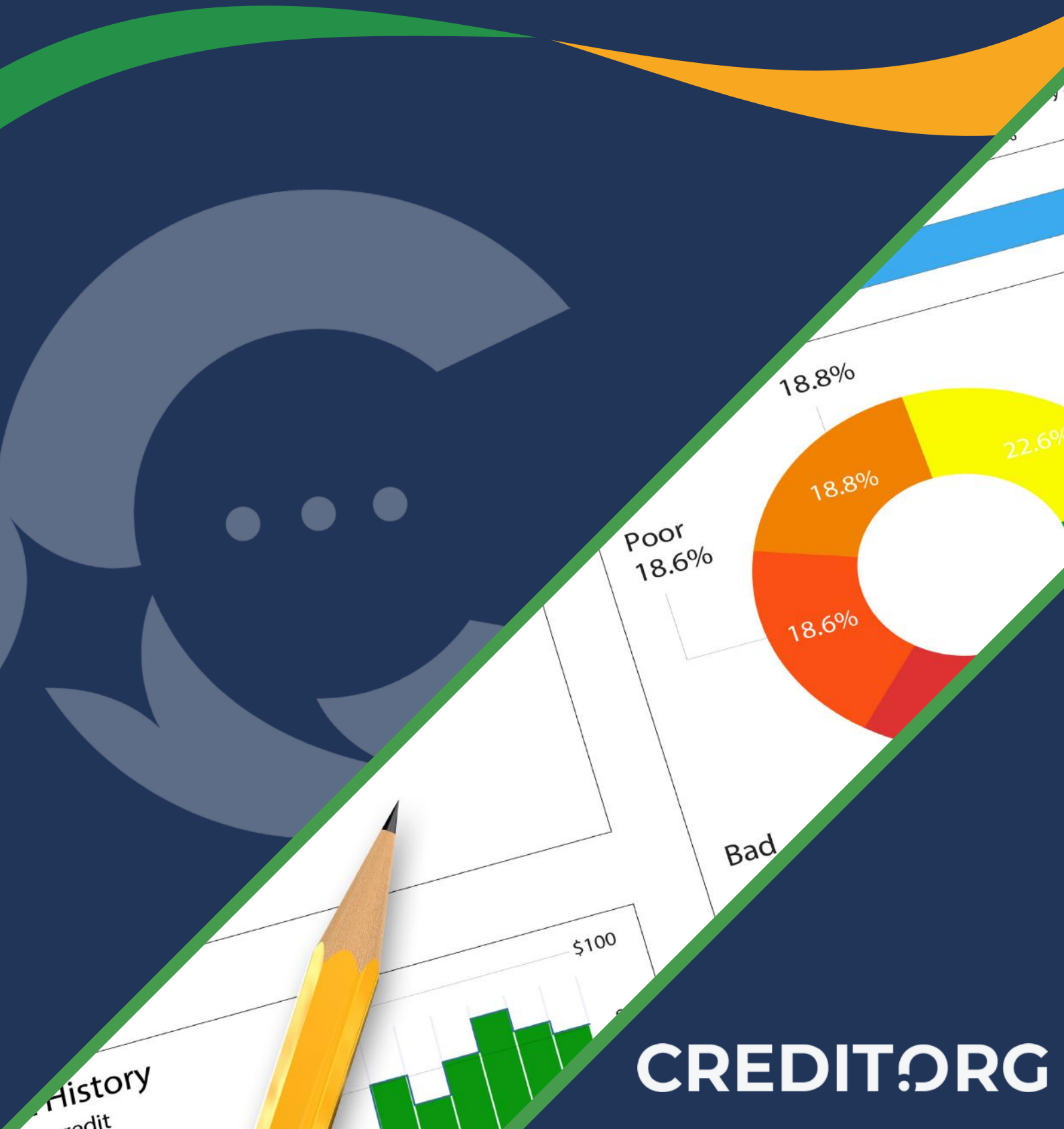


Understanding Credit Reports & Scores



CREDIT.ORG

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About Credit.org



Credit.org is a Nonprofit Consumer Credit Counseling Agency Formed in 1974

Our mission is simple, yet vital: Improve the financial well-being of individuals and families by providing quality financial education and counseling. We offer personal assistance with money, credit, and debt management through educational programs and confidential counseling.



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Our Services

Financial Education Programs

We offer seminars, workshops, and educational materials on topics such as budgeting and money management, identity theft, and understanding credit.

Debt Management Programs

If you choose this option, we can work with your creditors to reduce costs and repay debt through one monthly payment.

Confidential Debt Counseling

Our certified consumer credit counselors will discuss your financial situation with you, help you understand what may cause financial stress, and help you create a personalized budget, an action plan and give you options to help manage your finances more effectively.

Credit Report Review

Our certified counselors work with you to break down your credit report, answer questions, and give guidance for improving your credit score over time.

Housing Counseling

We are a HUD-approved housing counseling agency. We provide homebuyer education seminars, mortgage counseling, foreclosure prevention assistance, landlord/ tenant counseling, post-homebuyer education, and reverse mortgage counseling (please call ahead for reverse mortgage appointments).

Bankruptcy Pre-petition Credit Counseling

We provide counseling (and a certificate of completion as mandated by the bankruptcy reform law) for those considering bankruptcy. We also provide financial education (and a certificate of completion as mandated by the bankruptcy reform law) for those completing their bankruptcy discharge.

Introduction

Credit scores are a cornerstone of the U.S. credit system. Credit scores determine or greatly influence access to housing, unsecured credit lines, insurance, cell phone & utility services, and employment.

Since scores are based on credit reports, it is imperative that the underlying data be accurate for the score to have any meaning and for consumers to accept the validity of credit scoring.

Using credit scores has accelerated the speed and efficiency of credit granting and the customized pricing of credit. However, in consumer and commercial lending, inaccurate scores can result in unfair treatment of borrowers who are denied or charged high prices for credit.

PERMISSIBLE PURPOSES

Who has access to your credit report?

There are many circumstances where your credit report, you, and others may legally access it. If a credit grantor, employer, or other entity accesses your credit report, they must provide a disclosure to you that they are doing so. If they act because of what they find on your credit report (e.g., if you are denied credit, or if your insurance company charges you a higher rate) they must let you know and you are legally entitled to a free copy of the credit report they used to make their decision.

Opening credit accounts

When you apply for a new credit account, the lender may access your credit file from any or all of the credit bureaus to help them decide whether to grant you credit and at what rates.

