

SEC Credit Repair: How to 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, 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.”

The Federal Trade Commission (FTC) says 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 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.

Recognizing a Credit Repair Scam

Everyday, companies target consumers who have poor credit histories with promises to clean up their credit report so they can get a car loan, a home mortgage, insurance, or even a job once they pay them a fee for the service. The truth is, these companies can't deliver an improved credit report for you using the tactics they promote. It's illegal: No one can remove accurate negative information from your credit report. So after you pay them hundreds or thousands of dollars in fees, you're left with the same credit report and someone else has your money.

If you see a credit repair offer, here's how to tell if the company behind it is up to no good:

- The company wants you to pay for credit repair services before they provide any services. Under the Credit Repair Organizations Act, credit repair companies cannot require you to pay until they have completed the services they have promised.
- The company doesn't tell you your rights and what you can do for yourself for free.
- The company recommends that you do not contact any of the three major national credit reporting companies directly.
- The company tells you they can get rid of most or all the negative credit information in your credit report, even if that information is accurate and current.
- The company suggests that you try to invent a “new” credit identity — and then, a new credit report — by applying for an Employer Identification Number to use instead of your Social Security number.
- The company advises you to dispute all the information in your credit report, regardless of its accuracy or timeliness.

If you follow illegal advice and commit fraud, you may find yourself in legal hot water, too: It's a federal crime to lie 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. You could be charged and prosecuted for mail or wire fraud if you use the mail, telephone, or Internet to apply for credit and provide false information.

Your Rights Regarding Credit Repair

No one can legally remove accurate and timely negative information from a credit report. The law allows you to ask for an investigation of information in your file that you dispute as inaccurate or incomplete. There is no charge for this. Some people hire a company to investigate on their behalf, but anything a credit repair clinic can do legally, you can do for yourself at little or no cost. According to the Fair Credit Reporting Act (FCRA):

- You're entitled to a free 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 will give you 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 consumer 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. The three companies have a central website, a toll-free telephone number, and a mailing address for consumers to order the free annual credit reports the government entitles them to. To order, click on annualcreditreport.com, call 1-877-322-8228, or complete the Annual Credit Report Request Form and mail it to:

Annual Credit Report Request Service
P.O. Box 105281
Atlanta, GA 30348-5281

You can use the form in this brochure, or you can print it from ftc.gov/credit. You may order reports from each of the three consumer reporting companies at the same time, or you can stagger your requests, ordering one from each company throughout the year from the central address. Don't contact the three nationwide consumer reporting companies individually or at another address because you may end up paying for a report that you're entitled to get for free. In fact, each consumer reporting company may charge you up to \$10.50 to purchase an additional copy of your report within a 12-month period.

- It doesn't cost anything to dispute mistakes or outdated items on your credit report. Under the FCRA, both the consumer reporting company and the information provider (that is, the person, company, or organization that provides information about you to a consumer reporting company) are responsible for correcting inaccurate or incomplete information in your report. To take advantage of all your rights under the FCRA, contact the consumer reporting company and the information provider.

Helping Yourself

Step 1: Tell the consumer reporting company, in writing, what information you think is inaccurate. Include copies (NOT originals) of any documents that support your position. In addition to providing your complete name and address, your letter should identify each item in your report 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 consumer reporting company received it. Keep copies of your dispute letter and enclosures. Your letter may look something like the one below.

Sample Dispute Letter

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.)

Consumer 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 receives notice of a dispute from the consumer reporting company, it is required to investigate, review the relevant information, and report the results back to the consumer reporting company. If this investigation reveals that the disputed information is inaccurate, the information provider has to notify the nationwide consumer reporting companies so they can correct it in your file.

When the investigation is complete, the consumer 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 consumer reporting company is not permitted to put the disputed information back in your file unless the information provider verifies that it is accurate and complete. The consumer reporting company also must send you written notice that includes the name, address, and phone number of the information provider. If you ask, the consumer reporting company must send notices of any correction to anyone who received your report in the past six months. You also can ask that a corrected copy of your report be sent to anyone who received a copy during the past two years for employment purposes.

If an investigation doesn't resolve your dispute with the consumer 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 consumer reporting company to

provide your statement to anyone who received a copy of your report in the recent past. You can expect to pay for this service.

Step 2: Tell the creditor or other information provider, in writing, that you dispute an item. Be sure to 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 you are correct — that is, if the information is found to be inaccurate — the information provider may not report it again.

Reporting Accurate Negative Information

When negative information in your report is accurate, only the passage of time can assure its removal. A consumer 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. To calculate the seven-year reporting period, start 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

Credit repair organizations must give you a copy of the "Consumer Credit File Rights Under State and Federal Law" before you sign a contract. They also must give you a written contract that spells out your rights and obligations. Read these documents before you sign anything. And before signing, know that a credit repair company cannot:

- make false claims about their services
- charge you until they have completed the promised services
- perform any services until they have your signature on a written contract and have completed a three-day waiting period. During this time, you can cancel the contract without paying any fees.

Before you sign a contract, be sure it specifies:

- the payment terms for services, including the total cost
- a detailed description of the services the company will perform
- how long it will take to achieve the result
- any guarantees the company offer
- the company's name and business address

Have You Been Victimized?

Many states have laws regulating credit repair companies. State law enforcement officials may be helpful if you've lost money to credit repair scams. Don't be embarrassed to report a problem with a credit repair company. While you may fear that contacting the government could make your problems worse, remember that laws are in place to protect you. Contact your local consumer affairs office or your state Attorney General (AGs). Many AGs have toll-free consumer hotlines; check the Blue Pages of your telephone directory for the phone number or www.naag.org for a list of state attorneys general.

If You Need Help

Just because you have a poor credit report 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 workable 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 credit counseling organizations 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 non-profit status — may charge high fees or hide their fees by pressuring consumers to make "voluntary" contributions that only cause more debt.

Most credit counselors offer services through local offices, the Internet, or on the telephone. 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 are considering 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, 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 do not 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.

Do-It-Yourself Check-Up

Regardless of your credit history, financial advisors and consumer advocates recommend reviewing your credit report periodically for three important reasons:

1. The information in your credit report affects whether you can get a loan or insurance — and how much you will have to pay for it.
2. It's important to make sure the information is accurate, complete, and up-to-date before you apply for a loan for a major purchase like a house or car, buy insurance, or apply for a job.
3. It can help you deter, detect and defend against identity theft. That's when someone uses your personal information — like your name, your Social Security number, or your credit card number — to commit fraud. Identity thieves may use your information to open a new credit card account in your name. Then, when they don't pay the bills, the delinquent account is reported on your credit report. Inaccurate information like that could affect your ability to get credit, insurance, or even a job.

For More Information

To learn how to improve your credit worthiness and find legitimate resources for low or no-cost help, please see the following publications at ftc.gov/credit.

- **Your Access to Free Credit Reports** — Explains why it is important to monitor your credit history, how to request a report, and how to dispute errors.
- **How to Dispute Credit Report Errors** — Explains how to dispute and correct inaccurate information in your credit report. Includes a sample dispute letter.
- **Building a Better Credit Report** — Learn how to legally improve your credit report, how to deal with debt, how to spot credit-related scams, and more.
- **Knee Deep in Debt** — Discusses options to help you get back in the black, including: realistic budgeting, credit counseling from a reputable organization, debt consolidation, or bankruptcy.
- **Fiscal Fitness: Choosing a Credit Counselor** — Defines debt repayment plans, explains the differences between secured and unsecured debt, and offers questions to ask credit counseling agencies if you consider using their services.

The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a [complaint](#) or to get [free information on consumer issues](#), visit ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. 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.