall, discourage, or ignore your every attempt to submit a dispute. If, through any loophole or oversight, the credit bureau can ignore or stall your dispute, it will.

Before you can put pen to paper on your dispute, you must carefully read and understand your credit report. While TRW credit reports are fairly easy to read, Trans Union and Equifax credit reports require a substantial amount of study and practice before you will understand the coded information on these reports.

After your dispute has passed through the credit bureau mailroom, a lower-level credit bureau employee, often called a **checker**, will read your letter. If your letter is too long, too complex, or doesn't seem to contain enough pertinent information, the checker may choose to throw the letter away, respond with a letter claiming that your dispute is frivolous, or send you a repetitious stall letter asking for incidental information. In fact, the checker may choose to stall or ignore

your dispute regardless of how relevant your letter appears. In the words of one ex-checker of TRW, "Do you really think those guys (the credit bureaus) would spend the money to do the investigation? I just decided [when I worked for TRW] what letters to ignore and what letters to investigate."

There are several sure ways to cause the checker to reject or stall your dispute. These include:

- Making your dispute letter over one page long.
- Giving reasons why the negative credit happened.
- Being vague about what you want done with the disputed listings.
- Being vague about why you feel the negative items should be deleted or improved.
- Sounding in your letter like you read a book about credit repair.
- Quoting the FCRA or other legal statute in your letter.
- Using a form-style dispute letter.
- Claiming that your file has been mixed with someone else's.
- Repeating the same dispute that you recently made.
- Verifying the negative credit in any way ("the bankruptcy was in '85 not '87.")
- Not giving enough personal information in your dispute letter.
- Making outrageous and improbable threats.
- Disputing the same credit report within less than ninety days of your last dispute.
- Using abusive language in your dispute letter.
- Appearing weak in your dispute letter.

Legal Groundwork



What Actually Happens cont.

Getting past the checker is the **primary** obstacle in restoring your credit. If your disputes are drafted in such a way as to **say the right things and avoid saying the wrong things**, then you stand a fair chance at getting past the checker.

Once you've submitted enough disputes to get one past the checker and into reinvestigation, you will find that **the thirty day time limit is rarely met**. Trans Union, for example, will hold your dispute for periods often exceeding two weeks, then send you a letter acknowledging your dispute and officially beginning their thirty day investigation period. If the credit bureau decides to take longer than thirty days to complete their investigation, there is practically nothing you can do. In a court of law, it would be very difficult to establish damages because a credit bureau took forty-five days instead of thirty days to finish their investigation.

After the investigation of your dispute is completed, if the disputed item has not been verified by the creditor, most credit bureaus will delete the listing as a "**soft delete**." This means that if verification does eventually arrive from the creditor, the credit bureau will re-report the listing on your file.

A credit bureau can contact a creditor to verify a credit listing in several ways. Recently, the credit bureaus have been touting their ability to communicate electronically with many of the major creditors. With many other creditors, the credit bureaus communicate by magnetic tape at regular intervals. But, the standard method of investigation is to send a postcard listing the consumer's dispute. If the creditor returns the card with the information verified, then the item

remains - for the time being. In the case of courthouse records such as bankruptcies, judgments, or liens, the credit bureau must usually send someone to the courthouse, or other record house to verify the listing. Whenever a credit bureau can verify a court listing through a creditor, in the case of bankruptcy for example, they will contact the creditor involved with the court document, verify the listing through them, and save themselves an expensive trip to the courthouse.

While there are only three major credit bureaus in the United States, there are hundreds of smaller "pass-through" credit bureaus who act as local agencies for the larger bureaus. It is very likely that at least one of your three major credit bureau files is being handled by a local pass-through credit bureau. These pass-through bureaus create their own world of stalls, loopholes, and problems when it comes to restoring your credit. Most pass-through bureaus are very thorough in their investigations, and once the small bureau checker begins to recognize you as someone repeatedly challenging your credit, it is unlikely that you will see further investigations. Local pass-through bureaus require specialized techniques which we will describe later.

When the checker cooperates, and your dispute is accepted, you can expect a rough average of one-third of the negative items that you disputed to be deleted or improved to perfect. You should receive notice of these changes when the credit bureau sends you a new credit report.

SECTION THREE



How to Effectively Restore Negative Credit



The Risks of Restoring Your Own Credit

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. The credit bureaus are immediately trained to spot any of the standard forms. Once the bureau has zeroed in on the structure of the form, any such letter will earn an immediate "frivolous or irrelevant" response from the checker. Many times, the credit bureau will see this as a sign that the consumer is "yanking their chain" and the checker will red flag the client's credit report for future reference.

