

UNDERSTANDING your  
CREDIT REPORTS and  
SCORES



  
**Springboard**<sup>®</sup>  
Nonprofit Consumer Credit Management, Inc.

Promoting Financial Literacy

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# About Springboard

Springboard is a nonprofit organization founded in 1974.

We offer personal financial education and assistance with money, credit, and debt management through educational programs and confidential counseling.



Accredited by the Council on Accreditation (COA)

CREDIBILITY • INTEGRITY • ACHIEVEMENT



Member of the Association of Independent Consumer Credit Counseling Agencies (AICCCA)



Certified by the Department of Housing & Urban Development (HUD)

**HUD Approved**



Member of the Better Business Bureau (BBB)



Member of the National Foundation of Credit Counseling (NFCC)

## Our Services Include:

- Credit and Debt Counseling
- Financial Education Programs (seminars and materials)
- Debt Management Plans
- Homeowner Assistance (Foreclosure Prevention)
- First Time Home Buyer Seminars
- Reverse Mortgage Counseling
- Pre-Bankruptcy Budget and Credit Counseling
- Bankruptcy Pre-Discharge Financial Management Instructional Course

“The Power To Move Beyond”

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# Introduction

It is well established that credit scores are now a cornerstone of the U.S. credit system. Credit scores determine or at least greatly influence access to housing, unsecured credit lines, insurance, utility and cell phone services, and employment.

Since they are based on credit reports, it is imperative that the underlying data be correct for the score to have any meaning and consumers to accept the validity of credit scoring.

The growing use of credit scores has expedited the speed and efficiency of credit granting and the customized pricing of credit. However, in consumer and commercial lending, inaccurate scores can result in unfair treatment of borrowers who are denied or charged high prices for credit.

## Permissible Purposes

### **Who has access to your credit report?**

There are many circumstances where your credit report may be legally accessed by you and other entities. If a credit grantor, employer, or other entity accesses your credit report, they must provide a disclosure to you that they are doing so. If they take action because of what they find on your credit report (for example, if you are denied credit, or if your insurance company charges you a higher rate) they must let you know and you are legally entitled to a free copy of the credit report they used to make their decision.

#### **Opening credit accounts**

When you apply for a new credit account, the lender may access your credit file from any or all of the credit bureaus to help them decide whether to grant you credit and at what rates.

#### **Managing credit accounts**

You may legally access your credit accounts to help you manage your credit report. You are entitled to a free copy of each of your credit reports once per year. You will have to pay for a second copy within any 12 month period.

#### **Offers of credit**

Creditors may “pre-screen” your credit file before offering you credit. This inquiry does not affect your credit rating, but you can “opt-out” of receiving pre-screened credit offers by visiting [www.optoutprescreen.com](http://www.optoutprescreen.com) or calling 1-888-5-OPTOUT.

#### **Employment purposes**

Any time you apply for a job, your potential employer may check your credit reports before hiring you.

#### **Underwrite insurance**

Insurance companies will check your credit report before granting your coverage. They will also check periodically to determine what rate to charge you for your insurance coverage.

Other circumstances where your credit may be legally accessed:

#### **A business transaction initiated by the consumer**

#### **Court order or federal jury subpoena**

#### **Valuation of risk of an investor**

#### **Eligibility for government license**

# Your Credit History is Your Financial DNA

## **Credit score and credit report data**

In everyone's life, there are always instances where credit is needed. From your first credit card to the last mortgage payment and every account in between, all these make up your credit history.

## **Incidence of errors on reports and how they happen**

Our experience with consumer credit reports over many years confirms that there are many errors in our credit reports. According to study conducted by the Public Interest Research Group PIRG "Mistakes Do Happen: A Look at Errors in Consumer Credit Reports" [www.pirg.org](http://www.pirg.org), in which it was found that one in four credit reports contains error serious enough to cause consumers to be denied credit, a loan, an apartment or home loan or even a job.

Data integrity problems in credit reports have the cumulative impact of lowering the integrity of what the U.S. credit system is built on: the efficient collection, storage and use of the actual credit history records of individuals and the scores derived from these credit history files.

## **It's vital to see your credit report and score**

If you are thinking of buying a house, a car or simply applying for a new credit card, your credit report represents the first step in the lender's decision making process. The fact of the matter is that you need to have a good credit history in order to get credit. If you haven't seen your credit report in months or even years, you may want to take a look before your apply for any credit, so there will be no surprise.

## **The importance of good credit**

Your might ask yourself whether good credit is really important. Just take a minute to think about all of the advantages:

More employers are reviewing credit reports of prospective employees as part of their due diligence functions and they look unfavorably on a negative credit report.

Insurance companies review your credit report when you apply to insure you home and/or car.

Without good credit, it is very difficult to obtain a credit card, which is helpful if an emergency arises. For example, if your car breaks down and needs repair but you don't have the cash, a credit card can help you pay for the repair and then allow you to pay off the card later on.

Many businesses prefer the use of credit cards. For example, without a credit card, it is difficult to rent a car, pay for an airline ticket or even book a hotel room, or make purchases online.

Many employment fields, such as financial services, gaming, military and law enforcement, continually monitor their employees' credit reports.

# How Your Credit History is Born

## CREDIT BUREAU REPORTING

The credit bureau's business is credit reporting. What they do is collect information about consumers from banks, savings and loan institutions, credit union, finance companies and other businesses. This information is stored in a database and when you apply for a new loan or credit, the creditor orders information on you from one or all three of the credit bureaus.

