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(Advertisement)

Myvesta's Do It Yourself Guide to Credit Reports: 10 ways to improve your credit

So your credit's not so hot. A few late payments, maybe an account or two that went to collections. What's the big deal?

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6 Taft Court, Suite 301, Rockville, Maryland 20850

As you've probably found out, it may be a very big deal. You've probably already been turned down for the best credit cards and maybe you've had trouble getting a car loan.

Perhaps you've even put off buying a house because you're sure you can't qualify. And though you may not realize it, you might even be paying more for car insurance because of your damaged credit report.

Is there anything you can do to clean up your credit rating? Absolutely! But it shouldn't cost you a lot of money. And you shouldn't expect overnight miracles. In this publication, we'll sort out fact from fiction and suggest legitimate steps you can take to start improving your credit today.

Step #1 Review Your Credit Report

First things first: Get your credit report. You have to know what's there before you can make it better. There are three major credit-reporting agencies:

- ▶ **Equifax** equifax.com
- ▶ **Experian** experian.com
- ▶ **Trans Union** transunion.com


You can order your report from any one of the three. There is usually a fee, unless you live in Colorado, Georgia, Massachusetts, Maryland, New Jersey or Vermont, where you can get a copy for free. You can also get a

free copy if you have been turned down for credit in the past 60 days, are on public assistance, are unemployed and looking for work or have been a victim of credit fraud. But whether or not you have to


pay for it, make sure you get it.

Myvesta recommends you get a consolidated credit report, which contains information from


Get your credit report. You have to know what's there before you can make it better.



How do I deal with collectors?




Should I lease or buy a car?



What if I can't pay my mortgage?

Whatever Your Question About Money, We Have the Answer

Get all your answers from our *Debt Experts*sm in your very own, private telephone consultation with one of our national financial authorities.



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all three credit-reporting agencies. A consolidated credit report is easier to understand, will arrive faster and will cost approximately the same as ordering separate reports from each of the big three agencies. You can order your consolidate credit report at Myvesta.

Once you have your credit report, then what? With some work and some patience, you will be able to get your credit report in better shape. Here's how:

Step #2 Make Sure It's Accurate

You'll want to make sure your credit report is as accurate and complete as possible. For example, if you have paid off an account but it is still listed, make sure the report lists a zero balance. In particular, look for:

- ▶ Incorrect or incomplete name, address or phone number
- ▶ Incorrect Social Security number or birthdate

- ▶ Incorrect, missing or outdated employment information
- ▶ Incorrect marital status — a former spouse listed as your current spouse
- ▶ Bankruptcies older than 10 years or not identified by the specific chapter of the bankruptcy code
- ▶ Lawsuits or judgments older than seven years
- ▶ Paid tax liens older than seven years, delinquent accounts older than seven years or that omit the date of the delinquency
- ▶ Credit application inquiries older than two years
- ▶ Unauthorized credit (not promotional) inquiries — credit-reporting agencies usually do not remove these at a consumer’s request, but it never hurts to ask
- ▶ Commingled accounts — credit histories for someone with the same name or similar Social Security number
- ▶ Duplicate accounts
 - ▶ Premarital debts of your current spouse attributed to you
- ▶ Lawsuits you were not involved in
- ▶ Incorrect account histories — such as a late payment notation when you paid on time or a debt shown as past due when it was discharged in bankruptcy
- ▶ Paid tax, judgment, mechanic’s or other liens listed as unpaid
- ▶ A missing notation when you disputed a charge on a credit card bill
- ▶ Closed accounts incorrectly listed as open
- ▶ Accounts you closed that don’t indicate, “closed by consumer”
- ▶ Incorrect aliases

A few caveats:

- ▶ Accounts that have been paid off can still be listed on your report, although they should indicate that you’ve paid them off.
- ▶ If you’ve been through bankruptcy, both the public record information about the fact that you’ve been through bankruptcy can be listed and the individual accounts that were discharged may also have a notation that they were included in your bankruptcy.
- ▶ Information about accounts you share, or used to share, with a spouse will be listed in both your reports.
- ▶ Many people incorrectly assume that if they have paid off a past-due debt, the old negative information will be removed. It will remain on the credit report for up to seven years, six months.

