

You can be  
**debt  
free**



**There is help waiting for you now.**

- Reduce or eliminate interest charges.
- Consolidate credit card bills into one lower monthly payment.
- Pay off your debt in half the time.
  - Save thousands of dollars.



Consolidated Credit Counseling Services, Inc.

5701 West Sunrise Boulevard • Fort Lauderdale, FL 33313

1-800-SAVE-ME-2 • (1-800-728-3632)

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REPAIR  
YOUR CREDIT



A free publication provided by  
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A nonprofit educational credit counseling  
and debt management organization.

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## Step #1: Get Your Credit Report

The first step in building a better credit report is to understand what's on there now. There are three major credit reporting agencies: Equifax, Experian and Trans Union. Each of these credit bureaus is separate, and they don't share information with each other, so it's a good idea to order a report from each one.

*Tip: You can order a 3-in-1 credit report at [www.consolidatedcredit.org](http://www.consolidatedcredit.org)*

As you review your credit report, look for the following potential problems. Note them on the Credit Report Problems worksheet.

- *Mistakes in personal information*, including name (and variations), Social Security Numbers or addresses. (Don't be too concerned if there are slight variations in previous addresses, or if your employment information is outdated. Employment information is not considered reliable on credit reports and a past address that's close shouldn't cause problems.)
- *Mistakes in account listings*. Look for late payments that aren't correct, outdated balances, duplicate listings of the same account, or other mistakes.
- *Negative items* including bankruptcies, judgments, liens, collection accounts or late payments. We'll discuss how long these can be reported shortly.
- *Inquiries from companies you don't recognize*. When a company reviews your credit report, it creates an inquiry. While they may be legitimate, inquiries into your report from companies you don't know can sometimes indicate fraud.

## If you don't understand something on your report, ask!

The credit reporting agency is required to provide a toll-free number and people who can explain to you anything you don't understand on your credit report. Take advantage of this if you need it. If you still don't get a clear answer when you call, ask for a supervisor or call back later.

## Worksheet: Credit Report Problems

Use this worksheet to list any problem items you find on your credit report. These may include mistakes, inquiries or negative items.

Item	Type of problem (mistake, negative information etc.)

## Step #2: Understand how long information can be reported

The first thing most people with bad credit want to know is, “how long can this information haunt me?” Under the federal Fair Credit Reporting Act, credit reporting agencies are not allowed to report any information that is too old, incomplete, or wrong. While positive or neutral information can be reported indefinitely, negative information can only be reported for the following length of time:

*Bankruptcy Filings:* Ten years from date filed, not discharged. The three major credit bureaus, and many smaller ones, have agreed voluntarily to remove Chapter 13 bankruptcies — a bankruptcy where debts are paid back over several years — seven years from the date of filing. If that doesn’t happen automatically you’ll have to ask.

*Civil suits, civil judgments, records of arrest:* No longer than seven years from the date of entry, or the current governing statute of limitations, whichever is longer.

*Paid tax liens:* Seven years from the date satisfied (paid).

*Unpaid tax liens:* Indefinite until the lien is paid (see above).

*Collection or charge-off accounts:* Seven years unless a US Government insured or guaranteed student loan, or National Direct Student Loan (NDSL). If those types of student loans are in default and you bring them current for an entire year, your previous late payments will be deleted.

*Any other adverse information (including late payments):* Seven years.

Adverse information is any data that may cause an unfavorable result

for the consumer, for example: being turned down for credit, employment or insurance; or being charged a higher rate than applied for in the case of credit or insurance.

## When does the 7-year period start?

If you have collection or charged off accounts listed on your credit report, you’ll want to read this section carefully! It may be confusing at first, but because mistakes are often made, you’ll want to make sure you understand it.

For collection or charged-off accounts, the 7-year clock starts ticking 6 months from the date you first fell behind leading up to the collection or charge-off. It does not start when the account was placed for collection or to the date of last activity.