## MAKE SURE YOU GET CREDIT WHEN CREDIT IS DUE

An estimated 50 million Americans have little or no credit history and therefore can't access mainstream credit. There are many businesses such as child care, private mortgages, payday lenders, gas, electric, water and telephone utilities and cable TV that create regular monthly payment flows that are not aggregated to a credit history. FICO™, (creator of the FICO® Score) all three major bureaus and several smaller entities are rushing to fill this space in order to incorporate this activity into primary credit bureaus.

**FICO™ “Expansion Score”** – A score based on non-traditional (meaning non-credit bureau) data such as payday loans, purchase payment plans, or deposit accounts.

**Payment Reporting Builds Credit (PRBC)** – This private company is web-based self help service that enables consumers and small business owners to build their credit score through timely rent, mortgage, and other recurring bill payments. The consumer provides the data directly.

**Rentreporters.com** – This is an example of one of many private companies whose business model is to have the renter pay to get their rent payments verified with their landlord, and then this company sends their history along to the bureaus.

**Anthem Report and Anthem Score** – Owned by First American Corporation's Credco Division. The Anthem report is a type of tri-merge report that is supplemented with alternative payment history data for borrowers with little or no credit history. It is based on non-traditional payment history such as rent, gas, phone, etc...



# Credit Reports

## What information is contained in my credit report?

A typical credit report includes four types of information:

- **Identifying Information:** Your name, current and previous addresses, telephone number, social security number, date of birth, as well as current and previous employers. This information is not used in calculating your credit score, but to verify your information with any credit applications. This section will include alternate names, including married and/or maiden names. This is the first place to look out for possible identity theft.
- **Public Record Information:** Bankruptcy records, tax liens, monetary judgments, debts referred to collection agencies, and in some states, overdue child support. Chapter 7 bankruptcy information will remain for 10 years from the date filed, chapter 13 for 7 years. Unpaid tax liens can be reported indefinitely (depending on state laws), and paid tax liens remain for 7 years from the date paid. Other public record information can remain for up to 7 years.
- **Collections:** If you have any debts that have been sent to collections, they will appear on the credit report for 7 years from the date of the initial missed payment (30 days late). The balance on a collection account is typically not updated until the balance is paid in full. Collection accounts must be reported accurately; some collection agencies re-age accounts to make them look more recent. This is a violation of the FCRA. Also if the debt is sold from one collection agency to another, the first must be removed from the report.
- **Credit Information:** Specific information about each account, such as the date the account was opened, the credit limit or loan amount, the balance due, monthly payments and payment history during the past several years. This area will also contain information about co-signer, spouse, or other parties responsible for the account. For open accounts, positive credit information remains on the report indefinitely. Negative payment notations remain up to 7 years from the last late payment. Accounts with no late payment history will remain for 10 years.
- **Inquiries:** the credit report also lists the names of those who obtained information from the credit report for the past two years. “Hard” inquiries result from attempts to apply for credit, while “soft” inquiries include your request to see your own report. These soft inquiries are not viewed by prospective creditors but are recorded and remain for two years. Other soft inquiries include employers checking after an employment application, landlords doing a credit check before renting property, existing creditors checking before making promotional offers or increasing your line of credit.
- **Inquiries when rate shopping:** looking for mortgage, auto, or education loans can result in multiple lenders looking at your credit report. Your credit score doesn’t factor in any mortgage, auto or education loan inquiries made in the 30 days prior to scoring. These inquiries made prior to the 30 days are lumped together if they fall within a typical shopping period (45 days under the new scoring formula). This helps to ensure that rate shopping won’t affect your score.
- **Dispute instructions and your rights.** Modern credit reports include information on your consumer rights, including instructions for disputing any inaccurate or outdated information contained in your report.



# Where Can You Get a Copy of Your Credit Report?

The FACT Act of 2003 mandated that the three major national credit-reporting bureaus establish a website, a toll-free number and a mailing address for consumers to request their credit report for free every year:

1 Go to the website [www.annualcreditreport.com](http://www.annualcreditreport.com).\* MAKE SURE you type the address in correctly, or you may end up at an imposter site set up by identity thieves.



- a. Type the exact address of the free report site, INCLUDING the www (that is, type [www.annualcreditreport.com](http://www.annualcreditreport.com)).
- b. Verify that you are immediately redirected to the secure page: <https://www.annualcreditreport.com/cra/index.jsp> is the redirect address.
- c. Verify that the security lock is present in your browser.
- d. On the data entry page (the first page you visit after you tell the site what state you live in), verify that a “VeriSign security” symbol is present near the top right on the page. Click on the certificate to ensure that it is indeed the certificate for [www.annualcreditreport.com](http://www.annualcreditreport.com).

2. Call by phone: 877-322-8228



3. To submit a request by mail, download the Annual Credit Report Request Form located at [www.annualcreditreport.com/cra/requestformfinal.pdf](http://www.annualcreditreport.com/cra/requestformfinal.pdf) and mail it to:

Annual Credit Report Request Service  
P.O. Box 105281  
Atlanta, GA 30348-5281.

(Keep in mind that the location of the form or file name may change.) Do not contact the credit reporting bureau directly as this is the only method to receive a free credit report.



