

Self-Help Credit Repair Best Practices Guide



NCALL Research, Inc.

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Introduction

The Self-Help Team has been discussing "Credit Repair" for some time, and believes there is a need for a Self-Help Credit Repair Best Practices Guide. As you know, applicants just don't come into grantee's offices anymore without extensive marketing and recruiting. When they do make contact, many have credit or debt-load issues. Most just don't know what to do next to improve their credit history and score.

We believe that the #1 reason self-help organizations get behind is not due to construction, but getting eligible applicants formed into groups quickly enough to meet the 2-year self-help grant production schedule. The following Self-Help Credit Repair Best Practices Guide has been created by the NCALL Self-Help Team, with input from a few self-help organizations, as a resource for Self-Help Grantees who wish to increase the number of eligible applicants to meet the timing of their 2-year construction plan. **Our intent was to keep this guide as streamlined as possible, in the hopes it would be an easy, usable tool.**

We would like to thank Tina Dahmer and Kathy Mickey, CAC of Fayette County, Washington Courthouse, OH; Jessica Jackson, YouthBuild McLean County, Bloomington, IL; and Susan Bradford, Community Concepts, Inc., South Paris, ME for their valuable input.

We hope this guide will benefit you as you continue to grow with the mutual self-help housing program. It is a living document and will continue to change over the years ahead.

For additional in-depth training, we recommend you consider NeighborWorks Training Institutes across the country. The NeighborWorks Center for Homeownership Education and Counseling (NCHEC) has an excellent Certification Program for Homebuyer Education and Counseling. The NeighborWorks website is <http://www.nw.org>.

Credit Repair Overview

After talking to several grantees in Region III, we decided to include their processes to show how some grantees intake a client.

1. Inquiries are entered on their “Phone Call Tracking Sheet.”
2. When a client comes into the office, they are entered on a “Housing Contact Sheet,” and the grantee staff completes the “Housing Counseling Screening Interview Sheet” (in this Guide).
3. If the client looks good on paper, a credit report is ordered (“Request” is in this Guide), and they complete the “Payment Assistance Calculator” (also in this Guide). In this case, the credit report is paid for by the grantee. If the credit score is 640 or greater, applications are given to the family. (The key is to be creative – if non-traditional credit is needed they will advise the applicant of what to obtain. This may include a letter from the employer, or showing a reduction in housing cost burden. Credit repair is huge.)
4. They then enter the applicant on their Credit Report Summary Sheet (in this Guide), and counsel them on what to do to improve their credit score. They feel as if most applicants don’t know what to do next. Clients need to be accountable, but it is crucial to follow up monthly using the Credit Report Summary. If the client needs help, the grantee needs to help them complete letters and gather receipts for the credit bureaus.
5. They also have a Certified Housing Counselor on staff and conduct Homebuyer Education at one of their preconstruction meetings.

Additional resources from another grantee are also included in this guide. This grantee helps the client complete a “Prequalification Sheet,” and utilizes Rural Development for an in-file credit report. They usually give families a copy of the “Tips on Negotiating with Collection Agencies” and a copy of the “Building Better Credit Guide” after meeting the client and thoroughly reviewing their in-file credit report with them. If a client is considering bankruptcy, the grantee advises that this is a legal matter and refers those to an agency that offers free or low cost legal advice or counsel. If a client’s debts are overwhelming them and it isn’t something the grantee can help with, they refer them to another local agency, where they offer more intensive credit counseling services.

Lastly, another grantee indicates that they are constantly involved with credit repair. They have their clients complete an Information Sheet (similar to the Prequalification Sheet). If the client's income is sufficient, they obtain a Trans Union credit report. If there are credit issues....collections, judgments, etc....they counsel the client on how to clear this up. The grantee makes sure the clients are accountable and responsible for clearing up their credit. They give them the FTC Fact Sheet – “How to Dispute Credit Report Errors” and advise how to obtain a free Credit Bureau Report. If creditors need to be contacted, the grantee puts the client in touch with Consumer Credit Counseling Services (\$20 each). They also cover credit repair during a Preconstruction Meeting.

Credit Repair Steps

Step 1 – Housing Counseling Screening Interview Sheet

When a client comes into your office, we recommend you work together to complete the “Housing Counseling Screening Interview Sheet” (**a best practice**). Income is calculated and debts are documented. [Housing Counseling Screening Interview Sheet*](#)

**You will need to have Microsoft Excel to use this document. Double-click on the link above; then click "Allow" when prompted with a security warning; then, if prompted, click "Save As" and save to your desktop or desired location. You can view this document by downloading the [Excel Viewer](#).*

Step 2 - Annual Credit Report Request

If the client looks good on paper, as a **best practice**, why not help them order a free annual credit report? If this is not an option, possibly Rural Development would order an Infile Credit Report, at no cost to the client.