This credit restoration primer will not provide specific techniques or form letters, as the credit bureaus will certainly read this book as well. Rather, we shall 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 inherent risks in restoring your own credit. These risks are greatly multiplied if you cannot dedicate sufficient time to the task, or if your skills or organizational abilities aren't top notch. Beside the fact that you will make no progress, you may also do actual damage to your credit restoration effort.

We have seen 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 had 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.

While restoring your own credit may save you money, done improperly, it can cost you thousands of dollars in lost time, and you may *still* do more damage than good to your credit.



Stage 1. Acquiring your Credit Reports

Before you begin the battle, you must get to know the battlefield. Your 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 their 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.

You may also obtain credit reports for free, but this method only works if you have been denied credit recently.

If you have been denied credit in the last 60 days, you may write to the credit bureau listed

How to Effectively Restore Negative Credit



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 only their phone mail system. However, if you do speak to a credit bureau representative about any issue, be careful. Say nothing that indicates that you are attempting to restore your credit. Don't 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 **certified mail, return receipt requested**. The local post office will provide you with the necessary forms. Copy your letters and checks, filing them according to the date they were sent.

The credit bureaus will 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 immedi-

A. WRITE THE FOLLOWING LETTERS AND REQUEST COPIES YOUR CREDIT REPORTS.

Dear TRW,

I would like a copy of my credit report.

your full name
your address
all addresses from the last 5 yrs
your social security number
your date of birth

Sincerely,
your signature

Dear Trans Union,

I would like a copy of my credit report.

your full name
your address
all addresses from the last 5 yrs
your social security number
your date of birth

Sincerely,
your signature

Dear Equifax,

I would like a copy of my credit report.

your full name
your address
all addresses from the last 5 yrs
your social security number
your date of birth

Sincerely,
your signature

B. INCLUDE AN \$8 CHECK, PER PERSON..

| | |
|---|----------------------|
| John Q. Credit 1234 Recovery Rd. Goodlife, CA 92801 | Date <u>9/23/95</u> |
| PAY TO THE ORDER OF <u>TRW Credit Bireai</u> | \$ <u>8.00</u> |
| <u>Exactly Eight Dollars</u> | Dollars |
| First Consumers Bank Goodlife, CA 92801 | <u>Johnny Credit</u> |
| Memo <u>:123001545 : 0309 : 9158645625</u> | |

C. MAIL LETTERS AND CHECKS TO THESE ADDRESSES.

TRW
PO Box 949-0949
Chatsworth, CA 91313

Trans Union
PO Box 390
Springfield, PA 19064

Equifax
PO Box 105873
Atlanta, GA 30348

How to Effectively Restore Negative Credit



ately. Include a copy of your check and your original letter. You should call your bank to see if the check has cleared yet. If the check has cleared, and you don't ever receive the corresponding credit report, you may be able to sue the credit bureau for mail fraud. After all, they took your money without providing you the promised product. Remember, you have the **right** to purchase and see your credit report.



Stage 2. 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 when 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 indicating actions you have taken such as when you ordered a credit report or when you sent a 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 some type of 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 be communicating with the individual creditors too. 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,

JANUARY 1997

| | Thursday | Friday | Saturday |
|--|---|--|---|
| | 5 Should receive Equifax (Mine) Amex response due today Trans Union report due today (Vic) | 6 Acme Bank Visa should call by today. Two week deadline for TRW new report (Vic) | 7 |
| | <hr/> Sent follow up to Equifax (Mine) Responded to Amex letter Called Knight Adjustment, agreed to settle for \$455.20 | <hr/> Sent follow up to TRW (Vic) Sent follow up to Trans Union (Vic) I called Acme Bank Visa. | <hr/> Requested docs from First Se Sent info to Acme Bank Visa Sent dispute Equifax (Vic) |
| | | | |

How to Effectively Restore Negative Credit



the date and time of the conversation, what was said in the conversation, and what you agreed to do in the conversation. You should also get the name of the person's superior and the superior's direct phone number. This documentation should be noted on a single sheet of paper and filed chronologically in the creditor's file.



Stage 3. 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 credit 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 an orange highlighter pen. Whenever you identify a negative listing, mark the listing in yellow on your scratch copy of the credit report.

Very often, it is difficult to tell if an item on the credit report is negative or positive. The following table will help you to identify every negative listing on your credit reports.