# Your Credit Report

In addition to your free annual credit reports, you are also entitled to a free copy of your credit report if any of the following applies to you:

1. **If you've been denied credit, insurance, a loan or a job** because of what your credit report says – Federal law also says you can get a credit report for free if your application is denied because of information in your credit report. You must request this credit report from within 60 days of learning you've been denied to get the free report. (You should receive an Adverse Action Notice which entitles you to a free credit report plus score).
2. **If you are unemployed.** If you're currently out of work, you can get a credit report free within 60 days before you start looking for a job. Contact the credit bureaus and let them know you're going to begin job hunting and you'd like to receive a credit report free under the Fair Credit Reporting Act.
3. **If you are on public assistance.** With proof of public assistance benefits.
4. **If you believe yourself to be a victim of identity theft.** Identity theft is an unfortunate crime, but fortunately, you don't have to pay to check your credit report for theft. You can receive your credit report free if you've been a victim of identity theft and have inaccurate information on your credit report. By contacting one of the three credit bureaus and placing a fraud alert, you automatically receive a free credit report from all three credit bureaus.
5. **If you receive less favorable terms than originally offered.** The common practice of giving less favorable credit terms to higher risk consumers is known as risk-based pricing. This rule states that when a lender decides to extend you credit based on your credit score and/or credit report, they must send you a notice—either a Risk-Based Pricing (RBP) notice or Credit Score Disclosure (CSD) notice—when the credit terms you received are less favorable than those offered to other consumers.

Equifax – [www.equifax.com](http://www.equifax.com)

To request your report call: 800-685-1111

Or write to: P.O. Box 740241, Atlanta, GA 30374-0241

To report fraud, call: 800-525-6285

AND write to: P.O. Box 740241, Atlanta, GA 30374-0241

If you are hearing impaired (TDD), call: 800-255-0056 and ask the operator to call 1-800-685-1111 and request a copy of your credit report.

Experian – [www.experian.com](http://www.experian.com)

To request your report call: 800-EXPERIAN (800-397-3742)

Or write to: P.O. Box 2002, Allen, TX 75013

To report fraud, call: 888-Experian (888-397-3742)

AND write to: P.O. Box 9530, Allen, TX 75013

TDD: 1-800-553-7803

TransUnion – [www.transunion.com](http://www.transunion.com)

To request your report, call: 800-888-4213

or write to: P.O. Box 1000, Chester, PA 19022

To report fraud, call 800-680-7289

AND write to: Fraud Victim Assistance Division,  
P.O. Box 6790, Fullerton, CA 92634

TDD: 1-877-553-7803



# Specialty Consumer Reporting Agencies

## Checking Account, Insurance, Renter, and Medical “Credit Bureaus”

Before applying for a job, before buying new homeowner’s or car insurance, opening a new checking account, before applying for private health or life insurance, or before renting an apartment, you should be aware that a “specialty” report may be pulled on you. FACTA (the Fair and Accurate Credit Transaction Act) now gives all of us the right to obtain these reports directly from nationwide specialty bureaus and to dispute errors in them, just like with regular credit reports.

There are three major specialty companies that report on check writing history (have your driver’s license number and checkbook handy):

1. **ChexSystems** is a nationwide specialty consumer reporting agency that collects and maintains information from member financial institutions such as banks and credit unions. If a bank closes your checking account because of insufficient funds, for example, it will make a report to ChexSystems that other banks will check when you apply for new accounts.

*Toll-free number:* (800) 428-9623.

*Web:* [www.consumerdebit.com/consumerinfo/us/en/chexsystems/report/index.htm](http://www.consumerdebit.com/consumerinfo/us/en/chexsystems/report/index.htm)

2. **Shared Check Authorization Network (SCAN)** is owned by Deposit Payment Protection Services (DPPS). It maintains a database of returned checks and instances of fraud. It provides check authorization and verification to its members, primarily retailers.

*Toll-free number:* (800) 262-7771 (U.S., Guam, and Puerto Rico) *Fax:* (800) 358-4506

*Web:* [www.consumerdebit.com/consumerinfo/us/en/consumerreports/index.htm](http://www.consumerdebit.com/consumerinfo/us/en/consumerreports/index.htm)

*To Order by Mail:* Print the order form from the [www.consumerdebit.com](http://www.consumerdebit.com) website and mail to:

Deposit Payment Protection Services, Inc.

Attn: Consumer Referral Services

7805 Hudson Road, Suite 100

Woodbury, MN 55125

*To Order by FAX:* Fax the order form to 800-358-4506

3. **TeleCheck** also maintains a database of returned checks and instances of fraud. It provides check authorization and verification to member retailers.

*Toll-free number:* (800) TELECHECK (800-835-3243 not necessary to dial last 2 digits).

*Web:* [www.telecheck.com](http://www.telecheck.com)

TeleCheck Services, Inc.

5251 Westheimer

Houston, Texas 77056

*Declined Check Information:* (800) 366-2425

## Nationwide Specialty Consumer Reporting Companies:

**Medical Insurance Bureau** - Medical records or payments: [www.mib.com/html/request\\_your\\_record.html](http://www.mib.com/html/request_your_record.html)

**First Advantage SafeRent** - Residential or tenant history - (Formerly known as Unlawful Detainer Registry UDR): [www.fadvsafereit.com](http://www.fadvsafereit.com)

**Choicepoint** - Employment history - background checks: [www.choicepoint.com/](http://www.choicepoint.com/)

**CLUE** - Insurance claims: [www.choicetrust.com/](http://www.choicetrust.com/)

# Credit Score FICO or FAKE-O?

## What is a credit score?

There are many types of credit scores. FICO™ developed the predominant score model. It is a general risk score (some call it a rating) that indicates the probability of default. The FICO® Score ranges from 300-850.

