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1. About The Credit Agencies

Credit reporting agencies, also known as credit bureaus, collect and maintain credit history and personal information on the majority of Americans. These agencies get your personal information from the same lenders who grant you credit through agreements they have made that require the credit grantor to inform the credit bureau of

everything that occurs in your relationship with the credit grantor. For example, if you are late with a payment, this fact is quickly reported to at least one of the major credit agencies and is added to your credit history. Credit reports not only show how you are currently managing your credit, they are also histories of everything you have done in the past as far as your credit is concerned.

2. How Reporting Agencies Work

These agencies are not affiliated with the government in any way. They are for-profit corporations that sell your personal information for money. The agencies make money by selling credit reports to credit grantors who want to see your credit history before they decide to lend you money (for example, whenever you complete a credit application for a loan, mortgage or major purchase). If you have shown any tendency to pay late or to default on paying your financial commitments, many credit grantors' computers are programmed to immediately reject your application.

3. What's Inside a Credit Report

You'll find your credit report includes extremely detailed information on whether you pay your bills on time, what credit you have applied for, who has given you credit, who has turned you down. Your history of repaying bank loans, utility bills and the government will also be there.

Your credit report lists the following information for each of your credit accounts:

- Date opened
- Original loan amount or credit limit and interest rate
- Scheduled monthly payment amount
- Date last payment was made
- Balance owed
- Amount past due
- Payment history for the last 24 months

Credit inquiries from companies that have checked on your credit are also listed - these give potential lenders an idea of how much credit you have sought, successfully and unsuccessfully. Make sure the following basic facts are correct; mistakes can simply be the result of spelling errors, typos, outdated information, or name confusion and

also check to make certain no items are in your report longer than the law allows.

Your name

Your date of birth

Your Social Security number

Current and previous addresses

Current and previous employers

Current accounts

Account's that have been closed

4. Inaccuracies In Your Credit Report

If you find errors in your credit reports, you should take steps to correct your reports. Under federal law, both the credit reporting agency, and the organization that provided the information to the agency, such as a bank or credit card company, have responsibilities for correcting inaccurate or incomplete information in your report. To protect all your rights under the law, contact both the credit reporting agency and the information provider.

If you find errors in your credit reports, the credit reporting agencies must investigate the items in question as described by the Federal Trade Commission, usually within 30 days. They also must forward all relevant data you provide about the dispute to the information provider. After the information provider receives notice of a dispute from the credit reporting agency, it must investigate; review all relevant information provided by the credit reporting agency; and report the results to the agency. If the information provider finds the disputed information to be inaccurate, it must notify all nationwide credit reporting agencies so they can correct this information in your file. Disputed information that cannot be verified must be deleted from your file.

If your report contains erroneous information, the credit reporting agency must correct it.

If an item is incomplete, the credit reporting agency must complete it. For example, if your file showed that you were late making payments, but failed to show that you were no longer delinquent, the credit reporting agency must show that you're current.

If your file shows an account that belongs only to another person, the credit reporting agency must delete it.

When the investigation is complete, the credit reporting agency must give you the written results and a free copy of your report if the dispute results in a change. If an item is changed or removed, the credit reporting agency cannot put the disputed information back in your file unless the information provider verifies its accuracy and completeness, and the credit reporting agency gives you a written notice that includes the name, address, and phone number of the provider.

5. Fair and Accurate Credit Transactions Act of 2003 (FACTA)

The new Fair and Accurate Credit Transactions Act of 2003 (FACTA) has been approved by both Houses of Congress and was sent to President for his signature. It amends the current Fair Credit Reporting Act (FCRA) to "prevent identity theft, improve resolutions of consumer disputes, improve accuracy of consumer records, make improvements in the use of, and consumer access to credit information, and for other purposes."

Beginning January 01, 2004 the new provisions will make it easier for consumers in all fifty states to deal with their credit files. Among the new FACTA provisions are a free copy, annually upon request, of credit reports from each of the three credit reporting agencies (CRAs), disclosure of credit scores, which are used by lenders when making lending decisions and several identity theft measures including 'Fraud Alerts' in credit files.

Further, when requesting free credit reports, the law includes a provision whereby the CRA's must notify consumers of their right to get their credit scores and also include an explanation of factors that may have a negative affect on your score. Now consumers may dispute directly to the creditor and the CRA, plus creditors must notify a consumer whenever negative information is going to be sent to a CRA for inclusion in a credit file, reducing the number of inaccurate reports going into files because the consumer will know in advance. Now, consumers would know in advance if a lender was making a false report on a late pay or other delinquency, for instance, and therefore may dispute it directly before it hits a credit file.

Further, to help consumers who are actively shopping for a mortgage, automobile or other type of loan, avoid having an incredible number of inquiries on their credit reports as a result, would receive a special

notification from the CRA that these inquiries are lowering the consumer's credit score. Here is a summary of the major amendments:

- Provide consumers with a free credit report every year.
- Give consumers the right to see their credit scores.
- Provide consumers with the ability to opt-out of information sharing between affiliated companies for marketing purposes.
- Ensure that consumers are notified if merchants are going to report negative information to the credit bureaus about them.
- Allow consumers to place "fraud alerts" in their credit reports to prevent identity thieves from opening accounts in their names, including special provisions to protect active duty military personnel.
- Allow consumers to block information from being given to a credit bureau and from being reported by a credit bureau if such information results from identity theft.
- Restrict access to consumers' sensitive health information.
- Provide consumers with one-call-for-all protection by requiring credit bureaus to share consumer calls on identity theft, including requested fraud alert blocking.
- Require creditors to take certain precautions before extending credit to consumers who have placed "fraud alerts" in their files.
- Stop merchants from printing more than the last five digits of a payment card on an electronic receipt.

Passed in December 2003; added new regulations for identity theft protections, data privacy and credit report access and allows consumers to request one free consumer disclosure (credit report) from each credit reporting agency once per year on-line and the the "request one free credit report on-line" program rolls out in four stages, starting with the Western states on December 1. Free Annual Credit Reports are available at **www.annualcreditreport.com** (for security reasons, you must copy and paste, or manually type this address into your web browser)

6. How Long Items Stay on a Credit Report

Most derogatory credit items must be removed from your credit bureau file after seven years. An exception to this is bankruptcy which can continue to appear on your credit report for up to ten years. The credit grantor or credit bureau have the right to remove negative credit information whenever they feel it is appropriate. Inquiries will generally remain in your file for two years.

7. How Credit Scores Are Calculated

- Credit scores are calculated by assigning points for different pieces of information in a person's credit record. Computer-based scoring models (mathematical formulas), based on how thousands of borrowers have managed their credit in the past, are applied to the data. FICO® scores range from 300 to 850, with most falling in the middle of the range. The higher the score the higher likelihood of the person handling debt well. The scores do not say whether a specific individual will be a "good risk" or "bad risk," however. Lenders use credit scores to help them make decisions, but each has its own levels of risk that it finds acceptable. No one cutoff score is used by all lenders, but usually a score must be above 620 to be considered acceptable. The following list will give you an idea of the way most lenders look at FICO scores.
- 720 and above-The risk of default is very low.
- 660 through 719-The risk of default is low.
- 620 through 659-The risk of default is higher, but not so great that the applicant can't be considered favorably.
- Below 620-The risk of default is statistically very high.

When a lender receives a credit score, the report usually includes from one to four "score reason codes." These codes provide information about why the score was not higher. Lenders can share that information with consumers. The score reasons are more useful to consumers than are the scores themselves because they shed light on what problems exist with the consumers' credit history (including possible errors that need to be corrected in a credit report). The top 10 most frequently given score reasons are listed below.

- Serious delinquency
- Serious delinquency, and public record or collection filed
- Derogatory public record or collection filed
- Time since delinquency is too recent or unknown
- Level of delinquency on accounts
- Number of accounts with delinquency
- Amount owed on accounts
- Proportion of balances to credit limits on revolving accounts is too high
- Length of time accounts have been established
- Too many accounts with balances

8. Repair Your Credit

First, obtain your three credit reports and then review the reports and locate the negative items. Next, dispute the negative items with the credit bureaus and then disputed items are removed or corrected. Items that were not re-verified must be removed.

Negotiate with creditors and collection companies. After negotiating and making payment, creditors delete the negative accounts or change them to a positive rating.

State the item you are disputing, but do not use dispute forms or file numbers provided by the bureau. This will cause fewer delays by the credit bureau asking for clarification. Do not confirm the account if any information about the item is wrong, use letterhead or photocopy a fill in the blanks form letter as these raise red flags.

Send disputes during busy times of the year. For Example: The first to middle of November can cause a delay in verification because of Thanksgiving. Christmas rush for the creditor and the bureau can catch them before they can thoroughly investigate within a reasonable time.

9. Important Mailing Instructions

As you proceed through these steps, keep copies and records of all correspondence you send and receive, including the envelopes! It is very important that you keep copies of everything when communicating with a creditor, debt collector, or credit reporting agency. Should they violate the law, you will have the necessary documentation to prove it, and perhaps make them pay. If you should encounter any special difficulty and need more help, you will also need these records to proceed. Finally, if information that was removed from your credit report should reappear later, you will have the documentation to force the credit agency to permanently delete this entry.

It is recommended that you send both a fax or certified mail copy, as well as standard 1st class mail with proof of mailing ["certificate of mailing"]. This is because they may not accept your certified mail, or deny receipt of the fax, but this way, you have gone the extra mile, and can prove it if necessary.

Here is the procedure to follow when corresponding with creditors, debt collectors, or credit reporting agencies:

1. Write your letter, then sign it
2. If you have their fax number and your fax machine will print a fax confirmation sheet
 - fax your letter and all attachments
 - print the fax confirmation sheet, and save for your file
3. Make 2 copies of your signed letter, and 2 copies of any attachments
4. Staple the original attachments to a copy of your letter, and save for your file
5. Prepare 2 envelopes, properly addressed and with correct return address
6. Staple the attachment copies to your original letter, and enclose in envelope #1
7. Staple the attachment copies to your letter copy, and enclose in envelope #2
8. Don't put stamps on the envelopes
9. Go to the post office
 - send letter #1 by certified mail with return-receipt requested
 - request and save for your file:
 - a dated/stamped cash receipt
 - a dated/stamped certified mail receipt
 - the return-receipt, it should arrive in the mail
 - send letter #2 by 1st class mail with a "certificate of mailing" (proof that it was mailed)
 - request and save for your file:
 - a dated/stamped cash receipt
 - a dated/stamped "certificate of mailing" (small extra fee)
10. For each letter set you send, you will have as proof:
 - a copy of their letter, with its envelope [if any]
 - a copy of your signed letter
 - your attachments [if any]
 - fax confirmation sheet as proof of faxing [if you used fax]
 - dated/stamped cash receipts from post office
 - certified mail receipt
 - certificate of mailing for your 1st class letter
 - return-receipt, after it arrives in the mail
11. You should staple all this together, and file it all away in a safe place for at least one year

You should print this outline, and use it as a checklist when preparing your letters. As you can see, the process is a bit involved, and while everything is already laid out for you, it is still you that has to do the work.