Negative Credit Indicators

If the listing contains one or more of these indica-

tors, then the listing is negative. If the listing contains none of these indicators, then the listing is positive.

TRW/EXPERIAN

- ➔ any item marked with an asterisk
- ➔ any inquiry

Trans Union

- ➔ any item rated any higher than I1, M1, or R1.
- ➔ any item listed as a 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 account whether paid or not.
- ➔ any court account including a lien, judgement, bankruptcy chapters 11, 7, or 13, divorce, satisfied lien, or satisfied judgement.
- ➔ any item showing one or more thirty, sixty, or ninety day late payments in the column to the far right.
- ➔ any inquiry

Equifax

- ➔ any item rated any higher than I1, M1, or R1 (such as an R2 or I9).
- ➔ any item proceeded by a ">>>" icon.
- ➔ any item listed as a 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 account whether paid or not.
- ➔ any court account including a lien, judgement, bankruptcy chapters 11, 7, or 13, divorce, satisfied lien, or satisfied judgement.
- ➔ any item showing one or more thirty, sixty, or ninety day late payments under the body of the listing.
- ➔ any inquiry

How to Effectively Restore Negative Credit



Once you have marked all **negative** items on your credit report with the yellow highlighter, you may begin looking for the **inaccuracies and inconsistencies** in your credit report. Whenever you identify an inconsistency or inaccuracy mark it with the orange highlighter.

An inaccuracy is something that you know is not true, such as an 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

Inaccuracies to look for:

Account not yours
Account number wrong
Date of account wrong
Status wrong
Balance wrong
Late pay history wrong
Account type wrong

Inconsistencies to look for:

More late pays than months reviewed
Item in BK but no BK listed
Duplicate accounts
Never lived in area of court record
Account shows older than possible
Past addresses wrong
Personal information wrong

these inaccuracies and inconsistencies to lend credibility to your challenge.

If you find that a substantial amount of the negative credit on your credit report **does not belong to you**, you may wish to **prepare a lawsuit** against the credit bureaus. You will not have an adequate cause of action against the credit bureaus unless you attempt to correct the mistakes with them and they willfully or negligently mishandle your case. The odds of the credit bureaus negligently mishandling your case are **excellent**, so you would be wise to proceed with a lawsuit in mind. Document every correspondence and response in a "day planner" type calendar book. If your day planner is complete and accurate, it is usually considered an acceptable court document. You may purchase a good day planner by calling Franklin Quest Co. at 800-869-1776. Be sure to copy and file **everything** and send all of your correspondence certified mail, return receipt requested. After several disputes, if negative information that does not belong to you remains on your credit reports, call CRC for referral to an attorney specializing in credit bureau cases.



Stage 4. Drafting your Disputes

Don't wait for all of your credit reports to arrive before you begin to analyze and dispute your credit reports. 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. Every day should 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

How to Effectively Restore Negative Credit



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 inaccurate and inconsistent listing in orange, you may begin to develop your dispute letter. As previously mentioned, we will provide no form letters for disputes as they will be quickly spotted and rejected by the credit bureaus. Instead, we will provide general strategies which have proven effective in getting 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 Thy Credit

Commandment 1. Thou shalt never lie in thy disputes or on thy credit applications.

You are cautioned that you must never lie 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 if you have reason to believe that items found in your report are 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 beside claiming that it is "not mine" or "was never late." Such an alternative dispute might read, "I don't believe these listings are correct."

Commandment 2. Thou shalt always indicate whether the disputed listing is being challenged as "not mine" or "not late."

While you must never say that an account isn't yours or that you were never late unless you are certain that it 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 in 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 will appear as a **positive** listing. If you dispute a listing **on the basis that the listing 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 3. Thou shalt always tell the credit bureau of the desired outcome of the investigation.

You must always include in your dispute letter what you would like done with the listing. There are two options: **delete the entire listing**, or **erase the late pay notations within the listing**. Don't bother challenging the information **within** a collection listing, charge off, court record, repossession, foreclosure, or settled account. As the

How to Effectively Restore Negative Credit



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 4. Thou shalt always provide a reason for thy 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. Good explanations range from "I simply don't recognize these listings as you have reported them," to "I'm sure that I would know it if I was ever as late as you say."

Commandment 5. Thou shalt always include indicators of authenticity in thy dispute.

