



CreditRepair2002.com

CREDIT SECRETS AND LOOPHOLES

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[THE SOLUTION TO BAD CREDIT](#)

There's only one way that people are freeing themselves from the shackles of bad credit and that is to create a new credit file on themselves within the credit bureau's computer system. This new file won't have any of your previous credit on it. And as you read an you'll see exactly how to make sure that only your new credit file surfaces when someone is running a credit check on you. This sounds complicated but it's very simple as you'll see.

In the credit bureau's computer system are millions of people's names, personal information, and credit histories. With so much information stored on so many people it's common to find many people with the same names and birth-dates. Some of these cases maybe in the same city. The credit bureau has many identities entering their system for the first time or leaving permanently because of the thousands of births and deaths in America each day. Because of the vast number of people in this country and the massive amount of information being stored on every aspect of our lives, accompanied by increased legislation that restricts the ability of different computer agencies to cross reference or exchange information on citizens, a complex situation exists that limits even the most powerful computer system's ability to keep track of these gigantic reservoirs of information compiled on the American people! People that create new credit files on themselves understand these things very well.

Contrary to popular belief the computer is not fool proof. It can't think yet. so therefore, it's vulnerable to those that realize this. As it stands today they don't have artificial intelligence and can only act on what's put into them. The way people create a new

credit file the credit bureau lacks the safeguards to protect itself from outside manipulation and are limited in their ability to tell if the information that's input into their system is accurate or inaccurate. And because of this there's hardly ever an investigation done on those that create a new credit file because of "how" they manipulate the system to their advantage.

Taking all this into consideration, we've discovered the avenue through which new credit files are created called

"THE LOOPHOLE"

Your Name And Personal Information

Please Note that the following is provided for information purposes ONLY.

We do not recommend that you create a new credit file to solve your credit problems as it is illegal to change your identity for the purpose of hiding from your past credit problems and you may be prosecuted for FRAUD.

There are 3 ways that people create a new credit file. One is to use their same name with different personal information. Another is to use the same personal information with a different first or last name. And last of all, they use an alias name with the same or different personal information. When I speak of personal information I'm talking about a person's birth date, social security number, address etc.

It's up to you to decide which way is best for you. The credit bureau's computer has to match a person's name and personal information with what's stored in its memory banks or it won't be able to find the person's credit history! Anyone of the 3 variations mentioned in the previous paragraph throws the computer off in its search for a person's credit history and as a result a - no record found - is reported back to those performing the credit check. A - no record found - means that a new credit file can be compiled on a person based on the name and personal information used in the initial credit check and would belong exclusively to the person desiring to do such! Thus, a new credit file is in the makings!

Just keep reading if you will and I'll show you how easy it is to get a drivers license or State ID card to match the name and personal information a person uses to create his new credit file. And I'll also show you how to establish credit on your new credit file.

Let's say that your name is John Doe and you were born on Jan. 38th, 1942, your social security number is 000-00-0000 and your address is 1234 Credit Ave. Florida, Alaska.

Now let's say that your credit is bad enough to get you turned down whenever you apply for additional credit and you want to get around this obstacle. If you changed your first name to another that starts with a different letter other than the first letter of your real name, such as Robert Doe instead of John Doe. and used your same personal information, a no record found - would surface during a credit check! If you kept your first name and changed your last name to another one that starts with a different letter other than the first letter of your real last name, such as, John Williams instead of John Doe, and used your same personal information, then a - no record found - will also surface. If you kept your real name, both first and last, along with your real birth date (birth date must always stay the same in order to match with the birth date on your License or ID) and changed everything else in your personal information then a - no record found - would surface also.

With a completely different first and last name or alias you can keep all your original

personal information or make up new personal information (remember that your birth date must always stay the same) and a - no record found would surface both ways.

If for some unforeseen reason someone else's credit history shows up when trying to create your new credit file it means that you've accidentally chose information that caused the computer to tap into another person's file that has the same name you're using. In the event this happens you'll have to repeat the creation process until a - no record found - shows up. Remember that a - no record found - means that the file is clear, not being used by anyone else and is exclusively yours!

Many states, especially California, allow people to use aliases for a number of reasons. People whose names are well known use aliases to escape publicity as they travel, check into hotels, etc. While some wealthy people use them to hide certain assets of theirs from the public's view. Some of these people have drivers licenses, social security numbers, credit cards and other credit in these names! A lot of them borrow money in these aliases. Some people have several aliases with a credit file on each name in the credit bureau's computer

Choosing A Social Security Number

Please Note that the following is provided for information purposes ONLY.

We do not recommend that you create a new credit file to solve your credit problems as it is illegal to change your identity for the purpose of hiding from your past credit problems and you may be prosecuted for FRAUD.

Your social security number is the most important factor that has to be - adjusted - before creating a new credit file! If you decide to keep your same name, your social security number must be different in order to throw the computer off in the creation of your new credit file. If you decide to change the first, last or both parts of your name you can keep the same social security number. You don't have to worry about having to show proof of the social security number you use when applying for credit at most places. Creditors usually ask only for your license or State ID . And in just about all cases they'll take your word as to what your number is if you tell them you don't have a social security card.

Make sure you read the information titled **What's in a Social Security Number**. Read it carefully. It lists the different numbers in a person's social security number (the first 3) that represents the State a person was born in. When changing your social security number all you have to do is substitute your first 3 numbers or State code with those of another State. The rest of your numbers can stay the same.

If you use a different social security number to create your new credit file you must also use the State whose 3 digit code you're using as your place of birth in your new personal history because the computer system has the state codes built in them and can spot false social security numbers or those prefixed with the wrong State code when used with your place of birth!

Remember that if you're changing your name you can keep your real social security number. The only time you'll change it is when you're keeping your real name.

If you're changing your real name you can also have the people at the Social Security Office to give you another card with your new name and same number printed on it. This way you'll have two social security cards. Each one will have the same number and a different name. All you have to do is go to their nearest office and apply for a name

change on your card. Then all you have to do is show them your license with your new name on it (more about this as you keep reading) and also show them some type of proof of your original name. No court order is required and they'll mail you a copy of your new card with the name change on it.

Your New Drivers License or State ID

Please Note that the following is provided for information purposes ONLY. We do not recommend that you create a new credit file to solve your credit problems as it is illegal to change your identity for the purpose of hiding from your past credit problems and you may be prosecuted for FRAUD.

After you've decided which way you want to create your credit file you'll have to get a drivers license or ID to match. If you decide to keep your real name and use different personal Information to create your new credit file all you have to do is have a routine address change on your license to match the one used for your new credit file.

In the event you decide to change your name to create your new credit file you'll have to get a duplicate license or ID to match the new name you're going to use. All you have to do is go to the driver's license bureau. Give them your license or ID number but don't let them know that you have your license or ID with you. Then tell them you want to get a duplicate license or ID because you've misplaced the original. At the same time tell them you want to make both a name and address change on your license or ID. In California they'll do this on your word no requiring a court order. In fact, they can't refuse to do this for you because it's standard procedure. They'll give you a sheet of paper to check the answers to a few questions. After you've completed the sheet give it back to them with the fee they charge to do everything. Then they'll take your picture and issue you a valid temporary drivers license or ID with the changes on it. It should take about 3-4 weeks for you to receive your permanent picture license or ID. It will be good for 6 years. Doing things this way you'll have two licenses or ID's. One will be in your real name with your real address on it and the other will be on in your changed new credit name with your new credit address on it.

When time comes to renew your license or ID, be it the real or changed one, simply take the license or ID for either one of them and had it along with their application for renewal and their fee to the clerk. Then they'll take your picture and renew it. And it's just that simple.

If you choose to create your new credit file by keeping your real name and using different personal information, you don't have to go to the drivers license bureau if all the new credit you want is in the form of credit cards only. In most cases all that's on a credit card is your name without an address or other personal information. So you can use your original license or ID without having to get any changes on it, even though when you applied for the cards you used a different address. The reason why you can do this is because when you use a credit card there's no address on it for a clerk to try to match with your license or ID. The clerk will only want to check to see if you have the name of their card on your ID or license.

But if you plan on obtaining major credit and will require you to come before people to show your license or ID then you'll have to get a duplicate with the address on it along with the same you'll be using.

One last point that needs to be made about your new duplicate license or ID that you might have to get is that even though the drivers license bureau will change your name

and address on your word they won't change your birth date. So because of this your birth date must remain the same regardless which way you create your new credit file.

Some states other than California require you to bring in a court order to the drivers license bureau for a name change to take place on your license or ID. Most attorneys charge \$200 - \$700 for a name change. But if you fill out all the papers yourself, which is simple to do, it will cost you only \$10.

Once you sign the papers take them to the county court clerks office and leave them with the clerk along with your \$10 fee. The next day or two you'll be able to pick up the court order for your name change signed by the judge. In order for the name change to take effect you have to advertise it in a local paper. If you got the court order and didn't advertise the name change it wouldn't be official and therefore wouldn't appear on your record. This is just what you want! Take the court order to the drivers license bureau and they'll make your name change on the duplicate license or ID that you'll be using for new credit purposes. But don't advertise the name change so it won't appear on your record!

Creating the New Credit File

Please Note that the following is provided for information purposes ONLY. We do not recommend that you create a new credit file to solve your credit problems as it is illegal to change your identity for the purpose of hiding from your past credit problems and you may be prosecuted for FRAUD.

Once you have decided what name and personal information you want to use for your new credit file it's a simple matter of creating the file and getting a credit report.

There are three ways to create the file.

1) Mail a letter to the credit bureau requesting a copy of the file be mailed to you.

If you wrote to the credit bureau requesting a copy of your credit report in the name and personal information that you used for your new credit file, they will mail you a report on that file after they enter your name and personal information into the system (where it will stay) to see if there's a credit history on the information you sent them.

When you receive the report from them it will more than likely have - "No Record Found" - on it. As stated, when they enter your name and personal information into the system to see if you have been granted credit before, that information will stay in their system. In other words, the computer will store the information you supplied them as a new credit file when they search for a credit record in the name and personal information you gave them. And even if it comes back - "No Record Found" - they will still have personal information such as your name, address, birth date, social security number, date of birth, place of employment, etc. in their system.

Your goal is to act like you went your credit report so you can take a look at your credit history. What they won't know is that you already know that you don't have a credit history in that name and personal information and that this is your way of manipulating them to create a new credit file on you by performing a search for what they think is your file, thus creating another one for you in the process! At this point you have taken advantage of the loophole in the system to get your new credit file created!

Remember that once a person gets the credit report back it will more than likely have a - "No Record Found" - on it. This means that the new created file has been created. You can now use the name and personal information you supplied. The new credit file is exclusively yours! Now you can easily re-establish or rebuild your credit wisely on that file.

The credit bureau would rather deal with people by mail as much as possible. They don't want thousands upon thousands of people coming to their offices each day throughout the country. Also keep in mind that it's utterly impossible for them to investigate even a small amount of letters they receive, much less all of them, to see if the information people are supplying is accurate or not. They are more concerned with collecting the fees and keeping their work load down by sending out as many credit reports as possible. They are not keen at finding the very small amount of letters from those bold enough to create a new credit file.

The mail is simply the best means for the credit bureau to communicate with the public. The credit bureau really has no other choice but to send the requested report without question as soon as possible regardless of whether any of the information the person is using is accurate or not! The fact remains that you will have a new credit file created in their system along with a new credit report on that file! Depending on the time of year you request the file it could take from one week to two months to receive it from them. Just be patient because it will be sent back to you!

2) Go to the credit bureau to get your file.

Once you've received the valid temporary driver's license or ID slip that they give you until the one with the picture on it comes, you can go down to the credit bureau and get a file created on the spot by requesting a copy of your credit report when you get there. They will give you a form to fill out asking for your name and personal information. Then they'll go to their computer and pull your credit report, thus creating a new credit file, for a \$8 - \$10 fee.

3) You can have a credit granting business who is a member of the credit bureau create the new file for you.

The safest way to go about creating a new credit file is to go to a business such as a jewelry store who is a member of the credit bureau and will report on all customers. Take your valid temporary or permanent picture ID that you'll be using to create your new credit file and apply for an inexpensive piece of jewelry for about \$100 on credit. They will give you a Credit application to fill out. Then they'll go to their credit bureau's computer terminal in their office and run a credit check on you by entering your name and personal information, thus creating a new credit file on you in the process! Next they may want you to give them a \$20 deposit on the jewelry with the rest of the cost to be paid in small monthly installments. After you make your first payment on the jewelry, the following month they will report to the credit bureau that you have paid as agreed and it will show up on your new credit file as an A-1 rating.

The Best Way to Create Your New Credit File

One way that seems to be working best for people is to use their same name and birthday with all the other personal Information being changed. This way the only thing that has

to be done at the driver's license bureau is a routine address change.

And instead of trying to go to the credit bureau or write them to get the new credit file created it works out better for people to go to a jeweler and get them to create their new credit file for them. Like I said this is working out with less problem than the other ways described here.

Employment References

After you've gotten your new credit report and matching license or ID you'll need an employment reference so that creditors you'll use to build a strong credit profile can call and verify that you are working before issuing you credit. If you decide to keep your name and use different personal information to get your new credit file, this presents no problem to you. Potential credit grantors don't question your employer to see if you gave the correct personal information. When they call they only want to know if you (the name you gave them) works there, how long and possibly how much money you make. If you decided to change your name in order to create your new credit file and are also employed, all you have to do is take your new license or ID to your personnel office or employer at your job and they will gladly make the name change on your records so when potential creditors call there it will be no problems.

In either case, if you're unemployed, a friend could be an employment reference for you or if you know anyone personally that owns a business, you can ask them if they will be an employment reference for you. Make sure that you tell them it's only for credit purposes and won't involve taxes. It might work best if you give them some money as an incentive for helping you.

You can also give the appearance that you are working when you are really unemployed by getting a business phone line placed in a friends home with an answering service attached. Then you can have it listed in the phone book because creditors do sometimes check to see if businesses are listed. Having it in a corner of a friends house and listed would give it a different address other than your own. If you would rather have it at your home you can have only the phone number listed and not the address. Then all you have to do is tell the potential creditors that you work with a small company that's into sales and sometimes everyone is out in the field. But the owner will get back in touch with them if they leave a message on the recorder. This is something that creditors run into sometimes and they won't be surprised. But what they won't know is that either you or one of your friends will be returning their call and giving you an excellent job verification.

Sometimes creditors ask to see a check stub from your job. This is an easy thing to get around. All you have to do is open a business account and order the checks that have the most business like check stubs. Remember to always type out your check stubs whenever you have to use them. It usually takes the banks a couple of weeks to get you your permanent checks. As soon as you get them you can close the account, if you want to, because all you wanted was the checks stubs. And always start off using the check with the largest number on it. This will require you to get checks from the rear of the check books. This will make the creditors think that the business has been in business much longer that it has!

Bank Loan Procedure

These loans are not designed to put money in your pocket. They are designed to get banks to trust you and start loaning you money along with posting A-1 credit ratings on your credit report to show you credit worthy. The best credit reference you can furnish is a record of having borrowed money from a bank. Since bank loans are hard to get, a good reference will usually rate you as AAA-1 and open the doors to the credit world for you. The following is a technique for using the banks money to build an excellent credit rating for yourself.

First go to a bank of your choice. Make sure they report to the same credit bureau that you are building your credit file at. Open a regular savings account there for no less than \$100. Wait 3 days for the account to be posted and then go back to the same bank and ask for a \$100 loan offering your savings account as collateral. Since your loan is totally secured by your savings account the bank won't even make a credit or employment check. Take the \$100 loan, go to another bank and do it all over again. Go to at least 3 banks doing the same thing. Ask for a 6 or 12 month payment plan for each loan and take your payment account passbook with you each time you ask for a loan because you'll have to surrender it to the bank in order to get the loan. After leaving the third bank you'll still have the \$100 cash in hand. Now go to a fourth bank and open a checking account if you don't already have one. Wait two days, then make one monthly payment on each bank loan from your new checking account. Wait a full week and send your second monthly payment to each bank. Repeat one week later with your third month's payment.

Once you've followed this plan you'll be eligible for signature loans, credit cards, home or auto financing, or anything else. A credit investigation at this point will list you as an excellent credit risk. And why not? Within 30 days you'll have an active checking account, three \$100 savings accounts and three \$100 loans on which you are three months ahead on payments.

You'll also have 3 A-1 credit ratings on your credit report. And as you continue reading you'll see that you'll also have a fourth A-1 credit rating from the bank that will issue you your visa and/or Mastercard.

By making the first 3 payments you have unfrozen equal amounts of cash in your savings account. You can now withdraw enough money from your savings account to make your upcoming payments. Continue in this manner until the loan is paid off. You'll still retain most of your original \$100 because it continues to draw interest while used as collateral. This helps offset the interest charges you pay. Try to keep a little money in each savings account for future references.

DO NOT ATTEMPT THIS BANK LOAN PROCEDURE UNTIL YOU'VE GOTTEN YOUR NEW CREDIT REPORT. THIS WAY THE STRONG CREDIT PROFILE YOU'RE BUILDING WON'T SHOW UP ON YOUR OLD CREDIT REPORT WITH ALL YOUR BAD CREDIT ON IT.

CREDIT SCORING SYSTEM

How does a creditor decide whether to lend you money for such things as a new car or a

home mortgage? Many creditors use a system called "credit scoring" to determine whether you are a good credit risk. Based on how well you score, a creditor may decide to extend credit to you or turn you down. The following questions and answers may help you understand who gets credit, and why.

What is Credit Scoring?

Credit scoring is a system used by some creditors to determine whether to give you a loan or credit card. The creditor may examine your past credit history to evaluate how promptly you pay your bills and look at other factors as well, such as the amount of your income, whether you own a home, and how many years you have worked at your job. A credit scoring system awards points for each factor that the creditor considers important. Creditors generally offer credit to those consumers awarded the most points because those points help predict who is most likely to pay back the debt.

Why is Credit Scoring Used?

In smaller communities, shopkeepers, bankers, and others who extend credit often knew by word of mouth who paid their debts and who did not. As some creditors became larger and as the number of their consumer credit applications grew, these creditors needed to establish more systematic and efficient methods for evaluating which consumers were good credit risks. Credit scoring is one such technique.

Although smaller creditors still may rely on informal credit evaluations, many large companies now use formal credit scoring systems. Although no system is perfect, credit scoring systems can be at least as accurate as informal methods for granting credit -- and often are more so -- because they treat all applicants objectively.

How is a Credit Scoring System Developed?

Most credit scoring systems are unique because they are based on a creditor's individual experiences with customers. To develop a system, a creditor will select a random sample of its customers and analyze it statistically to identify which characteristics of those customers could be used to demonstrate creditworthiness. Then, again using statistical methods, a creditor will weigh each of these factors based on how well each predicts who would be a good credit risk.

How is a Consumer's Application Scored?

AGE POINTS 18-21 0 22-25 1 26-64 2 65-69 1	CREDIT HISTORY Loan at this Bank 4 Loan at Other Bank 3 Savings Account 2 Checking Account 2	YEARS WITH EMPLOYER Under One 0 One to Three 1 Four to Seven 2 Eight or Over 3
RESIDENCE Rent Unfurnished 2 Rent Furnished 1 Own without Mortgage 4 Own with Mortgage 3 Live with Parents 1	MARITAL STATUS Married 1 Single 0 Separated 0 Widowed 0 Divorced 0	MONTHLY INCOME Under \$600 1 \$600 to \$1,000 2 \$1,000 to \$1,250 3 \$1,250 to \$1,500 4 \$1,500 to \$2,000 5 \$2,000 and Over 6

<p>DEPENDENTS No Dependents 0 One to three 2 Over three 1</p> <p>PREVIOUS RESIDENCE 0 to 5 Years 0 6 Years and up 1</p>	<p>OCCUPATION Professional 3 Skilled 2 Unskilled 1</p> <p>MONTHLY OBLIGATIONS 0 to \$250 1 Over \$250 0</p>	<p>TELEPHONE Listed in Applicants Name 2 Not Listed in App's Name 0</p>
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In most cases, 18 points is the minimum number of points acceptable if you are to receive an unsecured loan. The factors most leading institutions weigh the heaviest are a good salary, a good paying record and minimal obligations.

Some can institute this procedure with \$300 or \$1000 or more. Remember that the more money you use the better your credit report will look to credit grantors.

Some credit scoring systems award fewer points to people in their thirties and forties, because these individuals often have a relatively high amount of debt at that stage of their lives. The law permits creditors using properly-designed scoring systems to award points based on age, but people who are 62 or older must receive the maximum number of points for this factor.

If, for example, you needed a score of 25 to get credit, you would need to make sure you had enough income at a certain age (and, perhaps a telephone) to qualify for credit.

Remember, this example shows very generally how a credit scoring system works. Most credit scoring systems consider more factors than this example -- sometimes as many as 15 or 20. Usually these factors are obviously related to your credit worthiness. Sometimes, however, additional factors are included that may seem unusual. For example, some systems score the age of your car. While this may seem unrelated to creditworthiness, it is legal to use factors like these as long as they do not illegally discriminate on race, sex, marital status, national origin, religion, or age.

How Valid is the Credit Scoring System?

With credit scoring systems, creditors are able to evaluate millions of applicants consistently and impartially on many different characteristics. But credit scoring systems must be based on large enough numbers of recent accounts to make them statistically valid.

Although you may think that such a system is arbitrary or impersonal, a properly developed credit scoring system can make decisions faster and more accurately than an individual can. And many creditors design their systems so that marginal cases -- not high enough to pass easily or low enough to fail definitively -- are referred to a credit manager who personally decides whether the company will extend credit to a consumer. This may allow for discussion and negotiation between the credit manager and a consumer.

What Happens If You Are Denied Credit?

While a creditor is not required to tell you the factors and points used in its scoring system, the creditor must tell you why you were rejected for credit. This is required

under the Equal Credit Opportunity Act (ECOA).

So if, for example, a creditor says you were denied credit because you have not worked at your current job long enough, you might want to reapply after you have been at that job longer. Or, if you were denied credit because your debt-free monthly-income was not high enough, you might want to pay some of your bills and reapply. Remember, also, that credit scoring systems differ from creditor to creditor, so you might get credit if you applied for it elsewhere.

Sometimes you can be denied credit because of a bad credit report. If so, the Fair Credit Reporting Act requires the creditor to give you the name and address of the credit reporting bureau that reported the information. You might want to contact that credit bureau to find out what your credit report said. This information is free if you request it within 30 days of being turned down for credit. Remember that the credit bureau can tell you what is in your report, but only the creditor can tell you why it denied your application.

Where Can You Go For More Information?

If you have additional questions about credit scoring issues, write to: Correspondence Branch, Federal Trade Commission, Washington, D.C. 20580. While the FTC cannot resolve individual problems for consumers, it can act when it sees a pattern of possible law violations.

STRUCTURE OF SOCIAL SECURITY NUMBERS

A Social Security Number (SSN) consists of nine digits, commonly written as three fields separated by hyphens: AAA-GG-SSSS.

The first three-digit field is called the "area number".

The central, two-digit field is called the "group number".

The final, four-digit field is called the "serial number".

The process of assigning numbers has been changed at least twice. Until 1965, only half the group numbers were used. Before 1972, numbers were assigned by field offices; since 1972, they have all been assigned by the central office. The order in which numbers were assigned was changed in the 1972 transition. There may have been other changes, but it's difficult to get information on how things used to be done.

Area Numbers

The area numbers are assigned to geographical locations. They were originally assigned the same way that zip codes were later assigned (in particular, area numbers increase from east to west across the continental US as do the ZIP codes). Most area numbers were assigned according to state (or territorial) boundaries, although the series 700-729 was assigned to railroad workers regardless of location (this series of area numbers was discontinued in 1964 and is no longer used for new SSNs). Area numbers assigned prior to 1972 are an indication of the SSA office which originally issued the SSN. Since 1972 the area number in SSNs corresponds to the residence address given by the applicant on the application for the SSN.

In many regions the original range of area number assignments was eventually exhausted as population grew. The original area number assignments have been augmented as required. All of the original assignments were less than 585 (except for the

700-729 railroad worker series mentioned above). Area numbers of "000" have never been issued.

001-003 NH	400-407 KY	530 NV
004-007 ME	408-415 TN	531-539 WA
008-009 VT	416-424 AL	540-544 OR
010-034 MA	425-428 MS	545-573 CA
035-039 RI	429-432 AR	574 AK
040-049 CT	433-439 LA	575-576 HI
050-134 NY	440-448 OK	577-579 DC
135-158 NJ	449-467 TX	580 VI Virgin Islands
159-211 PA	468-477 MN	581-584 PR Puerto Rico
212-220 MD	478-485 IA	585 NM
221-222 DE	486-500 MO	586 PI Pacific Islands*
223-231 VA	501-502 ND	587-588 MS
232-236 WV	503-504 SD	589-595 FL
237-246 NC	505-508 NE	596-599 PR Puerto Rico
247-251 SC	509-515 KS	600-601 AZ
252-260 GA	516-517 MT	602-626 CA
261-267 FL	518-519 ID	627-645 TX
268-302 OH	520 WY	646-647 UT
303-317 IN	521-524 CO	648-649 NM
318-361 IL	525 NM	650-699 unassigned, for future use
362-386 MI	526-527 AZ	700-728 Railroad workers through 1963, then discontinued
387-399 WI	528-529 UT	729-799 unassigned, for future use

800-999 not valid SSNs. Some sources have claimed that numbers above 900 were used when some state programs were converted to federal control, but current SSA documents claim no numbers above 799 have ever been used.

*Guam, American Samoa, Philippine Islands, Northern Mariana Islands

Group Numbers

The group number is not related to geography but rather to the order in which SSNs are issued for a particular area. Before 1965, only half the group numbers were used: odd numbers were used below 10 and even numbers were used above 9. In 1965 the system was changed so assignments continued with the low even numbers and the high odd numbers. So, group numbers for each area number are assigned in the following order:

Odd numbers, 01 to 09

Even numbers, 10 to 98

Even numbers, 02 to 08

Odd numbers, 11 to 99

Group codes of "00" aren't assigned

In each region, all possible area numbers are assigned with each group number before using the next group number. This means the group numbers can be used to find a chronological ordering of SSNs within a region. When new group numbers are assigned to a state, the old numbers are usually used up first.

SSA publishes a list every month of the highest group assigned for each SSN Area. For example, if the highest group assigned for area 999 is 72, then we know that the number 999-04-1234 is an invalid number because even Groups under 9 have not yet been assigned.

Serial Numbers

Serial numbers are assigned in chronological order within each area and group number as the applications are processed. Serial number "0000" is never used. Before 1965, when number assignment was transferred from field offices to the central office, serial numbers may have been assigned in a strange order. (Some sources claim that 2000 and 7000 series numbers were assigned out of order. That no longer seems to be the case.) Currently, the serial numbers are assigned in strictly increasing order with each area and group combination.

Invalid SSNs

Any SSN conforming to one of the following criteria is an invalid number:

Any field all zeroes (no field of zeroes is ever assigned).

First three digits above 740

A pamphlet entitled "The Social Security Number" (Pub. No. 05-10633) provides an explanation of the SSN's structure and the method of assigning and validating Social Security numbers.

This description of the structure of the Social Security Number is based on messages written by Jerry Crow and Barbara Bennett. The information has been verified by its

correspondence to the SSA's Program Operations Manual System (POMS) Part 01, Chapter 001, subchapter 01, which can be found at Federal Depository Libraries. (SSA Pub. No. 68-0100201.)

THE CREDIT SYSTEM

A few words from the author

It's sad but true. A large percentage of Americans suffer from a blemish on their credit reports. A blemish that prevents them from obtaining new credit when they need it most. Bad credit is embarrassing, humiliating, and depressing because most credit ors believe a bad credit report dictates a persons worth and value as a responsible human being.

Most people with bad credit are not "deadbeats" nor are they unwilling to pay their obligations. In fact, if your like most people, you probably maintained a good credit profile until an unforeseen circumstance like a layoff, medical problem, or divorce prevented you from making a few payments in a timely manner.

The truth is that most people struggle long and hard to meet their obligations but the money coming in just doesn't meet the bills going out. If you find yourself in this type of situation, you must be very careful and selective about which bills get paid. If the circumstances become serious enough, you may even have to file for bankruptcy protection.

You are not alone. You're not the first person to decide to put food on the table or keep the electricity on rather than paying a credit card bill. You can be sure that most people would rather protect their family and their loved ones first, and then pay their creditors. Even the collection agents, the ones that call and harass other people about their obligations, would certainly protect themselves first if faced with the same tough decision.

Now, by knowing, understanding and utilizing your legal rights you can begin taking the steps of regain the good credit you once had and reward yourself with the confidence necessary to rebuild your financial independence and freedom. Of course you must protect your new credit report with honesty, integrity, and common sense.

So, as you begin your journey to establish a new credit report, I would first ask you to stop feeling guilty about your previous inability to pay your creditors. It may or may not have been your fault. That is and will remain in the past. Look forward to a new start, new credit report, and a new chance.

As publishers, we are not engaged in giving any legal or accounting advice. If you desire and want professional legal advice, please go to our Resources Page to get the resources you need at a price you can afford.

<http://CreditRepair.HealthCare4all.com/resources.htm>

A Service that IS legitimate and DOES work can be found at

<http://Crepair.HealthCare4all.com>

Then view the word document at: <http://Crepair.HealthCare4all.com/details.doc>

The application is at: <http://Crepair.HealthCare4all.com/application.doc>

For Sample Letters Visit <http://CreditRepair.HealthCare4all.com/sampleletters.htm>

Guilty Until Proven Innocent

Unfortunately today, we live in a society that determines our net worth and value as a human being by the type of credit file we have. If your credit report is good, chances are you will receive and partake of some of the better things in life. But the opposite couldn't be more true if your credit report is bad. There are very few creditors who will extend good credit to people with bad credit.

But what if it wasn't your fault? What if you had to make the simple choice between eating and making your car payment? What if a job lay-off, a medical emergency, or some other personal crisis prevented you from making a timely payment? Should you be forced to pay for this for the next seven to ten years?

The credit bureaus are judge and jury in relation to your credit file. But there is one difference. A judge will at least give you the chance to defend yourself in court before passing judgment. And in America we are SUPPOSED to have a chance to face our accusers BEFORE judgment is passed. This is entirely untrue when it comes to your credit file.

The truth is that your creditors and the credit bureaus have been swapping information about you behind your back for a long time. You are not asked or given any benefit of defense when this happens. It is in effect legal gossip!

The system, as it stands today, does not give you the opportunity to defend yourself before inscribing your credit file with negative information, even if it is not yours! You must prove to them that the negative information on your credit file is incorrect, invalid or otherwise erroneous before they will remove it. That means in their eyes, you are GUILTY until proven INNOCENT.

You might wonder how a system like this is allowed to operate in our DEMOCRACY, in a country where we've been brought up to believe that a person is innocent until proven guilty. Why aren't we extended some courtesy by the credit bureaus? Why don't they give us a chance to defend ourselves before placing negative information on our credit files?

Good questions, aren't they? You may not like the answer though... **THEY DON'T HAVE TO!** The credit bureaus are private companies and corporations. They are in business to make a profit. And that profit comes from one place and one place only: **YOUR CREDITORS.**

Your Creditors

Your creditors pay to see your credit file information and believe it to be true and correct. They also reciprocate by exchanging your credit information with the credit bureaus. So... your creditors pay the credit bureaus and the credit bureaus are in business to make a profit. Where do you fit in? You don't.

Unfortunately you are just another number in the vast data bank of numbers. Your credit report and the information it contains are not important or of any consequence to anyone but you. That's why you are the only one that can do anything about it.

Well my friend, that's why I put this information together and developed this unique program. I have seen too many people destroyed by the credit reporting system. I have watched helplessly by the wayside as their credit files were corrupted and their self

dignity was destroyed in the process.

So many people with poor credit have done their best to make timely payments but couldn't because of a personal problem or another. Should they pay for this both financially and emotionally for the next seven to ten years? I don't believe so. I believe everyone deserves a second chance. I believe that you deserve a second chance, no matter what the previous circumstances were. Put those problems behind you now. It's time to move on and re-establish a good credit file.

YOU CAN remove past negative information it will take time and tenacity. The process is simple but it's not easy. It will take some work on your part, but if you're serious about getting a second chance, you won't mind.

Congratulations! You are about to take the final steps necessary to begin a brand new life with good credit! Study the material, use the information and get a new start!

A Few Comments On Credit Repair Companies

Over the past fifteen years or so, many "Credit Repair Companies" or "Credit Clinics" have opened up across the nation. Their main purpose is to help the individual remove incorrect and negative items from their credit report. Unfortunately, some of these outfits are scams from the word "GO" and have given the whole industry a bad name. They take the consumer's money and then tell them it will take months to get results, then disappear without a trace. With the information we have provided you with here, you have no need to take that chance. If, however, you decide to hire one of these companies, check them out!

First, if the sales person or company uses the word "Guarantee" or "Delete", Run and don't look back! There is no way to "Guarantee" that ANYTHING will be removed from the credit report! Think about it for a minute. Unless he or she is going to "hack" into the credit bureau's computer, how can he guarantee anything? The Clinic is NOT the one that "deletes" the information!

Ask to see their license, get a copy of it, and then contact your State's Secretary of State to make sure that the company has obtained and maintained the necessary license and/or bond. In the State of Nebraska all companies, organizations, or individuals that provide credit services MUST (with NO exceptions) obtain a "Credit Services Organization License". If they charge a fee BEFORE they provide the services they promise, they MUST also maintain a \$100,000 Surety Bond for TWO YEARS after they cease doing business in the state. While you are on the phone with the Secretary of State's office, ask if there have been any unresolved complaints against the company. Find out how long they have had their license as well.

There have been a number of credit clinics that guarantee to remove any derogatory items from consumer's credit report.

Contact the Attorney General's office in your state as well, see if there have been any complaints and find out if they are under any kind of investigation. The Better Business Bureau is also another good organization to check.

If the firm tells you that you can not take a day to think about it or that it is a 24 hour offer tell them to take a hike! They are trying to scam you! Tell them that you want a copy of the contract you will be signing and any disclosures so that your attorney can take a look at it. If they balk, again, good for you, you just flushed out another con-artist. Call the Attorney General to have them investigated so no one else will fall into their

trap!

For five years I owned and operated a company here in Omaha that not only assisted individuals and families re-establish their credit reports and obtain new forms of credit; but we also helped establish a budgets, and save money. The last two items were more important than the first two! If nothing else, TIME will repair a damaged credit report. But without the proper savings and budgeting, the smallest disruption in an individual's cash flow will destroy the BEST credit report. In fact, the "better" the credit, the more potential for damage there is!

A Service that IS legitimate and DOES work can be found at

<http://Crepair.HealthCare4all.com>

Then view the word document at: <http://Crepair.HealthCare4all.com/details.doc>

The application is at: <http://Crepair.HealthCare4all.com/application.doc>

I encourage you to go to your local book store and obtain a book on budgeting. Talk to a family member, friend, or clergyman to get help on setting up and sticking to a budget. One of the reasons people run into the credit situations they do is because when the emergencies hit, there is nothing to fall back on. Don't let it happen again! Protect your good credit and your good name!

Ten Greatest Myths About Your Credit

Myth: Credit Bureaus are empowered with some kind of governmental authority.

Truth: Credit bureaus have no legal authority at all, they are simply private companies who are in the business of selling credit information.

Myth: The credit bureaus are required by law to keep derogatory items on your credit report for 7 to 10 years.

Truth: There is no law that the credit bureaus report anything on you at all. Just the opposite is true! Credit bureaus are required by law to automatically remove all derogatory items older than 7 years or in the case of a bankruptcy, 10 years.

Myth: It is impossible to get a bankruptcy off.

Truth: Bankruptcies come off just like any other derogatory that is incorrectly reported, obsolete, erroneous, misleading, incomplete, or that cannot be verified. Remember, the nature of the item has nothing to do with its removal under the Fair Credit Reporting Act.

Myth: The information on your credit report cannot be changed.

Truth: The opposite is true under the Fair Credit Reporting Act; both the federal and various state laws REQUIRE that items be removed if they are not 100% accurate or cannot be verified in a timely manner.

Myth: It is illegal or immoral to have the information on your credit report altered or removed.

Truth: Not only is it **NOT** illegal or immoral, but it is what the Fair Credit Reporting Act is all about. It was enacted by congress for the very purpose of protecting consumers from the intrusion of the credit bureaus into our lives.

Myth: Paying a past due debt removes it from your credit report.

Truth: Just because you pay an old debt does not change or erase the fact that at one time

you were not paying on it as you agreed. Can this record be changed? Absolutely!

Myth: Inquiries are not derogatory and will not affect your credit standing.

Truth: Anything that erodes your financial credibility is damaging to your credit standing. In the case of inquiries, one or two is not too bad, but any more than that and they begin to tell a story of their own. Any prospective credit grantor will look at your credit report and think that you are desperate for credit.

Myth: If you get a derogatory item removed, it will just come back.

Truth: Not if it is removed legally. When it is removed with cause under the Fair Credit reporting Act it cannot legally be placed back on your credit report. The same law that required its removal prohibits it from being placed back on.

Myth: The past equals the future.

Truth: This is the biggest myth of all. The concept that once bad, always bad, or at least for 7 years is totally false. Anybody can run into hard times or an emergency situation now and then, but that doesn't automatically mean that they are a poor credit risk for a magical 7 years. The simple truth is, no credit report can predict the future.

Myth: I can't repair my credit report myself.

Truth: Yes, you can! And you will find all of the information you need to do it right here! The simple truth is you don't have to live with bad credit or pay thousands of dollars to have it corrected.

The History Of Consumer Credit

Before you establish your new credit identity, it is important to understand how the credit reporting system works, how it operates and how it affects you.

The roots of consumer credit goes as far back as man can remember. It starts with someone or some business having a product or service to sell. Either the price of the product is beyond the reach of the average person or payment for the product is not convenient at the time of sale and that's what gives birth to a consumer credit program.

Take, for example a moderately priced automobile at \$13,500. The manufacturer, in order to make a profit, needs to sell many vehicles at this price. But how many of us can plop down \$13,500 in one lump sum?

If the manufacturer only sold automobiles to people who could afford to pay in one lump sum, he would sell very few cars. Consequently, the price would skyrocket from \$13,500 to let's say \$113,500, due to the manufacturer's need to make an equitable profit. On the other hand, the manufacturer couldn't make any money if he sold the same automobile for \$400.

So the manufacturer needs to sell the automobile at a price consistent with perceived value and quality, but still make it available to people who don't have the entire \$13,500. That's why the automobile loan business is so big.

