FAST TRACK YOUR CREDIT SCORE

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A BEGINNER'S GUIDE TO INCREASING YOUR CREDIT SCORE

LEARN AMAZING SECRETS TO INCREASE YOUR CREDIT SCORE

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INTRODUCTION

Hidden Ways Your Credit Affects You

Most people know that a poor credit score can affect your ability to get a mortgage, car, credit cards, etc. But did you know that your credit history has a much wider impact on you, far beyond your ability to obtain credit or loans? "A lot of things are based on trust and your credit report, to some degree, talks about how 'trustworthy' you are," says Eric Simons, a certified financial planner and head of Simons Financial Network in New York. According to Simons Financial as well as other experts, your credit history can also be considered if you're applying for medical or life insurance, trying to rent a new apartment, seeking a new job or even a promotion at your existing place of employment.

INTRODUCTION

This is a completely legal practice. Say you are up for a better paying position at your place of work, a position that would require you to manage a budget or deal with customer funds, maybe a management position would entail these responsibilities. Under the law, your bosses are entitled to check out your credit history as part of their evaluation of you--as long as they do it in accordance with the **Fair Credit Reporting Act.** This means you can get denied a promotion in your place of work solely because of your credit. It happens every day.

How Your Credit Score Affects You

If your credit score is high enough, you'll qualify for a lender's best rates and terms. Your mailbox will be stuffed with low-rate offers from credit card issuers, and mortgage lenders will fight for your business. You'll get great deals on auto financing if you need a car, home loans if you want to buy a house, and small business loans if you decide to start your own business. If your credit score is low, however, you'll constantly fight an uphill battle where mainstream credit is nearly impossible to come by. If you find someone to lend you money, you'll pay high rates and fat fees for the privilege. A bad or even mediocre credit score can easily cost you tens of thousands and even hundreds of thousands of dollars in your lifetime. You don't even have to have a ton of credit problems to pay a price. Sometimes all it takes is a single missed payment to knock more than 100 points off your credit score and put you in a lender's high-risk category.

How Your Credit Score Affects You

We have had customers see a single removal during our service that gives them a 120 point increase in their score. I'm sure you can imagine, missing 120 points off your credit score would drastically change the terms of any loan. If we were just talking about loans, that would be scary enough.

But landlords and insurance companies also use credit scores to evaluate applicants. A good score can win you cheaper premiums and better apartments while a bad score can make insurance more expensive and make it even hard to find a place to live. Yet with these vital stakes on the line, too many people know far too little about credit scores and how they work.

Face the truth about your situation: Empowering yourself

Is your credit exceptional, good, fair, poor or on life support? Often, **circumstances** beyond our control or unexpected life events such as divorce, job loss, or a death in the family can ruin someone's credit. But I also want you to consider all the things you have done both positive and negative, to put your credit in its present state.

Accepting responsibility is a good thing, it empowers you, and it reminds you that you have **control** and the **power** to change your circumstances. Stop looking at the top of the mountain. That approach has left you never wanting to conquer it. Just look at the first step in front of *you*… and let's get started.

What you are going to learn...

Based on our research—and our experiences with what works and what doesn't— we have developed a **"best practices"** list of steps and guidelines.

These best practices are part of our actual service, and are some of the very same action steps we take for each of our clients. These steps have a learning curve and a *large demand on your time* (because nothing ever goes to plan during the credit improvement process), but these **essential steps** will put you on the right track if you're trying to tackle the task yourself:

PROVEN CREDIT REPAIR METHODS

What you are going to learn...

1. Getting your credit reports and your credit scores. This is always **"a must"** when you're getting started. No one can fix a problem they can't see. This is why you need a copy of your *credit reports* before you start. We also feel that it is vital to have your starting credit scores as well so that you can **measure your success.**

Consider this your "before picture". This is exactly what we do for our customers. You must obtain all three of your credit reports and scores before you begin. The fee will depend on the product you purchase from the credit reporting agencies.

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What you are going to learn...

2. Understanding your credit report. Imagine looking at a broken down engine and not knowing where exactly you should start? This is why you need to understand **“The Good, The Bad, and the Ugly”** about your credit report. What is helping, or hurting, your credit score is both a science and art—it’s taken us 20 years to master it.

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What you are going to learn...