10. Free Credit Reports

Annualcreditreport.com will allow you to request, view and print one, two or all three of your free credit reports quickly via a secure Internet site. You can also request the report by phone or mail (these will be processed within 15 days of receipt).

- Internet address: www.annualcreditreport.com
- Toll-free number: (877) 322-8228
- Mailing address: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281

The bureaus stressed that this is the only service they have authorized for requesting your free annual report. The Fair and Accurate Credit Transactions Act, signed into law in December 2003, gives every American the right to a free credit report every year from each of the three major credit bureaus.

11. Obtain Your Credit Report

Write to each of the three major credit reporting agencies, at the addresses posted on their web sites, or available from the 800 numbers below:

1. Equifax Information Service Center
 - +1.800.685.1111
2. Trans Union Corporation
 - +1.800.888.4213
3. Experian (formerly TRW) Complimentary Report
 - +1.888.397.3742 (+1.888.EXPERIAN)

Note: The credit bureaus change their addresses from time to time. Check their web sites or their 800 numbers for the most current addresses.

In your request letter, you should provide:

- Full name
- Birth-date
- Social Security number
- Current address
- Former addresses in last 5 years
- Photocopy of driving license, showing current address
- Photocopy of Social Security card

If you fail to include any of these, you will receive a letter back from the credit reporting agency request that it be included. The credit bureau may request additional information anyway, and you should provide it as quickly as possible.

Within 10 to 30 days you should receive a copy of your credit report from each of the agencies.

12. Dispute Incorrect Personal Information

It is critical to first review all the personally identifying information in the credit reports, including:

- Names and Aliases
- Addresses
- Social Security Number(s)
- Date(s) of Birth
- State ID Number(s)
- Spouse Information
- Employers

Note whether this information is in any way inaccurate, incorrect, erroneous, misleading, or outdated. You must dispute these mistakes first, because this data is used to help verify the credit items on your credit report. Frequently, when an item not yours appears on your report, it gets there and stays there because it somehow matches up with some incorrect personally identifying information. By disputing these first, other erroneous items will no longer match your file.

So, for each credit report, carefully note any records which you believe to be inaccurate, incorrect, erroneous, misleading, or outdated. It does not matter whether you think the information is negative, neutral, or even positive, if it is in anyway erroneous it should be removed.

13. Rank Questionable Items

Once you have noted each questionable item, you should rank them. After erroneous personal data, rank the most damaging information first, followed by the next most damaging, etc., until those items which are neutral. Do this for each credit report, as they may not all have the same questionable information on them.

The following ordered list should give you an idea of the significance of erroneous or derogatory information:

- Personal data
- Bankruptcy
- Consumer credit counseling
- Foreclosure
- Consumer credit counseling
- Loan default
- Repossession
- Court judgments
- Collections
- Past due payments
- Late payments
- Credit rejections
- Credit inquiries

You will find that some of the questionable information is duplicated on one or both the other credit reports, but not all will be. Pay particular attention to the addresses listed, and dispute all but your current address first, it will ease having other erroneous, misleading, or outdated information removed. In any case, you should send a dispute letter to each of the three major credit reporting agencies, for each questionable item, whether it appears on their report or not. This is to assure that the same questionable item will not be removed from one report only to reappear later on another.

14. Requesting Corrections

It is very important that each questionable item, except for erroneous personal data, is dealt with individually. If you attempt to have the credit reporting agency correct several items at once, it will be easier for the agency to claim that your request is frivolous or irrelevant.

They may attempt to bully you into believing that your request is frivolous, or even unlawful. But the credit reporting agencies are required to assume that all disputes are bona fide, unless there is clear and convincing evidence that it is not. A blanket dispute (i.e. all

information is challenged) may be considered evidence that the dispute is frivolous, if you fail to provide any allegations concerning specific items in your file.

You should challenge each item individually, and not give in to them if they send ominous letters warning of dire consequences if your claims are frivolous. If the information they are reporting is inaccurate, incorrect, erroneous, misleading or outdated, they will have to remove it upon investigation. The specific law on disputes is found in United States Code, Title 15, Chapter 41, Subchapter III, Section 1681i, entitled *Procedure in case of disputed accuracy*.

You will now write a letter to each credit reporting agency, requesting an investigation to verify the status of the most damaging item reported by any of the agencies, and asking that they correct the information. In general, it is important that the letter not look like a form letter, so consider handwriting it.

Also, keep in mind that absent a clear statement that the accuracy or completeness of specific information is "disputed" or "challenged", your letter might not be construed as an exercise of rights under the Fair Credit Reporting Act (FCRA). Specific words to use include: erroneous, outdated, misleading, or unverifiable. Mere explanation of the reason a debt was not paid might not constitute a dispute and does not require the credit reporting agency to re-investigate or accept your written dispute statements. Explanations are not useful, but disputes get results.

Once the credit reporting agency has received your dispute letter, they are obligated to investigate. This obligation is not contingent upon you having been denied credit.

Note the addresses to which the credit reports direct you for disputes. They will not be the same as the addresses you used to obtain the credit report. Again, write to each of these three:

1. Equifax Credit Information Services
 - o +1.800.448.2321
 - o +1.800.882.0648
 - o +1.800.290.8749 (Fraud Department)
 - o +1.770.612.2603 (Fax)
2. Trans Union Corporation
 - o +1.800.888.4213
 - o +1.800.916.8800 option 2

- +1.800.680.7289 (Fraud Department)
- 3. Experian (formerly TRW) Consumer Relations
 - +1.888.397.3742 (+1.888.EXPERIAN)
 - +1.800.583.4080 (Fraud Department)

Note: The credit bureaus change their addresses and phone numbers from time to time. Check their web sites or their 800 numbers for the most current information.

Follow the format in Sample Letter 2, and send it in. If you are dealing with excessive, unauthorized credit inquiries, follow the format in Sample Letter 2.5. Follow the important mailing and record keeping instructions.

Within 10 to 30 days you will receive a letter from each credit reporting agency telling you that they are investigating your dispute. Within another 10 to 30 days, you should receive an updated credit report, indicating that the disputed item has been removed.

As soon as a credit reporting agency provides you with an updated credit report showing that the item has been deleted, you should send another dispute letter, in regards to the next most damaging item.

Repeat this process, until each and every questionable item has been deleted.

In some cases, the credit reporting agencies are slow to respond to your dispute. If this should occur, you may choose to write another letter, strongly reminding the credit bureau of their obligations under the law. You may follow the format in Sample Letter 3, and be sure to again send it registered, without return-receipt or insurance. Again, carefully follow the important mailing and record keeping instructions.

Should the credit reporting agencies just flat out ignore even that letter, you may follow the format in Sample Letter 4, but tailor it specifically to the circumstances in which you now find yourself. Be prepared to contact the FTC to file your formal complaint, should even this letter not elicit a response. At this point, you should seriously consider retaining an attorney, as willful failure to comply may subject the credit reporting agencies to liability.

15. The Consumer Statement

You have a right to add a consumer statement, up to 100 words, to any item on your credit report. This can be helpful in circumstances which were truly exceptional, where a simple and honest explanation will take the "sting" off the item, and when there are just a few negative items among a long list of neutral and positive items.

Example of helpful consumer statements include:

- I was in an accident, and unable to work
- My employer went bankrupt, and I did not recover several weeks of wages
- I was called up to active duty, and was unable to tend to these matters
- Due to a natural disaster, my life suffered a major disruption
- The product/service ordered was not provided as promised, and the creditor refused to resolve the matter

It is important that in each case you also add that the problem is now resolved, and will not continue to affect your finances. The key is, this was an exceptional occurrence, and you have done your best to take care of things, and at the time, these creditors could not be taken care of properly, but everything is back to normal now. Recite the simple facts, and make sure you can prove them, and these negative items are unlikely to be of much significance. Your statement should be "just the facts", leave out any emotional or derogatory comments, and you will often be viewed as reasonable and the item given less weight.

16. Avoid "New Credit File" Scam

By now, you have undoubtedly seen many ads and some Spam e-mail regarding a "fool-proof" way to create a "new credit file", otherwise known as "File Segregation".

What is "File Segregation"?

File Segregation, (known as 'Getting a New Credit File') is the process of obtaining a separate identification number, usually a federally issued EIN (Employer Identification Number) or TIN (Taxpayer Identification Number), and using it in place of your Social Security number when applying for credit. This is intended to shield an applicant's true credit history from an inquiring agency. So far, this may sound like a reasonable idea.

So, what's the scam?

There are many, many sites and scammers offering File Segregation Services, and each in turn is shut down by government investigators, but not before many people fall prey to the site operators first. What these operations are trying to do is to give you a "new identity". You pay their fee and sign up for their services. Then you are directed to apply for an Employer Identification Number. Sometimes, they even provide you the forms and some instructions on how to fill them out.

When you get the EIN, you will be told to use that instead of your Social Security number when you apply for credit. They'll probably also tell you to use a new mailing address.

OK, so what's wrong with "File Segregation"?

Basically, some of the acts to required accomplish this new credit file are ILLEGAL!

First, you are applying for an EIN, when in fact you have no intentions of using the number provided by the IRS for the intended purposes. Since the form requires you to sign it under penalties of perjury, well, you can see the problem there.

Second, under the Federal Trade Commission's Credit Repair Act, it may be a felony to use a false identification number.

Third, if you use any means of interstate commerce, such as the mails, telephone, or fax, to submit an application for credit, you can also be prosecuted for mail or telecommunications fraud.

And finally, if a creditor is damaged (they lose money) because you defaulted on a loan obtained by an application with false statements, they can sue you for fraud as well.

Though it may be tempting and a quick fix for your present credit problems, it could cost you thousands of dollars and maybe even jail or prison time. And while you will have a second file for a while, it will not take very long for the credit bureaus to catch on. This scam has been around long enough that the credit bureaus are quite familiar with it, as soon as they detect it, they will merge the real and the "new" files, with an additional notation that you are using a false SSN.