Managing credit accounts

You may legally access your credit accounts to help you manage your credit report. You are entitled to a free copy of each of your credit reports once per year. You will have to pay for a second copy within any 12-month period.

Offers of credit

Creditors may “pre-screen” your credit file before offering you credit. This inquiry does not affect your credit rating, but you can “opt-out” of receiving pre-screened credit offers by visiting www.optoutprescreen.com or calling 1-888-5-OPTOUT.

Employment purposes

Any time you apply for a job, your potential employer may check your credit reports before hiring you.

Underwrite insurance

Insurance companies will check your credit report before granting you coverage. They will also check periodically to determine what rate to charge you for your insurance coverage.

Other circumstances where your credit may be legally accessed:

A business transaction initiated by the consumer

Court order or federal jury subpoena

Valuation of risk of an investor

Eligibility for government license

Your Credit History is Your Financial DNA

Credit score and Credit Report Data

In everyone's life, there are instances where credit is needed. From your first credit card to the last mortgage payment and every account in between, all these make up your credit history.

Incidence of errors in reports and how they happen

Our experience with consumer credit reports over many years confirms that errors are common in our credit reports. According to a study conducted by the Public Interest Research Group (PIRG) "Mistakes Do Happen: A Look at Errors in Consumer Credit Reports" (www.pirg.org), it was found that one in four credit reports contains errors serious enough to cause consumers to be denied credit, a loan, an apartment or home loan, or even a job.

Data integrity in credit reports has the impact of lowering the integrity of what the U.S. credit system is built on. The efficient collection, storage, and use of the actual credit history records of individuals and the scores derived from these credit history files.

It's vital to see your credit report and score

If you are thinking of buying a house, a car, or simply applying for a new credit card, your credit report represents the first step in the lender's decision-making process. The fact of the matter is that you need to have a good credit history to get credit. If you haven't seen your credit report in months or even years, you should take a look before you apply for any credit, so there will be no surprise.

The importance of good credit

You might ask yourself whether good credit is really important. Just take a minute to think about all of the advantages:

- More employers are reviewing credit reports of prospective employees as part of their due diligence functions, and they look unfavorably on a negative credit report.
- Insurance companies review your credit report when you apply to insure your home and/or car.
- Without good credit, it is very difficult to obtain a credit card, which is helpful if an emergency arises. For example, if your car breaks down and needs repair but you don't have the cash, a credit card can help you pay for the repair and then allow you to pay off the card later.
- Many businesses prefer using credit cards. For example, without a credit card, it is difficult to rent a car, pay for an airline ticket, or even book a hotel room, or make purchases online.
- Many employment fields, such as financial services, gaming, military, and law enforcement continually check their employees' credit reports.

How Your Credit History is Born

CREDIT BUREAU REPORTING

The credit bureau's business is credit reporting. What they do is collect information about consumers from banks, savings and loan institutions, credit unions, finance companies, and other businesses. This information is stored in a database and when you apply for a new loan or credit, the creditor orders information on you from one or all three of the credit bureaus.

MAKE SURE YOU GET CREDIT WHEN CREDIT IS DUE

An estimated 50 million Americans have little or no credit history and therefore can't access mainstream credit. There are many businesses such as child care, private mortgages, payday lenders, gas, electric, water, and telephone utilities, and cable TV that create regular monthly payment flows that are not aggregated to a credit history. FICO™ (creator of the FICO® Score), all three major bureaus, and several smaller entities are rushing to fill this space to incorporate this activity into primary credit bureaus.

FICO™ “Expansion Score” – A score based on non-traditional (meaning non-credit bureau) data such as payday loans, purchase payment plans, or deposit accounts.

Connect – Formerly known as Payment Reporting Builds Credit (PRBC), this private company is a web-based self-help service that enables consumers and small business owners to build their credit score through timely rent, mortgage, and other recurring bill payments. The consumer provides the data directly. Find them online at www.microbiltconnect.com.

Rentreporters.com – This is an example of one of many private companies whose business model is to have the renter pay to get their rent payments verified with their landlord, and then this company sends their history along to the bureaus.

Anthem Report and Anthem Score – Owned by CoreLogic's Credco Division. The Anthem report is a type of tri-merge report that is supplemented with alternative payment history data for borrowers with little or no credit history. It is based on a non-traditional payment history such as rent, gas, phone, etc...



Credit Reports

What information is contained in my credit report?

A typical credit report includes several different types of information:

Identifying Information:

- Your name
- Current and previous addresses
- Telephone number
- Social security number
- Date of birth
- Current and previous employers.

This information is not used in calculating your credit score, but to verify your information with any credit applications. This section will include alternate names, including married and/or family names. This is the first place to look out for possible identity theft.

Public Record Information:

- Bankruptcy records
- Tax liens
- Monetary judgments
- Debts referred to collection agencies
- Overdue child support (in some states)

Chapter 7 bankruptcy information will remain for 10 years from the date filed. Chapter 13 for 7 years from the date paid. Unpaid tax liens can be reported indefinitely (depending on state laws), and paid tax liens remain for 7 years from the date paid. Other public records of information can remain for up to 7 years.

Collections: If you have any debts that have been sent to collections, they will appear on the credit report for 7 years from the date of the initial missed payment (30 days late). The balance on a collection account is typically not updated until the balance is paid in full. Collection accounts must be reported accurately; some collection agencies re-age accounts to make them look more recent. This is a violation of the FCRA. Also, if the debt is sold from one collection agency to another, it first must be removed from the report.

Credit Information: Specific information about each account, such as:

- The date the account was opened
- The credit limit or loan amount
- The balance due
- Monthly payments and payment history during the past several years.

This area will also contain information about the co-signer, spouse, or other parties responsible for the account. For open accounts, positive credit information remains on the report indefinitely. Negative payment notations remain up to 7 years from the last late payment. Accounts with no late-payment history will remain for 10 years.

Credit Reports

Inquiries: the credit report also lists the names of those who obtained information from the credit report for the past two years. “Hard” inquiries result from attempts to apply for credit, while “soft” inquiries include your request to see your own report. These soft inquiries are not viewed by prospective creditors but are recorded and remain for two years. Other soft inquiries include employers checking after an employment application; landlords doing a credit check before renting property; existing creditors checking before making promotional offers, or increasing your line of credit.

Inquiries when rate shopping: looking for mortgage, auto, or education loans can result in multiple lenders looking at your credit report. Your credit score doesn’t factor in any mortgage, auto, or education loan inquiries made in the 30 days before scoring. These inquiries made prior to the 30 days are lumped together if they fall within a typical shopping period (45 days under the new scoring formula). This helps to make sure that rate shopping won’t affect your score.

