

REPAIR YOUR CREDIT

Keeping Your Credit Profile Error-Free



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Your credit profile is an essential part of your financial life. It determines if you get approved for loans and credit cards, and what interest rates you pay. Your credit report also gets checked when you rent any property and even apply for a job.

While the credit bureaus may strive to keep accurate records of your credit history, mistakes can happen. In fact, a 2015 study by the Federal Trade Commission found:

- 1 in 5 consumers had at least one error on their report
- 1 in 4 included an error that would negatively affect a consumer's credit score
- 1 in 20 consumers improved their credit by 25 points or more by correcting these mistakes

These statistics show how important it is to review your credit reports regularly and correct any mistakes you find. This is what it means to **repair your credit**.

Know Your Rights!

You have a right to an accurate credit report

The Fair Credit Reporting Act is a federal consumer protection law that guarantees your right to an accurate credit report. It defines the process that allows consumers to regularly review their credit reports and dispute mistakes.



Your rights according to the FCRA:

- You have the right to review your credit report free of charge once per year
- You can dispute information that you think is a mistake
- The credit bureaus must verify any information you dispute
- If the information can't be verified by the original creditor, it must be removed
- The bureaus must provide another free copy of your report so you can confirm it's corrected

How to Repair Your Credit Step-by-Step

Step 1: Get your credit reports for free

The easiest way to claim your free yearly credit report is to download it online.

Go to: www.annualcreditreport.com

1. Enter some basic information about yourself (name, birthday, Social Security number, address).
2. Choose which reports you want to download (Experian, Equifax, TransUnion).
3. Verify your identity with each bureau by answering some basic questions based on the information in your report.
4. Download your reports to review them online or print them out.



Why do I have three reports?

Every consumer has three versions of their credit report because there are three credit bureaus in the U.S.

Each bureau maintains its own version of your credit report. Different lenders will check reports from different bureaus, so it's important to review all three.

Step 2: Review each report carefully

While each credit bureau presents your credit history in a different way, they all basically say the same thing. Your report will have 6 sections:

1. **Personal information** including your name, previous and current addresses, previous and current employer, Social Security number, aliases (alternate versions of your name).
2. **Credit history**, which shows the credit limit, current status and balance of each account, as well as the payment history going back 10 years.
3. **Credit inquiries** going back 2 years; an inquiry occurs when you authorize someone to check your credit or a company checks your credit for pre-approved offers.
4. **Financial public records**, such as bankruptcies, foreclosures, collection accounts and arrears on court-ordered payments, such as child support.
5. **Consumer statements**, which will only appear if you make a statement regarding a disputed report item that was verified (more on this later).
6. **Important disclosures**, which review your legal rights and provide information about the bureaus with contact information if you have any questions.

What to look for as you review your reports

Error	Why it's an issue
Aliases you've never used	A collection agency may have you confused with another consumer, which means their debt could be on your report
Incorrect payment history	Payment history is the biggest factor used to calculate your credit score, so a missed payment you made on time is bad
Duplicate accounts	Makes you look like you have more debt than you actually do
Outdated account statuses	If you've made payments to catch up on a delinquent account, your report needs to show it as current
Credit inquiries you didn't authorize	Could be a sign of identity theft (someone applying for credit in your name); it also may decrease your credit score
Outdated collection accounts, bankruptcies, and foreclosures	These don't look good to lenders and should be removed after a certain time has passed
Collection accounts that aren't yours	Might be a sign of identity theft or mistaken identity, but it hurts your credit score

How long can information be reported?

Nothing on your credit history will remain forever. Even accounts closed in good standing will typically drop off your report after 10 years.

Negative information can only be reported for a limited time. Once that time passes, the negative item should be removed so it will not continue to negatively affect your credit profile.

Item	Time
Missed payments	7 years from the month it was missed
Credit inquiries from authorized credit checks	2 years from the date of authorization
Chapter 13 bankruptcy	7 years from the filing date

Item	Time
Chapter 7 bankruptcy	10 years from the filing date
Foreclosure	7 years from the date of the first missed payment
Charged-off accounts & collections	7 years from the date the account first became delinquent
Debt settlements	7 years from the date of the discharge

Step 3: Dispute any errors you find

Once you've reviewed your reports and identified potential errors, you need to dispute them. There are several ways to dispute them:

1. You can dispute the item with the data furnisher (the company that provided the information).
2. You can dispute it with the credit bureau that issued the report, either online or by mail.