17. How to Build a Good Credit History

Are you thinking of buying a house? Do you want to buy a new car to replace that old wreck? Trying to get insurance on you home, auto, or life? In each of these situations, what's on your credit report will determine if you can get a loan or insurance and what rates you'll have to pay.

If you're trying to build or repair your credit history, you have a daunting but not impossible task in front of you. Lots of people have been where you are and today they have good credit. With time, discipline, hard work, and by taking the proper steps, you'll be able to build a good credit history too.

To build or rebuild your credit history you need to take certain steps:

- Develop a budget and live by it.

Whether your building credit for the first time or rebuilding credit, you need to know how much money you have coming in each month and how you're spending it.

Start by listing your income from all sources. Next list all fixed expenses (rent, mortgage, car payments...). Finally list all of your variable expenses (entertainment, recreation, clothing...) no matter how small they are.

Writing down and tracking your expenses will help you to understand your spending patterns and you'll be able to see where you can save money by making lifestyle changes.

- Open a checking account and use it responsibly.

Lenders want to know that you have a relationship with a financial institution and that you have a checking account available to pay your bills. Don't overdraw your bank account; in addition to possible damaging your credit record, you'll be charged fees.

- Pay your current bills on-time and pay them in full.

Paying your bill on-time puts positive information on your credit record. Late payments or missed payments count against you.

- Review your credit report annually.

Contact Equifax, Experian, and Trans Union to get copies of your credit report. You should get a copy of your credit report from all three reporting agencies because some creditors don't report to all three agencies. If you're a member of a credit union, check to see if your credit union offers discounted credit report ordering for its members.

- Fix any errors on your credit report.

If you find errors on your credit report, contact the credit reporting agency and the creditor (in writing) to get the errors fixed. Check your credit report to make sure that negative information like late payments, delinquencies, liens, and judgments against you have been removed after 7 years; bankruptcies should be removed after ten years.

- Apply for a credit card.

If you're rebuilding your credit history, consider applying for a secured credit card. To get a secured credit card, you'll need to deposit funds with the credit card issuer and your credit limit is usually equal to the amount you deposit. A secured card can be used the same way as an unsecured card and your timely payments will help to improve your credit history.

- Apply for a department store or gasoline card.

These cards are usually easier to get than major credit cards and they come with smaller credit limits.

- Establish an account at a credit union and take a loan out on it.

This is a secured loan. You'll have to pay interest on the loan, but if your payments are reported to the credit bureaus, the small interest fees will be worth the positive information that is added to your credit record.

- Don't max out your credit cards.

Maxing out your credit cards can hurt your credit score. Try not to use more than 30% of the credit you have available to you. Part of your credit score measures the amount of credit that you have available to you and how much you're using. The more credit you're using, the more negative impact on your credit score.

- If you get into trouble with your credit, get help.

Don't wait until creditors send your accounts to debt collectors. If you can't make a payment contact the creditor and make arrangements to make the payment.

18. Keep Accounts Active

Once you've successfully received new lines of credit, it is important to have some activity going on each month. We don't suggest you pile up large debt-- maybe \$50 dollars or so in a balance. Pay the minimum when the bill arrives even though it will cost you a little in interest charges. *And pay it on time.* This is what future loan officers and other creditors want to see. (Inactive accounts with a zero balance aren't displaying a tendency to handle existing debts.)

You need to display at least one year of positive credit habits to be taken seriously, especially by a mortgage company. Start now or you will always be a year or two from a good credit standing.

19. Secured Credit Cards

Make sure the secured card you choose to help you rebuild your credit:

- Reports the credit card limit you have (even if it's only \$200).
- DOESN'T report that the card is a secured card.

Reporting the balance

Credit scores take into account the total amount of credit available to you and the current balance you have on your cards. They use this to calculate your debt ratios which is:

$$\text{Current Total Balances} / \text{Current Total Credit Limits} = \text{Debt Ratio.}$$

If they are not able to do this calculation, they will just guess what the limit is and this is going to be your current credit card balance or 100% of your credit limit used. Remember in the credit scoring article, the scoring model likes to see 25% or less of your credit limit used.

Reporting that the credit line is secured

If you get a card which reports to the credit bureaus that it IS a secured card, your credit score will also take a hit, even if you are paying on time.

20. Negotiating Your Credit Rating

- You should always push for a Perfect Pay Rating. Your final goal in negotiating your credit rating is to get the creditor to list your credit rating after the settlement as "Paid as Agreed" or "Account Closed - Paid as Agreed". Anything other than this listing will have a negative effect on your credit report.
- Creditors make their profits by collecting from their customers, not by reporting negative credit information. Because creditors recognize this "catch-22" situation, they will often agree to delete any negative listing upon settlement of the debt. You have to realize that creditors won't try to ruin your credit rating as a personal vendetta. It's strictly business. If it pays them to collect from you and restore your rating to perfect, they will do this. Talk to them in terms of money, not principals or morals. Something along the line of "I know you would love to receive the \$3000 I owe you, but it will not help my credit report if you can't change my rating to 'Paid as Agreed'. All I have is \$3000 and I will pay it to other creditors who will agree to change my credit rating in writing."
- Collection agencies will always agree more readily to delete the negative listing than banks or credit cards. Why? They can change their rating, no problem, but you are still probably stuck with the original creditor reporting you late. And who cares if you have a "Paid As Agreed" collection account: no matter what the rating, every collection account is a negative mark. It's no skin off their nose to change it, and of no use to your credit.
- You need to get the collection agency to agree to remove their listing entirely from your report and have the original creditor change the rating to "Paid As Agreed". At the very minimum, you are within your legal rights to demand the removal of the collection account from your report.

Some collection agencies will tell you they have no power over what the original creditor will do regarding your credit. To some extent, this is true. However, both the collection agency and the creditor want their money. If collection agency gets paid, so does the creditor, therefore it is to their advantage to cooperate. And baloney if they tell you they don't know how to get a hold of the original creditor: did the account magically appear on the

collector's desk? No. The collection agency was hired. Explain to the collection agency if they can get a written agreement from the creditor, you will pay them their money, or you will pay a more cooperative creditor with the only money you have left, and they get nothing.

- Remember, though, not all collections result from credit cards. Doctor's bills cannot appear on your report. But collections resulting from these accounts can. In the case of such collections, there is no duplicate negative listing, since the original creditor is not allowed to put a listing on your account, so this collection may legally remain on your report.
- Many creditors, though, have an agreement with the credit bureaus that they will not allow a negative listing to be deleted upon settlement. While this is true, the creditor can just tell the credit bureau that they reported your rating inaccurately, not that it was due to settlement. Anything a creditor reports, a creditor can change. If this wasn't the case, creditors couldn't change erroneous information they may have placed on your account by mistake, and find themselves in trouble with the FTC. In most credit organizations, there are dozens of people with the authority to make changes on the credit report. 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 acquiesce with the right amount of persuasion.

If you have to accept an imperfect credit listing as part of your settlement

You may find that some of your creditors are willing to hold out longer than you are before agreeing to delete the negative listing from your file. It may seem that they are unwilling to delete the negative listing under any circumstance. Once again, let it be said that every creditor will eventually give you what you want if you speak to the right person, are patient and persistent, and 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 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 insist that the account show "Paid" only and that all other negative notations (such as "Charge-off," "Repossession," late notations, or "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.

21. What Goes Into Your Credit Score

- Identifying information (your name, address, and social security number)
- Details concerning your current employment (your position, length of employment, and income)
- Specifics about your personal history (birth date, dependents, previous addresses and employment)
- Information about your credit history (how promptly you have paid your debts, how much and how often you've borrowed)
- All the consumer credit that has been extended to you over the past 7 years, including the names of the creditors, dates the accounts were opened, payment patterns over time, and names of joint owners or cosigners
- The highest and lowest balances from each of your creditors
- The number of payments made on time to each creditor

- The number of late payments and how late they were
- Names of companies or individuals who have requested a copy of your report within the last 2 years
- Information from public records (bankruptcy, overdue child support, civil suits, and tax liens)

22. Pre-Approved Credit Offer Opt-Out

You have a right to notify the credit reporting agencies not to use your credit file in connection with any transaction that you do not initiate, specifically those "pre-approved" credit offers. To exercise this right, notify the three agencies by calling +1.888.567.8688 (+1.888.5.OPTOUT). If you prefer, you may notify them in writing:

Trans Union
Marketing Opt-Out
PO Box 97328
Jackson, MS 39288

Experian
PO Box 919
Allen, TX 75013

Equifax Credit Information Services
Equifax Options
PO Box 740123
Atlanta, GA 30374

23. Identity Theft Prevention

Every day you share personal information about yourself by writing a check at the grocery store, charging clothing in a department store, purchasing a book online or filling out a form at the doctor's office. Each transaction requires you to share some personal information: your driver's license number, credit card number or Social Security number. Although businesses and law enforcement are taking some key initiatives to combat identity theft, like it or not, the fact is that it is up to you to take reasonable steps to help protect your personal information.

Identity theft is one of the fastest-growing crimes in the nation. Identity thieves capture information about you and use it to commit

fraud, steal your money, fraudulently charge items to your accounts or even create new accounts.

Examples of Identity Theft

Skilled identity thieves use both low-tech and high-tech methods to steal confidential information from individuals and businesses. Here are some examples of identity theft:

- **Purse snatching.** A thief steals your wallet or purse containing your ID and credit and bankcards.
- **Mail theft.** Thieves steal bank and credit card statements, pre-approved credit offers, telephone calling cards and tax information from your mailbox.
- **Change of address.** Thieves divert your mail to another location.
- **Dumpster diving.** Thieves rummage through residential or business trash, looking for personal information.
- **Masquerading.** Thieves fraudulently pose as your employer, landlord or someone else with a legitimate need for your personal information.
- **Stealing work records.** Thieves get your business or personnel records at work.
- **Home theft.** Thieves find personal information in your home.
- **Internet theft.** Thieves obtain personal information from unsecured Web sites that you may have visited.
- **Insider crime.** People who have access to personal identifying information steal it to use themselves or to sell to other thieves.
- **Pretexting.** Thieves pretend to be you or a legitimate requestor and persuade business employees to provide them with your personal information.
- **Corporate espionage.** Thieves steal business secrets such as new product plans or bidding strategy.

What thieves do with your personal information:

- **Contact your creditors,** gain access to your accounts, change mailing addresses and begin using the accounts.
- **Open new credit** or bank accounts, obtain loans and establish phone and utility service fraudulently using your name, Social Security number and birth date.
- **File bankruptcy under your name** to avoid paying debts they falsely incurred or to avoid eviction.