Dispute instructions and your rights: Modern credit reports include information on your consumer rights, including instructions for disputing any inaccurate or outdated information contained in your report.

What information is NOT contained in my credit report?

Some information shouldn’t be included in a credit report:

Outdated Information

Certain Personal Information:

Race	Gender
Religion	Marital status
Political affiliation	Family size
Medical history	Driving records
Criminal record	Your income
Whether you receive public assistance	

Interest Rates You Pay

Credit Score

Information About Bank Accounts

Business Account Information (unless you are a sole proprietor)

Where Can You Get a Copy of Your Credit Report

The FACT Act of 2003 required the three major national credit-reporting bureaus to establish a website, a toll-free number, and a mailing address for consumers to request their credit report for free every year:

1 Go to the **website** www.annualcreditreport.com. MAKE SURE you type the address in correctly, or you may end up at an imposter site set up by identity thieves.

- Type the exact address of the free report site, INCLUDING the www (that is, type www.annualcreditreport.com).
- Verify that you are immediately redirected to the secure page: <https://www.annualcreditreport.com/index.action> is the address.
- Verify that the security lock is present in your browser.
- On the data entry page (the first page you visit after you tell the site what state you live in), verify that a “VeriSign security” symbol is present near the top-right of the page. Click on the certificate to make sure that it is indeed the certificate for www.annualcreditreport.com.

2. Call by **phone**: 877-322-8228

3. To submit a request by mail, download the Annual Credit Report Request Form located at <https://www.annualcreditreport.com/manualRequestForm.action> and mail it to:

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

(Keep in mind that the location of the form or file name may change.) Do not contact the credit reporting bureau directly, as this is the only method to receive a free credit report.

Other Free Credit Reports

In addition to your free annual credit reports, you are also entitled to a free copy of your credit report if any of the following applies to you:

- **If you've been denied credit, insurance, a loan, or a job** because of what your credit report says. Federal law also says you can get a credit report for free if your application is denied because of information on your credit report. You must request this credit report within 60 days of learning you've been denied to get the free report. (You should receive an Adverse Action Notice, which entitles you to a free credit report plus score).
- **If you are unemployed.** If you're out of work, you can get a credit report for free within 60 days before you start looking for a job. Contact the credit bureaus and let them know you're going to begin job hunting and you'd like to receive a credit report free under the Fair Credit Reporting Act.
- **If you are on public assistance.** With proof of public assistance benefits.
- **If you believe yourself to be a victim of identity theft.** Identity theft is an unfortunate crime, but fortunately, you don't have to pay to check your credit report for theft. You can receive your credit report free if you've been a victim of identity theft and have inaccurate information on your credit report. By contacting one of the three credit bureaus and placing a fraud alert, you automatically receive a free credit report from all three credit bureaus.
- **If you receive less favorable terms than originally offered.** The practice of giving less favorable credit terms to higher-risk consumers is known as risk-based pricing. This rule states that when a lender decides to extend you credit based on your credit score and/or credit report, they must send you a notice—either a Risk-Based Pricing (RBP) notice or Credit Score Disclosure (CSD) notice—when the credit terms you received are less favorable than those offered to other consumers.

Equifax – www.equifax.com

To request your report call: 800-685-1111

Or write to: P.O. Box 740241

Atlanta, GA 30374-0241

To report fraud, call: 800-525-6285

AND write to: P.O. Box 740241, Atlanta, GA 30374-0241

If you are hearing impaired (TDD), call: 800-255-0056 and ask the operator to call 1-800-685-1111 and request a copy of your credit report.

Experian – www.experian.com

To request your report, call:

800-EXPERIAN (800-397-3742)

Or write to: P.O. Box 2002, Allen, TX 75013

To report fraud, call: 888-Experian (888-397-3742)

AND write to: P.O. Box 9530, Allen, TX 75013

TDD: 1-800-553-7803

TransUnion – www.transunion.com

To request your report, call: 800-888-4213

Or write to: P.O. Box 1000, Chester, PA 19022

To report fraud, call 800-680-7289

AND write to: Fraud Victim Assistance Division,

P.O. Box 6790, Fullerton, CA 92634

TDD: 1-877-553-7803

Credit Score FICO or Non - FICO

What is a credit score?

There are many types of credit scores. FICO™ developed the predominant score model. It is a general risk score that indicates the probability of default. The FICO® Score ranges from 300-850.

The score is generated using a proprietary formula based on info in one's credit reports.

Why are your three scores different?

TransUnion's is called "FICO® Risk Score Classic", Experian's is called "Experian FICO® Model", and Equifax uses the true FICO® score, privately labeled "Beacon." Within the scoring model are different scoring ranges. They are only true FICO® Scores if they are FICO™'s model.

Each bureau's report generates a unique score that doesn't necessarily match the other two bureaus. Creditors and lenders don't always report your information to all three of the credit reporting agencies.

Non-FICO scores, specifically the VantageScores created jointly by the three major credit bureaus, are more consistent across the three credit bureaus. This is an advantage for lenders, but is not always good for consumers; if one of the three reports contains an inaccuracy, all three scores are damaged. Under FICO® scoring, only the credit report containing the inaccuracy is damaged; if your Equifax report contains an error and your TransUnion does not, the Equifax Beacon score will be lower. If you apply for credit with a lender who only checks TransUnion, you won't be given worse terms.

VantageScores offer other benefits besides consistency between the 3 scores. VantageScores include many more consumers than FICO's scoring model, giving tens of millions of people access to credit scoring they wouldn't otherwise have. Their VantageScore 3.0 revision brought their scoring scale in line with FICO's, which reduces consumer confusion and makes the score a viable alternative.