The Annual Credit Report Request Form is on the next page, and can be found at <https://www.annualcreditreport.com>. The free reports may be collected online, [by phone](#) or [through the mail](#). Free credit reports requested online are viewable immediately upon authentication of identity. Free credit reports requested by phone or mail will be processed within 15 days of receiving your request. You can select a search from Equifax, Experian, TransUnion, or all three (we recommend all three). This credit search does not change the client’s credit score, as a result of the search. It is a “soft hit” on a client’s credit.

Remind your clients that regularly monitoring and reviewing their credit report also helps fight identity theft.

NOTE: If you use FreeCreditReport.com, this will not result in a “soft hit” for the client, and could lower their credit score.



Annual Credit Report Request Form

You have the right to get a free copy of your credit file disclosure, commonly called a credit report, once every 12 months, from each of the nationwide consumer credit reporting companies - Equifax, Experian and TransUnion.

For instant access to your free credit report, visit www.annualcreditreport.com.

For more information on obtaining your free credit report, visit www.annualcreditreport.com or call 877-322-8228.

Use this form if you prefer to write to request your credit report from any, or all, of the nationwide consumer credit reporting companies. The following information is required to process your request. Omission of any information may delay your request.

Once complete, fold (do not staple or tape), place into a #10 envelope, affix required postage and mail to:
Annual Credit Report Request Service P.O. Box 105281 Atlanta, GA 30348-5281.

Please use a Black or Blue Pen and write your responses in PRINTED CAPITAL LETTERS without touching the sides of the boxes like the examples listed below:

A B C D E F G H I J K L M N O P Q R S T U V W X Y Z 0 1 2 3 4 5 6 7 8 9

Social Security Number:

Grid for Social Security Number: [][][] - [][] - [][][][][][]

Date of Birth:

Grid for Date of Birth: [][] / [][] / [][][][]
Month / Day / Year

Fold Here

Fold Here

Grid for First Name and M.I. (Middle Initial)

Grid for Last Name and suffixes (JR, SR, III, etc.)

Current Mailing Address:

Grids for Current Mailing Address: House Number, Street Name, Apartment Number / Private Mailbox, For Puerto Rico Only: Print Urbanization Name, City, State, Zip Code

Previous Mailing Address (complete only if at current mailing address for less than two years):

Grids for Previous Mailing Address: House Number, Street Name, Apartment Number / Private Mailbox, For Puerto Rico Only: Print Urbanization Name, City, State, Zip Code

Shading instructions: Shade Circle Like This → [] Not Like This → [] I want a credit report from (shade each that you would like to receive): Equifax, Experian, TransUnion. Shade here if, for security reasons, you want your credit report to include no more than the last four digits of your Social Security Number.



If additional information is needed to process your request, the consumer credit reporting company will contact you by mail. Your request will be processed within 15 days of receipt and then mailed to you. Copyright 2004, Central Source LLC

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Step 3 – Non-Traditional Credit

If a client has “no credit,” then a **best practice** is to be creative and ask them to provide non-traditional credit.

Some ideas for **Non-Traditional Credit** are:

- Work history
- Letter from the Employer(s)
- Rent history
- Can you get credit reference letters?
- Car insurance
- Utility history
- Can the client obtain a gas card to establish credit?
- Can the client take out a bank loan with a small credit limit to establish credit?

Talk to your local Rural Development Office to work out what non-traditional credit they can accept.

NOTE: If your client knows of a debt that is not listed on the credit report, right now is the time to let you know, as this would definitely impact loan underwriting.

Step 4 - Payment Assistance Calculator

If the credit report looks good, or non-traditional credit is obtained, a **best practice** is to complete the **[Payment Assistance Calculator - Version April 2, 2008*](#)**, and discuss the results with the client:

You will need to have Microsoft Excel to use this document. Double-click on the link above; then click "Allow" when prompted with a security warning; then, if prompted, click "Save As" and save to your desktop or desired location. You can view this document by downloading the **[Excel Viewer](#).*

- Is the income correct?
- Are the debts and monthly payments correct?
- What do they qualify for, based upon your review?
- Would leveraging help (for very low income)?
- Do you have a house plan and lot that would work for them?

Step 5 - Quick Review – Application Given to Client

If income, debts and credit look good for the client, an **application** should be given. **Great....they have started their journey towards homeownership!** If not, go to step 6.

Credit Repair Process Begins

Step 6 - Credit Repair Process

NOTE: If the credit report shows weak to poor credit history that you are reasonably sure would not get through loan eligibility and underwriting, then this is where the credit repair process begins. In many cases, the client needs your guidance to correct their credit, and become mortgage-ready.

Enter the weak to poor credit histories on the [Credit Report Summary*](#) and go over each item with the client. NCALL believes that this summary is a **key best practice** for following up with the client and using to help with their credit repair. It is a crucial step that grantees can't afford to miss.