- **Counterfeit checks or debit cards** and drain your bank account.
- **File fraudulent tax returns.**
- **Obtain driver's licenses and other fake identification documents.**
- **Use insurance information to obtain medical procedures.**
- **Buy cars or houses** taking out loans in your name.
- **Sell business information to competitors.**

Prevention Tips

Unfortunately it is impossible to entirely prevent becoming a victim of identity theft. But you can take a number of steps to protect your information. Managing your personal information wisely and carefully is the best deterrent to identity theft.

DON'Ts

- Don't carry information such as your Social Security number, bank and credit card numbers, PIN numbers or passwords in your wallet or purse.
- Don't give out personal information on the phone, through the mail or over the Internet unless you initiated the call or know the caller.
- Don't put your Social Security number on your checks.

DO's

- Before you reveal any personal information, find out how it will be used and whether it will be shared with others. Ask if you have a choice regarding submitting certain information. Can you choose to have it kept confidential?
- Give your Social Security number only when absolutely necessary. Ask to use other types of identifiers when possible.
- Make sure your driver's license number is not your Social Security number.
- Put passwords on your credit card, bank and phone accounts. Avoid using easily available information like your mother's maiden name, your birth date, the last four digits of your Social Security number, your phone number or a series of consecutive numbers.
- Deposit outgoing mail in post office collection boxes or at your local post office. Promptly remove mail from your mailbox after it has been delivered. If you are planning to be away from home

and cannot pick up your mail, call the U.S. Postal Service at 1-800-275-8777 to request a vacation hold. The Postal Service will hold your mail at your local post office until you can pick it up.

- Pay attention to your billing cycles. Follow up with creditors if your bills do not arrive on time. A missing credit card bill could mean an identity thief has taken over your credit card account and changed your billing address to cover his or her tracks.
- Review carefully all bills and statements that come to your home. If you notice odd charges, contact your creditors immediately.
- Keep items with personal information in a safe place. Take steps to thwart "dumpster divers" - thieves who steal from trash or recycling bins. Tear or shred your charge receipts, copies of credit applications, insurance forms, physician statements, telephone and other utility bills, bank checks and statements you are discarding, expired charge cards and credit offers that you get in the mail.
- Be cautious about where you leave personal information in your home. Take special care if you employ help from outside the home, have roommates or are having service work done in your home.
- Find out who has access to your personal information at work. Verify that the records are kept in a secure location.
- Order a copy of your credit record. Obtain a copy from each of the three major credit reporting agencies every year. Make sure it is accurate, current and includes only those activities you have authorized or are aware of.
- Consider subscribing to an online credit monitoring service that will alert you within 24 hours of any changes to your credit file.
- Remove your name, phone number and home address from marketing lists by contacting the Direct Marketing Association. This will not prevent your name from being placed on all marketing lists, but it removes your information from many of them.

DMA Mail Preference Service
P.O. Box 9008
Farmingdale, NY 11735-9008
www.the-dma.org

DMA Telephone Preference Service
P.O. Box 9014
Farmingdale, NY 11735-9014
www.the-dma.org

- Stop pre-approved credit offers from coming to your home by calling 1-888-5OPTOUT. This will not prevent all these offers from coming to your home, but it prevents many of them.

24. Monitor Your Credit Report Regularly

If you have studied this document carefully, you know that, much like a resume summarizes your work experience for a prospective employer, a credit report summarizes your credit history for prospective creditors (and in some cases employers and insurers). And like a resume, your credit report can influence whether you will receive what you are applying for.

Ideally, your credit report is an accurate, up-to-date reflection of your credit history. However, in this less-than-ideal world, there are many reasons why your credit report could contain inaccuracies that might prevent you from receiving the credit you deserve. Here, you have learned how to take action to keep your report accurate. Here are some important reasons why you should make a practice of regularly reviewing your credit report:

1. Inaccuracies & Mixed Credit Files

Many inaccuracies on a credit report can be the result of simple human error, and are therefore not difficult to dispute. Whether the inaccuracies relate to payments not credited, late payments, or data mixed in from the credit file of someone else with a name similar to yours, you will want to contact the credit bureau to dispute inaccurate information promptly.

2. Tracking Payments

One of the most important elements of credit is a demonstrated history of on time payments. Once you send the check though, anything can happen--a delay in the payment being received can kick you over to a 30-day delinquency. If you call your creditor and explain the situation, they might adjust the information.

3. Identity Theft

Identity theft is an insidious crime, involving a thief who assumes your name to open new accounts, divert your card statements to another address, and run up all sorts of bad debt without you ever knowing about it until collectors come calling. Over time, identity theft could jeopardize your ability to obtain further credit. The best way to catch a thief who is using your name is by getting a copy of your credit report, which will show you if there are accounts listed you know you haven't opened.

For example, if a thief has intercepted a pre-approved credit card offer in your name and sent it in with a change of address, your credit report will include the account.

4. Inquiries

If you're shopping around for a loan or more credit, you should know that when creditors check your credit, it places an inquiry on your credit report. Inquiries can add up, which is often interpreted as a negative by creditors. For this reason, too many inquiries can actually make getting credit more difficult. Moreover, if you didn't authorize someone to look at your credit report and they did, they may have broken the law.

5. Credit Fraud--Unauthorized Charges

Credit fraud involves the theft of your credit card or account number to make unauthorized charges to your account. Though consumers are protected financially from this abuse, other creditors may take note of all this activity and decide to raise your interest rates or refuse to grant you a loan. Reviewing your credit report will help you catch new activity on accounts that you haven't been using, or may have closed.

For these and other reasons, you should check your credit report regularly, or you might never know about any problems until it is too late. When it comes to managing your credit worthiness, your credit report is your best resource.

25. Stop Abusive Debt Collectors

Here is some information you might find helpful in dealing with collection situations, by using the Fair Debt Collection Practices Act (FDCPA).

Collection agents and some collection attorneys must comply with the Fair Debt Collection Practices Act, 15 USC §§ 1692 et seq. (FDCPA). The FDCPA regulates the language that collection agents can use in collection letters. If you receive a collection letter, it is a good idea to check out the letter with an attorney who practices in this area of law.

Some of the letters sent by collection agents contain false or misleading information. Others attempt to confuse you as to your rights. If any collection letter you have received violates the law, you

may be entitled to sue the collection agency for damages of up to \$1,000, plus get back all of your attorneys fees.

Because this law allows attorneys to collect their legal fees from the violating collection agency, some attorneys will not charge you to take on a case. There are some law firms that practice in this area of law quite a bit, as well as Truth in Lending cases, Consumer Leasing Act cases, and other consumer law matters. You may try to locate some by using a lawyer referral service, or your state bar, if you have received any collection letters.

The FDCPA regulates collection actions in acquisition of location information, communication in connection with debt collection, harassment or abuse, false or misleading representations, unfair practices, validation of debts, multiple debts, legal actions by debt collectors, and furnishing certain deceptive forms.

For a good summary of these FDCPA violations, read this short report, 16 Illegal Creditor Actions.

If you find yourself the target of a debt collection action, make sure that the debt collector is staying within the law, or they may face civil liability. Recently, for example, collection agency Perimeter Credit settled charges of violating the Fair Debt Collection Practices Act (FDCPA) for a \$300,000 civil penalty.

It requires only minor effort to stop a debt collector from harassing. Included in this kit, you will find a letter, Sample Letter 6, to use whenever you are contacted by a collection agency. Use the letter to dispute the debt, or *any part* of the debt, you are not sure you owe. It is the collection agency's job to make sure they are collecting only the right amount. You should also send copies of this letter to the company for whom the collector is trying to collect. It is very important that you follow the mailing and record keeping instructions provided. If the collection agency violates the law, you will need the necessary documentation to prove it and make them pay. Even if you owe the money, you can still send a letter to tell the collector to stop calling or writing you.

Once the collector has your letter, they should suspend collections and not contact you for 30 days, during which time they should investigate the validity of the debt. Most collectors will not bother to investigate at all. If that collector contacts you after you have disputed a debt without having validated the debt, they most likely have violated the

law. Contact your lawyer immediately, the collector could owe you \$1,000.

Remember that nothing is foolproof, and you should be prepared to deal with the situations as they come up. Be creative, be flexible, and be persistent. You will be successful.

26. Negotiate and Settle Your Debts

Collectors only have a limited amount of time to attempt collection of payments, because of the statute of limitations. First, determine if the statute of limitations for collecting this debt in your state has passed. If the last payment or charge you made on an account is older than the statute of limitations, tell the collector. Then tell them that they are wasting their time by harassing you for an un-collectable debt, since the original creditor or the assigned collection agency cannot succeed in court by getting a judgment.

Certain debts are good candidates for settlement, for example, most unsecured 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, deficiency balances remaining after foreclosure or repossession, and bounced checks. There are a few creditors who will never compromise, but most will take a less-than-full payment as settlement-in-full, but make sure you get any settlement in writing. You have the natural advantage in debt settlement, because you have something the creditor wants, and you must hold out for your terms until the creditor gives you what you want. But once you've written that settlement check, your advantage disappears. Get the settlement terms in writing, long before you even consider sending a payment. Everything must be in writing and, even then, you will likely have some work to make the creditor live up to their end of the bargain.

Getting any penalties and additional interest removed or reduced should be your first goal in negotiating on the debt. Most companies would agree to you paying the original debt, even without the extra penalties, and will often be willing to waive these fees, just to get some money paid. As long as you have made no payment or agreement to pay, time is on your side. The longer the debt remains unpaid, the better your chances will be of getting a good settlement. Eventually, the creditor will have to consider the bad debt a loss in order to receive a corporate tax write-off. This does not necessarily mean that they won't pursue you for 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 from corporation to corporation and debt to debt.

If you are contacted by more than one collection agency on the same debt, it may mean that the original creditor has retained a secondary or even third collection agency. This may indicate that the original creditor and perhaps the first collection agency have given up their collection efforts. A collection agency agreeing to take this bad debt at this stage will likely insist that the original creditor pay a fee (usually 50%-60% of what is owed). Many of these collection agencies will in turn accept 33-55 cents on the dollar, and if the collector has been unable to contact you by phone, but knows that you are receiving their letters, they may be willing to take even less.

Never appear too eager to settle. If you let slip that you really need to get this settled to get into your dream home, forget any kind of reasonable settlement, the creditor will most likely insist on the full balance. Just keep reminding the creditor that the statute of limitations is approaching, and after that date, the debt will become un-collectable. To be effective, know when the statute is up on each debt, and be prepared to share that information with the creditor.