3. Tactics to go from zero to hero. *Disputing, lowering your DTI (debt to income) ratio, adjusting your credit mix.*

These methods all require various communications such as phone calls, letters, faxes, etc. These tactics are part of our actual service, field tested, and proven to help boost your credit score!

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What you are going to learn...

4. Action Plan. Improving your credit is a process, and organization is the key. This is why a basic action plan is necessary before you begin working on your credit.

Remember, improving your credit is never a straight-forward process. You will encounter twists and turns along the way. Whether you take action yourself or hire our credit repair team, the only thing that matters is that you do something! Because the simple truth is that your credit is not going to fix itself. **Negative items remain on your credit report for 7 to 10 years** depending on the item. If you're not making a conscious effort toward improving your credit it will be a long road ahead of you paved with many difficulties and flat out disadvantages.

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Your Credit Scores—Getting your reports without your scores is like getting a report card without grades.

Obtaining your credit scores along with your credit reports is almost equally as **important**. Your credit scores are your starting, or *"before"* picture. We feel that it is always vital to know where you're starting from. This is actually why our credit repair team not only obtain our customer's credit reports for them when they sign up for our service; we actually get their **starting credit scores too**.

It's important, because it is the ideal measure of success. It's the starting line. You can obtain each of your credit scores with your credit reports for a small one time fee. Like I mentioned earlier, you will of course need all three from **Equifax, Experian,** and **TransUnion.** There are other products that include 3 in 1 monthly monitoring as well, and each credit reporting agency has a different price for this type of product. However you manage to obtain your credit reports and scores, the next step is to understand what they mean!

Reading and Understanding Your Report

The three credit reporting agencies present credit information in all different ways on their reports. If you request your report from all three companies, you will probably find that none of them contain the exact same information in the same way. Often certain debts are included in one company's report, but left out of another's. This is why we stressed the importance of obtaining all three of your credit reports.

All three agencies must accept phone calls from consumers with questions about information in a report. Although customer service employees are available to help you if there is something you do not understand on your report, good luck reaching one of them.

Understanding You Equifax Report

The *Equifax* report is the longest of the three. When you view your report online, each section will be on a separate page or separated by a divider.

Personal Identification Information: This section shows your basic information, previous addresses, and employment history. It also contains any alerts that have been added to your file about identity theft and an alert if you are on active duty in the military. This section includes a written statement you have provided (if any) explaining your situation. Be ***VERY*** careful when including written statements. We have had many customers sign up for our service just to *"undo"* what mistakes they themselves made while trying to make changes to their own credit reports.

Credit Account Information: This section is a summary of all your creditor information.

Mortgage Accounts: This section lists mortgages in your name (including home equity loans) and shows the balance, status, and credit limit amounts.

Installment Accounts: This section lists installment loans, such as car loans, and offers balances, dates, status, and credit limits.

Revolving Accounts: These are accounts such as credit cards, and this page shows balances, dates, and status.

Other Accounts: These are accounts that do not fall under any of the previous descriptions.

Open Accounts: This shows accounts that are currently open and active.

PROVEN CREDIT REPAIR METHODS

Understanding You Equifax Report

Closed Accounts: These are accounts that you have closed, or were closed for you that you no longer use.

Accounts in Good Standing: This information is repetitive and shows accounts listed elsewhere that are currently not overdue.

Accounts Currently Past Due: These are the accounts that you have missed payments on.

Negative Account History: These are accounts with ongoing payment problems or negative aspects.

Inquiries within the Last 12 Months: These are inquiries made by companies you gave *permission* to in order to check your credit, such as when you applied for a loan.

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Understanding You Equifax Report

Account Information Summary: This lists all the accounts described on previous pages, all together in one place.
Inquiries: These are companies that requested information about you. It separates inquiries that affect your credit rating from those that do not.
Collection Agency Information: These are accounts that are currently being handled by collection agencies. This section offers a very detailed look at the account and provides contact information for the bill collector.
Public Record Information: This section shows bankruptcies, judgments, and liens against you. Detailed information about each listing is provided.
Dispute File Information: This describes the steps to take to dispute information in your report and gives you an *important confirmation number* you must use when corresponding with **Equifax** about your report.