Don't forget that the job of the checker is to reject the irrelevant disputes and to investigate the bona fide disputes. You may ensure that your disputes are considered authentic by adding things that only a truly, frustrated consumer would write, such as "my son's a banker and he mentioned that I could write you and that 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 checker that you're for real.

Commandment 6. Thou shalt never sound like an expert.

The credit bureaus receive over 10,000 disputes per day. Your dispute should look much like any of the others. If you quote legal statute or you

remind the credit bureaus of your rights under law, the checker will probably determine that you read a book about credit repair or you are using a credit repair company. If the checker believes that you are attempting to restore your credit, your dispute will be tossed into the "frivolous or irrelevant" bin.

Commandment 7. Thou shalt 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. Like any other consumer, you can become more frustrated and threatening as time passes. You may threaten to hire an attorney, complain to the FTC and your state's attorney general, or to sue the credit bureau if you are actually considering doing so.

Commandment 8. Thou shalt 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 sixty to ninety days. If you dispute more often, the credit bureau will simply return the dispute as "frivolous or irrelevant."

Commandment 9. Thou shalt use inaccuracies and inconsistencies as examples of how the credit listings are wrong.

Remember, it will do you no good to change minor information contained in a severely negative listing. Use inaccuracies and inconsistencies to show that the information in the credit report is

How to Effectively Restore Negative Credit



self-contradicting and should be reinvestigated, but don't use minor 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 credit report that 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 10. Thou shalt 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. According to the Fair Credit Reporting Act, the credit bureau should, legally, investigate **all** disputes that are not "frivolous or irrelevant." In practice, however, 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 page 15, 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 professional help**, 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. Also, the forms are not very specific and they are not taken as seriously by the credit bureau checkers. Prepare your disputes on your personal computer, preferably on personal stationary.

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 inconsistencies, inaccuracies, or notes. Remember not to verify any severely negative listings by correcting minor information in the listing. Make sure that 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.

- cont. on page 28

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Example 1.

Dear TRW,

Our credit reports shows the following items that are not valid. Please delete them from our file because they should not be there:

Medical Collection Agency acct. 754279834

Collection Agency bill that was paid by our insurance co.

Palm Beach Co. Judgment #3257

We paid this five years ago

Please be prompt or we will be forced to hire an attorney.

Sincerely,
J. Oberson

Example 2.

March 3,1996

Gentlemen at Equifax,

Please be aware that there are some disturbing errors on my credit report.

American Exp. # 7887743674 and Nationsbanco #23562 are erroneous.

Please do something promptly about these mistakes as I am about to purchase a home.

Sincerely,
Rex Johnson

Example 3.

Trans Union Corp.
1234 Credit bureau Ave.
Chicago, IL 86456

To whom it may concern,
I am absolutely infuriated that you can effect my life so dramatically with your mistakes and ineptitude. How dare you claim that my letter of last month was "frivolous." We'll see how frivolous you think it is when I sue you.

I insist that you take the following items off my credit report immediately:
JC Pennys #789575789534
Riley and Co. #54543
Wells Cargo #87349879879834

I will give you exactly 30 days to clear this up and then I will seek legal assistance in bringing a lawsuit against your company.

Very seriously,
Deanna Harper
SS# 545-45-1254 DOB 5/25/64
4564 Chavez Dr.
Los Angeles, CA 92845

Example 4.

To: TRW
From: Jason Thurber

Dear sirs and madams,

Please be informed that under Public Law 91-508 Title 6, sec. 611, I am requesting an investigation into certain credit listings appearing on my TRW credit file. I believe that the items marked in yellow on my credit report are inaccurate and/or unverifiable by the standards set forth in said federal statute. Please investigate and delete these listings within the required 30 day period.

I await your response,
Jason Thurber

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. Take a look at a few brief examples of *LOSING* disputes and guess why they earned a rejection from the credit bureau.

See the following page for the key to these losing dispute letters.

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Key to LOOSING dispute letters.

All of the letters are too brief and fail to go into sufficient detail regarding the items in question. Your disputes should be close to a page long, but not longer than one page.

None of the letters use any special techniques to indicate authenticity or take any special measures to convince the checker that the dispute is bona fide.

None of the disputes point out any inconsistencies within the credit report.

Example 1: The dispute asks for the items to be deleted, yet provides information confirming the existence of the debt. The credit bureau won't care what the circumstances surrounding the listings are, they only care if the listing actually happened, and the consumer confirmed the listings within the same letter.

Example 2: The dispute does not clarify whether the negative items are to be deleted entirely or simply improved. Also, no explanation is made as to why the consumer feels that the listings are wrong.