**You will need to have Microsoft Excel to use this document. Double-click on the link above; then click "Allow" when prompted with a security warning; then, if prompted, click "Save As" and save to your desktop or desired location. You can view this document by downloading the [Excel Viewer](#).*

Step 7 - Credit Report Summary

Give them a copy of the “Indicators of Unacceptable Credit” and “Credit Report Summary Instructions” (found on the next pages), as you record credit issues on the “Credit Report Summary.”

This is a great time to discuss Rural Development’s “Indicators of Unacceptable Credit,” and what the entries on the “Credit Report Summary” mean, using the “Credit Report Summary Instructions.”

- As you review the creditors with the Client, make sure that the same debt isn't listed more than once.

- Verify that the balances they owe are accurate and there isn't anything showing on the credit report that has been paid or doesn't belong to them.
- Have them verify that negative information hasn't been on their report for longer than 7 years.
- If some of the client's accounts were included in a Chapter 7 Bankruptcy but not identified as such on their credit report, the client should write to the credit bureaus (**see sample letter – Exhibit 9**).

HB-1-3550, Paragraph 4.10 Credit Requirements

Exhibit 4-4

Indicators of Unacceptable Credit

- Little or no credit history. The lack of credit history on the credit report may be mitigated if the applicant can document a willingness to pay recurring debts through other acceptable means such as third party verifications or canceled checks. Due to impartiality issues, third party verifications from relatives of household members are not permissible.
- Payments on any installment account where the amount of the delinquency exceeded one installment for more than 30 days within the last 12 months.
- Payments on any revolving account which was delinquent for more than 30 days on two or more occasions within the last 12 months.
- A foreclosure that has been completed within the last 36 months.
- An outstanding Internal Revenue Service (IRS) tax lien or any other outstanding tax liens with no satisfactory arrangement for payment.
- Two or more rent or mortgage payments paid 30 or more days late within the last 2 years. If the applicant has experienced no other credit problems in the past 2 years, only 1 year of rent history will be evaluated. This requirement may be waived if the program loan will reduce shelter costs significantly and contribute to improved repayment ability.
- Outstanding collection accounts with a record of irregular payments with no satisfactory arrangements for repayment, or collection accounts that were paid in full within the last 6 months, unless the applicant had been making regular payments previously.
- Non-Agency debts written off within the last 36 months, unless the debt was paid in full at least 12 months ago.
- Agency debts that were debt settled within the past 36 months, or are being considered for debt settlement.
- Delinquency on a federal debt.

- A court-created or court-affirmed obligation or judgment caused by nonpayment that is currently outstanding or has been outstanding within the last 12 months, *except*:
 - A bankruptcy in which:
 - Debts were discharged more than 36 months prior to the date of application; or
 - Where an applicant successfully completed a bankruptcy debt restructuring plan and has demonstrated a willingness to meet obligations when due for the 12 months prior to the date of application.
 - A judgment satisfied more than 12 months before the date of application.
- **An applicant with an outstanding judgment obtained by the United States in a Federal court, other than the United States Tax Court, is *not* eligible for a Section 502 loan. This requirement is statutory and cannot be waived.**

Credit Report Summary Instructions

The **Source or Subname column** is the name of the creditor or credit collection agency that has been hired by the original creditor.

The **Date column** is the date the action was filed, the date the last payment was made, or the date the original creditor hired the credit collection agency.

The **Amount column** is the amount currently owed and usually includes additional late fees.

The **Docket or Account column** is the number assigned to the account and should be referenced when you call or write to inquire about the debt. It may be the account number that the collection agency has assigned and is not the same as the original account number assigned by the original creditor.

The **Remarks column** contains all the comment information listed in your credit report (i.e. medical information, or sometimes the name of the original creditor).

The **Phone number column** is the phone number for the credit collection agency as listed in your credit report (sometimes it is the actual phone number of the original creditor). If the phone number is not listed you can call Experian at 1-888-397-3742, Equifax 1-800-685-1111 or TransUnion at 1-800-916-8800 to get the most recent contact information.

The **Address or Comments column** is the address of the creditor, credit collection agency, or informational comments.

