

DebtMaster System Credit Repair Manual

Introduction to Series

Congratulations on getting the Credit Repair Manual. You have lived through the worst of whatever setbacks you had - or you can see that you *will* live through the worst - and are now ready to start making improvements and getting back to the good life. It will take a while, but once the "bleeding" stops, you can make steady progress that is predictable and - for the most part - depends upon the actions you take. If you are patient, systematic, and persistent you can do this, and while there are parts of the process that are beyond your control, there are enough things that you *can* control to make sure you obtain some very significant improvement.

Introduction

This is the Credit Repair Manual, the third part of the DebtMaster Series. In the Debt Negotiation Manual we showed you how to help make creditors and debt collectors negotiate with you and offer you lower settlement terms for your debts. We also offered you a special discount on a prepaid legal services program, so you could worry a little less about the possibility of being sued, and tips on other ways to enhance your negotiating position. In the Debt Defense System, which is our original product, we provided you everything you would need to defend yourself from the debt collectors if they did sue you - and you wanted or needed to defend yourself pro se. In the Credit Repair Manual, we now address the post-debt scenario, where you begin to pick up the pieces and want to start rebuilding your credit.

Although we call it the "post-debt" scenario, you don't have to wait to start rebuilding your credit, and in fact you should not. The parts of the program are not in any way mutually exclusive. You could be repairing your debt with one creditor at the same time you are negotiating a settlement with another and in litigation with a third. In fact, because each step can take so long, you probably *should* be doing all three things simultaneously. This is why we have combined the products into the all-in-one DebtMaster Series, because there is a certain natural synergism between the products. Knowing things about credit repair will add focus and power to your debt settlement negotiations, and knowing about negotiating will open up avenues for credit repair as well.

And in a way, it all comes back to litigation or the threat of litigation, so understanding the legal system as it applies to you is a thread that binds them all together.

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Why Look to Your Legal Leg Up?

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You may know Your Legal Leg Up from our materials helping people beat the debt collectors in debt lawsuits. We have two main websites for that: YourLegalLegUp.com and USDebtLawExpert.com (our blog). We have posted dozens of videos on [Youtube](#) as [Fightdebt](#) that have largely focused on the litigation side of debt collection and have hundreds of thousands of views. We also help people negotiate their debts with the debt collectors. Why does that matter to you as you try to repair your credit?

Negotiations Take Place in the Shadow of the Law

The history of the debt industry is a sordid one, full of all kinds of abuses. We have previously focused largely on the debt *collection* side of the industry, but credit reporting is a crucial part of the way the system works. They threaten you in many ways as they attempt to extract every last cent from you. Historically, they have called at odd hours, tried to smear your name among the people important to you, abused and threatened... and threatened more lasting damage in the form of lawsuits and... damage to your credit report. The credit reporting agencies (referred to in this manual variously as "agencies," "credit reporters," or "reporting agencies") are an important part of the way the debt collectors seek to control you.

And while the debt collectors are generally relatively small (but relatively wealthy and vicious) companies, the credit reporting industry is made up of giants. Where the debt collectors do their damage in large part by harassing you, the credit reporters are more insidious. They set up forms and procedures that do the damage to you in impersonal ways. They don't want to talk to you, and they have for years set up their systems to keep *you* from talking to them. Every right you have to force the credit reporters to talk to you, change your report, require anything like the truth from the information "furnishers" has come from people fighting for it in congress and the courts. Essentially all of your rights in dealing with the credit reporters come from the law.

You don't have to know all the ins and outs of the law, but it's good to know what the law allows and requires. And, as you will see below, there are times when threatening or bringing litigation can help you make progress a lot faster and more easily than otherwise. Everything you do throughout this

process will be done in the shadow of the law - the agencies won't do anything for you that you couldn't make them do by suing them. Our familiarity with the legal process in general, and more particularly debt law and its obligations for debt collectors will also open up some opportunities for you that others will not consider.

We Have Much Experience in Negotiation and Helping Ordinary People

We are extremely experienced in providing information to normal people fighting to assert and protect their rights, and we do a great job of it. Credit repair is not only an independent type of law, but is also often an important part of debt resolution or litigation, and we had a considerable amount of experience with that *before* creating our websites and also *as part of* Your Legal Leg Up in guiding people to negotiate successfully with the debt collector lawyers. Empowering you to use the law to accomplish what you need is what we are all about.

Other People's Information

There is a lot of information on credit repair out there to be had, but most of it seems designed to sell you someone's services. This can be either through simply and obviously suggesting it, or offering you just enough information to impress you with the complexity and difficulty of the repair process. It isn't really organized in a way that shows you how to use it from beginning to end. Some of it suggests quasi-magical solutions, and some of it makes suggestions for legal actions that can't be taken or cannot be taken as described. One site, for example, suggests a "letter" for attempting to vacate a default judgment. (You communicate with courts by means of "*motions*," not letters, and most courts have rules that require a memorandum of law be filed in support of every motion.) That said, there are also some good ideas out there. How do you know which ones to trust, though?

Credit repair is not rocket science. Like many other areas of consumer law, it is designed for the layperson to have at least a shot at understanding and using. We help you learn the materials *and* to learn to trust yourself.

We also bring a unique set of analytical skills to the table. We often think outside the box here and combine our knowledge of different kinds of law to create a more comprehensive plan, so some of

the information and strategies we bring to you are simply not available anywhere else (that we've seen).

Organization of This Manual

This manual will start with a brief explanation of the history and "mechanics" of the credit reporting business designed to give you an overview of what you will be doing. Then we'll discuss the "dispute" process and some unconventional methods of bringing about changes. Then we'll talk about ways to begin restoring positive credit to your credit report, since credit repair requires more than simply erasing your negative credit footprint - you need enough positive history to build up your credit score.

We'll also discuss some basic monitoring to protect you from identity theft or "slipping" by the credit reporting agencies, as they are notorious for allowing removed material back into you report, and lifestyle strategies to make sure that you support the changes you have made in your report with substantive changes elsewhere in your life.

Chapter One

Introduction to Credit Repair

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As with the other parts of this system, doing credit repair is often pretty *simple*, but it is not always easy, and frankly it often isn't going to be pleasant. You will be confronting people who show you little respect some of the time, and even worse than that you will encounter a "faceless" bureaucracy that will seem like it was designed to prevent you from making progress. It will seem like it was designed that way because it *was* designed that way - the credit reporting companies have grafted various rights for consumers onto their system only after fighting bitterly against them - and only after being forced to do so by congress. So why do you put yourself through this? Why do you need to? Because every day that you don't do it is costing you money. A lot of money.

Your credit report affects your costs of automobile and homeowner's insurance and every item of credit you obtain. It affects your ability to rent a car and your ability to get a job. *The existence of bad credit information is a steep tax on your income.* It is a perpetually sore wound in your life - a reminder of missed opportunities or past disasters. If you're single, it is the weight that makes it difficult for you to offer another person a hope of building a better life - an anchor to bad times that you have lived through and tried desperately to escape. If you are married, it is the "un-indicted co-conspirator" of every marital difficulty. You know all that.

You've come this far - now you owe it to yourself to go the rest of the way. Don't let anything stop you.

Professional Credit Repair

As with most things, there are companies that can help you with credit repair - for a price. They have important limitations, though, and charge a lot, and (from all reports) many of them take unfair advantage of their customers or do poor jobs. We at Your Legal Leg Up have been looking for companies to recommend (and would welcome your suggestion if you know of one). So far we have been unsatisfied by what we have seen and heard, but we are continuing the search.

The Advantages of Doing it Yourself

We are big believers in doing things yourself. When it comes to credit repair, there are three powerful reasons to consider doing credit repair yourself rather than hiring someone else to do it: cost, quality, and peace of mind.

The companies that do credit repair charge a lot. Some of them dress their program up into a "debt management system" or another lifestyle management "program" of some sort. However they charge, though, they are in an enviable position as a business: they can create what is or appears to be significant value for you over an indeterminate time period that does not require much effort or specialized skill on their part. From outside the process it is very difficult for you to evaluate whether they are doing all they could do for you - or whether they should be doing more or different things. And their customers tend to be people not very conversant in their own financial affairs, but to have great need of the results offered. Perfect! For them.

If you are willing to learn what you need to do and are willing to set yourself to the task and do a few things that aren't always the most fun - but are *nothing* compared to what you've already lived through, however you got here!... If you are willing to take this on, you can save yourself a *lot* of money and get better results than you would get by hiring someone else to do it for you. You can use the money you save to make things happen faster and better, and you can use it to start rewarding yourself a little bit for your hard work. To do this with or without help you will need to keep a hand on the reins of your spending, of course, but there's no question that having more money would help in every way. If you do this yourself, you will have more money to work with.

If you do it yourself, you will have more rights than a company would, as we will explain below, and you will also just naturally probably do more for yourself than an outside business could or would. It's *your life*, and *you* care more about it than anyone else would. To them it's just a job, and since it is, they have to do the things that maximize their profitability. Since it is hard to monitor efforts from the outside, people you hire to do this kind of work for you can cut corners or pass on that extra mile, and unfortunately the people who do this business have been known to do that - often. They're trying to make a living, after all - while you are trying to put back together your life. You will do more than they will when you sense what the stakes are even if they are honest.