Once you’ve compiled your list, complete the request for reinvestigation form that came

What would YOU do if you didn't have to pay your bills?

Everyone has tasks they really hate to do, but still need to get done. That’s just a fact of life. Smart people hire others to take care of those chores for them. Topping this list of loathesome jobs is bill paying! In fact, 82% of people hate to pay their bills.



That's why we created AllPaid® Plus!

AllPaid Plus makes paying your bills a thing of the past. You will have your very own account manager who pays all your bills on time, every month, gives you the remaining money to play with and reconciles your bank statement, so you can spend more time doing what you enjoy. We're sure it's not paying the bills, right?

Call 1-800-680-3328 or visit Myvesta.org for more details.

with your credit report or type a letter describing every problem. Send your letter to the address provided by the credit-reporting agency for disputing information. Enclose copies of any documents you have that support your claim. Once the credit reporting agency receives your letter, it must:

- ▶ Complete its investigation within 30 days of receiving your letter
- ▶ Contact the creditor reporting the information you dispute within five days
- ▶ Review and consider all relevant information submitted by you
- ▶ Remove all inaccurate and unverified information
- ▶ Adopt procedures to keep the information from reappearing
- ▶ Reinsert the information only if the creditor certifies that it is accurate and notifies you within five days of the reinsertion, and
- ▶ Provide you with the results of its reinvestigation, including a new credit report, within five days of completion

If the credit-reporting agency claims that the creditor reporting the information verified its accuracy, contact the creditor. Explain that it is incorrect and demand that it be removed. Creditors who report information to credit reporting agencies must:

- ▶ Not report information they know is incorrect
- ▶ Not ignore information they know contradicts what they have on file
- ▶ Notify credit-reporting agencies when you dispute information
- ▶ Note when accounts are “closed by the

consumer”

- ▶ Provide credit reporting agencies with the month and year of the delinquency of all accounts placed for collection, charged off or similarly treated, and
- ▶ Finish their investigation of your dispute within 30 days

If the creditor will not remove the incorrect information, contact the credit-reporting agency directly for help.

If you get nowhere, you have the right to put a 100-word statement in your file explaining your dispute. Don’t always assume that adding a 100-word statement is the best approach. In

fact, it’s often wiser to simply

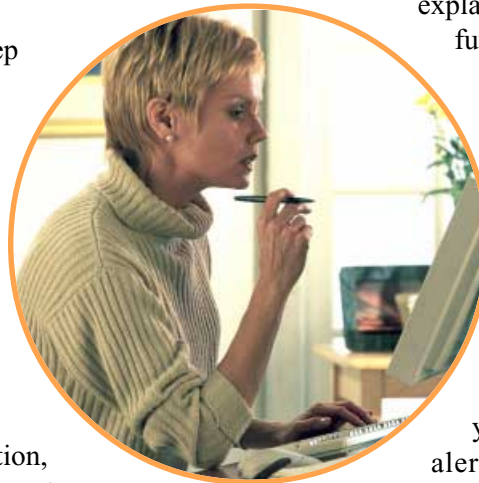
explain the negative mark to future creditors than to try and explain it in 100 words or fewer. Adding a 100-word statement may be the wrong thing to do if you are not going to be diligent about removing the comment. If you don’t, it will stay on your credit report, alerting creditors to your problems, long after the negative

information falls off your credit report.

After you have completed Step #2, you’re ready to start working on the rest of your report. Here are the main items you’ll need to focus on:

Step #3 Build Credit References

Ideally, you want to have at least a couple of major credit cards (Visa, MasterCard, American Express or Discover) as references on your report. These will be the strongest references on your report if they’re paid on time.



Before you apply for a new account, ask if your on-time payments will be reported monthly to a credit-reporting agency.

Often, credit reports don't include accounts that you might expect to find. Some major commercial lenders don't report mortgages or car loans, for example. Local banks or credit unions may not provide information to credit reporting agencies. Before you apply for a new account,

ask if your on-time payments will be reported monthly to a credit-reporting agency.