27. Negotiate Your Credit Reporting

Always ask for a "Good Pay Rating". The ideal is to get the creditor to report your account after the settlement as "Paid as Agreed" or "Account Closed - Paid as Agreed". Some creditors may not change the status to "Paid as Agreed". At least, get the creditor list the account as "Paid". Since this is an accurate statement on the status of the account, many creditors will agree to this wording. Of course, insist that the account show "Paid" only, and that all other negative notations (such as "Charge-off," "Repossession," late payments, or "Collection") are deleted at the same time. A simple "Paid" notation on a regular trade line is neutral and should not hurt your credit.

If they think it to their advantage to restore your rating, they will do this. For example, "I know you would like to receive the \$1500 balance on the account, but it will not help my credit report if you can't change the account reporting to 'Paid as Agreed'. This is all I have and I will pay it to the other creditors who agree to change my credit rating in writing." Collection agencies will more readily agree to delete the

negative reporting than banks or credit card companies, since the collector can change their reporting, but you remain stuck with the original creditor's negative reporting. Better to negotiate with the original creditor, because the reporting on your "applied for" accounts that primarily determine your credit rating.

Finally, upon settlement of the account, verify that all three of your credit reports have been correctly updated. Send a copy of the letter you received showing the account has a zero balance to the credit bureau to have the collection account removed. The Fair Credit Reporting Act requires that you have no more than one listing per delinquent account (you can have the original creditor report you late but you cannot have a collection listed for this same account).

28. Paying Your Debts Once You Have Settled

Tips on Paying

Never disclose where you work or bank.

If you are asked, simply say "no comment". The reason for this: If your settlement falls through, and the creditor gets a judgment against you, knowing where you bank or work will make it easy to collect the judgement.

Never pay your settlements with a personal check

How you make payments is very important, as it protects you from other creditors learning about your financial status and bank account numbers. For this reason, never send a personal check. Get a cashier's check or money order. Make sure you get the money order or cashier's check from a different bank than your own bank or the post office.

Make sure you keep a copy of your money order or cashier's check and put it in a safe place!

Collection agencies keep notoriously bad records and it's your word against theirs if you say you paid and they said you didn't...unless you have the copy of the money order or cashier's check.

I negotiated a settlement with a creditor for less than I owed. The creditor is now suing me for the balance. Is this legal?

Yes! You need to read the following information carefully.

Some collection agencies will agree to settle with you for far less than you owe and then turn around and hire another collection agency to collect the difference. However, in many states this is illegal. Once a creditor deposits or cashes a full payment check, even if she strikes out the words payment in full or writes "I don't agree" on the check, she can't come after you for the balance. The states in which this law is enforced:

- Arkansas
- Colorado
- Connecticut
- Georgia
- Kansas
- Louisiana
- Maine
- Michigan
- Nebraska
- New Jersey
- North Carolina
- Oregon
- Pennsylvania
- Texas
- Utah
- Vermont
- Virginia
- Washington
- Wyoming

Some states have modified this rule. In the following states, if a creditor cashes a full payment check and explicitly retains his right to sue you by writing "under protest or without prejudice" with his endorsement, then he can come after you for the balance. But those exact words must be used. If he writes "without recourse," communicates with you separately, notifies you verbally or writes on the check that it is partial payment, it is not enough.

- Alabama
- Delaware
- Massachusetts
- Minnesota
- Missouri
- New Hampshire
- New York
- Ohio

- Rhode Island
- South Carolina
- South Dakota
- West Virginia
- Wisconsin

29. Statute of Limitations

The statute of limitations (SOL) for a delinquent debt is the time limit for the creditor to file a lawsuit. This period starts when the debtor becomes delinquent. The fact that the SOL has "run" (expired) on a particular debt will not necessarily prevent a lawsuit from being filed (via a Summons And Complaint), but the defendant can have the suit dismissed on this basis.

The Statute Of Limitations only covers lawsuits, and SOL expiration does not affect other types of collection action or reporting of the account to credit bureaus. The creditor or collection agency may theoretically continue with letters and telephone calls forever (although third-party collectors are subject to the "cease and desist" provision of the Fair Debt Collection Practices Act.) However, they will generally put much less effort into collecting "Out-Of-Statute" debts, and may give up easily. Out-Of-Statute debts can still be reported to credit bureaus for the time limits specified in the Fair Credit Reporting Act.

Credit cards are generally considered Open Accounts. Auto loans and other installment agreements are Written Contracts. If there has already been a lawsuit resulting in a judgement, that judgement has a separate Statute Of Limitations.

(The numbers on this chart indicates years.)

State	Oral Agreements	Written Contracts	Promissory Notes	Open Accounts
Alabama	6	6	6	3
Alaska	6	6	6	6
Arizona	3	6	5	3
Arkansas	3	5	6	3
California	2	4	4	4

Colorado	6	6	6	6
Connecticut	3	6	6	6
Delaware	3	3	6	3
D.C.	3	3	3	3
Florida	4	5	5	4
Georgia	4	6	6	4
Hawaii	6	6	6	6
Idaho	4	5	10	4
Illinois	5	10	6	5
Indiana	6	10	10	6
Iowa	5	10	5	5
Kansas	3	5	5	3
Kentucky	5	15	15	5
Louisiana	10	10	10	3
Maine	6	6	6	6
Maryland	3	3	6	3
Massachusetts	6	6	6	6
Michigan	6	6	6	6
Minnesota	6	6	6	6
Mississippi	3	3	3	3
Missouri	5	10	10	5
Montana	5	8	8	5
Nebraska	4	5	6	4
Nevada	4	6	3	4
New Hampshire	3	3	6	3
New Jersey	6	6	6	6
New Mexico	4	6	6	4
New York	6	6	6	6
North Carolina	3	3	5	3
North Dakota	6	6	6	6
Ohio	6	15	15	-
Oklahoma	3	5	5	3
Oregon	6	6	6	6

Pennsylvania	4	6	4	6
Rhode Island	15	15	10	10
South Carolina	10	10	3	3
South Dakota	6	6	6	6
Tennessee	6	6	6	6
Texas	4	4	4	4
Utah	4	6	6	4
Vermont	6	6	5	6
Virginia	3	5	6	3
Washington	3	6	6	3
West Virginia	5	10	6	5
Wisconsin	6	6	10	6
Wyoming	8	10	10	8

30. Statute of Limitations on Judgements

After a creditor wins a lawsuit against a debtor and is awarded a judgement by the court, there is a time limit for collecting that judgement. However, many states allow judgements to be renewed one or more times, which could substantially extend the enforceability of a judgement, if the creditor is vigilant about the renewals. This can potentially result in a permanent legal obligation until it is paid.

State	SOL (Years)	Maximum Interest Rate (%)
Alabama	20	12
Arkansas	10	10.5
Alaska	5	10
Arizona	10	Fed + 5
California	10	10
Colorado	20	8
Connecticut	20	10
Delaware	No Limit	Legal + Fed Discount + 5

D.C.	3	70% of interest rate or 6% if not specified
Florida	20	10
Georgia	7	12
Hawaii	10	10
Iowa	6	10.875
Idaho	20	9
Illinois	20	8
Indiana	20	10
Kansas	5	4% above Fed Discount
Kentucky	15	12
Louisiana	10	9
Maine	20	7.5
Maryland	12	15% if under 30 months, T-bill rate if over 30 months
Massachusetts	20	10
Michigan	10	20
Minnesota	10	6.953
Mississippi	7	5% changes yearly
Missouri	10	Amount in contract
Montana	10	9
North Carolina	5	10
North Dakota	6	1% above bond equiv Yield
Nebraska	20	2% above Prime
New Hampshire	20	10
New Jersey	14	No provisions
New Mexico	20	8.75% without written contract
Nevada	10	9
New York	10	8
Ohio	21	12
Oklahoma	5	10
Oregon	10	4% over T-bill
Pennsylvania	4	9% renewable @10 yrs

Rhode Island	20	6
South Carolina	10	12
South Dakota	20	14
Tennessee	10	10
Texas	10	10
Utah	8	Can be 18% w/Agreement or 6% without
Virginia	8	Judgement Contract Rate
Vermont	20	12
Washington	10	9
Wisconsin	10	12
West Virginia	20	10
Wyoming	5	12

31. Method of Verification - Secret Credit Repair Tool

Everyone, it seems through mass media coverage, knows how to dispute negative credit listings on your credit report. This is a good thing. However, many people are foiled in their disputes because of the way the credit bureaus "investigate" the disputes.

If you get a notice from your the credit bureaus telling you the information you disputed has been *verified* as accurate, you can request the **method of verification**, which is your right under the FCRA section 611 (a) (7). The credit bureau must give you this information within 15 days of the request.

Why the CRAs are not doing their job

Each credit reporting agency has a different process for handling credit report disputes, but all three use a similar system. The three bureaus collaborated through their trade organization to automate the entire reinvestigation process using an online computer program, E-Oscar.

All disputes received by the credit bureaus are done via written letter, the telephone or the credit bureaus online dispute service. Even if the

credit bureau receives a written dispute highly detailed and with documentation, each dispute is reduced to a two-digit code - the best guess of a minimum wage employee.

Under the FCRA, the credit bureaus are required to send the information on to the furnisher of the consumer's account (in other words, the original creditor), but all they receive is the two-digit code.

According to testimony from Leonard A. Bennett, Testimony Before Subcommittee on Financial Institutions and Consumer Credit of the Committee on Financial Services Regarding "Fair Credit Reporting Act: How it Functions for Consumers and the Economy," June 4, 2003, Leonard A. Bennett P.C. on behalf of the National Association of Consumer Advocates (<http://www.naca.net>):

The employees of all three CRAs operate under a quota system whereby each employee is expected to process all of the disputes of an individual consumer in less than four minutes. Worse still, the "codes" used by both the CRAs and their subscribers (the furnishers) are limited in number and rarely describe the actual basis for the consumer's dispute.

This is consistent with CRA testimony in every other case of which I am aware. The Bureaus do not convey the full dispute or forward any of the documents to the furnishers. As an expected result, nearly all consumer disputes are verified against the consumers.

The Method

Based on my own experience and what I learned, I came up with the following procedure which seems to be working for people:

1. Challenge the listing in the normal way.
2. If verified, with a copy of the investigation result in hand, call the CRA at the toll-free number listed at the top of the report. (If not, you're done, you lucky dog!)
3. Give the report reference number and ask for method of verification per FCRA Section 611(a)(7) .
4. They will have never called the OC (original creditor), but will have relied on a third party database to verify, which they may or may not admit to you. If they can't cite solid evidence like "we called the OC and they verified", ask for OC's phone number.
5. Call OC and ask for the records.