Also, you will have power to take, or to threaten to take, actions that a hired company would *not* have the power to take or threaten -- i.e., you can trigger certain very important obligations from the creditors who are hurting your credit report that "professionals" couldn't, and you could threaten to file suit, for example, and *do* it in a cost-effective way. You can find out what you need to know and do anything that needs to be done without asking permission of anybody, and as you learn what to do, you will feel your power grow.

And so will the people you are contacting.

The main advantage of hiring someone else would just be one of convenience. Or, more likely, you might think of it as just one more price for being afraid, a "tax" on fearfulness - because this stuff is not that hard. It just takes persistence. Are you willing to pay someone else \$5,000 to make an hour of telephone calls and write a series of letters for you that you could do yourself? It's still going to take the same amount of time (in days and months) for the deal to come together, and having someone else do it will not (or shouldn't, anyway) make it happen any faster.

It's a high price to pay someone else to do for something *you* could do. Hired companies are a little more familiar and comfortable with the process, but with a little work you can more than make up for that. That's what this book is about. As we said above, putting in the work isn't necessarily easy or comfortable, but when you do so you will be prepared to do a better job negotiating for yourself than a hired hand could do - at a small fraction of the cost. As a general rule, you'll never make more per hour of work than you will make by negotiating.

And that brings us to the third reason for doing it yourself: your level of comfort, confidence, and power. Most people with credit problems have gone through some life circumstances that have damaged their confidence or at least prevented them from exercising some of their financial muscles. They don't know - or have forgotten - that they can take control of things and change their lives. Beginning to exercise that power - both on other people, the "system," and themselves - wakes up an important part of you, a powerful part. People who go through this process change the way they look at the world. And they love it.

Preparation

Credit repair is a little different than other aspects of the debt collection process. Unlike litigation or negotiating under the threat of litigation, most of it is not time-sensitive, and not much of it depends that much on getting it perfectly the first time. Depending on your situation, you will have a chance to work on several different things, with at least three credit reporters, and probably over a significant amount of time. You will have a chance to develop your skills at doing this.

Your use of time is a crucial aspect of what you are doing in a different way, however. Unlike having debts that need to be resolved - under threat of litigation - or actually being in litigation, time is perhaps less *urgently* critical in credit repair. You have no external deadlines - nothing is forcing you to start today, tomorrow, or next week, so it can seem as if you *never* need to start. In addition, there will not be many pressing deadlines along the way. You will constantly be invited by the credit reporters, and perhaps your own weariness of the process, to let it go and call it good.

In reality, of course, you need to start immediately. The process of credit repair is a long road and takes months and months, but every moment that passes without improvement imposes secret taxes on your well-being. Not a single moment's delay would be acceptable if you could stay completely aware of its cost, but perhaps it is best that you are not constantly anguishing over it all (if you are not). You can do this, and you just have to manage yourself in a different way than in the other debt situations to pull off the credit repair.

Slow and steady wins *this* race - but emphasis is definitely on "steady." You have to set your goals for a long race rather than a sprint, but you do have to get started and keep going. No single step is all that hard, it's just that doing step after step requires patience and determination. One really good thing about credit repair is that you will make material progress along the way - progress that for the most part will be permanent and that will actually make things better. So in this way, too, credit repair differs from litigation: it isn't all or nothing. It is "incremental" and can be achieved in bits and pieces over time.

Chapter Two

Credit Report Basics

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There are several things you need to know as you begin to repair your credit. First, you need to know (as you probably already do) that you have a credit "report," and a credit "score." You might think these things were just one thing, but in fact there are three major credit reporting agencies (and others as well) who have (or may have) different information about you, and all the reports *themselves* may also vary according to who is asking for them (and the circumstances giving rise to that request).

Credit Reports and Scores

Pretty much every person in the civilized world has extensive records of his or her financial activity, and *your "credit report"* is one of the most extensive. It contains information about most times you have received or used credit, paid for it, or asked for it. It contains information about when you have paid and under what circumstances, and whether or not you ever filed for bankruptcy or had tax liens placed against you.

It *also* contains things like arrest and conviction records and *can* even include whether an employer or certain licensing entities conducted any sort of disciplinary investigation on you. It is a civil libertarian's nightmare - all wrapped up and conveniently available to all the people with a so-called "right to know" or your ("freely given" of course) permission. Your *credit score* is a numerical representation of some of the information in your report, a sort of high-level summary. Some entities rely exclusively on the score, and others look more carefully at the data in your report. Most agencies report scores from 300-900, with the higher score being better.

Different Reports

One of the odd things about the existence of these compilations of information is that the people or businesses (I call these, generically, "entities," or, when speaking of entities providing information to the reporting agencies, "information furnishers" or just "furnishers") who report the information do so *voluntarily*. They don't have to report it at all - and many do not.

Most people know that there are "three" different reporting agencies: Experian, Transunion, and Equifax. In fact, there are several other companies ("specialty" reporters) who can come within the definition of credit reporters and who do similar things. They all receive their information from different sources.

As we said above, many entities do not give their information to any reporting agency, and many more only give their information to one or two of them. Typically entities only *seek* information from the companies to which they *also* report, so this means some companies will see a better score than others for reasons completely unrelated to you. Of course this can be positive or negative, since good information is as likely as bad information not to be reported. Perhaps more so.

Another factor affecting scores and reports is time elapsed. Credit information has an "obsolescence" period, which is a fancy way of saying that, after a while, damaging credit news is supposed to be removed from your credit reports. *15 U.S.C. Sec. 1681c*. Generally, information must be removed after seven years, although bankruptcies stay on for ten (from the date of the judgment), and tax liens stay on seven years from the date they are *paid* (and don't go away otherwise). That means that furnishers are not supposed to provide it, and reporting agencies are not supposed to report it, after the stated amount of time. Both sets of businesses run afoul of this rule from time to time, and one of your tasks will be to oversee the removal of outdated information.

Reports Where Information is Never Removed by Time

One thing that is not so well known is that the purpose for which the information is sought can make a *big* difference in what is available to the seeker. If the entity seeking the credit report is seeking it in conjunction with a credit transaction involving (or reasonably likely to involve) ***a principle amount of \$150,000*** or more, or life insurance involving a ***face amount of \$150,000*** or more, the information on your credit report ***never becomes outdated***. It stays on there forever - or to put that slightly differently, it stays available to these entities (although not to others).

Likewise, if the reason for seeking your credit report involves employment at an annual ***salary*** which equals (or may reasonably be expected to equal) ***\$75,000 or more***, the information will be available to the seeker no matter how old it is. Again, credit information never goes off your report for these circumstances, which are not extremely rare, and that makes efforts to keep it off in the first

place, or to neutralize it if it gets on there, more important. These limits are not set very high, and it is a factor you must consider as you go forward. If the information can be removed by challenging it on other grounds, you will need to do that regardless of how old it is.

Bad Marks on Your Report

The factors that can appear on your report and have a negative impact on you and your score fall into several categories. The presence of "adverse" public records will hurt your report: bankruptcy, judgments, law suits, liens, collections, criminal records. Accounts past due will obviously impact your score, depending on *how many* accounts, *how long* they are or have been overdue, *how recently* they were overdue, and *how much* is owed. Accounts listed as "settled" are more negative than accounts listed as "paid as agreed," but both are negative.

Charge-offs and Collections

A charge-off is a big negative. What a "charge-off" is, is primarily an accounting and tax-reporting device. When a lender lends money, it subtracts (debits) the money from its "cash" account and adds an entry (credit) for your prospective payment. That doesn't change their income, although as your payments come in with interest there may be income of course. If you stop paying, their "credit" in the account begins to lose value, and at some point the company will recognize this loss on the books by recording a "charge-off." They report the money as "lost" for tax purposes and take a deduction for it (or actually they change a fund which pools all the debits), and they report the event as a "charge-off" on your credit report.

Since this means you borrowed the money but did not pay it back, this is about as negative an event as you can have on your report. It does not change your position toward the debt at all - it does not mean you no longer owe the money, in other words. You still owe the company (if you ever did), and they may very well take various actions to collect it. These actions may separately go onto your report as "collections" or law suits. Or the original creditor may sell the debt to someone else who could pursue you for the money in various ways. This too will be reflected on your report. Selling or "assigning" your debt to another entity is almost always perfectly legal (unless your agreement with the original creditor forbids it, and this is rare), although it does make it less likely that you will lose if you get sued for the debt. When the account is transferred, you will then owe the money to the entity that

bought the debt, and *nothing you do with the original creditor will affect the right of the debt purchaser to collect the money*. Normally.

This is simply reality in our legal system. Beware of people or companies who peddle "debt solutions" that try to get you to believe that selling the debt in any way wipes it out. Although, again, transferring the debt can create some opportunities for you in litigation and possibly credit repair. The charge-off is just an accounting device, however - it's the sale that really matters and assigning the debt means someone else can collect it. Neither affects whether you owe the money, and both are recorded on your credit report as negatives. If you get sued and lose, there may also then be a "judgment."