There are advantages and disadvantages to both:

Dispute with the furnisher	Dispute with the bureau
<i>Advantages:</i>	<i>Advantages:</i>
Must investigate and respond within 30 days (or 45 if they request more information from you)	Must investigate and respond within 30 days (or 45 if they request more information from you)
May have original records that show the mistake	Will provide any proof you provide them to the creditor
If a mistake is found, they must report the correction to all three bureaus	Must provide a free copy of your report showing the correction
If the dispute isn't resolved, you can still dispute it with the bureau	
<i>Disadvantages:</i>	<i>Disadvantages:</i>
Can be less efficient at handling disputes than the bureaus	Will ask the creditor for verification; will not take your side over the creditor's
	Won't share correction with the other bureaus

Who should you contact first?

Unless the incorrect information is personal information, it's often best to start the dispute with the lender, credit card company or collection agency that provided the information.

Remember, if you don't have success with the furnisher, you can always take the dispute to the credit bureau.

Tips for making a dispute with the furnisher

- Make sure to note the dates, times and the names of the representatives that you speak to each time you have contact with the furnisher
- If the furnisher is a third-party collector, ask them to send you information verifying the debt. It should show that the debt is yours and they have a legal right to collect; they should provide this by mail
- Provide any documentation that you have proving your case promptly to avoid delays
- If it turns out the error was made on your side, you can request a "good-faith" correction, where the creditor or lender agrees to correct the information based on your history as a good customer (i.e. they give you leniency for a one-time mistake)
- If you are not able to resolve the dispute with the furnisher, you are still allowed to submit a dispute to the credit bureau

Tips for making a dispute with a credit bureau

While the credit bureaus offer online portals to make disputes, the Federal Trade Commission still recommends that consumers should send disputes by physical mail.

1. Include your name, address, Social Security number, and relevant account numbers at the top of your letter so the information can be quickly located.

2. Type your letter, so it's easy to read.
3. Keep the body of the letter brief and to the point. Describe exactly what is wrong and how it should be corrected.
4. Include copies of any documentation that you have verifying your case; keep the originals for your records.
5. Send the letter by certified mail, return receipt requested. This allows you to know exactly when your letter is received, so you know when you should receive your response.
6. Make sure to keep a copy of any letter that you send, as well as keeping copies of any correspondence you receive in response.

Receiving a response from the bureaus

By law, the credit bureaus have **30 days to respond** to your dispute from the day it was received (this is why sending by certified mail, return receipt requested is so important). If the bureau requests more information from you, the response time is extended to **45 days**.

- **If your dispute is successful and the information can't be verified, it must be removed.** The credit bureaus are required to provide a free copy of your credit report so you can confirm the information has been corrected
- **If the information is verified and your dispute is not successful, you have the right to issue a consumer statement in your credit report.** This is a 100-word statement that will be added to your credit report that explains your perspective on the disputed item

Sample Dispute Letter

Carla Consumer
123 Main Street
Anytown, USA #####
Social Security Number
Date

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. #67890 Auto Finance: This account incorrectly shows a 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 up.

Sincerely,

Carla Consumer

Tracking disputes

It’s important to keep detailed information on each dispute you make, whether it’s with the data furnisher or the credit bureau. This worksheet can help you track those disputes.

Item Disputed	Disputed With:	Date Sent	Response	Notes
	☐ Equifax ☐ Experian ☐ TransUnion ☐ Furnisher			

Item Disputed	Disputed With:	Date Sent	Response	Notes
	☐ Equifax ☐ Experian ☐ TransUnion ☐ Furnisher			
	☐ Equifax ☐ Experian ☐ TransUnion ☐ Furnisher			
	☐ Equifax ☐ Experian ☐ TransUnion ☐ Furnisher			

Step 4: Moving forward

Once you dispute all the negative information that's erroneous, you may still have negative items remaining that are correct. You have a few options:

1. **Wait it out.** All negative information will eventually drop off your credit report. What's more, the "weight" of negative items on your credit score decreases over time. So, you can simply be patient and do what you can to take positive actions to offset it.
2. **Dispute it.** Disputes are always based on whether or not the information can be verified. If your account has been sold and resold – as a collection account, for instance – the data furnisher may not be able to provide complete information and the item will be removed.