## Why are your three scores different?

TransUnion's is called "FICO® Risk Score Classic", Experian's is called "Experian FICO® Model", and Equifax uses the true FICO® score, privately labeled "Beacon." Within their scoring model are different scoring ranges. They are only true FICO® Scores if they are FICO™'s model.

Also creditors and lenders don't always report your information to all three of the credit reporting agencies.

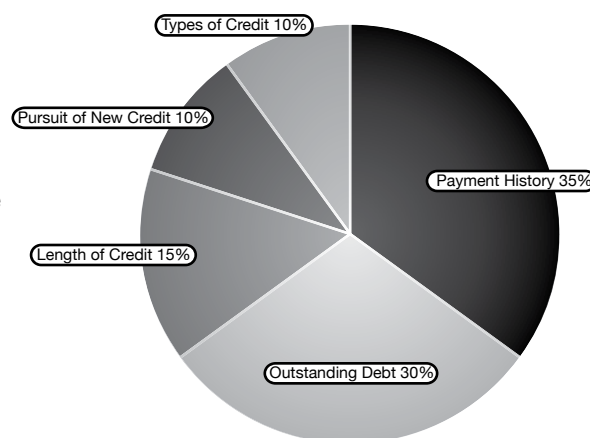
Some purveyors of FAKE-O scores claim that their scoring model is more consistent between the three credit bureaus than FICO® Scores. This can actually be a disadvantage to consumers; if one of the three reports contains an inaccuracy, all three scores are damaged. Under FICO® scoring, only the credit report containing the inaccuracy is damaged; if your Equifax report contains an error and your TransUnion does not, the Equifax Beacon score will be lower than your TransUnion score. If you apply for credit with a lender who only checks TransUnion, you wouldn't be given worse terms. This is a better outcome than FAKE-O scores' "consistency".

Unfortunately, as of early 2009 Experian has stopped allowing consumers to access their FICO® Score. Only lenders may purchase a consumer's Experian FICO® Score. This leaves consumers unable to know in advance what that score is in order to take steps to improve it before seeking credit. Consumers may still access their TransUnion and Equifax FICO® Scores directly by visiting [www.myfico.com](http://www.myfico.com). Once your lender has obtained your FICO® Scores from the credit bureaus, you are entitled to request a copy from your lender, including your Experian score.

## What affects your credit score?

Your credit score is based on five factors. These factors and their percentage impact on the score's calculation are as follows:

1. 35% - Payment History (bankruptcies, late payments, collections)
2. 30% - Outstanding Debt (credit card balances and number of cards, also known as utilization)
3. 15% - Length of Credit (age of oldest credit card account, average age of accounts, time since accounts were used)
4. 10% - Types of Credit in Use (recent information on bank cards, department store cards, finance companies, Mortgage/auto)
5. 10% - Pursuit of New Credit (number of inquiries from potential lenders and newly opened credit accounts)



## "FAKE-O" Scores

Credit scores that are not based on the FICO™ model are useless. Avoid purchasing "VantageScores" or other non-FICO credit scores that are not proven and are not in wide use by creditors and lenders. One way to spot FAKE-O scores is to look at the range; if the score ranges between 500 and 990, it's not a useful score. Credit scores that range from 300-850 are the only genuine FICO® Scores.