Credit Score FICO or Non-FICO

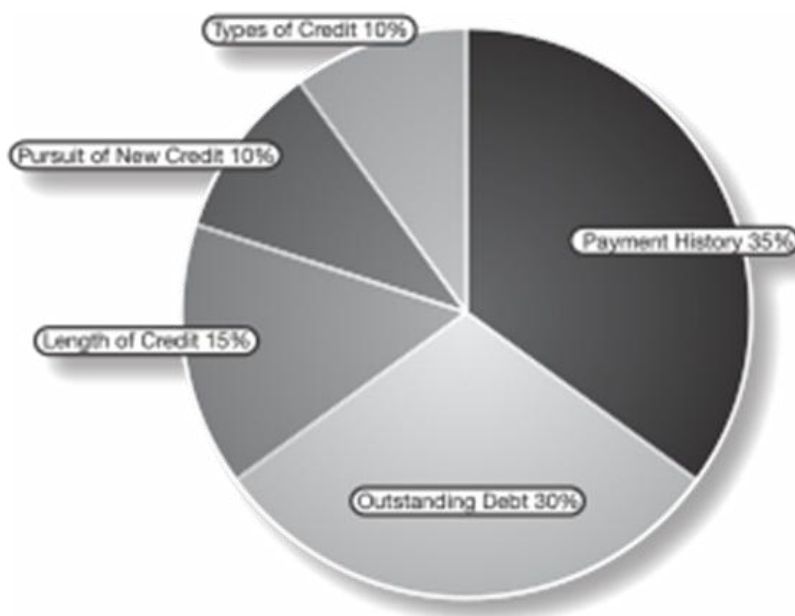
What affects your credit score?

Your FICO™ score is based on five factors. Here's how these factors impact the score's calculation:

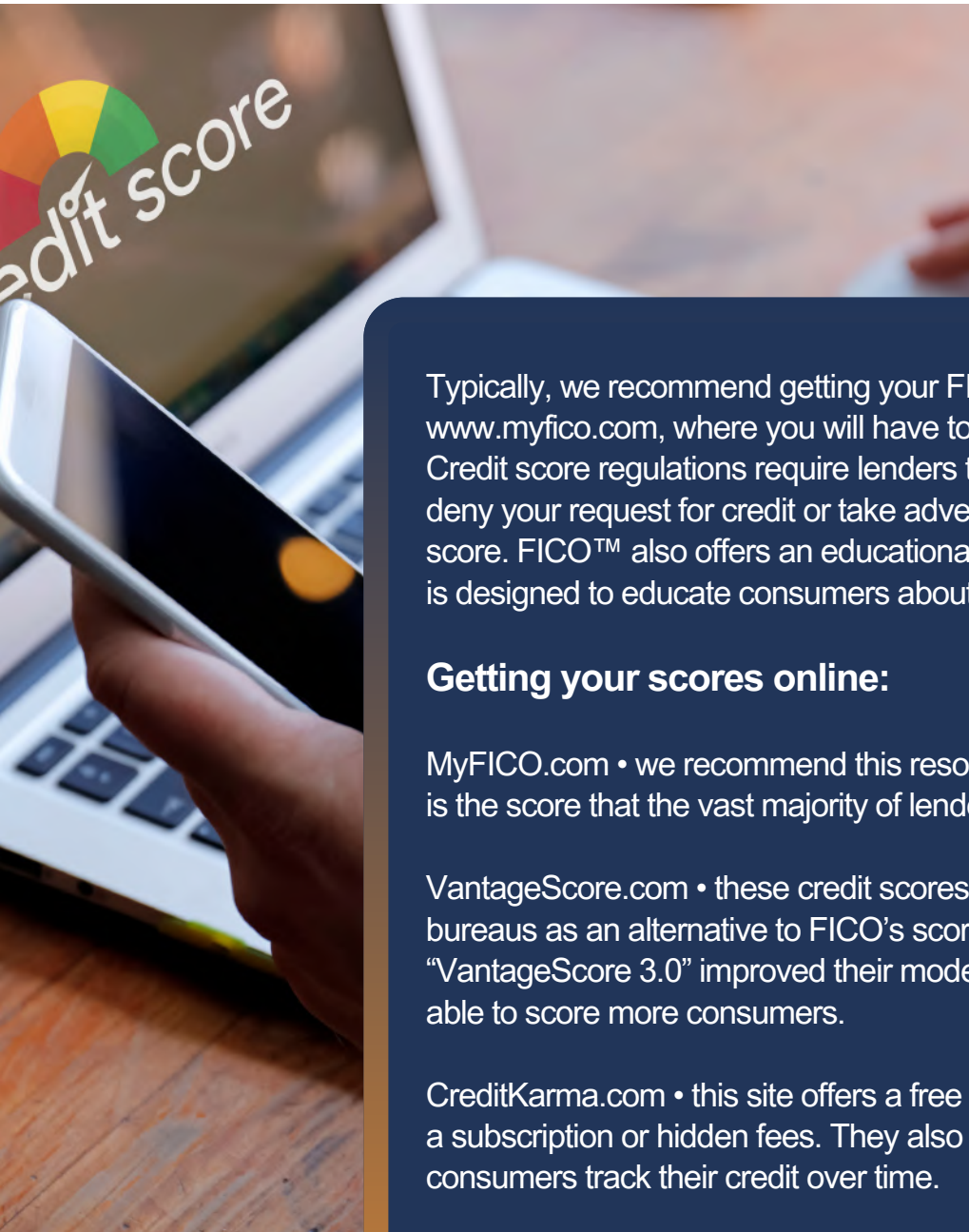
1. **35%** - Payment History
2. **30%** - Outstanding Debt
3. **15%** - Length of Credit
4. **10%** - Types of Credit in Use
5. **10%** - Pursuit of New Credit

VantageScores are calculated slightly differently:

1. **30%** - Recent Credit
2. **28%** - Payment history
3. **23%** - Credit Utilization
4. **9%** - Credit Balances
5. **9%** - Depth of Credit
6. **1%** - Available Credit



Getting Your Score



Typically, we recommend getting your FICO™ score from www.myfico.com, where you will have to pay a fee to access your score. Credit score regulations require lenders to offer a free credit score if they deny your request for credit or take adverse action based on your credit score. FICO™ also offers an educational site, www.scoreinfo.org, which is designed to educate consumers about credit scoring.

Getting your scores online:

MyFICO.com • we recommend this resource for credit scores because it is the score that the vast majority of lenders use.

VantageScore.com • these credit scores were designed by the credit bureaus as an alternative to FICO's score. Their most recent revision to "VantageScore 3.0" improved their model to make it more predictive and able to score more consumers.

CreditKarma.com • this site offers a free credit score without the need for a subscription or hidden fees. They also offer tools and resources to help consumers track their credit over time.

CreditSesame.com • a free credit score service that provides information to you while attempting to match your credit profile with the best loan products for you. Your credit information from CreditSesame.com comes from Experian.