If you pay the original creditor, it can, *if it wants to*, delete or change the way it reports your credit history, as it could do at any time anyway. It will have to adjust its taxing books to reflect income (the money it earlier "lost" when it charged off your account). The original creditor cannot change the way the company to which it assigned or sold the debt reports the debt, as they are totally independent, so this means that once the debt is sold you have more companies you have to work with to clear the debt, although in general you have more opportunities to fix your problems for less money with debt buyers.

Fraud

You might think that anything holding as much sensitive information as a credit report would be subject to all sorts of extremely significant protections and rigorous fact-checking. Well, yes and no. This book exists, among other reasons, to give you a systematic understanding of all the remedies available to you and to empower you to use them. But the rights were carved out only by extensive fighting and lobbying by citizen groups against the interests and desires of very, very powerful companies which, face it, would rather no one had any rights to stop them in any way. They used their tremendous power to prevent many reforms, and they use that same power to stifle and discourage people from using the ones they do have now.

The Federal Trade Commission reported in 2003 that approximately ten million (10,000,000) people had been victims of identity theft in 2002. In February of 2014 it was estimated that that number was 13.1 million. Our guess is that these numbers are actually *far understating* the problem. In 2004 a

study by the Public Interest Research Groups (PIRGs) found that 25% of credit reports contain inaccurate data serious enough to deny someone credit, *and 70% of them contain some type of inaccuracy.*

The reporting agencies have customers: the people who buy and use the reports. These customers want to avoid risk. Thus it should be obvious that the vast majority of errors involve information damaging to the individual consumer. The agencies have little incentive to prevent that, and the results are quite clear and obvious.

Not all the fault belongs to the agencies, although they have certainly done what they could to avoid all accountability. Tens of millions of credit inquiries occur per month, and *billions* of credit incidents are reported monthly. Regardless of how large and sophisticated the companies are, that is a monumental task to address just in terms of making honest mistakes. And of course the people who are intentionally stealing identities are doing so in a variety of ways designed to avoid detection.

The Fair and Accurate Credit Transaction Act of 2003 (**FACTA**)(incorporated into the Fair Credit Reporting Act) was designed to address some of this problem, and it created, among other things, some "Red Flags" guidelines addressing some of the ways identity thieves worked. For example, one common trick identity thieves use is to steal mail and send a written request for a change of address to a credit card company. Then, when they change the address, the thief asks for new cards to be issued. This is a red flag, and it requires that the credit card company verify the request.

Problem solved, right? Except that the card verification request normally goes to the new address! So of course the thief can verify it as well. But... what other way is there? For anything you can think of, a sufficiently dedicated and creative thief can come up with a "work-around." And that is true of the other Red Flags as well. The only thing that cannot be worked around - and which the identity thief has little or no incentive to work around - is the credit report itself. If the bill goes unpaid, your report will reflect it. A sufficiently devious thief might pay the minimum balances and keep delinquency information off the report, but this is usually too much trouble for them to take (luckily), so it gives you a fighting chance.

If you pay attention to your credit report.

The only thing that will make sure your credit report is accurate and appropriate is you - ***this is something that will not happen by accident. You should not regard an accurate or helpful credit report as something that will happen by itself if you only keep your own ducks in a row.*** That isn't the way it works! It will happen because you make it happen and make sure it stays that way - anything else is wishful thinking: hoping someone else will look out for you. In general, no one will, and it is up to you.

Signs of Fraud or ID Theft

When you look at your report, look for any names listed that you have never used. Look for incorrect Social Security numbers or wrong addresses. It does not take very many "identifiers" to match for the credit reporting system to consider the information verified and matched, and this means that i.d. thieves who have *some* of your information can easily open accounts in your name and start charging things to your bill. While that does not mean that you will actually owe that money, it *does* mean that you may face a credit reporting nightmare, and of course proving that you did not actually establish the account may not be easy.

Check to see if you have credit inquiries from lenders - banks, credit cards, etc., where you never requested credit. See if there are any accounts listed that you never opened.

If You Suspect Fraud or I.D. Theft

If your examination of your credit report makes you think your i.d. has been stolen, you should take immediate action. You should call the companies to report the theft, and you should follow that up with letters. And then, of course, you must monitor the accounts to make sure the breach is cured. You can call the companies at these phone numbers:

Experian: 888-397-3742

Equifax: 800-525-6285

TransUnion: 800-680-7289

Tell the companies the nature of the problem in as exact a detail as possible in the telephone call, and then restate in complete detail all the same information in your follow-up letter. Remember, too, that if the problem turns up on just one of your credit reports you still need to alert the other companies. It is just a fluke that it isn't showing up on your other reports yet. If someone is using your identity illegally, it will eventually make it onto all your reports (because this only depends on the agency the accounts report to, and not anything you or the identity thief can control).

It is possible to make mistakes on this - to believe that you did not authorize a purchase you did, in fact, authorize. Be careful of course, but the price is higher for not taking action than for incorrectly claiming an i.d. theft. So err on the side of reporting the theft - but be willing to pay attention to what the facts turn out to be.

Your Right to Your Report

You are going to be the one who oversees your credit report. The agencies and information furnishers simply do not have enough incentive to do it. They don't pay the price very often when it goes wrong. But *you* always pay the price.

So how do you get your report? You *could* get your report for free once per year from www.annualcreditreport.com, ***but we strongly suggest you should not do this***. If you get the free credit report, the reporting agencies will have 45 days (instead of just 30 days) to respond to any disputes you make. *That is an unacceptable price to pay*, because ***it means that in many cases the credit agencies will not delete information you dispute because they will have time to do what they need to "verify" it***. As we shall explain, they have to delete information that cannot be verified within the required amount of time, and the amount of time available for them to do that is very significant - you don't want them to have an extra second.

We recommend you pay the price, in other words. If you go to: <http://www.experian.com/credit-report-partner/index-g.html>? you will be presented an offer to join a monitoring service and to get your Experian report for a low price. You can and should cancel that membership after you get your report, but it keeps the price manageable. You can get basically the same deal (and same recommendation from us) from Transunion: <http://www.transunion.com/personal-credit/marketing/truecredit.page?>. And surprisingly (!), Equifax has a similar deal which seems to include the other reports as well:

[http://www.equifax.com/advantage495/PSbr/?](http://www.equifax.com/advantage495/PSbr/)

We have no stake at all in this; likewise (and unfortunately) we have not been able to find a way to offer you better or special terms. This is just what is out there. The agencies are happy to take *your* money, but do not misunderstand: it's the *furnishers* who pay their bills and have their loyalty. We do not recommend that you request or pay for a report from a site not associated directly with the reporter - there have been, and presumably still are, many "imposter" sites that use the information you give them either to market to you or simply to steal your identity information. Be careful.

What the Codes Mean

Once you get your reports, you will need to read and understand them. We will discuss how to evaluate them in a later chapter, but for now we just want to tell you how, physically, to read and understand them.

For resources, you can find a description and explanation of all the codes at the following sites:

Experian: http://creditengine.net/experian_format.htm

Transunion: http://creditengine.net/transunion_format.htm

Equifax: http://creditengine.net/equifax_format.htm

Your report will have **identifying information** - information to establish exactly whose report it is that you're looking at. The crucial word there is "exactly." You need to look very carefully for errors on your report. These could obviously include name misspellings, wrong names, wrong addresses, wrong information about accounts (showing late-pays when you knew all the payments were timely, accounts you never opened, or old accounts. You will need to dispute any of these errors, no matter how trivial or nit-picky it may seem, because they are indications that the company could be confusing you with someone else and including the wrong information in your report - or it could be an indication of actual fraud and identity theft that has occurred or is occurring. They could make also it easier for the reporting companies to get confused in the future, or for identity theft to occur in the future.

The next item on your report are called "**trade lines**." These are your credit accounts as reported by the lenders. Lenders report on each account separately as to type of account, the date you opened it,

your loan amount, account balance, and payment history. Look for accounts that are not yours, obviously, as this would indicate fraud or identity theft, and look for accounts incorrectly listed in any way, from incorrect late-pays to wrong balances or anything else. You will want to dispute each and every one of these things.

If you have had serious debt trouble, including charge-offs and creditors actually selling the debt, you will want to make sure that the credit report does not contain *duplicate listings* of the same account. When the creditor sells the debt to a debt buyer, the report should reflect the change of ownership, and that is true for every subsequent sale of the debt. Otherwise you will have several lines of activity for the same debt, making things look even worse than they are. Be sure to check the dates, too, as debt collectors are not, by any means, above "re-aging" your debt to make it look like it came into being at the time they purchased it. If they did do this, it is a violation of the Fair Debt Collection Practices Act (FDCPA) and the FCRA, although as we explain below, you cannot yet take legal action of the FCRA part of the claim.

The next item is **credit inquiries**. As you might imagine, this is a list of entities that have accessed your credit report over the past two years, and the more of them there are, the more it hurts your report, in general. There are two types of inquiries: voluntary and involuntary. The voluntary ones are the inquiries you supposedly authorized, and they're the ones that matter. The involuntary ones, by companies that want to give you "pre-approved" credit, don't count - at least in theory.