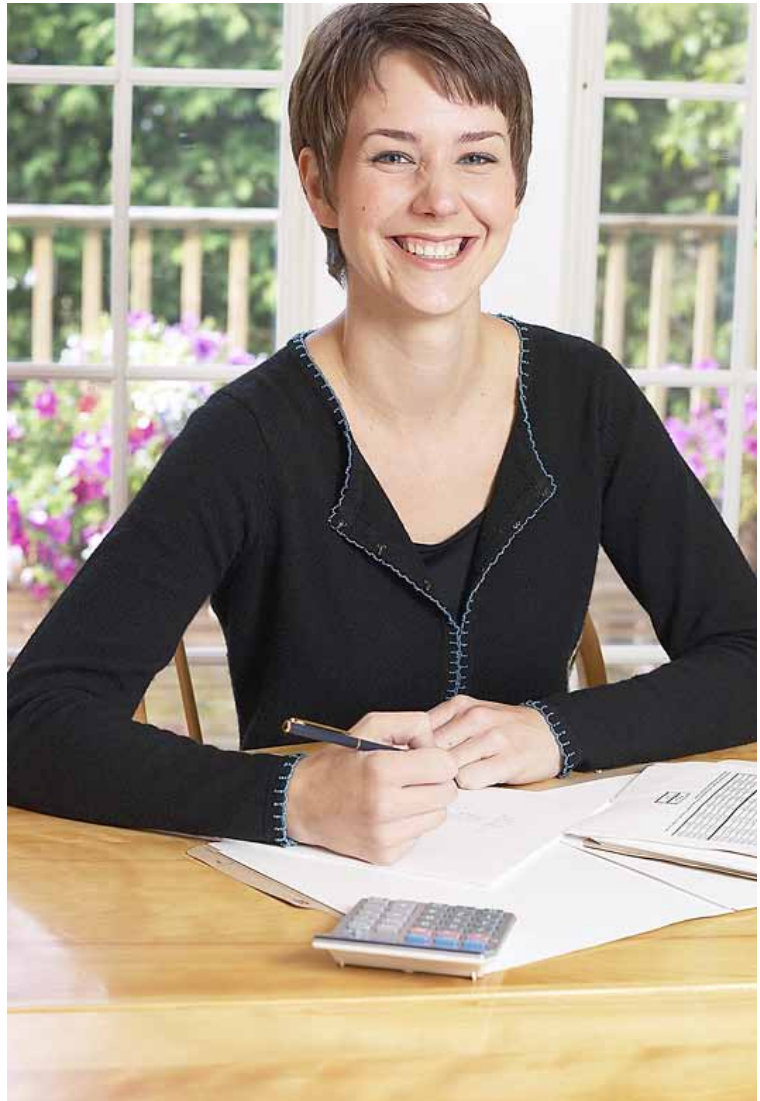
# Getting Your Score

Typically, we recommend getting your FICO™ score from [www.myfico.com](http://www.myfico.com), where you will have to pay a fee to access your score. Credit score regulations were updated as of July, 2011, requiring lenders to offer a free credit score if they deny your request for credit or take adverse action based on your credit score. FICO™ also offers an educational site, [www.scoreinfo.org](http://www.scoreinfo.org), which is designed to educate consumers about credit scoring and to comply with the new federal regulations.

## Simple Ways to Improve Your Credit Scores

All of us have the ability to improve our credit scores. Below are some general tips for improving credit scores:

- Review credit reports regularly. An accurate report will be an honest representation of a consumer's history. Take control of yours.
- Pay bills on time. More recent negative marks on a credit report are worse than problems that occurred years ago. For example, an account that has been delinquent in the past six months will do more damage than a similar delinquency five years earlier.
- Reduce your overall debt. The goal should be not to max out your revolving or open lines of credit. Some experts advise not more than 50%, some say 35% as the maximum utilization level.
- Keep older accounts. When choosing to close accounts, older accounts with good history are the ones to keep because of the age and your length of time in the credit world also factors in the score.
- Limit the number of inquiries. Apply for credit only when necessary and get your credit report in advance. When shopping for a new car or mortgage make all applications within a 14 day time period so the inquires only count as one.



# Credit Myths

There are many common misconceptions about credit reports and scores. Here are some of the most common:

- Bad debts will go away if you pay them off. A debt will stay on your credit report for 7 years from the date of the first missed payment. If you pay that debt off, the
- The credit reporting agency denied my credit application. Credit reporting agencies don't make any decisions about your creditworthiness. They simply provide information to your potential creditors, employers, etc. The credit grantor is the entity that makes a decision to accept or deny your application for credit. Likewise, FICO only calculates a score based on your credit file information. The creditors use that score to help them decide whether or not to grant you credit.
- A divorce decree separates joint accounts. Regardless of what a judge decrees in divorce court, a joint account doesn't change in the eyes of the creditor or the credit bureaus. To truly separate a joint account in a divorce, the best course of action is to close the account and transfer the balance to new individual accounts.
- Keep older accounts. When choosing to close accounts, older accounts with good history are the ones to keep because of the age and your length of time in the credit world also factors in the score.
- Limit the number of inquiries. Apply for credit only when necessary and get your credit report in advance. When shopping for a new car or mortgage make all applications within a 14 day time period so the inquiries only count as one.

# The Fair Credit Reporting Act

The Fair Credit Reporting Act (FCRA) is the federal law enforced by Federal Trade Commission to promote accuracy and fairness, and to ensure the privacy of information used in your credit reports. It regulates the functioning of credit bureaus and has been in effect since 1971. The act has been amended from time to time to expand the rights of the consumers and improve regulation of credit bureaus.

The major consumer's rights under the FCRA are:

- Right to receive a copy of your credit report on request. This copy must be up-to-date and all the information in your file at the time of your request must be included.
- Right to know who has accessed your credit report in the last one year for most purposes. However, in case of employment purposes the period is two years.
- If you have been denied credit by any agency, then the right to know the name and address of the credit bureau on whose credit report the denial was based.

Right to receive a free credit report from the credit bureau:

Within 60 days of denial of your application, if the credit denial is based on credit report supplied by the credit bureau.

If you believe that your credit report is wrong because of fraud

If you are unemployed and will be applying for a job within 60 days

If you are on welfare/public benefits

- Right to contest the accuracy and completeness of information in your credit report.
- Both credit bureau and the information provider have the obligation to correct the inaccurate or incomplete information in your credit report.
- File a dispute with the credit bureau and information provider to the credit bureau if you feel that the information in your credit report is inaccurate.
- Right to include a summary explanation to your credit report if you feel that the dispute is not resolved to your satisfaction.
- Right to seek your consent before credit bureau supplies your credit report to your employer or prospective employer.
- Right to seek your consent before credit bureau supply information about your credit history to creditors, insurers and employers.
- Right to choose to exclude your name from credit bureau lists for unsolicited credit and insurance offers.