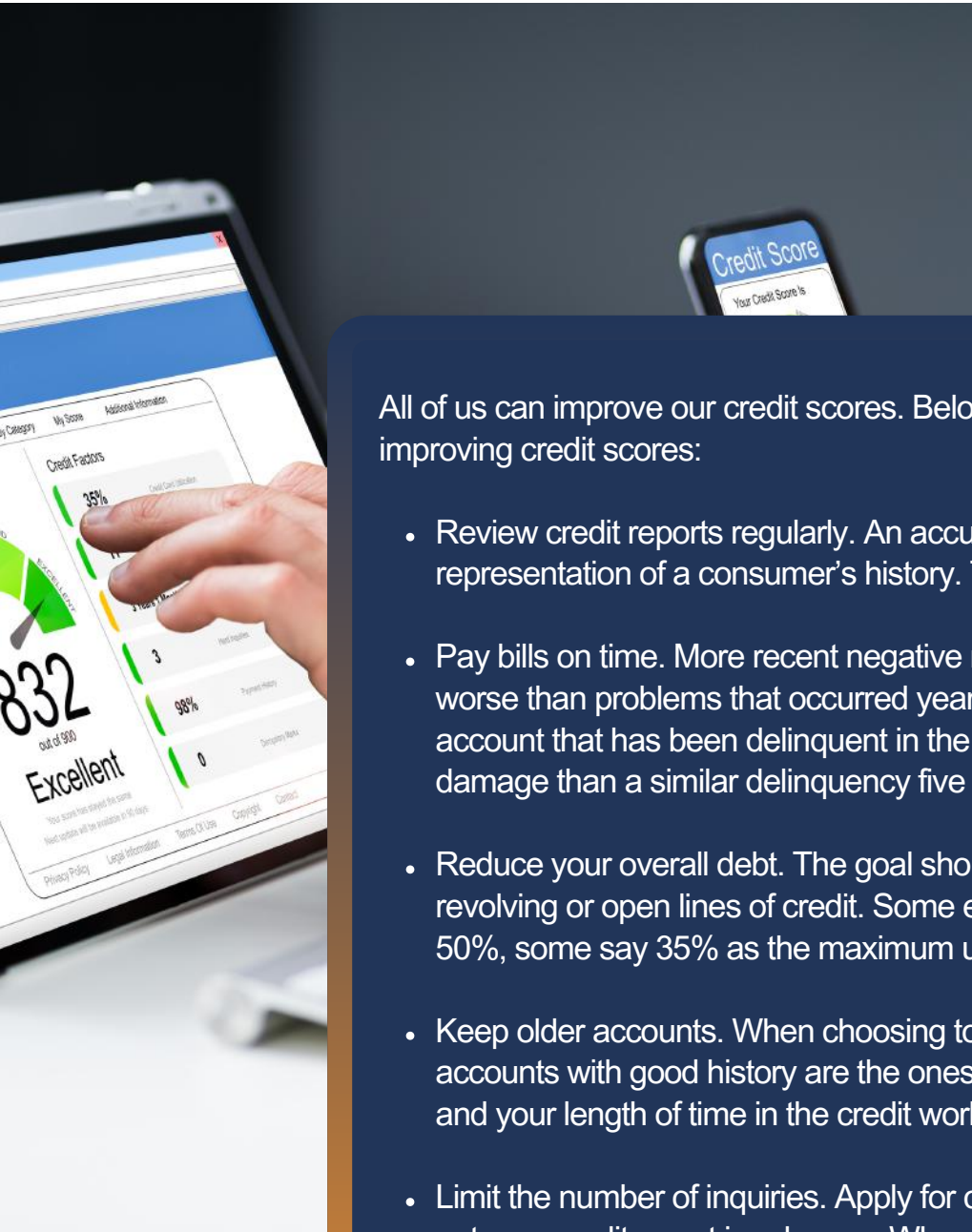
Credit Myths



There are many common misconceptions about credit reports and scores. Here are some of the most common:

- Bad debts will go away if you pay them off. Some debts will stay on your credit report for 7 years from the date of the first missed payment. Medical debt already paid or under \$500 should no longer be on your credit report.
- The credit reporting agency denied my credit application. Credit reporting agencies don't make any decisions about your creditworthiness. They simply provide information to your potential creditors, employers, etc. The credit grantor is the entity that makes a decision to accept or deny your application for credit. Likewise, FICO only calculates a score based on your credit file information. The creditors use that score to help them decide whether or not to grant you credit.
- A divorce decree separates joint accounts. Regardless of what a judge decrees in a divorce court, a joint account doesn't change in the eyes of the creditor or the credit bureaus. To truly separate a joint account in a divorce, the best course of action is to close the account and transfer the balance to new individual accounts.

Simple Ways to Improve Your Credit Scores



All of us can improve our credit scores. Below are some general tips for improving credit scores:

- Review credit reports regularly. An accurate report will be an honest representation of a consumer's history. Take control of yours.
- Pay bills on time. More recent negative marks on a credit report are worse than problems that occurred years ago. For example, an account that has been delinquent in the past six months will do more damage than a similar delinquency five years earlier.
- Reduce your overall debt. The goal should be not to max out your revolving or open lines of credit. Some experts advise not more than 50%, some say 35% as the maximum utilization level.
- Keep older accounts. When choosing to close accounts, older accounts with good history are the ones to keep because of the age and your length of time in the credit world also factors in the score.
- Limit the number of inquiries. Apply for credit only when necessary and get your credit report in advance. When shopping for a new car or mortgage, make all applications within a 14-day window so the inquiries are bundled and only count as one inquiry.

Specialty Consumer Reporting Agencies

Checking Account, Insurance, Renter, and Medical “Credit Bureaus”

Before applying for a job, buying new homeowner’s or car insurance, opening a new checking account, applying for private health or life insurance, or renting an apartment, you should be aware that a “specialty” report may be pulled on you. The Fair and Accurate Credit Transaction Act (FACTA) now gives all of us the right to obtain these reports directly from nationwide specialty bureaus and to dispute errors in them, just like with regular credit reports.

There are three major specialty companies that report on check-writing history (have your driver’s license number and checkbook handy):

1. **ChexSystems** is a nationwide specialty consumer reporting agency that collects information from member financial institutions. If a bank closes your checking account because of insufficient funds, it will make a report to ChexSystems that other banks will see when you apply for new accounts.

Toll-free number: (800) 428-9623.

Web: <https://www.chexsystems.com/request-reports/consumer-disclosure>

2. **Shared Check Authorization Network (SCAN)** maintains a database of returned checks and instances of fraud. It provides check authorization and verification to its members, primarily retailers.

Toll-free number: (800) 262-7771 (U.S., Guam, and Puerto Rico); Fax: (800) 358-4506

3. **TeleCheck** also maintains a database of returned checks and instances of fraud. It provides check authorization and verification to member retailers.