Let's take a look at another example. Actually, this next example is rooted deep in our history. When the payment for products or services is inconvenient at the time of sale, a merchant (or creditor) typically offers payment terms, usually within 30 days.

This type of consumer credit can be traced back to the General Store days when a patron would typically pick up a few things, charge them to an open account and agree to pay

the entire account by the end of the month. Those days are pretty much long gone, replaced by major credit cards and department store cards. But the principle is still the same. The only difference today is that theoretically you never have to completely pay off a charge account. As long as you pay the interest on the account or the minimum payment, you can continue to charge to this account, up to the credit limit, without ever paying off the original debt. This is how a lot of people get into serious trouble and consequently damage their credit files almost irreparably.

As an evolution of this process, it was natural that some kind of credit reporting system would emerge. Creditors became concerned that they were doing business with a consumer who would repay their account in a timely fashion, and had proven timely repayment with other creditors as well. So the credit bureaus were born and began to track credit information on individuals and businesses, selling that information to subscribers (creditors) and receiving information as well.

You should understand that the relationship between the credit bureau and the subscriber can (with your permission only) receive information about your current credit status. But, in exchange, the subscriber must provide payment history and account information to the credit bureau. This, however, transpires without your permission. In other words, only you can authorize access to your credit file but once you have, your creditor has carte blanche to report any credit information on your file he chooses, even if the information is incorrect!

The Credit Bureau System

Note that the credit bureaus are private, not government credit reporting companies. All three companies are listed on the New York Stock Exchange. They are in business to make money just like any other business.

Their business is to store information reported by many creditors, and in turn, sell back credit bureau information to those same companies. The more credit data that the credit bureau can provide on any individual is to their advantage.

How Credit Bureaus Get Their Information

SUBSCRIBERS

Companies that subscribe to the credit bureaus' services send credit history to the credit bureau. Updates are sent by the creditor to the credit bureau periodically. It should be noted that since the creditors report at different times to each credit bureau, different amounts and dates can appear on each credit report. Many times this information is reported incorrectly and inaccurately.

Creditors that report to the credit bureau are most often banks, savings and loans, mortgage companies, large department stores, finance companies, VISA and MasterCard banks, oil companies and companies that are members of the credit bureau.

PUBLIC RECORDS

Credit bureaus also get their information from public records such as the local courthouse. This information may include judgments, bankruptcies, tax liens, wage attachments and notice of default on properties. It may be noted that the credit bureau may pick up from the public record a notice of default but later fail to record the correct information if the default was corrected.

MISSING INFORMATION

In reviewing your credit report you may notice that much information is missing or inaccurate. The reason for missing information is that not all creditors belong to the credit bureau. For example, if you are paying off a bill with a small store, and they are not a member of the credit bureau, your good payments will not be reported on your credit report. For a small fee, you are able to list this good credit on your credit report.

Thousands of Credit Bureaus

Across the Nation there are three major credit bureaus; TransUnion, Equifax, & Experian (TRW). There are, however over 2,000 smaller credit bureaus located in every medium size city in the United States. Because each of these smaller credit bureaus may or may not be affiliated with one of the "Big Three", they will have different information in the consumer's credit file. When you apply for credit, a creditor might check only one credit file. If they find anything derogatory on your credit report, they probably will not check with the other credit bureaus.

If you are denied credit, the creditor, by law, has to let you know which credit bureau has the negative information. However, the other credit bureaus may also have the incorrect information. Therefore, when checking your credit you need to look at all of the credit reports.

The three major credit bureaus are:

TransUnion
P.O. Box 390
Springfield, PA 19064
(800) 851-2674

TRW/ Experian
P.O. Box 949
Allen, TX 75013-0949
(800) 392-1122

Equifax
P.O. Box 105873
Atlanta, GA 30348
(800) 685-1111

CREDIT RATINGS

Credit Ratings TO Accept
PAID IN FULL AS AGREED
CREDIT LINE CLOSED BY CUSTOMER
NOT RATED (TO NEW)

R1 RATING

DISPUTED (only if you feel that it is the best you can get)

DISPUTE AFTER RESOLUTION (only if you feel that it is the best you can get)

Credit Ratings NOT TO Accept

BANKRUPTCY

DISCHARGED BY BANKRUPTCY

CONSUMER COUNSELING

DISPUTE AFTER RESOLUTION

DISMISSED

UNPAID

MAKING PAYMENTS

SKIP

WAGE EARNER BANKRUPTCY

Your Credit Report And Rights As A Consumer

Under the Federal Fair Credit Reporting Act, you:

a May obtain a credit report from the credit bureau for a reasonable fee (\$8 to \$15).

a May obtain a credit report from the credit bureau at no charge within 30 days of being rejected for credit. You must send a copy of the rejection letter to the credit bureau.

a May be represented by anyone of your choice at the credit bureau.

a May dispute any information on the credit report that you feel is listed incorrectly. The credit bureau must re-investigate the information and within a reasonable time, verify the information. A reasonable time has been construed to be 20 working days by some credit bureaus.

a May have derogatory information such as late payments and judgments taken off the credit report within 7 years. Bankruptcies will come off in 10 years.

a May place a 100-word consumer statement in your file to tell your side of any derogatory information.

a May have the credit bureau notify those you name (at no cost to you) who have previously received incorrect or incomplete information on you and provide them with the corrected credit report.

a May have your credit report withheld from anyone, who under the law, does not have a legitimate need for the report.

a May sue the credit bureau if it willfully or negligently violates the law.

The above nine items just list a few of your consumer rights.

The Federal Trade Commission

The federal Trade Commission is responsible for correcting any credit report problem which a consumer has not been able to correct through the credit bureau.

FTC Headquarters

Federal Trade Commission

Pennsylvania Avenue & 6th Street, NW

Washington, D.C. 20580

(202) 523-3830

California : 450 Golden Gate Ave., San Francisco, CA 94102

California : 11000 Wilshire Blvd., Los Angeles, CA 90027

New York : 26 Federal Plz., New York, NY 10278

Texas : 8303 Elmbrook Dr., Dallas, TX 75274
 Illinois : 55 E. Monroe St., Chicago, IL 60603
 Ohio : 668 Euclid Ave., Cleveland, OH 44114
 Washington : 915 Second Ave., Seattle, WA 98174
 Colorado : 1405 Curtis St., Denver, CO 80201
 Georgia : 1718 Peachtree St., Atlanta, GA 30367
 Massachusetts : 150 Causeway St., Boston, MA 02114

If you feel there is a violation of your credit report, you may write to the nearest FTC office with a copy of it going to the FTC, Washington, D.C. office.

Don't expect the FTC to take an active interest in your case. They are there to monitor the credit bureau and only to take an active interest in the problem if there are many complaints about the same problem. If you have written the FTC, continue working to correct or restore your credit during this time.

Analyzing And Disputing - The Repair Process

Disputing information on your credit report...

This method is for direct correspondence with the credit bureau. If you find anything inaccurate, incomplete, incorrect, or obsolete, you have the right to dispute that item on your credit report. The credit bureau then has a reasonable time to contact the creditor and have them verify the disputed item. A reasonable amount of time under the Federal Law has been construed to be 20 working days. However, you need to understand that with this type of transaction, it could take from four to eight weeks to receive your reply back. Technically, if the credit bureau does not respond back within 30 days, the incorrect or inaccurate item must be removed. If, after the credit bureau investigates the item and the information is found to be inaccurate or no longer can be verified, the credit bureau must delete the item in question.

It should be noted that when a negative item is more than two or three years old, many creditors will not respond to the credit bureau because of lack of records. Therefore, by law, the bureau should remove the item from your report. Since most creditors do not have the space to retain records for a long period of time, there may not be any documentation about your payment history.

Understand also that the creditor does not have to provide documentation to the bureau of the disputed item. They simply check various boxes on the statement as to whether you were late, paid on time, etc.

Steps to Dispute

- a Get your credit report.
- a Review your credit report.
- a Decide which items you want to dispute.
- a Write letters. For Sample Letters Visit <http://CreditRepair.HealthCare4all.com/samplatters.htm>
- a Always hand write your letters in your own handwriting.
- a Keep copies of all correspondence.
- a Keep separate file copies on each credit bureau.
- a Follow up if needed.
- a Obtain results.

Make sure that when you dispute items on your credit report you do not dispute more than three items at a time. Get those corrected before you dispute three more. Persistence and patience are what you need to get the job finished. Just remember that it usually takes years to get incorrect or inaccurate information **ON** your credit report. Therefore, your credit report will sometimes take many months to completely clean up.

It is important that you keep copies of all correspondence going to and from the credit bureaus. Also keep separate folders for each credit bureau. That will mean three folders if you are disputing information on each credit bureau. (Example: Type your label to say: Experian (TRW) Correspondence; Equifax Correspondence, and TransUnion Correspondence.)

If you do not receive a letter back within 3 to 5 weeks, send a follow-up letter along with all previous information. Credit bureaus are required to send you the results along with an updated credit report.

Areas of Dispute

Account Paid as Agreed - After reviewing my credit report, I found where "Account name" and "Account Number" was paid in full and as agreed. Your rating is inaccurate. Please change this information immediately to reflect the current status.

Charge Offs - I paid "Account Name and Account Number" as agreed. You show this as a charge off, which cannot possibly be correct. Please correct the way you are reporting this. (Charge offs are an amount the department store has written off as a bad debt. It is then listed on the report as a charge off).

Not Mine - I do not recognize this account, nor have I ever been associated with them. "Account Name and Account Number" needs your complete attention. Please conduct your investigation and remove this from my file. Use this sparingly and only if all else fails. The creditor **DOES NOT** have to investigate further after locating your information (specific dates, amounts, etc...) They simply have to find your SS#, DOB, Etc...)

Late Payments - I was never late paying "Account Name and Account Number". I have always paid this account as agreed and on time. Please update your information.

Collections - This cannot be accurate. I have never had any of my accounts go into collection. Please review and remove from my file.

Judgements - I have never had a judgment against me, and you show I have two of them Case # and Case #. Please review and remove from my file.

Tax Leins - This is not mine. I was not aware of this until I received a copy of my credit report. Please review and remove.

Bankruptcy - This is not my bankruptcy. I have never filed bankruptcy. Please review and remove. The bankruptcy listing is not correct. Please remove. (Note that the dollar amount or date may be incorrect. Make the credit bureau verify the amounts. They may or may not be able to verify the amounts or the date). I want all items that are included in my bankruptcy removed from my file, which I have marked. I have included a copy of the itemized list of creditors included in my bankruptcy for you to compare. Thank you.

The credit bureaus have been known to leave the item on the credit report, but to flag the items covered under the bankruptcy. An example would be: Sears \$100.00 (BK). They also have been known to delete the item altogether. The bureaus have not been consistent with this method, however most credit bureaus will tell you that it will stay on the report with the (BK) notation.

Creditor Disputes

Disputing Information Directly With The Creditor

This method is somewhat like writing letters to the Credit Bureaus, however, the difference is that the dispute letters are sent directly to the creditor. One thing to remember is that the department stores, banks, etc. have the power to take anything off a credit report that they have placed on a credit report.

A number of things must be included in the creditor letter. Please give the store your account number. State exactly what the problem on your credit report is, and why it should be removed. Ask the creditor to verify the amounts. Demand that they correct or remove the incorrect item.

Unlike the dispute letter method, this type of letter can be typed out rather than written. If you feel that you are correct and cannot seem to get anywhere, ask to talk to a higher supervisor. The higher the supervisor, the more in tune they are to profits; stores want to keep your account, and you as a customer.

At some point it may be beneficial for you to have your attorney write a letter to the creditor. Many times just the threat of a lawsuit will get the creditor to change the credit rating. Remember, that if the creditor placed it on the credit report, they can take it off. Having an attorney write a letter may cost you somewhere between \$75 and \$100.

Many times stores will not keep records past 24 months and cannot find the information. Therefore there is a good chance it will be removed.

One more option when dealing with creditors is if you have not paid a bill in full with them. The fact that you owe them money can work to your advantage. Most, if not all, creditors would rather get some money instead of none at all. This is true from banks to oil companies. Be willing to negotiate with your creditor. Approach the creditor with the idea that you would like to settle your account difference. Probably you do not have enough money to pay him in full or you would already have. For example, let's say you owe a department store \$100. The department store may have already charged it off and reported it to the credit bureau. Offer to pay the store \$50 to settle the account with the understanding that they will also remove the negative mark on your credit report. The store can either say yes or no to this proposition. If they want a little more than \$50, you will have to decide how high you can go and still stay within your payment schedule.

Subscribers have the ability to change your credit rating with the credit bureau. Many will tell you they cannot change the rating, but that is just not correct.

Please Note: We are not suggesting this method to discount bills that you already owe. We feel each and everyone should pay their bills on time and in full. However, there are times when you just cannot pay 100% of every bill. Another reason for settling could be you were dissatisfied with the merchandise or service.

If you were dissatisfied with the merchandise, credit card companies have been known to take the bill off your account and charge it back to the store. However, you must notify your credit card company within one month of the purchase date.

If you feel uncomfortable about approaching the creditor yourself, you should hire an accountant, financial consultant, or possibly an attorney to act as your representative. Please check with the professional on how much this will cost you.

If you are handling your own case, at some point you will probably reach a settlement. Percentages vary, however. I had a large chemical client that settled for 20 cents on the

dollar. Don't expect to get that low in your negotiations. Settlements vary from 30 to 70 percent, with the majority being around 60 percent.

If you feel you can afford 60 percent, don't start out at 60 percent. If you do you will probably end up at 70 or 80 percent. You must start at around 40 percent if you expect to end up at 60. Remember that the collection department will start high to end up somewhere in the middle.

When you reach a verbal agreement with the collection department have them prepare a **SETTLEMENT AGREEMENT** and mail it or fax it to you for your review. **DO NOT** pay your bill prior to receiving this settlement agreement. Arrangements have been known to change from the time of initial phone contact to the receipt of the written settlement agreement. It would also be a good idea to have an attorney review the document for you.

Inquiries - What To Do?

Excessive inquiries on your credit report can short circuit your loan efforts with any lender.

The first thing you have to understand is how inquiries get on your credit report. Any time you apply for credit from any bank, department store or other creditors, they call up a credit report on you. This is called any inquiry, and the name of the bank will be listed under inquiries for two years. In some cases you will find a bunch of letters and numbers with no names explaining who they are. You will need to ask your credit bureau to verify the names of these individuals.

Unfortunately it is now a common practice for car salesmen to run a credit report on you at 10 different finance companies. Before he spends time showing you dozens of cars, he wants to make sure that you will be approved for the one that you want to buy. If he can't get you approved for **ANYTHING**, he will move on to the next person. Leaving 10 different inquiries in his wake.

Naturally, if you have many inquiries listed, it looks like you are in financial trouble and are applying for loans all over the city. If four or more inquiries appear on a credit report within a two month period, a message of Trans-Alert is listed on the credit report. This alerts creditors that you have applied for credit an excessive number of times. Trans-Alert appears on the TransUnion statement. Sometimes banks screen your account to see if you will qualify for their credit card promotions and this just adds one problem upon another.

To correct this problem, I believe it is the easiest to deal with the creditor dispute method where you direct your correspondence to the company that listed the inquiry on your report. In your letter you must ask them for proof that you authorized them to check your credit rating. If they cannot find that proof, they will have to get the inquiry taken off the credit report.

Many times, creditors do not have the time to go back into their records and verify your account, so automatically you win, and it will be deleted off your credit report. You can also dispute directly with the credit bureau and ask what legitimate business reason they had to give your personal credit information out to "Company Name". If they can not provide this information, please remove the inquiry.

Do's And Don'ts

- a Do not type your letters, write them in your own hand writing and use your own words as much as possible. Typing makes the credit bureaus think you are using a credit repair service.
- a Do not send mail by "Certified Mail."
- a Do use your own paper or the dispute forms that come with your credit reports.
- a Do not use legal language.
- a Do not apply for credit during the dispute process, it could reverse any results you have attained.
- a Do not call the credit bureaus for any reason! Always correspond through the mail and make copies.
- a Do keep copies of everything the bureaus send you.
- a Do be patient but do not give up. Millions of people have had negative items removed from their credit report!
- a Do not threaten the credit bureaus or tell them that you will hire an attorney if they don't take the disputed items off of your credit report. They know they have to follow the law. Threats will get you no where.

Five Steps To Obtaining A1 Credit

Now that you understand the basics of what credit is, and why it is so important, you are ready to follow our plan to get you well on your way toward building a solvent and solid credit record. Follow our 5 step process and you will finish with 3 bank loans, a Visa and MasterCard credit cards, and at least 2 major department store credit cards. But that's not actually the end - it's just the beginning! You will then be in control of your financial destiny and will be better able to make the kinds of purchases embodied on the American Dream

As you follow each step, remember that lenders and retailers count on making loans or selling goods on credit. The system helps them as much as you. They want to extend credit to you. Through this plan, you make them do so gladly and legitimately.

Step One - Obtaining Bank Loans

Laying the Groundwork

The first objective after removing negative credit from your credit report is to add positives. This can be achieved by obtaining three bank loans to serve as credit references for future maneuvers. Have you ever noticed that most loan applications require three credit references? Follow this first step and you will have three impeccable references to use for various kinds of credit and loan needs.

This step requires some up-front capital to get you going. The results can be achieved using anywhere from \$300 and up, although we recommend investing \$1,000. Take heart - the money will not be spent, but is used as secure backing in a savings account until the plan is completed. If you need to raise the cash, you can do so through creative means such as a temporary, part time job or a garage sale. You can also consider borrowing the money because, again, it will not be spent.

Just be careful not to start off with funds that you may be likely to need in the weeks to follow. Withdrawing this money before the plan is completed would jeopardize your credit and potentially leave you in greater debt.

LOCATING THE RIGHT LENDERS

Now you are ready to locate your three lending institutions, which can be banks, savings

and loans, or credit unions. You can use the bank where you currently have your checking or savings account, although you will still be opening a new savings account. Use your local Yellow Pages to call area banks and ask these questions:

- a What is the minimum amount they will loan on a passbook savings account?
- a What is the percent you can borrow?

For these purposes, you are interested in opening only a regular passbook savings account, so don't get more details than you need about other types of special account and offers.

Choose a lender that offers high yields and allows you to borrow as much as possible against a secured account. We will now label the banks you have selected Bank A, Bank B, and Bank C.

DEPOSIT, BORROW, AND PROSPER!

Go to Bank A and open a savings account with your \$1,000 (or whatever amount you have allocated). This should be an interest-bearing account earning the highest rate you can find. Take your passbook home and wait three days.

Return to Bank A (dressed and poised for success) and ask to see a loan officer. Take your passbook with you, and explain to the officer that you wish to take out a loan, for which you are willing to place your savings account as collateral. This is the easiest type of loan to obtain because it is completely secured with cash. Be prepared to name a reason for the loan, although it should be granted regardless of the purpose because it will be backed by your savings account. Make sure you obtain an installment loan, amortized over one year with monthly payments required. Remember, you are building credit, so a loan that is due all in one lump sum at the end of 180 or 365 days will not serve your purpose. While a credit check is not always made for this type of loan, be prepared to acknowledge any bad marks on your credit record and explain that you are trying to re-establish your credit. Assure him/her that you will faithfully make your loan payments.

Assume you get a loan for 90% - or \$900 - of your savings account, with a 6% interest rate. On a \$900 loan you would pay \$29.52, owing the bank a total amount over one year of \$929.52. Your monthly payments will be \$77.46.

Once this loan is made, Bank A will freeze your \$1,000 so your loan collateral cannot be withdrawn. However, each time you make a payment on your loan, an equal amount (less interest) will be unfrozen in your account and available for withdrawal.

Take your loan check for \$900 to Bank B and open another savings account with this amount. Wait three days, and get your second loan - this time for \$810 (90% of \$900). Your monthly payments here will be \$69.71. (Again, assuming 6% interest)

Now use your \$810 and open an account at Bank C. Wait three days, and obtain a 90% loan for \$729, with monthly payments due of \$62.74.

EXAMPLE

Bank	Savings Balance	Loan Amount	Payment Amount	Total Interest Paid
Bank "A"	\$1,000.00	\$900.00	\$77.49	\$29.52
Bank "B"	\$900.00	\$810.00	\$69.71	\$29.57
Bank "C"	\$810.00	\$729.00	\$62.74	\$23.91

DON'T PANIC!

By the time you obtain your third loan, about two weeks have passed. You now have three bank loans totaling \$2,439 and \$729 in cash (your loan from Bank C). How will

you pay these loans back? It's easy. Use enough of your \$729 to make your first payment on your Bank A loan (\$77.46). Do the same at Bank B and Bank C. You should now have made payments that are ahead of their due dates by about one week at Bank A, two weeks at Bank B, and three weeks at Bank C. You have used about \$200 of your \$729, but you have also freed up frozen funds that can be withdrawn later.

Now wait about another two weeks and repeat the loan payment process described above, making another set of payments with your remaining cash. At this point, you should be approximately one full month ahead on all three loans. With the balance left from your cash loan, make your third set of payments on the second payments' due date. By now, your \$729 should be almost depleted. Approach each bank and withdraw the funds that have been unfrozen to use towards your next set of payments.

Continue this process until at least six payments have been made on each loan. You can pay off your loan in full, if you wish, after that point. Do not pay them off before six months, because this is the time frame usually considered when a payment history is calculated as a possible credit reference.

WHAT DID THIS REALLY COST?

In our example, the interest rate charged on the loans was 6%. And, your savings accounts were drawing 2% interest, making your net interest only 4% (6%-2%). We will assume the loans were for one year (12 months) and that you did not pay them off early. Bank loan A for \$900 charged \$29.52 interest, from which we subtracted \$20.18 - the 2% interest you gained from your \$1,000 savings - for an actual annual cost of \$9.34. If you paid off your loan in six months, it would have cost you even less! Overall, it costs pennies to re-establish your credit using this method!

That's a very small amount to pay for three fast and easy credit references that indicate your ability to acquire bank loans in varying sizes, make your payments ahead of schedule, and pay the loans off completely before due. These activities will all look very impressive on your new credit report! And, you should still have your original \$1,000.

Now is a good time to contact your local credit bureau (ask your banks which one they report to) and have this new credit information added to your profile. The bureaus will send you a credit addition form to complete and mail back. There is usually a small fee for each item to be added. They should also send you an updated copy of your new credit report.

Step Two - Secured Credit Cards

How Secured Credit Cards Work:

Now it's time to use these bank references to obtain a credit card. Select one of the banks you particularly liked doing business with and use your initial \$1,000 to make a deposit there. After about one week, pick up an application form for either a Visa or MasterCard and fill it out completely at home. Be certain that the card you are applying for allows for cash advances, and include your other two bank references on the application. Then meet with a loan officer at the bank and give him/her your completed form, saying that you are willing to have your \$1,000 frozen to secure a credit card with a \$1,000 line of credit.

This type of secured credit plan is very common and is available to new credit builders as well as credit builders with a bad history. Similar to your bank loan, your savings is used as collateral for any debts you may accrue using the card. The card will look like any other Visa or MasterCard, so only you and the bank know it is secured by your

savings.

Shopping to Build Credit

Once you have your card, use it. It is important now to again demonstrate a good payment record. A credit card that never gets used can actually reflect negatively on your profile! Go to your local shopping mall and find a store that carries a returnable item in the \$500 to \$800 range (remember; your credit limit is \$1,000). You can select a piece of jewelry, a television, audio or video equipment, or other merchandise within this price range. Make sure you understand the store's return policy - you will need to be able to return the item later for a credit on your charge account, not just store credit. Purchase the single item with your new Visa or MasterCard, take it home, and safeguard against damage or theft. After several days, go back to the store and return the item, requesting a credit on your card.

When you receive your first monthly statement for your card, you will notice a column marked Payments/Credits. Your credit for the returned item will show up in this column, although it looks the same as if you had paid for the item in full. Anyone examining your credit record will see that you made a sizeable purchase and a very early payment.

Obtain a Cash Advance

There is one final step to establishing your good credit record with a credit card company. Stop by a different bank than the one that issued your credit card and ask for a cash advance. Visa and MasterCard allow any lending institution that honors their cards (almost all) to make cash advances for varied amounts up to your credit limit. Some allow only a 25% cash advance, while others will loan your entire amount. Be advised that borrowing money in this manner usually costs more in interest than your card charges for merchandise, so it is not a good way of routinely obtain loans. But it is useful for our credit-building purposes under this plan. Since you will be charged interest on your cash advance from the day you receive it, you may want to time this transaction toward the end of your billing cycle.

Let's assume that you get a 50% cash advance on your \$1,000 limit, or \$500. Don't spend the money. Put it away and wait for your next monthly statement. Use the money to promptly pay back your cash advance charge on your bill. Now you have used a large amount of your credit limit on two occasions, and your record indicates both were paid back in full. Your credit history is looking better and better!

Step 3 - Un-Secured Credit Cards

Low Interest Pays Off

Before taking specific steps to obtain an unsecured credit card, it really pays to shop around for a bank issuing Visa or Mastercards at the lowest possible interest rate. The national average is presently at about 19 to 20 percent. At this rate, an average balance of \$650 will cost you \$123.50 annually in interest charges. The same \$650 balance will only cost you \$78 on a 12% card - a savings of \$45.50 per year.

You also want to consider any annual fee charged for use of the card, which can range from \$20 to \$50 for premium cards such as MasterCard Gold and Visa Gold. While Gold cards traditionally require a higher annual fee, they typically offer higher credit limits. For the purposes of this plan, we do not recommend obtaining a Gold card. Take a look also at the grace period various banks allow between the time of purchase and when interest starts to accrue. If a bank offers no grace period, you will still be charged interest on your balance in full after each billing period. Again, to find out about rates,

fees, and grace periods, you can pull out the Yellow Pages and call around locally. The business sections of major newspapers also often carry ads by local banks promoting the features of their credit cards.

However, you do not need to apply for an unsecured card from a local bank. Computer networking makes it easy to quickly access any bank, and most are eager to have new credit card customers, regardless of where they live. You can find a list of U.S. banks offering low interest rates for Visa and MasterCard in the Bank-lists booklet contained in this document.

Approaching the Bank

Once again, have the new information about your secured credit card included in your credit bureau file. Now go to a bank and apply for whichever credit card (Visa or MasterCard) you do not already have, using your bank loans and current credit card as references. When the bank refers to your credit file, they will find you have an impressive payment history and another credit card with no outstanding balance. They should be more than willing to give you a regular, unsecured bank card.

Freeing up Your \$1,000

At last, you need to have your \$1,000 savings account unfrozen and the credit card released from its secured status. Go back to the bank where you began this process, and inform the loan officer you now have an unsecured Visa or MasterCard. Explain that you received this card based upon your excellent payment history you established with their bank card. Ask now to have the hold placed on your savings released. If he/she is hesitant, suggest that you will leave your money in the savings account, but no longer want it frozen. If the officer still seems reluctant, you can politely say that you will then have to return the credit card and close your account with them. In most cases, the bank will not want to lose you as a customer and will honor your request.

However, if these efforts fail, then go ahead and return your card and close your account. Go to the bank that gave you your unsecured credit card. Tell them that you like their services and rates better than where you previously banked and want to shift your Visa or MasterCard (whichever one you do not already have there) to that bank. Your second unsecured credit card should arrive in the mail soon after!

Step 4 - Department Store Credit Cards

Instant Credit

With the first three steps completed, you should feel like a credit-building pro and be proud of your new credit profile. This next step is easy. Because you already have a Visa and MasterCard, the credit world is wide open and waiting for you to sign on.

Most major department stores offer a form of instant credit - providing you with their store credit card just because you possess a major credit card, so they can collect the interest instead of Visa or MasterCard! Best of all, department store cards are issued on an unsecured, deposit-free basis!

You usually will be asked to fill out a brief application form, show your I.D., present at least one major credit card - and you are accepted! This can sometimes be done right while you are making your purchase, or at a special customer relations desk. Many stores are even offering free gifts or special discounts to customers applying for instant credit. Be cautious, however, to apply only for cards in stores that you normally shop at. A dormant credit card does not look good on your credit report.

While many stores of all sizes now offer their own credit cards, for our credit-building

exercise it is best to obtain one from a major department store chain with locations around the country.

Step 5 - Nurturing Your Credit

Congratulations! By now you have three bank loans, Visa, MasterCard, and perhaps several major department store credit cards. We have planted all the seeds you need to cultivate a healthy credit profile. Now it's up to you to take care of your new credit record and allow it to grow with you as you build a more secure financial future.

Loan Scoring System

Loan Application Scoring System

Each bank has a credit scoring system that determines the acceptability of the borrower. This scoring system takes into account your income, length of employment and residence, etc.

The five major factors that all lenders give high importance to are:

1. A salary of at least \$1,500 per month
2. At least 5 years at present address
3. Employed at present job for at least two years
4. A "paying on time" credit history
5. A telephone in your name

ESTABLISH AAA CREDIT IN 30 DAYS

To work this plan you need at least \$400 to begin. You should borrow this from your friends if necessary. Then go to a bank of your choice and deposit the \$400 into a regular passbook savings account.

Wait a few days for the account to be posted and return to the bank to ask for a \$400 loan - you offer the passbook as collateral. Since the bank is already holding your \$400, you go to another bank open a savings account lending you another \$400 and they won't even make a credit check. Then, with your borrowed \$400, you go to another bank, open a savings account, return a few days later, borrow \$400 from that bank using your passbook as collateral.

Then repeat the process at a third bank with your borrowed \$400. Wait a few days to go to a fourth bank where you open this time a CHECKING account. Wait a few days and make a payment on each of the other three loans. A week later, make payments again on the three loans, and continue paying each week until you have almost paid off the balance.

A credit investigation at this point will show you with three active bank loans (which are considered hard to get), a checking account, and a paying history for the three bank loans - with you having paid up in advance. Thus, you have AAA credit in as little as 30 days. From here you go on to apply for loans, credit cards, and other items on credit.

THE LURE OF BANKRUPTCY

Here is a true story about bankruptcy, and the advantages it offers. A husband and wife team of practicing psychiatrists, with a joint income of \$78,000 per annum, accumulate personal debts totaling \$22,000, and also have outstanding a \$33,000 mortgage on their comfortable suburban New York home. They are not in arrears, nor even over their heads. They simply seek more discretionary spending power.

Their solution to the problem? They file for bankruptcy and are able to immediately reduce their debt load to a mere 10 cents on the dollar, repayable on an extended schedule in very small amounts. An officer in one of their finance companies notes that they could refinance the mortgage or even sell the house. But you will see in a moment why that was not necessary.

Traditionally, personal bankruptcy has been a desperate last resort for those so deeply in debt and harried by creditors, that there really seemed to be no other solution. The typical profile included low-income, under-educated clerical workers or laborers, or perhaps transient non-homeowners. Common age groups were those who were in their twenties, or those over sixty five years of age.

This is no longer the case. Today's profile includes people with good jobs, even families with two incomes. It is not surprising to find those with six-figure incomes declaring bankruptcy. The process comes no longer out of a dire necessity, but it is now a means by which people can rid themselves of debts that cramp their lifestyle.

The most common applicants for bankruptcy include recent college graduates who file in order to avoid paying back government-guaranteed student loans. Their rationale? They feel society owed them an education. You will also find older, "keep up with the Joneses" types filing for bankruptcy. For suburban executives to Wall Street professionals, they are unwilling to live within their means.

The passage of the Federal Bankruptcy Act of 1978 made the whole process much easier. This change significantly liberalized personal filing procedures in the name of consumer rights.

Chapter 7 makes no reference at all to the debtor's income. It permits debtors to clear the slate by turning over all their assets except those specifically exempted to creditors. Among the exemptions: Up to \$7,500.00 equity in the debtor's house (15,000 if both file); \$4,000.00 in accrued dividends; \$1,200.00 in automobile equity; \$500.00 in jewelry; \$200 per category of household items (including clothing, books, etc.) and more!

Chapter 13 requires that debtors show only a regular income to handle a reasonable three-year pay-back plan. The court's definition of reasonable happens to be as little as 1% to 10%, even when a payment of 50% could easily be managed.

BOOKKEEPING MADE SIMPLE

Please don't think I am calling you a "moron" to hurt your feelings in any way. I was a moron when I first started setting up my files. I hated accounting in school and am the type that would much rather add 2+2 on a calculator than in my head -- but you have to do it. You have to force yourself to do it NOW -- right at the beginning! Many of a

business has collapsed simply because they lacked organization in their basic accounting business practices. Don't be one of them!

As a small mail order business you don't have to really do much in the beginning. Here is how to set up your files from ground zero:

1. Take out a hanging file folder and a label of any kind. (Hanging folders and labels for them can be purchased at K-Mart, Wal-Mart and any office supply store.)
2. Type or hand print "Receipts" on the label and place it on the hanging folder.
3. Now, place 5 MANILA file folders inside the hanging file folder (which you labeled "Receipts") and label each of the manila file folders with the following headings:

- a. Advertising
- b. Postage
- c. Office Supplies
- d. Utilities and Rent for the Office
- e. Miscellaneous

You now have one large hanging file folder with 5 separate manila file folders inside it. Carefully place your hanging file folder in your metal file cabinet or cardboard banker's box. (A banker's box can be purchased at any office supply store also and normally cost around \$4.)

Now, wasn't that easy? Some of you reading this will think that I am attempting to insult your intelligence. This is NOT my intention. This report is broken down in a simple, step-by-step way so everybody can understand it _ regardless of their previous knowledge and experience. Remember, some people have never worked in an office their entire life. What seems simple and accepted to some of us, may be something another person would never have known.

Okay, let's go back to where we were. You now have one master file completed and we're ready to make another just like it. This time we'll name the hanging file folder "Income" and label 3 manila folders inside it with the following headings:

- (A) Completed and Shipped Orders
- (B) Inquiries and Correspondence.
- (C) Open Orders Still Pending.

See how easy? From now on, you simply make another folder as the need arrives and you're files will always be easy to maintain. (Once you get this concept down pat -- you can easily think about getting a computer. A computer organizes its information in the SAME manner. Believe me - this same system works! You'll be amazed at how many mistakes it will help you prevent.)

Yes - bookkeeping is a very simple process. All you have to do is keep the system going. For instance, every order that I process, I completely finish before moving on to the next order. Example:

1. Mail is received and opened. As each piece is opened it is placed into individual piles. Orders with pre-payment are placed in one pile, information and daily correspondence in another, and so forth.
2. Each order that has been pre-paid for is processed first - with each one being processed individually to completion. (That means it is in an envelope, a label typed out and the completed order is ready to be mailed at the post office.)

3. During the process, the "date," "amount of check or payment" and "product ordered" is recorded on the outside of the envelope - making sure the customer's full name, address and telephone number (if available) is on the envelope too.

4. Just before closing up the office for the evening, the envelopes are then keyed into the database on our computer (you can substitute a computer for the hanging files in the beginning.) We record all the information that was written on the envelopes during the processing of the order. (Don't think you will remember "what" the order was. That thinking will open you up to make human errors.)

As your business grows, your understanding and abilities will grow also. At that time you can grow into a more sophisticated means of keeping the books.

STOP COLLECTION AGENCIES IN THEIR TRACKS

You have the right to STOP collection agencies from ever writing or calling you again. The Fair Debt Collection Practices Act contains an empowering tool in for the consumer. By law, a collection agency must stop contacting you after they receive a letter telling them to. The body of the letter should basically read:

You are hereby notified under provision of public laws 95-109 and 99-361, also known as the Fair Debt Collection Practices act, that your services are no longer needed.

Your organization is to immediately CEASE & DESIST all attempts to collect this debt. I will not recognize any collection agency and will deal only with the original creditor (WHOEVER THE CREDITOR IS)

YOUR MONEY GUIDE TO FREE GOVERNMENT GRANTS

Anyone thinking about going into business for themselves, or wanting to expand an existing business should rush for the world's largest "one-stop-money-shop" where FREE MONEY to start or expand a business is being held for you by the Federal Government.

It sounds absolutely incredible that people living right here in the United States of America wouldn't know that each year the world's largest source of free business help delivers:

over \$30 billion dollars in free grants and low-interest loans;
 over one-half trillion dollars in procurement contracts; and
 over \$32 billion dollars in FREE consulting and research grants.

With an economy that remains unpredictable, and a need for even greater economic development on all fronts, the federal government is more willing than it ever has been before to give you the money you need to own your own business and become your own boss!

In spite of the perception that people should not look to the government for help, the

great government give-away programs have remained so incredibly huge that if each of the approximately 8 million businesses applied for an equal share, they would each receive over \$70,000.

Most people never apply for a FREE GRANT because they somehow feel it isn't for them, feel there's too much red-tape, or simply don't know who to contact. The fact is, however, that people from all walks of life do receive FREE GRANT MONEY and other benefits from the government, and you should also.

How To Find Funding Sources Worth Billions

As with all grant seeking, the key to obtaining grants is preparation and a knowledge about funding sources. Preparation means identifying programs that are available, and then determining if you fall within their restrictions.

The following sources will be invaluable to you in locating thousands of sources of FREE MONEY!

FEDERAL REGISTER: This daily publication contains changes, proposed changes, and notices about rules and regulations affecting all government agencies and their programs. Federal agencies must publish the program description, eligibility requirements, and program guidelines in the Federal Register. For current subscription costs write to: Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402.

CATALOG OF FEDERAL DOMESTIC ASSISTANCE: This publication lists a complete description of every program in the federal government that makes funds available to private business. Write to the U.S. Government Printing Office, Washington, DC 20402.

COMMERCE BUSINESS DAILY: This publication contains a daily listing of U.S. Government procurement invitations, contract awards, subcontracting leads, sales of surplus property, and foreign business opportunities. For current annual subscriptions costs write to the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402.

Free Federal Money Given Away To Assist Businesses

GRANT MONEY FOR BUSINESSES IN POOR ECONOMIC AREAS: Contact the Economic Adjustment Division, Director, Economic Development Administration, Herbert Hoover Bldg., Rm. H7217, Washington, DC 20230.

GRANT MONEY FOR MINORITY BUSINESS DEVELOPMENT: Grants are awarded up to \$2 million dollars to stimulate growth. Contact the Minority Business Development Agency, Department of Commerce, Washington, DC 20230.

FREE MONEY TO PROVIDE ASSISTANCE TO ECONOMICALLY DISADVANTAGED BUSINESSES: Management and technical assistance is provided free to disadvantaged businesses. Contact the Associate Administrator for Small Business, 1441 L Street, NW, Rm. 602, Washington, DC 20416.