Example 3: Good level of forcefulness, but no explanation is made as to why the consumer feels that these listings should be deleted.

Example 4: The consumer asks for the listings to be deleted, but he does not specifically allege that the listings do not belong to him. Also, the consumer shows far too much knowledge and legal background in the credit reporting system.



Stage 5. 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 all take space in their literature to convince you that your credit cannot be "repaired." In TRW/EXPERIAN's words, "No one can have accurate, current, and verifiable information removed from your credit report." Take note that even TRW/EXPERIAN admits that accurate information can be removed if it is **unverifiable**.

You must send your dispute letters via **certified mail, return receipt requested**. This means that 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 of the date they received it. When you receive the return receipt back 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

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it is ready as long as it is **60 days after your last dispute** to that credit bureau.

will have little idea why you are fuming. It is better to simply write the dispute again.



Stage 6. Getting a Response

You will receive one of eight types of responses to your dispute.

1. **No response at all.**
2. **A stall letter asking for more information**
3. **A rejection based on the timing of the dispute**
4. **A rejection on the grounds that the dispute is "frivolous or irrelevant."**
5. **A rejection on the grounds that the credit bureau believes that you are manipulating their system.**
6. **A letter announcing that your investigation has begun.**
7. **A letter announcing that your dispute has been forwarded to the appropriate credit bureau.**
8. **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. 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 stamp out a ferocious counter-letter in response to the credit bureau's rejection or stall, the credit bureau employee who receives your letter

Here are some guidelines to reacting to the eight types of credit bureau response:

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 the certified mail number of that dispute. The new dispute should be more threatening than the first dispute.
2. **A stall letter asking for more information.** If your dispute alleged that someone else's file was merged with your own, the credit bureau will typically send this type of stall. A new dispute should be drafted basically repeating the first dispute (but not alleging that your file was merged) and including 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 the dispute before 60 days after your last dispute, you will likely earn this response.

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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 on the grounds that the dispute is "frivolous or irrelevant."

This type of response would infuriate any consumer. Maybe the credit bureau thinks that you are working with a credit repair company, or maybe they think that you will not stand up to an initial rejection. They may even ask you to pay for their investigation. You must become more insistent and threatening in your disputes. Send the same dispute with additional substantiation and threats of complaints and lawsuits.

5. A rejection on the grounds that the credit bureau believes that you are manipulating their system. The rejection letter may imply that you are working with a credit repair company. As a consumer who has been treated unfairly, *these are not your problems*. Insist, in another dispute, that the credit bureau is responsible to conduct the investigation and that they are taking an unwise risk in rejecting your dispute. You simply want your credit report to be properly corrected.

6. A letter announcing that your investigation has begun. Trans Union will usually send these letters as a clever way of extending their 30 day investigation period. You have no choice but to except 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 of this 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.

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Stage 7. 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 the 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 usually provide a list of items challenged and whether or not the items were changed, deleted, or verified as accurate. TRW/Experian 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 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 listing 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
- 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 you will now enjoy more good credit once your report is cleared.
- 4. The disputed listing was investigated as to whether or not the listing belongs 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 relisted 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.

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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 time to restore your good credit.***

Collect your results, mark your calendar, and wait for your next acceptable dispute date. Don't forget to allow at least sixty days between disputes.



Stage 8. Fourth Quarter Strategies

The more you dispute the negative listings on your file, the more difficult it will become 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 I am considering a lawsuit.** Every day the credit bureaus are embroiled in consumer lawsuits. These lawsuits cost the credit bureaus hundreds of thousands of dollars in awards given to consumers. The credit bureaus pay

even ***more*** to keep the legal staff necessary to handle these lawsuits.

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 who have negative information on their credit reports not belonging to the consumer.***

You must be careful about threatening to sue anyone. If you say, "I am going to sue you," you must be intent on filing suit. You may, in any case, express your consideration of a lawsuit or reveal steps you have taken to proceed with preliminary work, such as counseling with an attorney.

This threat shouldn't be overused. But don't forget that ***an average consumer mistreated by the credit bureaus would likely 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 prior 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 concerned about 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

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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

Make sure 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. The credit bureaus fight off new legislation every year that would further restrict their practices and place greater financial penalties on their mistakes. Presently, they enjoy regulation that is only mildly troublesome to their business practices.

