A Step-by-Step Guide to Do-It-Yourself Credit Repair

Your Credit Report Overview

Inquiries Related to Your Credit History
What is Credit Repair?

Credit repair is the process of reviewing your credit reports from each of the three main credit bureaus to correct errors and discrepancies that often appear in these files.

The United States Public Interest Research Group (US PRIG) did a study that found 79% of all credit reports contain an error, mistake or discrepancy of some kind. In addition, 25% of the reports contain a significant error that would result in a drop in a denial of new credit.

With so many errors and one in four reports containing an error that would cause you to be denied for a new credit line, you need to take steps to review your reports regularly and work to correct any mistakes to maximize your credit scores and borrowing potential. This way, you don’t lose out on something because of a mistake in your credit report.

Bear in mind credit repair can be time-consuming and will require a high level of attention to detail. However, it’s worth it to potentially improve your credit scores. If you read this book and have a concern that you won’t be successful with credit repair on your own, we recommend visiting the Start Fresh Today Plus website at www.StartFreshTodayPlus.com to search the Marketplace for Credit Repair Services.

Step #1: Obtain Your Credit Reports

The first step in repairing your credit is to obtain a copy of each of your three credit reports from the three main credit bureaus. The three major credit bureaus (also called credit reporting agencies) are Equifax, Experian and TransUnion. Each of the bureaus operates independently and maintains their own version of your credit file. They do not share information with each other, so you need to order your report from each one.

Every consumer is entitled to receive one free credit report annually from each of the credit bureaus. You can easily request your free credit reports each year by logging on to www.annualcreditreport.com. You may also request your reports directly from the credit bureaus.

**Equifax**
Equifax Consumer Information Services, Inc.
P.O. Box 740241
Atlanta, GA 30374
1-800-685-1111
Website: [www.equifax.com](http://www.equifax.com)

**Experian**
National Consumer Assistance Center
P.O. Box 2002
Allen, TX 75013
1-888-397-3742
Website: [www.experian.com](http://www.experian.com)

**TransUnion**
Consumer Solutions
P.O. Box 2000
Chester, PA 19022-200
1-800-916-8800
Website: [www.transunion.com](http://www.transunion.com)
Step #2: Identify Errors

As you review each credit report, you should look for any information that is not accurate with your records. The following potential problems are the most common that you see on credit reports that can cause problems for you as a consumer:

- **Mistakes in personal information**, including name (and aliases/variations), Social Security Numbers or addresses. Incorrect aliases and social security numbers in particular can cause problems, because you could be held responsible for someone else’s bad credit habits. Errors on past addresses and employment history may also occur, but should not have a significant impact on your credit rating.

- **Mistakes in account listings and statuses**. This includes anything from outdated account statuses, mistakes with late payments, incorrect current account balances, and duplicate listings of the same account. Account duplicates are especially a problem, because they mean the credit bureau thinks your debt burden is bigger than it actually is—especially when it comes to a big debt like your mortgage.

- **Incorrect public information and penalties** including bankruptcies, judgments, liens, delinquencies and collection accounts. We’ll discuss how long these can be reported shortly.

- **Credit inquiries from companies you don’t recognize**. Every time a company needs to review your credit report, it creates what’s known as a credit inquiry. While the companies and their inquiries may be legitimate, inquiries into your report from companies you don’t know can sometimes indicate fraud. In addition, too many credit inquiries in a six month to one year period will damage your credit scores.

If you don’t understand something on your report, just ask!

The credit bureaus are required to provide a toll-free number on your credit report that you can call if you have a question or need assistance. If you need help, call the number and ask a representative to explain. If you still don’t get a clear answer when you call or don’t understand the instructions, ask for a supervisor or call back later.
Worksheet: Credit Report Account Errors

You can use the worksheet below to list any errors you find in your credit reports related to specific credit accounts. This will help you get everything into one place so you can have a better idea of what you need to report to each credit bureau or each creditor that has an account with errors (we’ll have more on who you can report errors to later in this guide).

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<tr>
<th>Credit Bureau, Account</th>
<th>Description of Error Found</th>
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Understanding Credit Report Penalties

The first thing most people with bad credit want to know is, “How long will negative information on my credit report stay with me?”