GRANT MONEY FOR INVESTORS IN RENTAL APARTMENT BUILDINGS WHO ARE IN FINANCIAL TROUBLE: Contact the Chief, Program Support Branch, Management Operations Division, Office of Multi-Family Housing Management, Department of Housing and Development, Washington, DC 20420.

GRANT MONEY FOR WOMEN'S ENTERPRISES: Up to \$200,000 dollar grants are awarded to women in business annually. Contact the Office of Women's Business Ownership, U.S. Small Business Administration, 409 Third Street, SW, Washington, DC 20416.

GRANT MONEY FOR REAL ESTATE INVESTORS WHO RENT TO ELDERLY OR HANDICAPPED PEOPLE: Contact the Director, Office of Multi-Family Housing Management, Dept. of Housing and Urban Development, Washington, DC 20410.

GRANT MONEY FOR INDIAN-OWNED BUSINESSES: Contact the office of Tribal Services, Bureau of Indian Affairs, 1849 C Street NW, MS #4603-MIB, Washington, DC 20240.

Free State Grant Money

There simply isn't enough room in this report to begin listing all the FREE MONEY programs that are available from the federal and state governments. We can tell you however, the general types of programs that are available and where to begin.

As you contact different agencies for grant money, learn not to accept "no" as a final answer. There are so many new programs being offered each year that often an agency's own employees won't be aware they are offering the one you ask about. If being persistent doesn't help, get in touch with your congressman and let them track down a program that meets your needs.

Types Of Programs Available Through State And Federal Agencies

FREE MONEY: Usually through direct grants that do not have to be paid back.

BUSINESS CONSULTING: Free management advice is offered on almost every business subject by the Department of Economic Development to minimize new business start-up management costs.

BUSINESS SITE SELECTION: State hired specialists are available to assist new entrepreneurs select the best possible location for their new business.

MANAGEMENT TRAINING: Most states will assign specialists to work with a new business with one-on-one management training.

EMPLOYEE TRAINING ASSISTANCE: This program provides FREE MONEY to train employees. FREE MONEY is also available to send employees to school.

RESEARCH & DEVELOPMENT GRANTS: FREE MONEY is available to attract high-tech related companies.

PROGRAM CONSULTANTS: States have highly trained management consultants who will locate Federal Grant Programs and help you through the application Process.

FORMS & DOCUMENTS: State professionals will help a new business owner apply for permits, licenses, or any other legal document a business may require.

VENTURE CAPITAL FINANCING: This method can provide FREE MONEY in the sense you wouldn't have to pay it back. You would, however, probably have to give up

part of the ownership of your business in order to receive financing. Most states have their own venture capital finance terms that invest in high risk businesses.

MINORITIES & WOMEN: FREE MONEY grants are available in most states for women or minorities who want to start a business.

LOW INTEREST LOANS: A state may raise money through industrial revenue bonds to buy your fixed-asset equipment. The public, which invests in these bonds, do not pay taxes on the earned interest. When a low interest loan is granted, the states does not guarantee that investors will get their money back if the business fails. If a state issues a general obligation bond, a public investment is then guaranteed. The states will also make direct loans at low interest, or even co-sign a commercial bank loan. If a state co-signs a loan for you, it may subsidize your interest and reduce an already low-interest rate lower yet.

Small Business Development Centers

Every state has Small Business Development Centers who can match you up with the right FREE MONEY grant program. All development centers offer free counseling to anyone wishing to start or expand a business. Their services are varied but include: FREE seminars, workshops, business planning, feasibility studies, marketing research, management analysis, sales technique, financing, exporting, inventory control, accounting, record keeping, and grant applications. Whatever your questions about FREE MONEY grants or starting a business, refer to your telephone directory under State Offices and contact your Small Business Development Center.

Getting Free Money From Venture Capital Sources

A venture capital company is another source for FREE MONEY in financing your business plans. But since they are willing to assume some risk by investing in your business, they also expect some equity in the business itself.

Venture capital companies invest in projects they feel will be successful and bring a return on their investment. If you are interested in asking a venture capital company to invest in your business refer to your telephone directory under Venture Capital Companies or Investment Companies, and contact those who are in the same area you want to start your project in.

Small Business Investment Companies

Small business investment companies can provide your business with the capital it needs by

- 1) giving you a free loan
- 2) making a stock investment in your business
- 3) offering a combination of the two

Small business investment companies are in the business of making money just like any other business. The biggest difference between them and another investor is:

- 1) They are privately managed firms who are licensed and partially financed by the federal government's Small Business Administration.
- 2) All of its transactions are regulated by the government.
- 3) Their success depends on the growth and profits of companies they own stock in. They often give money in exchange for stocks.
- 4) Their loans usually carry lower interest rates than commercial banks.
- 5) Straight loans repayments are carried over a longer period of time.

6) Most businesses are eligible, especially if they are 50% minority owned.

For a complete listing of the thousands of Small Business Investment Companies, visit your local library and ask for the SBIC Catalog. Study the catalog and note the companies that specialize in your area of interest. Then write them and request more information on what they have to offer.

Writing A Successful Grant Application

To write a successful grant application for FREE MONEY it should be well planned. You should be familiar with exactly how a particular agency prefers to have their grant proposals completed. If you have no prior experience in writing grant proposals, this is another area where your State Small Business Development Centers can help.

Work Closely With The Free Money Grantor Agency

Once you decide which government agency you want FREE MONEY from, contact them and ask for a grant application kit. Get to know some of the grantor agency personnel. Experts love to talk about their programs, so ask for advice, suggestions, and criticisms about your proposed project. In most cases, the more an agency knows about your grant proposal, the better your chances will be of getting support from the personnel who ultimately approve your FREE MONEY request.

Often it is a grantor's advantage to send their grant proposal summary to an agency official they have developed a contact relationship with, and ask them to review and return it to you with their comments. Be certain this approach is acceptable with your agency contact. You wouldn't want a first draft mistakenly processed before it was finished.

Making a personal visit to the agency's office in your area is also important. Face to face contact will help you understand eligibility requirements, deadlines, maximum FREE MONEY amounts you can apply for, and other details you want to know about. You can also utilize an agency's library and determine through books, brochures, and conversation if there are other agencies you could apply to for FREE MONEY. There is nothing that says you can't apply for two, three, or more FREE MONEY grants at one time!

Establish Your Own Professional Network

Do some networking and maintain continuous contact with people who can gather information for you about FREE MONEY GRANTS. Nothing can be substituted for personal contact with the decision makers who are in charge of grant programs. Learn to use your personal influence (and theirs) to achieve your goals.

The U.S. Government Printing Office maintains a wealth of information that people never take advantage of! Write to them and ask for a copy of the "U.S. Government Directory" and ask for a list of books, brochures, and documents that covers your field of interest. Tell them you are especially interested in obtaining information about FREE FEDERAL MONEY that's available to private citizens.

Remember, "FREE FEDERAL MONEY" doesn't mean you have to travel to Washington, DC. It just means finding out where the agencies are within your own states and local governments. The contacts you want to make may only be minutes away.

IMPROVE YOUR CREDIT BY PAYING BILLS LATER

Every business will get to the point where suppliers will offer terms on bills, rather than requiring payment up front or on delivery. Their bills will probably be marked "2/10, net 30." This means you get a 2% discount if you pay within 10 days, and the bill is due within 30 days.

Many business owners will jump at the opportunity to save the 2% by paying early, and rightfully so. However, believe it or not, they can help their credit rating by paying at the end of 30 days.

How is this so? It's all a matter of your business' CREDIT HISTORY. All of the companies who offer you terms will be reporting your history to various credit bureaus. These bureaus are who gets consulted by banks when they decide whether or not to give you a loan.

By always taking advantage of the 2% discount, a business establishes a paying pattern. Thus, if you've been paying a company's bills in 5 days for the past year, this is what they will expect from forthcoming bills. Now, say one month has a tighter cash flow than normal, and you must take 20 days to pay that bill. This sends up a red flag for the billing company.

You normally pay in 5 days, why are you now paying in 20? Even though you paid the bill well within the deadline, you have given a sign that you had a cash flow problem. This uneven paying pattern can show up on your credit rating. Even though all your bills are paid on time, an uneven paying pattern can jeopardize your future chances for more and larger credit limits.

Now, if you always pay your bills on the 25th day of the due period, even when you can pay them early, that cash poor month won't look any different to the billing company. Most companies would rather grant terms to a company that always pays on the 25th day, than one that sometimes pays early, sometimes pays later, as this reflects an image of disorganization and uneven cash flow.

Also, always paying toward the end of the due period will aid your cash flow. If you pay your bills consistently, at the same time every month, you will not be surprised by a sudden cash shortage. For example, say you decide to pay a bill early one month. Then, the next week, your main supplier calls to tell you about a closeout deal he has that would double your profits.

Only problem is he can't offer terms, it has to be cash. Because you paid that bill early, you can't take advantage of the special deal. If you would have waited to pay it, your cash flow would have allowed the purchase, and the resulting higher profit margin would have yielded the cash to pay the bill.

So, you see, paying bills later, and not taking advantage of any early payment discounts, CAN work to your advantage. You need to consider your future plans and decide if saving 2% now is really worth it.

SIGNATURE LOANS

Here is another passport to success in taking advantage of a good deal or profitable

transaction when it passes your way. "Signature loans are your key to the vault", and because they are based on your signature alone, they are also known as "Character Loans". No co-signer or collateral is involved in a real signature loan.

With pen in hand, based on your prior credit history and also your own experience with the bank, your signature can draw from \$1,000.00 to \$250,000.00. It all depends on your ability to pay the money back.

Once you get your first signature loan with a bank, walk in on the day it is due and pay it off with two cashier's checks or with two different stacks of money. The first check or money stack will be to cover the principal of the loan. Be sure to tell him how well you did for yourself as you hand over your payment. Tell him not to make any plans for the money as you may need to rent it again soon.

As you pay back the interest portion of the loan, remind the loan officer that your good performance and his smart decision to give you a loan in the first place was a profitable experience for the bank as well. Remind him that it's the rent paid on these loans that keeps the bank in business.

Now, let's suppose that your original loan was for \$3,000.00. As you get up to leave the bank, turn to him and say, "Oh, by the way, I may want to rent \$5,000.00 in a couple of weeks. Will you hold on to \$5,000.00 for me?"

What you are doing is pre-qualifying for a \$5,000.00 loan. You are saying, "Hey, Mr. Loan Officer, are you going to raise my next signature loan to \$5,000.00 or is \$3,000.00 the limit?" What can he say? You have just paid off the \$3,000.00 loan, and the rent for the loan, and you have just reinforced the point that the rent, or interest, on the loan is what keeps the bank in business and pays his salary. If he answers with something like "We'll see.", sit back down at his desk and say, "You mean you're not sure? What seems to be the problem?"

It is very important at this point that you get some kind of answer from him in advance. It is very unlikely that a "Yes" will come forth, but a "sure" or "I suppose" will do. Do not leave the bank until he commits to the next loan. With each new loan, raise the dollar amount by \$2,000.00 increments, until you have reached \$10,000.00. At that point, you will be able to raise the amounts of future loans in \$5,000.00 and \$10,000.00 increments.

When shopping for aggressive banks, ask the loan officer you are dealing with if they are a "commissioned" loan officer. They are the most aggressive as they are paid a commission on all the loans they write. These people will be more eager to make you a loan.

WIPE OUT DEBTS WITHOUT BANKRUPTCY

In 1938 a federal law was passed known as the Wage Earner Plan. It is administered by the same branch of our courts that handle bankruptcy. You must be a wage-earner to use the law - that is the primary requirement. The Wage Earner Plan does not in itself 'wipe out' debts, but a little-known proviso of your filing requires that your creditors must appear to verify your indebtedness to them. Statistics indicate that 40% fail to appear, in which case, those debts are indeed 'wiped out'. In some cases 100% of the creditors fail to appear, which enables you to wipe out ALL your debts without bankruptcy. If some

of the creditors do appear, then the court allows you to spread your payments out over a three year period in smaller amounts so that you can afford to pay.

Once you file under the Wage Earner Plan, you stop bill collectors, lawsuits, judgements, assignments, seized bank accounts, and other actions against you. And to top it off, your credit rating is, in many cases, improved because you made an honest effort to work with the lending firms. Additionally, if the seller used deceptive trade practices to induce your purchase, your debt may be wiped out under the provisions of the Uniform Commercial Code. Under the Homestead Act, your residence can be exempted from levy to the extent determined by local law. Check at your local courthouse.

WOMEN AND CREDIT

Many women complain about not having any credit. Those complaining are those who **REALIZE** that they do not have credit, single women or divorced women, specifically. However, there are many married women who have no credit because financial matters are handled by their husbands, and they are not even aware that they are without any type of credit rating. This is a large problem in America today.

Divorce seems to be the predicament that taunts women in search of their own good credit ratings. Either the wife did not have any of her own credit during the marriage, or the credit she shared with her husband took a bad turn during the divorce. The key to your credit success, regardless of your marital success, is that you build your own "sole and separate" credit. There are many benefits to be gained. First, in the event that the marriage does not work out, each spouse may part with their own credit. If the wife was always on time with her payments and the husband was poor with his payment schedule, they should be able to part ways with her credit intact.

Another good reason to have separate credit is in the event a financial tragedy comes your way, leaving you with no alternative but to file bankruptcy. It might be possible that one partner could file while the other remains clear.

If your husband currently has all the credit, have him place you on his accounts as a "sharer" of the account. You want to be sure you share the account but not the contractual liability. This way you will **NOT** be responsible for his errors. If it does show as a negative on your rating, you will be able to dispute it as you did only share the account. If the account is in good standing, work on getting it on your credit rating as you may take the responsibility for the good rating. For men in similar situations, try the same method.

If neither the wife or the husband have any credit, then both would sign the account as "joint" in privileges and contractual liability. Continue this process until you both have enough credit to get credit singularly. Then, as your new sole and separate accounts begin to get established, start closing the joint accounts you once shared. The purpose of this is to establish your credit as "sole and separate".

Consider also the use of a joint checking account. A clean checking history is very helpful in building credit, however, be wary if your spouse is particularly neglectful when maintaining a checking account-the end result could cause more harm than good.

THE SECRETS OF CREDIT REPAIR

A Consumer Guide to Real Credit Repair

The Secrets Of The Credit Bureaus

Whenever you apply for any type of credit or financing, a credit report is pulled from at least one of the three major credit bureaus. While there are hundreds of smaller credit bureaus around the country, virtually every credit bureau is affiliated with either TRW, Trans Union, or Equifax. These credit bureaus collect and maintain information on the majority of Americans, but they are not affiliated with the government in any way. The credit bureaus are for-profit corporations and they sell your personal information for money. They receive your personal information through the same lenders who grant you credit.

The credit bureaus have agreements with each of these credit grantors that require the credit grantor to inform the credit bureau of everything that occurs in your relationship with the credit grantor. If you make a late payment, the negative credit listing is quickly reported to at least one of the major credit bureaus and is added to your credit history. Credit reports are not just a record of how you are currently managing your credit accounts. Credit reports are histories of everything you are doing with your credit now, and everything you have done in the past.

The credit bureaus gather this information, list the information on your credit report, then sell it to other credit grantors who wish to see your credit history before they decide to lend you money. The credit grantors who review your credit are especially interested in any negative credit. If you have shown any tendency to pay late, or to disregard your financial commitments in the past, the creditors' computers will immediately reject your application. Exactly like when you were in grade school, your credit report is your financial report card to the world.

What Kind of Information Appears on the Credit Report?

Merchant Trade Lines These include all regular credit lines, such as department store cards, auto loans, mortgages, and credit cards. If there is any history of late payment, or if the trade line was included in the bankruptcy, charged off, or put into repossession, the listing will be considered negative by all credit grantors. **Collection Accounts** When an account is referred to collections because of delinquency or because of a bad check, this appears on the credit report as a collection account. Collection accounts can appear as paid or unpaid accounts.

Any type of collection account, whether paid or not, is considered very negative by all credit grantors. **Court Records** Court records include bankruptcies, judgments, liens, divorce, satisfied judgments, and satisfied liens. All court records, including satisfactions, are considered very negative by all credit grantors. **Inquiries** Every time a potential credit grantor looks at your credit file, a credit inquiry appears on at least one of your credit bureau reports. If the number of inquiries is very few over the last two years, then there may be no negative effect on your credit worthiness. However, if there are many recent inquiries showing on your credit report, credit grantors will become nervous and you will probably be denied.

How Long will Negative Information Stay on my Credit Report?

The Fair Credit Reporting Act (FCRA) requires that most negative credit items be

deleted from your credit bureau file in no more than seven years, except for bankruptcy which can be reported up to ten years. These are the time limits for reporting negative credit. The creditor or credit bureau can choose to have the negative credit information whenever they please. Inquiries remain on the credit report for two years.

How Does Bad Credit Affect a Mortgage?

Would you believe that it is usually much harder to qualify for a gas card than it is to qualify for a home loan? Like many, you may have already disqualified yourself from buying a home due to bad credit. Little do you know, you may be considered an "A" buyer by many brokers and lenders. Even if your bad or insufficient credit disqualifies you as an "A" buyer, a home loan at standard interest rates may still be within your reach.

Homes are very secure collateral. Because of this, the lenders feel more comfortable lending you money against the property. As opposed to unsecured credit lines, the lender will be primarily interested in your job security, debt to income ratio, and ability to pay a reasonable down payment. Your credit report will only represent minor role in your mortgage approval.

Can I See My Credit Report? Most credit grantors are not allowed by the credit bureaus to show you your own credit report. But, you can purchase your credit report from the credit bureaus for a fee. Once you receive your credit report, you may find that you cannot read it because the information is listed in an unfamiliar code. Trans Union and Equifax credit reports are very difficult to interpret and understand. TRW credit reports, however, are quite easy for most people to read.

How Much Bad Credit Does It Take for Me to be Denied Credit?

As you may have already experienced, as little as one small late pay listing will bring credit denials at every turn. It is a myth that a large amount of positive credit can outweigh some negative credit. Any negative credit whatsoever will become a substantial credit obstacle in almost every case.

Who Looks at My Credit Report?

With the passing of each year, your credit report is used more and more often as a yardstick to measure your character. Prospective collectors will always review at least one of your credit reports before granting you credit. Today, it is increasingly common for insurance companies to review your credit before extending auto or health insurance. Many employers now check credit before they consider you for a position. If you rent, you may have already been through a credit check to determine your worthiness as a renter.

10 Favorite Myths about Bad Credit

Myth #1 When I pay off a past-due account, such as charge off or collection account, it will show "paid" and will no longer be negative.

Fact: It is practically impossible to restore your credit without somehow satisfying your outstanding debts. However, the act of paying off a debt actually hurts your credit.

Negative credit is allowed to stay on the credit report for a maximum of seven years, except for bankruptcy which may remain up to ten years. This seven year clock begins ticking on the "date of last activity," or, in other words, when the last action took place on the account. By paying an outstanding, delinquent debt you will change the account status to "paid collection," "paid was late," or "paid was charged off"-- which will stand out as a very negative listing. Furthermore, you will create a new date of last activity on the day you settle the account. The seven year clock will reset and begin all over again.

When you have outstanding debt, it is almost always prudent to seek professional aid so that you may settle your debts without further damaging your credit (see Should I Use a Professional?)

Myth #2 If I succeed in deleting a negative item, it will just come right back on my credit report.

Fact: The credit bureaus have very cleverly spread this myth through the news media and even government regulators. In truth, the credit bureaus will often temporarily delete a negative listing if they haven't heard back from the credit grantor after approximately thirty days. If the credit grantor reports in tardy, say after six weeks and verifies the negative listing, the credit bureau will often reinsert the negative listing on the credit report. This is often known as the "soft delete." Eventually, though, the creditor simply fails to respond to respond and the negative listing is permanently deleted. If the item is verified by the credit grantor, either before thirty days or after, the account may still be challenged again at some future time.

Myth #3 There are some types of negative listings, such as bankruptcies and foreclosures, that are impossible to remove from the credit report.

Fact: There is no type of negative listing that hasn't been removed from a credit report a thousand times. Some types of negative listings, such as bankruptcy or unpaid debts, are certainly more difficult to remove from the credit report, but this has more to do with the operational systems of the credit bureaus than it has to do with the severity of the bad credit item. For example, judgments and tax liens are severely negative listings, yet are easier negative listings to remove.

Myth #4 Disputing the credit report is easy and any consumer can do it himself for the price of a few postage stamps.

Fact: Disputing the credit report is easy. Getting results from the credit bureaus is amazingly difficult, complex, and infuriating. It isn't a coincidence that the Federal Trade Commission receives more complaints against credit bureaus than any other type of business. Remember, the credit bureaus are primarily interested in protecting their profits. Investigating your challenge consumes these profits. Short of sparking mass numbers of lawsuits, the credit bureaus will do everything in their power to discourage consumers from making progress with their credit restoration. Restoring your own credit is like repairing your own transmission or representing yourself in court: it is possible, but you must decide if you are willing to take the time and assume the risks of doing it yourself.

Myth #5 If I declare bankruptcy, I can begin my credit report all over with a clean slate.

Fact: Many bankruptcy attorneys do not adequately understand or explain the effects of bankruptcy to their clients. Stated simply, bankruptcy is to the credit rating what the nuclear bomb is to war. When you file for bankruptcy, every credit account that you decide to include in bankruptcy will become an "included in bankruptcy" account. Additionally, a bankruptcy filing and bankruptcy discharge listing will appear in the court records section of your credit report. Because so many negative items are attached to the bankruptcy, it becomes very difficult to remove all trace of the bad credit. If at all possible, you should avoid bankruptcy.

Myth #6 If you are not satisfied with the results of your credit bureau challenge, you may file a "100 word statement" on your credit report explaining your side of the story. Creditors will read your statement and will take it into consideration.

Fact: No creditor, that we know of, considers information given in a 100 word statement.

The statement only serves to very some of the negative listings on the credit report.

Creating Good Credit

Maybe you've recently finished restoring your credit or maybe you're young and haven't used credit yet. In either case, it's easy to build a positive credit history quickly and cheaply. Most times you can build a glowing credit report in just a couple of weeks. First, you must make sure that you're credit report is spotless. Most times, creditors will protect their liability by giving you several reasons for your credit denial. If you receive a denial letter that states, "Derogatory credit accounts & insufficient positive credit accounts," don't worry about the positive credit until you've repaired the bad credit. That creditor would've probably denied you regardless of your bad credit history.

If you have any bad credit on your credit report, see the Restore Bad Credit file in this web site. Now that your credit is perfect, you are ready to build a positive credit profile. Follow any or all of these techniques to stack your report with A-1 listings. But, beware, if you stack too many open accounts, or too many credit inquiries, you will be denied based on debt to income ratio and excessive credit inquiries. If you already have a problem with excessive credit inquiries, see the Erase Credit Inquiries file in this web site. Piggy-back on a Friend If you know someone (like a good friend or parent) who has good credit, you can "borrow" their good credit listings. This friend must have credit cards, and must trust you enough to allow you to become an "authorized user" on his credit cards. Just have your friend call his credit card company and request that you be placed on his card as an authorized user. A copy of the card will be sent and you may simply return it to your friend. Your credit file should soon show an open account with all of the positive history that your friend has created over the years with that credit card. A small footnote will show that you are an authorized user of that card.

Remember, though, when a new credit grantor goes to review your file, he may insist that the balance on the card appear on your debt to income ratio balance sheet. That shouldn't disqualify you for credit if your income is sufficient and you don't have a n excess of debt on your file. Get a Collateralized Credit Card Telephone the North American Consumer Alliance (NACA) at (801) 263-1373 and request their collateralized Visa card. You can get this card even if you have some bad credit still on your credit file. The Visa that NACA offers will allow you to utilize 150 % of the money which you place as collateral. So, if you put up \$500.00 as collateral, you will be allowed to charge up to \$750.00. Do the Credit "Waltz" Most banks will help you to build credit by allowing you to borrow against an amount placed in savings.

Use \$500.00 to \$1000.00 For A Few Hours to Get Good Credit Rating

Here's how you can "waltz" \$500.00 to \$1000.00 into a good credit rating without tying the money up for more than a few hours.

Step One. Deposit an amount over \$500.00 in a bank savings account. Explain to your account representative that you would like to build good credit by taking out a loan against that amount. Make sure you understand the terms of the loan. You must make certain that at the bank will allow you to pay the note off within 90 days without an interest penalty.

Step Two. Take your new \$500.00 loan to another bank and repeat Step One.

Step Three. Repeat Step Two until you are satisfied that you have enough accounts to constitute sufficient positive credit.

Step Four. After ninety days, return to each bank and ask that each loan be retired with the \$500.00 being held as collateral.

Seek Easy Credit

Many stores extend credit without tremendous regard for the credit standing of the applicant. These stores usually can be found in industries with small products or traditionally high mark-ups.

Here are a list of creditors who will often extend credit to those without much credit history: Fingerhut Radio Shack Jewelers Furniture Stores Tire Stores Appliance Stores Easy credit Auto Dealerships

OBTAINING A MORTGAGE

Would you believe that it is usually much harder to qualify for a gas card than it is to qualify for a home loan? Like many, you may have already disqualified yourself from buying a home due to bad credit. Little do you know, you may be considered an "A" buyer by many brokers and lenders. Even if your bad or insufficient credit disqualifies you as an "A" buyer, a home loan at standard interest rates may still be within your reach. Homes are very secure collateral.

Because of this, the lenders feel more comfortable lending you money against the property. As opposed to unsecured credit lines, the lender will be primarily interested in your job security, debt to income ratio, and ability to pay a reasonable down payment. Your credit report will only represent minor role in your mortgage approval. On the other hand, much depends on the mortgage broker whom you choose. For example, you may walk into a bank, apply for a mortgage loan, and be turned down flat.

On the same day, you could step into the office of an independent mortgage broker, and he will pre-approve you for an "A" mortgage. Each mortgage broker uses one or more lenders to fund the home loans which come to him. The mortgage broker's job is to match you with the appropriate lender. For this service, you or the home seller will pay the mortgage broker "points". These points are equal to percentage points of the loan amount. If you are paying your broker "2 1/2 points" on a \$120,000 home loan, that will come to a \$3000 payment to the broker.

There is nothing wrong with making the mortgage broker (and your real estate agent) earn their fees. Almost invariably, there will be problems that arise with your mortgage. Your mortgage broker and real estate agent are responsible for coming up with creative solutions to those problems. Some mortgage brokers will look at your less-than-perfect credit and suggest that you accept a "B", "C", or "D" paper mortgage. This means that the loan will require a larger down payment, a higher interest rate, better debt to income ratio, and, of course, more points for the mortgage broker. These high-risk loans are not very good deals. Many times, with the right mortgage broker, you could've qualified for an "A" paper mortgage.

Remember, a very small difference in your interest rate will cost you tens or hundreds of thousands of dollars. Do everything in your power to qualify as an "A" paper lender. Even if your broker encourages you to go with the high-risk mortgage, don't cave in. You have other options. Certain negative credit items can kill a home mortgage. A

bankruptcy that has taken place in the last one year usually represents a deal-killer. With some mortgage brokers bound by less permissive guidelines, even a two year bankruptcy will kill the deal. The good news is that the right lender won't care if you declared bankruptcy as long as it is at least one year old. Any unsatisfied court record, such as a tax lien or judgment, will become an obstacle to your loan.

Sometimes, if you can just show your broker that you have satisfied the lien or judgment, they will forgive one court record. Otherwise, you will need to restore your credit a little before you apply. Any kind of outstanding, delinquent debt will pose a major obstacle. Even if you have paid the debt within the last twelve months, it will probably still be a problem. Unpaid collections, charge-offs, deficiencies on a repossession, remaining balance on a foreclosure will all destroy your chances of "A" paper. If you go to pay the debt immediately before you go to get a home, the creditor who you are paying will not likely agree to remove the "Paid collection" listing on your file. In order to pay outstanding, delinquent debt such as this without jeopardizing a home loan, you will require the assistance of an attorney.

The best solution is to simply settle the debt a year before you intend to apply for a mortgage (see Eliminate existing debt.) If you do this, the "Paid collection" notice will be one year old when you go to apply and the right mortgage broker will be able to get you into "A" paper. A foreclosure in your past is the ultimate black mark when you're applying for a home loan. If you have a foreclosure, you will need to delete that listing from the credit report before you can qualify for "A" paper (See Restore bad credit.) Any late pays that have happened within the last year will also present a problem.

You can usually explain one or maybe two thirty-day late pays, but if you have more, you will need help getting them removed. You can try to contact the creditors reporting the late pays and ask them to remove the listing. If you have a decent reason why the late pay is a mistake, then the creditor might delete the item for you. Do not bother to tell them why you were late. They will not care what happened to you. Your only salvation will be to convince the creditor that there was a mistake and that, by some logic, it was their fault that you were late. If you aren't making progress with your creditors, you will need the help of an attorney. You will be amazed at how easily a law firm can get your creditors to come around to your way of thinking. When a mortgage broker prepares your file for the underwriter (the lender), he will use a Standard Factual Report to check your credit.

The Standard Factual company can aid in the deletion of negative credit listings. If you get a creditor to agree to remove a derogatory listing, all you need is a letter or a phone call from the creditor to the Standard Factual company and the derogatory credit item will disappear from the Standard Factual report (not the credit report, though.) Most lenders will allow several negative items if you can adequately explain them. But, they only want to hear explanations that are medically related. If you can show the lender where an accident or illness caused a late pay or collection, they may let the derogatory listing slide. The good news is that any satisfied, derogatory credit listings that are over one year old (besides a foreclosure) can be overlooked by a lender. Any problematic derogatory listings can usually be overcome by you or a practiced law firm.

Don't accept high-risk paper until you have exhausted all of your options. Remember, you can save yourself tens of thousands of dollars by investing a little now to perfect your credit before you go into a new home.

A Service that IS legitimate and DOES work can be found at <http://Crepair.HealthCare4all.com>

Then view the word document at: <http://Crepair.HealthCare4all.com/details.doc>

The application is at: <http://Crepair.HealthCare4all.com/application.doc>

ERASING CREDIT INQUIRIES

Every time you apply for credit, and the credit grantor checks your credit report, a credit inquiry is placed on your file. Even if you receive a credit offer in the mail and you respond, your credit will almost certainly be checked and a credit inquiry will be added to your credit report. Credit inquiries are bad because too many of them can indicate to a creditor that you're "credit hungry" and may be in financial trouble.

Worse yet, the creditor has reason to believe that you received many of the credit lines that are showing as inquiries, and that many of those credit lines have not yet appeared on your credit report. Too many recent inquiries indicate to a potential credit grantor that your debt to income ratio may be much higher than you say. Most creditors disregard inquiries once they have been on your credit report for six months or more. This may not help your situation if you need credit right away or if applying to a creditor who looks at all of your inquiries. All credit inquiries should come off your credit report after two years.

If you're not willing to wait, you may take these steps:

Step One. First, you must find out which credit inquiries are getting in your way. Order all three of your credit reports following the instructions in the Order Your Credit Reports file on this web site. When your reports arrive, look toward the end of your credit report to find the inquiries. Some of the inquiries are only promotional and will not be shown to prospective credit grantors. You need not worry about those. Identify only the inquiries that are shown to credit grantors. You should recognize some of these as places where you applied for credit, but others may be a complete mystery to you.

Step Two. You must then find the addresses for each credit inquirer. Your TRW credit report will list addresses for each of the inquirers. Your Trans Union and Equifax reports will show no addresses for credit inquirers. Match your TRW with your Trans Union and Equifax reports; you should be able to use the same addresses on the inquirers that are listed on TRW and on one of the other credit reports. If some of the addresses don't show up on TRW but do show up on either Trans Union or Equifax, you will have to call the corresponding credit bureau to find the address. It is almost impossible to get a live body on the telephone at Trans Union, but Equifax has an 800 number listed at the top of their reports. If you have a inquirer on your Trans Union and you can't reach Trans Union by phone, then you might try calling the 800 directory (1-800-555-1212) and request the 800 number for the inquiring creditor. Once you have collected all of the addresses for each inquiring creditor on each credit report, you are ready for step two.

Step Three. Now you must prepare letters to each inquiring creditor asking them to remove their inquiry. The Fair Credit Reporting Act allows only authorized inquiries to appear on the consumer credit report. You must challenge whether the inquiring creditor had proper authorization before pulling your credit file. You may write the inquiring creditors a letter such as this:

You can view this letter and others at

<http://CreditRepair.HealthCare4all.com/sampleletters.htm>

Date: _____

AMERICAN EXPRESS
ATTN: Consumer Reports
P.O. BOX 0000
ANYWHERE, USA 955555

Dear American Express,

Recently, I received a copy of my TRW credit report.

The credit report showed a credit inquiry by your company that I do not recall authorizing. I understand that you shouldn't be allowed to put an inquiry on my file unless I have authorized it.

Please have this inquiry removed from my credit file because it is making it very difficult for me to acquire credit. I have sent this letter certified mail because I need your prompt response to this issue.

Please be so kind as to forward me documentation that you have had the inquiry removed. If you find that I am remiss, and you did have my authorization to inquire into my credit report, then please send me proof likewise.

Thanking you in advance,

Signature Signature

Step Four. Some of your creditors may provide documentation that a credit inquiry was authorized by you. Read the authorization that you signed very carefully. If there is any ambiguity, you can write back and argue that the inquirer's authorization form was too complicated and not easily understood by the layman. You can threaten to contact the state banking commission and complain about a deceptive and unclear authorization form if they don't remove your inquiry. Some creditors will try to ignore your challenge. Be sure to send each letter Certified Mail Return Receipt Requested and keep close track of the time that you sent the letter. If the inquiring creditor doesn't respond within about thirty days, you will have ample grounds to call the inquiring creditor and demand some action.

At that point, it's almost irrelevant whether or not you authorized the inquiry. Then it becomes about the creditor's lack of response to a consumer dispute. Be sure to hold your ground and demand that the inquiry be immediately removed or you will complain to the state banking commission or similar authorities. Many of your inquiring creditors may simply agree to delete the inquiry as a courtesy or because they cannot or will not verify your authorization. That is the goal. Remember, it is not likely that you will need all of your credit inquiries removed - just enough to keep you from being denied credit.

Chapter Five: Settling Unpaid Debts

Many times we have been asked, "Can I just delete the negative listing without paying the debt?" In most cases, the question comes from someone attempting to dishonestly escape a legal obligation. While it is true that negative debt listings can be deleted from the credit report - even while the debt remains unpaid - it is also true that these listings stand a good chance of reappearing on the credit file sooner or later. There is a better alternative than attempting to escape the debt. You can create a true win-win situation by settling the debt with the creditor. It is our experience that the average consumer will settle a debt for about 75 cents on the dollar. It is also our experience that a professional negotiator will settle an average debt for about 60 cents on the dollar including their fee. There is rarely a good reason to attempt your own debt settlement. Creditors will not take you half as seriously as they will take your attorney.

Handled properly, you will save time and money by seeking a good attorney to negotiate with your creditors. You will be money ahead if you get the right help.

UNDERSTANDING THE TRUE RISKS AND REALITIES OF OVERDUE DEBTS

Most consumers overestimate the risk involved with overdue debts. They worry about possible repercussions such as wage garnishment and property seizure by their creditors. When the debt relates to a secured property, such as an automobile or a home, the possibility of repossession is quite serious, but unsecured debts, such as credit cards and deficiencies are much less pressing. In fact, very few creditors will push all the way to a garnishment on a relatively small unsecured debt. Garnishment and seizure are a creditor's most terrifying weapons used to collect past due debt, but they are expensive and time-consuming.

Even if the creditor went all the way to recover the debt, they probably wouldn't be able to recover enough to offset their collection costs. Therefore, there is very little risk of a creditor taking an unsecured debt past simple collections. It is important to remember, however, that the creditor would be in his rights to get a garnishment and seize property, even for a small debt. There is some risk of financial reprisals when a debt goes unpaid. Many consumers fold under the perceived strain of unpaid debts. Hundreds of bankruptcies take place in the United States each week for amounts under \$5000.

These consumers are so intimidated by their creditors, that they flee to bankruptcy, even though bankruptcy can bring total financial devastation for at least the next ten years. If these same consumers had simply waited, and ignored the threatening letters and telephone calls, they would have realized that their creditors were all bark and no bite. Bankruptcy is the best option for some few consumers, but it is much overused. And, when a consumer files for bankruptcy, everyone loses - especially the creditors. The risks of judgments, garnishments, and property seizures must be properly balanced against the likelihood that such drastic collection measures will ever happen. The risk, and the decision to take that risk, are entirely yours if you're in such a position.

Which Debts Can Be Settled?

An unsecured debt is a debt where there is no collateral. Unsecured debts include medical bills, credit cards, department store cards, personal loans, collection accounts, student loans, amounts remaining after foreclosure or repossession, and bounced checks. Most unsecured debts can be settled. But, utility companies generally won't settle for less than the full balance. There are some few creditors who will never compromise, but

most will take a less-than-full payment as settlement in full to close a troublesome account. Secured, collateralized debts, such as a home or automobile, are another story.

If the creditor can simple repossess the property, why should he negotiate? You can often renegotiate a short payment relief with a secured debt, but don't attempt to settle the account while you still possess the property. Also, the creditor must have a good reason to want to settle. If the account is paid current, and there is no recent history of late payment, it will be difficult to convince the creditor that it is in their best interest to settle. This should not be read as are commendation that you stop paying your bills that are current. If you stop paying your current bills, you will almost certainly make your credit situation worse. Perhaps bad credit is not an issue for you at this point and you feel you must stop paying your bills in order to settle them and get back on top of your debt load. If this is the case, you make such a decision at your own risk.

Getting the Upper Hand As time passes, the creditors will likely stop calling and the debt will be filed away for future attention. The longer the debt remains uncollected, the better your chances will be of getting a good settlement. Eventually, the creditor will consider the bad debt a loss in order to receive a corporate tax write-off. This does not mean that you don't owe the debt. The corporation may then collect on the debt themselves, sell or assign the debt to a collection agency, press for a judgment and garnishment, or temporarily ignore the debt. The course of action chosen by the creditor will vary widely between corporations and debts. In our experience, the consumer rarely has sufficient funds to repay a debt in full when a creditor demands payment. In many cases, much of the debt represents interest and penalties accrued while the consumer was unable to pay. It will be in the best interests of both parties if a reasonable arrangement for settlement can be reached. However, you cannot expect to reach an affordable settlement if the creditor thinks he has the upper hand. If, for example, you tell a creditor that you really need to get this debt settled to get into your dream home, you can forget any kind of settlement.