Step 8 - Client Responsibility & Accountability–Credit Report Summary & Instructions

Give a copy of the “Credit Report Summary” and “Instructions” to the client to take home. Explain to them that this step of credit repair is where they need to be **responsible and accountable, and follow-up often.**

The client should call each of the accounts indicated to inquire about the debt. The client should tell each agency that they have just received a summary of their credit report and need to authenticate each account listed. Here are some steps and questions the client should take and ask:

1. Do not deny or affirm the debt. If it is a medical claim find out who was the patient, what is their date of birth, what was the date of service and who was the original provider? If it is a medical expense for which you had medical card coverage, you will need to get verification that you had coverage from Human Services (Social Services) for the specified date of service and then take that verification to the medical provider and ask them to bill it to Medicaid.
2. On all other claims you need to find out who created the debt, who signed for it, the date it occurred and who was the original creditor. Ask for an original agreement with your signature that indicates your legal responsibility to pay (i.e. a record of your original agreement or contract).
3. Ask for a complete payment history (if any).
4. Ask them how much they paid for the debt, if a credit collection agency is involved.
5. If they are unable to authenticate the debt or if they did not reply to your questions, send a letter and tell them to remove it. Keep a copy for your records and ask for written confirmation to be sent to you within 30 days. If you do not receive written confirmation, send a second notice return receipt by USPS. Wait an additional 30 days and you should get a reply, if not let us know....perhaps we can help.

If you are making arrangements to pay the debt, make sure you send a money order and keep proof of payment. Always send a note with your payment indicating your complete name, address and account number and ask them to mail you proof of payment and indicate that the

account is now paid in full (see **sample letter – Exhibit 3**). Keep all letters that you receive indicating that your accounts are paid in full. You can then send copies to the 3 repositories and ask them to mark it paid on your credit report. If you need help with this just let us know.

If you are proposing an alternate payment plan, remember the older the debt the quicker they want to settle. Never pay by phone. Send a money order. Ask them to send you a written agreement of the payment marked **PAID AS AGREED**, contingent upon receipt of your money order (**you do not want them to mark the account as Paid for a Lesser Amount**). Ask them to mail it or fax it and do not send your money until you have this written information/agreement from them (see **sample letter – Exhibit 4**). This now moves the account from a collection to a positive trade.

If it is not your debt, you need to tell them that you want to dispute it and then send a dispute letter to all three repositories and attach documentation/proof to indicate the debt is not yours (see **Exhibit 1 – FTC Facts for Consumers – How to Dispute Credit Report Errors; and sample letter – Exhibit 5**). Always keep copies for yourself and always write down who you talked to and the date you talked to them....**Remember, you are the consumer and no one will take care of your credit but you....** If you do not receive a reply within 30 days you will need to follow up (see **sample letter - Exhibit 6**). If your disputed items are still not resolved after investigation, you will need to follow-up again (see **sample letter – Exhibit 7**).

If you want to claim identity theft you will need to send a consumer statement letter to all three repositories (see **sample letter – Exhibit 8**).

If you are working with credit collection agencies to pay off your debts, be careful should they agree to settle for a lesser amount. If you agree with them to settle for the lesser amount be sure that they agree to send you something in writing that indicates that they settled **PAID AS AGREED (you do not want them to mark the account as Paid for a Lesser Amount)** and be sure that they don't continue to report the difference to the repositories as additional bad debt (see **Exhibit 2 – Tips on Negotiating with Collection Agencies; the sample letter - Exhibit 4 can be modified for this**).

If you should decide to contact a consumer credit counseling agency to assist you with paying your debts, here are the names of non-profit agencies that have minimal fees, if any:

Consumer Credit Counseling Services
Street Address
City, State, Zip Code
Phone xxx-xxx-xxxx Web address:

Credit Counseling Services
Street Address
City, State, Zip Code
Phone xxx-xxx-xxxx Web address:

Follow-up - Follow-up - Follow-up

A **key best practice** to credit repair is **Follow-up – Follow-up – Follow-up!** If you have not heard from the client in 30 days, contact them, and keep contacting them every 30 days.

Update your copy of the client’s Credit Report Summary. Do they need help sending letters?

Sending a letter of encouragement is another great **best practice** towards gaining an applicant.

Step 9 - Monthly Spending Plan & Instructions

- A **best practice** for the clients is to complete a **Monthly Spending Plan*** to evaluate income and bills. Are they willing to cut back to free up money to repay debts? We recommend clients do this with their entire family so that everyone is involved and aware of the families’ financial situation.

You will need to have Microsoft Excel to use this document. Double-click on the link above; then click "Allow" when prompted with a security warning; then, if prompted, click "Save As" and save to your desktop or desired location. You can view this document by downloading the **Excel Viewer.*

- Include children's expenses, whether they are allowances, money for their lunches, or various activities they attend.
- We recommend you review the Monthly Spending Plan with the clients, and discuss whether their plan is realistic and can be sustained. Based on what the clients decide, together you can calculate how long it will take them to pay off and/or reduce debts in order to meet eligibility and underwriting guidelines.
- **Once debt payments are in line, you can return to Step 5 – the Application!**