Under the federal Fair Credit Reporting Act, credit reporting agencies are not allowed to report any information that is too old, incomplete or wrong. While positive or neutral information can be reported indefinitely, negative information that causes credit penalties can only be reported for specific length of time:

**Bankruptcy Filings**: Chapter 7 bankruptcy filings can be reported for ten (10) years from date filed. A Chapter 13 bankruptcy filing stays on your reports for seven (7) years from the date of filing. Note the penalty expiration date is based on the date of filing and not the date of discharge.

**Civil Suits / Civil Judgments / Records of Arrest**: Any public information of this kind cannot be reported for longer than seven (7) years from the date of entry OR longer than the current governing statute of limitations (whichever is longer).

**Paid tax liens**: Once a lien is paid, the penalty will remain on your credit reports for seven (7) years from the date the lien was satisfied (paid).

**Unpaid tax liens**: A tax lien can remain on your credit report for up to fifteen (15) years or until it is paid (see above).
**Collection or charge-off accounts**: Any credit or loan accounts that were moved to collections or a charge-off status remain on your reports seven (7) years, except for a U.S. Government insured or guaranteed student loan or National Direct Student Loan (NDSL). If those types of student loans are in default and you bring them current for an entire year, your previous late payments will be deleted.

Any **other adverse information**, (including late payments on your accounts) will stay on your reports for seven (7) years. Adverse information is any data that may cause an unfavorable result for you as a consumer; for example, being turned down for credit, employment or insurance, or being charged a higher rate than what you applied for in credit or insurance can both stay on your credit reports for seven years.

**Determining When Account Penalty Periods Start**

If you have collection or charge-off accounts, you’ll want to read this section carefully! It may be confusing at first, but this is usually where most credit repair mistakes are made.

For collection or charge-off accounts, the 7-year clock on the penalty starts six (6) months from the date you first fell behind leading up to the collection or charge-off. It does not start when the account was placed in collections or on the date of last activity – it’s six months after your first delinquent payment.

Example…

Let’s say you had a credit card payment due on June 1, 2011. However, you lost your job in May and started did not make this required payment. In November of 2011, the creditor charged off the account (wrote it off as a bad debt). In January 2012, the account was sent to a collections agency. By law, the collections agency is supposed to tell each credit bureau when it first reports the collection account that the original date of delinquency was June 2011 and that should start the 7-year reporting period.

**Warning**: Beware of collection agencies that tell you they have ways of reporting a delinquent account “forever” if you don’t pay. Not only is this completely untrue, it’s a violation of your rights under Fair Debt Collections Practices Act (FDCPA) and the collections agency can be reported to the FTC.
Worksheet: Credit Report Penalties

This worksheet will help you keep track of what penalties you have on your credit reports and the date they should be removed.

<table>
<thead>
<tr>
<th>Type of Penalty</th>
<th>Start Date</th>
<th>End Date</th>
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Step #3: Dispute Errors

Now that you have an accurate picture of what type of errors you have in your credit reports, you are ready to decide the best way to dispute the discrepancies. There are two ways to dispute errors that you find:

1. You can contact the furnisher (lender, creditor, court or collection agency) reporting the incorrect information and ask them to investigate.
2. You may contact each of the credit bureaus that have the error in that report and ask each bureau to verify the information.

There are advantages and disadvantages to both approaches.

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<tr>
<th>Dispute with Furnisher First</th>
<th>Dispute with Credit Bureau First</th>
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<tr>
<td><strong>Advantages:</strong></td>
<td><strong>Advantages:</strong></td>
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<tr>
<td>✓ The furnisher is required by law to investigate and respond within 30 days.</td>
<td>✓ The bureau is also required by law to investigate and respond to a dispute within 30 days</td>
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<tr>
<td>✓ They may have original records that show the mistake so it can be corrected faster.</td>
<td>✓ The credit bureau will forward any proof you provide to the creditor.</td>
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<tr>
<td>✓ If mistake is found, the furnisher is required share the correction with all three credit bureaus.</td>
<td>✓ They must provide a free copy of your credit report showing any correction that is made.</td>
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<tr>
<td>✓ If the dispute is not resolved in your favor, you can take up the dispute with the credit bureaus.</td>
<td>✓ Credit bureaus have dedicated dispute departments, so they may be</td>
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<tr>
<td><strong>Disadvantages:</strong></td>
<td><strong>Disadvantages:</strong></td>
</tr>
<tr>
<td>✓ Furnishers may be less efficient at handling disputes than the credit bureaus, since they are unlikely to have a dedicated disputes department.</td>
<td>✓ They will ask creditor for confirmation and forward the proof you provide, but they will not take your side over the creditor if the dispute is questioned.</td>
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<tr>
<td></td>
<td>✓ They won't share a correction with the other bureaus, so you will have to make the dispute with each bureau.</td>
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Note: Only personal information (name, address, social security number, etc.) errors must be reported to the credit bureaus, since they are the ones who generate the reports. All other data is pulled from records provided by furnishers, so errors may be disputed in whatever way you choose.