6. If the OC doesn't have them (they will typically tell you that the collection agency has them and they don't keep them), get the person's name and direct line. If they do have them, demand a copy under the new FACTA act.
7. If you are sent records, review them and see how good they are. If they are not conclusive, take the next step.
8. If the OC has no records
 - o Call the CRA back and tell them the OC has no records.
 - o Inform the CRA that they need to open another dispute. The new information for the dispute is the name and number of the person to whom you have just called at the OC.
 - o If they refuse, inform them you will sue for willful non-compliance under section FCRA § 616.
 - o If they still refuse, send the information via certified letter along with an intent to sue letter. If not, they will give you a new confirmation number (write it down! and the date!). This acts as a new investigation, and the CRA has 30 days to get back to you.
9. If you have written records proving the OC can't back up the negative listing(s) they are reporting on your credit report
 - o send them registered mail to the CRA along with an intent to sue letter if the account is not removed.

32. Wipe Out Debt Without Bankruptcy

If in debt, you must devise some plan to get out of the red. You can declare bankruptcy, but that will tarnish your credit and financial records. An alternative is the "wage earner" plan, which allows you to meet your debts methodically without bankruptcy. Remember, creditors hate bankruptcy because they may be left with no payment. To them, 20 percent of what you owe is better than nothing at all. But if you can get on the wage-earner plan, there is another solution.

Sit down with your creditors and negotiate a payment plan. Tell them how much you can pay. Believe me, they will settle for less than the actual amount owed. For more information on negotiating with creditors, refer to the section titled "Take Over An On-Going Business For Zero Down."

The Method

In 1938, federal law established the wage-earner plan, now administered by the same branch of our judicial system that handles bankruptcy.

To take advantage of the plan, you must be a wage earner and most of your income come from wages, regardless of how much you make. You can discharge any amount of your debt under this law. Here's how it works:

- Call the nearest U.S. District Court and find out the name of the trustee who administers the wage-earner plan; and make an appointment to see him.
- Bring to your appointment all relevant financial records, such as payment books, contracts, etc.
- The trustee will examine your finances and set up a plan by which portion of your debts is paid over a three-year period.
- You then make your monthly payments to the trustee who, in turn, pays each of your creditors.

The Outcome

A possible side effect of the wage-earner plan is the reduction of much of your debts, because a provision of your filing requires your creditors to appear in court.

Statistics show that 40 percent of creditors fail to appear in court--in this case, you owe only 60 percent of your creditors their claims. In some cases, none of your creditors will appear. If this happens, all your debts are wiped out, without the pain of bankruptcy. If some of your creditors do appear in court, the court allows you to divide your payment into smaller amounts to be paid over a three-year period. Once you file, you will stop bill collectors, law suits, judgments, assignments, seized bank accounts, and other actions against you.

Indeed, in many cases, your credit rating may improve because you have made an honest effort to work with the lending parties to pay off your debts.

Your debt may be wiped out entirely if a creditor used deceptive trade practices to induce your purchase, as defined by the Uniform Commercial Code.

You should also be aware that, that under the Homestead Act, your residence may be exempted from levy to the extent determined by

local law. Check with a lawyer or your local courthouse for more details.

33. Removing Bankruptcies and Foreclosures

There is no type of negative listing that hasn't been removed from a credit report thousands of times. Negative items, 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 with the severity of the bad credit item. For example, judgements and tax liens are severely negative listings, yet are easier to remove.

The first three years are near impossible to remove a bankruptcy, judgement or foreclosure. However, typically anytime after three years have passed, the majority of courts will move all of their old files into an archived warehouse for storage. When you initiate a dispute with the credit bureau, they typically will not hire people to dig through this warehouse to verify the complaint.

One important note to remember is if you claim any part of the dispute is yours, they will attempt to verify the claim and if they don't find it they will only remove the part you disputed. If you tell them "This disputed item is not mine", then they will look into the claim and remove it if the court does not have the record easily accessible.

34. Protecting Your Credit if You Get Divorced

Divorce decrees do not relieve either party of joint financial responsibility. The purpose of divorce is to split off emotionally, and financially, from your ex-spouse. If you aren't careful, your spouse's handling of your once-joint accounts can haunt you for years. If you had joint debts which existed before your divorce, and these accounts are not both paid off and closed, you are just asking for trouble.

Also, although some divorcing couples definitely are out to get each other, most problems with joint accounts prior to divorce are caused by *ignorance*, not malicious intent. Don't think that just because your split is amicable problems can't occur. Taking precautions can protect BOTH of you.

Here are the typical joint accounts which many married couples share and what you need to do with each before you get divorced.

Your Home/Mortgage

This should be your first priority. It is vital to not walk away from a divorce with the mortgage in both of your names. Here are possible ways to cope with joint home ownership, listed from most preferable to least:

1. Sell the home. Make sure the sale occurs before the divorce, especially if your ex is living in the house during the divorce proceedings. If you have an agreement to sell (the house has not yet sold) at the time of your final divorce, and your spouse is secretly opposed to selling it, he can make it very difficult for a realtor to show or list the home, dragging out the sale indefinitely. In the meantime, you are responsible for the payments and your credit is in jeopardy. It's actually best to have the house empty during the sale of the home; if possible, both of you should be out of the house before it goes up for sale.
2. Have one spouse refinance the home in his/her own name. If one spouse is to keep the house after the divorce, insist that your soon-to-be-ex obtain new financing in his own name. You can't just call up the mortgage company and say, "Hey, I'm getting divorced, can you take my spouse off the loan?" Your lender is going to insist on having your ex go through the formal loan process to qualify. Do not let the final gavel sound on your divorce papers before the house has been through the refinancing process. Having your spouse show you loan approval papers is not enough; last minute glitches that prevent loans from closing occur every day.
3. If selling or refinancing isn't an option. This is the worst possible option. Try to avoid it at all cost. If moving out of your joint home is going to cause hardship to your ex (and/or your kids), and he is unable to refinance the home on his own, here are some things you can do to protect yourself:
 - Don't take your name off the title. If you take your name off of title (using a quit claim deed), you are removing ownership but not loan responsibility, a very dangerous situation. This also means that you will not be able to split the equity in the home at the present time.
 - Place a limit on how long your ex can stay in the house before it will be sold or refinanced.
 - Notify the mortgage company of your change of address and have all statements and coupon booklets sent to your new address (also, see if you can get your ex to mail the payments to you). At the very least, inform the lender that

you wish to be notified if the payments get in arrears. In this way, if your ex is late on payments, you will be notified and have the chance to make up the payments.

Car/Car Loans

This is the second most important item in need of your attention, because car loans are the second most important kind of financing on your credit report after your mortgage. As you will notice, my suggestions for handling joint car loans are very similar to those for a joint mortgage. Here are possible ways to cope with joint car ownership, listed from most preferable to least:

1. Sell the car. Make sure the sale occurs before the divorce. If you just have an agreement to sell (the car has not yet sold), you are responsible for the payments and your credit is in jeopardy. If the car is upside down (meaning you owe more than it is worth), it's still better to sell the car at a loss than to risk your credit. The difference between good and bad credit can be worth thousands of dollars in interest and fees per year on future financing.
2. Have one spouse refinance the car in his/her own name. If one spouse is to keep the car after the divorce, before you get divorced, insist that your soon-to-be-ex obtain new financing in his own name. As with a mortgage, your lender is going to insist on having your ex go through the formal loan process to qualify. Do not let the divorce process complete before the car loan has been completely through the refinancing process.
3. If selling or refinancing isn't an option. This is the worst possible option. Try to avoid it at all cost. If selling the car is going to cause hardship to your ex (and/or your kids), and he is unable to refinance car on his own, here are some things you can do to protect yourself:
 - Don't take your name off the title. If you take your name off of the title, you are removing ownership but not loan responsibility, a precarious situation to be in.
 - Place a limit on how long your ex can have possession of the car before it will be sold or refinanced.
 - Notify the car finance company of your change of address and have all statements sent to your new address (also, see if you can get your ex to mail the payments to you). At the very least, inform the lender that you wish to be notified if your ex isn't making the payments.

Joint Credit Card Debt

Most people think that "closing out" joint credit card accounts is the end of the headache. Unfortunately, they forget that the account is not really closed out until any balances are paid off. Even worse, it's very easy to reopen accounts if the accounts are being paid on time - credit card companies encourage this. If you cannot pay off and close the balances immediately (it may be difficult to legally divide up debts that have not been paid off, check with your lawyer), here are some solutions for getting rid of it, listed from best option to worst:

1. Sell a joint asset (perhaps your home - kill two birds with one stone) and pay off the debt, then close the account.
2. Apply for a separate credit card for each of you and have agreed-upon amounts transferred into these sole and separate accounts from the joint debt accounts.
3. If your spouse can't qualify for credit on his own, get one of his relatives to co-sign on a new card, then transfer the balances.

Note: If you have debts that don't fit into the above categories, use this simple rule of thumb: After a divorce, all of the joint debts you had should be closed and paid off; all of the assets you owned jointly should be sold. No exceptions.

35. Example Letters

- Request Your Credit Report
- Dispute Letter
- Dispute Letter For Unauthorized Inquiries
- Follow-up to Your Dispute Letter
- Notice of Intent to File Complaint
- Dispute Letter to Credit Collector
- Request for Procedure Description
- Unauthorized Credit Inquiry
- Agreement to Compromise Debt
- Letter Requesting a Collection Agency to Cease and Desist
- Request to a Collection Agency to Validate Debt
- Request a Collection Agency to Remove a Debt

- Collection Agency Fails to Validate Your Debt - Send this to the Credit Bureaus
- Notice of Lawsuit
- Explaining Late Fees
- Statute of Limitations

Request Your Credit Report

Your Name
Your Street Address
Your City, State ZIP Code

Credit Bureau Name
Their Street Address
Their City, State ZIP Code

05/06/1990

Dear Credit Bureau,

Please send me a copy of my credit report.

Your full name
Your birth-date
Your Social Security number
Your current address
Your former address

Enclosed, also please find a photocopy of my driving license, showing my current address, and a photocopy of my Social Security card.

Please send the credit report as soon as you can. Thank you.

Sincerely,

Your Signature

Your Name

Dispute Letter

Your Name

Your Street Address
Your City, State ZIP Code

Credit Bureau Name
Their Street Address
Their City, State ZIP Code

05/06/1990

Dear Credit Bureau,

This letter is a formal complaint that you are reporting inaccurate and incomplete credit information.