The creditor will insist on the full balance. It will be in your best interest if the creditor believes that you have very little money and you are teetering on the edge of bankruptcy. The attorney who handles your settlements should approach each creditor as though this is their last chance to compromise, and get something out of your debt, before you declare bankruptcy and they get nothing. Also remember that time is on your side. Never look too eager to settle. Take plenty of time to reach an agreement. Don't accept the first, or even second, settlement offer. Make sure that they are the ones calling you to push the deal forward. You have the natural advantage in debt settlement, because you have something the creditor wants. You must hold out for your terms until the creditor gives you what you want. Once you've written that settlement check, your advantage disappears. So, get your terms in writing before you even open your checkbook.

Using Settlements to Restore Your Credit

The credit reporting system gives consumers very little reason to pay their debts. If the debt were ignored, the consumer would have a good chance at never hearing from the creditor again, and, after seven years from the date the debt was written off, the negative credit listing would disappear. If the consumer were to pay the debt, then that seven year period would begin all over again. A paid collection or charge off will trigger credit denial as quickly as an unpaid collection or charge off. It's like getting time added to your sentence for good behavior.

Fortunately, creditors make their profits by collecting from their customers, not reporting negative credit information. Because creditors can see this "catch-22" situation, they will often agree to delete any negative listing upon settlement of the debt. Collection agencies will always agree more readily to delete the negative listing than banks or credit cards. The only case where you should have a real problem with collection agencies is when they represent a larger, institutionalized creditor. Many creditors, though, have an agreement with the credit bureaus that they will not allow a negative listing to be deleted upon settlement.

Larger creditors, such as huge credit cards or banks will require more pressure before they will agree to delete a negative listing, but virtually every creditor will give in with the right amount of convincing. Every creditor who reports to the credit bureaus can also change the information they report. In most credit organizations, there are dozens of people with the authority to make changes on the credit report. Anything a creditor reports, a creditor can change.

You may take two approaches to having the negative information deleted upon settlement of a debt: pre-notification of terms and post-notification of terms. Pre-notification of terms: you tell the creditor up-front that you will require the deletion of the entire negative listing as a part of the payoff. The agreement to delete the listing and consider the debt settled is documented in writing and signed before the payoff takes place.

Advantage: Time will be saved and you won't be disappointed at the last moment. It is also less likely that you will have to fight the creditor later to actually delete the negative listing.

Disadvantage: When the creditor discovers that your credit is important to you, he will usually ask for a larger settlement amount - sometimes full balance - to meet your terms.

Post-notification of terms: once settlement negotiations are complete, the creditor receives the agreed payment with the requirement that the negative listing be deleted attached to the check. This approach requires use of a "conditional endorsement" document (drafted by your attorney) notifying the creditor of your terms.

Advantage: You will almost always get a better settlement amount. The creditor will often be tempted by the payoff when the terms arrive and will deposit the check without blinking at the new terms.

Disadvantage: The creditor often hangs up on the new term and might send the settlement check back. The creditor might still ask for more money, or reject on the deal altogether. If the creditor simply deposits the check without intending to follow through with your new term, you will have to fight the creditor later and force him to delete the negative listing. Never expect a creditor to meet an agreement that was made verbally.

Everything must be in writing and, even then, you will probably have to fight to make the creditor live up to his end of the bargain. You may find that some of your creditors are willing to hold out longer than you are willing to hold out before agreeing to delete the negative listing from your file. In other words, they will not agree to delete the negative listing under any circumstance. Once again, let it be said that every creditor will give you what you want if you speak to the right person long enough and you make the right offer.

But if you are on a time-line, and your attorney can't get them to agree to full deletion,

you have a couple of other options: List the Account as "Paid" only. You may counter-offer that the creditor simply list the account as "Paid" rather than delete it altogether. This is a true indication of the status of the account and many creditors will concede and agree to this wording. A "Paid" status is still very negative for a collection account or an account that will show "Paid Charge-off" or "Paid repossession." You should only agree that the account show "Paid" if all other negative notations, such as "Charge-off," "Repossession," late notations, and "Collection," are deleted at the same time. A simple "Paid" notation on a regular trade line is neutral and should not hurt your credit. List the Account as "Settled" only. You may counter-offer that the creditor simply list the account as "Settled" rather than delete it altogether. "Settled" is an inherently negative listing but not as negative as "Paid charge-off." Don't agree to a "Settled" listing until you have exhausted all other possibilities. "Settled" will still trigger a credit denial. You should only agree that the account show "Settled" if all other negative notations, such as "Charge-off," "Repossession," late notations, and "Collection," are deleted at the same time. If you agree to a "Settled" notation, you must continue to work hard to delete the notation through the credit bureau dispute process. List the Account as "Paid Charge-off" or "Paid Collection" or "Paid was 30, 60, or 90 days late." This will be the creditor's first choice, and your last choice, of what to place on your credit report once you have paid. These notations are almost as damaging as showing the same debt unpaid. It is very common, though, for an account to be deleted (through credit bureau disputes) once it has been paid. The creditor now has no compelling reason to keep the negative listing on your report. For this reason, it is still usually a good idea to settle even if the creditor won't budge on deleting or positively modifying the negative listing.

RESTORING BAD CREDIT

What are the risks of doing it yourself? Ordering your credit reports. Organizing Yourself Analyzing your Credit Report Drafting your Disputes Sending your Disputes Getting a Response Seeing Results Fourth Quarter Strategies Settling your Debts Disputing the Information with the Source Submitting a 100 Word Statement with the Explanation What are the risks of doing it yourself? Most how-to credit restoration books include example form letters for the reader to use in disputing his negative credit.

But, employees of the credit bureaus are usually the first in line at the newsstand to buy the new how-to book. Therefore the credit bureaus immediately spot these standard forms. Once the bureau has zeroed in on the structure of the form, any such letter will immediately earn a "frivolous or irrelevant" response from the checker. Many times, the credit bureau will see this as a sign that the customer is "yanking their chain" and the checker will "red flag" the client's credit report for future reference.

These instructions will not provide for specific techniques or form letters, as the credit bureaus have proclaimed publicly that they can spot such forms. Rather, we provide general outlines and strategies that you may follow as you dispute your negative credit. However, it is important for you to understand that there are risks in restoring your own credit. These risks are greatly multiplied if you cannot dedicate sufficient time to the task, or if your organizational skills aren't top notch. Countless do-it-yourselfers make seemingly harmless mistakes in the process of disputing their credit, only to make their credit files worse - ultimately seeking professional help after too much damage has been done.

These risks include: - Red flagging the individual file as someone attempting credit

repair.- Unwittingly self-verifying negative information.- Making statements that create a fraud indicator, hawk-alert, or trans-alert.- Adding statements to the negative listings which do nothing but substantiate them.- Doing anything to tip the credit bureau that you are systematically attempting to restore your credit. While restoring your own credit may save you money, if it is done improperly it can cost you thousands of dollars in lost time, hassle, and you may do more damage than good to your credit. Ordering your Credit Reports Before you begin the battle, you must study the battlefield. The struggle to restore your credit will be fought between the lines of your three credit reports.

These reports will cost \$8.00 each, unless you live in Maine or South Dakota, where the reports will cost \$2.00 each. As mentioned before, the credit bureaus change addresses regularly, so we will provide the current credit report ordering addresses, but you may wish to telephone the credit bureaus to confirm that these addresses are still correct (phone numbers available through www.bigyellow.com TRW PO Box 949-0949 Chatsworth, CA 91313 Trans Union PO Box 390 Springfield, PA 19064 Equifax PO Box 105873 Atlanta, GA 30348 You may also obtain credit reports for free, but this method only works if you have recently been denied credit. If you have been denied credit in the last 60 days, you may write to the credit bureau listed on your denial letter and request a free copy of your credit report. It may take a little longer than if you simply purchased the report, but it will save you \$8.00. If you telephone the credit bureau to order your credit reports or to confirm their mailing address, you will most likely reach their phone mail system.

However, if you do speak to a credit bureau representative about any issue, be careful. Say nothing that would indicate you are attempting to restore your credit. Don't try to submit your dispute over the telephone; it will be hard enough to get it right in writing, even with plenty of time to weigh your words. Be sure to send your request for a credit report via certified mail, return receipt requested. Your local post office will provide you with the necessary forms. Copy your letters and checks and file them according to the date they were sent. The credit bureaus will, very often, take your check and send you nothing. Don't despair, this is just another skirmish in a long battle. If you receive no credit report after you have followed these steps and waited about three weeks, then you must send a follow-up letter, again certified mail, return receipt requested, demanding that the credit bureau forward a credit report immediately. Include a copy of your check and your original letter. Remember, you have the right to purchase and see your credit report.

Organizing Yourself

As soon as you have ordered your credit reports and copied your order letters and checks, you must create a precise organizational system to track your correspondences with the credit bureaus and your creditors. Purchase a large, desk blotter-size calendar and a fine-point pen. On each date box, reserve the top portion of the box for correspondence deadlines, such as the date you expect to receive a credit report from a particular bureau, or when you expect a reinvestigation to be completed. Reserve the bottom portion of the date box for notations, including actions you have taken, such as when you ordered your credit report, or when you sent your dispute letter. Purchase a small file cabinet to keep your credit bureau and creditor files organized. You should open a file for each credit bureau, two files per credit bureau if you are working as a couple.

Every time you receive a credit report, credit bureau correspondence, or you send a correspondence, a copy of the document must be dated (by date sent or received by you)

and filed in the appropriate file. Keep all the documents in chronological order in the file. Open another file for each creditor. You will also be communicating with the individual creditors. Follow the same rules for document filing as mentioned above for credit bureaus. Every time you have a telephone conversation with a creditor, you must document the contents of the conversation by writing the name of the person you spoke with, his or her position, the date and time of the conversation, what was said, and what you agreed to do. You should also get the name of the person's superior, and the superior's direct phone number as well. This documentation should be noted on a single sheet of paper and filed chronologically in the creditor's file.

Analyzing your credit report

When you first receive your Trans Union and Equifax credit reports, you will be totally lost. The information is coded in a way that is not immediately readable by the average consumer. Each credit report should arrive with a key that interprets the codes and indicators on the credit report. Sit down with the report and the key and study it until you understand what each number and code means. Don't write on your original credit report -- yet. Make all of your notes on a copy of the report. You will be sending your original report with your dispute letter, so you should make at least two copies of each new report. The original goes with the dispute, one copy is for notes, and the other copy is kept clean for your file. Gather a yellow and orange highlighter pen. Whenever you identify a negative listing, mark it in yellow on your scratch copy of the credit report. Often, it is difficult to tell if an item on the credit report is negative or positive.

The following table will help you identify every negative listing on your credit reports:

Negative Credit Indicators If the listing contains one or more of these indicators, then the listing is negative. If the listing contains none of these indicators, then the listing is positive.

TRW Credit Report any item marked with an asterisk any inquiry Trans Union Credit Report any item rated higher than I1, M1, or R1. any item listed as repossession, foreclosure, profit and loss write-off charge-off, paid profit and loss write-off, paid charge off, settled, settled for less than full balance, or included in bankruptcy any collection amount, whether paid or not. any court account, including a lien, judgment, bankruptcy chapters 11, 7, or 13, divorce, satisfied lien, or satisfied judgment. any item showing one or more thirty, sixty, or ninety day late payments in the column to the far right. any inquiry. Equifax Credit Report any item rated higher than I1, M1, or R1 (such as R2 or I9). any item preceded by a ">>>" icon. any item listed as repossession, foreclosure, profit and loss write-off charge-off, paid profit and loss write-off, paid charge off, settled, settled for less than full balance, or included in bankruptcy. Any collection amount, whether paid or not. any court account, including a lien, judgment, bankruptcy chapters 11, 7, or 13, divorce, satisfied lien, or satisfied judgment. any item showing one or more thirty, sixty, or ninety day late payments in the column to the far right. any inquiry. Once you have marked all negative items on your credit report with a yellow highlighter, you may begin looking for inaccuracies and inconsistencies in your credit report. Whenever you identify an inconsistency or inaccuracy on your credit report, mark it with the orange highlighter. An inaccuracy is something you know is not true, such as a listing that doesn't belong to you or a listing showing the wrong balance. An inconsistency is when the same information on the credit report contradicts itself, such as a listing showing 12 thirty-day late notations when the listing only shows 4 months reviewed. Later, when you are constructing your dispute, you can use these inaccuracies and inconsistencies to lend credibility to your challenge.

Drafting your Disputes

Don't wait for all of your credit reports to arrive before you begin to analyze and dispute

them. Remember, you will need to invest two things to restore your credit: money and time. Not only will you invest substantial time in analyzing your credit report, preparing your disputes, speaking with creditors, and tracking your results, but you will invest calendar time. You want every day to eat away at your bad credit. That can only happen if you never procrastinate any step of this process. If you procrastinate drafting your disputes, you will never finish the job. If you tend to procrastinate, seek professional help to restore your credit.

After you've analyzed your reports and marked every negative listing in yellow and every inaccuracy and inconsistency in orange, you may begin to develop your dispute letter. As previously mentioned, we will provide no form letters for disputes as they will quickly be spotted and rejected by the credit bureaus. Rather, we provide general strategies which have proven effective in forcing the credit bureaus to fulfill their responsibility and conduct an investigation into your disputed items.

Fundamentally, you must follow these rules:

The Ten Commandments of Disputing Your Credit

Commandment One: Never lie in your disputes or on your credit applications. In many states, it could be a crime for you to lie when disputing your credit report. Therefore, you are cautioned that you must never lie or make misleading statements when disputing your credit report or completing a credit application. In most cases, it is a federal crime to lie on a credit application. Furthermore, it is unnecessary to lie when disputing your credit report. Remember, you have the right to dispute your credit report so long as you have reason to believe that is unverifiable, inaccurate, or obsolete. In order to dispute information that is technically accurate, but should still be investigated and deleted on the basis of verifiability, you must invent other means of disputing the listing besides claiming that it is "not mine" or "was never late."

Commandment Two: Always indicate whether the disputed listing is being challenged as "not mine" or "not late." While you must never say that the account isn't yours or that you were never late unless you have reason to believe that statement is true, the credit bureau must know if you are disputing the existence of the listing or just the information within the listing. They cannot begin an investigation unless they know whether you believe the listing doesn't belong on your report at all, or if you believe the information on the listing should be changed. If you are unclear about the nature of your dispute, the credit bureau will promptly return your letter. If you dispute a listing on the basis that you were "not late," and if the credit bureau fails to verify the listing, then the listing will be perfected and appear as a positive listing. If you dispute a listing on the basis that it is "not mine," and if the credit bureau fails to verify the listing, then the listing will disappear from the credit report altogether. Since a positive listing is much better than no listing at all, you should dispute all simple late pay listings as a "not late" type of dispute. All others must be disputed on the basis that they may not belong to you.

Commandment Three: Always tell the credit bureau the desired outcome of the investigation. You must always include what you would like done with the listing. There are two options: delete the entire listing, or erase the late pay notation within the listing. Don't bother challenging the information within a collection listing, charge-off, court record, repossession, foreclosure, or settled account. As the basic nature of these listings is negative, changing the information within the listing will yield no improvement. Severely negative listings, such as these, must be disputed on the basis of complete deletion or not be disputed at all.

Commandment Four: Always provide a reason for your dispute. If you don't give some kind of explanation as to why you think the credit report is wrong, then the checker may return or ignore your dispute.

Commandment Five: Always include indicators of authenticity in your dispute. Don't forget that the job of the checker is to reject irrelevant disputes and to investigate the bona fide disputes. You may ensure that your disputes sound authentic by adding things that only a true, frustrated consumer would write, such as "my son's a banker, and he mentioned that I could write you and you would clear up these mistakes." Original indicators of authenticity cannot be listed here, or they would cease to be effective, but you must get creative and always include sentences or phrases that will convince the credit bureau that you're for real.

Commandment Six: Never sound like an expert. The credit bureaus receive over 10,000 disputes per day, and your dispute should look like any other. If you quote legal statute or you remind the credit bureaus of your rights under law, the checker will suspect that you read a book about credit repair or you are using a credit repair company. If the checker believes you are attempting to restore your credit, your dispute will be tossed in the "frivolous or irrelevant" bin.

Commandment Seven: Become more insistent and more threatening with each dispute. As you submit one dispute after another, it will become increasingly difficult to get the checker to initiate an investigation. Your first one or two disputes should be friendly and polite. Just like any other consumer, you can become frustrated and threatening as time passes. You may threaten to hire an attorney; you may threaten to complain to the FTC and your state's attorney general, etc.

Commandment Eight: Do not bombard the credit bureaus with disputes. Sending one dispute right after another is wasteful and counterproductive. You may send no more than one dispute every ninety days. If you dispute more often, the credit bureau will simply return the dispute as "frivolous or irrelevant."

Commandment Nine: Use inaccuracies and inconsistencies as examples of how the credit listings are wrong. Remember that it will do you no good to change minor information contained in a severely negative listing. Use inaccuracies and inconsistencies as a basis of dispute. You will do well to use the other two credit reports to establish inconsistencies by comparing the other credit report to the report you are disputing. Remember, though, that you can only use another credit report for comparison if that report doesn't confirm negative credit listings that you are attempting to dispute.

Commandment Ten: Create and utilize other techniques that help further the idea that the dispute letter is from a truly wronged and disadvantaged consumer. The checker is only interested in investigating disputes from consumers who have totally inaccurate credit reports due to credit bureau errors. In short, the checker only wants to help consumers who have a good case against the credit bureau and might likely sue them.

According to the Fair Credit Reporting Act, the credit bureaus should legally investigate all disputes that are not "frivolous or irrelevant." In practice, the checker will only do what he or she has to do in order to avoid a lawsuit. For this reason, it becomes necessary to contrive all manner of strategy to compel the checker into doing what the credit bureaus should be doing anyway -- which is to conduct an investigation into every

reasonable dispute.

There are many other techniques used by credit restoration professionals, but you must figure those out on your own. It would render those techniques useless if they were published. As you may have noticed, only general strategies have been provided. If you earned a high Success Rating on the self-rating questionnaire *Do you need the help of an Attorney* , then you should be prepared and inclined to invent your own, effective techniques following the guidelines set forth in the Ten Commandments.

Your dispute will be taken more seriously if you print it from your computer. If you don't own a home computer, seek a professional, as writing your disputes by hand or on a typewriter will take up enormous amounts of time and may yield disappointing results. With each copy of your credit report, you should find a form supplied by the credit bureau for disputing credit listings. You should not use these forms for your dispute letters. The form may force you to lie about your credit situation and thereby possibly break the law. Also, the forms are not specific and they are not taken as seriously by the credit bureau checkers. Prepare your disputes on your personal computer, preferably on personal stationery. You should send an original copy of your credit report with the dispute letter. You may now mark the original report to make it easier for the checker to see any inconsistencies, inaccuracies, or notes. Remember not to verify any severely negative listings by correcting minor information on the listing. Make sure all your personal information is either on the credit report accompanying your dispute, or on the dispute letter itself. This important information includes: your full name, date of birth, current address, and social security number.

As you draft your dispute letters, remember that the checker is only interested in investigating disputes from consumers who have totally inaccurate credit reports due to credit bureau errors and that those consumers represent a threat to the credit bureau. *Sending your Disputes* When you mail your dispute, you should include the original copy of the credit report with your dispute letter. You will be amused to note that the credit bureaus take space in their literature to convince you that your credit cannot be "repaired." In TRW's words, "No one can have accurate, current, and verifiable information removed from your credit report." Take note that even TRW admits that accurate information can be removed if it is not verifiable. You must send your dispute letters via certified mail, return receipt requested. This means you must go to a post office to mail every dispute. Certified mail, return receipt requested, will cost more than a dollar extra, but it will demonstrate that you are serious about your correspondence. Without certified mail, return receipt requested, you would have no record of the credit bureau receiving your letter nor the date they received it. When you receive the return receipt in the mail, make sure to staple it to your copy of the original dispute in your file. Don't hold disputes until you have a full set of credit reports. Send each dispute as soon as it is ready, as long as it is 90 days after your last dispute to the credit bureau.

Getting a Response You will receive one of eight types of response to your dispute:
No response at all.

A stall letter asking for more information.

A rejection based on the timing of your dispute.

A rejection letter on the grounds that the dispute is "frivolous or irrelevant."

A rejection based on the grounds that the credit bureau believes you are manipulating the system.

A letter announcing that your investigation has begun.

A letter announcing that your dispute has been forwarded to the appropriate credit

bureau.

A new credit report showing the results of an investigation.

Don't be discouraged if you receive multiple stalls or rejections. Remember, restoring your credit isn't easy. If you decided to restore your own credit, you knew from this text that you would encounter delays. Each case requires a different response. However, you should remember this rule of thumb: the credit bureau is a bureaucracy; you shouldn't expect the credit bureau to react as though it were an individual. There is no single person handling your case. If you type out a ferocious counter-letter in response to the credit bureau's rejection or stall, the credit bureau employee who receives it will have little idea why you are fuming.

Usually, it is better to simply write the dispute again.

Here are some guidelines to reacting to the eight types of credit bureau responses:

1. No response at all: 52 days after you sent your dispute, if you haven't heard anything from the credit bureau, you may assume that your dispute was ignored. There is really little you can do except to document the lapse and draft another dispute. This dispute should mention the previous ignored dispute as well as certified mail number of that dispute. The new dispute should be more threatening than the first.
2. A stall letter asking for more information: Often, if your dispute alleged that someone else's file was merged with your own, the credit bureau will send this type of stall. A new dispute should be drafted basically repeating the first dispute (but doesn't allege that your file was merged) and includes all information requested by the credit bureau response. You may remind the bureau that this information was previously included in the credit report that accompanied the first dispute. This second letter should be more threatening than the first dispute.
3. A rejection based on the timing of the dispute: If you sent a dispute before 90 days after your last dispute, you will likely earn this response. Also, if the credit bureau sees that you have sent in many disputes, they may choose to brush you off with this rejection. You must respond by becoming more demanding. If they had finished the job properly with the first dispute, you wouldn't be forced to dispute the listings again! Send another dispute, much like the first, and insist on immediate action.
4. A rejection based on the grounds the dispute is "frivolous or irrelevant." This type of response would infuriate any consumer. Maybe the bureau thinks you are working with a credit repair company, or maybe they think that you will not stand up to an initial rejection, and they may even ask you to pay for their investigation. You must prove them wrong by becoming even more insistent and threatening in your disputes. Send the same dispute over again with some additional substantiation.
5. A rejection on the grounds that the credit bureau believes you are manipulating the system: The rejection letter may imply that you are working with a credit repair company, or that you are unduly barraging them with disputes. As a consumer who has been treated unfairly, these are not your problems. Insist, in another dispute, that the credit bureau is responsible for conducting the investigation and they are taking a very unwise risk in rejecting your dispute. All you want is your credit report properly corrected.
6. A letter announcing that an investigation has begun. Trans Union will usually send

these letters as a clever way of extending their 30 day investigation period. You really have no choice but to accept their timetable. Just place the letter in the file and watch closely for the response to arrive on the date indicated in the letter. If no response comes, see item number one on the list.

7. A letter announcing that your dispute has been forwarded to the appropriate credit bureau. If there is a local credit bureau involved in your dispute, the main credit bureau will forward your dispute to that bureau for verification. Count on an additional two week delay when this occurs.

8. A new credit report showing the results of an investigation. This is the desired result. When you receive your new report, you should copy and carefully analyze the credit report for deletions or changes to perfect.

Seeing Results Of The Credit Bureau

The easiest way to analyze the results of a successful challenge is to compare the newly investigated report with the previous report. You may simply go down the list of negative items and note the absences of negative listings or listings that were negative, but have become positive. You may also determine improvements by comparing information within the same credit report. Equifax and Trans Union now usually provide a list of items challenged and whether or not the items were changed, deleted, or verified as accurate. TRW has a list of items challenged at the back of the credit report. You may compare this list with the negatives remaining on the credit report to determine what progress has been made.

As you receive the results of the credit bureau investigation, you will note that each disputed listing will have been handled in one of five different ways:

1. The disputed listing was not investigated. Perhaps your dispute was not sufficiently clear, or perhaps the credit bureau simply chose to ignore your dispute. In either case, you will need to dispute the item again in your next dispute letter.
2. The disputed item was investigated but verified as accurate. The creditor may have responded to the credit bureau's request for re-verification, or the credit bureau may have simply faked the investigation to get you off their back. You have the right to dispute the listing again at a future time. In fact, the FTC has determined that the credit bureau may become responsible, in future disputes, to look deeper into the disputed item than simply asking the creditor to check their computer records.
3. The disputed listing was investigated as to the correctness of the information within the listing such as late pay notations, and the listing was found to be inaccurate or unverifiable. In this case, the negative listing will now show up as a positive listing. This is the best possible outcome because now you will enjoy good credit once your report is cleared.
4. The disputed listing was investigated as to whether or not the listings belong to you, and the listing was found to be inaccurate or unverifiable. In this case, the negative listing will disappear from the credit report altogether.
5. The disputed listing was deleted or improved to perfect, but the negative listing was later verified and re-listed on the credit report. If a listing is verified by the creditor after the thirty day investigation period, the credit bureau can replace the listing on the credit

report. When this occurs, see item number two. Whatever your response, restoring your credit is a cycle. If you receive disappointing results, remember that it took you some time to create your bad credit, and it will take a little time to restore your good credit. Collect your results, mark your calendar, and wait for the next acceptable dispute date. Don't forget to allow at least sixty days between disputes.

Fourth Quarter Strategies

The more you dispute the negative listings on your file, the more difficult it becomes to get a new investigation started. As you find the frequency of investigations and deletions dwindling, you must consider these Fourth Quarter Strategies.

Threats

Remember, the checker must sense that you are a legal threat to the credit bureau; that you might sue them if they don't follow through with their obligations. There are several reasonable threats to the credit bureaus that may make them stand up and take notice of your dispute -- regardless of how many times they've previously looked into the negative listing.

1. "I have contacted a lawyer and am considering a lawsuit." Every day the credit bureaus are embroiled in consumer lawsuits, costing the credit bureaus hundreds of thousands of dollars in awards given to consumers. The credit bureaus pay even more to maintain the legal staff necessary to handle these cases. Technically, you may sue the credit bureaus every time they fail to comply with the Fair Credit Reporting Act. However, the most viable lawsuits are those from consumers with negative consumer information not belonging to them listed on the report. You must be careful about threatening to sue anyone. If you say, "I am going to sue you," you must really be intent on filing suit. You may, in any case, express your consideration of a lawsuit or steps you have taken to proceed with preliminary work, such as seeking counsel with an attorney. This threat shouldn't be overused, but don't forget that an average consumer being mistreated by the credit bureaus would almost always make such a threat. If you fail to mention the option of a lawsuit, your dispute will lack punch, especially after you have submitted numerous previous disputes.

2. "I am filing a complaint with the Federal Trade Commission." The Federal Trade Commission (FTC) regulates and monitors the activities of the credit bureaus. The credit bureaus won't be crushed by a single complaint, but they would rather limit the number of complaints received by the FTC each year. As it now stands, the credit bureaus are the number one source of consumer complaints to the FTC. In order to file a complaint with the FTC, you may write: Federal Trade Commission Pennsylvania Ave. and Sixth St., N.W. Washington, D.C. 20580 WWW: www.ftc.gov Make sure that your complaint is brief and to the point. You may wish to include a copy of the complaint in your dispute letter and threaten to mail the complaint if you don't receive satisfaction within thirty days.

3. "I am preparing letters to my state senators and representatives." Every year, the credit bureaus fight off new legislation which would further restrict their practices and place greater financial penalties on their mistakes. Presently, they enjoy only the constraint of a 25 year-old statute that is, advantageously for them, outdated. In Congress, when a new, tougher, Fair Credit Reporting Act reaches the floor, the credit bureaus are forced to labor to keep the new act from passing. So far, they have succeeded in preventing changes to the Fair Credit Reporting Act, but as time goes on, and more consumers complain to their congressmen, fewer congressmen are willing to listen to the credit

bureaus. Letters to federal and state congressmen that express outrage over the conduct of the credit bureaus will eventually change credit reporting as we know it. The credit bureaus want to delay that change, and they will shrink at your decision to write your local statesman. Feel free to send copies of your complaint letters with your dispute.

Settling your Debts

If you haven't yet settled your outstanding, delinquent debts, you must seriously consider doing so. Many of your creditors will see the negative listing on your credit report as a collection tool, and they will do whatever it takes to keep that negative listing on the report, even if it requires verifying a thousand investigations. Even if you delete a negative unpaid listing, that negative listing may well reappear when the creditor or collector settles the account, seeks a judgment, or passes the amount to collections. Please see *Settling Delinquent Debts* for more information.

Disputing the Information with the Source Sooner or later in this process, you should dispute the credit information with the creditor who reported it. If you are in a hurry to restore your credit, you should be writing your creditors from day one. If you have worked with the credit bureaus for some time and the results are lagging, now would be a good time to take the fight directly to the source.

Submitting a 100 Word Statement of Explanation

Most do-it-yourself credit repair manuals recommend that you file a 100 word statement to be added to your credit report explaining the circumstances of the negative credit that remains. After all, the Fair Credit Reporting Act does give you that right. We have never seen a creditor who bothered to read or consider the 100 word statement. In fact, many creditors won't look much beyond the automatic credit bureau rating that appears with your credit report when you apply for credit. This instruction does not recommend that you file the 100 word statement. It would only serve to self-verify information that should come off through repeated disputation of the listing. If you have previously submitted any 100 word statements, they should be the first items you remove.

GUERRILLA TACTICS THAT WILL GIVE YOU A GOOD CREDIT RATING

Learning How To Get Connected With Good Credit

Obtaining credit can be incredibly easy or extremely difficult. Once you have established credit, it can open doors of opportunity you never even considered being a possibility. Credit can allow you to take the dream vacation of a lifetime, drive a luxury car, dress in the latest fashions, achieve the American dream of owning your own home, or starting your very own business.

The fact is, now that society has rapidly shifted into the fast-lane of being a cash-less society, it would be almost unthinkable not to have credit. People who have the misfortune of losing their good credit rating in today's world, will most certainly immediately begin to feel like social outcasts. It is a very traumatic experience when people find out something is wrong with their credit. Millions of people have been, and will continue to be notified they now have bad credit. Many don't seem to understand how it all came about! What they do know, however, is that all of a sudden they aren't as well-off as someone who still has their good credit.

Without good credit, people soon discover it's difficult to just keep up with the no-frills, everyday existence items that are needed. Unless an individual knows how to improve,

increase and repair their own credit, they will have to overcome many obstacles. Most people don't have the slightest idea of where to begin. But once you read the following "GUERRILLA TACTICS" you will learn how to quickly improve and repair your good credit starting Today!

To Put Your Plan In Motion You Must Know Who The Credit Reporting Agencies Are

Credit Bureaus are extremely powerful organizations. Going against a credit reporting agency is almost like a military encounter. Fortunately, once you're armed with the Guerrilla Tactics provided in this report, you can rise to the occasion of winning both the battle and the war! In the beginning it may appear as if Credit Bureaus have the advantage.

After all, if you are an adult living in America, the overwhelming odds are that a credit bureau somewhere knows who you are, where you live, the name of every employer you ever worked for, how many times you applied for credit, how many times you were denied or approved, and how many time you were late in making a payment.

Similarly, it's all in a credit report that once accessed by a subscriber, will tell them whether or not you should receive additional credit. The ultimate decision is arrived at by looking at the entries in your file.

Major Credit Reporting Agencies

- 1) Chilton Creditmatch Systems, 12606 Greenville Ave., Dallas, TX 75243
- 2) CIB "Credit Bureau Inc."/EQUIFAX, P.O. Box 4091, Atlanta, GA 30302
- 3) Pinger Systems/Associated Credit Services Inc., 652 E. North Belt, Ste. #400, Houston, TX 77060
- 4) TRW Credit Information, 505 City Parkway West, Orange, CA 92667

To Achieve Your Credit Goals, You Have To Obtain Your Credit Report And Then Attach With Precision!

There are approximately 5,000 credit reporting and collection agencies operating in the United States today. If a credit problem exists it may or may not be brought to your attention. For example, damaging inquiries and variations may appear in your file without your knowledge. However, if you apply for credit and there is a problem whereby you were rejected, you would be notified by the lender and told that the credit application denial was the result of a credit bureau report. If you either know or suspect you have a credit problem, there is no way to know what you are up against unless you get a copy of your credit report. This is where any major roadblock to getting credit will surface.

Even before you attempt to obtain or increase credit lines, you should first obtain all credit reports that are available on you. You can accomplish that by calling for one or more of the credit bureaus listed and asking for your credit report. There may be a small fee for this service. However, if your application for credit is denied by a creditor, then you can receive a credit report at no charge from the credit reporting agency.

We recommend that you do not wait until a credit card company, bank, or other lender denies your application for credit, before you obtain the report. Even if you don't suspect a problem, you should get a credit report on yourself just to identify any false or incorrect information that has been entered into your file. Damaging computer errors, human entry errors, incorrect social security numbers, addresses, employers, and income

errors happen all the time. At the very least, you should make certain you haven't become the victim of computer error.

Accelerating Your Credit Approval By Matching & Controlling Connections

Bankers and lenders in a certain geographic area usually turn to one credit reporting agency. There are many, however, that subscribe to more than one. That can work in your favor because in many cases your complete credit history may never be accessed by a credit bureau located in another area. Your credit file could list multiple damaging information in one credit report, but never show up in another! By obtaining your credit reports in advance, you will know which lender to approach for credit. All you have to do is ask!

How To Activate A Banker's Desire To Force Money Into Your Hands!

By applying for credit through a bank or other lender that subscribes to a credit reporting agency outside the area, there's every reason to believe that some damaging information will not appear in your file. Remember, the only way bankers and lenders can survive is to extend credit to consumers. By taking steps to sidestep one credit report that has negative entries, and taking advantage of another that shows you as a good credit risk, creditors will practically force hard cash into your hand.

Here's how:

- 1) Obtain a credit report from one of the credit bureaus to determine if there are damaging entries that might cause your credit application to be denied.
- 2) Call several banks or other lenders and ask the receptionist, etc., which credit bureau they use in their application approval process. If the individual tells you they don't know, ask them to find out.
- 3) Select a bank or lender that subscribes to a credit reporting agency other than the one typically used in the area.
- 4) Obtain a credit report from the credit reporting agency that your selected lender uses.
- 5) Repeat step number 4 until you find a report that is favorable to you and shows the least negative entries.
- 6) The only thing left for you to do is apply with that bank, lender, or other creditor that subscribes to the credit bureau that has a credit report the most favorable to you.

Bulldog Tactics So Powerful They're Devilish!

When you receive your credit report, write down every piece of information that is inaccurate or untrue. Even if an entry is partially true, you may still want to dispute it. Especially if your credit report will be improved as a result. Read all of the instructions on the back of your credit report very carefully. Symbols may be used for much of the information entered and you will have to understand each one. It's easy to become confused but a number you can call if you have a question will be provided.

Here are steps you can take to have damaging entries removed from your credit report:

- a Make a list of inaccurate or untrue entries that you find in your credit report.
- a Call the credit bureau and tell the appropriate person that you want to dispute an entry you have noted on your credit report.
- a Don't allow any credit bureau employee to talk you out of proceeding with your appeal. To avoid a distracting confrontation, don't even tell them you want to challenge. They won't initiate any action on your behalf anyway until they receive your appeal request in writing.
- a To initiate the proper appeal procedure, ask the person you speak with to send you a

"Dispute Form."

- a Complete the "Dispute Form" and return it to the credit bureau by certified mail.
- a When the credit bureau receives your written dispute request they will then attempt to verify the dispute you have indicated with the bank, lender, or creditor responsible for having the damaging information listed.
- a You will be notified of their decision within 30-45 days.

This technique will work for you to eliminate negative entries from your credit report for one of two reasons:

- a Most creditors don't hang on to old files. They either place them in storage or throw them out. That means they won't be able to easily verify your dispute, if at all!
- a Many other past creditors simply don't care to waste their time verifying the accuracy of a credit report that isn't relevant to making money right here and now!

That is the basis of why credit repair clinics were so successful when they came on the scene. They knew from experience that by created a flood of challenges directly to a credit bureau, sooner or later creditors who continually received inquiries would become frustrated and simply not respond. They also knew that if the credit bureau didn't receive a response from the creditor they mailed an inquiry to, on your behalf, within 30 days, the damaging remark by law had to be removed. Thus, a cleaned-up credit report.

Beware Of Double-Trouble Credit Repair Clinics

"Credit Counseling" and "Commercial Counseling" services are two completely different things. Before you sign any papers that end up causing you even more financial harm, you better know who you are dealing with! Whereas credit counseling services are generally non-profit, commercial counseling services (clinics) may charge you 10%-15% or more of your total debt. Meanwhile, the services provided by the non-profit agency is basically the same.

A Service that IS legitimate and DOES work can be found at

<http://Crepair.HealthCare4all.com>

Then view the word document at: <http://Crepair.HealthCare4all.com/details.doc>

The application is at: <http://Crepair.HealthCare4all.com/application.doc>

"Grand-Slam Success" Doesn't Happen By Accident!

Just about everyone at one time or another has experienced some kind of problem with their cash flow. that's when it became difficult to pay the monthly bills and keep up with credit obligations. When that happens, damaging information may begin to appear in your credit file, and bad times can become even worse. For many people it becomes difficult, if not impossible to obtain any further credit, just when there is a desperate need for it.

Unfortunately, banks, lenders, and other creditors do not extend credit on the basis of need. Credit can swiftly be taken away from anyone who cannot demonstrate they are a good credit risk. Most people can be successful in overcoming credit rejections that have resulted due to damaging information showing up on a credit report. The problem that most people run into, is that they become desperate and will resort to anything and anyone that comes along with false promises. Then they find themselves in deeper trouble because they've handed out more money they don't have, to a crook who gives them nothing in return.

Giving yourself a grand-slam, clean-credit slate doesn't happen by accident. There are a

number of techniques and methods that can be utilized to create or restore a good credit record. The following information is being provided to you on the basis that it has been successfully used by others. None of the information is being recommended as techniques you should use. If you decide to use any of the information contained in this report, it is recommended that you first consult with an attorney to obtain legal advice.

Tactics & Techniques That Make Collection Agencies Beg For Mercy!