Next will be a section of **Public Records and collection items**. The reporting agencies collect information from public records such as courts, as well as information from collection agencies. This information could contain bankruptcies, foreclosures, judgments, wage attachments (garnishments), liens on property, and judgments. It could also include arrest and conviction records, including traffic tickets.

The reports list "**positive**" and "**negative**" items separately. This may make it easier for you to analyze your report in general.

If the report you are looking is not clear to you, you can use the sites we listed above for a better explanation of the codes they use to describe the activity on your account. You must go through each line of your report, understand it, and verify its accuracy. Anything that is not correct you will be

disputing and seeking to remove.

The Big Negatives

The biggest negatives on your report, pretty much in order, are as follows:

- Bankruptcy
- Foreclosures
- Repossessions
- Loan Defaults
- Court Judgments

These are the biggest items and also the most difficult to remove from your report because they are reflected, for the most part, in public records and hence easy for the reporters to verify themselves.

And then, still in descending order:

- Collections
- Past-due Payments
- Late Payments
- Credit Rejections
- Credit inquiries

Note that credit inquiries and rejections are a negative. Like many things in the world, this might seem unfair, since why would somebody rejecting you for credit hurt your credit? It will make it somewhat more difficult to repair your credit when the time comes, since your attempts to establish new lines of credit will result in inquiries and (probably some) rejections. You won't be able to apply for credit carelessly - it will be another factor to consider. Beyond watching how often you give others access to your credit report (inquiries), you won't be able to control or meaningfully contest this information.

One thing that is not an obvious "item" in your credit report is your percent of credit usage. If you total up your credit lines (amount the cards say you could borrow) on all your accounts and divide that number by the amount of credit you have used (that is, your current balances), you have your credit usage ratio. Any number above 30% indicates that you are "stressed" by your debt in the eyes of the credit bosses, and this is another negative. You will both want to make sure your number stays below that 30% (so pay *down*, but don't close out paid accounts that have credit available) and make sure that the reporters accurately report the number, which will obviously change on a regular basis.

As you prepare your campaign to repair your credit, you will want to make a note of when each item is due to be removed. Remember what we said above - except for bankruptcies and just a few other things, bad news falls off of credit reports after seven years from the date upon which it could first be reported. Make sure the dates are accurately reported on your accounts - creditors and debt collectors sometimes manipulate their records to make items appear more recent than they in fact are - this is known as "re-aging" the debt, and it is a violation of the Fair Debt Collection Practices Act (FDCPA) as we said above.

Contacting the Reporting Agencies

Our rule regarding communicating with the other side is somewhat less stringent in dealing with the reporting agencies. Their duty is to report facts, so you would never want to admit that they had reported the facts accurately, and this might include not admitting that you ever owed a debt. But the reporting agencies are never going to be suing you for the debt, and the chance of them actually recording something you say as an admission seem to be pretty slight. Still, it won't do you any good to make admissions of that sort, and it is a bad habit, by and large, to admit anything, and especially in writing - which does have a chance of being retained. Practice asking *your* questions without answering theirs.

You may need to talk to them, or talking to a human might seem to be the best way, sometimes, to accomplish a particular goal. If so, you are going to have to figure out a way through or past the endless automated phones and messages. The goal is to confuse the system so that it delivers you, finally, to an actual *human*. Our old stand-by is to keep repeating the words "human," "person," "agent," until the machine does that, but we have seen some other excellent ideas worth trying: you

could mumble and speak indistinctly, or you could speak distinctly but not make any sense. You could do nothing, or you could even cuss - since apparently some of the voice recognition software is programmed to put very angry people to the front of the line. In any event, this may be a moving target - the companies want to keep most people out and away from human contact while letting in a very few. You may need to be creative.

Chapter Three

Disputing Credit Reports

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After you have closely examined your credit report, you are ready to create your long-term strategy. In a nutshell, it must be to dispute every negative item on your report and to start creating better credit items for your report. In fact, you will likely dispute every negative item at least twice: once with the credit reporting agencies (and this could actually be as many as three or more disputes per item depending on how many reporting agencies have the information on your report) and once with the "information furnisher" - the entity reporting the information that you wish to dispute.

It should already be clear that the process will involve a lot of communication by you to several different entities, and may take a considerable amount of time and will involve a considerable paper trail. Knowing that, you must commit to being organized from the very beginning. Every dispute you plan will likely involve a lot of paperwork as well as telephone communications, so prepare for this and hope that every so often you get lucky and one of them is easy.

In this chapter we discuss the dispute process. We will talk first about some general rules, and then address first your disputes with the credit reporting agencies, and then your dispute with the information furnisher. We choose this order because your dispute with the reporting agencies must come before your dispute with the furnishers in order to preserve some very important rights.

Credit Disputes Are a Frustrating Process

Be advised: the process of disputing credit items is confusing, difficult, and bewilderingly impersonal. The system was initially designed to discourage you from getting involved in what was basically considered an information system for businesses - then congress added a few layers of rights because of the importance of credit to consumers and the existence of mistakes. There were many cases involving "partial matches" that were hurting people's ability to get credit, and the effects could be devastating. Despite all this, the credit reporting agencies vigorously opposed and limited these rights as much as possible in the legislative battles, and they now still attempt to hide or under-emphasize them in practice.

Remember, too, that the whole thing largely depends on the information provided by the "furnishers" who have their own motivations and systems so that sometimes when you finally manage to get an item off of your report it can be put back on there because the furnisher resupplies the removed information simply because it has automated the process. Some improvements have been made in this, but you will need to watch.

It can be maddening, but you must commit, right from the beginning, to be systematic, thorough and relentless, to check regularly on your progress and immediately attack when information slips back onto your report, and to prepare and follow through for the long haul.

Now that we've gotten those words of encouragement out of the way, we will add that, at least, you can start making improvements pretty quickly, and these improvements may make a difference in your life pretty soon. Even if you cannot remove all the bad information, you can, through persistence, remove much or most of it, and if you combine that with a strategy to develop good credit information, and if you live a lifestyle that supports a good credit report, things will steadily improve.

Some Rules

Here are **some rules to live by**:

1. Don't use the free credit report service or get you yearly "free" report. This isn't really free because it allows the credit reporters to take 45, rather than 30, days to respond to your disputes. That would be a huge advantage to them and hamper you in your fight to get items removed, so the free report comes with a very high, albeit hidden, pricetag.
2. Keep a calendar of all the items in your report so that you know when information is due to be removed. Make sure that it is removed when it is supposed to be.
3. Use registered mail for your communications with the reporting agencies and others you communicate with as you work on this. You must create a paper trail for everything you do, both to show the reporting agencies (sometimes) and court (if you need to go that route).

4. Keep copies of *everything* you send anybody on your campaign.

5. Keep detailed notes of every step you take, every action you do, and every phone call you make. You may think you can keep things straight in your head and that things are simple. Trust us on this. The system you are confronting is designed to confuse and multiply your efforts, and even your own strategies will call for repetition of various actions.

Even a simple dispute will likely develop into multiple disputes and responses, and you need to keep track of them. You will also likely need to provide documentation of your actions to somebody along the way, perhaps several times. Also, there is a learning process involved for you - keeping notes will help you learn what works and what doesn't.

6. Do not use the credit reporting agencies' online dispute process. It does not create records you can depend on or control.

7. Do it yourself. Do not use credit repair companies. Under the Fair and Accurate Transaction Act (FACTA), information furnishers must investigate a dispute made directly to the furnisher by a consumer unless the dispute is "frivolous" or "irrelevant" or "***comes from a credit repair organization.***" **Section 623(a)(3)**. Attacking the furnishers may be an important part of your strategy, and if you dispute information on your credit report it will give you a right to sue the furnishers who provide false information to the agencies (if you have already disputed that information with the credit agencies). Do not let them off this very important hook.

8. Do not *repeat* your disputes. You must vary them because under Section 623(a)(3) a dispute is "frivolous" if it is "substantially" the same as an earlier dispute. To avoid substantial "sameness," this means that something that is substantial (i.e., that makes a difference) must be different, although where this line is drawn is not always clear.

9. Maybe the most fundamental rule of all: never solve the other side's problems without at the same time completely solving your own. This rule comes up in all your dealings at any level of the debt collection process. The thing you must remember is that in the legal context anything that makes suing you easier or less risky *also makes it more likely*. Likewise, anything that makes refusing to do something you want them to do easier or less risky for them makes them doing it more likely. If you

solve their problems, you do not get a medal for good citizenship, in other words - you are more likely to get sued or refused. It is reasonable to give the other side as much of what it wants as is consistent with your needs, but never do so until you have *made the problem go away* from your perspective.

Understanding the Process in General

What happens when you send a credit reporting agency a dispute? According to the law, the agency is required to do a "reasonable, independent investigation."

This is not really what happens, however. What actually happens is something much, much less impressive, if what is "known" about it is true. We put "known" in quotation marks because the process is shrouded in mystery - the mystery of multiple acronyms, conflicting stories, tremendous automation, and plain secrecy. The credit reporting agencies use a system called e-Oscar (optimistically called "Online Solution for Complete and Accurate Reporting").