3. **Ask for a good-faith correction.** Some creditors may be willing to remove a negative item that was incurred in error. One good phone call to customer service may result in the creditor updating the information to keep you happy as a customer.

Taking the right actions to maintain a clean credit report

Even if you have negative items still lingering after you repair your credit, taking positive actions now will help offset any past mistakes.

- **Make every effort you can to make all your payments on time.** Payment history is the biggest factor that impacts your credit score, so keep your history positive!
- **Take advantage of your free annual review.** Just because you've corrected your report once, it doesn't mean that new mistakes won't happen. Review your reports every year
- **Consider spacing your reviews out throughout the year.** Since you get a review with each credit bureau (Experian, Equifax, TransUnion), you can spread them out to review one credit report every four months

Special situations that can result in negative credit report items

Bankruptcy

Personal bankruptcy will be listed in the public records section of your credit report. The notation lasts for 10 years if you file for Chapter 7 and 7 years if you file Chapter 13.

The individual accounts that were included in your filing will not be removed when you complete your filing. However, the account should reflect a zero balance.

Cosigners

If you cosigned an account with someone then you agree to be responsible for the balance. If the person you cosigned for does not pay the debt back, then the missed payments and charge-off status for the account will be reflected on your credit report, too.

If this happens, talk to the data furnisher and see if they would be willing to remove the information from your report if you work out a payment plan or make other arrangements.

Credit counseling

While some debt solutions, such as debt settlement, result in negative notations in your credit report, using a credit counseling service does not. You can call for free credit counseling and enroll in a debt management program to get professional help eliminating your debt. As long as the program is executed correctly, it will not result in any negative comments on your credit.

Divorce

Another circumstance that can have unintended consequences for your credit is divorce. If you have joint accounts that your spouse is responsible for paying in the divorce decree, you need to get your name removed or close those accounts as quickly as possible.



Otherwise, if your ex does not pay the accounts promptly, they can still be reported on your credit report and negatively affect your credit score.

Medical collections – new rules

In the past, medical debt collections caused immense credit challenges for consumers. Consumers with otherwise perfect credit histories would incur collection accounts for unpaid medical bills. This was often due to insurance billing issues and unforeseen gaps in insurance.

Recognizing that medical collections caused so many issues, in 2017 the credit bureaus agreed to **new rules regarding medical debt collections listed in the public records section of consumer credit reports:**

- **Medical debt will not be reported until after a 180-day waiting period.** This allows time for insurance payments to apply or for the consumer to make payment arrangements
- **If a previously reported medical collections account is paid by insurance, it will be removed from your credit report.** This allows consumers to avoid credit damage caused by billing issues. In the past, any listed account would remain for 7 years, regardless of whether it was paid or not

Other ways to repair your credit

The credit repair process outlined in this booklet is something that you can do on your own. Credit repair does not require professional help. However, like many financial processes, there are professional companies and services that will do all or part of the work for you.

Paid credit repair services

You can pay a **credit repair company** to do all the credit repair legwork for you. You authorize them to obtain your credit reports, review them to identify potential issues and make disputes on your behalf.

The Credit Repair Organizations Act is a federal law that regulates what repair companies can and can't do:

- They can't make false statements about how much their service will impact a consumer's credit score
- They can't alter or hide a consumer's identity or help them create a new identity to get away from past mistakes
- They can't charge advance fees and must fully perform any services that were outlined in the contract in order to get paid

Despite these regulations, the credit repair industry has a history of less-than-reputable companies defrauding and misleading consumers. In fact, the industry is so bad that the Better Business Bureau does not rate companies that provide this service.

If you decide to hire someone to repair your credit for you, do so with extreme caution. Make sure to get everything in writing and review your contracts and disclosures carefully. Never pay for anything until the company provides the service outlined in your contract.

Credit repair software

Credit repair software splits the difference between a full-service credit repair company and the do-it-yourself process. You repair your credit on your own, but a paid software or online program walks you through the process.

These platforms access the information in your credit reports and flag negative information that could be hurting your score. Then they help facilitate disputes, often providing template letters that you can use for various types of corrections.

These programs can be helpful in walking you through the process, but you must decide if that support is worth incurring an extra bill.