Deciding Who to Contact to First

For several reasons, it may be best to start disputing discrepancies with the furnishers first. If you are successful in the dispute, this saves you time because the furnisher is required by law to report the correction to all three bureaus. If you aren’t successful, then you still have the option to make your dispute with the credit bureaus.

This is not true the other way around – if your dispute is rejected by a credit bureau you will not be able to get the information changed on that report.

Making Contact

If you are contacting a credit bureau for a dispute, you can use the online dispute service through the bureau website or write a dispute letter to the addresses provided at the beginning of this book.

Finding contact information for furnishers may be more difficult – especially if there is no specific disputes department for you to contact. If you are in doubt, call a general customer service line and ask where you can send disputes.

A note on contacting a furnisher: Always keep detailed notes of your conversation. Note the date, time, the representative’s name, a summary of what was discussed, and any issues. This information will help you if you have trouble later and need a record of your communication.

Tips for Writing Effective Dispute Letters

Whether you are writing to the furnisher or the credit bureau to dispute information on your credit report, here are some guidelines that can help make your dispute more effective:

1. Include your name, address, social security number, and account number(s) (if they are relevant to your claim) at the top of your letter so your credit file and the disputed information can quickly be found.
2. Write your letter by hand IF your penmanship is easy to read; otherwise, type it.
3. Keep your letter brief and to the point.
4. Describe exactly what is wrong and what needs to be done in order to correct it.
5. Send your letter by certified mail with return receipt requested.
6. Include documentation if you have it – always include copies and keep originals for your own records!
7. Keep a copy of any letters you send.
8. Keep a copy of any correspondence you receive.
Keep in mind credit bureaus receive thousands of disputes every day, so it’s especially important if you’re writing to the bureau to make your letter as clear as possible. You may want to ask a trusted friend or relative to review it for you to make sure they understand it. Remember, the representative who receives your dispute must be able to understand it in order to respond appropriately.

In either case, whether the credit bureau or the furnisher receives your dispute, that organization has thirty days to investigate and respond back to you with the results. If you disputed the information with the credit bureau, it must also provide a free credit report showing the updated information, if corrections were made.

Note: If information is removed because you challenged it with the credit bureau, the bureau cannot add it back to your credit report without first certifying with the furnisher that it is correct. The bureau must also notify you in writing first that it will be adding the disputed information back to your report.

What to Do If an Error Isn’t Resolved in Your Favor

If you believe there is an error in your credit report and the dispute isn’t resolved in your favor, you have the right to add a 100-word statement to your credit file with each of the credit bureaus explaining your side of the story. This may not be very helpful, however, since new creditors and lenders reviewing your reports may not see or read the statement.

It’s much better to try to get errors corrected, if possible.

What Other Recourse Do I Have?

First, if you disputed the error with the furnisher, you still have the right to dispute the error with the credit bureaus.

If you already disputed the error with a credit bureau and they rejected your claim, you may still have options. If you think the credit bureau didn’t properly investigate, you may wish to contact them again (this time by phone, if possible) and try to clarify the problem. If they still won’t correct it, you can file a complaint with the Federal Trade Commission at www.ftc.gov.

You may also need to talk with a consumer law attorney for help. Visit the Start Fresh Today Plus website at www.StartFreshTodayPlus.com to search the Marketplace for Legal Assistance.

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**Sample Dispute Letter**

Carla Consumer  
123 Main Street  
Anytown USA 44444

Social security number: 111-11-1111

Date: October 29, 2012

I am writing to dispute two mistakes on my credit report:

- Acct. #12345 Big Bank: This account is not mine. I do not have any accounts with this lender.
- Acct. #34567 Auto Finance Co. This account shows an incorrect balance. I paid it off over a year ago. Please update my file to show a zero balance.