In congress, when changes to the Fair Credit Reporting Act reach the floor, the credit bureaus lobby furiously to keep new additions from passing. So far they have succeeded in preventing any substantial changes. 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 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 reappear when the creditor or collector sells the account, seeks a judgement, or passes the account to collections. If you are dealing with delinquent, unpaid debts, you should consult an attorney to assist you in settling those debts, or you may see ***Section Four: Creditor Direct Strategies.***

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 results are lagging, now would be a good time to take the fight directly to the source.

If you think that you are ready to dispute

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the information with the creditor, see Section 4:
Direct Creditor Disputes.

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, most creditors won't look much beyond the automatic credit bureau rating that will appear with your credit report when you apply for credit.

This manual does not recommend that you file the 100 word statement. It would only serve to self-verify information that comes off through repeated disputation of the listing. If you have previously submitted any 100 word statements, they should be the first items you remove.

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Special Situations When Disputing Your Credit Report

You will often run into seemingly insurmountable roadblocks as you attempt to restore your credit. Most of these roadblocks can be broken by using subtle techniques.

Bankruptcies

Based on our experience, **bankruptcies are not verified at the source of the information like other credit listings.** The credit bureaus have the legal option of checking with "another reliable source" of the information other than the county courthouse. We believe that the credit bureaus verify a bankruptcy through one or more of the creditors who were listed in the bankruptcy.

If you have a bankruptcy on your credit report, you should also see each of the accounts which may have been "included in bankruptcy" on the credit report. ***These are the other sources which the credit bureaus may contact to verify your bankruptcy.*** If it weren't for these other sources, bankruptcies would be much easier to delete from your credit report.

You may find that before you are able to delete the bankruptcy listing, **you must first accomplish the deletion of every "included in bankruptcy" item.** This makes for a much more time-consuming and difficult process. If you have a bankruptcy on your file, you should either get help or prepare yourself for a dispute war lasting two years or more.

Duplicate Entries

Many times, you will see duplicates of the

same account listed in the credit report. Often, one listing appears positive and the other listing negative. To keep your dispute consistent, ***if you are challenging the negative listing as "not mine" (if the listing shows a charge off, collection, settlement, or extreme late pay history), you must also challenge the positive listing.***

Local Credit Bureaus

While there are only three main credit bureaus in the United States, there are hundreds of smaller subsidiary credit bureaus dotting the map. Chances are, at least one of your three credit bureau files is being maintained by a local credit bureau.

These bureaus are different from the main credit bureaus. ***The smaller bureaus take more interest in investigating and verifying your negative credit, so, you will find it more difficult to get results.*** The local bureau will tire of seeing your name and disputes, and you may eventually receive a nasty letter informing you that no further investigations will be forthcoming.

The only solution to this roadblock is to change your mailing address. You must move your mailing address to a location outside the jurisdiction of the local bureau and into the jurisdiction of the **main** credit bureau.

You may simply choose a friend or relative living outside of your state and ask permission to use their address as your mailing address. If you handle your end properly, no mail should ever

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show up on their doorstep. Once you have acquired permission to use the alternative address, you must inform the credit bureau that you are using a new address. The credit bureau will ask for proof that the new address is truly your address. You will need to send them some kind of official document indicating that you are at the new address. It will be your responsibility to provide such a confirmation. Since credit bureaus will usually refuse to send credit reports to a post office box or a private mail service, you will be forced to use a friend or relative's address.

Once the credit bureau has accepted the new address, you can file a forwarding order with the U.S. Postal Service requesting that all mail sent to the alternative address be forwarded to your actual home. **This should pull you out of the jurisdiction of the local bureau and into the jurisdiction of the main bureau.** Before you change your mailing address, try two or three well-spaced disputes with the local credit bureau. You may find that you receive adequate results, at least for a while.

Don't apply for credit during the time that you are using the mailing address, or your old address will be re-reported to the credit bureau.

When you finish with your credit restoration, you may cancel the forwarding order, be sure to notify any creditors that changed over to the new address. The next time you apply for credit, the credit bureau should be updated as to your new, physical address.

Attempts to Charge for Reinvestigation

By law, the credit bureaus cannot charge to conduct a reinvestigation. But that doesn't stop them from trying. You may receive a letter

demanding a fee for each investigation. To date, the main credit bureaus do not practice this method of consumer discouragement. You might see this with local credit bureaus, especially if you live in the state of Florida.