If you don't qualify for a regular credit card, consider one of the following:

- ▶ **Cosigned or guaranteed account:**
Someone else promises to repay if you default. Pay the bill on time each month or you'll hurt your cosigner's credit too!
- ▶ **Add onto someone else's account:**
A relative or friend can add you on to their account as a cosigner or joint account holder and you'll benefit from their on-time payment history. But if they are late with payments, that will show up on your credit too! Having someone add you on to his or her account as an authorized user does not help your credit that much.
- ▶ **Secured credit card:**
You deposit a sum of money with a bank and are given a credit card with a credit limit for a percentage of the amount you deposit. These cards can be very helpful for rebuilding credit quickly.

Step #4 Add Information Showing Stability to Your Credit File

Creditors like to see evidence of stability in your file. If any of the items listed below are

missing, send a letter to the credit reporting agencies asking that the information be added. Enclose any documentation that verifies information you're providing, such as your driver's license, a canceled check, a bill addressed to you, a pay stub showing your employer's name and address or anything else similar.

- ▶ Current employment — employer's name and address and your job title
- ▶ Previous employment if you've had your current job less than two years
- ▶ Current residence, and if you own it
- ▶ Previous residence if you've been at your current place under two years
- ▶ Date of birth
- ▶ Social Security number, or

Again, credit-reporting agencies aren't required to add this information, but they often do.

Generally, the rule is that negative information can be reported for no more than seven years and six months from the date the original payment should have been made.

Step #5 Build a Great Payment History

It goes without saying that paying your bills on time is the key to a great credit rating, but if your payment history were perfect, you wouldn't be reading this. Before we talk about what to do about it, we need to explain how long negative information can stay on your report.

Generally, the rule is that negative information – such as late payments, collection accounts or judgments – can be reported for no more than seven years and six months from the date the original payment should have been made.

Strategy:

While there's not much you can do to remove accurate late payments, you can start mailing

every single payment on time from here on out. Eventually lenders will consider the most recent payment information more important than the older information.

Step #6 Take Care of Collection Accounts

Accounts that have been sent to collections are a problem in two ways. First, the original account (the credit card, for example) may be listed as a “charge off” or “profit and loss” account. (Both simply mean that the lender wrote off the account as a bad debt — and probably sent it to collections.) Secondly, the account may be sold to more than one collection agency if the first one can’t collect.

Collection or profit-and-loss accounts, that were placed on your credit report before January 1, 1998 (when a new credit reporting law went into effect) may be reported for seven years from the date they were placed for collection, regardless of whether they were placed for collection internally or with an outside collection agency.

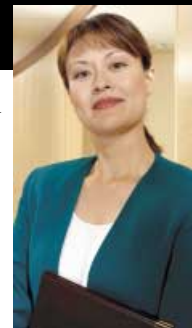
In the case of profit and loss accounts, the seven-year period begins with the date that the account was written off. Unfortunately, it’s not always clear exactly when an account was written off or sent to collections. Also, in some cases, lenders wait months or years before writing off accounts or sending them to collections — and that can drag out the reporting period for a long, long time.

The updated law is much clearer. Under the new law, the seven-year reporting period for collection or profit and loss accounts begins 180 days after the payment should have been made, regardless of how long it takes the

Bankruptcy is NOT the only answer.

Even if you have severe financial problems, there may be a better solution than bankruptcy.

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lender to write it off or turn it over to collections. The new reporting period applies only to information added to a credit report on or after January 1, 1998.

If an account is sent to a different collection agency because the first one couldn’t collect, that is not supposed to start a new seven-year reporting period. All three major credit-reporting agencies try only to report collection accounts for seven years from the date they were placed for collection.

Strategy:

Make sure collection accounts are paid, and listed as paid on your report. You may be able to negotiate a reduced settlement with the collection agency to get a debt paid, but there may be consequences. See the Myvesta.org publication, *Beware of the IRS if you Settle or Default on a Debt* for more information. In addition, Myvesta’s *DebtTectivessm* service can help you locate creditors or collectors and negotiate settlements on outstanding debts.