Thank you in advance for your efforts to clear these errors up.

Sincerely,

Carla Consumer

**Worksheet: Tracking Disputes**

To use this worksheet effectively, fill out a separate row for each dispute you file. In other words, if you dispute the same item with Experian and TransUnion, you should fill out a separate row for each of those disputes.

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<thead>
<tr>
<th>Dispute</th>
<th>Disputed With:</th>
<th>Date Sent:</th>
<th>Response:</th>
<th>Notes:</th>
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Step #4: Handle Negative Information

You may find that your credit report contains information that is negative, but is basically correct. If this is the case, here’s what you can do:

#1: Wait It Out

As the negative information becomes older, it becomes less important to potential creditors and lenders. This is especially true if the information is more than two years old. Note: If you have unpaid tax liens or court judgments, they must be paid before the clock will start ticking for them to be removed from your credit reports.

Waiting for information to become older can help. It’s a more effective strategy if you also actively rebuild your credit with a positive credit history (see below).

#2: Dispute It

Remember, if the credit bureau can’t confirm information you dispute, that information must be removed. If any of your account information is incomplete or inaccurate, you may dispute that item. If the information is old, the account has been sold, or the creditor is simply too busy to respond in thirty days, it may simply be removed when you challenge it.

There’s no guarantee that this will happen, but it does sometimes work.

#3: Rebuild It

You won’t build better credit without positive credit references on your credit history. It’s not important to carry debt to build better credit, but it is important to maintain good credit accounts. If your credit rating has been damaged by financial hardship and you are having a hard time getting credit, consider getting a secured credit card to give the means to build a positive credit history.

Ideally, your credit report should show three or four active accounts (including credit cards, a car loan and/or a mortgage) paid on time each month. If you use credit cards to rebuild your credit, it’s to your advantage to pay the balance in full each month and avoid interest charges. You can find more information on the Start Fresh Today Plus website at www.StartFreshTodayPlus.com.

#4: Ask for Creditors to Re-Age Accounts

If you fell behind on your bills and fell into financial distress due to an unexpected illness, a period of unemployment or some other crisis, you may be able to ask a creditor or lender to re-age your account once you start making payments again. Creditors and lenders are sometime willing to remove negative information (re-age the account), especially if you’ve had a good relationship with them in the past. It may take a few phone calls to find the right person who can help, so be patient!
#5: Understand Special Situations

The following are some common situations people encounter when trying to repair their own credit.

**Bankruptcy:** When you file for bankruptcy, your credit reports will list the bankruptcy as well as individual debts that were included in the bankruptcy. Those individual accounts are not removed from your credit report. However, once you have successfully completed your bankruptcy and the debts are discharged, any accounts that were included should reflect a zero balance. The bankruptcy, itself, will still be listed as a penalty in the public information section.

**Collection Accounts:** If you owe money to a collection agency, you may be able to negotiate to have the item removed in exchange for payment. They aren’t required to do so, however, and they usually cannot alter the information about the original account before it was sent to collections. It’s important to note paying off a collection account in and of itself will not typically boost your credit rating significantly, because collection accounts are automatically considered negative.

**Co-Signers:** When you co-sign on an account for someone, you agree to be responsible for the entire balance. If you have negative accounts on your report that you co-signed for, you may want to talk with the issuer about a payment plan. Try to negotiate to get a better interest rate or get late fees and finance charges waived on that account in exchange for payment.

**Credit Counseling:** A credit counseling program can help you get back on track by negotiating a payment plan with reduced interest and/or fees with your creditors. Credit counseling can improve your credit rating if you work with a reliable agency because you’ll reduce your debt, and many creditors will remove late payments just prior to when you entered the counseling program if you stick with it.

**Divorce:** If you divorce, you and your spouse may have joint accounts that you each agree to pay. As long as a joint account remains open or has a balance, you are both responsible to the lender regardless of what the divorce decree says. Make every effort to close joint accounts to prevent future charges and work to refinance any balances you will be responsible for paying back in your name. If that’s not possible, at least monitor the payments to be sure they are being made on time.