The system, according to its website, "primarily supports Automated Credit Dispute Verification and Automated Universal Form processing." What this means in plain English is that when you send in a dispute, it gets reduced to computer code, and then a computer program does the rest. According to litigation testimony, every dispute is reduced to a 2-character code, and supporting documentation is never (despite the requirements of FACTA - a part of the Fair Credit Reporting Act - to the contrary) sent to the information furnisher. According to the same testimony, the "investigator" who receives the dispute has a *maximum* of 4 minutes to determine what 2-digit code to use.

What constitutes "verification" is also quite troubling. Addresses apparently do not even have to match, and your debt is considered verified if just a few parts of the data match.

It might be easy to disbelieve all of this because it is so far from the law's requirements that the furnishers receive documentation of disputes given to the reporting agencies and that the reporting agencies conduct "independent" verification, but there seems to be a lot of evidence suggesting that investigation is a complete farce. We don't quite know what to believe. However, we do know that the number of disputes (perhaps ten thousand per *day*) is large, the number of credit incidents reported by furnishers is huge (1.3 *billion* per month), and the agencies are undeniably unresponsive to consumers.

Case after case has established how extremely little has been called "enough" by the reporting agencies (the courts have often not agreed, incidentally). It seems clear that whatever is done is minimal at most. Thus you will have to be extra diligent. It is unfortunate that Section 623(a)(3) of FACTA makes repeated disputes "frivolous" and excuses the companies from responding, because the responses are so unreliable in the first place that trying again would make sense otherwise.

In any event, your strategy must take account of the indifference and hostility of all the companies involved. As we have often pointed out in the context of debt collection, however, the general indifference of the companies, combined with the lack of diligence of most ordinary people, gives you an opportunity. If you are more persistent than most people, the system is not designed to keep denying you in the face of that persistence.

Chapter 4

Disputing Information with the Agencies

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The dispute process begins, after you have received your credit report, with a letter to the reporting agencies. You will find sample dispute letters for the agencies in *Appendix I*. What your letter must accomplish is relatively simple: you need to identify yourself and provide the reporting agency with enough information to identify what you are disputing. If you have some sort of documentation that proves that what the reporting agencies have said in your report is wrong, you should send it. This might include cancelled checks reflecting timely payment of credit card bills, for example - the credit card companies are notorious for making timely payments late. People don't always have that sort of proof, although for future reference you now know you should take care to create that proof.

You should keep a copy of what you do send.

You should send it by certified mail, return receipt requested. You must keep all the documents you make or get in any dispute organized and available to you for convenient access - you may and probably will need them. You will probably need to keep at least one file for each dispute, and possibly several per dispute, as you will need to organize your separate disputes with as many reporting agencies as are reporting the disputed information (first), then with the information furnisher as well.

Remember that the credit reporting agencies are separate, independent businesses, and *a dispute with one is not a dispute with all* - you must dispute information with each of the agencies reporting the information you dispute.

What to Say in Your Letter to the Agencies

We prefer to keep the letter you send in the first place simple. Some website "advisors" out there suggest a more macho, threatening style. Their samples refer to supposed legal duties and the possibility of bringing suit - and for what and how much. That kind of talk is designed to impress possible customers or the virtual "audience" that might consider using the letter - that is, visitors to the websites. It does not impress lawyers, however - to lawyers it's a sure sign of insecurity and

amateurism. The people reading your words are either cogs in a large machine or are sophisticated business people accustomed to wielding real power. Real power doesn't rely on bluster. They can be moved, but not by threats designed by website operators.

Focus on saying only the things you know you can do and intend to do - except for those rare occasions when you are deliberately bluffing. Bluffing should be rare because you lose credibility if you are called on them and do not follow through. Requiring a large number of things not required by the law is just a bluff which the other side knows even better than you do that you cannot back up with action. Do that too many times, and it will damage your ability to get things done.

Because your goal is to obtain credit repair and not a possible lawsuit, it makes sense to include any proof you have that backs up your dispute, but remember - you give them only copies and retain the originals for yourself. Remember also that in this as in every other communication with the reporting agencies you keep copies of everything you send and send by certified mail, return receipt requested. It will help if you design a short code to put on the return receipt so that you can easily correlate the letters to the receipts.

Disputes Where the Information Is Correct

The credit reporters make a lot of mistakes, but they do often get it right. Do you have any sort of moral obligation to leave bad credit information on your report just because it is right? We guess your answer might depend on how you feel about large, nameless and impersonal information-gathering systems and the "rights" of corporations to know everything about you so they can charge you more for things like auto insurance, apartments, and car rentals, among many other things. It might depend on how you feel about giant corporations accumulating and sharing intimate financial and lifestyle information about you with each other.

Even if you buy the corporation's arguments that this information helps them make more rational and "fair" decisions - and we don't agree with that in some important ways (because a lot of people are "gaming" the system in various ways, and because it depends on the voluntary reporting by businesses with a variety of motivations - you might still believe that the constant violation of privacy for the purposes of marketing and pricing is a bad thing.

We are not impressed by the right of corporate America to know everything about you. But even if we were, this game has rules - it's a system that has been set up to work in certain ways - and you're stuck in the game, so you might as well play to win instead of passively accepting the roll of the dice.

If you agree with that, then *you will want to dispute information on your credit report with the goal of removing it regardless of whether it is true or not.* That is your right. Here is one method.

We start with some important rules.

More Rules

First, the reporting agencies are required to respond to you within 30 days if you dispute and seek validation of credit information. If you later add more information, they get 45 days. Or if you have gotten the free credit report from the special website, they get 45 days. Because we want to win this game, we do not want to give them extra time. Do not get the free reports - you can get them cheaply enough otherwise. Send everything you've got in your first dispute letter.

Second, remember that if you send "substantially the same" dispute it will be considered "frivolous," and the other side - reporting agencies or information furnishers - will be excused from performance. Exactly where the line is between "substantially different" and "substantially the same" is not clear. We would guess that that a denial and dispute about ever having an account with a certain furnisher would be substantially different than a claim that certain specific payments were late. And again, you might dispute a balance amount, charge-off (the fact) and charge-off balance in separate disputes.

So are we suggesting that you do this? Should you file dispute after dispute on each specific item on your credit report? Sometimes. This strategy is a little bit like playing a small lottery: the companies might not respond in time, resulting in the removal of little bits and pieces of information. The victories are small, but they do eventually add up, and every negative reference you manage to get removed will improve your credit score at least marginally. You should play to your strengths and the credit reporters' weaknesses. If you have some sort of proof that the report is wrong, nibbling around the edges simply slows the process down. Likewise, if you are dealing with a furnisher who does not

have proof of your debt, this strategy will complicate matters, and you might be better off attacking the furnisher more directly. If, on the other hand, you think the records of the furnisher are intact, it may make more sense to work around the edges.

Eventually you might run astray of the "frivolous" rule, but there is no real penalty for that.

It isn't exactly a rule of the game, but maybe a rule of thumb - if you flood the reporting agencies with disputes and follow ups immediately when it becomes possible, you probably increase the possibility of having your disputes considered frivolous (remember, this excuses response from the agencies or furnishers). For this reason it is probably a good idea to allow some time to pass between disputes.

It also isn't exactly a rule, but it is wise to consider the furnishers and their accounting practices when you plan your disputes. If you want to dispute credit card information, for example, and the information is true, you probably want to wait a couple of years from the incident before making the dispute. Many credit card companies get rid of their records after two years because of the sheer volume of these records. Debt buyers, on the other hand, usually never have the records at all. Attacking them immediately and aggressively makes more sense.

Chapter 5

Disputing with the Furnishers

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The information furnishers, as we have said, are the entities that report credit information to the reporting agencies. They are in some ways the "weak link" of the reporting process. For the bigger businesses like credit card banks, this is because of the vast volume of records and their policies of often removing the information from their records. When it is *smaller* businesses it is because they are simply more accessible to you - you can more conveniently sue them for unsupported information they put on your report than you can sue the reporting agencies. And they are often more vulnerable to litigation. While it has long been true that you could sue the furnishers for wrong information, the rights have been improved under FACTA (which amended the FCRA).

It has, for a long time, been possible to sue an information furnisher for false information under the FCRA. As is the case now, the process has always had to start with a dispute to the credit reporting agencies. Prior to that report, although furnishers had a legal obligation to provide truthful information to the agencies, they could only be sued by state agencies like attorneys general (under the FCRA) until after the dispute with the reporting agency. After that dispute, they could be sued for providing false information.

The common law of defamation basic law - not the Fair Credit Reporting Act - has always been (and still is) available for reporting false information, although that claim doesn't carry a right to attorney's fees, and damages are always difficult to establish. It does provide the potential for punitive damages in extreme cases and does not require a prior dispute with the credit reporting agencies. For practical purposes, however, you will always want to preserve your rights under the FCRA, and that means disputing first with the agencies.

There are two major changes under the new FACTA law (the law modifying the Fair Credit Reporting Act) relating to furnishers, both of them coming from the fact that *furnishers are now considered a more integral part of the recording*. First is that furnishers are now subject to the "dispute" process itself and are brought under the time deadlines as provided by the Act - the same that apply to the reporting agencies. It is clearer under the law how to get at them because they are required either to identify an address for mailing disputes or accept responsibility for more generally addressed

materials if they don't. That allows a consumer an easier and less formal (cheaper, no lawyers) way to go after the furnisher.