The "Get-Off-My-Back" Wage Earner Plan! Using Federal Bankruptcy Act, Chapter XIII - Wage Earner Plan, you can file for immediate relief from unmerciful creditors and collection agencies. To be eligible, your monthly bills must exceed your income, and your major income must be earned from a salary or commission. You can file for the Wage Earner Relief Plan simply by contacting your attorney or the U.S. District Court nearest you. Ask to speak to the person who administers the plan.

Generally within three days of filing, a restraining order will be issued to all of your creditors. Which Will:

- 1) Stop creditors, collection agencies, lenders, or anyone else who has been notified from contacting or harassing you any further.
 - 2) Immediately stop all action against you that had been initiated by creditor. (Note: For this relief plan to work, it must be accepted by a majority of your creditors. If the majority agrees to the plan, all others must comply.
 - 3) Immediately stop interest and late charges from accumulating any further.
- You Can Seek Injunctive Relief That Forces Credit Bureaus To Stop Reporting Negative Credit Information From Your File!

"Injunctive Relief" is an effective legal maneuver that can permanently remove damaging information from your credit report.

You will, however, probably require the services of an attorney. This is how it works! If you can clearly demonstrate that information appearing in your credit report is inaccurate and is damaging your character, credibility, or ability to obtain credit, You can seek Injunctive Relief through the courts.

Once relief is granted, a Judge can order a Credit Bureau to immediately stop reporting any damaging information appearing in your credit report as outlined in the order, until such time as a trial or investigation is conducted. After you, or your attorney, succeed in persuading a Judge to issue an order for Injunctive Relief, you will have from that moment on until the conclusion of a trial or investigation, to obtain new credit.

The "Here's Johnny!" Change Of Address Method

Here is another way you can eliminate damaging entries from your credit report:

- 1) You can magically appear in a completely different part of the country from where you really live, simply by creating a new address for yourself. Just ask a friend or relative to receive your mail at their address and have everything forwarded to that address. The further away, the better. If you don't know anyone that lives well out of the area, rent a mail drop location. All of your mail will be forwarded by the mail drop to any address you like.
- 2) After you have established a new address, you can request a credit report from the bureau that services that particular area. Apply with lenders that use this bureau. What you will generally find is that the credit bureau you are now dealing with will have a limited ability to verify negative items appearing elsewhere.

Check Bankruptcy Off Your Credit File, By Checking It Out!

The following method of manipulation works (according to some who have used it) when combined with the precious "change of address" method. Just follow these next five steps:

- 1) Discuss the technique with an attorney who is willing to help.
- 2) Because bankruptcy is overseen by federal courts, bankruptcy files are kept in the federal archives.
- 3) Before you apply for credit have your attorney request to have your file "checked-out" from the federal archives.
- 4) Using your out-of-state address as described in the previous "change of address" method, follow the normal procedure used for appealing any damaging information appearing on your credit report.
- 5) As long as your attorney has your bankruptcy file, a credit reporting agency will not be able to verify its contents. If they cannot make verifications within 30 days, they must remove the damaging information from your credit report. Because credit bureaus can request an extension, your attorney may have to repeat the process several times. It becomes a question of who will tire first. According to those-in-the-know, it's usually the credit bureau.

How To Remove A Judgment Through A "Motion To Vacate"

People have reportedly removed damaging entries (such as judgments) from their credit files by using the following method:

- 1) Hire an attorney who is willing to help you with your goal of having damaging entries removed from your credit file.
- 2) Ask your attorney to file a motion of Service of Process for the purpose of having a damaging judgment entry removed from your credit file. It may be a weak argument for sure, but in this motion, your attorney will argue that the process was served improperly. People have reported that this technique will ultimately work in your favor.
- 3) By filing a motion of "Service of Process" you are forcing a creditor to appear in court with an attorney to prove the initial legal process was done properly.
- 4) This legal maneuver works in your favor because, if the lender responsible for the judgment (for example) has been paid, why would he even want to go through the time and expense of showing up?
- 5) If you show up and the creditor doesn't, you will win your case through default. Then you will have the legal ammunition necessary to have the damaging judgment information removed from your credit file.

How To Unconditionally Force Credit Bureaus To Quickly Give You The Advantage By Placing Positive Information Into Your Credit Report

According to Federal Laws enforced by the Federal Trade Commission (FTC), if a credit report results in a debtor's application for credit being denied, that person has the right to add information that will show a more positive credit history. All you have to do is contact the credit bureau of your choice and ask them to contact a list of banks, lenders, or other creditors whose names you will provide, for the purpose of having the credit information they provide on you added to your credit file. there may be a small fee, but

the good news is that you will practically be able to force a credit reporting agency to improve the substance of your file by putting positive entries on your credit report.

The only businesses you should list are those with whom you have had a flawless credit relationship with. Contact the people on your list and let them know a credit reporting agency will be calling or send them a questionnaire. After information has been received and verified, the bureau can add positive items to your credit report.

The Equal Credit Opportunity Act & Women

Under the Equal Credit Opportunity Act, women have the right to build up their own credit without being discriminated against. Women who do not apply for credit in their own names are at a distinct disadvantage. In the event of a divorce or death of a mate, there wouldn't be a credit history reflecting any personal contributions. Under the Equal Credit Opportunity Act there is not reason for women to lose their identity when they are married. You can become familiar with all of your rights as a woman by writing to the following address and asking for your FREE copy of "WOMEN & CREDIT HISTORIES." Federal Trade Commission Washington, DC 20580 ATTN: Women & Credit Histories FREE BROCHURE

IS IT ETHICAL TO TRY AND REMOVE LEGITIMATE BAD CREDIT?

Yes!

"Credit Repair" has not been kind to the American consumer. In fact, the phrase is synonymous with fraud. This is the stigma we face as we offer a membership wherein the client is offered an alternative to "credit prison." Because the nasty reputation of credit repair sometimes washes over into our space, we are often called upon to defend the ethics of our service.

Despite the disrepute which taints credit improvement, our service is clearly analogous to the service provided by a defense attorney. The credit report is no more than an allegation. Unfortunately, most citizens never challenge that allegation. By enlisting the Law Offices through N.A.C.A. to their defense, our clients employ us to enter a plea of "not guilty." We take an affirmative defense; we offer a reasonable alibi and leave it to the bureaus to substantiate their allegation. If the bureau claims to have investigated and affirmed the allegation, we appeal the decision. Eventually, we find that most credit report allegations are at some point untenable and are removed.

Removing record of a negative credit account, which did actually exist, is undoubtedly ethically sound. We belong to a fundamentally capitalistic civilization and the credit bureaus capitalize on consumer information. Unlike our legal system, the bureaus take no oath to truth, equity and the common good. No American has the moral obligation to support any business venture or corporation, much less a corporation which may well destroy their financial life. The information tended by the credit bureaus is ethically "up for grabs."

The credit bureaus would maintain every piece of credit information forever if it weren't for federal law which has directed them to remove most items after seven years. In essence, the credit bureaus themselves practice credit repair, basically at the seven year mark. If it is right to remove accurate credit accounts after seven years, why would it be

wrong to do so in less time?

In relationship to the consumer, the credit bureaus do not concern themselves with the impact of the information. This information often misrepresents the credit worthiness of the consumer. By tagging good citizens as "deadbeats" the bureaus damage the creditors, the economy and, most importantly, the individual. Several policies and techniques employed by the credit bureaus appear most abusive to the American consumer; these we cite as justification of our opposition to the present credit reporting system.

Seven years (10 years for bankruptcy and some court accounts) credit bondage punishes the debtor unjustly. At no point have the credit bureaus ever conducted a study determining seven years to be the point of deadbeat rejuvenation. The seven year mark is entirely arbitrarily. In fact, Dr. Bonnie Gution, adviser to President Bush on consumer affairs, remarked, "...it is our understanding that computer models that predict credit worthiness find most information that is more than two years old nonessential." Based on experience with our clientele, seven years is truly too long. Within a year or two, most consumers completely recover from an economic crisis. For the remaining five or six years, they are left hobbled---forced to rent homes, pay outrageous interest on high risk auto loans, forgo the convenience of credit cards and pay cash for every expenditure. By expelling the consumer from the credit loop, the economy suffers. Our clients come to us on the financial upswing. If they can afford our membership, they are most likely on the way back to financial abundance. These are consumers fully recovered from crisis, re-engaged to financial responsibility and anxious to reenter the credit economy. For them, we offer a deserved parole from the credit prison which they entered as their financial world fell apart.

The credit bureaus have not been able to maintain reasonable accuracy in their credit profiles. The bureaus claim an error ratio under 1 percent. In reality, studies conducted by neutral third parties have determined the credit report error ratio to be closer to 40 percent. Unfortunately for the consumer, the credit bureaus choose to err on the side of negative information. As our clients' files have passed through our offices, we have noticed a high incidence of file mergers---the worst kind of file error. In a file merger, the credit of another person with a similar name is spread onto the file of the innocent bystander. Oddly, the credit bureaus fiercely resist correction of these obvious errors. We have found the only way to prompt them to revision is through a lawsuit.

Credit reporting makes up only a small portion of the revenue which the bureaus claim each year. The databases really pay off in the sales of information. From generic target marketing lists to invasive personal investigative inquires, the bureaus cull a pool of information larger than any in the civilized world. The end loser is the consumer who values his privacy. The horror stories keep coming about individuals whose jobs have been lost, insurance cancelled, reputation ruined by sloppy collection and dissemination of personal information. This does not include the mass irritation experienced by consumers forced to wade through the reams of junk mail. Privacy is a thing of the past---and the blame can be firmly placed on the credit bureaus.

America is not the only country in the world whose economy utilizes consumer credit. Other countries, such as Great Britain, extend credit based on the individual's present credit standing. a grand-scale revision of the credit reporting system in the United States would not throw our economy into chaos and distress. Until that day, we should feel comfortable that the removal of negative credit accounts before the seven year mark isn't unpatriotic, it's not unfair and it's not unethical.

LEGAL WAYS TO GET BILL COLLECTORS OFF YOUR BACK

Sometimes, the formal and legal declaration of personal bankruptcy is the best way to go when you're "snowed under" with bills, and you just can't see your way clear to survive. Actually, bankruptcy allows you to make a fresh start. Generally, it takes only a small amount of money, a careful evaluation of your assets and your liabilities.

In many cases, a lawyer is not necessary. If you have very few assets, mountains of debt, and not enough income to meet your obligations, then your best bet is almost always the filing of straight bankruptcy. What you'll need is the proper forms "S3010 Bankruptcy forms, for an Individual Not Engaged In Business." These can be purchased from any full-line office supply store, especially in an area serving attorneys' offices. You'll need to know which district you live in for Federal Court purposes - so look in the white pages of your telephone book under U.S. Government - Courts - and take down the address of the nearest U.S. District Court. Check it out to be sure that your residence is in this court's jurisdiction. You then fill out the forms you purchased, listing all of your creditors - those with priority being listed first - meaning those who have extended credit to you against some sort of security or collateral, followed by those who have extended credit to you on just your signature or reputation.

You must be sure to list all of your creditors because any that you fail to list, will be able to sue you and collect even after the bankruptcy has been adjudicated. At the same time, be sure to include the names of anyone and everyone you may have co-signed a note or a loan for, as well as anyone who may have co-signed for you. The laws governing personal bankruptcy vary in all states, but generally, a bankruptcy judgment will not take away the house you live in, basic home furnishings, a car that's necessary towards your gainful employment, nor the tools of your trade. Check these things out to be sure against the list of items regarded as the necessities of life by your state.

When you've got all the forms filled out, and notarized, you take them to the Clerk of the U.S. District Court in your jurisdiction. You pay the clerk \$50, and from there, you're home free. The clerk notifies your creditors, and reminds them that being as you've filed bankruptcy papers, they cannot bother you about your debts anymore. However, they are invited to your hearing. Usually they don't show up, because by that time, you have very few, if any, non-exempt assets left that they are really interested in. But, whatever assets you do have that are nonexempt, will be sold by the Court to appease your creditors. Any money realized from these sales is then added to the total amount of money you may have turned over to the court at the time of your filing, and divided equally amongst your creditors according to priorities. After all of this has taken place, and usually about 3 months after you've been adjudged bankrupt, you can start all over again to incur debt, pay bills and establish a new credit rating. However, you should be especially careful about talking with your old creditors because they may attempt to maneuver you into signing a "reaffirmation" of your old debt. The thing to do is to be sure that you carefully read anything you affix your signature to, and don't agree to pay on any debt that has already been discharged through your bankruptcy!

In some bankruptcy filings, it is definitely advantageous to hire an attorney to represent you. This is especially true for people who have assets such as real estate they want to protect, and/or people who have been operating home-based businesses or been accused

of fraud. Remember this, if you decide to process your bankruptcy without a lawyer, then it is your responsibility to fill out all the necessary forms accurately and completely, and every bit as precisely as if you had paid an attorney to do it for you. Leaving out a creditor's name or address or forgetting a loan that you co-signed for, will surely bring on litigation against you even after your bankruptcy has been adjudicated. Be sure you understand all the papers, ask the Court Clerk for advice, and if you run into problems, then take it in to an attorney.

Besides the regular bankruptcy laws, there's also a little-known and little-used method of getting reorganized with your debt, particularly when you've got a steady job and just need more time to straighten your indebtedness out. This is the wage-earner's provisions of Chapter XIII of the Federal Bankruptcy laws. Basically, these provisions allow you to make new arrangements with your creditors and pay off all your debts over a new 3-year period of time. When you filed for indebtedness relief under the provisions of this law, nothing is recorded permanently on your credit record. You get to keep all your assets, but you must pay off all your debts.

But, so long as the Court grants you relief under these provisions, and you pay your creditors according to the repayment schedule agreed upon by the Court, your creditors cannot bother you. Even if they have begun a suit against you, once the Court has given you relief, they cannot touch you! Once you've filed under these provisions, your creditors are immediately restricted from even contacting you, and get only what the referee or trustee doles out to them. Often-times, if a creditor threatens to sue you, the most effective thing you can do is to tell him frankly that if he sues you, you'll have no other alternative except to file bankruptcy papers. In many instances, this will cause him to take a second look and to do whatever he can to assist you in paying him the money you owe, but over a longer period of time, and at smaller monthly payments. The absolute bottom line is that your creditors know only too well that if you do file for bankruptcy, their chances of receiving even half of what you owe is practically nil. Thus, it's in their best interest to do everything they can to help you to continue making payments on the amount you owe, regardless of how small those payments may be.

When a creditor does sue you, and gets a judgment against you, he can then get a court order directing the sheriff to seize your personal property and sell it, with all monies realized going to the creditor to satisfy your debt. When they see this about to happen, many people connive to make themselves "judgment proof." In other words, they hide their assets or move them out-of-state before the sheriff or Marshall arrives. This is illegal, but is done as often as not. Many creditors will attempt to "garnishee" your wages.

This is done by getting a court order directing your employer to set aside part of your wages or salary every pay period and turn it over to him. First, of course, he has to find out where you work; and even then, in most states, there are limits set relative to how much a creditor can garnishee for your wages. If you have no job, and no visible assets, or you live in a state where your wages cannot be garnisheed, your creditors actually have very few ways of ever collecting from you. Many techniques used by creditors and collection agencies are illegal.

A creditor or agency can write letters to you; call you once a day in quest of a payment; and even knock on your door to ask about a payment. but he is forbidden by law to harass you or invade your privacy, or use deceptive means to get you to pay your bills. He cannot use foul and abusive language over the telephone, tell anyone besides you the

reason for his phone call, inconvenience you or in any way threaten your job or your reputation in the neighborhood where you live. Still, the best idea for reorganization and settlement of your debts when you find yourself in an untenable position, is in-person visits and explanations of your situation with your creditors, and a desire to explore other possible ways of mutual satisfaction without involving collection agencies or bankruptcy.

Give it a try - it's a lot easier than most people realize.

CHOOSING A BANK THAT'S RIGHT FOR YOU

It is important to select the right bank. Do NOT choose any bank -- be fussy! There are two main objectives to seek when searching for a new bank.

- 1) Find a bank that is aggressively seeking new business.
- 2) Choose one with which you can develop a personal relationship. To select a bank that is aggressive, simply watch for extended advertising campaigns. They are very costly, and must bring in new business in order to be continued. Look also for smaller banks, ones with just a few offices. They tend to be more aggressive, more lenient on qualifications, much friendlier and more personalized in the service they offer. They are forced by nature of their competition to be more flexible. With the small, independent bank, you will get friendly service, and often will be called by name. The tellers remember you and do not need to request your identification every time you want to cash a check.

Small banks do not have a large loan committee that spends lots of time shuffling papers. They may however, stall your loan application for a day or so in order not to appear too anxious! Its a minor issue...and not one to be overly concerned about. Big banks seem to have forgotten that the customer is number one. You will be far more pleased with your small bank and your personalized service when it comes to getting loans and other services for your own business.

CONSUMER RIGHTS

The FCRA grants you a number of important rights, including:

The right to know what your credit records contain.

The right to be told by a credit bureau the nature, substance and sources (except investigative sources) of the information (except medical) collected about you.

The right to know the name and address of the credit bureau responsible for preparing a credit report used to deny you credit, insurance or employment, or to increase the cost of your insurance or credit.

The right to a free copy of your credit report if you are denied credit and the denial is due at least in part to credit record information. (Requests for a free copy must be made within 30 days of your receipt of the notification of denial.)

The right to review your credit report in person at the credit bureau, by phone or by mail.

The right to take someone with you to review your file if you visit a credit bureau in person.

The right to have investigated within a reasonable period of time any information in your credit record that you dispute. (if the credit bureau deems your request frivolous or irrelevant," the law says that the credit bureau need not investigate.)

The right to have inaccurate information deleted from your credit record if a credit bureau investigation finds the information to be erroneous.

The right to have information deleted if the credit bureau cannot verify it through its investigation.

The right to have the credit bureau notify-at no cost to you those you name who previously reviewed the incorrect or incomplete information in your credit file that the information has been removed or changed.

The right to know who has received a copy of your credit report over the past six months for credit-granting purposes.

The right to know the names of everyone who has seen your credit record over the last two years for employment purposes.

The right to include a brief written statement that will become a permanent part of your credit record explaining your side of any dispute that cannot be resolved with a credit bureau. (You may ask that the credit reporting agency share your written statement with certain businesses. The agency must do so without charge if you make your request within 30 days of being denied credit.)

The right to have negative credit-related information deleted from your credit record after seven years.

The right to have a bankruptcy deleted after ten years.

The right to sue a credit bureau for damages if it willfully and negligently violates the law. (if you are successful in your lawsuit, you may collect attorney fees and court costs as well.)

The right to be notified by a company that it has requested an investigative report on you.

The right to request from a company pursuing an investigative report more information about the nature and the scope of the investigation.

The right to know the nature and the substance of the investigative report but not the sources.

The FCRA does not require that:

A credit bureau provide you with a copy of your credit file. (Some bureaus will do so, however, if you request it.)

A business or individual do business with you.

Any federal agency intervene on your behalf.

A credit bureau add information on accounts not already in your file. (Some credit bureaus will do this for a fee .)

Also, the FCRA does not apply to applications for commercial credit or business insurance.

NOTE: Credit bureaus may report bankruptcies for longer than ten years and other negative credit-related information for longer than seven years in the case of loans for more than \$50,000, insurance policies greater than \$50,000 and jobs paying more than \$20,000/year. Also, information concerning a lawsuit or judgment against a consumer can be reported for seven years or until the statute of limitations runs out, whichever is longer.

BANKRUPTCY

Negotiations with creditors have failed. Repossession is imminent and foreclosure

proceedings have begun. Your income is simply not sufficient to pay your bills, no matter how low the payments are. It may be time to consider bankruptcy.

Bankruptcy law evolved as a reaction to the abuses surrounding debtors prison. Before the nineteenth century a prison system existed for those who didn't pay their bills. If a merchant filed a claim, the debtor was incarcerated until his debts were paid. (Women were not found in debtor's prison, not because of chivalry but because they did not have the ability to borrow). The lender was legally responsible for the expenses of the prison stay, including food, but seldom paid. After all, a debtor would have to sue in order to enforce this law, and it was rather difficult to sue when in prison. As a result, many borrowers languished in prison for years, surviving on what their family could bring to them or, in many cases, simply starving to death. Although some lenders would doubtless not object to the renewal of debtor's prison, fortunately we live in more enlightened times. Bankruptcy was created to provide a second chance (or third, or fourth) to those hopelessly in debt. It provides a mechanism to wipe the slate clean and begin anew. As times have changed, though, so has the bankruptcy code. Not all debts can be wiped out. The proceedings can be easily disqualified in the event of improper procedures. There are many things a debtor should know before resorting to bankruptcy.

The Bankruptcy Decision

There are two kinds of individual bankruptcy: Chapter 7 and Chapter 13. Chapter 7 bankruptcy, named for the chapter number in the bankruptcy code, requires a full liquidation of all debts and cancels all non-exempt debts. Chapter 13 bankruptcy is essentially a court-mandated payment plan that sets up affordable monthly payments to your creditors.

The decision to declare bankruptcy is not an easy one. Unfortunately, many bankruptcy attorneys recommend bankruptcy to just about anyone they consult with. All too often frightened consumers are advised to declare bankruptcy just to avoid a few debts. This is a mistake. Bankruptcy should truly be a last resort as the legal system meant it to be. A bankruptcy appears on your credit for ten years, and although lending criteria are slowly changing, many lenders will not even consider an applicant who has had a bankruptcy. What's more, a Chapter 7 bankruptcy can cost you most of your property. Before making a decision to declare bankruptcy, estimate how bad your situation really is. On a piece of paper, make a list of all your assets and the approximate value they could be sold for. On the other side, add up all of your debts. If the debts exceed the assets by a large percentage, you may wish to consider bankruptcy. On the other hand, if it seems that your situation may improve (you may get a new job or a second income), or if your assets are of greater value or close in value to your debts, a different approach may be appropriate.

Negotiate with your creditors

Explain your situation and ask for more time to pay. If the creditors refuse and continue to threaten garnishment tell them such action would force you into bankruptcy. No creditor wants to hear the "B" word. Using bankruptcy as a threat is a very powerful negotiating tool, confronting creditors with a choice between getting a little each month or probably getting nothing through bankruptcy. Don't try this tactic on secured creditors. They may decide to repossess your property to avoid having to go through court.

Contact Consumer Credit Counseling

As mentioned earlier in the book, Consumer Credit Counseling is a non-profit group

funded by creditors to help consumers negotiate repayment plans. It is often able to negotiate payment arrangements better than the individual because of its constant contact with a variety of creditors. If you can't negotiate a satisfactory arrangement, give these people a try. Remember, the fact that you are using credit counseling may appear on your credit record.

Consider Chapter 13 bankruptcy

This kind of filing allows you to repay your debts in a court-mandated fashion and will appear on your credit record for only seven years. If negotiations fail or there simply isn't enough money to make ends meet Chapter 7 bankruptcy may be your only option. Bankruptcy does not necessarily discharge all debts. If your debts are exempt from bankruptcy, filing will do very little to improve your situation. If a co-signer was used, the debt would then be owed by the co-signer, unless that person also declared bankruptcy. In community property states a spouse's assets and debts would also be included in the bankruptcy, assuming they are community property. Consider all very carefully before deciding to file.

Non-Dischargeable Debts - Bills You Have To Pay In Spite Of Bankruptcy

Certain kinds of debt cannot be automatically eliminated by bankruptcy filing. They must meet certain requirements before being eliminated by bankruptcy. If most of your debts are non-dischargeable, bankruptcy may not solve your financial dilemma. The only ways a non-dischargeable debt can be eliminated through bankruptcy are through an exception being granted by the court, a certain period of time transpiring since the debt was due, or because the creditor does not object to the discharging of the debt. Certain debts can only be discharged by an exception.

They are:

Recent Student loans

This applies to student loans that became due within the last five years. Any extension of repayment would be added to this time period. Some courts, furthermore, will only discharge payments that are more than five years past due. So if the student loan was due seven years ago and the payments were originally to be made over a five-year period, you would still be responsible for the last three years of payments. The court may also grant an exception to a student loan if it would produce an "undue hardship" for you to pay it. This is rarely granted.

Taxes

Federal, state, and local taxes are not dischargeable for at least three years after you file your tax return. Even if you've been tied up in tax court for more than three years, any tax assessed within 240 days of filing for bankruptcy is non-dischargeable. Property taxes are dischargeable if they are over one year late, but the lien against your property is not. The bottom line is that you can count on the government collecting its tax money eventually.

Child Support and alimony

These can only be discharged in special circumstances, which generally include agreements that have not been court-ordered. If one spouse has agreed to assume more than half of marital debts in exchange for lower support payments, the court may not discharge all debts held by the spouse for bankruptcy. Consult an attorney if this situation applies.

Fines

Neither fines from a court, judge, or government agency nor surcharges, penalties, and restitution, as a general rule, can be discharged in a bankruptcy. The same is true of debts incurred as a result of damage or liability from driving while intoxicated. The debt incurred from intoxicated driving must be established in court and a judgment must be issued by a higher court. Small-claims, traffic, and municipal judgments for intoxicated driving are all dischargeable. Once again, consult an attorney.

Debts not discharged in a previous bankruptcy

If debts from a previous bankruptcy have been found non-dischargeable, they cannot be discharged in a later bankruptcy.

Debts not listed on your bankruptcy petition

If you do not include a debt on your petition, it will not be discharged. Many people filing bankruptcy keep one or more credit lines with small balances or no balance out of the bankruptcy proceeding to preserve part of their credit resources. Another strategy is to reaffirm debts on the condition that credit continues to be offered. The creditor, confronted with a choice between collecting nothing and maintaining your credit, will sometimes choose the latter. Be very careful when reaffirming debt. You are not obligated to and you should have a new written agreement spelling out all of the new conditions.

Other kinds of non-dischargeable debts can be discharged immediately if the creditor does not object. If the creditor objects, these debts will be judged by the court to be either dischargeable or non-dischargeable. The creditor can ask that the debts not be discharged if they claim the following conditions existed:

The debt was acquired by Intentionally fraudulent behavior

Fraud in this case is any dishonest act used to obtain credit. Claiming to be someone you are not, or borrowing money when you have no means or intention of repaying it, would be clear-cut examples of fraud. Not disclosing certain relevant facts could also be construed as fraud. If you make a promise and intend to keep it and believe you will be able to keep it, that is not fraud. Creditors tend to be paranoid and believe everyone is defrauding them, so this excuse for non-discharge is often used by creditor's attorneys.

Debts Incurred as a Result of False Written Statements

A blatantly false credit application would qualify. The inaccurate statement must be an

important fact and one that the creditor relied on in order for the debt to be judged non-dischargeable. A misspelled name or minor error would not render a debt non-dischargeable. Drastically overstating income or misrepresent a job title would be considered fraudulent.

Fraudulent usage

If you charge "luxury goods or services" in an amount over \$500 within 40 days before filing bankruptcy, the debt is likely to be deemed non-dischargeable. The same is true if cash advances are obtained fewer than twenty days before declaring bankruptcy. A lot of small charges, made to avoid pre-clearance, would also be considered fraudulent if you were over your credit limit or obviously unable to pay.

Debts resulting from illegal or malicious acts, embezzlement, larceny, or breach of fiduciary Responsibility

Any money owed because of illegal acts such as embezzlement (taking property left in your safekeeping), larceny (theft), or the failure to fulfill your duties as a trustee can be non-dischargeable. The court will usually de a definition of fiduciary responsibility.

Once you've examined your debts and determined what is dischargeable and what is not, you can determine whether bankruptcy would enhance your current financial situation. There are several other things you should know before you decide whether to file.

Exempt Assets

A common misconception about bankruptcy is that you lose everything you own to satisfy your debts. In fact, the court will allow you to keep many things essential to your well being, and perhaps even a little bit more. Although there is a federal exemption law, only in states and the District of Columbia allow you to use it These states let you choose between the state and federal exemption laws. The in states are:

Connecticut

Hawaii

Massachusetts

Michigan

Minnesota

New Jersey

New Mexico

Pennsylvania

Rhode Island

Texas

Washington

Wisconsin

Vermont

The other states require a person declaring bankruptcy to use state exemptions.

Here are some examples of things that may be exempt, depending on the state in which the petition is filed.

- Personal effects
- Furniture
- Cars (up to a certain amount of equity)
- Tools of a trade
- Equity in a residence (sometimes the entire residence)
- Clothes
- Household goods

- Books
- Jewelry

One very interesting exemption is the homestead exemption. When John Connally, the former governor of Texas, declared bankruptcy a few years ago, many people were surprised that he was allowed to keep his huge mansion, valued at several million dollars. Texas has a homestead exemption that allows anyone petitioning bankruptcy to keep up to one acre in an urban area or 100 acres in a rural area, regardless of value. The ex-governor may have had a very good attorney, but many other states also offer homestead exemptions.

One bankruptcy strategy is to sell non-exempt property before bankruptcy and convert it into exempt property. For example, a Texas resident might sell non-exempt assets and use the proceeds to pay off the home mortgage on her homesteaded property. You would almost certainly want to consult an attorney before attempting this kind of transfer of assets, however, since the court could very easily view such action as an abuse of the bankruptcy laws.

Even if a certain amount of equity is exempt, your creditors can often sell the asset to recover any excess equity you may have. If you own a car worth \$10,000, for example, and you only owe \$5,000 on it and your state exemption is \$1,200, the creditor can sell the car and give you \$1,200. Some states allow "Wildcard" exemptions that can be used to cover the difference.

Knowing which debts are dischargeable and what the law allows a petitioner to keep, a rational decision can be made whether to file for bankruptcy. If you do choose to file, there are several ways of going about it-as well as several pitfalls to avoid.

Taking Action

When you've decided to take action you can begin the filing process. If creditors are knocking on the door and repossession, foreclosure, or garnishment is just around the corner, it may be wise to consider using an emergency filing to obtain an automatic stay. An automatic stay stops creditors from taking any further action until the case goes before a bankruptcy judge. Unlike a bankruptcy filing, which usually contains several pages of information an emergency filing is only one page long and contains a list of your creditors. The rest of the petition has to be filed within fourteen days or the case is dropped. The court will send notices of the pending bankruptcy to the creditors listed, who must cease all further collection action. If they do not cease, send them copies of the automatic stay and request that all further collection action cease. A creditor can ask that the automatic stay be lifted, allowing him to continue collection action. Only a landlord trying to evict you from a rented dwelling will usually prevail, unless there is a long-term lease involved. If you are renting on a long-term lease, which could be considered an asset, the landlord may have to wait for a formal [@g](#) in order to evict YOU.

Once the wolves are at bay, another decision will need to be made: whether to hire a bankruptcy attorney. Attorneys, as we all know, are expensive. In the case of a complicated bankruptcy, however, they can be invaluable. If you have quite a bit of property or valuables, if you are trying to move money from non-exempt to exempt assets, if your creditors try to make your debts non-dischargeable because of fraud, or if there are any other complications, you may wish to hire an experienced bankruptcy attorney. Shop around. Don't be afraid to negotiate. Ask a lot of questions and talk to

several attorneys before you make your decision.

If you have a very simple bankruptcy or can't afford an attorney, invest \$15 in a good do-it-yourself bankruptcy book. It will give in-depth information not covered in this chapter. Typing services are also available to type up bankruptcy forms. They are reasonably priced and, in the case of a very simple bankruptcy, can take the place of an attorney. If your case is complicated and you can't afford an attorney, do your own research. Read a consumer bankruptcy manual first and then consult a good legal library. There are several legal guides devoted strictly to bankruptcy. Once you or your attorney have prepared your case, you're ready for formal work.

The Filing Process

All the appropriate papers can be obtained from your local bankruptcy court. Consult the yellow pages under Government Services (usually in the beginning of the book) for an address and phone number. The court allows you fourteen days from the date of an emergency filing to complete the formal process. If Chapter 7 bankruptcy is being filed, you will need to send in the following forms after you have received them from the court:

- Statement of Financial Affairs.
- Schedule of Current Income and Current Expenditures.
- A schedule describing your debts.
- A schedule describing your property.
- A schedule listing exempt property.
- A summary of the above schedules.
- Statement of Intention in regard to your secured property and what you intend to do with it
- Statement of Executory Contracts describing contract that will need to be fulfilled, such as auto leases.
- Bankruptcy Petition cover sheet.
- Mailing addresses of all creditors.
- Any required local forms.

A fee will also be assessed, usually \$90, due at the time of filing. The court will usually accept installments of a four-month period. An application for installments must accompany the petition.

After your petition is filed, a meeting of the creditors will be arranged. The court appoints a trustee to preside over the meeting and to be responsible for the liquidation of assets. With most smaller bankruptcies, only the person filing and the trustee will attend. The trustee, who is usually a local attorney, will ask several questions about the information on the bankruptcy documents. Call and ask the court clerk what papers you will need to bring (usually financial statements or sometimes even tax returns). If a lot of property is involved, especially if it is nonexempt, property, your creditors may show up to protest any exemptions. They may also attempt to grill you about your intent to pay the bill or about lying on your application. Answer truthfully and there shouldn't be a problem.

If the creditors' attorneys become abusive, demand a hearing before the bankruptcy judge before the proceeding goes any further. If the creditors object to any of your exemptions, they have 30 days after the creditor's meeting to file an objection with the court. The court will schedule a hearing and you will be given the opportunity to respond, although you don't have to. A creditor may also try to claim a debt as non-

dischargeable because of fraudulent acts, a @ or malicious act, or embezzlement or theft. He can only accomplish this if he successfully raises the objection within sixty days of the creditors' meeting. To defend yourself, you or your attorney will have to file a written response and be prepared to argue your case in court.

Once all the requirements have been met and your intentions have been made clear, the court can declare the bankruptcy discharged. No formal hearing will be held unless you have chosen to reaffirm your debt in which case the judge will want to be sure that you understand what you are doing. After this time, provided the creditors do not raise any objections, the dischargeable debts are erased.

Picking Up The Pieces

Bankruptcy was once the lowest disgrace that could befall someone. Today, however, it is commonplace. Corporations declare bankruptcy to get out of contracts or avoid legal judgments. Individuals rely on it to protect them from a society that extends credit too quickly.

Bankruptcy does not mean that you will automatically be denied all credit for ten years. In fact, many firms look at bankruptcy as a responsible way of discharging debts when there is no other way out. Creditors fear bankruptcy, but they also realize that if they lend to someone who has declared bankruptcy, they need not worry about another bankruptcy for seven more years (you can only file once every seven years). If you happen to have a good explanation for the bankruptcy, such as medical bills, divorce, or some other catastrophic event, a creditor may be willing to overlook it and extend credit. Ask potential creditors about their policy toward bankruptcies. Their responses may be surprising.

DIVORCE AND CREDIT

The credit and money-related problems that can accompany a divorce used to primarily affect women. However, many men are now confronting these issues because increasing numbers of women are pursuing successful careers and starting their own businesses. Some women are now their family's major wage earner. This economic clout means that in some households it is the wife rather than the husband whose income qualifies a couple for joint credit. It also means that a growing number of women have the opportunity to begin their own businesses. If their businesses fail, these women could create financial problems for their former spouses. No matter how happy your relationship, it is wise for both men and women to prepare themselves financially for the possibility of divorce.

In this chapter I address some of the problems both sexes are likely to face after divorce, discuss how best to deal with these problems and tell you what can be done to avoid them.

If you are contemplating divorce, it is important that you take certain steps before filing to help minimize any potential financial damage the change in marital status may cause, including:

- Make sure you have good credit separate from your spouse. If you do not, delay your divorce until you can get some credit and a bank account in your own name. For advice about building individual credit, read Chapter 7.

- Pay all mutually shared bills and credit card debts from joint funds. That way you do not risk the possibility of their becoming your own debt to be paid out of your own income once you divorce.
- If you already have either joint or individual credit, obtain a copy of your credit record from each of the big three and address any problems you may find.
- If some of the accounts in your credit file are joint accounts with negative histories, and if the adverse information is the fault of your soon-to-be-former spouse or the result of circumstances beyond your control, prepare a written explanation of the reason/s for the negative information, and ask the credit bureau to make this explanation a permanent part of your credit history. Doing so may help disassociate you from the account's problems. It is also a good idea to attach the same explanation to any credit applications you complete.

If you have a lawyer or a financial advisor you trust, talk with them about what you should do to prepare for the change in your marital status.

Should your spouse file for bankruptcy while you are in the process of divorce, it is likely that the divorce proceedings will be stopped until the bankruptcy is completed. During this time, talk with your lawyer about how to minimize the impact of your spouse's troubles on your financial situation.

Accounts

Creditors consider spouses with joint accounts to be equally liable for those accounts. Because of this, it is very important that you cancel all joint accounts as soon as possible. If you do not, you run the risk that you will be liable for making payments on account balances that your former spouse ran up and cannot pay. Furthermore, if your spouse is late making payments on joint accounts or defaults on those accounts, that adverse information will be reflected in your credit record as well as in your spouse's as long as those accounts are open. You may then be faced with having to rebuild your own once-good credit.

Close joint accounts by writing to each creditor and indicating that as of the date of your letter you will not be responsible for any charges your spouse might run up.

When you get ready to close your joint accounts, remember that if you want individual credit with the same creditors, they have the right to require that you reapply for the credit if your joint accounts were based on your spouse's income. If the accounts were based on your income, however, or if either of you could have qualified for the credit at the time of application you will probably not be required to reapply.

Avoid negotiating a divorce agreement that allows your spouse to maintain your joint accounts in exchange for paying off the outstanding balances on those accounts. Remember, as long as those joint accounts remain open-whether you use them or not you will be legally liable for them regardless of what your divorce agreement says.

Divorce

A spouse who divorces and does not have separate credit in his or her own name is in a very vulnerable position. If the joint accounts are kept open, the consumer risks becoming liable for an ex-spouse's debt. If all joint accounts are closed or if the consumer no longer is removed from an authorized user account, the consumer may be left without ready access to credit at a time when credit can be especially valuable. However, if you have your own credit identity separate from a former spouse, access to credit should be generally unaffected by a divorce-except in the case of joint account

problems. As was noted in the section on widowhood in Chapter 7, creditors cannot deny a consumer who shared accounts with a former spouse continued use of those accounts, nor can creditors change the terms of credit simply because of a change in marital status. Creditors can, however, require that you reapply for that credit if you would not have qualified for the credit on your own at the time application was first made. In marriages where there is a significant disparity in earnings between spouses and the spouse with the smaller income shared accounts with the other, the person making less money risks losing the credit.