**Medical Collection Accounts:** If you have medical bills that were sent to collections that you believe should have been paid by your insurer, try to get the collection agency to remove them if you pay the bill. If you had substantial medical bills, you may want to request written proof of the debt and even consider hiring a company that audits medical bills for overcharges in exchange for a percentage of the money they save you.

**Old Accounts:** You may find old accounts you don’t use anymore still listed in your credit reports. Even if an account is paid off, it may remain on your report for seven years if the information is negative, or indefinitely if it’s neutral or positive. For old neutral and positive accounts, it’s advisable to leave these on your reports since removing them may affect your credit scores negatively by reducing the length of your credit history.
Student Loans: If your federally insured student loan is in default and you make twelve consecutive payments on time to bring it out of default, the previous late payments will be removed.

Warnings!

There are companies that prey on people with damaged credit ratings, so you need to be careful as you repair and rebuild your credit on which methods you use. You can visit the Start Fresh Today Plus Marketplace to find legitimate resources to help you rebuild following a period of financial distress at www.startfreshtodayplus.com.

If you are looking into other resources, be careful to avoid the following scams:

Guaranteed Credit Cards: If you see offers for “guaranteed credit cards regardless of your credit,” beware. There are two variations on this scam:

1. In one, the issuer makes it sound like you’ll get a major (unsecured) credit card but instead you get a card that only allows you to purchase merchandise from that company’s catalog.
2. In the second, you may get a $300 credit line, but the company will charge about $275 in various fees. You’ll start out with a big balance when you haven’t purchased anything! Unlike a secured card where you put down a deposit of money you can use as your credit line, the $275 in fees will never be refunded to you.

Advance Fee Loan Scams: Some lenders will advertise that they can guarantee you’ll get a loan for an upfront fee that can range from as little as $19 to several hundred dollars. Don’t be duped. Don’t pay a fee upfront to get a loan before you’ve been approved. This is fraud according to the Federal Trade Commission, and it’s against the law.

Fraudulent Credit Repair Services: Credit repair services are not a scam. There are legitimate companies that will do the work for you in finding mistakes and making disputes on your behalf. HOWEVER, some companies use illegal techniques that can land you in jail!

For example, some companies will tell you to get an Employer Identification Number (EIN) which is the same number of digits as a Social Security Number, but lawfully used for a business. Then the company will tell you to apply for a new line of credit using that number. The goal is to establish a brand new credit file. Obtaining an EIN for that reason is illegal and you can be prosecuted!

In other credit repair scams, companies will sell the identities of people who have died, and encourage consumers to use that information to get new credit. This is a form of identity theft and it’s a federal crime.
According to the Federal Trade Commission, you should beware of credit repair companies who:

✓ Require you to pay for credit repair services before any services are provided.
✓ Do not tell you your legal rights and what you can do yourself for free.
✓ Recommend that you not contact a credit bureau directly.
✓ Suggest that you try to invent a “new” credit report by applying for an Employer Identification Number to use instead of your Social Security Number.
✓ Advise you to dispute absolutely everything in your credit report.
✓ Take any action that seems illegal, such as creating a new credit identity.

If you follow illegal advice and commit fraud, you may be subject to prosecution. You could be charged and prosecuted for mail or wire fraud if you use the mail or telephone to apply for credit and provide false information. It’s a federal crime to make false statements on a loan or credit application, to misrepresent your Social Security Number, and to obtain an Employer Identification Number from the Internal Revenue Service under false pretenses.

Under the Credit Repair Organizations Act, credit repair companies cannot require you to pay until they have completed the promised services.

*If you feel like you need to use a credit repair service to handle the work for you and/or feel it may increase your chances to successfully dispute errors, please visit our website at [www.StartFreshTodayPlus.com](http://www.StartFreshTodayPlus.com) and look for Credit Repair Services in the Marketplace.*

*Start Fresh Today Plus thoroughly reviews all companies and services we recommend in the Marketplace to help ensure you stay protected and have the best chances for success.*

![Start Fresh Today Plus logo](http://www.StartFreshTodayPlus.com)

**New Beginnings Start Here**

✓ Start Rebuilding Your Credit
✓ Start Building a Better Financial Outlook
✓ Start Saving Every Day
✓ Start Planning for the Future
✓ **Start Fresh!**