Toll-free number: (800) TELECHECK (800-835-3243 not necessary to dial last 2 digits).

Web: <https://getassistance.telecheck.com/index/>

TeleCheck Services, Inc.
1600 Terrell Mill RD SE,
Marietta, GA 30067

Declined Check Information: (800) 366-2425

Nationwide Specialty Consumer Reporting Companies:

Medical Insurance Bureau - Medical records or payments:

www.mib.com/html/request_your_record.html

First Advantage SafeRent - Residential or tenant history - (Formerly known as Unlawful Detainer Registry UDR): www.saferentsolutions.com

LexisNexis Risk Solutions - Employment history - background checks – insurance claims:
risk.lexisnexis.com/

Credit Consumers Should Know Their Rights

THE FAIR DEBT COLLECTION PRACTICES ACT

In 1970, the Fair Debt Collection Practices Act (FDCPA) became law. Its purpose is to prevent abusive, deceptive, and unfair debt collection practices by debt collectors. The FDCPA does not apply to originating creditors who are collecting on their own behalf. The FDCPA prohibits:

- Contacting a third party who does not owe the debt, such as a relative, neighbor, or your employer. Co-signers to the debt, however, may be contacted by the debt collector;
- Threatening to refer your account to an attorney, harm your credit rating, repossession or garnishment, without actual intention of action on the threat. Please note that a debt collector may warn you of an impending intention to refer your case to an attorney or to report your debt to a credit agency. What they cannot do is use a false threat to try to intimidate you into paying;
- Making repeated telephone calls or telephone calls at unreasonable times. The act defines unreasonable times as contact before 8:00am or after 9:00pm, unless you have given the debt collector permission to contact you during those hours;
- Placing telephone calls in an inconvenient place. For example, contacting you at work in violation of a policy by your employer that is known to the debt collector or following a written request by you that they not contact you at work;
- When placing a telephone call to you at work, informing your employer of the purpose of the call, unless first asked by the employer;
- Using obscenity, racial slurs, or insults;
- Sending letters, which appear to have come from a court;
- Seeking collection fees or interest charges not permitted by your contract or by state law;
- Requesting post-dated checks with the intention of prosecuting if they bounce;
- Suing in courts far removed from your place of residence;
- Making certain false representations in association with efforts to collect the debt, including the false claim that the person contacting you in relation to the debt is an attorney; falsely claiming to have started a lawsuit, using a false name, or using stationery that is designed to look like an official court or government communication;
- Using false claims to collect information about the debtor, such as pretending to be conducting a survey;
- Threatening you with arrest if you do not pay the debt.

Credit Consumers Should Know Their Rights

THE FAIR CREDIT REPORTING ACT

The Fair Credit Reporting Act (FCRA) is the federal law enforced by Federal Trade Commission to promote accuracy and fairness, and to guarantee the privacy of information used in your credit reports. It regulates the functioning of credit bureaus and has been in effect since 1971. The act has been amended from time to time to expand the rights of consumers and improve the regulation of credit bureaus.

The major consumer rights under the FCRA are:

Right to receive a copy of your credit report on request. This copy must be up-to-date and all the information in your file at the time of your request must be included.

Right to know who has accessed your credit report in the last one year for most purposes. However, in the case of employment purposes, the period is two years.

If you have been denied credit by any agency, then the right to know the name and address of the credit bureau on whose credit report the denial was based.

- Right to receive a free credit report from the credit bureau:
- Within 60 days of denial of your application, if the credit denial is based on a credit report supplied by the credit bureau.
- If you believe that your credit report is wrong because of fraud
- If you are unemployed and will be applying for a job within 60 days
- If you are on public assistance

Right to contest the accuracy and completeness of information in your credit report.

Both the credit bureau and the information provider have the obligation to correct the inaccurate or incomplete information in your credit report.

File a dispute with the credit bureau and information provider to the credit bureau if you feel that the information in your credit report is inaccurate.

Right to include a summary explanation to your credit report if you feel that the dispute is not resolved to your satisfaction.

Right to seek your consent before a credit bureau supplies your credit report to your employer or prospective employer.

Right to seek your consent before a credit bureau supplies information about your credit history to creditors, insurers, and employers.

Right to choose to exclude your name from credit bureau lists for unsolicited credit and insurance offers.

Credit Consumers Should Know Their Rights

THE CREDIT CARD ACT OF 2009

The Credit CARD (Credit Accountability, Responsibility, and Disclosure) Act of 2009, also known as the Credit Cardholder's Bill of Rights, made many important changes to the way credit cards are regulated.

Regarding your credit report and scores, the new law makes your score more important than ever. The law limits the fees creditors may charge, restricts the ways those fees can be imposed, and regulates the adjustment of the interest rates on your credit accounts. Because this increases the risk to creditors and limits their ability to compensate for those risks with higher fees, they will only grant credit to people with the best credit histories and scores.

Another important change in the law affects younger consumers. Essentially, anyone under 21 will have a very difficult time getting a credit card under the new law. If you are a parent and have a teenager who is coming of age, you might be grateful that s/he will not be lured into credit card borrowing too soon. But this situation does place additional responsibility with you; most consumers aged 18-21 will need a parent to co-sign on any credit card they obtain. This means that the parent shares responsibility for their adult offspring's borrowing, and will have to repay the debts incurred if the borrower is unable to repay.

It is important that you set up a credit card account for your children when they reach age 18 and track their activity closely. This will give you the opportunity to protect yourself if the borrowing gets out of hand or there are repayment problems. And more importantly, this is how your adult children will establish a credit history and score that will allow them to borrow on their own when they reach age 21. As we said earlier, their credit score is crucial to their borrowing, housing, employment, higher education, purchasing, transportation, etc. If they aren't able to establish credit early on in their adulthood, they will have a much tougher time doing so later.

Be aware that while the Credit Card Act protects consumers from unreasonable rate hikes and fees, there is no cap on the interest rates creditors may charge. That means higher interest rates across the board, and many economists expect annual fees to be the norm under the new law.

The new law isn't all bad news, of course. There are many consumer benefits that aren't directly related to credit scores and reports, including:

- A ban on universal default and 2-cycle billing
- Industry-standard rules requiring creditors to accept payments on time if they are paid by 5pm on the due date
- Bills must be sent at least 21 days before the due date
- Customers must be allowed to pay by phone or internet without incurring additional fees
- Creditors must provide 45 days' notice before increasing interest rates
- Consumers must opt-in before they will be able to exceed their credit limit

If something happens that causes the creditor to raise your interest rate (if you miss a payment, for example) the creditor must now, by law, re-evaluate your credit standing after six months have passed. If you've had no more missed payments or other problems on your record during the intervening six months, the creditor must return your interest rate to where it was before you incurred a penalty rate. This is yet another reason to always work toward improving your credit history and making sure that your credit history is accurate and reflects positively on you.