If you reapply for credit once held jointly or apply for completely new credit, potential creditors cannot discount or refuse to consider non-job income such as child support and alimony. However, they do have the right to request that you prove the reliability of these sources of income and can deny a person credit if they judge the income sources to be unreliable. If you will be relying on non-job income to help you qualify for credit, it is a good idea to collect and save any documentation you may have that supports the reliability of that income. Such documentation might include: canceled checks, legal documents such as your divorce agreement, a notarized letter from your ex-spouse, bank deposit slips, etc.

In evaluating your credit-worthiness, creditors also must consider the credit history of a former spouse if you can demonstrate that your former spouse's history reflects your history too. If that credit history is positive and if you have no individual credit and never shared credit with your former spouse, you may want to use this provision to build your own credit record. However, as we indicated in Chapter 7, this is a long shot.

To demonstrate that a former spouse's history reflects yours, you may be able to provide copies of checks you wrote to pay on accounts, letters you may have written to creditors regarding accounts, etc. If you are on good terms, you @ may want to ask your former spouse to write a letter to the potential creditor on your behalf.

If you are a woman and take back your maiden name after a divorce, be certain to let your creditors know. Ask them to begin reporting accounting information to credit bureaus in your new name. Then wait a couple of months, and check your credit record again to make sure that your creditors are reporting correctly to credit bureaus.

Bankruptcy after Divorce

In today's economic times, it is not inconceivable for your former spouse to file for bankruptcy. Bankruptcy law may wipe out debt that your former spouse owes you as part of your divorce agreement, but it does not cancel alimony and child support obligations and does not wipe out tax debts. A bankruptcy can make it difficult for your former spouse to make payments, possibly pushing you into bankruptcy too.

Consumers living in community property states face additional problems. In those states, both parties in a marriage are jointly liable for any debts that were incurred during that marriage whether those debts were acquired individually or together. That means that if a former spouse, as part of a divorce agreement, promises to pay off all debt from a marriage and fails to live up to that agreement, creditors have the legal right to expect payment from the other party in the now dissolved marriage.

In such a situation, you have two basic options-pay off the debt and try to save your own credit history, or file for bankruptcy. If you want to pay off the debt, and if those financial obligations are sizable, it is advisable that you try to negotiate a payment schedule with each of your creditors.

To arrange a workable payment plan, contact each creditor directly-by letter, telephone or in person. Tell your creditors what your situation is. Explain that you would like to meet your obligations but your income is such that you will need to work out a schedule of mont that can afford.

If you do not feel comfortable initiating these negotiations, schedule an appointment with a counselor at the Consumer Credit Counseling (CCC) office nearest you. CCC counselors are professionals, have a lot of experience in creditor negotiations and are well respected by most creditors.

Do not opt for bankruptcy without giving it a lot of serious thought. A bankruptcy will remain on your credit record for up to ten years and will make it even more difficult for you to build a positive credit record. Before you make a decision regarding bankruptcy, talk with a CCC counselor so that you understand all the ramifications of that step, and make sure that all other options for dealing with your problem have been exhausted.

FEDERAL/STATE CREDIT LAWS

Federal Laws Concerning Credit

The Fair Credit Reporting Act (FCRA)

Guarantees your rights regarding your credit file. If you are turned down for credit due to a credit report, you can learn the information in it from the credit bureau at no cost. Otherwise, disclosure of the information in your file by a credit bureau involves a fee. While correct information cannot be changed, you have the right to dispute incorrect information in a credit report.

The Equal Credit Opportunity Act

Requires that credit grantors extend credit fairly and without considering race, color, religion, national origin, sex, marital status, or age (with certain exceptions). If you are turned down for credit you are entitled to the specific reasons for the creditor's action.

The Fair Credit Billing Act

Says that if you receive a billing that you feel is incorrect and you notify the creditor within 60 days, the creditor must either correct the bill or send you an explanation within 90 days.

The Truth in Lending Act

Requires credit grantors to tell you what using credit really costs (like interest rates, minimum monthly payment, etc.).

The Fair Debt Collection Practices Act

Prohibits harassment by debt collectors and requires that they verify for you the amount owed.

Your Liability for Fraudulent Credit Card/Debit Card/Cash Machine Card Charges Is limited under certain circumstances, but continues until you notify the card issuer of your cards' loss/theft.

Cease and Desist Letter

You can view this letter and others at

<http://CreditRepair.HealthCare4all.com/sampleletters.htm>

Arthur Ball
323 Elm St.
Hayfield, NY 12117

February 14, 1994

Attn: Mr. D. B. Smith
North American Collections Specialists
1313 Main Street, Suite 500
Hayfield, NY 12116

RE: Mastercard account #5419 1254 5778 9101

Dear Mr. Smith:
Greetings!

You are hereby notified under provisions of Public Laws 95-109 and 99361, also known as the Fair Debt Collection Practices Act, that your services are no longer desired.

1) You and your organization must CEASE & DESIST all attempts to collect the above debt. Failure to comply with this law will result in my immediately filing a complaint with the Federal Trade Commission and this state's Attorney General's office. I will pursue all criminal and civil claims against you and your company.

2) Let this letter also serve as your warning that I may utilize telephone recording devices in order to document any telephone conversations that we may have in the future.

3) Furthermore, if any negative information is placed on my credit bureau reports by your agency after receipt of this notice, this will cause me to file suit against you and your organization, both personally and corporately, to seek any and all legal remedies available to me by law.

Since it is my policy neither to recognize nor deal with collection agencies, I intend to settle this account with the original creditor.

Sincerely,
Arthur Ball
AB:lr

Bill of Rights

Trans Union Rights:

1. The right to know what is in your credit file and to receive a copy of that report with proper identification.
2. The right to receive credit file disclosures during normal business hours and on reasonable notice (1) in person. If you appear in person and furnish the proper identification, (2) by telephone. If you first make written request with proper identification and pay for any toll charges, or (3) by any other reasonable means

available to the credit reporting agency and authorized by you. For in person disclosure you may be accompanied by one other person of your choosing, although you may be required to furnish written permission for your credit file to be discussed in the other person's presence.

3. The right to receive a free credit report within 30 days (per the Fair Credit Reporting Act) of being denied credit or employment based on information in a Trans Union report . Trans Union's current policy provides for a free report within 60 days of denial.
4. The right to request re-verification of information in the file and to have it removed if inaccurate or unverifiable and to have those results sent to anyone who has received your credit report within the past year or two years, if for employment, if you so request.
5. The right to receive the results of the investigation of disputed information within five business days following the completion of the reinvestigation.
6. The right to have the credit reporting agency review all information you submit which is relevant to the disputed information.
7. The right to receive written notification within 5 business days from the credit reporting agency when information you disputed is deleted from your credit file because it could not be verified, but is subsequently found to be complete and accurate and is reinserted into your credit file.
8. The right to know who has received your credit report within the past six months or in the last two years, if for employment purposes.
9. The right to add a statement of 100 words or less to your Trans Union credit file to explain any disputed information.
10. The right to have your credit report only accessible to those entities with a permissible purpose.
11. The right to request the credit reporting agency to provide you with a description of the procedure used to determine the accuracy and completeness of the information disputed, including the name, business address, and telephone number of the person contacted during the reinvestigation.
12. The right to have adverse information removed after seven years (or the time period upheld by your state's legislation) from the date of delinquency charge off or placement to collection (including successfully completed chapter 13 bankruptcy) or after 10 years from the date of filing chapter 7, 11, 12 or 13 bankruptcy.
13. The right to have your name and address removed from any direct marketing solicitation which uses data from a credit reporting company.
14. The right to bring legal action against a credit reporting agency for the failure to comply with its obligations under the Fair Credit Reporting Act, if you do so within two years after the agency fails to comply. You have the right to recover an amount equal to actual damages sustained by you, as well as costs of the action plus attorney's fees.

CREDIT DICTIONARY

Accounts Receivable: credit extended by any person or company to another (normally unsecured) with usual repayment terms requiring a monthly payment to amortize the balance owed.

Amortize: To liquidate or reduce an amount owed through a series of payments.

ANI: See Automatic Number Identifier.

Attorney: A legal agent authorized to appear before a court of law as a representative of a party to a legal controversy.

Automatic Number Identifier: The ability of a company to identify an 800-number caller's name and address. Every time a consumer calls one of these toll-free 800

numbers, there is a record of that call; the debt collection community frequently uses this to locate a consumer's home or business location after they have gone underground. (Use pay phones!)

Bad Debt Expense: An accounting category reserved for debts deemed uncollectible.

Bankruptcy: A legal maneuver allowing consumers or businesses to discharge all debts and liabilities. The actions of most debt collection agencies force consumers into bankruptcy instead of settling outstanding accounts.

Blackmail: Any payment induced by or through modulation, by use of threats of injurious information or accusations. (A technique frequently used by unethical debt collection agencies.)

Bulletproofing: Insulating yourself from financial adversaries such as creditors, debt collectors, attorneys, etc. Simple techniques include obtaining an unlisted phone number and post office box to more advanced maneuvers such as use of family trusts, corporations, etc.

Cease-Commed: Term used, by the debt collection industry to describe the status of an account. When a consumer has cease-commed a debt collector this means that they have invoked federal law by sending a Cease & Desist letter via certified mail, forcing the debt collector to cease collection activity of that account.

Certified Mail: Specialized postal service technique utilized to track delivery and obtain proof of delivery of letters or packages.

Chapter 7: A consumer bankruptcy filing that liquidates all non-exempt assets to pay off creditors.

Chapter 12: Bankruptcy filing reserved for working ranches, farms, etc.

Chapter 13: A type of consumer bankruptcy filing that allows the consumer to pay off creditors within a specific time period, no longer than five years. Also referred to as a "wage earner" plan.

Chapter 20: Ploy used by some bankruptcy attorneys to delay a foreclosure of real property by filing a Chapter 13 petition, then quickly converting the filing to a Chapter 7.

Charge-off: A creditors action taken on an uncollectible account. Alternative term used: Written Off To Bad Debt Expense. This action normally results in negative information lines on a credit report that can stay for at least 7 years. (Also see uncollectible)

Class-action lawsuit: A legal action initiated by 3 or more parties against a defendant. Many suits in this category are initiated by state or federal attorneys.

Coercion: Exercising force to obtain compliance. A favorite technique employed by debt collectors and attorneys representing creditors.

Commission: A sum or percentage paid to a person for his successful completion of services.

Consumer Credit Counseling Service (CCCS): A nonprofit organization that sells itself to the American public as the last hope for consumers buried in debt. The reality is that they are actually debt collectors for the original creditors, a fact that seems to be routinely shuffled aside and not disclosed to the consumer.

Consumer literacy test: A test proposed by the author to be given to high school students to determine competency in basic consumer skills. These skills include how to open checking and savings accounts, how to balance a checkbook, how to create/follow a budget, how credit cards work, a brief understanding of insurance, etc.

Contingency basis: A fee paid to a third party for their involvement in either a legal proceeding or debt collection. This fee is normally paid only when a successful outcome to a legal proceeding or debt has been collected, either in part or in full.

Credit grantor: Companies or individuals that extend financing to consumers. A credit grantor can be a mortgage company willing to finance a house, a bank willing to finance an automobile, or a major national credit grantor willing to extend credit through the

issuance of a charge card such as Visa, MasterCard or Discover.

Credit manager: Individual that oversees the lending department in a bank, department store or other credit-granting entity. Many times this individual will work closely with the collections manager to develop collections strategies for past due/bad debts.

Credit record: National grading system filed by subject's name, birth date and social security number. Major companies providing these services include TRW, TransUnion and Equifax.

Credit repair manual: Derogatory term used by the credit reporting industry for any books that may show consumers the inside information about their industry.

Criss-cross: A directory, also known as a City Directory, that is frequently used by the debt collection community to find out information about a debtor's neighbors. One section lists households and businesses by street address; another lists all telephone numbers by exchange (in numerical order) and to whom each number is assigned. A powerful tool of information intimidation utilized to put fear into unwitting consumers.

Databases: Term used to describe the enormous pools of information managed by computers. Creditors and debt collectors will access national credit databases managed by companies like TRW, CSC/Equifax, TransUnion, etc.

Debtors' havens: Term that refers to states such as Texas and Florida which have liberal laws protecting debtors from creditors.

Deceptive forms: Another trick of the debt collector trade, these forms can take on a variety of intimidating looks-from threatening (but non-binding) documents that appear to have been issued by a court of law to demand letters that look like something issued by the IRS. Of course they're illegal ... you don't think that will stop the debt collectors from using them, do you?

Deed in lieu of foreclosure: Technique used with mixed results by consumers unable to continue making payments on their homes. Sometimes lenders will allow debtors to deed the property back to the lender instead of suffering through the embarrassment of a foreclosure sale on the courthouse steps.

Deep discount: When a creditor sells Accounts Receivable or Bad Debts at an amount normally less than 50% of the outstanding balance.- Many times these sales are made to companies that specialize in buying these types of "dead assets."

Defaulted student loans: Loan made to students to attend secondary educational institutions at low interest rates. These loans were guaranteed by the federal government as an inducement to banks to make these loans but as a result, were poorly researched before being made. Over \$13 billion of these loans exist and are now owned by the U.S. government. Revised laws now enable consumers to restructure these loans. Contact the Department of Education in Washington, DC.

Deferment: Contractually agreed-to period of time a borrower is allowed to suspend payment on a debt. Usually applies to student loans and suspends the accrual of interest or late fees on the outstanding loan balance.

Deposition: Sworn statement made in the presence of a court reporter (usually) as a result of questions posed by attorneys in court (or post judgment) action. These statements are normally made outside a court of law, but are fully admissible during trial and fully binding under perjury statutes.

Discharged: To relieve of obligation, responsibility, etc. Common term used in bankruptcy court to describe the process of eliminating debtor obligations.

Discounts: Selling Accounts Receivable or Bad Debts at an amount normally in excess of 5 1 % of the outstanding balance. Many times these sales are made to companies that specialize in buying these types of "dead assets."

Dispossession of property: Taking away property against the owner's wishes, normally as a result of non-payment.

Erroneous information: False, misleading or incorrect data. Frequently found in

consumer medical or credit files across America.

Exempt assets: Assets not at risk of being seized or forfeited as a result of legal action.

Financial management: Technique used to balance income vs. expenses. Responsible financial management usually results in an excess of monies available. (This style of managing finances has yet to be mastered by the United States Government.)

Flaky loans: Questionable loans made by banks in the 1980s such as student loans or land development loans. (see defaulted student loans)

Fraudulent activity: Transaction designed to swindle consumers or creditors, normally cheating these groups out of goods, services or assets. (see sign of the beast)

Freebie report: A copy of your credit report given to you at no charge for one of two reasons ... every consumer gets a free report from TRW just for asking and every consumer gets a free copy of their credit report if they have been declined credit.

Getting bulletproof: The process of insulating a person from lawsuits, garnishments, creditor intrusion and harassment. Popularized in Texas during the late 1980s ... now being utilized by consumers/business people in California and the East Coast.

Hired gun: The hiring of third party debt collectors or attorneys to emotionally pummel a consumer in hopes of collecting an overdue account.

Hot checks: Drafts on a bank account that will be or have been returned by the bank for insufficient funds to pay face amount of check issued.

IRS refund offset program: Effort initiated by the Department of Education to recover defaulted student loans by seizing the tax refunds of consumers with the assistance of the Internal Revenue Service.

Interrogatory: Sworn statement made in writing as a result of a list of questions/inquiries by attorneys in court (or post judgment) action

Intimidation: Inspiring or inducing fear (a favorite tactic of debt collection agencies).

Knee Breaker Collection Agency: Generic name used to describe a collection agency that may use techniques that are not endorsed by the American Collectors Association or deemed legal by the federal government under the Fair Debt Collections Practices Act. (see Vito)

Lawyers: (see Attorneys)

Leverage: A negotiating position of strength; something creditors may have, debt collectors never have, and consumers almost always have.

Mail drops: Companies like Mailboxes, Etc. and others who provide a valuable service to consumers wanting to distance themselves from intrusive individuals such as debt collectors. Allows a new mailing or street address to be instantly created by consumers trying to insulate their lives.

Medical bills: The number-one reason consumers have been filing for bankruptcy, medical bills many times can be appealed or I negotiated with the original provider. It is not uncommon to be grossly overcharged or mis-billed for medical services, so it's important for consumers to be aggressive when auditing these statements.

National Foundation For Consumer Credit: Parent organization for CCCS. (see Consumer Credit Counseling Service)

Negative information (or remarks): Statements or grades assigned on credit reports due to late payment, non-payment or default on debts owed to creditors. Bankruptcies and liens also show up under this category. Favorite point of leverage utilized by collection agencies attempting to passively blackmail consumers.

Nine-Digit Zip Code: Increasingly becoming a powerful tool for skiptracing, the 9-digit zip codes allow specific location (if a current address can be located) of a consumer, courtesy of the U.S. Post Office. (Another compelling reason to utilize post office boxes or mail drops.)

Non-dischargeable debt: Debt that cannot be eliminated through bankruptcy court. Some types of IRS debt, student loans and certain types of judgments fit into this category.

Old debt: Debt that has been charged off/written off by a creditor, normally referred to an outside "third party" collector. Old debts are usually those debts/accounts that have not had charge or payment activity for over 2 years and are the easiest to negotiate payment/removal from credit reports with creditors.

Open account: An account with a creditor that is still on the books and, in the opinion of the original creditor, collectible. These types of accounts usually are reported/updated to the credit bureaus and report late payments. They can be the most difficult to negotiate with a creditor.

Oxymoron: A term that contradicts itself, such as "jumbo shrimp" or "military intelligence" or "ethical debt collector" or "reasonable legal fees."

Paid As Agreed: Old term used on consumer credit bureau reports to describe an account that may have been renegotiated and/or settled for less than the full amount. Many creditors are now flagging these notations as negatives, so it's important that your creditor agrees to delete all information regarding a settled account, not just re-classify the account as "paid as agreed."

Paralegal: Vague title used (and abused) by many debt collectors to misstate level of power, prestige or might. Threats of lawsuits and jail time are frequently used by people espousing to be "paralegals".

Password: An identifying word or code that consumers may set up with the phone company and other service providers that allows only authorized individuals access to information concerning an account. Unprotected accounts are frequent targets by the debt collection community in order to obtain additional information about a consumer.

Positive identification: A means to identify without a doubt the identity of a consumer wishing to obtain a copy of their credit file. A check and balance designed to keep unauthorized people from gaining access to your information.

Postdated check: A check with a date in the future, a technique utilized to connate a person to make payment after the date written on the check. (Something a consumer should never, ever give to a debt collector.)

Profit & Loss Statement: A valuable accounting function that shows a reconciliation of all gross income and expenses to offset the same, arriving at a net profit (or loss) figure.

Prospective creditor: A credit grantor that has not yet agreed to loan/lend monies for the purchase of a home or automobile, or through the issuance of a credit card.

Public records: Another terrific source of information tapped into on a regular basis by the debt collection community, in an attempt to gain insight into a debtor's activities or current location. Favorite records to be studied by the debt collectors: Divorce records, property records, tax information and motor vehicle records.

Red ink: Term used to describe losses sustained by any financial entity. When individual consumers drown in red ink they may end up filing for bankruptcy; when the U.S. government engages in this financial activity it holds another treasury note or bond auction.

Regulatory agencies: Any agency empowered by either local, state or federal authorities to enforce civil laws, such as the Federal Trade Commission.

Reply card tracer: Used by Postal Service to track down return receipts that never returned to verify delivery of parcel.

Re-prioritize: The resetting, of priorities in one's life, usually due to a dramatic change in circumstances. Sometimes a necessary first step toward solving one's financial problems.

Return receipts: When a letter is sent by Certified Mail, this receipt (green card for domestic mails/pink card for international) give the sender a record of who actually received/signed for letter or package sent.

Revolving charge card (or credit line): Commonly issued by major department stores and major banks, it requires a monthly payment sufficient to amortize the outstanding balance. Example: If consumers pay only the minimum balance on a \$10,000 credit card

and do not use the card for any additional purchases, it will take over 25 years to amortize/pay off the debt.

Risk free: A concept used in lending to describe the risk vs. return of certain types of consumer/business loans. Also refers to overdraft protection checking accounts at the House of Representatives bank in the 1980s.

Roll over: What many consumers do when dealing with credit bureaus or collection agencies, giving up without a fight. Also used to describe the apathy displayed by most Americans when asked about their input in the law making/enforcement process or budgetary responsibility of congress.

Scam: Fraudulent plan or scheme designed to separate a consumer from their money without delivering on promised goods, services (training) or value.

Scoring system: A tool used by prospective lenders to grade the credit-worthiness of a potential borrower.

Secured creditor: Creditor whose financial position is secured by real property, such as a bank or finance company with a lien on an automobile or a mortgage company secured by the house they financed. In the event of default the secured creditor can repossess or foreclose on the property they financed, greatly reducing their chance of total loss exposure.

Secured credit card: A major national credit card (normally Visa or MasterCard) that has a credit limit secured by a cash deposit placed with the issuing bank by the cardholders. A positive recovery step for consumers who have gotten into credit problems but need a credit card in order to get a hotel room, a rental car or other business/travel-related activities.

Sign of the beast: A reference to Satan in a passage from the Revelations chapter of the Bible; also used as a derogatory term describing debt collectors and some attorneys.

Skip and skiptracing: Technique used by creditors and collection agencies to find consumers that are suddenly difficult to locate (skips). No magic here, just instant access to enormous databases containing a variety of information that, in most cases, will lead the debt collectors to your new front door.

Snake oil: A negative term used normally by an individual to discredit another. Refers to selling or promoting something that falsely claims inflated results or expectations. (A favorite term of the American Collectors Association, a trade group representing debt collectors across the U.S.)

Social security number: A nine-digit number issued by the Health and Human Services Administration to identify Americans for future social security benefits. This number has evolved into the years as a national identifier for Americans, a serial number now used for referencing credit information files, military and school records, etc.

Telephone recording device: A \$20 device sold by national electronic retailer Radio Shack that allows consumers to tape telephone conversations for later review. A great equalizer when being harassed by a debt collector who thinks he's above the law.

Tele-terrorist: Term coined by this author to describe today's debt collectors who use the telephone or telefax to threaten, intimidate or coerce consumers into making (more) poor financial decisions.

Third-party debt collector: Collection agency or attorney engaged in the business of collecting debts that they did not originate. Usually taking these accounts on a contingency basis, the majority of these collection agencies work on a commission basis. The Fair Debt Collection Practices Act specifically regulates the activities of this type of collection agent.

Threats: An indication or warning of probable trouble, often illegally used by debt collectors. (see debt collectors or Vito)

Time-Value of money: A concept used by a large number of groups involved in money and finance. When relating to the debt collection business, it's an accepted fact that the

longer an account goes without payment or reduced payments, the lower the chances of collecting the entire amount.

Trial by fire: Term used by individuals, often average consumers, who have acquired "street smarts" by dealing directly with their financial problems. These individuals frequently include graduates from the "school of hard knocks."

Uncollectible: Term used by creditors to describe an account that has gone past a certain period of time without payment, usually at least 6-9 months.

Underground: Another term commonly used for someone who has dropped out of sight or "skipped." Usually the result of incessant threats and phone calls from unethical debt collectors.

Unscrupulous tactics: Any number of techniques used by debt collectors in order to collect money on overdue accounts from unsuspecting consumers.

Unsecured creditor: Creditor who has no collateral covering their financial exposure. Almost all credit or charge cards fit into this category. The weakest position to be in during tough financial times, unsecured creditors are the largest employers of third-party debt collectors.

Vito: Name used to describe any individual in the debt collection industry who may use techniques that are not endorsed by the American Collectors Association or deemed legal by the federal government under the Fair Debt Collections Practices Act.

Vocational school: Non-traditional institution of higher learning designed to train students in job skills as opposed to educational degree plans in specific areas of study.

Vocational schools can graduate students in 6- to 24-month course studies as opposed to 48 months in traditional colleges/university programs. This type of school is coming under increasing scrutiny by the Department of Education.

Wage-earner plan: Alternate term used to describe a Chapter 13 bankruptcy. This plan allows consumers to pay off creditors over a period not to exceed five years.

SKIPTRACING - (TRACKING DEBTORS)

The debt collector is very good at using all the information at their disposal to intimidate you. These intimidation techniques generate collections, and in turn big commissions, to the debt collector. Skiptracing is the term used to track down debtors who have dropped out of sight or have unlisted their phone number and become difficult to communicate with. The debt collection industry classifies these "skips," placing them into one of four categories:

Unintentional skips

Skips resulting from marital difficulties

Intentional skips

Skips with criminal intent

The "skips with criminal intent" are a very small percentage. Most people go "underground" for one of the other three reasons, and I'd like to add a fifth category. How about skips afraid of the size of the medical bills they're buried under? Let's not forget, medical bills have become the #1 reason Americans have been filing for bankruptcy in recent years.

Here are some facts that collection agencies don't want you to know, courtesy of that seminar I attended a few years ago:

- 1) One out of every five people move to a new address every year.
- 2) Up to 50% of all accounts collected by collection agencies require some form of

skiptracing.

3) Skiptracing helps reduce/decrease bad debt losses.

4) Skiptracing helps the collection agency:

- a) Locate the debtor in hopes of collecting.
- b) Determine if the debtor is able to pay up.
- c) Determine if other creditors are pursuing the same debtor.
- d) Determine what the debtor's paying habits are.
- e) Determine the stability of the debtor's employment.

5) Here's the magic question: Should the creditor or debt collector pursue the skip? These are a few guidelines they follow in making that decision:

- a) Use good judgment (sometimes a rare commodity in this profession) and follow all state and federal laws.
- b) Virtually every debtor can be located with sufficient time and expenditure of money.
- c) Creditors must limit the amount of time and money spent in order to keep skiptracing costs in line with the size of the debt.
- d) Keep potential recovery in mind.
- e) Skiptrace in order to locate someone who will pay the account, not just to gather information.

Re-read items 5 c-e! These are extremely important points of the collection equation to remember. Creditors and debt collectors are NOT going to throw good money after bad. These people are not going to waste their time chasing and harassing someone if they think their chance of recovery is slim to none. Their time is money, too!

How They Found You?

Computers have sure made the debt collector's job easier, and made them more effective. But even with the assistance of computers and massive consumer data bases, the typical debt collector has a predictable pattern they follow to track down "skips. "

Here are the techniques the debt collection community uses to find anyone and everyone.

Location Information:

- a) The debtor's last place of residence.
- b) The last telephone number at that place of residence.
- c) The debtor's last place of employment.

Information To Be Developed/Co D On Steps

- a) The debtor's name, including the correct and complete spelling of the debtor's full name, middle initial, junior or senior, etc.
- b) The debtor's correct address, including correct street name, number and zip code (9-digit preferred).
- c) The debtor's previous address.
- d) The debtor's place of employment, including their occupation (remember, debtors usually stay within their trade or occupation).
- e) Debtors who are members of trade unions, schoolteachers, nurses, etc. are relatively easy to find if you can figure out where they may have moved to.
- f) Obtain information about debtor's position, length of employment, earnings, usual

paydays, etc.

- g) If you are dealing with a former employer, quiz them in order to obtain any references or find out if anyone else has made any inquiries since the debtor has left. Posing as a friend from "back home," high school or college is an effective ruse, as is posing as a relative.
- h) Find out if the debtor rents, leases or owns property.
- i) If the debtor does own any real estate, check public records (courthouse or tax rolls) for the name of the mortgagor.
- j) Once you find out the mortgagor, you may be able to find out by contacting them directly who carries the insurance on the property-another potential wealth of information and leads.
- k) If the debtor rents, find out the landlord or property, management company's name, address and telephone number on-site property managers will talk in many cases.
- l) Check to see if debtor owns an automobile or motorcycle through department of motor vehicle records. Obtain name, address and telephone number of company that financed or currently has a lien on the automobile.
- n) Get out the crisscross directory. Former neighbors are usually a pretty good source of information. See next category for line of questioning.
- o) Current neighbors: A terrific source of information! When does the debtor go to work? What time do they come home? What type of car do they drive? Can you get a license number? Do you know what they do for a living? Do they have any kids? Have you ever talked with them? What did they have to say?

Skiptracing By Mail

- a) Remember, a debt collection agency may not send correspondence through the mail that indicates the sender is a debt collector.
- b) The Post Office will search their records and give you the new address, if one exists, for \$1.00.
- c) The Post Office is also a pretty good source of information to get additional data on the debtor (if they rented) by tracing the 9-digit zip code. These 9 digit zips can supply more specific data that can be used for further tracing.
- d) Try mailing an empty envelope (with your return mailing address) to the last known address with the notation in the bottom right-hand corner "POSTMASTER: FORWARDING AND ADDRESS CORRECTION REQUESTED If there is a forwarding address the post office will send this information to you for (currently) a \$50 fee.
- e) "RETURN TO SENDER" is your first sign of trouble and indicates your debtor is probably a skip.
- f) Carefully examine all returned mail that is undeliverable for clues.
- g) "NOT HERE" is a typical Post Office wording that indicates the debtor is no longer there.
- h) "NOT THERE" is not normally used by the Post Office and indicates it was probably written by someone still at that address.
- i) "MOVED-NO FORWARDING ADDRESS" indicates the debtor is probably a true skip.
- j) "FORWARDING ORDER EXPIRED" indicates the time limit for forwarding has run out (you may get lucky and check with the post office and get a copy of the forwarding order).
- k) "CERTIFIED MAIL/RETURN RECEIPT REQUESTED" is useful when you need confirmation of a piece of mail being delivered and also to verify who signed for it.
- l) "RESTRICTED DELIVERY" assures that the target debtor receives the mail. This is a premium service and costs extra.

- m) "FORWARD" will show the target debtor's new address if on file and will show the return item from the post office.
- n) "RETURN TO SENDER IF NOT DELIVERED ON FIRST ATTEMPT" is used if you are trying to keep from tipping your hand that you are searching for the target debtor. Without this instruction, your target will be able to claim the letter at the post office and will know that you're looking for them. In addition, you still would not have a certified address.

Skiptracing By Telephone

- a) Making telephone contact is the most effective, fastest and cheapest method.
- b) Use good timing when contacting your informants in order to gain their maximum cooperation. Don't forget the time, place and type of person you are attempting to contact.
- c) Avoid calling early in the morning, when your informant is trying to get kids to school and themselves to work, or at dinnertime.
- d) Always leave a phone number (preferably toll-free) for informants to call you back.
- e) Identify your informant. Always know who you are talking to and verify their name and address.
- f) Identify yourself, stating only your name. Don't identify your employer, unless they specifically ask you to do so. If informant asks you to identify your employer, simply state the name of the original creditor (not your Collection Agency name).
- g) Tell your informant you need their help. Be courteous and friendly. Try to build a rapport with your informant immediately ... this will encourage them to respond.
- h) Under the Fair Debt Collection Practices Act (Public Law 95-109) you can only contact your target debtor at their place of residence, their place of employment or the telephone number you have on record.
- i) Use psychology on your informant. Silently wait for them to make the next move. Wait for them to respond. Be patient.
- j) Listen closely for information and leads. Analyze everything the informant says to you since they may give you leads to other sources of information.
- k) Analyze the informant's attitude. Be alert for inadvertent clues and listen closely for inconsistencies.
- l) Question your informant. Your questions may help turn up more information than the informant realizes they know. Limit your questions to acquisition of location information. Be sure to phrase all of your questions in a positive manner. Sound confident that you have the right information, even though you may be attempting to bluff information out of your informant.
- m) Be prepared for any questions your prospective informant may have for you. You should try to structure all of your answers with a combination answer and counter-question of your own. This counter-question will usually prevent the informant from asking you any additional questions. If the informant should ask, tell them that you need to contact the debtor about a business matter.
- n) Close your call. As soon as you have all of the information you want or all you think you can get from this particular informant, end the call.
- o) Don't allow time for the informant to ask you too many questions. Take your information and end the call.

Additional Sources Of Information

- a) Old and new telephone directories.
- b) Criss-cross directories. One section lists households and businesses by street name and number; another section lists all telephone numbers by exchange and lists to whom that number is assigned.

c) City directories. Information obtained by direct canvassing of the city by mail, phone and sometimes even personal contacts. Most residents of the city are included, even those with unlisted phone numbers. City directories are usually divided into four sections:

Business and professional firms

Names of residents and businesses listed alphabetically

Listing of households and businesses by street name

Telephone numbers (in numerical order) followed by the names and addresses of the person(s) or business(es) to whom the telephones are listed

Who Do You Contact?

a) Go back through all/old files on debtor.

b) Contact former or current neighbors.

c) Contact former or current friends.

d) Contact relatives.

e) Former employers.

f) Apartment managers or landlords.

g) Local stores, service stations, barber/beauty shops, restaurants or bars the debtor may have frequented.

h) Social services agencies.

I) Schools, alumni associations, PFAS, etc.

TELE-TERRORISTS

Don't ever allow tele-terrorists to bully you. The only way debt collectors that routinely break federal laws in the name of getting you to pay your bills are going to be stopped is by people like you putting your foot down.

There's nothing to be ashamed of, everyone has either experienced money problems themselves or known someone close to them who has. Whatever your situation may be, it's not going to shock your state Attorney General's office. It's not going to unnerve your regional Federal Trade Commission officials. They've seen it all and heard it all before.

They also know that consumers forced to endure these unscrupulous tactics at the hands of debt collectors are ashamed to admit to anyone, especially a stranger, that they're having financial difficulties ... and this pride keeps them from notifying the proper authorities.

They know how to scare you into doing what's best for them, not you. They know how to use the phone as a weapon. Some will insinuate, others will be much more bold. Threats of the sheriff showing up at your door. Threats of arrest at your place of employment. Threats of getting the courts to turn over custody of your children, since obviously you can't handle responsibility.

These people recover money for their clients using whatever trick in the book that works for them. I'm not making this up. I've talked to thousands of consumers who have shared their horror stories with me.

But here's the good news: They can't do anything to you. They can't do anything more than, at the very worst, get a judgment against you. If they have security (like an automobile or home loan) they can always repossess the item you financed. In most

states the creditor will be able to garnish your wages. But let's face it, you can't get blood out of a turnip. If you can't pay them, you can't pay them. It's costly to go to court. It's costly to get an attorney to jump through all of the hoops to garnish your paycheck. If you're self-employed, it's going to be tough for them to get you to garnish yourself. If you're in commission sales, it's just as difficult.

You should avoid letting it get to this stage at all costs. Take the debt collector out of the picture early and go back and deal with the original creditor.

Greed Drives The Collector

The debt collection industry thrives on greed. With revenues approaching \$80 billion, it's no wonder that the debt collectors around the nation are so aggressive.

Since most creditors assign their overdue accounts to debt collectors on a contingency basis, all it costs the debt collector is the time to call up debtors and scare the money out of them. A contingency basis means that the collector promises to collect on a "best efforts" basis. The creditor doesn't owe anything to the collector unless the collector collects. The collector doesn't earn any commission unless they are successful in collecting the debt. Therein lies the incentive . . . the more the debt collector collects, the more money they make.)

For this example we'll assume that your account is assigned to one of Vito's top debt collectors, a person by the name of Richard Head. Mr. Head has plenty of incentive to collect the account for Rody's Department Store ... about 250 reasons. If you were to repay the \$1,000 to Mr. Head at Vito's Collection Agency, this is how the money would be split:

\$500 given to Rody's Department Store (original creditor)

\$250 kept by Vito's Collection Agency

\$250 given to Richard Head, Debt Collection Agent

If consumers across America fail to speak up and voice their displeasure with the system, we are all sentenced to suffer in a segment of society that's not only broken, but being looted by a bunch of punks that hide behind the telephones and doors of the debt collection industry.

You've got no excuse for not writing if your rights as a consumer are being violated. Federal Trade Commission offices are listed in the INFOBOOK. For your convenience, it also furnishes a sample complaint letter to the FTC. Use the same letter format to complain to your state's attorney general.

More importantly, follow up when you receive the FTC's standard complaint form. Follow up, document your complaint and push them to the point of resolution. Or maybe not ... give it to a friend or relative.

"I'm Sorry, The Number You Have Dialed Is No Longer In Service "

The telephone. The greatest invention ever created in the eyes of the debt collectors across the country. The tool of location. The tool of interrogation. The tool of intimidation. The tool of tele-terrorists.

Why some people continue to answer their phone when they're heading towards difficult financial times never ceases to amaze me. This inanimate device that allows the debt collector into your home at any hour of the day or night is so easy to control.

STEP ONE: Change the number. I know it's obvious, but sometimes those are the things that elude all of us. Change the number immediately. Call the phone company and tell them you've been receiving obscene or harassing phone calls and you need the number changed at once.

STEP TWO: Before you hang up on your protectors of privacy at the phone company, tell them that you need the new number to be UN-listed and NON-published. Instruct them that you want your address to be UN-listed and NON-published as well.

STEP THREE: At the same time, be sure to give them your new mailing address.

STEP FOUR: Request a "password" on your account. Anyone calling in to the phone company posing as you or your spouse must know the password or they will not get information.

Don't forget: the debt collectors will call those people on your credit applications first, usually your family and friends, and weasel your new phone number out of them. Some are successful because they're great liars ... others are assisted by friends or family members that are either not clued in to what's going on or are, shall we say, "mentally challenged" in the area of common sense. Don't give those people a chance to break through your safety shield. Give them the voice mail number.

INFO TIP: If you should return a phone call to a creditor or debt collector, saving money and calling them back on their toll-free "800 number," beware! Any company that has an "800 number" and is in the business of collecting debts may frequently utilize a little-known fact about these numbers. Every time you call in to a toll-free number the phone company providing the service can provide their subscriber with an "ANI" listing. "ANI" stands for "Automatic Number Identifier," a technical way of saying that every time you call in on an "800 number" the party on the receiving end instantly (in many cases) knows the telephone number from which you're calling. American Express used to use this service extensively, in the name of high-tech customer service. An American Express cardholder would call in from their home and the operator who answered would say: "Good evening, Mr. Dover! What can we do for you this evening?"

Don't think your friendly debt collector would ever hesitate in using the same technology to find your new "unlisted" phone number. Be smart if you want to save money and communicate with your creditors. Use a pay phone. Hotel lobbies always have quiet areas where you can make your calls safely.

WOMEN AND CREDIT

To avoid credit problems, it is imperative that all women educate themselves about credit and money management and establish and maintain their own credit, separate from their husbands. This means that single women with an established credit history should maintain their separate credit identity if they decide to marry. Similarly, already married women who share their husbands' credit should build a credit file in their own names with as few ties as possible to their husbands' credit.

Women often have difficulty developing their own credit histories, and have some of the special credit-related issues commonly faced by women and talk about how best to deal with those issues.