For example:

Let’s say your credit card payment was due on June 1, 1998. You lost your job and couldn’t make your required payments. In November of 1998, the issuer charged off your account (wrote it off as a bad debt). In January 1999, it was placed with a collection agency. By law, the collection agency is supposed to tell the credit bureau when it first reports the collection account that the original date of delinquency was June 1998 and that should start the 7 year reporting period.

**Warning:** Beware of collection agencies that tell you they have ways of reporting the collection account “forever” to the credit bureaus if you don’t pay. That’s simply not true.



Unless the information that is wrong is personal information (such as name, address, or social security number) you should probably start by disputing it with the lender. If a phone number is provided, you can call the lender. (Keep notes of your conversation.) If not, you can write to the address provided.

## Tips for Writing Effective Dispute Letters

Whether you are writing to the lender or the credit bureau to dispute information on your credit report, here are some guidelines that can help make your dispute more effective:

1. Include your name, address, social security number, account number (if relevant) at the top of your letter so your file can quickly be found.
2. Write your letter by hand **IF** your writing is easy to read. Otherwise, type it.
3. Keep your letter very brief and to the point.
4. Describe exactly what is wrong and how it should be corrected.
5. Send your letter certified mail, return receipt requested
6. Include documentation if you have it – copies, not originals!
7. Keep a copy of any letters you send
8. Keep a copy of any correspondence you receive

Credit bureaus received thousands of disputes every day. It's especially important if you're writing to the bureau to make your letter as clear

as possible. Ask a trusted friend or relative to review it for you to make sure they understand it. Remember, the person at the other end of your dispute must be able to understand it in order to respond appropriately.

When the credit bureau or lender receives your dispute, it usually has thirty days to investigate and get back to you with the results. If you disputed the information through the credit bureau, it must provide you with a free credit report showing the updated information if corrections were made.

If information is removed because you challenged it with the credit bureau, the bureau cannot add it back to your credit report without first certifying with the lender that it is correct. It also must notify you in writing first that it will be adding it back to your report.

## What if you can't resolve it?

If you believe the information is wrong and your dispute isn't resolved, you have the right to add a 100-word statement to your credit file explaining your side of the story. This may not be very helpful, however, since most creditors won't see or read that dispute. It's much better to try to get the information corrected.

### How?

First, if you think the credit bureau or lender didn't properly investigate, you may want to contact them again (this time by phone if possible) and try to clarify the problem. If they still won't correct it, you can file a complaint with the Federal Trade Commission and you may want to talk with a consumer law attorney for help.

## Sample Dispute Letter

Carla Consumer  
123 Main Street  
Anytown, USA 44444

Social security number: III-II-IIII

February 29, 2004

I am writing to dispute two mistakes on my credit report:

- Acct. #12345 Big Bank: This account is not mine. I don't have any accounts with that lender.
- Acct #34567 Auto Finance Co. This account incorrectly shows a balance. I paid it off over a year ago. Please update my file to show a zero balance.

Thank you in advance for your efforts to clear these up.

Sincerely,

Carla Consumer

## Worksheet for Tracking Disputes

Instructions: Fill out a separate row for each dispute you file. In other words, if you dispute the same item with Experian and Trans Union, fill out a separate row for each of those disputes.

Item Disputed	Disputed With:	Date Sent:	Response:	Notes:
	<input type="checkbox"/> Equifax <input type="checkbox"/> Experian <input type="checkbox"/> Trans Union <input type="checkbox"/> Lender			
	<input type="checkbox"/> Equifax <input type="checkbox"/> Experian <input type="checkbox"/> Trans Union <input type="checkbox"/> Lender			
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	<input type="checkbox"/> Equifax <input type="checkbox"/> Experian <input type="checkbox"/> Trans Union <input type="checkbox"/> Lender			

## Step #4: Handle Negative Information

You may find that your credit report contains information that is negative but is basically correct. If this is the case, here's what you can do:

### #1: Wait It Out

As the negative information becomes older it will be less important. This is especially true if it is more than two years old. (Note that if you have unpaid tax liens or judgments they must be paid before the clock will start ticking for them to be removed from your report). Waiting for that information to become older, can help. But it's a more effective strategy if you also actively rebuild good credit (see below).