Disputing Errors

What can you dispute?

A careful review of your credit report may reveal incorrect, incomplete, or outdated information. FACTA provides consumers with important rights regarding disputing obsolete accounts and the handling of errors.

Some common errors:

- Reporting of stale accounts (for example: inactive accounts past the statute for reporting)
- Duplicate reporting of public records or collection accounts – junk debt buyers are often responsible for multiple reporting of the same debt as these change hands among buyers and sellers.
- Reporting accounts as charge-offs that have not been updated as having been discharged through bankruptcy
- Failure to merge multiple inquiries for the same loan
- Not reporting credit limits on tradelines
- Reporting collections as unpaid when they were paid

All incorrect, incomplete, or outdated information can be disputed.

Statute of Limitations of Reporting

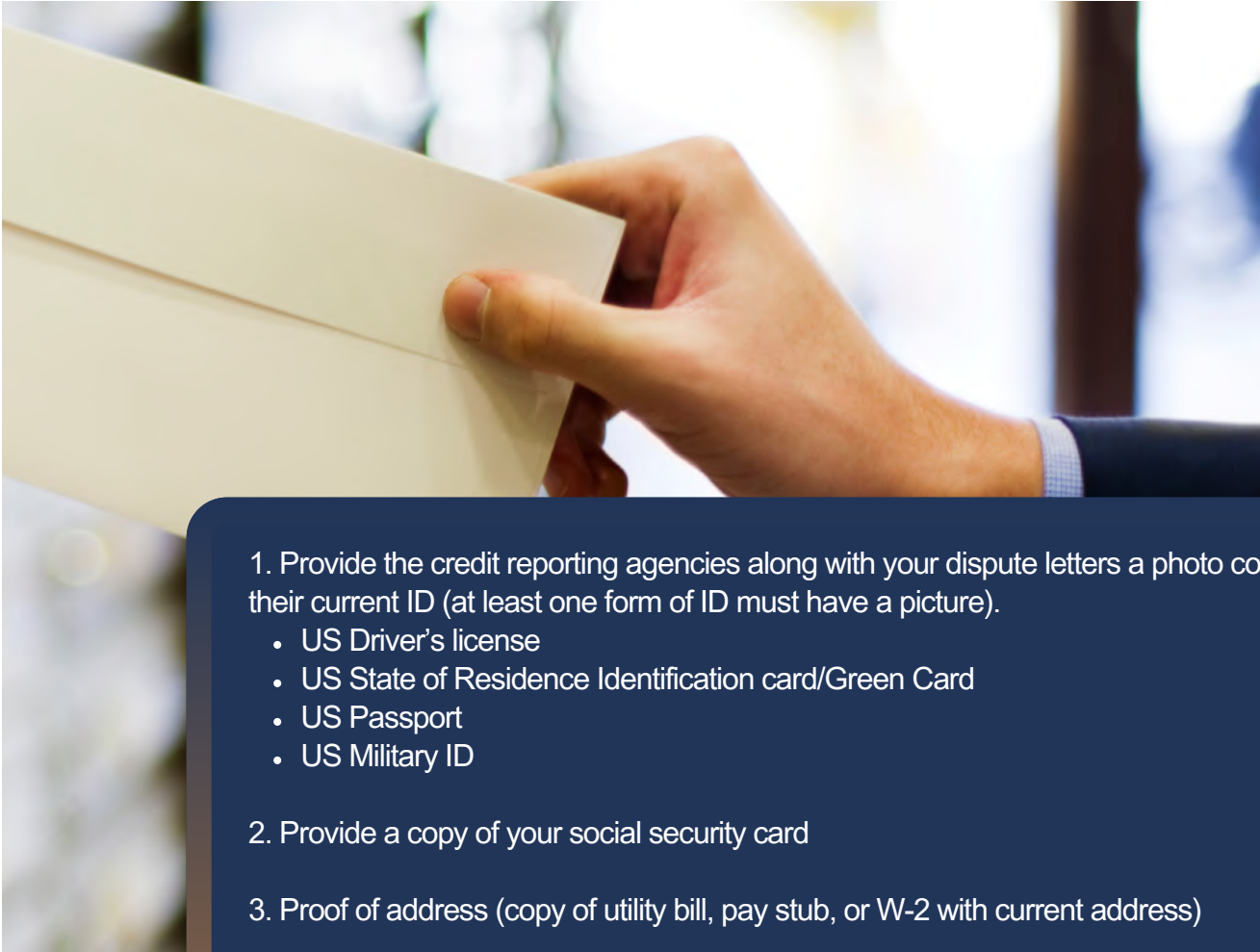
Public record information is maintained on a consumer's file in compliance with the Fair Credit Reporting Act (FCRA). This information is obtained from county, state, and federal courts and includes civil judgments, state tax liens, federal tax liens, and bankruptcies. The length of time each record is held depends on the type of record.

Typical retention periods (may vary by state): View the chart, next page.

Disputing Errors

Chapter 7, 11 or 12 bankruptcies	10 years from the date filed
Chapter 13 bankruptcy filings	7 years from date paid
Chapter 13 bankruptcy that is not completed	10 years
Bankruptcies voluntarily dismissed	7 years
Civil judgments	7 years from the date filed
Unpaid tax liens	10 years (This may vary by state)
Collections paid or unpaid	7 years from date paid
Charge off accounts	7 years from date of the missed payment
Credit accounts	7 years from date of the missed payment
Inquiries	2 years

Basics of Spending Dispute Letters



1. Provide the credit reporting agencies along with your dispute letters a photo copy of their current ID (at least one form of ID must have a picture).

- US Driver's license
- US State of Residence Identification card/Green Card
- US Passport
- US Military ID

2. Provide a copy of your social security card

3. Proof of address (copy of utility bill, pay stub, or W-2 with current address)

4. Provide any documentation/proof to help the credit reporting agencies identify which items may be incorrect and should be removed or updated.

5. Keep originals and send copies

6. Send all letters with attached proof certified mail return receipt

7. Keep a dispute file for each of the three credit reporting agencies

8. Respond quickly to any letters from the credit reporting agencies

9. Know your rights

Sample Dispute Letter

Date:
Name/address
of Credit Bureau:

Attention: Consumer Relations

I recently obtained a copy of my credit report from your service, and have found the following items to be in error.