Other Credit Repair Best Practices

- We suggest having kids that are old enough help with coupon clipping. Take a look at <http://www.couponmom.com>
- Clients have to be certain that repairing their credit is something to which they are committed. If they are, you should work with them. If they aren't ready, they should contact you when they are ready.
- Encourage the clients to create a folder and keep copies of all correspondence with creditors. Every two weeks to a month, meet with the clients to get updates, and make copies of correspondence with their creditors.
- Clients should work on the most recent debts first, as these will impact the credit score more. Clients should choose if they prefer to work on small debts or large debts first.
- If car payments are too high, you and the client can talk to the lender. Perhaps the loan can be re-written over a longer period and reduce the interest rate. Can a family member help pay it down? Can the client sell a car to help lower payments?
- Remind clients that if they commit to pay off a debt by paying a lump sum, they must follow through.
- Clients should develop a savings account so that when emergencies come up they don't have to charge it or visit a payday lender (**Best Practice - Payday lenders are normally not a good choice because the interest rate can be quite high**). If they are saving, ask them to bring in a copy of their savings account.
- Working with clients on their credit repair can generate prospective participants for your mutual self-help program.
- **The ultimate goal is for the client to permanently repair their credit and get to Step 5!!**

Exhibits

Exhibit 1.

FTC Facts for Consumers – How to Dispute Credit Report Errors

September, 2008

Your credit report contains information about where you live, how you pay your bills, and whether you've been sued or arrested, or have filed for bankruptcy. Consumer reporting companies sell the information in your report to creditors, insurers, employers, and other businesses that use it to evaluate your applications for credit, insurance, employment, or renting a home. The federal Fair Credit Reporting Act (FCRA) promotes the accuracy and privacy of information in the files of the nation's consumer reporting companies.

Some financial advisors and consumer advocates suggest that you review your credit report periodically. Why?

- Because the information it contains affects whether you can get a loan — and how much you will have to pay to borrow money.
- To make sure the information is accurate, complete, and up-to-date before you apply for a loan for a major purchase like a house or car, buy insurance, or apply for a job.
- To help guard against identity theft. That's when someone uses your personal information — like your name, your Social Security number, or your credit card number — to commit fraud. Identity thieves may use your information to open a new credit card account in your name. Then, when they don't pay the bills, the delinquent account is reported on your credit report. Inaccurate information like that could affect your ability to get credit, insurance, or even a job.

Getting Your Credit Report

An amendment to the FCRA requires each of the nationwide consumer reporting companies — Equifax, Experian, and TransUnion — to provide you with a free copy of your credit report, at your request, once every 12 months.

For details, see [Your Access to Free Credit Reports](http://ftc.gov/credit) at ftc.gov/credit.

How to Order Your Free Report

The three nationwide consumer reporting companies have set up one website, toll-free telephone number, and mailing address through which you can order your free annual report. To order, visit annualcreditreport.com, call 1-877-322-8228, or complete the **Annual Credit Report Request Form** and mail it to: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281. You can use the form in this brochure, or you can print it from ftc.gov/credit. Do not contact the three nationwide consumer reporting companies individually. They are providing free annual credit reports only through annualcreditreport.com, 1-877-322-8228, and Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281.

You may order your reports from each of the three nationwide consumer reporting companies at the same time, or you can order from only one or two. The law allows you to order one free copy from each of the nationwide consumer reporting companies every 12 months.

You need to provide your name, address, Social Security number, and date of birth. If you have moved in the last two years, you may have to provide your previous address. To maintain the security of your file, each nationwide consumer reporting company may ask you for some information that only you would know, like the amount of your monthly mortgage payment. Each company may ask you for different information because the information each has in your file may come from different sources.

Other situations where you might be eligible for a free report

Under federal law, you're also entitled to a free report if a company takes adverse action against you, such as denying your application for credit, insurance, or employment, based on information in your report. You must ask for your report within 60 days of receiving notice of the action. The notice will give you the name, address, and phone number of the consumer reporting company.

You're also entitled to one free report a year if you're unemployed and plan to look for a job within 60 days; if you're on welfare; or if your report is inaccurate because of fraud, including identity theft.

Otherwise, a consumer reporting company may charge you up to \$10.50 for another copy of your report within a 12-month period. To buy a copy of your report, contact:

- Experian-1-888-397-3742, www.experian.com
- TransUnion-1-800-916-8800, www.transunion.com

- Equifax-1-800-685-1111, www.equifax.com

Under state law, consumers in Colorado, Georgia, Maine, Maryland, Massachusetts, New Jersey, and Vermont already have free access to their credit reports.

For details, see [Your Access to Free Credit Reports](#) at ftc.gov/credit.

Correcting Errors

Under the FCRA, both the consumer reporting company and the information provider (that is, the person, company, or organization that provides information about you to a consumer reporting company) are responsible for correcting inaccurate or incomplete information in your report. To take advantage of all your rights under this law, contact the consumer reporting company and the information provider.