### #2: Dispute It

Remember, if the credit bureau can't confirm information you dispute, it must be removed. If any of your account information is incomplete or inaccurate you may dispute that item. If the information is old, the account has been sold, or the creditor is simply too busy, it may simply be removed when you challenge it. There's no guarantee that will happen, but it does sometimes work.

### #3: Rebuild It

You won't build better credit without positive credit references on your file. It's not important to carry debt to build better credit, but it is important to maintain good credit accounts. If your credit report is damaged and you are having a hard time getting credit, consider a secured credit card. This is a major credit card that requires you to put up a security deposit with the issuer. You use the card like any other major credit card and, if you pay on time, you can eventually get your deposit back.

Ideally, your credit report should show three or four active accounts (including credit cards, a car loan and/or a mortgage) paid on time each month. If you use credit cards to rebuild your credit, it's perfectly fine to pay the balance in full each month and avoid interest charges. To shop for a secured credit card, visit: [www.CardRatings.com](http://www.CardRatings.com).

#### **#4: Ask for A Favor**

If you fell behind on your bills due to an unexpected illness, a short period of unemployment or some other crisis; and you were only late a few times in an isolated period; and you've paid the account on time for at least three months since, you may be able to get the lender to remove the older negative information. This is called re-aging the account. It may take a few phone calls to find the right person who can help, so be patient!

#### **#5: Understand These Special Situations**

Following are some common situations people encounter when trying to repair their own credit.

*Bankruptcy:* When you file for bankruptcy, your credit report will list the bankruptcy as well as individual debts that were included in the bankruptcy. Those individual accounts are not removed from your credit report simply because you filed bankruptcy. However, if you have successfully completed your bankruptcy, any accounts that were included should reflect a zero balance.

*Collection Accounts:* If you owe money to a collection agency, you may be able to negotiate having it removed in exchange for payment. They aren't required to do so and they usually cannot alter the information about the original account before it was sent to collections. Paying off a collection account in itself will usually not significantly boost your

credit rating, simply because collection accounts are automatically considered negative.

*Co-signers:* When you cosign an account with someone, you agree to be responsible for the entire balance. If you have negative accounts on your report that you cosigned for, you may want to talk with the issuer about a payment plan. Try to negotiate a better rating on that account in exchange for payment as well.

*Credit Counseling:* A credit counseling program can help you get back on track by negotiating a payment plan with reduced interest and/or fees with your creditors. Credit counseling can improve your credit rating if you work with a reliable agency because you'll reduce your debt, and many creditors will remove late payments just prior to when you entered the counseling program if you stick with it. Go to [www.consolidatedcredit.org](http://www.consolidatedcredit.org) or call 1-800-728-3632 for more information.

*Divorce:* If you divorce, you and your spouse may have joint accounts that you each agree to pay. As long as a joint account remains open or has a balance, you are both responsible to the lender regardless of what the divorce decree says. Make every effort to close joint accounts for future charges, and refinance any balances in the name of the person who will be paying them off. If that's not possible, at least monitor the payments to be sure they are being made on time.

*Medical Collection Accounts:* If an account was sent to collections due to medical bills that you believe should have been paid by your insurer, try to get the collection agency to remove them if you pay the bill. If you had substantial medical bills, you may want to request written proof of the debt and even consider hiring a company that audits medical bills for overcharges in exchange for a percentage of the money they save you.

*Old Accounts:* You may find old accounts you don't use anymore still listed. Even if an account is paid off, it may remain on your report for seven years if the information is negative, or indefinitely if it's neutral or positive. Fair Isaac Company, creator of the popular FICO credit scores, recommends that you don't close old accounts because doing so may hurt your credit score and won't help improve it.