I am distressed that you have included the below information in my credit profile and have failed to maintain reasonable procedures in your operations to assure maximum possible accuracy in the credit reports you publish.

Credit reporting laws ensure that bureaus report only 100% accurate credit information. Every step must be taken to assure the information reported is completely accurate and correct.

The following information therefore needs to be re-investigated. I respectfully request to be provided proof of this alleged item, specifically the contract, note or other instrument bearing my signature. Failing that, the item must be deleted from the report as soon as possible:

CREDITOR AGENCY, account xxx-xxxx-xxx

The listed item is completely inaccurate and incomplete, and is a very serious error in reporting. Please delete this misleading information, and supply a corrected credit profile to all creditors who have received a copy within the last 6 months, or the last 2 years for employment purposes.

Additionally, please provide the name, address, and telephone number of each credit grantor or other subscriber.

Under federal law, you have 30 days to complete your re-investigation. Be advised that the description of the procedure used to determine the accuracy and completeness of the information is hereby

requested as well, to be provided within 15 days of the completion of your re-investigation.

Sincerely,

Your Signature

Your Name

SSN# xxx-xx-xxxx

Dispute Letter For Unauthorized Inquiries

Your Name

Your Street Address

Your City, State ZIP Code

Credit Bureau Name

Their Street Address

Their City, State ZIP Code

05/06/1990

Dear Credit Bureau,

This letter is a formal complaint that you are reporting inaccurate and incomplete credit information.

I am distressed that you have included the below information in my credit profile and have failed to maintain reasonable procedures in your operations to assure maximum possible accuracy in the credit reports you publish.

Credit reporting laws ensure that bureaus report only 100% accurate credit information. Every step must be taken to assure the information reported is completely accurate and correct.

The following information therefore needs to be re-investigated. I respectfully request to be provided proof that these inquiries were in fact authorized with an instrument bearing my signature, and for legitimate business purposes. Failing that, the unauthorized inquiry must be deleted from the report as soon as possible:

CREDITOR AGENCY, account xxx-xxxx-xxx

The listed inquiry was without authorization, and for no legitimate business purposes. As such, it is a very serious error in reporting. Please delete this misleading information, and supply a corrected credit profile to all creditors who have received a copy within the last 6 months, or the last 2 years for employment purposes.

Additionally, please provide the name, address, and telephone number of each credit grantor or other subscriber.

Under federal law, you have 30 days to complete your re-investigation. Be advised that the description of the procedure used to determine the accuracy and completeness of the information is hereby requested as well, to be provided within 15 days of the completion of your re-investigation.

Sincerely,

Your Signature

Your Name

SSN# xxx-xx-xxxx

Follow-up to Your Dispute Letter

Your Name

Your Street Address

Your City, State ZIP Code

Credit Bureau Name

Their Street Address

Their City, State ZIP Code

05/06/1990

RE: Dispute Letter of 4/06/1990

Dear Credit Bureau,

This letter is formal notice that you have failed to respond in a timely manner to my dispute letter of 4/06/1990, deposited by registered

mail with the Post Office on that date.

As you are well aware, federal law requires you to respond within 30 days, yet you have failed to respond. Failure to comply with these federal regulations by credit reporting agencies are investigated by the Federal Trade Commission (see 15 USC 41, et seq.). I am maintaining a careful record of my communications with you on this matter, for the purpose of filing a complaint with the FTC should you continue in your non-compliance. I further remind you that, as in Wenger v. Trans Union Corp., No. 95-6445 (C.D.Cal. Nov. 14, 1995), you may be liable for your willful non-compliance.

Be aware that I am making a final goodwill attempt to have you clear up this matter. You have 15 days to cure.

For your benefit, and as a gesture of my goodwill, I will restate my dispute. The following information needs to be verified and deleted from the report as soon as possible:

CREDITOR AGENCY, account xxx-xxxx-xxx

The listed item is completely inaccurate and incomplete, and is a very serious error in reporting. Please delete this misleading information, and supply a corrected credit profile to all creditors who have received a copy within the last 6 months, or the last 2 years for employment purposes.

Additionally, please provide the name, address, and telephone number of each credit grantor or other subscriber.

Under federal law, you had 30 days to complete your re-investigation, yet you have failed to respond. Do not delay further.

Be advised that the description of the procedure used to determine the accuracy and completeness of the information is hereby requested as well, to be provided within 15 days of the completion of your re-investigation.

Sincerely,

Your Signature

Your Name

SSN# xxx-xxx-xxxx

Notice of Intent to File Complaint

Your Name
Your Street Address
Your City, State ZIP Code

Credit Bureau Name
Their Street Address
Their City, State ZIP Code

05/06/1990

RE: Dispute Letter of 4/06/1990, Follow-up Letter of 5/06/1990

NOTICE OF INTENT TO FILE COMPLAINT

Credit Bureau,

This letter shall serve as formal Notice of my Intent to file a Complaint with the FTC, due to your blatant disregard of the law.

As indicated by the attached copies of letters and mailing receipts, you have been delivered by registered mail both a dispute letter, dated 4/06/1990, as well as a follow-up letter, dated 5/06/1990. As of this moment, you have not done your duty mandated under the law. Your inaction in this matter is inexcusable, and your disregard for the law is contemptible. Rest assured, I will hold you to account.

As you are well aware, federal law requires you to respond within 30 days, yet you have failed to respond. Failure to comply with these federal regulations by credit reporting agencies are investigated by the Federal Trade Commission (see 15 USC 41, et seq.). I am maintaining a careful record of my communications with you on this matter, for the purpose of filing a complaint with the FTC should you continue in your non-compliance. I further remind you that, as in Wenger v. Trans Union Corp., No. 95-6445 (C.D.Cal. Nov. 14, 1995), you may be liable for your willful non-compliance.

For the record, the following information is being erroneously included on my credit report, as I have advised you on two separate occasions, more than 75 days and again 40 days ago:

CREDITOR AGENCY, account xxx-xxxx-xxx

If you do not immediately remove this inaccurate and incomplete information, I will file a formal complaint with the FTC. Furthermore, I intend to seek redress in civil action, for recover of both damages, costs, and attorneys fees, should you continue in your deliberate obstruction of the law. For this purpose, I am carefully documenting these events, including the lack of response REQUIRED under law from you.

You are further directed to supply a corrected credit profile to all creditors who have received a copy within the last 6 months, or the last 2 years for employment purposes.

Additionally, please provide the name, address, and telephone number of each credit grantor or other subscriber.

Under federal law, you had 30 days to complete your re-investigation, yet you have failed to respond. Your continued delays are inexcusable.

Be advised that the description of the procedure used to determine the accuracy and completeness of the information is hereby requested as well, to be provided within 15 days of the completion of your re-investigation.

Sincerely,

Your Signature

Your Name

SSN# xxx-xx-xxxx

Dispute Letter to Credit Collector

Your Name

Your Street Address

Your City, State ZIP Code

Credit Bureau Name

Their Street Address

Their City, State ZIP Code

05/06/1990

Dear Collector,

I am writing in response to your letter dated April 06, 1990 [copy enclosed]. This is the first letter I've received from you on this matter.

I do not believe that I owe what you say I owe, and I request that you please do the following:

1. tell me what this money that you say I owe is for
2. show me how you calculated what you say I owe
3. give me copies of any papers that show I agreed to pay what you say I owe
4. show me that you are licensed in my state, and give me your license number
5. stop contacting me about this or any other matter you have, except to provide me with proof that I owe what you say I owe

I demand that you also send a copy of this dispute to the company that you say I owe money to, so that they do not report this on my credit report.

I further demand that if you have reported me to a credit reporting company, you tell them that I do not agree with this debt.

Sincerely,

Your Signature

Your Name

SSN# xxx-xx-xxxx

Request for Procedure Description

Your Name

Your Street Address

Your City, State ZIP Code

Credit Bureau Name

Their Street Address

Their City, State ZIP Code

05/06/1990

Dear Credit Bureau,

This letter is a formal request for the description of the procedures used to determine the accuracy and completeness of the disputed information, including the business name, address, and telephone number of any furnisher of information contacted in connection with this re-investigation.

I am disappointed that you have failed to maintain reasonable procedures to assure complete accuracy in the information you publish, and insist you comply with the law by providing the requested information within the 15 days allowed.

For your benefit, and as a gesture of my goodwill, I will restate the relevant dispute:

CREDITOR AGENCY, account xxx-xxx-xxx

As already stated, the listed item is inaccurate and incomplete, and is a very serious error in reporting. Please supply a corrected credit profile to all creditors who have received a copy within the last 6 months, or the last 2 years for employment purposes.

Additionally, please provide the name, address, and telephone number of each credit grantor or other subscriber.

Sincerely,

Your Signature

Your Name

SSN# xxx-xx-xxxx

Unauthorized Credit Inquiry

Your Name

Your Street Address

Your City, State ZIP Code

Credit Bureau Name

Their Street Address

Their City, State ZIP Code

05/06/1990

Re: Unauthorized Credit Inquiry

Dear Credit Bureau,

I recently received a copy of my Experian 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 unauthorized 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 of this.

Sincerely,

Your Signature

Your Name

SSN# xxx-xx-xxxx

Agreement to Compromise Debt

Your Name

Your Street Address

Your City, State ZIP Code

Credit Bureau Name

Their Street Address

Their City, State ZIP Code

05/06/1990

Creditor, referred to as CREDITOR and Jane Doe, referred to as DEBTOR, agree to compromise the indebtedness as between them. CREDITOR, hereby agrees to compromise the indebtedness due the

CREDITOR on the following terms and conditions:

The CREDITOR and the DEBTOR agree that the present debt due is \$1436.18 (one thousand four hundred thirty six & 18/100 dollars). The parties agree that the CREDITOR shall accept the sum of \$1000.00 (one thousand & no/100 dollars) as full payment on the debt. The acceptance of the payment will serve as a complete discharge of all monies due. The payment shall be made in cash.

In addition, upon accepting of the \$1000, the CREDITOR will notify all Credit Reporting Agencies that account is PAID AS AGREED, and delete any entries showing this account as ever being late.

This compromise is expressly conditioned upon the payment being received by June 15, 1990. If the DEBTOR fails to pay the compromised amount by June 15, 1990, the original amount owed by the DEBTOR will be reinstated in full, and immediately due.

This Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns.

