

Credit Repair: How to Help Yourself—Part I

There's no quick fix for creditworthiness. You can improve your credit report legitimately, but it takes time, a conscious effort, and sticking to a personal debt repayment plan.

You see the advertisements in newspapers, on TV, and on the Internet. You hear them on the radio. You get fliers in the mail, and maybe even calls offering credit repair services. And they all make the same claims.

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

Recognizing a Credit Repair Scam

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

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

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

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If you follow illegal advice and commit fraud, you may find yourself in legal hot water, too. It's a federal crime to lie on a loan or credit application, to misrepresent your Social Security number, and to obtain an Employer Identification Number from the Internal Revenue Service under false pretenses. You could be charged and prosecuted for mail or wire fraud if you use the mail, telephone, or Internet to apply for credit and provide false information.

Your Rights Regarding Credit Repair

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

1. You're entitled to a free report if a company takes adverse action against you, like denying your application for credit, insurance, or employment. You have to ask for your report within 60 days of receiving notice of the action. The notice will give you the name, address, and phone number of the consumer reporting company. You're also entitled to one free report a year if you're unemployed and plan to look for a job within 60 days, if you're on welfare, or if your report is inaccurate because of fraud, including identity theft.
2. Each of the nationwide consumer reporting companies—Equifax, Experian, and TransUnion—is required to provide you with a free copy of your credit report once every 12 months, if you ask for it. The three companies have a central Web site, a toll-free telephone number, and a mailing address for consumers to order the free annual credit reports the government entitles them to. To order, visit <https://www.annualcreditreport.com/cra/index.jsp> or complete the Annual Credit Report Request Form and mail it to:

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

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

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

U.S. Federal Trade Commission. (2012, November). Credit repair: How to help yourself. Retrieved September 16, 2013, from <http://www.consumer.ftc.gov>