1. Tell the consumer reporting company, in writing, what information you think is inaccurate. Include copies (NOT originals) of documents that support your position. In addition to providing your complete name and address, your letter should clearly identify each item in your report you dispute, state the facts and explain why you dispute the information, and request that it be removed or corrected. You may want to enclose a copy of your report with the items in question circled. Your letter may look something like the one [below](#). Send your letter by certified mail, “return receipt requested,” so you can document what the consumer reporting company received. Keep copies of your dispute letter and enclosures.

Consumer reporting companies must investigate the items in question — usually within 30 days — unless they consider your dispute frivolous. They also must forward all the relevant data you provide about the inaccuracy to the organization that provided the information. After the information provider receives notice of a dispute from the consumer reporting company, it must investigate, review the relevant information, and report the results back to the consumer reporting company. If the information provider finds the disputed information is inaccurate, it must notify all three nationwide consumer reporting companies so they can correct the information in your file.

When the investigation is complete, the consumer reporting company must give you the results in writing and a free copy of your report if the dispute results in a change. This free report does not count as your annual free report. If an item is changed or deleted, the consumer reporting company cannot put the disputed information back in your file unless the information provider verifies that it is accurate and complete. The consumer reporting company also must send you written notice that includes the name, address, and phone number of the information provider.

If you ask, the consumer reporting company must send notices of any corrections to anyone who received your report in the past six months. You can have a corrected copy of your report sent to anyone who received a copy during the past two years for employment purposes.

If an investigation doesn't resolve your dispute with the consumer reporting company, you can ask that a statement of the dispute be included in your file and in future reports. You also can ask the consumer reporting company to provide your statement to anyone who received a copy of your report in the recent past. You can expect to pay a fee for this service.

2. Tell the creditor or other information provider, in writing, that you dispute an item. Be sure to include copies (NOT originals) of documents that support your position. Many providers specify an address for disputes. If the provider reports the item to a consumer reporting company, it must include a notice of your dispute. And if you are correct — that is, if the information is found to be inaccurate — the information provider may not report it again.

Adding Accounts to Your File

Your credit file may not reflect all your credit accounts. Although most national department store and all-purpose bank credit card accounts will be included in your file, not all creditors supply information to consumer reporting companies: some local retailers, credit unions, travel, entertainment, and gasoline card companies are among the creditors that don't.

If you've been told that you were denied credit because of an "insufficient credit file" or "no credit file" and you have accounts with creditors that don't appear in your credit file, ask the consumer reporting companies to add this information to future reports. Although they are not required to do so, many consumer reporting companies will add verifiable accounts for a fee. However, understand that if these creditors do not report to the consumer reporting company on a regular basis, the added items will not be updated in your file.

When negative information in your report is accurate, only the passage of time can assure its removal. A consumer reporting company can report most accurate negative information for seven years and bankruptcy information for 10 years. Information about an unpaid judgment against you can be reported for seven years or until the statute of limitations runs out, whichever is longer. There is no time limit on reporting: information about criminal convictions; information reported in response to your application for a job that pays more than \$75,000 a year; and information reported because you've applied for more than \$150,000 worth of credit or life insurance. There is a standard method for calculating the seven-year reporting period. Generally, the period runs from the date that the event took place.

For more information, see [Building a Better Credit Report](https://www.ftc.gov/credit) at [ftc.gov/credit](https://www.ftc.gov/credit).

The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a [complaint](#) or to get [free information on consumer issues](#), visit ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters consumer complaints into the **Consumer Sentinel Network**, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

Exhibit 2.

Tips on Negotiating with Collection Agencies

September, 2008

Dealing with a collection agency can be intimidating and frustrating, especially when attempting to negotiate a settlement or simply repay a debt. Remember that a collection agency has bought the original debt from your creditor, generally at a substantial discount. By proposing a settlement you can have the debt paid quickly and generally for less than the original debt.

The collection agent is motivated by getting the consumer to pay as much money as possible with the least amount of effort on their part. The agent works on commission and they receive a portion of whatever you pay. Knowing this, and your rights under the Fair Debt Collections Practices Act, you can fight back against aggressive tactics and possibly pay substantially less to clear your records. Remember these simple steps when offering settlements:

1. **Keep copies of all correspondence with your creditors or collection agency.**

- This may be useful later when disputing the paid debt with credit bureaus. It is possible for a collection agency to state that they will remove the information from the credit bureau report and then not follow through once they have your money. Without a receipt, or proof that you have paid the debt, it will be difficult to remove the information from the report.

2. If you are told “no” in response to any request, ask to speak to a supervisor. Remember that the collection agent will almost **ALWAYS** say “no” as a first response. Don’t give up!

3. Collection agents work on commission.

- They have a financial interest in getting you to pay as much money as possible up front and as quickly as possible. Use this knowledge to your advantage when trying to negotiate a “lump sum” settlement.