*Student Loans:* If your federally insured student loan is in default and you make twelve consecutive payments on time to bring it out of default, the previous late payments will be removed. Visit [consolidatedcredit.org](http://consolidatedcredit.org) and click on Additional Resources for a link to a company that will consolidate defaulted student loans.

## **Warnings!**

There are companies that prey on people with damaged credit ratings.

Be very careful before falling for one of these scams:

*Guaranteed Credit Cards:* If you see offers for "guaranteed credit cards regardless of your credit," beware. There are two variations on this scam. In one, the issuer makes it sound like you'll get a major credit card but instead you get a plastic card that only allows you to purchase merchandise from their catalog. In the second, you may get a \$300 credit line, but the company will charge about \$275 in various fees. You'll start out with a big balance when you haven't purchased anything! Unlike a secured card, those \$275 in fees will never be refunded to you. If you need a major credit card, shop for a secured card at [www.CardRatings.com](http://www.CardRatings.com)

*Advance Fee Loan Scams:* Some lenders will advertise that they can guarantee you'll get a loan for an upfront fee that can range from at

little as \$19 to several hundred dollars. Don't be duped. Don't pay a fee upfront to get a loan before you've been approved. According to the Federal Trade Commission, it's fraud and it's against the law.

*Credit Repair:* Companies may promise that for hundreds or even thousands of dollars, they can clean up your credit. Think twice before spending your money on a credit repair program. Many times these programs cost hundreds of dollars and their techniques may actually be illegal! For example, some companies will tell consumers to get an Employer Identification Number (EIN) which is the same number of digits as a Social Security Number. They'll then tell consumers to try to get new credit using that number. The goal is to establish a brand new credit file. Obtaining an EIN for that reason, however, is not legal.

In other scams, these companies will sell the identities of people who have died, and encourage consumers to use that information to get new loans. That's a form of identity theft, which is a federal crime. According to the Federal Trade Commission, you should 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;
- Suggest that you try to invent a "new" credit report by applying for an Employer Identification Number to use instead of your Social Security Number;
- 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.

Under the Credit Repair Organizations Act, credit repair companies cannot require you to pay until they have completed the promised services.

## Help Is Available

If your debt is growing, or if you have fallen behind on your bills, Consolidated Credit Counseling Services Inc. may be able to help! As a non-profit organization and through years of building solid relationships with hundreds of creditors throughout the country, we have the bargaining power to:

- Get your interest rates significantly reduced and many times even eliminated.
- Get late and overlimit fees waived in most cases.
- Allow you to send in one low monthly payment.
- Get you out of debt in literally 1/5th the time it might ordinarily take!
- Get your credit back on track.

### ***About the author and Consolidated Credit Counseling Services, Inc.***

Consolidated Credit Counseling Services, Inc. is a consumer-oriented, nonprofit, tax exempt, public education organization. We are an industry leader in providing credit counseling and debt management services throughout the United States. Our mission is to help families end financial crisis and solve money management problems through education and professional counseling.

Gerri Detweiler is Consolidated's educational director and author of this publication. She has written numerous books including *The Ultimate Credit Handbook*, which was featured in *Money* magazine as one of the five best new personal finance books of the year when it was released. Ms. Detweiler has been quoted in thousands of publications including *The New York Times* and *The Wall Street Journal*. She co-hosted an award-winning syndicated financial radio program, and has been a guest on *The Today Show*, *Dateline NBC*, the *CBS Evening News*, and *CNN*. She has testified before Congress and lobbied on behalf of consumers protection measures. She is the former executive director of *Bankcard Holders of America*, as well as a policy director for the *National Council of Individual Investors*. She has also served on the *Board of Directors* for the *National Coalition for Consumer Education* as well as *Experian's Consumer Advisory Council*.

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