Opportunity Act

When building your own credit, it is important to know about the federal Equal Credit Opportunity Act (ECOA). Enacted in 1974, the ECOA was written to help ensure that among other things women are not denied access to credit simply because of their **Women Have Problems with Credit**.

Women Who Have Problems with Credit

Without a credit identity of their own, women who experience marital status changes are likely to have problems with credit. Credit-related problems tend to be the result of a number of factors including:

- The role women traditionally played in the American economy, their tendency to take their husbands' names and their reliance on their husbands to handle money matters, such as credit applications, loans, etc.
- The general lack of knowledge regarding credit reporting and how credit information is reported to credit bureaus.
- A lack of understanding on the part of both men and women regarding the importance of a woman having a credit history completely separate from that of her husband.

In the past, most women did not work outside the home, and consumer credit was acquired and maintained in the name of a woman's husband rather than in her name or in both of their names. Although many women helped manage their household's finances—and in some cases even helped pay for their family's use of credit—most never developed their own credit identities. These women were financial nonentities in the eyes of creditors and the credit reporting industry.

Today, increasing numbers of women have moved into the workplace, and two income households are the norm rather than the exception. Also, the federal Equal Credit Opportunity Act, explained in detail later, now makes it easier for women to obtain credit.

Despite these important changes, many women, like consumers in general, remain relatively uninformed about credit, credit bureaus and the credit reporting process. Women also tend not to understand the critical importance of having credit in their own names, and consequently, they do not.

However, in a society where many women delay marriage to establish their careers and wives tend to outlive their husbands, women cannot afford to remain financially naive and vulnerable. Women need to know how to manage their own money and credit whether they are single, married, widowed or divorced. If married, women specifically need to actively participate in the management of their family's finances and maintain or develop their own credit identities.

Women's Account User Status Designations

An important but often overlooked part of credit education is understanding the meaning of common account user status designations and why some user status designations are better for building credit than others. This knowledge is invaluable to the woman who wants to build a credit history in her own name.

Account user status designations indicate to creditors and potential creditors who can use an account and the degree to which each user is legally responsible for managing the account and making payments. Generally, the person who can use an account and the person who has payment responsibility are established at the time credit is applied for.

Many women do not understand that being listed as an authorized user on their husbands accounts does little to build their own credit identity. Nor do they understand that if all of their accounts are joint accounts-shared with their husbands-these women risk losing that credit if they become separated, divorced or widowed.

Different account designations convey different messages about a user's responsibility for an account. Therefore, various designations will be of greater or lesser help to the woman who is trying to establish her own credit identity.

The most common account user designations and their effects on a woman's credit building efforts are summarized below.

- **Authorized User Status.** A woman who is listed as an authorized user on her husband's account has permission to use the account but has no legal responsibility for it. In other words, authorized user status indicates that a woman is relying on her spouse's earnings power to pay the account. Accounts with this status are of minimal value to women who want to establish their own credit identities.
- **Joint User Status.** If a woman has joint user status on an account, she and her husband can both use the account-and they legally share equal responsibility for account payments. Because there is shared responsibility, joint user accounts can help women build their own credit histories. However, joint user accounts also link a woman's credit history to her husbands. This means that if a woman's husband abuses a joint credit account, the adverse account information will appear in her credit history as well as his.
- **Individual.** If a woman's accounts are designated as individual, she has sole responsibility for payments and is the only person authorized to use the account. Women with individual accounts qualified for that credit without their husbands. Individual accounts place women in the strongest financial position if their marital status changes, since individual accounts do not link her use of credit or her ability to obtain credit to her spouse's income and credit history.

Property States

It is important for women living in a community property state to realize that they will not necessarily enjoy the benefits of separate credit and will be less able to insulate themselves from any money troubles that their husbands or former husbands may have.

Community property states are:

- a Arizona
- a California
- a Idaho
- a Louisiana
- a Nevada
- a New Mexico
- a Texas
- a Washington
- a Wisconsin

The Commonwealth of Puerto Rico also has community property laws.

In these states, husbands and wives are viewed as economic partners, and the earnings and property of each spouse are considered to be jointly held and controlled. Therefore, a husband and wife are equally liable for one another's debt, and credit grantors may take legal action against a wife's property to collect a debt her spouse incurs and does not pay and vice versa.

When a woman applies for credit in her own name in a community property state, the creditor may ask her marital status and request information about her husband-if he is going to be contractually liable for a debt or if she is relying on his income to help make the payments. However, if half of a woman's community property and income qualifies her for the credit she's applying for, her husband does not have to cosign even though the creditor still has the right to collect information about him.

If a woman living in a community property state posts property that is jointly owned by her husband and herself as collateral, a creditor may require that her husband sign on the note on the mortgage or deed of trust even if the woman will be solely responsible for repayment. However, a woman's husband cannot be required to cosign the bank note unless he is going to be specifically obligated to help repay the debt.

Separate States

Most states are separate property states where the credit history of a woman's husband is irrelevant to her request for credit since by law she alone is responsible for making payments on any debt she incurs in her name. In these states, a husband is not required to cosign a credit application, and creditors are barred from asking about a woman's marital status.

Exceptions do apply when property is involved. When a woman wants to finance the purchase of property in her own name and she posts collateral, the creditor may require that her spouse cosign the note. (The same would hold true if the husband purchased property in his own name.) By having the spouse cosign, the creditor is ensuring that the property can be taken back and sold to recover its costs if one spouse defaults. A creditor also may require that a spouse sign a security agreement or a quit claim deed so that it can repossess the property should the owner spouse default.

For specific information about marital property rights in your state, contact the office of your state's attorney general or your state's office of consumer affairs.

Women's Individual Credit

Having good individual credit provides women several important benefits both in and out of marriage. First, if a woman's husband experiences financial difficulty and has trouble paying his bills or if he is a poor money manager and doesn't make account payments on time, her good credit will remain unblemished although his may be damaged. This would not be the case if the woman and her husband shared the accounts he was not paying on a timely basis.

Second, a woman with her own credit is better able to maximize her family's financial options and opportunities. This ability can be especially important if a woman's spouse gets into financial trouble, loses his job or becomes seriously ill and has to stop working. In such situations, a woman with her own credit will be able to provide her family with greater alternatives for dealing with difficult financial problems.

Third, as discussed earlier, women with their own credit identities will be better able to create a positive life for themselves after separation, divorce or widowhood.

When building credit, your ultimate goal should be to obtain individual credit in your own name. Joint credit should be kept to an absolute minimum. Realistically, however, if you have little or no individual credit to start with, you initially may need to apply for joint credit with your husband as a means of building your file and then, once a good payment history is established on those accounts, use them to get individual credit. However, this approach should be pursued only if you feel absolutely confident that your husband will not abuse the credit, thereby damaging your credit history and his at

the same time. Shared credit should be viewed only as a means to an end-individual credit.

Women's Credit and Money Management

There are a number of ways that women can educate themselves about money matters. This can include taking courses at a local community college or university, contacting the area Consumer Credit Counseling office to find out if they offer any courses in money management and understanding credit and reading books and magazines on these subjects.

Another educational resource is the American Association of Retired Persons (AARP) that sponsors the Women's Financial Information Program (WFIP), a seven-week program specifically designed for middle-aged and older women. WFIP teaches money management skills and helps women develop the confidence to make decisions about money matters. The WFIP is offered through local groups like YMCAs and community colleges. For more information, write AARP at 601 E St., N.W., Washington, DC 20049, or call the association at (202) 434-2277. A banker, the family's financial advisor and/or a CPA also may be able to advise women about sources of basic information about credit and money management.

A Women's Own Credit History #1

There is no simple, surefire way to develop a credit history for yourself. However, the approach outlined in this section is an excellent way to begin. It starts with the easiest-to-get forms of credit and builds to types of credit that are more difficult to obtain.

Before you begin the credit-building process, make sure that any assets owned by you and your husband are listed in both of your names. Such assets might include: property, cars, boats, stock, bank accounts, etc. These assets should be listed every time you apply for credit.

You also should request a copy of both your credit files and your husband's credit files from each of the big three credit bureaus before you begin to apply for credit. This way you will know which-if any credit reporting agencies are maintaining a credit file on you and what is in those files. When you receive the credit reports, review them carefully for accuracy.

If you have a credit file in your own name and you need to use joint accounts to help build your history, make sure those accounts are a part of your credit record, assuming that they have a good payment history. Also, make sure that any credit you had in your maiden name or in another town is a part of your credit record. If you find that certain accounts are missing write to the credit bureau and ask that they add the information. Most will do so, although they may charge a small fee.

Once you have reviewed your credit records and those of your husband and dealt with any problems that they may contain, it is time to initiate the credit-building process. If you have little or no credit, the best approach is to obtain a small cash-secured loan from your bank. This is an important first step. If your marital situation changes and you need to borrow money, you will already have a positive relationship established with a lender.

Schedule an appointment with a loan officer, and explain what you want to accomplish. If the first bank you talk with is unwilling to work with you, go to another bank. When you find a bank that is willing to work with you, open a checking account or a savings account in your own name at that bank.

The bank you are working with will make you either an unsecured or a secured loan. It may ask that you secure the loan with an asset, or it may want to make a cash-secured loan. If it makes you a cash-secured loan, the bank will probably ask that you put the loan proceeds in a certificate of deposit at the bank. In other words, you will not have the use of the loan money. This is all right, however, since the purpose of the loan is to build a strong credit history in your own name, not to purchase things. If you default on the loan, the certificate of deposit or the asset you have posted as collateral allows the bank to recover its losses.

If the bank tells you that you will need a co-signatory to get a loan, do not ask your husband to cosign. Ask a close friend or relative.

Once you have paid off your loan, request a copy of your credit record to make sure that it reflects your loan payments. If it does not, ask your loan officer to report the payment history.

Depending on your situation, you may now be ready to obtain a credit card in your own name. Or you may need to apply to your bank for a second, unsecured loan or for a loan without a co-signatory.

If you apply for a credit card, begin by applying for credit that is relatively easy to obtain. This type of credit includes retail store charge cards and oil and gas cards. Charge a small amount, and make your payments on time.

After you have demonstrated that you can manage this new credit, apply for a national bankcard. Having one can help make other forms of credit more available to you. If your own bank offers a bankcard and if its terms are competitive, apply for it.

If you are unable to obtain a national bankcard, apply for a secured bankcard. These cards are designed for people who want a bankcard but cannot qualify for an unsecured MasterCard or Visa. You may be able to use your secured bankcard as a stepping stone to an unsecured bankcard if you demonstrate that you are able to use your secured credit wisely and if you make all account payments on time.

If you are approved for a secured card, you will be required to collateralize your credit purchases by either opening a savings account with the issuing bank or purchasing a CD from it. Then if you default on your payments, the card issuer can withdraw money from your account-or cash in your CD-to pay your account balance.

When shopping for a secured bankcard, there are several factors you should consider. These factors include the amount of deposit you will be required to put up and what rate of interest you will be earning on that money; what your credit line will be as a percentage of your deposit; whether or not you can convert your secured card to an unsecured card, assuming a positive payment history; and the amount of any application or processing fees.

For an up-to-date list of banks offering secured and/or unsecured bankcards and the terms of those cards, contact Bankcard Holders of America at (800) 638-6407.

If you already have some credit in your name, or if you and your husband have some longstanding, well-performing joint credit accounts, you may shorten the credit-building

process. This is especially true if you have a well-paying, relatively secure job.

If you have a credit file in your own name and you need to use joint accounts to help build your history, make sure those accounts are a part of your credit record, assuming that they have a good payment history. Also, make sure that any credit you had in your maiden name or in another town is a part of your credit record. If you find that certain accounts are missing, write to the credit bureau and ask that they add the information. Most will do so, although they may charge a small fee.

Once you have reviewed your credit records and those of your husband and dealt with any problems that they may contain, it is time to initiate the credit-building process. If you have little or no credit, the best approach is to obtain a small cash-secured loan from your bank. This is an important first step. If your marital situation changes and you need to borrow money, you will already have a positive relationship established with a lender.

Schedule an appointment with a loan officer, and explain what you want to accomplish. If the first bank you talk with is unwilling to work with you, go to another bank. When you find a bank that is willing to work with you, open a checking account or a savings account in your own name at that bank.

The bank you are working with will make you either an unsecured or a secured loan. It may ask that you secure the loan with an asset, or it may want to make a cash-secured loan. If it makes you a cash-secured loan, the bank will probably ask that you put the loan proceeds in a certificate of deposit at the bank. In other words, you will not have the use of the loan money. This is all right, however, since the purpose of the loan is to build a strong credit history in your own name, not to purchase things. If you default on the loan, the certificate of deposit or the asset you have posted as collateral allows the bank to recover its losses.

A Women's Own Credit History #2

If the bank tells you that you will need a cosigner to get a loan, do not ask your husband to cosign. Ask a close friend or relative.

Once you have paid off your loan, request a copy of your credit record to make sure that it reflects your loan payments. If it does not, ask your loan officer to report the payment history.

Depending on your situation, you may now be ready to obtain a credit card in your own name. Or you may need to apply to your bank for a second, unsecured loan or for a loan without a cosigner.

If you have a credit file in your own name and you need to use joint accounts to help build your history, make sure those accounts are a part of your credit record, assuming that they have a good payment history. Also, make sure that any credit you had in your maiden name or in another town is a part of your credit record. If you find that certain accounts are missing, write to the credit bureau and ask that they add the information. Most will do so, although they may charge a small fee.

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If you apply for a credit card, begin by applying for credit that is relatively easy to obtain. This type of credit includes retail store charge cards and oil and gas cards. Charge a small amount, and make your payments on time.

After you have demonstrated that you can manage this new credit, apply for a national bankcard. Having one can help make other forms of credit more available to you. If your own bank offers a bankcard and if its terms are competitive, apply for it.

If your husband (or wife) is ill and death is on the horizon, it is important that you prepare fiscally for widowhood. This preparation includes building a credit history for yourself; correcting problems in your credit file, if you already have one established (do the same for your husband's credit file); preparing written explanations for any adverse information in your credit record that is the result of events beyond your control-your husband's financial troubles or his mismanagement of money-and talking with a trusted financial advisor.

Generally, dealing with this situation is a judgment call; there are many women who continue to use their husbands credit cards long after their spouses have died. Doing so also can cause women to delay establishing credit in their own names. This can cause women trouble later on if they wish to buy a new car, a smaller home, go back to school or do some remodeling etc. This should be a special consideration for younger widows who may still have several decades of life to live.

When you apply for credit after your husband's death (and during any credit reapplication process), potential creditors cannot discount or ignore income such as

annuities, pensions, social security payments, disability payments, etc. However, they are allowed to evaluate the reliability of these payments when making their credit-granting decisions.

If at the time of your husband's death you have little or no credit history of your own, it is essential that you do what you can to build one. As you begin the credit-building process, don't forget that the ECOA says that when you apply for credit the creditor must consider information in your husband's file if you can prove that his credit history reflects yours. Although this is a long shot, it may be worth the effort depending upon your particular credit situation.

Once your husband dies, any bank accounts that you held jointly with a right of survivorship will go directly to you and will not be tied up in the probate process. The same holds true for life insurance benefits. To receive these monies, however, you will need to file a claim, and it could take as long as six weeks after filing before you actually see the money. This is another reason why it is a good idea to have your own credit and your own bank account since you may need ready and adequate access to cash and possibly credit immediately after your husband's death.

If your husband dies and leaves debt, it will depend on the type of debt whether or not you will have to pay it. Most debt you will not have to pay. However, if a debt is a shared obligation and there is not enough money in your husband's estate to pay it in full, you may have to take care of that debt using the money from the bank accounts and insurance proceeds, etc. that were not a part of the probate process. You also will be obligated to take care of any debt secured with property.

The rules governing a widow's obligations for her dead husband's debts are different in community property states. Check with your attorney.

Once again, the problems described above illustrate why it is important to keep joint credit to an absolute minimum and to avoid it completely if possible. Having at least some individual credit will maximize the number of options you will have for dealing with money matters after your husband's death.

If widowhood happens suddenly and you have not been able to prepare yourself credit-wise, you will face a number of financial obstacles that may impede your ability to build a happy and satisfying life for yourself on your own. Without a credit history of your own, you may find yourself without access to ready credit. Also, if you were an authorized user on your husband's accounts, those accounts can be canceled by his creditors. In addition, a creditor has the right to request that you reapply for credit on joint accounts if an account was based on your spouse's income. If a joint account was based on your income, however, or if either of you could have qualified for the credit at the time of application, you will probably not be required to reapply.

To postpone dealing with a loss of credit right away, you often can delay reporting your husband's death to his creditors. Use this time to get your financial situation in order. It is not always advisable to delay reporting your husband's death for an extended period of time. In some instances, if the creditors somehow learn about your husband's death before you have told them, the information may prejudice them in the reapplication process.

CONSUMER HANDBOOK TO CREDIT PROTECTION LAWS

Board of Governors of the Federal Reserve System

Introduction

The Consumer Credit Protection Act of 1968--which launched Truth in Lending--was a landmark piece of legislation. For the first time, creditors had to state the cost of borrowing in a common language so that you--the customer--could figure out exactly what the charges would be, compare costs, and shop around for the credit deal best for you.

Since 1968, credit protections have multiplied rapidly. The concepts of "fair" and "equal" credit have been written into laws that outlaw unfair discrimination in credit transactions; require that consumers be told the reason when credit is denied; let borrowers find out about their credit records; and set up a way to settle billing disputes.

Each law was meant to reduce the problems and confusion surrounding consumer credit which, as it became more widely used in our economy, also grew more complex. Together, these laws set a standard for how individuals are to be treated in their financial dealings.

The laws say, for instance:

- a that you cannot be turned down for a credit card just because you're a single woman;
- a that you can limit your risk if a credit card is lost or stolen;
- a that you can straighten out errors in your monthly bill without damage to your credit rating; and
- a that you won't find credit shut off just because you've reached the age of 65.

But, let the buyer be aware! It is important to know your fights and how to use them. This handbook explains how the consumer credit laws can help you shop for credit, apply for it, keep up your credit standing, and--if need be--complain about an unfair deal. It explains what you should look for when using credit and what creditors look for before extending it. It also points out the laws' solutions to discriminatory practices that have made it difficult for women and minorities to get credit in the past.

The Cost Of Credit

Shopping is the First Step

You get credit by promising to pay in the future for something you receive in the present.

Credit is a convenience. It lets you charge a meal on your credit card, pay for an appliance on the installment plan, take out a loan to buy a house, or pay for schooling or vacations. With credit, you can enjoy your purchase while you're paying for it--or you can make a purchase when you're lacking ready cash.

But there are strings attached to credit too. It usually costs something. And of course what is borrowed must be paid back.

If you are thinking of borrowing or opening a credit account, your first step should be to figure out how much it will cost you and whether you can afford it. Then you should shop around for the best terms.

What Laws Apply?

Two laws help you compare costs:

TRUTH IN LENDING requires creditors to give you certain basic information about the cost of buying on credit or taking out a loan. These "disclosures" can help you shop around for the best deal.

CONSUMER LEASING disclosures can help you compare the cost and terms of one lease with another and with the cost and terms of buying for cash or on credit.

The Finance Charge and Annual Percentage Rate (APR)

Credit costs vary. By remembering two terms, you can compare credit prices from different sources. Under Truth in Lending, the creditor must tell you--in writing and before you sign any agreement--the finance charge and the annual percentage rate.

The finance charge is the total dollar amount you pay to use credit. It includes interest costs, and other costs, such as service charges and some credit--related insurance premiums.

For example, borrowing \$100 for a year might cost you \$10 in interest. If there were also a service charge of \$1, the finance charge would be \$11.

The annual percentage rate (APR) is the percentage cost (or relative cost) of credit on a yearly basis. This is your key to comparing costs, regardless of the amount of credit or how long you have to repay it:

Again, suppose you borrow \$100 for one year and pay a finance charge of \$10. If you can keep the entire \$100 for the whole year and then pay back \$110 at the end of the year, you are paying an APR of 10 percent.

But, if you repay the \$100 and finance charge (a total of \$110) in twelve equal monthly installments, you don't really get to use \$100 for the whole year. In fact, you get to use less and less of that \$100 each month. In this case, the \$10 charge for credit amounts to an APR of 18 percent.

All creditors--banks, stores, car dealers, credit card companies, finance companies--must state the cost of their credit in terms of the finance charge and the APR. Federal law does not set interest rates or other credit charges. But it does require their disclosure so that you can compare credit costs. The law says these two pieces of information must be shown to you before you sign a credit contract or before you use a credit card.

A Comparison

Even when you understand the terms a creditor is offering, it's easy to underestimate the difference in dollars that different terms can make. Suppose you're buying a \$7,500 car. You put \$1,500 down, and need to borrow \$6,000.

How do these choices stack up? The answer depends partly on what you need.

The lowest cost loan is available from Creditor A.

If you were looking for lower monthly payments, you could get them by paying the loan off over a longer period of time. However, you would have to pay more in total costs. A loan from Creditor B--also at a 14 percent APR, but for four years--will add about \$488 to your finance charge.

If that four-year loan were available only from Creditor C, the APR of 15 percent would add another \$145 or so to your finance charges as compared with Creditor B.

Other terms--such as the size of the down payment--will also make a difference. Be sure to look at all the terms before you make your choice.

Cost of Open-end Credit

Open-end credit includes bank and department store credit cards, gasoline company cards, home equity lines, and check overdraft accounts that let you write checks for more than your actual balance with the bank. Open-end credit can be used again and again, generally until you reach a certain prearranged borrowing limit. Truth in Lending requires that open-end creditors tell you the terms of the credit plan so that you can shop and compare the costs involved.

When you're shopping for an open-end plan, the APR you're told represents only the periodic rate that you will be charged--figured on a yearly basis. (For instance, a creditor that charges 1% percent interest each month would quote you an APR of 18 percent.) Annual membership fees, transaction charges, and points, for example, are listed separately; they are not included in the APR. Keep this in mind and compare all the costs involved in the plans, not just the APR.

Creditors must tell you when finance charges begin on your account, so you know how much time you have to pay your bill before a finance charge is added. Creditors may give you a 25-day grace period, for example, to pay your balance in full before making you pay a finance charge.

Creditors also must tell you the method they use to figure the balance on which you pay a finance charge; the interest rate they charge is applied to this balance to come up with the finance charge. Creditors use a number of different methods to arrive at the balance. Study them carefully; they can significantly affect your finance charge.

Some creditors, for instance, take the amount you owed at the beginning of the billing cycle, and subtract any payments you made during that cycle. Purchases are not counted. This is called the adjusted balance method.

Another is the previous balance method. Creditors simply use the amount owed at the beginning of the billing cycle to come up with the finance charge.

Under one of the most common methods--the average daily balance method--creditors add your balances for each day in the billing cycle and then divide that total by the number of days in the cycle. Payments made during the cycle are subtracted in arriving at the daily amounts, and, depending on the plan, new purchases may or may not be included. Under another method--the two-cycle average daily balance method--creditors use the average daily balances for two billing cycles to compute your finance charge. Again, payments will be taken into account in figuring the balances, but new purchases may or may not be included.

Be aware that the amount of the finance charge may vary considerably depending on the method used, even for the same pattern of purchases and payments.

If you receive a credit card offer or an application, the creditor must give you information about the APR and other important terms of the plan at that time. Likewise, with a home equity plan, information must be given to you with an application.

Truth in Lending does not set the rates or tell the creditor how to calculate finance charges--it only requires that the creditor tell you the method that it uses. You should ask for an explanation of any terms you don't understand.

Leasing Costs and Terms

Leasing gives you temporary use of property in return for periodic payments. It has

become a popular alternative to buying--under certain circumstances. For instance, you might consider leasing furniture for an apartment you'll use only for a year. The Consumer Leasing law requires leasing companies to give you the facts about the costs and terms of their contracts, to help you decide whether leasing is a good idea.

The law applies to personal property leased to you for more than four months for personal, family, or household use. It covers, for example, long-term rentals of cars, furniture, and appliances, but not daily car rentals or leases for apartments.

Before you agree to a lease, the leasing company must give you a written statement of costs, including the amount of any security deposit, the amount of your monthly payments, and the amount you must pay for licensing, registration, taxes, and maintenance.

The company must also give you a written statement about terms, including any insurance you need, any guarantees, information about who is responsible for servicing the property, any standards for its wear and tear, and whether or not you have an option to buy the property.

Open-end Leases and Balloon Payments

Your costs will depend on whether you choose an open-end lease or a closed-end lease. Open-end leases usually mean lower monthly payments than closed-end leases, but you may owe a large extra payment--often called a balloon payment--based on the value of the property when you return it.

Suppose you lease a car under a three-year open-end lease. The leasing company estimates the car will be worth \$4,000 after three years of normal use. If you bring back the car in a condition that makes it worth only \$3,500, you may owe a balloon payment of \$500.

The leasing company must tell you whether you may owe a balloon payment and how it will be calculated. You should also know that:

- a you have the right to an independent appraisal of the property's worth at the end of the lease. You must pay the appraiser's fee, however.
- a a balloon payment is usually limited to no more than three times the average monthly payment. If your monthly payment is \$ 200, your balloon payment wouldn't be more than \$600--unless, for example, the property has received more than average wear and tear (for instance, if you drove a car more than average mileage).

Closed-end leases usually have higher monthly payment than open-end leases, but there is no balloon payment at the end of the lease.

Costs of Settlement on a House

A house is probably the single largest credit purchase for most consumers--and one of the most complicated. The Real Estate Settlement Procedures Act, like Truth in Lending, is a disclosure law. The Act, administered by the Department of Housing and Urban Development, requires the lender to give you, in advance, certain information about the costs you will pay when you close the loan.

This event is called settlement or closing, and the law helps you shop for lower settlement costs.

To find out more about it, write to:

Deputy Assistant Secretary for Housing Attention:
 RESPA Enforcement U.S. Department of Housing and Urban Development
 451 Seventh Street, S.W. Room 5241
 Washington, D.C. 20410
 (202) 708-4560

A Federal Reserve pamphlet, entitled "A Consumer's Guide to Mortgage Closing Costs," also contains useful information for consumers.

Applying For Credit

Discrimination

When you're ready to apply for credit, you should know what creditors think is important in deciding whether you're creditworthy. You should also know what they cannot legally consider in their decisions.

What Law Applies?

EQUAL CREDIT OPPORTUNITY ACT requires that all credit applicants be considered on the basis of their actual qualifications for credit and not be turned away because of certain personal characteristics.

What Creditors Look For

The Three C's. Creditors look for an ability to repay debt and a willingness to do so--and sometimes for a little extra security to protect their loans. They speak of the three C's of credit-capacity, character, and collateral.

Capacity. Can you repay the debt? Creditors ask for employment information: your occupation, how long you've worked, and how much you earn. They also want to know your expenses: how many dependents you have, whether you pay alimony or child support, and the amount of your other obligations.

Character. Will you repay the debt? Creditors will look at your credit history (see chapter on Credit Histories and Records): how much you owe, how often you borrow, whether you pay bills on time, and whether you live within your means. They also look for signs of stability: how long you've lived at your present address, whether you own or rent, and length of your present employment.

Collateral. Is the creditor fully protected if you fail to repay? Creditors want to know what you may have that could be used to back up or secure your loan, and what sources you have for repaying debt other than income, such as savings, investments, or property.

Creditors use different combinations of these facts in reaching their decisions. Some set unusually high standards and other simply do not make certain kinds of loans. Creditors also use different kinds of rating systems. Some rely strictly on their own instinct and experience.

Others use a "credit-scoring" or statistical system to predict whether you're a good credit risk. They assign a certain number of points to each of the various characteristics that have proved to be reliable signs that a borrower will repay. Then, they rate you on this scale.

And so, different creditors may reach different conclusions based on the same set of facts. One may find you an acceptable risk, while another may deny you a loan.

Information the Creditor Can't Use

The Equal Credit Opportunity Act does not guarantee that you will get credit. You must still pass the creditor's tests of creditworthiness. But the creditor must apply these tests fairly, impartially, and without discriminating against you on any of the following grounds: age, gender, marital status, race, color, religion, national origin, because you receive public income such as veterans benefits, welfare or Social Security, or because you exercise your rights under Federal credit laws such as filing a billing error notice with a creditor. This means that a creditor may not use any of those grounds as a reason to:

- a discourage you from applying for a loan;
- a refuse you a loan if you qualify; or
- a lend you money on terms different from those granted another person with similar income, expenses, credit history, and collateral.

Special Rules

Age. In the past, many older persons have complained about being denied credit just because they were over a certain age. Or when they retired, they often found their credit suddenly cut off or reduced. So the law is very specific about how a person's age may be used in credit decisions.

A creditor may ask your age, but if you're old enough to sign a binding contract (usually 18 or 21 years old depending on state law), a creditor may not:

- a turn you down or offer you less credit just because of your age;
- a ignore your retirement income in rating your application;
- a close your credit account or require you to reapply for it just because you reach a certain age or retire; or
- a deny you credit or close your account because credit life insurance or other credit-related insurance is not available to persons your age.

Creditors may "score" your age in a credit scoring system, but:

- a if you are 62 or older you must be given at least as many points for age as any person under 62.

Because individuals' financial situations can change at different ages, the law lets creditors consider certain information related to age--such as how long until you retire or how long your income will continue. An older applicant might not qualify for a large loan with a 5 percent down payment on a risky venture, but might qualify for a smaller loan--with a bigger down payment--secured by good collateral. Remember that while declining income may be a handicap if you are older, you can usually offer a solid credit history to your advantage. The creditor has to look at all the facts and apply the usual standards of creditworthiness to your particular situation.

Public Assistance. You may not be denied credit just because you receive Social Security or public assistance (such as Aid to Families with Dependent Children). But--as is the case with age--certain information related to this source of income could clearly affect creditworthiness.

So, a creditor may consider such things as:

- a how old your dependents are (because you may lose benefits when they reach a certain age); or
- a whether you will continue to meet the residency requirements for receiving benefits.

This information helps the creditor determine the likelihood that your public assistance income will continue.

Housing Loans. The Equal Credit Opportunity Act covers your application for a mortgage or home improvement loan. It bans discrimination because of such characteristics as your race, color, gender, or because of the race or national origin of the people in the neighborhood where you live or want to buy your home. Nor may creditors use any appraisal of the value of the property that considers the race of the people in the neighborhood.

In addition, you are entitled to receive a copy of an appraisal report that you paid for in connection with an application for credit, if you make a written request for the report.

Discrimination Against Women

Both men and women are protected from discrimination based on gender or marital status. But many of the law's provisions were designed to stop particular abuses that generally made it difficult for women to get credit. For example, the idea that single women ignore their debts when they marry, or that a woman's income "doesn't count" because she'll leave work to have children, now is unlawful in credit transactions.

The general rule is that you may not be denied credit just because you are a woman, or just because you are married, single, widowed, divorced, or separated. Here are some important protections:

Gender and Marital Status. Usually, creditors may not ask your gender on an application form (one exception is on a loan to buy or build a home).

You do not have to use Miss, Mrs., or Ms. with your name on a credit application. But, in some cases, a creditor may ask whether you are married, unmarried, or separated (unmarried includes single, divorced, and widowed).

Child-bearing Plans. Creditors may not ask about your birth control practices or whether you plan to have children, and they may not assume anything about those plans.

Income and Alimony. The creditor must count all of your income, even income from part-time employment.

Child support and alimony payments are a primary source of income for many women. You don't have to disclose these kinds of income, but if you do creditors must count them.

Telephones. Creditors may not consider whether you have a telephone listing in your name because this would discriminate against many married women. (You may be asked if there's a telephone in your home.)

A creditor may consider whether income is steady and reliable, so be prepared to show that you can count on uninterrupted income--particularly if the source is alimony payments or part-time wages.

Your Own Accounts. Many married women used to be turned down when they asked for credit in their own name. Or, a husband had to cosign an account--agree to pay if the wife didn't--even when a woman's own income could easily repay the loan. Single women couldn't get loans because they were thought to be somehow less reliable than other applicants. You now have a fight to your own credit, based on your own credit records and earnings. Your own credit means a separate account or loan in your own name--not a joint account with your husband or a duplicate card on his account. Here are the rules:

- a Creditors may not refuse to open an account just because of your gender or marital status.
- a You can choose to use your first name and maiden name (Mary Smith); your first name and husband's last name (Mary Jones); or a combined last name (Mary Smith-Jones).
- a If you're creditworthy, a creditor may not ask your husband to cosign your account, with certain exceptions when property rights are involved.
- a Creditors may not ask for information about your husband or ex-husband when you apply for your own credit based on your own income--unless that income is alimony, child support, or separate maintenance payments from your spouse or former spouse.

This last rule, of course, does not apply if your husband is going to use your account or be responsible for paying your debts on the account, or if you live in a community property state. (Community property states are: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin.)

Change in Marital Status. Married women have sometimes faced severe hardships when cut off from credit after their husbands died. Single women have had accounts closed when they married, and married women have had accounts closed after a divorce. The law says that creditors may not make you reapply for credit just because you marry or become widowed or divorced. Nor may they close your account or change the terms of your account on these grounds. There must be some sign that your creditworthiness has changed. For example, creditors may ask you to reapply if you relied on your ex-husband's income to get credit in the first place.

Setting up your own account protects you by giving you your own history of how you handle debt, to rely on if your financial situation changes because you are widowed or divorced. If you're getting married and plan to take your husband's surname, write to your creditors and tell them if you want to keep a separate account.

If You're Turned Down

Remember, your gender or race may not be used to discourage you from applying for a loan. And creditors may not hold up or otherwise delay your application on those grounds. Under the Equal Credit Opportunity Act, you must be notified within 30 days after your application has been completed whether your loan has been approved or not. If credit is denied, this notice must be in writing and it must explain the specific reasons why you were denied credit or tell you of your right to ask for an explanation. You have the same rights if an account you have had is closed.

If you are denied credit, be sure to find out why. Remember, you may have to ask the creditors for this explanation. It may be that the creditor thinks you have requested more money than you can repay on your income. It may be that you have not been employed or lived long enough in the community. You can discuss terms with the creditor and ways to improve your creditworthiness. The next chapter explains how to improve your ability to get credit.

If you think you have been discriminated against, cite the law to the lender. If the lender still says no without a satisfactory explanation, you may contact a Federal enforcement agency for assistance or bring legal action as described in the last chapter of this handbook.

Credit Histories And Records

Building Up a Good Record

On your first attempt to get credit, you may face a common frustration: sometimes it seems you have to already have credit to get credit. Some creditors will look only at your salary and job and the other financial information you put on your application. But most also want to know about your track record in handling credit--how reliably you've repaid past debts. They turn to the records kept by credit bureaus or credit reporting agencies whose business is to collect and store information about borrowers that is routinely supplied by many lenders. These records include the amount of credit you have received and how faithfully you've paid it back.

Here are several ways you can begin to build up a good credit history:

- a Open a checking account or a savings account, or both. These do not begin your credit file, but may be checked as evidence that you have money and know how to manage it. Cancelled checks can be used to show you pay utility bills or rent regularly, a sign of reliability.
- a Apply for a department store credit card. Repaying credit card bills on time is a plus in credit histories.
- a Ask whether you may deposit funds with a financial institution to serve as collateral for a credit card; some institutions will issue a credit card with a credit limit usually no greater than the amount on deposit.
- a If you're new in town, write for a summary of any credit record kept by a credit bureau in your former town. (Ask the bank or department store in your old hometown for the name of the agency it reports to.)
- a If you don't qualify on the basis of your own credit standing, offer to have someone cosign your application.
- a If you're turned down, find out why and try to clear up any misunderstandings.

What Laws Apply?

The following laws can help you start your credit history and keep your record accurate: THE EQUAL CREDIT OPPORTUNITY ACT gives women a way to start their own credit history and identity.

THE FAIR CREDIT REPORTING ACT sets up a procedure for correcting mistakes on your credit record.

Credit Histories for Women

Under the Equal Credit Opportunity Act, reports to credit bureaus must be made in the names of both husband and wife if both use an account or are responsible for repaying the debt. Some women who are divorced or widowed might not have separate credit histories because in the past credit accounts were listed in their husband's name only. But they can still benefit from this record. Under the Equal Credit Opportunity Act, creditors must consider the credit history of accounts women have held jointly with their husbands. Creditors must also look at the record of any account held only in the husband's name if a woman can show it also reflects her own creditworthiness. If the record is unfavorable--if an ex-husband was a bad credit risk--she can try to show that the record does not reflect her own reputation. Remember that a wife may also open her own account to be sure of starting her own credit history.

Here's an example:

Mary Jones, when married to John Jones, always paid their credit card bills on time and from their joint checking account. But the card was issued in John's name, and the credit

bureau kept all records in John's name. Now Mary is a widow and wants to take out a new card, but she's told she has no credit history. To benefit from the good credit record already on the books in John's name, Mary should point out that she handled all accounts properly when she was married and that bills were paid by checks from their joint checking account.

Keeping Up Credit Records

Mistakes on your credit record--sometimes mistaken identities--can cloud your credit future. Your credit rating is important, so be sure credit bureau records are complete and accurate.

The Fair Credit Reporting Act says that you must be told what's in your credit file and have any errors corrected.

Negative Information. If a lender refuses you credit because of unfavorable information in your credit report, you have a right to the name and address of the agency that keeps your report. Then, you may either request information from the credit bureau by mail or in person. You will not get an exact copy of the file, but you will at least learn what's in the report. The law also says that the credit bureau must help you interpret the data--because it's raw data that takes experience to analyze. If you're questioning a credit refusal made within the past 30 days, the bureau is not allowed to charge a fee for giving you information.

Any error that you find must be investigated by the credit bureau with the creditor who supplied the data. The bureau will remove from your credit file any errors the creditor admits are there. If you disagree with the findings, you can file a short statement in your record giving your side of the story. Future reports to creditors must include this statement or a summary of it.

Old Information. Sometimes credit information is too old to give a good picture of your financial reputation. There is a limit on how long certain kinds of information may be kept in your file:

- a Bankruptcies must be taken off your credit history after 10 years.
- a Suits and judgments, tax liens, arrest records, and most other kinds of unfavorable information must be dropped after 7 years.

Your credit record may not be given to anyone who does not have a legitimate business need for it. Stores to which you are applying for credit or prospective employers may examine your record; curious neighbors may not.

Billing Mistakes. In the next chapter, you will find the steps to take if there's an error on your bill. By following these steps, you can protect your credit rating.

Other Aspects Of Using Credit

The best way to keep up your credit standing is to repay all debts on time. But there may be complications. To protect your credit rating, you should learn how to correct mistakes and misunderstandings that can tangle up your credit accounts.