Dated: _____

Signature: _____

Creditor CREDITOR

Signature: _____

Sincerely,

Your Signature

Your Name

SSN# xxx-xx-xxxx

Letter Requesting a Collection Agency to Cease and Desist

Your Name

Your Street Address

Your City, State ZIP Code

Credit Bureau Name
Their Street Address
Their City, State ZIP Code

05/06/1990

RE: Account xxx-xxxx-xxx

Dear Sir or Madam:

I request that you CEASE and DESIST in your efforts to collect on the above referenced account (SEE letter attached). It is my personal policy not to deal with collection agencies and I will only deal with the original creditor of this account.

You are hereby instructed to cease collection efforts immediately or face legal sanctions under applicable Federal and State law.

GIVE THIS LETTER THE IMMEDIATE ATTENTION IT DESERVES.

Sincerely,

Your Signature

Your Name
SSN# xxx-xx-xxxx

Request to a Collection Agency to Validate Debt

Your Name
Your Street Address
Your City, State ZIP Code

Credit Bureau Name
Their Street Address
Their City, State ZIP Code

05/06/1990

RE: Account xxx-xxxx-xxx

Dear Sir or Madam:

I have been the victim of identity fraud, and I believe this debt is one of the debts which resulted from my identity theft and was falsely taken out in my name. This letter is being sent to you in response to your attached letter. This is not a refusal to pay, but a notice that your claim is disputed.

Under the Fair Debt Collections Practices Act (FDCPA), I have the right to request validation of the debt you say I owe you. I am requesting proof that I am indeed the party you are asking to pay this debt, and there is some contractual obligation which is binding on me to pay this debt. Below are a few questions to answer which may help you to resolve these mistakes.

You should also be aware that reporting such invalidated information to major credit bureaus might constitute defamation of character, as the negative marks on my credit report harm my credit and prevent me from enjoying all the benefits of good credit. I'm sure your legal staff will agree that non-compliance with this request could put your company in serious legal trouble with the FTC and other state or federal agencies.

In addition to the questionnaire below, please attach copies of:

- Agreement with your client that grants you the authority to collect on this alleged debt
- Agreement that bears the signature of the alleged debtor wherein he agreed to pay the creditor.
- Any insurance claims been made by any creditor regarding this account
- Any judgments been obtained by any creditor regarding this account

Sincerely,

Your Signature

Your Name

SSN# xxx-xx-xxxx

Request a Collection Agency to Remove a Debt

Your Name
Your Street Address
Your City, State ZIP Code

Credit Bureau Name
Their Street Address
Their City, State ZIP Code

05/06/1990

RE: Account xxx-xxxx-xxx

It has come to my attention through the credit bureaus that you claim I owe a debt to your agency. While I have yet to have the debt verified to me as legitimate through my right of the mini Miranda, I can however save us both some effort & time by "Settling the debt out".

Below is my offer. It is not a renewed promise to pay nor does it constitute any agreement unless you sign and return it. Note, I have not agreed yet that this debt is mine and have the option to seek further proof from your agency of this debt. It has also come to my attention that your agency regularly purchases debts in the course of doing business.

Suffice to say, you hold all the rights to report the debt to the credit bureaus as you see fit and you can change that listing at any time as the source reporting the debt.

I am sure you are aware of my right to dispute this debt and request full proof of the obligation. Paying this unverified debt to you means little to me if we cannot mutually agree that you will report the debt as mentioned below.

While I realize that your purpose is to collect debts as a collection agent, I am also aware of what a paid collection would represent for me, which is not favorable. That being said, I have concurred through the bureaus that you have the absolute right to report this debt as you see fit or not report it at all.

Please do not quote to me that you are unable to change the listing or I will be forced to cease and desist our communication and request full

lengthy verification of the debt.

My goal is to arrange a term acceptable to both us since this debt is questionable.

I will pay your company the amount of \$xx as payment in full for the full satisfaction of this account. Upon receipt of the above payment, your company has agreed to change the entry on my credit reports to "Paid AS AGREED". You further agree to remove all previous notation of delinquency.

If you concur with these terms please acknowledge with your signature and return it to me. You agree the terms herein are confidential and you have the authority to make such decisions. No payment will be made without written confirmation.

Upon receipt of this signed acknowledgment, I will immediately mail you funds priority mail. This is not a renewed promise to pay but rather a restricted offer only. If no terms can be met, no new arrangements will be made and the offer will be void.

Name of Creditor:

Sincerely,

Your Signature

Your Name

SSN# xxx-xx-xxxx

Collection Agency Fails to Validate Your Debt - Send this to the Credit Bureaus

Your Name

Your Street Address

Your City, State ZIP Code

Credit Bureau Name

Their Street Address

Their City, State ZIP Code

05/06/1990

RE: Account xxx-xxxx-xxx

I am writing to dispute the account referenced above. I have disputed this account information as inaccurate with you, and you have come back to me and stated you were able to verify this debt. How is this possible? Under the laws of the FDCPA, I have contacted the collection agency myself and have been unable to get them to verify that this is indeed my debt.

I enclose copies of my requests to the collection agency, asking them to validate my debts, and the receipts showing that I sent these letter certified signature request. This debt is not mine and I was given no evidence of my obligation to pay this debt to this collection agency.

The FCRA requires you to verify the validity of the item within 30 days. If the validity can not be verified, you are obligated by law to remove the item. There is a clear case of unverified debt here, and I urge you to remove this item before I am forced to take legal action.

In the event that you can not verify the item pursuant to the FCRA, and you continue to list the disputed item on my credit report I will find it necessary to sue you for actual damages and declaratory relief under the FCRA. According to this regulation, I may sue you in any qualified state or federal court, including small claims court in my area.

While I prefer not to litigate, I will use the courts as needed to enforce my rights under the FCRA.

I look forward to an uneventful resolution of this matter.

Sincerely,

Your Signature

Your Name

SSN# xxx-xx-xxxx

Notice of Lawsuit

Your Name

Your Street Address

Your City, State ZIP Code

Credit Bureau Name

Their Street Address

Their City, State ZIP Code

05/06/1990

RE: Account xxx-xxxx-xxx

Enclosed is a copy of the lawsuit that I filed against you in (my county) court on March 18, 1990. Currently the Pretrial Conference is scheduled for May 11th, 1990 at 10:30 A.M. in courtroom #21. The case number is (insert case #).

The reason the lawsuit was filed was due to a completely inadequate response from your company. When someone is the victim of identity theft, it is simply a nightmare trying to get false information removed from a credit file. I have contacted all of the false creditors listed on my credit file. I have challenged all of the false listings on my credit file. Nothing ever happens to fix the situation.

Over 90 days ago I wrote each the creditors in question and demanded proof that I am their customer. I asked for proof of the alleged debt, including specifically the alleged contract or other instrument bearing my signature. So far none of them has been able to provide such proof to me. I have sent follow-up letters to each of them and there is still no proof. I have attempted phone contact, but I simply get transferred around and nothing ever gets accomplished.

I have fully investigated my rights in this matter. Under the doctrine of estoppel by silence, *Engelhardt v Gravens* (Mo) 281 SW 715, 719, I may presume that no proof of the alleged debt, nor therefore any such debt, in fact exists. I have copies of the certified letters and dates prepared to bring to court on April 10th. Also, under the Fair Credit Reporting Act, these disputed items may not appear on my credit report if they cannot be supported by any evidence.

Under the Fair Credit Reporting Act, if they cannot verify the debt within 30 days, then it must be removed. Your letters to me claim to have 'verified' the debt, but this is in fact not true under law. Simply contacting the alleged creditor and asking them to match up numbers in their database is no sufficient verification for identity theft. Of

course the information matches up. Someone clearly used my information without my authorization.

Now I am suing Equifax for being such a pain in the posterior to me. I have provided more than sufficient evidence to get these false accounts removed.

You may contact me before April 10th at (my phone number) or at my address listed at the top of this letter. This matter can be settled simply by your agreement to remove the false information from my credit file.

I require a response, on point, in writing, hand signed, and in a timely manner. If I get another pointless letter from you saying that it has already be 'verified' then there will be no more opportunity for negotiation. This will proceed in court until I have successfully proven to a judge that this false information must be removed from my credit file. I will also be aggressively pursuing the full judgment that I get against Equifax for violation of the Fair Credit Reporting Act and Defamation.

I have already won a similar lawsuit against Trans Union. Enclosed is a copy of that settlement. I will agree to a similar settlement with Equifax if you contact me before April 10th. If you accept the same terms as Trans Union did, then I will dismiss my lawsuit against Equifax and you will not need to appear in (my county and state).

The items to be removed from my credit report are listed as follows:

(listed 6 accounts and account numbers)

I look forward to your response.

Sincerely,

Your Signature

Your Name

SSN# xxx-xx-xxxx

Explaining Late Fees

Your Name

Your Street Address

Your City, State ZIP Code

Credit Bureau Name

Their Street Address

Their City, State ZIP Code

05/06/1990

RE: Account xxx-xxxx-xxx

I am writing this letter to explain my late payments on my mortgage to XYZ mortgage company and to American Impressed in Jan 1990.

I am very distressed that this has ever happened to me, but I was *<laid off>*, *<seriously injured>*, *<going through a death in family>* . The circumstances drained my carefully put aside savings and I was forced to miss a payment because of it. My financial advisor told me not to tap into my 401K, and I was able to recover from this crisis and begin making on-time payments.

I have always prided myself in paying on time, and I have taken steps to put away more money in my savings account to guard against other unforeseen occurrences like this.

Sincerely,

Your Signature

Your Name

SSN# xxx-xx-xxxx

Statute of Limitations

Your Name

Your Street Address

Your City, State ZIP Code

Credit Bureau Name

Their Street Address

Their City, State ZIP Code

05/06/1990

RE: Account xxx-xxxx-xxx

This letter is in response to your [letter dated xx-xx-2004] (copy enclosed) or [phone call on xx-xx-1990], concerning the collection of the above referenced [account or date].

I have checked with my State Attorney General and verified that the Statute of Limitations for collecting this debt in (insert your state or the state in which the contract was signed) has expired. Be advised that I am well aware of my right to use the "expired statute of limitations" as my defense should you decide to pursue this matter in court.

Consider this letter as official notification that I consider this matter closed. Additionally, I demand that you, or anyone affiliated with your company, stop contacting me regarding this or any other matter except to advise me, via U.S. mail only that your debt collection efforts are being terminated or that you or the creditor are taking specific actions allowed under the by Fair Debt Collection Practices Act (FDCPA) or my state law. Be advised that any contact other than allowed by law is considered harassment and can result in you being personally fined up to \$1,000 per incident.

Sincerely,

Your Signature

Your Name

SSN# xxx-xx-xxxx

Please Note: Send all debt settlement letters via "return receipt requested" and keep a copy for your records and send one copy to the original creditor.

