



**SPECIAL REPORT:**

# **Credit Repair- Help Yourself**

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# **CREDIT REPAIR:**

## **Help Yourself**

You see the advertisements in newspapers, on TV, and on the Internet. You hear them on the radio. You get fliers in the mail. You may even get calls from telemarketers offering credit repair services.

They all make the same claims: "Credit problems? No problem!" "We can erase your bad credit -- 100% guaranteed." "Create a new credit identity -- legally." "We can remove bankruptcies, judgments, liens, and bad loans from your credit file forever!"

Do yourself a favor and save some money, too. Don't believe these statements.

Only time, a conscious effort, and a personal debt repayment plan will improve your credit report.

The following explains how you can improve your credit worthiness and lists legitimate resources for low or no-cost help.

**CREDIT REPAIR COMPANIES** Everyday, companies nationwide appeal to consumers with poor credit histories. They promise, for a fee, to clean up your credit report so you can get a car loan, a home mortgage, insurance, or even a job.

The truth is, they can't deliver. After you pay them hundreds or thousands of dollars in up-front fees, these companies do nothing to improve your credit report; many simply vanish with your money.

The Warning Signs... If you decide to respond to a credit repair offer, beware of companies that:

- \* Want you to pay for credit repair services before any services are provided;
- \* Do not tell you your legal rights and what you can do -- yourself -- for free;
- \* Recommend that you not contact a credit bureau directly; or
- \* Advise you to dispute all information in your credit report or take any action that seems illegal, such as creating a new credit identity.

If you follow illegal advice and commit fraud, you may be subject to prosecution.

You could be charged and prosecuted for mail or wire fraud if you use the mail or telephone to apply for credit and provide false information.

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

Thanks to the new Telemarketing Sales Rule, it's also a crime for telemarketers who offer credit repair services to require you to pay until six months after they've delivered the services.

**THE TRUTH** No one can legally remove accurate and timely negative information from a credit report. But the law does allow you to request a reinvestigation of information in your file that you dispute as inaccurate or incomplete.

There is no charge for this. Everything a credit repair clinic can do for you legally, you can do for yourself at little or no cost.

According to the Fair Credit Reporting Act: You are entitled to a free copy of your credit report if you've been denied credit within the last 30 days. If your application for credit, insurance, or employment is denied because of information supplied by a credit bureau, the company you applied to must provide you with that credit bureau's name and address.

You can dispute mistakes or outdated items for free. Ask the credit reporting agency for a dispute form or submit your dispute in writing, along with any supporting documentation. Clearly identify each item in your report that you dispute, explain why you dispute the information, and request a reinvestigation.

If the new investigation reveals an error, you may ask that a corrected version of the report be sent to anyone who received your report within the past six months. Job applicants can have corrected reports sent to anyone who received a report for employment purposes during the past two years.

If the reinvestigation does not resolve your dispute, have the credit bureau include your version of the dispute (up to 100 words) in your file and in future reports. Remember, there is no charge for a reinvestigation.

**FILE SEGREGATION SCAMS** If you have filed for bankruptcy, you may be told by a "credit repair" company that you won't be able to get any type of credit for ten years. This is not always true. To help you "hide" your bankruptcy, the credit repair company may promise to tell you how, for a fee, to establish a new credit identity.

The plan, however, is illegal. If you use the plan, often called "file segregation," you could face fines or even prison. If you have filed for bankruptcy, you may be the target of a new credit repair scheme, often called "file segregation."

In this scheme, you are promised a chance to hide unfavorable credit information by establishing a new credit identity.

That may sound perfect, especially if you fear that you will not be given any credit as long as bankruptcy appears on your credit record. The problem is, "file segregation" is illegal. If you use it, you could face fines or even prison.

This fact sheet alerts you to some aspects of this new type of credit repair scam, describes the false claims that fraudulent companies sometimes use to sell you the service, and says why participation is illegal. It also lists other brochures that discuss your credit rights and responsibilities.

#### THE PITCH: A NEW CREDIT IDENTITY

If you have filed for bankruptcy, you may receive a letter from a credit repair company that warns you about your inability to get credit cards, personal loans, or any other types of credit for ten years.

For a fee, the company promises to help you hide your bankruptcy and establish a new credit identity you can use when applying for credit. If you pay the fee and sign up for the service, you may be directed to apply for an Employer Identification Number (EIN) from the Internal Revenue Service (IRS).

Typically, EINs -- which resemble social security numbers -- are used by businesses to report financial information to the IRS and the Social Security Administration. After you receive your EIN, you are advised to use it in place of your social security number when you apply for credit. You also are advised to use a new mailing address and to include some credit references.

#### The Catch: False Claims...

Listed here are reasons a credit repair service may give you for establishing a new credit identity. These false claims, along with the pitch for getting a new credit identity, should alert you to the possibility of fraud.

Claim 1: You will not be able to get credit for 10 years (the period of time bankruptcy information may stay on your credit record). Each creditor has its own criteria for granting credit. While one may reject your application because of a bankruptcy, another may grant you credit shortly after you filed for bankruptcy. And, given a new reliable payment record, your chances of obtaining credit will probably increase as time passes.