When there's a snag, first try to deal directly with the creditor. The credit laws can help you settle your complaints without a hassle.

What Laws Apply?

FAIR CREDIT BILLING ACT sets up procedures requiring creditors to promptly correct billing mistakes; allowing you to withhold payments on defective goods; and requiring creditors to promptly credit your payments.

IN LENDING gives you three days to change your mind about certain credit transactions that use your home as collateral; it also limits your risk on lost or stolen credit cards.

Billing Errors

Month after month John Jones was billed for a lawn mower he never ordered and never got. Finally, he tore up his bill and mailed back the pieces--just to try to explain things to a person instead of a computer.

There's a more effective, easier way to straighten out these errors. The Fair Credit Billing Act requires creditors to correct errors promptly and without damage to your credit rating.

A Case of Error. The law defines a billing error as any charge:

- a for something you didn't buy or for a purchase made by someone not authorized to use your account;
- a that is not properly identified on your bill or is for an amount different from the actual purchase price or was entered on a date different from the purchase date; or
- a for something that you did not accept on delivery or that was not delivered according to agreement.

Billing errors also include:

- a errors in arithmetic;
- a failure to show a payment or other credit to your account;
- a failure to mail the bill to your current address, if you told the creditor about an address change at least 20 days before the end of the billing period; or
- a a questionable item, or an item for which you need more information.

In Case of Error: If you think your bill is wrong, or want more information about it, follow these steps:

1. Notify the creditor in writing within 60 days after the first bill was mailed that showed the error. Be sure to write to the address the creditor lists for billing inquiries and to tell the creditor:

- a your name and account number;
- a that you believe the bill contains an error and why you believe it is wrong; and
- a the date and suspected amount of the error or the item you want explained.

2. Pay all parts of the bill that are not in dispute. But, while waiting for an answer, you do not have to pay the amount in question (the "disputed amount") or any minimum payments or finance charges that apply to it.

The creditor must acknowledge your letter within 30 days, unless the problem can be resolved within that time. Within two billing periods--but in no case longer than 90 days--either your account must be corrected or you must be told why the creditor believes the bill is correct.

If the creditor made a mistake, you do not pay any finance charges on the disputed amount. Your account must be corrected, and you must be sent an explanation of any amount you still owe.

If no error is found, the creditor must send you an explanation of the reasons for that finding and promptly send a statement of what you owe, which may include any finance charges that have accumulated and any minimum payments you missed while you were questioning the bill. You then have the time usually given on your type of account to pay

any balance, but not less than 10 days.

3. If you still are not satisfied, you should notify the creditor in writing within the time allowed to pay your bill.

Maintaining Your Credit Rating. A creditor may not threaten your credit rating while you're resolving a billing dispute.

Once you have written about a possible error, a creditor must not give out information to other creditors or credit bureaus that would hurt your credit reputation. And, until your complaint is answered, the creditor also may not take any action to collect the disputed amount.

After the creditor has explained the bill, if you do not pay in the time allowed, you may be reported as delinquent on the amount in dispute and the creditor may take action to collect. Even so, you can still disagree in writing. Then the creditor must report that you have challenged your bill and give you the name and address of each person who has received information about your account. When the matter is settled, the creditor must report the outcome to each person who has received information. Remember that you may also place your own side of the story in your credit record.

Defective Goods or Services

Your new sofa arrives with only three legs. You try to return it; no luck. You ask the merchant to repair or replace it; still no luck. The Fair Credit Billing Act allows you to withhold payment on any damaged or poor quality goods or services purchased with a credit card, as long as you have made a real attempt to solve the problem with the merchant.

This right may be limited if the card was a bank or travel and entertainment card or any card not issued by the store where you made your purchase. In such cases, the sale:

- a must have been for more than \$50; and
- a must have taken place in your home state or within 100 miles of your home address.

Prompt Credit for Payments and Refunds for Credit Balances

Some creditors will not charge a finance charge if you pay your account within a certain period of time. In this case, it is especially important that you get your bills, and get credit for paying them, promptly. Check your statements to make sure your creditor follows these rules:

Billing. Look at the date on the postmark. If your account is one on which no finance or other charge is added before a certain due date, then creditors must mail their statements at least 14 days before payment is due.

Crediting. Look at the payment date entered on the statement. Creditors must credit payments on the day they arrive, as long as you pay according to payment instructions. This means, for example, sending your payment to the address listed on the bill.

Credit Balances. If a credit balance results on your account (for example, because you pay more than the amount you owe, or you return a purchase and the purchase price is credited to your account), the creditor must make a refund to you. The refund must be made within seven business days after your written request, or automatically if the credit balance is still in existence after six months.

Canceling a Mortgage

Truth in Lending gives you a chance to change your mind on one important kind of transaction--when you use your home as security for a credit transaction. For example, when you are financing a major repair or remodeling and use your home as security, you have three business days, usually after you sign a contract, to think about the transaction

and to cancel it if you wish. The creditor must give you written notice of your right to cancel, and, if you decide to cancel, you must notify the creditor in writing within the three-day period. The creditor must then return all fees paid and cancel the security interest in your home. No contractor may start work on your home, and no lender may pay you or the contractor until the three days are up. If you must have the credit immediately to meet a financial emergency, you may give up your right to cancel by providing a written explanation of the circumstances.

The right to cancel (or right of rescission) was provided to protect you against hasty decisions--or decisions made under pressure--that might put your home at risk if you are unable to repay the loan. The law does not apply to a mortgage to finance the purchase of your home; for that, you commit yourself as soon as you sign the mortgage contract. And, if you use your home to secure an open-end credit line--a home equity line, for instance--you have the right to cancel when you open the account or when your security interest or credit limit is increased. (In the case of an increase, only the increase would be cancelled.)

Lost or Stolen Credit Cards

If your wallet is stolen, your greatest cost may be inconvenience, because your liability on lost or stolen cards is limited under Truth in Lending.

You do not have to pay for any unauthorized charges made after you notify the card company of loss or theft of your card. So keep a list of your credit card numbers and notify card issuers immediately if your card is lost or stolen. The most you will have to pay for unauthorized charges is \$50 on each card--even if someone runs up several hundred dollars worth of charges before you report a card missing.

Unsolicited Cards

It is illegal for card issuers to send you a credit card unless you ask for or agree to receive one. However, a card issuer may send, without your request, a new card to replace an expiring one.

Electronic Fund Transfers

Instant Money

On his way home last Friday night, John Jones realized he had no cash for the weekend. The bank was closed, but John had his bank debit card and the code to use it. He inserted the card into an automated teller machine outside the front door of the bank; then, using a number keyboard, he entered his code and pressed the buttons for a withdrawal of \$50. John's cash was dispensed automatically from the machine, and his bank account was electronically debited for the \$50 cash withdrawal.

John's debit card is just one way to use electronic fund transfer (EFT) systems that allow payment between parties by substituting an electronic signal for cash or checks.

Are we heading for a check-less society? Probably not. But a dent in the number of paper checks in the country's banking system--or a reduction in the rate at which that number has been growing--is clearly one advantage to electronic banking.

Today, the cost of moving checks through the banking system is estimated to be approximately 80 cents per check, including the costs of paper, printing, and mailing. Moreover, checks--except your own check presented at your own bank--take time to cash: time for delivery, endorsement, presentation to another person's bank, and winding through various stations in the check clearing system. Technology now can lower the costs of the payment mechanism and make it more efficient and convenient by reducing paperwork.

EFT in Operation

The national payment mechanism moves money between accounts in a fast, paperless way. These are some examples of EFT systems in operation:

Teller Machines (ATMs). Consumers can do their banking without the assistance of a teller, as John Jones did to get cash, or to make deposits, pay bills, or transfer funds from one account to another electronically. These machines are used with a debit or EFT card and a code, which is often called a personal identification number or "PIN."

(POS) Transactions. Some EFT cards can be used when shopping to allow the transfer of funds from the consumer's account to the merchant's. To pay for a purchase, the consumer presents an EFT card instead of a check or cash. Money is taken out of the consumer's account and put into the merchant's account electronically.

Preauthorized Transfers. This is a method of automatically depositing to or withdrawing funds from an individual's account, when the account holder authorizes the bank or a third party (such as an employer) to do so. For example, consumers can authorize direct electronic deposit of wages, Social Security or dividend payments to their accounts. Or, they can authorize financial institutions to make regular, ongoing payments of insurance, mortgage, utility or other bills.

Telephone Transfers. Consumers can transfer funds from one account to another--from savings to checking, for example--or can order payment of specific bills by phone.

What Law Applies?

THE ELECTRONIC FUND TRANSFER ACT gives consumers answers to several basic questions about using EFT services.

A check is a piece of paper with information that authorizes a bank to withdraw a certain amount of money from one person's account and pay that amount to another person.

Most consumer questions center on the fact that EFT systems transmit the information without the paper. Thus, they ask:

- a What record--what evidence--will I have of my transactions?
- a How easily will I be able to correct errors?
- a What if someone steals money from my account?
- a What about solicitations?
- a Do I have to use EFT services?

Here are the answers the EFT Act gives to consumer questions about these systems.

What Record Will I Have of My Transactions?

A cancelled check is permanent proof that a payment has been made. Is proof of payment available with EFT services?

The answer is yes. If you use an ATM to withdraw money or make deposits, or a point-of-sale terminal to pay for a purchase, you can get a written receipt--much like the sales receipt you get with a cash purchase--showing the amount of the transfer, the date it was made, and other information. This receipt is your record of transfers initiated at an electronic terminal.

Your periodic bank statement must also show all electronic transfers to and from your account, including those made with debit cards, by a pre-authorized arrangement, or under a telephone transfer plan. It will also name the party to whom payment has been made and show any fees for EFT services (or the total amount charged for account maintenance) and your opening and closing balances.

Your monthly statement is proof of payment to another person, your record for tax or other purposes, and your way of checking and reconciling EFT transactions with your

bank balance.

How Easily Will I Be Able to Correct Errors?

The way to report errors is somewhat different with EFT services than it is with credit cards (see page 22 for correcting credit billing errors). But, as with credit cards, financial institutions must investigate and correct promptly any EFT errors you report.

If you believe there has been an error in an electronic fund transfer relating to your account:

1. Write or call your financial institution immediately if possible, but no later than 60 days from the date the first statement that you think shows an error was mailed to you. Give your name and account number and explain why you believe there is an error, what kind of error, and the dollar amount and date in question. If you call, you may be asked to send this information in writing within 10 business days.
2. The financial institution must promptly investigate an error and resolve it within 45 days. However, if the financial institution takes longer than 10 business days to complete its investigation, generally it must put back into your account the amount in question while it finishes the investigation. (The time periods are longer for POS debit card transactions and for any EFT transaction initiated outside the United States.) In the meantime, you will have full use of the funds in question.
3. The financial institution must notify you of the results of its investigation. If there was an error, the institution must correct it promptly--for example, by making a re-credit final. If it finds no error, the financial institution must explain in writing why it believes no error occurred and let you know that it has deducted any amount re-credited during the investigation. You may ask for copies of documents relied on in the investigation.

What About Loss or Theft?

It's important to be aware of the potential risk in using an EFT card, which differs from the risk on a credit card.

On lost or stolen credit cards, your loss is limited to \$50 per card (see page 25). On an EFT card, your liability for an unauthorized withdrawal can vary:

- a Your loss is limited to \$50 if you notify the financial institution within two business days after learning of loss or theft of your card or code.
- a But, you could lose as much as \$500 if you do not tell the card issuer within two business days after learning of the loss or theft.
- a If you do not report an unauthorized transfer that appears on your statement within 60 days after the statement is mailed to you, you risk unlimited loss on transfers made after the 60-day period. That means you could lose all the money in your account plus your maximum overdraft line of credit.

Example:

On Monday, John's debit card and secret code were stolen. On Tuesday, the thief withdrew \$250, all the money John had in his checking account. Five days later, the thief withdrew another \$500, triggering John's overdraft line of credit. John did not realize his card was stolen until he received a statement from the bank, showing withdrawals of \$750 he did not make. He called the bank right away. John's liability is \$50.

Now suppose that when John got his bank statement he didn't look at it and didn't call the bank. Seventy days after the statement was mailed to John, the thief withdrew another \$1,000, reaching the limit on John's line of credit. In this case, John would be

liable for \$1,050 (\$50 for transfers before the end of the 60 days; \$1,000 for transfers made more than 60 days after the statement was mailed).

What About Solicitations?

A financial institution may send you an EFT card that is **VALID FOR USE** only if you ask for one, or to replace or renew an expiring card. The financial institution must also give you the following information about your rights and responsibilities:

- a A notice of your liability in case the card is lost or stolen;
- a A telephone number for reporting loss or theft of the card or an unauthorized transfer;
- a A description of its error resolution procedures;
- a The kinds of electronic fund transfers you may make and any limits on the frequency or dollar amounts of such transfers;
- a Any charge by the institution for using EFT services;
- a Your right to receive records of electronic fund transfers;
- a How to stop payment of a pre-authorized transfer;
- a The financial institution's liability to you for any failure to make or to stop transfers; and
- a The conditions under which a financial institution will give information to third parties about your account.

Generally, you must also get advance notice of any change in the account that would increase your costs or liability, or limit transfers.

A financial institution may send you a card you did not request only if the card is **NOT VALID FOR USE**. An "unsolicited" card can be validated only at your request and only after the institution makes sure that you are the person whose name is on the card. It must also be sent with instructions on how to dispose of an unwanted card.

Do I Have to Use EFT?

The EFT Act forbids a creditor from requiring you to repay a loan or other credit by EFT, except in the case of overdraft checking plans. And, although your employer or a government agency can require you to receive your salary or a government benefit by electronic transfer, you have the right to choose the financial institution that will receive your funds.

Special Questions About Pre-authorized Plans

Q. How will I know a pre-authorized credit has been made?

A. There are various ways you may be notified. Notice may be given by your employer (or whoever is sending the funds) that the deposit has been sent to your financial institution. Otherwise, a financial institution may provide notice when it has received the credit or will send you a notice only when it has not received the funds. Financial institutions also have the option of giving you a telephone number you can call to check on a pre-authorized credit.

Q. How do I stop a pre-authorized payment?

A. You may stop any pre-authorized payment by calling or writing the financial institution, so that your order is received at least three business days before the payment date. Written confirmation of a telephone notice to stop payment may be required.

Q. If the payments I pre-authorize vary in amount from month to month, how will I know how much will be transferred out of my account?

A. You have the right to be notified of all varying payments at least 10 days in advance. Or, you may choose to specify a range of amounts and to be told only when a transfer

falls outside that range. You may also choose to be told only when a transfer differs by a certain amount from the previous payment to the same company.

Q. Do the EFT Act protections apply to all pre-authorized plans?

A. No. They do not apply to automatic transfers from your account to the institution that holds your account or vice versa. For example, they do not apply to automatic payments made on a mortgage held by the financial institution where you have your EFT account. The EFT Act also does not apply to automatic transfers among your accounts at one financial institution.

COMPLAINING ABOUT CREDIT

Complaining to Federal Enforcement Agencies

First try to solve your problem directly with a creditor. Only if that fails should you bring more formal complaint procedures. Here's the way to file a complaint with the Federal agencies responsible for carrying out consumer credit protection laws.

Complaints About Banks. If you have a complaint about a bank in connection with any of the Federal credit laws--or if you think any part of your business with a bank has been handled in an unfair or deceptive way--you may get advice and help from the Federal Reserve. The practice you complain about does not have to be covered by Federal law. Furthermore, you don't have to be a customer of the bank to file a complaint.

You should submit your complaint--in writing whenever possible--to the Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, or to the Reserve Bank nearest you, as listed on page 43 of this handbook. Be sure to describe the bank practice you are complaining about and give the name and address of the bank involved.

The Federal Reserve will write back within 15 days--sometimes with an answer, sometimes telling you that more time is needed to handle your complaint. The additional time is required when complex issues are involved or when the complaint will be investigated by a Federal Reserve Bank. When this is the case, the Federal Reserve will try to keep you informed about the progress being made.

The Board supervises only state--chartered banks that are members of the Federal Reserve System. It will refer complaints about other institutions to the appropriate Federal regulatory agency and let you know where your complaint has been referred. Or you may use the listing on page 42 of this booklet to write directly to the appropriate agency.

Complaints About Other Institutions. On page 42 of this booklet, you will also find the names of the regulatory agencies for other financial institutions and for businesses other than banks. Many of these agencies do not handle individual complaints; however, they will use information about your credit experiences to help enforce the credit laws.

Penalties Under the Laws

You may also take legal action against a creditor. If you decide to bring a lawsuit, here are the penalties a creditor must pay if you win.

Truth in Lending and Consumer Leasing Acts. If any creditor fails to disclose information required under these Acts, or gives inaccurate information, or does not comply with the rules about credit cards or the right to cancel certain home--secured loans, you as an individual may sue for actual damages--any money loss you suffer. In

addition, you can sue for twice the finance charge in the case of certain credit disclosures, or, if a lease is concerned, 25 percent of total monthly payments. In either case, the least the court may award you if you win is \$100, and the most is \$1,000. In any lawsuit that you win, you are entitled to reimbursement for court costs and attorney's fees.

Class action suits are also permitted. A class action suit is one filed on behalf of a group of people with similar claims.

Equal Credit Opportunity Act. If you think you can prove that a creditor has discriminated against you for any reason prohibited by the Act, you as an individual may sue for actual damages plus punitive damages--that is, damages for the fact that the law has been violated--of up to \$10,000. In a successful lawsuit, the court will award you court costs and a reasonable amount for attorney's fees. Class action suits are also permitted.

Fair Credit Billing Act. A creditor who breaks the rules for the correction of billing errors automatically loses the amount owed on the item in question and any finance charges on it, up to a combined total of \$50--even if the bill was correct. You as an individual may also sue for actual damages plus twice the amount of any finance charges, but in any case not less than \$100 nor more than \$1,000. You are also entitled to court costs and attorney's fees in a successful lawsuit. Class action suits are also permitted.

Fair Credit Reporting Act. You may sue any credit reporting agency or creditor for breaking the rules about who may see your credit records or for not correcting errors in your file. Again, you are entitled to actual damages, plus punitive damages that the court may allow if the violation is proved to have been intentional. In any successful lawsuit, you will also be awarded court costs and attorney's fees. A person who obtains a credit report without proper authorization--or an employee of a credit reporting agency who gives a credit report to unauthorized persons--may be fined up to \$5,000 or imprisoned for one year, or both.

Electronic Fund Transfer Act. If a financial institution does not follow the provisions of the EFT Act, you may sue for actual damages (or in certain cases when the institution fails to correct an error or re-credit an account, for three times actual damages) plus punitive damages of not less than \$100 nor more than \$1,000. You are also entitled to court costs and attorney's fees in a successful lawsuit. Class action suits are also permitted.

If an institution fails to make an electronic fund transfer, or to stop payment of a pre-authorized transfer when properly instructed by you to do so, you may sue for all damages that result from the failure.

Glossary

Annual Percentage Rate (APR) -- The cost of credit as a yearly rate.

Appraisal Fee -- The charge for estimating the value of property offered as security.

Asset -- Property that can be used to repay debt, such as stocks and bonds or a car.

Automated Teller Machines (ATMs) -- Electronic terminals located on bank premises or elsewhere, through which customers of financial institutions may make deposits, withdrawals, or other transactions as they would through a bank teller.

Balloon Payment -- A large extra payment that may be charged at the end of a loan or lease.

Billing Error -- Any mistake in your monthly statement as defined by the Fair Credit

Billing Act.

Business Days -- Check with your institution to find out what days it counts as business days under the Truth in Lending and Electronic Fund Transfer Acts.

Collateral -- Property offered to support a loan and subject to seizure if you default.

Cosigner -- Another person who signs your loan and assumes equal responsibility for it.

Credit -- The right granted by a creditor to pay in the future in order to buy or borrow in the present; a sum of money due a person or business.

Credit Bureau -- An agency that keeps your credit record.

Credit Card -- Any card, plate, or coupon book used from time to time or over and over again to borrow money or buy goods or services on credit.

Credit History -- The record of how you've borrowed and repaid debts.

Creditor -- A person or business from whom you borrow or to whom you owe money.

Credit-related Insurance -- Health, life, or accident insurance designed to pay the outstanding balance of debt.

Credit Scoring System -- A statistical system used to rate credit applicants according to various characteristics relevant to creditworthiness.

Creditworthiness -- Past and future ability to repay debts.

Debit Card (EFT Card) -- A plastic card, looks similar to a credit card, that consumers may use to make purchases, withdrawals, or other types of electronic fund transfers.

Default -- Failure to repay a loan or otherwise meet the terms of your credit agreement.

Disclosures -- Information that must be given to consumers about their financial dealings.

Elderly Applicant -- As defined in the Equal Credit Opportunity Act, a person 62 or older.

Electronic Fund Transfer (EFT) Systems -- A variety of systems and technologies for transferring funds electronically rather than by check.

Finance Charge -- The total dollar amount credit will cost.

Home Equity Line of Credit -- A form of open-end credit in which the home serves as collateral.

Joint Account -- A credit account held by two or more people so that all can use the account and all assume legal responsibility to repay.

Late Payment -- A payment made later than agreed upon in a credit contract and on which additional charges may be imposed.

Lessee -- A person who signs a lease to get temporary use of property.

Lessor -- A company that provides temporary use of property usually in return for periodic payment.

Liability on an Account -- Legal responsibility to repay debt.

Open-End Credit -- A line of credit that may be used over and over again, including credit cards, overdraft credit accounts, and home equity lines.

Open-End Lease -- A lease which may involve a balloon payment based on the value of the property when it is returned.

Overdraft Checking -- A line of credit that allows you to write checks or draw funds by means of an EFT card for more than your actual balance, with an interest charge on the overdraft.

Point-of-Sale (POS) -- A method by which consumers can pay for purchases by having their deposit accounts debited electronically without the use of checks.

Points and Origination Fees -- Points are finance charges paid at the beginning of a mortgage in addition to monthly interest. One point equals one percent of the loan amount. An origination fee covers the lender's work in preparing your mortgage loan.

Punitive Damages -- Damages awarded by a court above actual damages as punishment for a violation of law.

Rescission -- The cancellation or "unwinding" of a contract.

Security -- Property pledged to the creditor in case of a default on a loan; see collateral.
Security Interest -- The creditor's right to take property or a portion of property offered as security.

Service Charge -- A component of some finance charges, such as the fee for triggering an overdraft checking account into use.

FAIR DEBT COLLECTION

If you use credit cards, owe money on a personal loan, or are paying on a home mortgage, you are a 'debtor.' If you fall behind in repaying your creditors, or an error is made on your accounts, you may be contacted by a 'debt collector.'

You should know that in either situation, the Fair Debt Collection Practices Act requires that debt collectors treat you fairly by prohibiting certain methods of debt collection. Of course, the law does not forgive any legitimate debt you owe.

This information answers commonly asked questions about your rights under the Fair Debt Collection Practices Act.

What debts are covered?

Personal, family, and household debts are covered under the Act. This includes money owed for the purchase of an automobile, for medical care, or for charge accounts.

Who is a debt collector?

A debt collector is any person, other than the creditor, who regularly collects debts owed to others. Under a 1986 amendment to the Fair Debt Collection Practices Act, this includes attorneys who collect debts on a regular basis.

How may a debt collector contact you?

A collector may contact you in person, by mail, telephone, telegram, or FAX. However, a debt collector may not contact you at unreasonable times or places, such as before 8 a.m. or after 9 p.m., unless you agree. A debt collector also may not contact you at work if the collector knows that your employer disapproves.

Can you stop a debt collector from contacting you?

You can stop a collector from contacting you by writing a letter to the collection agency telling them to stop. Once the agency receives your letter, they may not contact you again except to say there will be no further contact. The agency may notify you if the debt collector or the creditor intends to take some specific action.

May a debt collector contact anyone else about your debt?

If you have an attorney, the debt collector may not contact anyone other than your attorney. If you do not have an attorney, a collector may contact other people, but only to find out where you live and work. Collectors usually are prohibited from contacting such permissible third parties more than once. In most cases, the collector may not tell anyone other than you and your attorney that you owe money.

What must the debt collector tell you about the debt?

Within five days after you are first contacted, the collector must send you a written notice telling you the amount of money you owe; the name of the creditor to whom you owe the money; and what action to take if you believe you do not owe the money.

May a debt collector continue to contact you if you believe you do not owe money?

A collector may not contact you if, within 30 days after you are first contacted, you send the collection agency a letter stating you do not owe money. However, a collector can renew collection activities if you are sent proof of the debt, such as a copy of a bill for the amount owed.

What types of debt collection practices are prohibited?

Harassment. Debt collectors may not harass, oppress, or abuse anyone. For example, debt collectors may not:

- * use threats of violence or harm against the person, property, or reputation;
- * publish a list of consumers who refuse to pay their debts (except to a credit bureau);
- * use obscene or profane language;
- * repeatedly use the telephone to annoy someone;
- * telephone people without identifying themselves;
- * advertise your debt.

False statements. Debt collectors may not use any false statements when collecting a debt. For example, debt collectors may not:

- * falsely imply that they are attorneys or government representatives;
- * falsely imply that you have committed a crime;
- * falsely represent that they operate or work for a credit bureau;
- * misrepresent the amount of your debt;
- * misrepresent the involvement of an attorney in collecting a debt;
- * indicate that papers being sent to you are legal forms when they are not;
- * indicate that papers being sent to you are not legal forms when they are.

Debt collectors also may not state that:

- * you will be arrested if you do not pay your debt;
- * they will seize, garnish, attach, or sell your property or wages, unless the collection agency or creditor intends to do so, and it is legal to do so;
- * actions, such as a lawsuit, will be taken against you, which legally may not be taken, or which they do not intend to take.

Debt collectors may not:

- * give false credit information about you to anyone;
- * send you anything that looks like an official document from a court or government agency when it is not;
- * use a false name.

Unfair practices. Debt collectors may not engage in unfair practices when they try to collect a debt. For example, collectors may not:

- * collect any amount greater than your debt, unless allowed by law;
- * deposit a post-dated check prematurely;
- * make you accept collect calls or pay for telegrams;
- * take or threaten to take your property unless this can be done legally;
- * contact you by postcard.

What control do you have over payment of debts?

If you owe more than one debt, any payment you make must be applied to the debt you indicate. A debt collector may not apply a payment to any debt you believe you do not owe.

What can you do if you believe a debt collector violated the law?

You have the right to sue a collector in a state or federal court within one year from the date you believe the law was violated. If you win, you may recover money for the damages you suffered. Court costs and attorneys fees also can be recovered. A group of people also may sue a debt collector and recover money for damages up to \$500,000, or one percent of the collectors net worth, whichever is less.

Where can you report a debt collector for an alleged violation?

Report any problems you have with a debt collector to your state Attorney Generals office and the Federal Trade Commission. Many states have their own debt collection laws and your Attorney Generals office can help you determine your rights.

If you have questions about the Fair Debt Collection Practices Act, or your rights under the Act, write: Correspondence Branch, Federal Trade Commission, Washington, D.C. 20580. Although the FTC generally cannot intervene in individual disputes, the information you provide may indicate a pattern of possible law violations requiring action by the Commission.

HOW TO DISPUTE CREDIT REPORT ERRORS

Your credit report contains information about where you work and live and how you pay your bills. It also may show whether you've been sued or arrested or have filed for bankruptcy. Companies called credit reporting agencies (CRAs) or credit bureaus compile and sell your credit report to businesses. Because businesses use this information to evaluate your applications for credit, insurance, and employment, it's important that the information in your report is complete and accurate.

Getting Your Credit Report

If you've been denied credit, insurance, or employment because of information supplied by a CRA, the Fair Credit Reporting Act (FCRA) says the company you applied to must give you the credit agency's name and address. If you contact the agency for a copy of your report within 30 days of receiving a denial notice, the report is free.

If you simply want a copy of your report, call the CRAs listed in the Yellow Pages under 'credit' or 'credit rating and reporting.' Because more than one CRA may have a file on you, call each one listed until you locate the agencies maintaining your file. Expect to pay a reasonable charge for each report.

Many of your rights under the FCRA will change September 30, 1997. A new brochure explaining these rights will be available from the FTC then.

Correcting Errors

Under the FCRA, you have the right to dispute the completeness and accuracy of information in your credit file. When you contact the reporting agency to dispute information in your report, the agency must reinvestigate and record the current status of the disputed items within a 'reasonable period of time,' unless they believe the dispute is 'frivolous or irrelevant.' If the credit reporting agency can't verify a disputed item, they must delete it.

If your report contains erroneous information, the CRA must correct it. If an item is

incomplete, the CRA must complete it. For example, if your file shows that you were late in making payments on accounts, but fails to show that you are no longer delinquent, the CRA must correct the report to show that your payments now are current. Or if your file shows an account that belongs only to another person, the CRA would have to delete it. Also, if you request, the CRA must send a notice of correction to anyone who received your report in the past six months. Job applicants can have a corrected copy of their report sent to anyone who received a copy during the past two years.

If a reinvestigation doesn't resolve your dispute, the law allows you to file a statement of up to 100 words to explain your side of the story. The CRA must include the statement with every request for your report. CRA staff can help you prepare the statement.

Accurate Negative Information

Accurate negative information can stay on your report for 7 years; bankruptcies for 10 years. Also, any negative information may be reported indefinitely for use in the evaluation of your application for:

- * \$50,000 or more in credit;
- * a life insurance policy with a face amount of \$50,000 or more; or
- * consideration for a job paying \$20,000 or more.

Registering a Dispute

You must direct your dispute to the CRA. Although the FCRA doesn't require it, FTC staff recommend that you submit your dispute in writing, along with copies (NOT originals) of documents that support your position.

Your letter should include your complete name and address, clearly identify each item you dispute, explain why you dispute the information, and request deletion or correction. You may want to include a copy of your report with the items in question circled. Your letter may look something like the one at the end of this brochure.

Send your dispute letter by certified mail, return receipt requested, so you can document what the CRA received. Keep copies of your dispute letter and enclosures.

Adding Accounts to Your File

Your credit file may not reflect all your credit accounts. Although most national department store and all-purpose bank credit card accounts will be included in your file, not all creditors supply information to CRAs: Some travel, entertainment, gasoline card companies, local retailers, and credit unions are among those creditors that don't.

If you've been told you were denied credit because of an 'insufficient credit file' or 'no credit file' and you have accounts with creditors that don't appear in your credit file, ask the CRA to add this information to future reports. Although they are not required to do so, many CRAs will add verifiable accounts for a fee.

MANAGING YOUR DEBTS; HOW TO REGAIN FINANCIAL HEALTH

Can't pay your bills? You're not alone. Today, millions of Americans are having difficulty paying their debts. Most of those in financial distress are middle income families with jobs who want to pay off what they owe.

But it is important for you to act. Doing nothing can lead to much larger problems in the future—even bigger debts, the loss of assets such as your house, and a bad credit record.

The good news is that there are solutions. The remedies provided here can help improve your relationships with creditors, reduce your debts, and help you manage your money. In brief, these solutions can help give you a new, fresh start.

Are You In Financial Trouble?

If bill collectors are calling you, you know you're in financial trouble. But what if you're just having difficulty stretching your paycheck to pay monthly bills? If you answer yes to any one of the following questions, you should act.

- * Do you routinely spend more than you earn?
- * Are you forced to make day-to-day purchases on credit?
- * Are you able to make only the minimum payments on monthly credit card debts?
- * If you lost your job, would you have difficulty paying next month's bills?

"With budgeting guidance, we now have peace of mind. We have learned a most valuable lesson about money management. Our future looks brighter." Linda R.

What You Can Do For Yourself

Review your specific obligations that creditors claim you owe to make certain you really owe them. If you dispute a debt, first contact the creditor directly to resolve your questions. If you still have questions about the debt, contact your state or local consumer protection office or state Attorney General.

Contact your creditors to let them know you're having difficulty making your payments. Tell them why you're having trouble—perhaps it's because you recently lost your job or have unexpected medical bills. Try to work out an acceptable payment schedule with your creditors. Most are willing to work with you and will appreciate your honesty and forthrightness.

The Fair Debt Collection Practices Law prohibits a debt collector from showing what you owe to anyone but your attorney, harassing or threatening you, using false statements, giving false information about you to anyone, and misrepresenting the legal status of your debts. Remember that under other federal laws to collect debts, creditors cannot seize most government assistance and can only garnish a portion of wages to collect debts.

Budget your expenses. Create a spending plan that allows you to reduce your debts. Itemize your necessary expenses (such as housing and health care) and optional expenses (such as entertainment and vacation travel). Stick to the plan.

Try to reduce your expenses. Cut out any unnecessary spending such as eating out and purchasing expensive entertainment. Consider taking public transportation rather than owning a car. Clip coupons, purchase generic products at the supermarket, and avoid impulse purchases. Above all, stop incurring new debt. Consider substituting a debit card for your credit cards.

Use your savings and other assets to pay down debts. Withdrawing savings from low-interest accounts to settle high-rate loans usually makes sense. Selling off a second car not only provides cash but also reduces insurance and other maintenance expenses.

Look for additional resources from governmental and private sources for which you may be eligible. Government assistance includes unemployment compensation. Aid to Families with Dependent Children (AFDC), food stamps, low-income energy assistance, Medicaid, and Social Security including disability. Other resources may be available from churches and community groups. Often these sources are listed in the Yellow Pages of your phone book.

"Looking closely at our options helped us realize that we still needed to try self-budgeting before taking more extreme measures. We think that perhaps we were giving up too soon." Alicia A.

What Others Can Do For You

Credit Counseling. If you are unable to make satisfactory arrangements with your creditors, there are organizations that can help. An organization that you can call is a Consumer Credit Counseling Service (CCCS) agency. These local, non-profit organizations affiliated with the National Foundation for Consumer Credit (NFCC) provide education and counseling to families and individuals.

For consumers who want individual help, CCCS counselors with professional backgrounds in money management and counseling can provide support. To promote high standards, the NFCC has developed a certification program for these counselors. A counselor will work with you to develop a budget to maintain your basic living expenses and outline options for addressing your total financial situation. If creditors are pressing you, a CCCS counselor can also negotiate with these creditors to repay your debts through a financial management plan.

Under this plan, creditors often agree to reduce payments, lower or drop interest and finance charges, and waive late fees and over-the-limit fees. After starting the plan, you will deposit money with CCCS each month to cover these new negotiated payment amounts. Then CCCS will distribute this money to your creditors to repay your debts. With more than 1,100 locations nationwide, CCCS agencies are available to nearly all consumers. Supported mainly by contributions from community organizations, financial institutions, and merchants, CCCS provides services free or at a low cost to individuals seeking help. To contact a CCCS office for confidential help, look in your telephone directory white pages, or call 1 (800) 388-2227, 24 hours a day, for an office near you.

"I cannot tell you how happy I am to finally to able to control my finances now that I have followed a budget. So far, so good. I actually have a balance in my savings account!" Rodney O.

Personal Bankruptcy. Bankruptcy is a legal procedure which can give people who cannot pay their bills a fresh start. A decision to file for bankruptcy is a serious step. You should make it only if it is the best way to deal with financial problems. There are two types of bankruptcy available to most individuals. Chapter 13 or "reorganization" allows debtors to keep property which they might otherwise lose, such as a mortgaged house or car. Reorganizations may allow debtors to pay off or cure a default over a period of three to five years, rather than surrender property.

Chapter 7 or "straight bankruptcy" involves liquidation of all assets that are not exempt in your state. The exempt property may include items such as work-related tools and basic household furnishings, among others. Some of your property may be sold by a court-appointed official or turned over to your creditors. You can file for Chapter 7 only

once every six years.

Both types of bankruptcy may get rid of unsecured debts (those where creditors have no rights to specific property), and stop foreclosures, repossessions, garnishments, utility shutoffs, and debt collection activities. Both types also provide exemptions that permit most individual debtors to keep most of their assets, though these "exemption" amounts vary greatly from state to state.

Bankruptcy cannot clean up a bad credit record and will be part of this record for up to ten years. It can, for example, make it more difficult to get a mortgage to buy a house. It usually does not wipe out child support, alimony, fines, taxes, and some student loan obligations. Also, unless under Chapter 13 you have an acceptable plan to catch up on your debt, bankruptcy usually does not permit you to keep property when the creditor has an unpaid mortgage or lien on it.

Bankruptcy cases must be filed in federal court. The filing fee is \$160, which sometimes may be paid in installments. This fee does not include the fees of your bankruptcy lawyer.

Choosing a bankruptcy lawyer may be difficult. Some of the least reputable lawyers make easy money by handling hundreds of bankruptcy cases without adequately considering individual needs. Recommendations from those you know and trust, and from employee assistance programs, are most useful.

Some public-funded legal services programs handle bankruptcy cases without charging attorney fees. Or these programs may provide referrals to private bankruptcy lawyers. Keep in mind that the fees of these attorneys may vary widely.

"Our bills have been a source of worry to us. After bringing our problem to credit counselors, we have begun to feel there is a way to cope with it. We are feeling more confident now." Nelson M.

Possible Pitfalls

Credit counselors who aren't helpful. Often for-profit or non-credentialed counseling organizations make promises that they cannot or do not keep. Be especially careful when asked for a large sum of money in advance. To check the organization's reputation, contact your state Attorney General, consumer protection agency, or Better Business Bureau.

"Credit repair" clinics and "credit doctors" have been frequently criticized for promising that they can remove negative information from your credit report. But accurate information cannot be changed. If information is old or inaccurate, you can contact a credit bureau yourself and ask that it be removed.

Risky refinancing options. When already in financial trouble, second mortgages greatly increase the risk that you may lose your home. Be wary of any loan consolidations or other refinancing that actually increase interest owed or require payments of points or large fees.

A Final Word: Don't lose hope, even if you despair of ever recovering financially. You can regain financial health if you act. Pursuing the options presented in this pamphlet can put you on the road to financial recovery.

"It feels great to be getting my life (and credit) in order!" Robyn H.

The following organizations and individuals worked together in the preparation of this

pamphlet and endorse its content.
American Association of Retired Persons
Consumer Action
Consumer Federation of America
National Consumer Law Center staffers
National Foundation for Consumer Credit
U.S. Consumer Information Center
U.S. Office of Consumer Affairs
Visa U.S.A.

Thanks

Thank you for your purchase of Credit Secrets & Loopholes! By following the guidelines and advice laid out in this document, you will be well on your way to winning at the credit game. I wish you good luck with all your future endeavors.

For Sample Letters Visit

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