Understanding You Experian Report

Your ***Experian*** report begins with personal information and provides a report number you need for further correspondence about the report. *Experian* is extremely difficult to work with from our experience. We have actually had new customers sign-up for our service based solely on their frustrations when dealing with Experian.

Potentially Negative Items: These are past-due accounts and judgments, bankruptcies, and liens. You can view the details of these accounts and records here.

Credit Items: This is a listing of your creditor accounts, and it provides dates, status, and amounts.

Accounts in Good Standing: These are accounts that are current and not overdue.

Requests for Your Credit History: This section shows requests for information about you that affect your credit rating (those requests that you authorized) and requests that do not impact your rating.

Personal Information: Your name, address, Social Security number, employers, and past addresses are listed here.

Your Personal Statement: This is the space for a statement you can write explaining your report.

Understanding You TransUnion Report

Your ***TransUnion*** report is similar to the *Experian* report, but it is more visually friendly with icons illustrating past due dates.

Personal Information: Your address, Social Security number, and employment information is included here.

Public Records: Bankruptcies, liens, and judgments appear in this section.

Adverse Accounts: These are accounts that are past due or negative.

Satisfactory Accounts: These are your accounts that are not past due or negative.

Regular Inquiries: These are inquiries into your credit standing that affect your credit rating.

Inquiry Analysis: These are requests for your report by people who provided information about you when inquiring.

Promotional Inquiries: These are inquiries that do not affect your credit rating.

Account Review Inquiries: These are companies that reviewed your account when you requested it or in order to do a transaction with you (such as paying off an account balance).

Consumer Statement: This is the space for the statement you can provide that explains your report. Again, *"proceed with caution"* in this area of your credit report.

Special Messages: Alerts about *identity fraud* would appear here.

"The Good, The Bad, and the Ugly"-- Assessing your credit situation— How your score is calculated

The credit reporting agencies: *"Big Brother"* Data furnished by your creditors is collected, stored, and updated by credit bureaus (aka "credit reporting agencies"). Think of the credit reporting agencies as a **"big brother"** that keeps tabs on you. And they are in the business of selling information about you to interested lenders. They might commonly be referred to as credit **"bureaus"** which gives them an almost *"government"* run image, but they are simply **"for-profit"** companies like any other big corporation.

"The Good, The Bad, and the Ugly"--Assessing your credit situation— How your score is calculated

Why do all three of my reports have slightly different information?

Because they're competitors, the bureaus typically don't share information, and not all lenders report information to all three bureaus. In fact, if you get copies of your credit reports from the bureaus on the same day, you're likely to notice at least a few differences among them. An account that's listed on one credit bureau's report might not show up on the others, for example, or the balances showing on your various accounts might differ from bureau to bureau.

For this reason, your credit score with each credit reporting agency differs depending on which bureau's credit report is used. Also, each time you or someone else pulls your credit for review, it's likely to be at least somewhat different, because the information on which it's based probably has changed. **Fair Isaac Company (FICO)** says most people's scores don't change all that much in a short period, but about 25% of consumers can expect to see their credit scores from any one reporting agency vary by more than 20 points over a three-month timeframe.

There are time limits to what can appear on your credit report. Although positive information can appear indefinitely, negative marks like late payments, collection accounts, and foreclosures must be removed after seven years by **federal law.** *Bankruptcies* can be reported for ten years. *Inquiries* should be deleted in two years but only affect your credit score for *6 months.* Despite the old popular belief, inquiries are not considered a very detrimental part of your score anymore.

"The Good, The Bad, and the Ugly"--Assessing your credit situation— How your score is calculated

How Your Score Is Calculated

When most of us think of scores, we think of the relatively straightforward systems used in grade school tests. You get points (and possibly red check marks) for certain actions, behaviors, or answers, and those are totaled to determine your end *grade.* Credit scoring isn't that simple. Credit scoring models use **"multivariate"** formulas. This basically means that the value of any given bit of information in your report might depend on other **bits of information.** It is very complicated. To understand how this works, let's use a non-credit example.