# Credit Consumers Should Know Their Rights

## The Fair Debt Collection Practices Act

In 1970 the Fair Debt Collection Practices Act (FDCPA) became law. Its purpose is to prevent, abusive, deceptive and unfair debt collection practices by debt collectors. The FDCPA does not apply to originating creditors who are collecting on their own behalf. The FDCPA prohibits:

- Contacting a third party who does not owe the debt, such as a relative, neighbor, or your employer. Co-signers to the debt, however, may be contacted by the debt collector;
- Threatening to refer your account to an attorney, harm your credit rating, repossession or garnishment, without actual intention of action on the threat. Please note that a debt collector may warn you of an actual impending intention to refer your case to an attorney or to report your debt to a credit agency. What they cannot do is use a false threat to try to intimidate you into paying;
- Making repeated telephone calls or telephone calls at unreasonable times. The act defines unreasonable times as contact before 8:00 AM or after 9:00 PM, unless you have given the debt collector permission to contact you during those hours;
- Placing telephone calls to an inconvenient place. For example, contacting you at work in violation of a policy by your employer that is known to the debt collector or following a request by you that they not contact you at work;
- When placing a telephone call to you at work, informing your employer of the purpose of the call, unless first asked by the employer;
- Using obscenity, racial slurs or insults;
- Sending letters which appear to have come from a court;
- Seeking collection fees or interest charges not permitted by your contract or by state law;
- Requesting post-dated checks with the intention to prosecute if they bounce;
- Suing in courts far removed from your place of residence;
- Making certain false representations in association with efforts to collect the debt, including the false claim that the person contacting you in relation to the debt is an attorney, falsely claiming to have started a lawsuit, using a false name, or using stationery that is designed to look like an official court or government communication;
- Using false claims to collect information about the debtor, such as pretending to be conducting a survey;
- Threatening you with arrest if you do not pay the debt.

# The Fair and Accurate Credit Transactions Act

The Fair and Accurate Credit Transaction Act of 2003 (FACTA) added new sections to the federal Fair Credit Reporting Act (FCRA), intended primarily to help consumers fight the growing crime of identity theft. Accuracy, privacy, limits on information sharing, and new consumer rights to disclosure are included in FACTA.

Important FACTA rights:

- Provides everyone the right to get one free credit report from each credit bureau each year. A special website and toll-free number were established by the FTC and the credit bureaus for consumers to request their reports at [www.annualcreditreport.com](http://www.annualcreditreport.com)
- Gives consumers the right to obtain their credit scores from the bureaus for a reasonable fee. Mortgage lenders are required to provide consumers with a free copy of their credit score.
- Provides consumers with clear instructions on how to opt out of information sharing between affiliated companies for marketing purposes and how to stop companies from sending unsolicited offers of credit.
  - 1-888-5OPTOUT or [www.optoutprescreen.com](http://www.optoutprescreen.com)
- Ensures that consumers are notified prior to or within 30 days if financial companies are going to report negative information about them to the credit bureaus. Allows consumers to dispute directly with data furnishers for credit reporting purposes. Furnishers may not report an account that is under dispute and must notify you either before or no later than 30 days after they have reported negative information to the bureaus.
- Allows consumers to place fraud alerts in their credit reports, which may remain for up to 90 days, to prevent identity thieves from opening accounts in their names. The alert entitles consumers to a second free report so they can check for unusual activity.
- Consumers will be able to block information from being given to a credit bureau and from being reported by a credit bureau of such information results from identity theft. In addition, no debt may be turned over to a collection agency if it results from identity theft.
- Special provisions protect active duty military personnel, by allowing them to place "Active Duty Alerts" on their credit files, so creditors will know they have been deployed overseas and are not shopping locally.
- Prohibits companies from printing credit/debit card expiration dates or account numbers (other than the last 5 digits) on electronically printed customer receipts.
- Lenders must provide written notice to consumers if the terms of credit are higher than the prevailing market interest rates.
- Restricts access to consumers' sensitive health information.
- Provides consumers with one-call-for-all protection by requiring credit bureaus to share consumer calls on identity theft, including requested fraud alert blocking.
- Requires creditors to take certain precautions before extending credit to consumers who have placed fraud alerts in their files.

# The Credit CARD Act of 2009

The Credit CARD (Credit Accountability, Responsibility and Disclosure) Act of 2009, also known as the Credit Cardholder's Bill of Rights, made many important changes to the way credit cards are regulated.

With regard to your credit report and scores, the new law makes your score more important than ever. The law limits the fees creditors may charge, restricts the ways those fees can be imposed, and regulates the adjustment of the interest rates on your credit accounts. Because this increases the risk to the creditors and limits their ability to compensate for those risks with higher fees, they will only grant credit to people with the best credit histories and scores. Now, more than ever, your credit score is crucial to your ability to borrow money from credit card companies.

Another important change in the law affects younger consumers. Essentially, anyone under 21 will have a very difficult time getting a credit card under the new law. If you are a parent and have a teenager who is coming of age, you might be grateful that s/he will not be lured into credit card borrowing during their college years. But this situation does place additional responsibility with you; most consumers aged 18-21 will need a parent to co-sign on any credit card they obtain. This means that the parent shares responsibility for their adult offspring's borrowing, and will have to repay the debts incurred if the borrower is unable to repay.

It is important that you set up a credit card account for your children when they reach age 18 and monitor their activity closely. This will give you the opportunity to protect yourself if the borrowing gets out of hand or there are repayment problems. And more importantly, this is how your adult children will establish a credit history and score that will allow them to borrow on their own when they reach age 21. As we said earlier, their credit score is crucial to their borrowing, housing, employment, higher education, purchasing transportation, etc. If they aren't able to establish credit early on in their adulthood, they will have a much tougher time doing so later. Under the new credit card laws, you will have to co-sign with them in order for them to establish that all-important credit rating.