Step #7 Open Deposit Accounts

Creditors look for bank accounts as a sign of stability. They also look for bank accounts as

a source of how you will pay your bills. If you fill out a credit application and cannot provide a bank account number, you won't be given credit.

A savings account, too, will improve your standing with creditors. Even if you never deposit additional money into the account, creditors assume that people who have savings accounts use them. Having an account reassures creditors of two things: you are making an effort to build up savings, and if you don't pay your bill and the creditor sues you, it has a source to collect from.

You can't remove a bankruptcy early, but you can take other steps to improve your credit in the meantime.

Step #8 Avoid Unnecessary Inquiries

Every time you apply for credit, or your credit report is accessed for another reason, that fact will be listed on your credit report as an inquiry. If you've been trying to get credit, your report may show many recent inquiries — and that can hurt your chances of qualifying.

Legitimate inquiries can't be removed from your credit report, so only apply for one loan or credit card at a time.

Inquiries for pre-approved credit card offers you didn't accept, as well as inquiries created when you review your own credit report, will not count against you.

Strategy:

Legitimate inquiries can't be removed, so only apply for one loan or credit card at a time. Try to avoid more than four or five inquiries in a six-month period.

If you find inquiries on your report from companies you don't know, dispute them with the credit-reporting agency. They may be able to erase those inquiries if they prove to be truly unauthorized.

If you apply for a car loan at a dealer or home loan through a mortgage broker, you may see a sudden flurry of inquiries as they present your application to many lenders. Don't worry. They will not count against you. When it comes to those kinds of credit inquiries, made within 30 days of each other, they count as only one inquiry. This is so that you are not penalized for shopping around for the best deal.

Step #9 Recover From Bankruptcy

Bankruptcies can generally be reported for 10 years from the date you filed. The credit reporting agencies will remove Chapter 13 bankruptcies (where you pay back some or all of your debts over several years) seven years from the date of filing, even though they are not required to do so. In addition, the individual accounts that were included in your bankruptcy can be noted as such.

Presenting ...

The super-fast, super-simple way to jumpstart your financial future.



Myvesta.org's Ultimate Spending Plan Program® lets you track your income and expenses in one easy place. See where your money is going and you'll be able to take control and watch your debts drop, savings grow and assets increase.

Feel the power of knowing where your money goes.

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Strategy:

You can't remove a bankruptcy early, but you can take other steps to improve your credit in the meantime. Use the strategies outlined in this brochure and other Myvesta publications (see the Resources Section at the end of this publication) to build your credit rating. With work and patience, you will likely be able to get car loans, credit cards and even a mortgage — even with bankruptcy on your file. In fact, Myvesta's *Loan Buddy*sm program specializes in helping people with blemished credit find loans.

Step #10 Create a Spending Plan

Take a month or two to make lists of every outlay of cash or cash equivalent, such as check or debit card, used to make purchases or pay bills. Also, track your income for those months. At the end, list every category of expense and then write down the total amount per month (taking an average if you tracked expenses for two months) you spent in that category.

You are now ready to make a spending plan. One goal is to generate enough cash each month to put toward savings — a necessary step in rebuilding your credit. Your list indicates how much you project spending each month.

If the total exceeds your income or leaves you with little left over, you'll have to cut back. For example, if you love to read and spend a lot on books, you can reduce that amount by checking books out from the library or buying only at used bookstores. If you go out to lunch every day, consider bringing your lunch from home.

For more on creating a great spending plan, check out the *Ultimate Spending Plan Program*[®] at Myvesta.org online.

But They Told Me They Can Remove Negative Information!

If you haven't been tempted to find a faster way out of your credit problems, you wouldn't be human. But there is no easy way out, no matter what some companies say. Have any of these ads caught your attention?

We can help you remove negative information — even bankruptcy!

There simply is no legal “loophole” that will allow you to remove accurate, but negative, information. So how do companies make these claims?