The other big change is more substantive. That is, previously the claim was for *false* information. Now, it is for the presence or absence of evidence. Before, the burden of proof was on the plaintiff consumer to show falsity of the actual report. Now the fight is over whether the evidence is there at all or is enough. If it's false, you can prove that. But even if the basic fact they report is true, if they can't show that it is, the failure to remove the information violates the FCRA. So it shifts the burden of proof significantly and removes the issue of whether or not the information reported is actually correct from the dispute process.

That's big.

Here's what you should do.

Steps for Disputing with Furnisher

1. Dispute the listing with the credit bureau or bureaus.
2. Wait for and obtain the results of the bureau's investigation. If the results are what you want, then that's all, but if they are not, then:
 3. Send a letter of dispute to the furnisher (Appendix 2) and wait for the response.
 4. If it fails to respond within the time allowed (normally 30 days), then send them a letter telling them they are in violation of the FCRA and must remove the item (Appendix 2);
 4. If it responds that the item is not verified, then they should and probably will remove the listing - but you will want to monitor your report to make sure it has happened and stays done. Often bad news "comes back" onto your report because the furnishers have automated their reporting system.
 4. If it responds that the item is verified, you will want to evaluate their proof

Further Steps

When you are talking about a "furnisher," there are generally two types of entities that fit this description: original creditors and collectors. It is best to attack a collector first because it has less motivation to assert the debt and will likely have less information. As debts get sold and assigned, the paper trail becomes less and less clear. Whenever the furnisher calls an item "verified," you will want to *make sure that it has been* verified by examining whatever they offer as evidence.

You should also attempt to clear your report from the original creditor. Remember that whether you are talking about original creditor or debt buyer, you must follow the first steps outlined above - i.e., you must first dispute with the credit bureaus. Then you seek verification with the collector, and finally the original creditor, the entity with the best chance of having records.

Except that they often get rid of them in the ordinary course of business over time (in credit cards, this is usually about two years) or send them away to the collectors or debt buyers. In reality very few records go to the debt buyers, but the original creditor may claim to have done this. If so, it has no proof of the adverse credit history reference.

If the original creditor responds that the item is verified, then find out what their proof is. You can call them up and ask. If the person you talk to admits that they do not have the documentation needed to prove the debt "because they sent it to x (the debt buyer)," then you will send the company a letter that looks something like this:

Re: Account No. xxx

Dear Company,

I called to ask about a debt your company has listed with the credit reporting agencies as unpaid (or late, or whatever). When I disputed this item, you listed it as "verified" with the reporting agencies. However, when I asked your agent by telephone what information she had regarding the account, she told me that you routinely send all the information away to third-party collections and were not able to discuss the account. If you have no information, how could you validate the debt? Please remove this information from my credit report, as you are required to do when unable to provide proof of the debt

pursuant to the Fair Credit Reporting Act.

Sincerely,

If the company verifies the debt and uses valid evidence, then you may want to try to negotiate with them. We discuss that in the following chapter.

CHAPTER SIX

ALTERNATIVE METHODS OF CREDIT REPAIR

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We have discussed disputing your credit report with the debt reporters and, in conjunction with that, with the information furnishers. If you follow those suggestions and do the appropriate things, you should have either accomplished your credit repair, discovered the existence of valid information that you can't attack, or, in the case of stubborn problems, prepared yourself for a law suit.

Buy Credit Repair

A less aggressive method of credit repair than suing (which we will consider below) is to *buy* it. It would work differently against debt buyers and original creditors.

Debt Buyers

Against debt buyers it is a straightforward proposition. When they try to collect the debt, you offer to settle it, and one of your conditions is that they delete all reference to the debt or report it as "paid as agreed." This is slightly better than "settled." Thus you pay money you probably would not have to pay so that they will agree to reduce the harm to your report. They will do it - and easily if you can catch them in a violation of the FDCPA, and also easily if they sue you and you hire a lawyer to represent you. They just do not have a true incentive to refuse if you either believably put up resistance to their case or make them think you will - as we demonstrate in the [Debt Defense System](#).

Something to bear in mind about the debt buyers, also, is that they pay a very small amount for most of the debt they buy. Although the specific numbers are as secret as they can make them in specific cases, most of the big debt buyers pay on average about three cents or less per dollar of "nominal debt." That is, if the claim is for a dollar, they paid three cents or less for it. Legally, this does not affect what they can get from you if they sue you, as they "stand in the shoes" of the original creditor when they do that and can and will claim the full debt. But it does affect what makes the deal profitable to them. If you put up a credible fight and offer them a decent number, you can probably get them to settle for much less than the supposed debt. This eliminates the debt from your future, and it is also an opportunity to get them to delete credit references as part of the deal.

Since you could probably beat the debt buyer in litigation, in reality you are paying for the removal of the credit info *under cover* of settling the lawsuit.

Against Original Creditors

If you are talking to the original creditor before they sell the debt, the opportunity to obtain significant credit reporting help is improved, and the price of it goes up. The chance is improved because there is only one party to deal with, and things are fresher - there has been less damage. On the other hand, the original creditors vary in the way they approach the question, and some of them simply will not give you meaningful relief. If this is so, and you have tried - persistently and with determination - and discovered that they mean it, then you might be better off making them sell the debt to a debt buyer than settling. Because it is not going to be easy to get the original creditor to settle for less than 50% of the nominal debt. If you can't get real credit report relief for that amount of money it probably doesn't make sense to make the deal with them. But don't give up easily or just because a few people in the company tell you they won't repair your credit. The challenge is often just to find the right person in the company.

If it is a smaller company, this is not likely to be nearly the same problem.

Once the debt has been sold to a debt buyer, things do become much more complicated with the original creditor. Nothing you give the original creditor can affect the legal status of your "debt" to the debt buyer (unless for some reason the debt buyer and original creditor have an arrangement providing that. They *could*, but we have never heard of such an arrangement), and they might not even be willing to talk about the debt at all or take your money.

They might be prevented by the terms of sale from accepting any money so long as the debt buyer has a claim against you. Therefore you might have to sue or otherwise deal with the debt collector in order to approach the original creditor - but you would want to do that anyway.

Actually talking to the original creditor can be complicated. This will be difficult or impossible with credit card companies - they will have lost interest in the debt after selling it, and it may not even be possible to find anyone who does, or would, care about it. If you negotiated before the sale of the debt, that person or department would be a place to start. If not, then you are going to have to try to

find the right person in customer relations or possibly even legal - this would be a time to use those phone skills to force a human to answer.

And you will have to be prepared to spend a lot of time on hold as you wind your way through the system in search of a person who could help.

When and if you do find someone who can talk to you about it - or when you are talking to other sorts of creditors where you have a better chance of finding the person in charge of credit reporting, you still have a kind of touchy situation. What is really happening is that you are asking how much it would cost you to get them to delete bad credit references. What you are pretending to do is make the debt good (at some price) and have them, at the same time, agree to change your credit references. *You don't want to put it to them in blunt terms because you are asking them to falsify a report in exchange for money.* While that is probably not illegal or unethical in this arena, it may be insulting to the person if put too bluntly.

Instead, suggest that you are trying to "fix things" and have addressed the debt buyer and come to an arrangement with it. You'd like to do something for the original creditor despite your general lack of resources and even their absence of legal right, so would the person you're talking to have an idea of how you might give the original creditor some money to set things straight - including your credit report, of course.

As we point out in the Debt Negotiation and Settlement Manual, the original creditor has nothing to gain from reporting you (or not reporting you). It has no direct financial incentive to report you correctly or falsely, or to report you at all. The company may have "policies," of course, and the person to whom you are talking (depending on how close to the debt he or she was) may have feelings about the debt not being paid. If it is a local business, the person to whom you are talking still has an interest in promoting the company's public image, and negotiating with you may promote that. If you are ever going to encounter feelings that matter in your credit repair process, this is as likely a place as any. Economically the business has reason to do what you ask at least.

A "Goodwill" Request?

Some credit negotiation strategists suggest that you might write a "goodwill" letter to a creditor who didn't get paid and sold your debt. In this strategy you emphasize that they have recorded the facts correctly but give excuses for why you didn't make the payments on time and suggest that their changing the credit report would be a "more accurate" reflection of your true creditworthiness.

We strongly disagree with this suggestion for several reasons.

In the first place, you would be blatantly asking the creditor to falsify the credit report. In theory this would be to put a more "accurate" reflection of your creditworthiness in the records. But this is obviously absurd in the vast majority of instances. In theory, to get the most accurate report, the debt collectors should report truthfully and let the chips fall where they may - that would be truly accurate. Even if you had a compelling reason for why you didn't pay, wouldn't the truly accurate result be for you to put that reason into your credit report and let future would-be creditors evaluate it for themselves? This is immediately going to occur to the original creditor who lost money on you.