Claim 2: The company or "file segregation" program is affiliated with the federal government. The federal government does not support or work with companies offering such programs.

Claim 3: The "file segregation" program is legal. It is a federal crime to make any false statements on a loan or credit application, which the credit repair company may advise you to do. It is a federal crime to misrepresent your social security number. It also is a federal crime to obtain an EIN from the IRS under false pretenses. Further, you could be charged with mail or wire fraud if you use the mail or the telephone to apply for credit and provide false information. Also, file segregation would likely constitute civil fraud under many state laws.

HAVE YOU BEEN VICTIMIZED? If you've had a problem with a credit repair company, don't be embarrassed to report the company. Contact your local consumer affairs office or your state attorney general (AG). Many AGs have toll-free consumer hotlines. Check with your local directory assistance. Indiana's A G toll-free number is 1-800-382-5516. If you receive a letter from a company making such claims, contact your state attorney general or consumer protection office.

You also can file a complaint with the FTC. Write: Correspondence Branch, Federal Trade Commission, Washington, D.C. 20580. While the FTC does not handle individual cases, it can act against companies when it sees a pattern of possible law violations developing.

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# Credit Repair

**How  
to Help  
Yourself**





**Y**ou see the ads in newspapers, on TV, and online. You hear them on the radio. You get fliers in the mail, email messages, and maybe even calls offering credit repair services. They all make the same claims:

*“Credit problems? No problem!”*

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

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

*“Create a new credit identity — legally.”*

Do yourself a favor and save some money, too. Don’t believe these claims: they’re very likely signs of a scam. Indeed, attorneys at the Federal Trade Commission, the nation’s consumer protection agency, say they’ve never seen a legitimate credit repair operation making those claims. The fact is there’s no quick fix for creditworthiness. You can improve your credit report legitimately, but it takes time, a conscious effort, and sticking to a personal debt repayment plan.

## **Your Rights**

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No one can legally remove accurate and timely negative information from a credit report. You can ask for an investigation — at no charge to you — of information in your file that you dispute as inaccurate or incomplete. Some people hire a company to investigate for them, but anything a credit repair company can do legally, you can do for yourself at little or no cost.



By law:

- You're entitled to a free credit report if a company takes "adverse action" against you, like denying your application for credit, insurance, or employment. You have to ask for your report within 60 days of receiving notice of the action. The notice includes the name, address, and phone number of the consumer reporting company. You're also entitled to one free report a year if you're unemployed and plan to look for a job within 60 days; if you're on welfare; or if your report is inaccurate because of fraud, including identity theft.
- Each of the nationwide credit reporting companies — Equifax, Experian, and TransUnion — is required to provide you with a free copy of your credit report once every 12 months, if you ask for it. To order, visit [annualcreditreport.com](http://annualcreditreport.com), call 1-877-322-8228, or use the form at the center of this booklet. You may order reports from each of the three credit reporting companies at the same time, or you can stagger your requests throughout the year.
- It doesn't cost anything to dispute mistakes or outdated items on your credit report. Both the credit reporting company and the information provider (the person, company, or organization that provides information about you to a credit reporting company) are responsible for correcting inaccurate or incomplete information in your report. To take advantage of all your rights, contact both the credit reporting company and the information provider.

## DIY

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**Step 1:** Tell the credit reporting company, in writing, what information you think is inaccurate. Include copies (NOT originals) of any documents that support your position. In addition to including your complete name and address, your letter should identify each item in your report that you dispute; state the facts and the reasons you dispute the information, and ask that it be removed or corrected. You may want to enclose a copy of your report, and circle the items in question. Send your letter by certified mail, “return receipt requested,” so you can document that the credit reporting company got it. Keep copies of your dispute letter and enclosures.

Credit reporting companies must investigate the items you question within 30 days — unless they consider your dispute frivolous. They also must forward all the relevant data you provide about the inaccuracy to the organization that provided the information. After the information provider gets notice of a dispute from the credit reporting company, it must investigate, review the relevant information, and report the results back to the credit reporting company. If the investigation reveals that the disputed information is inaccurate, the information provider has to notify the nationwide credit reporting companies so they can correct it in your file.

When the investigation is complete, the credit reporting company must give you the results in writing, too, and a free copy of your report if the dispute results in a change. If an item is changed or deleted, the credit reporting company cannot put the disputed information back in your file unless the information provider verifies that it’s

Date

Your Name

Your Address

City, State, Zip Code

Complaint Department

Name of Company

Address

City, State, Zip Code

Dear Sir or Madam:

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

This item (identify item(s) disputed by name of source, such as creditors or tax court, and identify type of item, such as credit account, judgment, etc.) is (inaccurate or incomplete) because (describe what is inaccurate or incomplete and why). I am requesting that the item be deleted (or request another specific change) to correct the information.

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

Sincerely,  
Your name

Enclosures: (List what you are enclosing.)