Be aware that while the Credit CARD Act protects consumers from unreasonable rate hikes and fees, there is no cap on the interest rate creditors may charge. You may find that credit will be more expensive going forward. That means higher interest rates across the board, and many economists expect annual fees to be the norm under the new law.

The new law isn't all bad news, of course. There are many consumer benefits that aren't directly related to credit scores and reports, including:

- A ban on universal default and 2-cycle billing
- Industry standard rules requiring creditors to accept payments as on-time if they are paid by 5pm on the due date
- Bills must be sent at least 21 days before the due date
- Customers must be permitted to pay by phone or internet without incurring additional fees
- Creditors must provide 45 days notice before increasing interest rates
- Consumers must opt-in before they will be able to exceed their credit limit
- If something happens that causes the creditor to raise your interest rate (if you miss a payment, for example) the creditor must now, by law, re-evaluate your credit standing after six months have passed. If you've had no more missed payments or other problems in your record during the intervening six months, the creditor must return your interest rate to where it was before you incurred a penalty rate. This is yet another reason to always work toward improving your credit history and ensuring that your credit history is accurate and reflects positively on you.

# Disputing Errors

## What can you dispute?

A careful review of your credit report may reveal incorrect, incomplete, or outdated information. FACTA provides consumers with important rights with regards to disputing obsolete accounts and the handling of errors.

Some common errors:

- Reporting of stale accounts (for example: inactive accounts past the statute for reporting)

- Duplicate reporting of public record or collection accounts – junk debt buyers are often responsible for multiple reporting of the same debt as these change hands among buyers and sellers.

- Reporting accounts as charge-offs that have not been updated as having been discharged through bankruptcy

- Failure to consolidate multiple inquiries for the same loan

- Not reporting credit limits on tradelines

- Reporting collections as unpaid when they were paid

All incorrect, incomplete, or outdated information can be disputed.



## Statute on Limitations of Reporting

Public record information is maintained on a consumer's file in compliance with the Fair Credit Reporting Act (FCRA). This information is obtained from county, state and federal courts and includes civil judgments, state tax liens, federal tax liens, and bankruptcies. The length of time each record is held depends on the type of record.

Typical retention periods (may vary by state):

Chapter 7, 11 or 12 bankruptcies	10 years from the date filed
Chapter 13 bankruptcy filings	7 years from date paid
Chapter 13 bankruptcy that is not completed	10 years
Bankruptcies voluntarily dismissed	7 years
Civil judgments	7 years from the date filed
Unpaid tax liens	10 years (This may vary by state)
Paid tax liens	7 years from date paid
Collections paid or unpaid	7 years from date of the initial missed payment
Charge off accounts	7 years from date of the initial missed payment
Credit accounts	7 years from the date of initial missed payment
Inquiries	2 years

# Basics of Sending Dispute Letters

1. Provide the credit reporting agencies along with your dispute letters a photo copy of their current ID (at least one form of ID must have a picture).
  - US Driver's license
  - US State of Residence Identification card/Green Card
  - US Passport
  - US Military ID
2. Provide a copy of their social security card
3. Proof of address (copy of utility bill, pay stub, or W-2 with current address)
4. Provide any documentation/proof to help the credit reporting agencies identify which items may be incorrect and should be removed or updated.
5. Keep originals and send copies
6. Send all letters with attached proof certified mail return receipt
7. Keep a dispute file for each of the three credit reporting agencies
8. Respond quickly to any letters from the credit reporting agencies
9. Know your rights



# Sample Dispute Letter

Date: \_\_\_\_\_  
 Name/address \_\_\_\_\_  
 Of Credit Bureau: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Attention: Consumer Relations

I recently obtained a copy of my credit report from your service, and have found the following items to be in error.

## EXAMPLES

Item #1 - I dispute ABC National Bank account #12345. I have never been late on this account.

Item #2 - I dispute ABC Financial Services account #4545. This account was not a charge-off, please delete.

According to Section 611 of the Fair Credit Reporting Act, I am requesting that you re-investigate those items indicated, and promptly delete any unverifiable, inaccurate, or outdated information from my credit report.

In addition, I am requesting a description of how the investigation was conducted along with the name, address and telephone number of anyone contacted for information. Furthermore, if there is a change in my credit history resulting from your investigation, I am requesting that an updated report be sent to those who received my report, within the last two years for employment purposes, or within the last one year for any other purposes.

Please send me an updated copy of my report, and notification that items have been deleted. I will consider 30 days a reasonable time for your re-verification of these items.

Thank you for your prompt attention in this matter.

Sincerely,

Signature: \_\_\_\_\_  
 Name (print): \_\_\_\_\_  
 Address: \_\_\_\_\_  
 City, State, Zip: \_\_\_\_\_  
 Social Security #: \_\_\_\_\_

# Sample Dispute Statements

There are several thousand credit bureaus collecting credit information about consumers. Many of these credit bureaus are connected to centralized computer files which contain data on millions of individuals. From these files, a credit bureau can produce almost instantaneously a revealing report about your past and present credit activity for a subscribing creditor. All credit reporting bureaus are for-profit businesses and not public agencies, although they are subject to increasing regulation.

Under the Fair Credit Reporting Act you have the right to add to your credit report a statement of up to one hundred words regarding any item(s) you wish to clarify. This statement will then appear on all subsequent reports.