So the strategy does not appeal to reason. Since it offers the creditor no money, it also fails to appeal to its self-interest. The original creditor *could* conceivably get some favorable publicity out of the deal if it was extremely careful to hide that it was actually falsifying the credit reports. We believe this would seem very risky and not likely to be worth the risk because transmitting false information would be damaging to the company's image if the public discovered it, and making the deal with you would make them vulnerable to that. And on the other hand it wouldn't have the rationalization that it was somehow *really* making the report more accurate by changing it in response to receiving some of the money owed.

And then there's a rule we have often suggested: you should never offer to solve another party's legal problems against you unless doing so also makes all your problems go away too. If you admit that the company correctly reported you for not paying a debt, you give it all the proof it will need to verify that debt in the future. If you admit that you didn't pay the debt, you will immunize the company from any ability you might have, through the dispute and verification process, of making the company delete the reference. Making things legally clearer and safer increases the chances that the other side will do something harmful - in the financial jungle it is far better for an unpaid creditor to worry about you

suing them for failure to prove the debt than to give them the power to report you and hope they won't.

Do not do that!

Instead, any negotiations or requests you might have with a creditor where you are trying to persuade it to change the credit report must be done, like everything else, "in the shadow of the law." Make sure you never say or do anything that makes it easier or more legally acceptable or less risky for the other side to do something you do not want them to do.

Admitting the debt - or the truthfulness of the report you're asking them to change for you - is almost guaranteeing that you won't get what you want. Thinking otherwise, and imagining for one instant that "taking full responsibility" will cause someone who is either angry at, or indifferent to, you to change a completely accurate report, is hopelessly naive. Taking responsibility in this way has its place - but the legal world as it relates to debt isn't one of them. In the legal world you must always strive to align the other person's interests to your interests - make helping you more profitable, less risky, more publicly acceptable, etc.

And remember that if you try to make a deal with a creditor, you will still have the dispute method available to use over time.

Lawsuits

In our opinion, bringing a lawsuit is always an "alternative" method of resolving problems. It may be necessary or advisable, but it is always at least somewhat risky, distracting and unpleasant.

If you're considering bringing a lawsuit, you at least need to *consider* having a lawyer, although even if you have the money this is not always as easy as it might sound. Lawyers have their limitations, and even if you can find one, you will have to interview him or her carefully to make sure they are on board with what you want to do. Most lawyers are not aware of the Fair Credit Reporting Act or the Fair Debt Collection Practices Act, although they won't necessarily tell you so. Instead, they will often seek to massage your expectations and goals to be more in line with what they think they know. Paying them may not be as hard as you think.

About Lawyers

Under the Fair Credit Reporting Act (FCRA), the agency or incorrectly reporting information furnisher, must, in addition to possible damages and penalties, pay your legal fees if you bring suit and win. "Attorney's fees" is a specific and defined term in the law. It means the amount of time an attorney (and selected staff) "reasonably spends" to prove your case. If you are not an attorney, you cannot get "attorney's fees" regardless of how much time you spend on your case, or how well or reasonably you spend that time. Only attorneys get attorney's fees, and they only get them for work they do on *other* people's cases (so even if you are an attorney, you won't get fees for representing yourself). Why does this matter?

The "fee-shifting" statutes (laws) exist to make it possible for people with important cases to get lawyers to represent them. There might not be much money at stake in the case (these are mostly consumer or human rights law cases), but congress has decided that the rights should be protected. The fee-shifting statute exists to make it possible to lure lawyers into representing you. In Fair Debt Collection Practices Act (FDCPA) cases, and, to a lesser extent, Fair Credit Reporting Act (FCRA) cases, the cases are generally simple enough so that it could be possible to find a lawyer who will not charge you anything at all for representing you. In some places and cases, the lawyers might want something up-front, called a "retainer," which would be a certain amount of money you pay to split the risk of the case.

It is good to negotiate and try to pay as little as possible, of course. But don't get carried away. Even if you win the case, it is quite possible (and it is also routine in every jurisdiction of which we are aware) for the lawyer to get paid for far fewer hours of work than was performed. Judges do a "balancing" of time spent and results obtained, and this balancing, in our opinion, is not conducted on a fair scale by any means. *Every lawyer taking this sort of case knows that*, and so the fact that "reasonable" attorney's fees will be awarded if you win still does not mean that the lawyer will be fully paid for the time and effort expended. If you act like you think the lawyer is crazy to ask you for money up front or would be somehow scamming you or taking advantage of the system if he or she got more dollars out of the case than you do, you will annoy and alienate your lawyer. And the lawyer should refuse to represent you.

A sophisticated understanding of the law includes an awareness that you could obtain all the relief you are entitled to - perhaps \$500 or \$1,000 plus credit repair - and your lawyer could emerge with a fee of \$25,000 (although this is unlikely). There is nothing wrong with that sort of result! It is exactly what the statute was created for, as a matter of fact. For various reasons it is difficult to win much money for these type of violations, and absent the fee-shifting statute it would be impossible for you to hire a lawyer on a cost-effective basis. That would leave rights congress has decided are important to go unrepresented.

Very few lawyers who take these sorts of cases get rich - and most of them are getting paid far less than they could make. Be aware of that, and then negotiate as well as you can: you will probably be far better off if you are able to obtain a lawyer to represent you in one of these cases. You may have to pay a small retainer, but you should not need to pay anything on an hourly basis.

We strongly suggest that you get a lawyer if you possibly can if you plan to sue anybody under the FCRA. It isn't impossible for you to do it yourself, and our debt litigation materials (The Debt Defense System) will help you in this area to an extent, but you will have a better chance of winning if you have a lawyer for this.

And there is another reason it helps to have a lawyer. This is because, as we mentioned above, only lawyers get attorney's fees. Consider two cases brought and won by identical plaintiffs; the only difference is that one had a lawyer and the other did it pro se. Both win \$1,000 as damages under the FCRA and obtained some credit report correction - the deletion of some negative information.

Let's say the case required 25 hours of legal work. At the best, you must consider that the pro se plaintiff spent twice that much time - 50 hours. The pro se plaintiff got "paid" 20 dollars per hour (\$1,000 divided by 50 hours of work = \$20 per hour) and obtained credit repair worth perhaps a lot more as well as a much-justified sense of accomplishment and pleasure. In our opinion, this is absolutely a good result, and it is not by any means unrealistic or impossible for anyone.

Now consider the person who got the lawyer. This person got the same \$1,000, but only spent ten hours on the case and emerged with the same sense of accomplishment and credit repair. Obviously a better result, right? but what if the second person had had to pay a \$500 retainer? Then the results are only \$500 for the ten hours (\$50/hour rate) - but there is an advantage in having a lawyer, so the second

person is more likely, at the beginning of the case, to win with a lawyer than pro se.

Now look at it from the point of view of the company. In both cases the company spends about ten hours of legal time defending itself and loses. (Let's say, although in general the company will spend more time defending against a lawyer than a pro se plaintiff.) The company is out \$2,000 for its own lawyer, plus must pay the first plaintiff another thousand. Its total cost is therefore \$3,000. But against the second plaintiff in addition to this same \$3,000 it must now pay the second plaintiff's lawyer \$5,000 more dollars (25 hours x \$200/hour), raising its total cost to \$8,000. If you were an information furnisher, which case would you settle quickly?

Do you see how much better off you are with a lawyer? It is definitely worth having if you can, in our opinion.

Alternative Methods

We have already discussed bringing a legal action against the credit reporting agencies. Remember that the agencies are not the same entities (obviously) and so must be separately considered and sued if they have violated your rights - and sometimes one will violate your rights while another one does not.

Other Attacks

We have touched on suing an information furnisher. Remember that in order to do this you must first have disputed the information with the credit reporting agencies. ***This reporting is a precondition for having the right to sue the furnisher.*** Before you dispute with the agency, the furnisher *does* have an obligation to report your information accurately, but *you* do not have the right to enforce that obligation in court (only a government agency has that right at that time). After you dispute the information with a credit reporting agency, you activate your own right to sue the furnisher. This is obviously a critical step in furthering your rights.

It is often much easier to sue a furnisher than it is to sue a credit reporting agency, and this is most definitely true when the furnisher is a smaller company. Where the furnisher is a credit card

company this advantage is obviously somewhat less, since a credit card lender will never be short on money or lawyers. Still, the credit card companies do not really have the same incentive to defend a credit reference - it isn't their business.

And there's something else. The credit card companies often - at some times they claim *always* - destroy old records after some time (it appears that 2 years is the holding period). In plain English, that means that after about two years if you attack a credit card for information it is putting on your credit report it likely won't have any of the records it needs to prove you did what it is claiming you did.

If you dispute the information (as you must) with the credit reporting agency but not with the credit card bank, the agency will be entitled to rely on the bank's claim that you owe it money. Once you dispute with the bank, you both expose the bank's lack of proof and prevent the reporting agencies from relying on the bank. It is not crystal clear how much evidence you must present in this dispute before you deprive the agencies of their right to rely on the bank's report, nor is it crystal clear how much proof you must offer before you can force the bank to stop reporting. But this is likely to be a fruitful avenue of attack.