To get around this stall, you must wait for three months and try your dispute again. Or you may move your mailing address to the jurisdiction of the main credit bureau. See the section above; ***Local Credit Bureaus.***

Obsolete Credit Items

The Fair Credit Reporting Act only allows a negative credit listing to remain on the credit report for seven years, except in the cases of bankruptcy and unpaid judgements and liens. Once the listing is over seven years old, the credit bureau must delete it from the credit report. Sometimes the credit bureaus illegally hold negative items for longer than seven years, but, more commonly, a consumer will think that a negative listing is obsolete when it really isn't.

Federal law allows the negative listing to remain for seven years ***after the date of last activity.*** ***We have seen negative items legally listed on the credit report for over twenty years,*** because the account was passed to and fro, each time creating a new date of last activity. Even paying an old, delinquent debt will cause a new date of last activity and will consequently restart the seven year timer.

SECTION FOUR



Creditor Direct Strategies



If you are serious about restoring your credit, creditor-direct work should commence **as soon as you see your first set of credit reports.**

Creditor-direct requires a lot of time and street-smarts. You will be dealing with savvy negotiators in powerful corporations. You will often be discouraged, denied, and blamed, but you must not be intimidated. Remember, if you make the same request enough times within any corporation, you will eventually get what you want.



Settling Your 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 financial 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 settles 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 Citizens"

Rights Council at 888-744-4871 (888-RIGHTS 1) for referral to a law firm specializing in debt settlement.



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 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. There is 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

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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 a few consumers, but it is much over-used. And, when a consumer files for bankruptcy, everyone loses - *especially* the creditors.

The risks of judgements, 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 recommendation that you stop paying your current bills. 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, sell or assign the debt to a collection agency, press for a judgement 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

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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 before you declare bankruptcy and they get ***nothing***.

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. Get your terms in writing before you even open your checkbook.



Using Settlements to Restore Your Credit

The credit reporting system gives consumers 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. 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 a negative listing upon settlement of the debt.

Collection agencies will always agree more readily to delete the negative listing than banks or credit card companies. The only case where you should have a real problem with collection agencies is when they represent a larger, institutionalized creditor.

Some creditors have an agreement with the credit bureaus that the creditor 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 agree to delete a negative listing. But virtually every creditor will give in with the right amount of convincing. ***Every creditor reporting to the credit bureaus can 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

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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 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 your payment with a "conditional endorsement" document (drafted by your attorney) attached to the check. The conditional endorsement states that, if the check is cashed, that the creditor agrees to delete the negative listing and consider the debt paid in full.

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

Disadvantage: The creditor may hang up on the deletion and might send the settlement check back. The creditor might then ask for more money, or reject the deal altogether. If the creditor simply deposits the check without intending to follow through with your new term, you may 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 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**

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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 would then have 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 won't budge on deleting or positively modifying the negative listing.



Disputing Directly to Your Creditors

The newest changes to the Fair Credit Reporting Act have heaped liability on the creditors reporting negative credit. For the first time, creditors will be held responsible for the credit information they report. It is not yet known how creditors will react to this new liability. Most

likely, challenges made directly to the creditor will be taken more seriously and the result will be favorable for the consumer.

Even when you don't owe money, you can usually get the creditor to delete or change negative listings to perfect. These strategies are easier with petty late payments than with large negatives like a foreclosure or repossession, but even large negatives such as these have been deleted by going directly to the creditor. Once again, let it be said that every creditor will do what you want them to if you speak to the right person long enough and you say the right things.

Before you begin to dispute an account with a creditor, it will be helpful if you can **interpret the negative listing as an understandable error or condition** or if you can interpret the negative listing as the result of the **creditor's** error. For example, you may have moved residence around the time of the late payment and your billing statement may not have arrived at all.

Simple errors are best, but extenuating circumstances will help as well. For example, your spouse may have been in the hospital about the same time as the late payment occurred. If you can give the creditor some reason why you were late, they will most often give you the benefit of the doubt. Remember, you're the customer and most creditors will bend over backwards for their customers.



Phase Your Approach

On occasion, a creditor will agree to your request to delete a negative listing simply because you asked. This same creditor might have fought your request if you had approached him with force. If you phase your approach to your creditor,

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you will see more cooperation and better, quicker results.

Phase 1 - Ask Nicely. If you have any kind of reasonable explanation as to why the slow payment occurred, especially if the slow payment is only a single, 30-day late, the first person with whom you speak may agree to simply remove the negative listing. If the first customer service representative on the phone does not have authority to delete a negative listing then politely ask to speak with someone with sufficient authority. Conduct all of your communication with your creditors in a polite, professional manner. An educated, calculating customer will be taken more seriously by a creditor than a sputtering hothead. Remember to note the name and position of each person with whom you speak.