## **Examples:**

“This is not my account. I have never owed money to this creditor. Apparently, a mistake was made in the reporting.”

“On \_\_\_\_\_(date), I moved to another address. I notified all creditors, including \_\_\_\_\_(name of creditor) promptly. \_\_\_\_\_(name of creditor) was slow in changing my address in their file. Subsequently, I did not receive my billing statement for \_\_\_\_\_(how long). Once I received the statement at my new address, I paid this creditor.”

“On \_\_\_\_\_(date), I was hospitalized at \_\_\_\_\_(facility). The medical bills were forwarded to my insurance company for payment. My insurance company delayed in paying the medical bills and the hospital turned my account over for collection. Afterwards my insurance company paid the hospital bill in full. The hospital’s collection agency refused to change the negative rating on my account.”

“This account belongs to my former spouse. My name was deleted from the account at the time of the divorce, and I am not responsible for any debts incurred on the account since that time.”

“On \_\_\_\_\_(date), I ordered merchandise from \_\_\_\_\_(name of company) on my account. The merchandise was defective and I returned it to the sender. The company continued to send me a bill for the returned defective merchandise. The company went out of business before I was able to have my account properly credited.”

# Sample Debt Validation Letter

Date: \_\_\_\_\_

Your Name \_\_\_\_\_

Your Address \_\_\_\_\_

Your City, State, Zip \_\_\_\_\_

Collection Agency Name \_\_\_\_\_

Collection Agency Address \_\_\_\_\_

Collection Agency City, State, Zip \_\_\_\_\_

RE: Account # **(Fill in Account Number)** \_\_\_\_\_

To Whom It May Concern:

Be advised this is not a refusal to pay, but a notice that your claim is disputed and validation is requested.

Under the Fair Debt collection Practices Act (FDCPA), I have the right to request validation of the debt you say I owe you. I am requesting proof that I am indeed the party you are asking to pay this debt, and there is some contractual obligation that is binding on me to pay this debt.

This is NOT a request for "verification" or proof of my mailing address, but a request for VALIDATION made pursuant to 15 USC 1692g Sec. 809 (b) of the FDCPA. I respectfully request that your offices provide me with competent evidence that I have any legal obligation to pay you.

At this time I will also inform you that if your offices have or continue to report invalidated information to any of the three major credit bureaus (Equifax, Experian, Trans Union), this action might constitute fraud under both federal and state laws. Due to this fact, if any negative mark is found or continues to report on any of my credit reports by your company or the company you represent, I will not hesitate in bringing legal action against you and your client for the following.

## **Violation of the Fair Debt Collection Practices Act**

### **Defamation of Character**

I am sure your legal staff will agree that non-compliance with this request could put your company in serious legal trouble with the FTC and other state or federal agencies.

(Continued)

# Sample Debt Validation Letter (Continued)

If your offices are able to provide the proper documentation as requested in the following declaration, I will require 30 days to investigate this information and during such time all collection activity must cease and desist. Also, during this validation period, if any action is taken which could be considered detrimental to any of my credit reports, I will consult with legal counsel for suit. This includes any listing of any information to a credit-reporting repository that could be inaccurate or invalidated. If your offices fail to respond to this validation request within 30 days from the date of your receipt, all references to this account must be deleted and completely removed from my credit file and a copy of such deletion request shall be sent to me immediately.

It would be advisable that you and your client assure that your records are in order before I am forced to take legal action.

## **CREDITOR/DEBT COLLECTOR DECLARATION**

Please provide the following:

- Agreement with your client that grants you the authority to collect on this alleged debt.
- Agreement that bears the signature of the alleged debtor wherein he/she agreed to pay the creditor.
- Any insurance claims been made by any creditor regarding this account.
- Any Judgments obtained by any creditor regarding this account.
- Name and address of alleged creditor.
- Name on file of alleged debtor.
- Alleged account number.
- Address on file for alleged debtor.
- Amount of alleged debt.
- Date this alleged debt became payable.
- Date of original charge off or delinquency.
- Verification that this debt was assigned or sold to collector.
- Complete accounting of alleged debt.
- Commission for debt collector if collection efforts are successful.

Please provide the name and address of the bonding agent for «**COLLECTION AGENCY**» in case legal action becomes necessary.

Your claim cannot and WILL NOT be considered if any portion of the above is not completed and returned with copies of all requested documents. This is a request for validation made pursuant to the Fair Debt Collection Practices Act. Please allow 30 days for processing after I receive this information back.

Best Regards

**[Your Signature]**

cc Federal Trade Commission

# Sample Cease & Desist Letter

Date: \_\_\_\_\_

Collection Agency Name \_\_\_\_\_

Address \_\_\_\_\_

City, State, Zip \_\_\_\_\_

Re: File # /Account number \_\_\_\_\_

To Whom It May Concern:

As per our telephone conversation on \_\_\_\_\_ (date) regarding the above referenced account in accordance with the Fair Debt Collection Practices Act (FDCPA), section 805 (c), this letter serves as notification to Cease and Desist any further communication activity regarding the above debt. If you fail to comply with my request, it will result in charges being filed against your company, along with any employee attempting to collect the above debt. Your agency is to Cease and Desist communication with me at my residence or place of employment either via correspondence or phone.

Thank you for your immediate attention and cooperation.

Sincerely,

Signature: \_\_\_\_\_

Name (Print): \_\_\_\_\_

Address: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_

CC: Federal Trade Commission



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