Usually, what they'll do is flood the credit reporting agencies with disputes of correct, but negative information. They are counting on the fact that some information won't be verified and will have to be dropped from your file. But you shouldn't count on it. Most information is verified quickly. Even if it were removed from the file at one of the three credit

Get out of debt faster & pay less interest without increasing your monthly payments!

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reporting agencies, you'd have to luck out at the others, too.

Is it really worth paying hundreds of dollars for a tactic that isn't likely to work? Besides, just because it may be removed today, does not mean won't reappear tomorrow.

At any rate, a new credit repair organizations law makes it more difficult for these companies to operate.

“We can get you a new credit file!”

Tempting, isn't it? Forget it! What these companies will tell you to do is to apply for an Employer Identification Number (EIN), which looks similar to a Social Security number. You'll also be advised to get another address. Then, the company will tell you to apply for credit using your new address and EIN so you'll have new credit references and a “new” credit identity. This is called the “file segregation” scam and it's illegal.

It's a crime for you to make false statements on a loan or credit application or to misrepresent your Social Security number.

It's a crime for you to make false statements on a loan or credit application or to misrepresent your Social Security number. Obtaining an EIN under false pretenses is also illegal. And, according to the Federal Trade Commission, you could be charged with mail or wire fraud if you use the mail or phone to apply for credit using false information. File segregation may constitute civil fraud under your state's law.

Another trick is to give you a Social Security number from someone who has died in a far-off place like Guam or Puerto Rico. That's illegal too, and can really ruin your life if you get caught!



Credit Repair Organizations Act

Because credit repair scams are so popular and rip off so many people, Congress passed a law to help protect consumers when dealing with for-profit credit repair companies. These are the main protections offered by the credit repair law that went into effect April 1, 1997:

1. It is illegal for a credit repair company to make any statement that is untrue or misleading, or advise anyone to make a statement that is untrue or misleading, to a credit-reporting agency or a credit grantor. (They can't tell you to lie about accurate, but negative information!)
2. It is also illegal to advise people to alter their identification or alter the identification of their credit report in order to remove or hide negative, accurate information in their credit report.
3. Credit repair organizations cannot accept payment for services until they have been performed.
4. Before you sign a contract with credit repair organizations, they must give

you a statement that explains your credit reporting rights under state and federal laws. The company must get your signature on that document and keep it on file for two years.

5. You must be given a dated, written contract to sign, which explains the services that will be performed, any guarantees about services, how much it will cost you and the date by which the services will be performed.
6. You have the right to cancel the contract, without penalty, within three business days of when you sign it. The contract must explain how to do this.

Keep in mind that additional state laws may also require credit repair firms to be licensed or bonded. If you are still considering doing business with one, check with your state attorney general or consumer affairs office for more information.

Have You Lost Money in a Credit Repair Scam?

Tell someone! It's the only way to stop these companies from ripping off many more people. You may also be able to sue in court and get some of your money back.

To report a credit repair company, contact your state attorney general's office and/or your state consumer protection office (look in the government pages of your phone book).

You can also contact the Federal Trade Commission, Consumer Response Center, Washington DC 20580; www.ftc.gov, 1-877-FTC-HELP.

Please also tell us about your experience. Email Myvesta at: info@Myvesta.org

Additional Resources

There are more resources available from Myvesta to help you get your credit back on

track. Visit our Web site at Myvesta.org to obtain these publications and books:

- ▶ **Credit Scoring ... How It Works and Actions You Can Take to Improve Your Score and Get Approved for Credit**
- ▶ **How to Buy a House With Marks on Your Credit**
- ▶ **How to Buy a Car With Marks on Your Credit and Not Get Taken for a Ride**
- ▶ **The Ultimate Credit Handbook** by Myvesta Education Advisor, Gerri Detweiler
- ▶ **Money Troubles** by Attorney Robin Leonard

About Myvesta ...

Myvesta is the nation's only comprehensive financial health center. If you are having money troubles and need help, call 1-800-680-3328 or visit our Web site at Myvesta.org to learn more about our programs, counseling and services.

Visit Myvesta.org today to see for yourself why over four million people have come to us for help since 1994.

Information Guarantee

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