Phase 2 - Request Documentation. The Fair Credit Billing Act gives you the right to see and dispute your credit account within certain parameters. Most creditors will provide billing information regardless of whether your case meets the requirements of the Fair Credit Billing Act. If you did not get the deletion through phase one, you may send a letter requesting all pertinent documents to your case. These include: *the original signed promissory, all monthly statements, and a copy of the creditor's computer record of payment and billing.* The act of collecting these records will typically force the creditor to research archives that are held in microfiche, if they have kept the records at all. This kind of research is time consuming and expensive - all the more reason for the creditor to

simply give you what you want.

Phase 3 - Demand Documentation or Deletion. If your request for documentation is denied or ignored, you must make your demand more emphatically. Begin to work your way up the organization in search of a supervisor with the authority to get you the documentation or a deletion.

Phase 4 - Analyze the Documentation. If you do receive documentation regarding your file, you must compare their records with your own and the credit files. You will almost always find discrepancies between the credit bureau records and the creditor record.

Phase 5 - Capitalize on Any Mistakes or Mishandling. You need a hook on which to hang your dispute with the creditor. Possible hooks might be: a contradiction between their records and the credit report, a missing document, a small but obvious error, rudeness in one of their representatives, misinformation from one of their representatives, failure to call you back within a reasonable time, etc..

Phase 6 - Scale the Corporate Ladder from the Bottom Up. Work from one representative's boss to another. Keep working up the ladder until you get what you want. Remember, deal very professionally and politely. If you make someone angry, they may do everything in their power to ruin your chances of getting what you want. Make friends along the way by being professional and courteous.

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Phase 7 - Descend the Corporate Ladder from the Top Down. If you are hitting roadblocks on the way up the corporate ladder, you will need to start again from the top down. You can usually get the name and direct telephone number of the Vice President over credit (or the company president) from the general receptionist. Call the senior executive's secretary and schedule a telephone meeting with the executive to discuss your problem. Often the secretary will refer your problem to the executive's assistant. Go ahead and speak to the assistant. Their job will be to protect the executive's time, so they may simply give you what you're after in order to erase the problem.

Phase 8 - Submit Official Complaints. If you are getting nowhere, you may be forced to file official complaints against the company. You'll want to give the creditor plenty of opportunity to solve the issue by giving you what you want before the complaints are actually sent. Send copies of the complaints to the senior executive before you mail them. Let him or her know that you have not yet sent the complaints, but you will shortly. You may reasonably prepare complaints to: The Federal Trade Commission, the local Better Business Bureau, the state Attorney General's Office, and the state division responsible for credit. If the creditor's mistake or mishandling is serious, you can also send complaints to: the American Civil Liberties Union (if related to discrimination), local television stations, and your local congressmen.

Phase 9 - Keep Calling. You can always

call back and start the whole process over again, hopefully with a different customer service representative.

The majority of creditors will give you what you want in the first three phases of this approach, but you must be prepared to go the distance. If you rated above 270 on the success rating, creditor direct work should be within your abilities.



Getting Results from Creditor Direct

When a creditor agrees to delete a negative listing from the credit report, ask politely for a faxed copy of the deletion letter. This will serve you later if the negative listing doesn't disappear or if it reappears on the credit report. If you are applying for a home mortgage, this letter of deletion should be sufficient to make the mortgage lender ignore the negative item, even before it is finally deleted from the credit reports.

Conclusion

Most people will agree; ***the credit system is not fair to consumers.*** Informal surveys show that better than half of consumers with bad credit lost their good credit because of circumstances beyond their control. But, the credit bureaus will not consider extenuating circumstances such as job loss, divorce, family medical catastrophes, and natural disasters. Ironically, thousands of American soldiers returned from the Gulf War only to find that their credit was in ruins due to their willingness to defend our nation.

At very least, it would seem reasonable that the American consumer would wish to shorten the lengthy penalties for credit mishaps.

With the tools found in this book, you are armed with the knowledge that ***credit can be restored***, which serves you whether or not you decide to do-it-yourself.

But, after all, ***the reward will go to the one who uses time the most wisely.*** If you do little or nothing, the credit bureaus will win and you will lose the next seven to ten years of financial freedom.

A wise man once said, "If you keep doing the things you are doing, you will keep getting the same results you are getting."

Decide now to do something different: to press for your rights.