4. In your negotiation, ask the creditor to remove any negative credit history from your credit report.
 - Although they may say no, or that they are not allowed to do this “by law”, they do have the ability to remove information from your credit report. This is a major victory in cleaning up your credit report but can be very difficult. Do not give up!
5. Adopt a plan and stick to it.
 - If you owe \$1,100 but can't afford to pay more than \$600, don't agree to pay more.
6. Try to identify the creditor's bottom line.
 - For example, if a bank offers to waive two months' interest if you pay the principle due on your loan, perhaps the bank will actually waive three or four months of interest. If you need, push it.
7. Don't split the difference.
 - If you offer a low amount to settle a debt and the creditor proposes that you split the difference between a higher demand and your offer, don't agree to it. Treat the split-the-difference number as a new top and propose an amount between that and your original offer.
8. Don't be intimidated by your creditors.
 - If they think you can pay \$100, they will insist that \$100 is the lowest amount they can accept. Don't believe them. It's fine to hang up and call back a day later. Some of the best negotiations may take weeks.
9. Try to settle with a lump sum.
 - Many creditors will settle for less than the total debt if you pay in a lump sum, but will insist on 100% if you pay over time. If so, try to get the money to settle the matter.

10. Get a signed release.

- If you settle for less than the full amount owed, make sure that creditors signs a release stating that your partial payments excuses you from the remaining balance.

11. Be careful not to give up more than you get.

- A creditor may waive interest, reduce your payments or let you skip a payment and tack it on at the end. But tread cautiously. The creditor is likely to ask for something in exchange, such as getting a cosigner (*who will be liable for the debt if you don't pay, even if you erase the debt in bankruptcy*), waiving the statute of limitations (*the number the lender has to sue you if you stop making interest payments*), paying higher interest, paying for a longer period of time or giving security interest in your car or house.

12. Remember, if you settle a debt for more than \$600 there may be a tax liability comes April 15th only on the original principle amount of the debt. You cannot be held liable for taxes on late fees, over the limit fees, interest or other penalties imposed by the creditor.

13. Don't send post-dated checks.

- Although you may have written the future date on your checks the collection agency or creditor can cash them at any point in time, regardless of the date. This can lead to extra charges with your financial institution and even more frustration on your part.

14. Review and be familiar with your rights as a consumer under the "Fair Debt Collections Practices Act". Consult your local library, Consumer Credit Counseling Service www.cccsf.org , or visit the Federal Trade Commission at www.ftc.gov.

Exhibit 3.

SAMPLE LETTER: PAYING A DEBT IN FULL

Date

Creditor
Street Address
Anywhere, USA

Account Number: XXXXX

To Whom It May Concern,

With this letter, I am sending full payment on the above account. Please apply this payment and mail me proof of application, plus indicating that the account is now Paid-in-Full.

Upon acceptance, please report this account as **“Paid in Full”** to all three credit reporting agencies, and indicate this in writing to me as soon as possible.

Thank you for your cooperation,

Sincerely,
Name
Address

Exhibit 4.

SAMPLE LETTER: ALTERNATE PAYMENT PLAN

Date

Creditor
Street Address
Anywhere, USA

Account Number: XXXXX

To Whom It May Concern,

I am presently going through some financial difficulties and fear that I might not be able to meet my monthly payments to you. I am committed to working out an alternate payment plan with you.

I would like to suggest a strategy, if it is acceptable. If I could afford to pay the entire balance I would have. Unfortunately I am unable to do that. I would like to suggest a plan to repay you.

If you would close this account, waive the interest payments and accept a new balance of 50% of what I currently owe, then I can afford to make a payment of \$(amount applicant can afford) starting (date when they are able).

Please feel free to have one of your representatives contact me and work out the final strategy. If you accept this proposal, please be prepared to report this account as **“Paid as Agreed”** to all three credit reporting agencies once we have made the payments we agree upon, and indicate such in writing to me as soon as possible. **Please do not report it as “Paid for a Lesser Amount”.**

Thanks for your cooperation,

Sincerely,
Name
Address

Exhibit 5.

SAMPLE LETTER: DISPUTE INACCURATE INFORMATION

Full Name (Including suffixes) both spouses
Address (Present and previous) both spouses
Social Security Number both spouses
Date of Birth both spouses

Date
Telephone numbers

To: Customer Service Department

Experian PO Box 2104 Allen, TX 75013 888-397-3742	Equifax PO Box 740241 Atlanta, GA 30374-0241 800-685-1111	Trans Union PO Box 1000 Chester, PA 19016 800-916-8800
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Re: Dispute inaccurate information on my credit report

I(We) received a copy of my(our) credit report and am(are) disputing some items that need to be corrected. I(We) request that you investigate the following accounts immediately. I(We) have highlighted and numbered these disputed items on the attached copy. Against each account, I(we) have written actions taken. I(we) enclose pertinent information such as receipts of accounts paid in full, or communication with our creditor.