Attack Debt Collectors

As we have said above, debt buyers are independent of the original creditors. Once they buy the debt, your report should show a change of ownership, and the debt buyers may begin reporting the debt as unpaid. If they don't show the debt as sold or assigned, this is a basis for attack - on the agencies and the original creditor. But you have other avenues of attack on the debt buyer.

In the debt defense system materials and in the debt defense materials on site we discuss various violations of the Fair Debt Collection Practices Act, and we have often discussed those as potential counterclaims to a suit for collection they might bring. But this is not the only use for an FDCPA claim. You could bring suit against a debt collector under the FDCPA and make extinguishing (elimination) the debt one of the conditions for settlement. It is also true that when the debt collector buys the debt it also "buys" all the defenses to the debt - and that means that even if the debt collector has not violated the FDCPA you could sue it for "declaratory" relief that the debt is not valid if you have some basis for the claim.

Why would you do that?

You could do it because debt buyers have a very narrow focus - they want your money as quickly as possible. They want nothing to do with the debt itself or any defenses against it - there's no money in that for them. Thus if you bring suit you bring it against the least possible resistance and the party least interested in defending anything to do with it. You have found the weakest link.

If you get the debt buyer to settle the case for declaratory relief that the debt is not valid for reason of nonperformance of contract or fraud, this judgment would extinguish the debt and get that out of your life. It would not be binding on the original creditor in any way, but it would certainly be good supporting documentation in your dispute against the original creditor's information. It might be enough to cause the information's removal if for no other reason than the amount of time it would take for everybody to figure out what had happened.

So the FDCPA - or the plain law of declaratory judgment - could provide you an alternative method of obtaining credit report relief.

In the next chapter we discuss the other side of credit repair - the creation of good credit information so base a favorable score upon after you remove as much of the bad information as possible.

Chapter Seven

Generating Positive Credit

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Creating credit that is helpful to you involves more than simply removing bad credit information from your report. You must have good information in your report in order to have a good credit score, and this means having a record of borrowing and repaying. Other things simply won't get the job done.

If you have credit accounts open with credit available, you start with a large advantage - thus you should NOT close your credit accounts as you begin to straighten things out. Accounts that show activity are better than "quiet" accounts for the obvious reason that using the cards and paying for them generates positive payment history. Of course you must make it positive: on time and at least the minimum amount due. You can do better, though. Remember that we said anything over a 30% use of your credit line suggests that you are "stressed" by debt. If your balance is currently over that amount, you should bring it down to from 10 to 30 percent of your available limit - by card and by total. Depending on how many accounts you have, these may be all you need.

If you do not have credit accounts with credit available, and if your credit is not too seriously damaged, then you should obviously apply for a credit card. The credit score where this makes sense is, to some extent, a moving target depending on your credit report in general, but if your score is close to 600 you should try to get a card. Make sure you get the best terms you can find. Paying an annual fee when you don't have to isn't going to do anything for you.

If you do not have credit cards with available credit and your report is current wrecked, as you begin to get some of the negatives removed you are going to want to start adding good credit. There are three ways to do so without relying on someone else, and a couple of other ways that may be possible. You could get a secured credit card, a retail credit card or charge account, or an installment loan. You should do as many of these as possible.

Secured Credit Card

If you google "secured credit card," you will see many options for credit cards you can apply for. The way a "secured" credit card works is that you give the credit card company money that they put in an account and hold for you. You won't be able to access the money even though it will be yours, and you will use whatever line of credit the company gives you on the card. You will get bills just as you would with a regular credit card, and you will follow all the rules of payment.

We have heard different stories about whether this generates positive credit that means anything, and the consensus seems to be that it does. A little. You will want to keep your use of your credit line below 30% of your available line of credit - and some suggest aiming for as low as 10%.

Getting a retail credit card, from a department store or from Fingerhut, for example, or from a tire or appliance store - these retailers sometimes have lower credit requirements either because they specialize in small products with high mark-ups, like Fingerhut, or because they take a security interest in the appliances they sell.

Getting an installment loan may be possible as well. Some suggest joining a credit union, which supposedly will have a more welcoming approach to loans - what you will do, if you get one, is simply pay it off on time! The goal here is definitely *not* to increase your standard of living through immediate credit. It is, rather, to encourage lenders to lend some money which, at as low a price as possible in terms of interest and fees, you pay back purely to generate a good payment record.

Of course crucial to this plan is that the lender, whether secured credit card, installment loan, or department store charge card, must report your (timely) payments to the reporting agencies. Remember that you don't want the accounts to show a zero balance much of the time. You're trying to show the ability to manage credit, and while the best way to manage it may very well be not to use it at all, that is not the way most lending institutions see it. They want to see you manage payments and balances over a period of time.

Some commentators suggest becoming an authorized user of a friend's credit card. The suggestion here is that you become an authorized card-holder of someone else's account and give them back the card. Then, as long as that person pays his or her bills on time, you will gain some credit

history that way. This obviously requires a lot of trust on both parts (especially theirs), and it would not be a good idea if there is any kind of judgment against you, as it might result in collection activity. It is not safe to mingle assets in any way with people who have judgments against them because of the way collections work. What happens there is that the sheriff causes the bank to freeze assets and hold them for the holder of the judgment. You might be able to prevent the collector from ultimately getting the money, but in the meantime it is unavailable for use. Not many people have enough money to be able to afford a significant amount of it being frozen and possibly taken away.

Appendix One - Sample Dispute Letters for Credit Reporting Agencies

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We believe that short and simple is the way to go with letters like this, as anything that contains references to suing will sound amateurish.

Date

Your Name

Your Address

[space]

The Credit Bureau (Experien, Transunion, etc.)

Bureau Address

Re: Account listing for _____ account (by number or other description)

Dear Credit Bureau,

This letter is to inform you that you are reporting inaccurate information. I dispute your listing for this account. You state that I made late payments on this account X number of times and that it went to collection and was charged off. I dispute that I ever made late payments on this account, that it went to collection, and that it was charged off as unpaid.

I have disputed this debt with the company claiming it and note that this dispute is not included within the report. This is a violation of the Fair Credit Reporting Act.

Please verify that this listing is inaccurate and should be deleted as soon as possible. I have enclosed a copy of my driver's license as proof of my identity and actual address.

Sincerely,

Remember that you must keep a copy of the letters you send and include any proof of anything you can - copies of canceled checks if you have them supporting a timely payment, proof of a dispute with the creditor, etc. And remember to retain copies of this letter and all documentation along with proof of certified mailing.

If the credit bureau does not respond to your letter within 30 days, you will send them a follow-up letter.

[your address]

[their address]

Re: Dispute Letter of (date)

Dear Credit Bureau,

On _____ (date) I sent you a letter disputing your inclusion of certain items within my credit report. Specifically I disputed...

I have enclosed a copy of my original dispute letter and proof that your company received it. (copies of the return receipt and documents).

Because you have not responded and verified the references, please now delete them from my credit report as required by the Fair Credit Reporting Act.

Sincerely,

Appendix Two

Sample Dispute Letters to Creditors or Collectors

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Date

Your Name

Your Address

[space]

Original Creditor or Debt Buyer

Address

Re: Account listing for _____ account (by number or other description)

Dear _____,

This letter is to inform you that you are reporting inaccurate information. I have disputed your listing for this account with the credit bureaus, and the information came back as "verified." You state that I made late payments on this account X number of times and that it went to collection and was charged off. I dispute that I ever made late payments on this account, that it went to collection, and that it was charged off as unpaid.

Please reinvestigate your information and this account. I have attached _____ as proof that I made payments on this account on time, and note that when XYZ debt collector sued me on this account I forced it to dismiss its claim "with prejudice." (See attached). [If you did not, in fact, make payments on time on this account, it might not be a good idea to mention that the XYZ debt collector dismissed its claim with prejudice, as it might create tax consequences. Instead, simply show that the XYZ debt collector changed its reporting line.]

Please verify that this listing is inaccurate and should be deleted as soon as possible. I have enclosed a copy of my driver's license as proof of my identity and actual address.

Sincerely,

Remember that you must keep a copy of the letters you send and include any proof of anything you can - copies of canceled checks if you have them supporting a timely payment, proof of a dispute with the creditor, etc. And remember to retain copies of this letter and all documentation along with proof of certified mailing.

If the creditor does not respond to your letter within the appropriate amount of time or change the offending credit reference, you should consider hiring an attorney to represent you - your case will have become more attractive since there is a violation of the Fair Credit Reporting Act which has an attorney fees provision. If you still cannot get a lawyer at this point, you can write a letter like the following.

Date

Your Name

Your Address

[space]

Legal Department

Original Creditor or Debt Buyer

Address

Re: Account listing for _____ account (by number or other description)

Dear _____,

This letter is to remind you that you are reporting inaccurate information. I disputed your listing for this account with the credit bureaus, and the information came back as "verified." You state that I made late payments on this account X number of times and that it went to collection and was charged off. I disputed that I ever made late payments on this account, that it went to collection, and that it was charged off as unpaid.

I asked you to reinvestigate your information and this account by letter dated ____ and attached. You have not responded or corrected the information in my credit report, and accordingly you are in violation of the Fair Credit Reporting Act. Please now delete the incorrect, or I will find it necessary to bring suit against you.

Sincerely,