### **Sample Letter**

Use this sample letter to help write your own.

accurate and complete. The credit reporting company also must send you written notice that includes the name, address, and phone number of the information provider. If you ask, the credit reporting company must send notices of any correction to anyone who got your report in the past six months. You also can ask that a corrected copy of your report be sent to anyone who got a copy during the past two years for employment purposes.

If an investigation doesn't resolve your dispute with the credit reporting company, you can ask that a statement of the dispute be included in your file and in future reports. You also can ask the credit reporting company to give your statement to anyone who got a copy of your report in the recent past. You'll probably have to pay for this service.

**Step 2:** Tell the creditor or other information provider, in writing, that you dispute an item. Include copies (NOT originals) of documents that support your position. Many providers specify an address for disputes. If the provider reports the item to a consumer reporting company, it must include a notice of your dispute. And if the information is found to be inaccurate, the provider may not report it again.







## Reporting Accurate Negative Information

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When negative information in your report is accurate, only time can make it go away. A credit reporting company can report most accurate negative information for seven years and bankruptcy information for 10 years. Information about an unpaid judgment against you can be reported for seven years or until the statute of limitations runs out, whichever is longer. The seven-year reporting period starts from the date the event took place. There is no time limit on reporting information about criminal convictions; information reported in response to your application for a job that pays more than \$75,000 a year; and information reported because you've applied for more than \$150,000 worth of credit or life insurance.

## The Credit Repair Organizations Act

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The Credit Repair Organization Act (CROA) makes it illegal for credit repair companies to lie about what they can do for you, and to charge you before they've performed their services. The CROA is enforced by the Federal Trade Commission and requires credit repair companies to explain:

- your legal rights in a written contract that also details the services they'll perform
- your three day right to cancel without any charge
- how long it will take to get results
- the total cost you will pay
- any guarantees

What if a credit repair company you hired doesn't live up to its promises? You have some options. You can:

- sue them in federal court for your actual losses or for what you paid them, whichever is more
- seek punitive damages — money to punish the company for violating the law
- join other people in a class action lawsuit against the company, and if you win, the company has to pay your attorney's fees

## Report Credit Repair Fraud

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### State Attorneys General

Many states also have laws regulating credit repair companies. If you have a problem with a credit repair company, report it to your local consumer affairs office or to your state attorney general (AG, [www.naag.org](http://www.naag.org)).

### Federal Trade Commission

You also can file a complaint with the Federal Trade Commission. Although the FTC can't resolve individual credit disputes, it can take action against a company if there's a pattern of possible law violations. File your complaint online at [ftc.gov/complaint](http://ftc.gov/complaint) or call 1-877-FTC-HELP.



## Where to Get Legitimate Help

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Just because you have a poor credit history doesn't mean you can't get credit. Creditors set their own standards, and not all look at your credit history the same way. Some may look only at recent years to evaluate you for credit, and they may give you credit if your bill-paying history has improved. It may be worthwhile to contact creditors informally to discuss their credit standards.

If you're not disciplined enough to create a budget and stick to it, to work out a repayment plan with your creditors, or to keep track of your mounting bills, you might consider contacting a credit counseling organization. Many are nonprofit and work with you to solve your financial problems. But remember that "nonprofit" status doesn't guarantee free, affordable, or even legitimate services. In fact, some credit counseling organizations — even some that claim nonprofit status — may charge high fees or hide their fees by pressuring people to make "voluntary" contributions that only cause more debt.

Most credit counselors offer services through local offices, online, or on the phone. If possible, find an organization that offers in-person counseling. Many universities, military bases, credit unions, housing authorities, and branches of the U.S. Cooperative Extension Service operate nonprofit credit counseling programs. Your financial institution, local consumer protection agency, and friends and family also may be good sources of information and referrals.

If you're thinking about filing for bankruptcy, be aware that bankruptcy laws require that you get credit counseling from a government-approved organization within six months before you file for bankruptcy relief. You can find a state-by-state list of government-approved organizations at [www.usdoj.gov/ust](http://www.usdoj.gov/ust), the website of the U.S. Trustee Program. That's the organization within the U.S. Department of Justice that supervises bankruptcy cases and trustees. Be wary of credit counseling organizations that say they are government-approved, but don't appear on the list of approved organizations.

Reputable credit counseling organizations can advise you on managing your money and debts, help you develop a budget, and offer free educational materials and workshops. Their counselors are certified and trained in the areas of consumer credit, money and debt management, and budgeting. Counselors discuss your entire financial situation with you, and can help you develop a personalized plan to solve your money problems. An initial counseling session typically lasts an hour, with an offer of follow-up sessions.



## For More Information

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The FTC works to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To learn more about credit issues and protecting your personal information, visit [consumer.ftc.gov](https://consumer.ftc.gov).

To file a complaint or get free information on consumer issues, visit [consumer.ftc.gov](https://consumer.ftc.gov) or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. Watch a video, *How to File a Complaint*, at [consumer.ftc.gov/media](https://consumer.ftc.gov/media) to learn more. The FTC enters consumer complaints into the Consumer Sentinel Network, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.





Federal Trade Commission  
[consumer.ftc.gov](http://consumer.ftc.gov)  
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