The reasons why these items should be corrected are indicated below:

<u>Item#</u>	<u>Reason for Correction</u>
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According to the provisions of the Fair Credit Reporting Act 611(a) [15 USC 1681i(a)], these disputed items must be reinvestigated or deleted from my credit record within 30 days. In the interim, these items should be noted on my credit record as “in dispute.” I am also requesting the names, addresses and telephone numbers of individuals you contacted so that I may follow up.

If it is determined through your investigation that the disputed items are inaccurate, please correct my file and send me notification that the information has been updated or deleted. I am requesting an updated copy of my credit report, which should be sent to the address listed below. According to the provisions of 612[15 USC 1681j], there should be no charge for this report.

I (we) certify that I (we) are the persons named above and that I (we) request my (our) credit report(s). If you have any questions or need additional information, please contact me at _____.

Signature

Spouse Signature

Exhibit 6.

SAMPLE LETTER: FAILURE TO RESPOND TO DISPUTE INACCURATE INFORMATION LETTER

Date:

RE: FAILURE TO RESPOND TO DISPUTE INACCURATE INFORMATION LETTER

To Whom It May Concern:

In [insert date of first letter], I sent a letter requesting that you reinvestigate or delete disputed items from my credit report as well as place these items in a “dispute status” during this investigation. As of this date, you have failed to respond to my request. A copy of my original letter is attached for your review.

The law stipulates that you must investigate within 30 days of receiving my letter and respond within 5 days of completing your investigation. You have not followed the stipulations of the law.

I may suffer damages because I need to rely on an accurate or complete statement of my credit record and demand that you investigate and update my report as requested immediately. Otherwise, I will contact the Federal Trade Commission.

If you have any questions or need additional information, please contact me at () - .

Thank you.

Sincerely,

Name
Address
City, State, Zip
Social Security

Exhibit 7.

SAMPLE LETTER: UNRESOLVED DISPUTED ITEMS FOLLOWING INVESTIGATION

Date

RE: UNRESOLVED DISPUTED ITEMS FOLLOWING INVESTIGATION

To Whom It May Concern:

Your reinvestigation has not resolved my dispute regarding the accuracy and completeness of the highlighted items on my attached credit report. According to the Fair Credit Reporting Act, 611 (b) [USC 15 1681i(b)], I am entitled to “file a statement setting forth the nature of the dispute.” I would like potential future creditors to be aware of the dispute, and want the following statement included in my credit report.

[consumer statement]

I am requesting an updated copy of my credit report which should be sent to the address listed below. According to the provisions of 612 [15 USC 1681j], there should be no charge for this report.

If you have any questions or need additional information, please contact me at () - .

Thank you.

Sincerely,

Name

Address

City, State, Zip

Social Security Number

Exhibit 8.

SAMPLE LETTER: FRAUD ALERT

Date

RE: FRAUD ALERT

Full Name:

Address:

Social Security Number:

Date of Birth:

Telephone Number:

Date:

To:

Equifax
PO Box 105069
Atlanta, GA 30348

Trans Union
Fraud Victim Assistance
PO Box 6790
Fullerton, CA 92834-6790

Experian
PO Box 2104
Allen, TX 75013

Regarding: Fraud Alert

I have been a Fraud Victim. I request that the three credit bureaus include, for the next seven years, the following statement every time my credit report is requested:

Fraudulent applications are being submitted in my name or my identity may have been used without my consent to fraudulently obtain goods or services. Do not extend credit without first contacting me personally and verifying all applicant information.

I certify that I am the person named above and that I request an investigation of my credit report.

Sign here

Date

Exhibit 9.

SAMPLE LETTER: BANKRUPTCY ACCOUNTS NOT IDENTIFIED

Date:

RE: BANKRUPTCY ACCOUNTS NOT IDENTIFIED

To Whom It May Concern:

I received a copy of my credit report and the items listed below were included in my bankruptcy but are not identified as such on my credit report. Please see the attached copy of the credit report with these items numbers written next to the problem entries as well as a copy of my court documents which lists the creditors included in my bankruptcy.

According to the provisions of the Fair Credit Reporting Act § 611 (a) [15 USC 1681i(a)], these disputed items must be reinvestigated or deleted from my credit record within 30 days. In the interim, these items should be noted on my credit record as "in dispute." I am also requesting the names, addresses and telephone numbers of individuals you contacted so that I may follow up.

I am requesting an updated copy of my credit report, which should be sent to the address listed below. According to the provisions of § 612 [15 USC § 1681j], there should be no charge for this report.

If you have any questions or need additional information, please contact me at () - .

Thank you.

Sincerely,

Name

Address

City, State, Zip

Social Security Number