EXAMPLES

Item #1 – I dispute ABC National Bank account #12345. I have never been late on this account.

Item #2 – I dispute ABC Financial Services account #4545. This account was not a charge-off, please delete.

According to Section 611 of the Fair Credit Reporting Act, I am requesting that you re-investigate those items indicated, and promptly delete any unverifiable, inaccurate, or outdated information from my credit report.

In addition, I am requesting a description of how the investigation was conducted along with the name, address and telephone number of anyone contacted for information. Furthermore, if there is a change in my credit history resulting from your investigation, I am requesting that an updated report be sent to those who received my report, within the last two years for employment purposes, or within the last one year for any other purposes.

Please send me an updated copy of my report, and notification that items have been deleted. I will consider 30 days a reasonable time for your re-verification of these items.

Thank you for your prompt attention in this matter.

Sincerely,

Signature:
Name (print):
Address:
City, State, Zip:
Social Security #:

Sample Dispute Statements

There are several thousand credit bureaus collecting credit information about consumers. Many of these credit bureaus are connected to centralized computer files which contain data on millions of individuals. From these files, a credit bureau can produce almost instantaneously a revealing report about your past and present credit activity for a subscribing creditor. All credit reporting bureaus are for-profit businesses and not public agencies, although they are subject to increasing regulation.

Under the Fair Credit Reporting Act you have the right to add to your credit report a statement of up to one hundred words regarding any item(s) you wish to clarify. This statement will then appear on all subsequent reports.

Examples:

- “This is not my account. I have never owed money to this creditor. Apparently, a mistake was made in the reporting.”
- “On _____ (date), I moved to another address. I notified all creditors, including _____ (name of creditor) promptly. _____ (name of creditor) was slow in changing my address in their file. Subsequently, I did not receive my billing statement for _____ (how long). Once I received the statement at my new address, I paid this creditor.”
- “On _____ (date), I was hospitalized at _____ (facility). The medical bills were forwarded to my insurance company for payment. My insurance company delayed in paying the medical bills and the hospital turned my account over for collection. Afterwards my insurance company paid the hospital bill in full. The hospital’s collection agency refused to change the negative rating on my account.”
- “This account belongs to my former spouse. My name was deleted from the account at the time of the divorce, and I am not responsible for any debts incurred on the account since that time.”
- “On _____ (date), I ordered merchandise from _____ -(name of company) on my account. The merchandise was defective and I returned it to the sender. The company continued to send me a bill for the returned defective merchandise. The company went out of business before I was able to have my account properly credited.”

Debt Validation Letter

Example

Date:

Your Name
Your Address
Your City, State, Zip

Collection Agency Name
Collection Agency Address
Collection Agency City, State, Zip

RE: Account # (Fill in Account Number)

To Whom It May Concern:

Be advised this is not a refusal to pay, but a notice that your claim is disputed and validation is requested.

Under the Fair Debt collection Practices Act (FDCPA), I have the right to request validation of the debt you say I owe you. I am requesting proof that I am indeed the party you are asking to pay this debt, and there is some contractual obligation that is binding on me to pay this debt.

This is NOT a request for “verification” or proof of my mailing address, but a request for VALIDATION made pursuant to 15 USC 1692g Sec. 809 (b) of the FDCPA. I respectfully request that your offices provide me with competent evidence that I have any legal obligation to pay you.

At this time I will also inform you that if your offices have or continue to report invalidated information to any of the three major credit bureaus (Equifax, Experian, Trans Union), this action might constitute fraud under both federal and state laws. Due to this fact, if any negative mark is found or continues to report on any of my credit reports by your company or the company you represent, I will not hesitate in bringing legal action against you and your client for the following.

Debt Validation Letter

Example

Violation of the Fair Debt Collection Practices Act

Defamation of Character

I am sure your legal staff will agree that non-compliance with this request could put your company in serious legal trouble with the FTC and other state or federal agencies.

If your offices are able to provide the proper documentation as requested in the following declaration, I will require 30 days to investigate this information and during such time all collection activity must cease and desist. Also, during this validation period, if any action is taken which could be considered detrimental to any of my credit reports, I will consult with legal counsel for suit. This includes any listing of any information to a credit-reporting repository that could be inaccurate or invalidated. If your offices fail to respond to this validation request within 30 days from the date of your receipt, all references to this account must be deleted and completely removed from my credit file and a copy of such deletion request shall be sent to me immediately.

It would be advisable that you and your client assure that your records are in order before I am forced to take legal action.

CREDITOR/DEBT COLLECTOR DECLARATION

Please provide the following:

- Agreement with your client that grants you the authority to collect on this alleged debt.
- Agreement that bears the signature of the alleged debtor wherein he/she agreed to pay the creditor.
- Any insurance claims been made by any creditor regarding this account.
- Any Judgments obtained by any creditor regarding this account.
- Name and address of alleged creditor.
- Name on file of alleged debtor.
- Alleged account number.
- Address on file for alleged debtor.
- Amount of alleged debt.
- Date this alleged debt became payable.
- Date of original charge off or delinquency.
- Verification that this debt was assigned or sold to collector.
- Complete accounting of alleged debt.
- Commission for debt collector if collection efforts are successful.

Debt Validation Letter

Example

Please provide the name and address of the bonding agent for «COLLECTION AGENCY» in case legal action becomes necessary.

Your claim cannot and WILL NOT be considered if any portion of the above is not completed and returned with copies of all requested documents. This is a request for validation made pursuant to the Fair Debt Collection Practices Act. Please allow 30 days for processing after I receive this information back.

Best Regards

[Your Signature]
cc Federal Trade Commission

Cease & Desist Letter Example

Date:

Collection Agency Name _____

Address _____

City, State, Zip _____

Re: File # /Account number _____

To Whom It May Concern:

As per our telephone conversation on _____ (date) regarding the above referenced account in accordance with the Fair Debt Collection Practices Act (FDCPA), section 805 (c), this letter serves as notification to Cease and Desist any further communication activity regarding the above debt. If you fail to comply with my request, it will result in charges being filed against your company, along with any employee attempting to collect the above debt. Your agency is to Cease and Desist communication with me at my residence or place of employment either via correspondence or phone.

Thank you for your immediate attention and cooperation.

Sincerely,

Signature: _____

Name (Print): _____

Address: _____

City, State, Zip: _____

CC: Federal Trade Commission



Understanding Credit Reports & Scores

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