Suppose that your brother calls you to report that his wife is more than an hour late coming home from work, and he asks whether you think she's having an affair. To answer the question, you would need more info about your brother's wife, including her attitude about her family, her general moral standards, and whether she's had issues like this in the past. Using all these variables, you could try to predict whether your sister-in-law is likely to be guilty or might have just gotten caught up this one time at work. Let's suppose that your sister-in-law is an honest and moral person. But what if this example was about your neighbor? And what if your neighbor was a guy who frequently flirts and has a checkered past. If your neighbor was an hour late in coming home and his wife asked you your opinion of his likely faithfulness, you might reach quite a **different conclusion.** So the same *behavior*--coming home late--could evoke two very different predictions based on the information at hand.

"The Good, The Bad, and the Ugly"--Assessing your credit situation— How your score is calculated

How Your Score Is Calculated

The number of factors that goes into evaluating your credit score is infinitely greater, so you can see how difficult it can be sometimes to predict the outcomes of certain behaviors or actions. We have customers ask all the time; "How many points do you think this is costing me?" or "How many points do you think you can raise my score?", etc. I'm sure you can see now how difficult it is to answer these questions, and although we try to give an educated guess, in the end no one can truly predict the exact outcome.

There's one thing that's always true, though: **The FICO** credit scoring model (the most common credit scoring model) is set up to place more value on *current behavior than on past behavior.* That means that the effects of your old credit troubles lessen over time if you start handling credit more **responsibly.** This is the first area of concern you should look for on your credit report; **recent negative items.** *Recent negatives affect you greatly;* the scores are also designed to react strongly to any signs that a once-good risk might be turning bad. That's why someone with a good score might suffer more heavily from a late payment. This is actually why we always begin a new customer's service by acting on the most recent negative items first. It's generally a lot easier to lose points on your score than it is to gain them back, which is why it's so important to not only know how to improve your credit, but eventually also learn how to protect your score as well.

“The Good, The Bad, and the Ugly”--Assessing your credit situation— How your score is calculated

The Five Most Important Factors

Let’s move on to some specifics. The following are the five main factors that affect your credit score according to their relative level of importance, along with a percentage figure that reflects how heavily that factor is weighed in calculating your final credit score. However, keep in mind that each factor might weigh more or less heavily in your individual score, depending on your credit situation.

Your Payment History

*This makes up about **35%** of the overall score.* It makes obvious sense: Your history of paying bills says a lot about how responsible you are with credit. Lenders want to know whether you pay on time and how long it's been since you've been late, if ever. To give you some perspective: More than half of the country doesn’t have a single late payment on their credit reports (according to Fair Isaac Company) and only 3 in 10 have ever been 60 days or more overdue in the past 7 years. *When it comes to negative marks like late payments, the score focuses on three factors:*

How recent: This is how recently the consumer got into trouble. The more time that's passed since the credit problem, the less it affects a score.

Frequency: As you might expect, someone who has had just one or two late payments typically looks better to lenders than someone who has had a dozen.

Severity: There's a definite "level of bad" when it comes to your credit score. A payment that's 30 days late isn't considered as serious as one that's 60 or 120 days late. Collections, tax liens, and bankruptcy are among the biggest black marks.

“The Good, The Bad, and the Ugly”-- Assessing your credit situation— How your score is calculated

Your Payment History

Our client portal actually indicates which items are affecting your credit score the most. While we’re working on our client’s credit reports, they can see how impactful the improvement on their credit report really is, because we will point out the severity of each item on their credit report. If you've never been late, your clean history will help your score. But that doesn't mean you'll get a "perfect" score. A good credit history involves a lot more...

"The Good, The Bad, and the Ugly"--Assessing your credit situation—How your score is calculated

How Much You Owe

This equates to ***30%*** *of your score.* The score looks at the total amount owed on all of your accounts, as well as how much you owe on different types of accounts (credit card, auto loan, mortgages, and so on) which is also referred to as your "credit mix". To give you some perspective: Most Americans use less than 30 percent of their available credit limits, according to Fair Isaac. *Only 1 in 7 uses 80 percent or more of available limits.* As you might expect, using a much **higher percentage** of your limits will worry lenders and potentially hurt your score. People who max out their credit limits, or even come close, tend to have a much higher rate of default than people who keep their credit use under control. When it comes to **revolving debt** (credit cards and lines of credit); the credit score formula looks at the difference between your credit limits on the accounts and your balance, or the amount of credit you're actually using. The bigger the gap between your balance and your limit, the better!

“The Good, The Bad, and the Ugly”-- Assessing your credit situation— How your score is calculated

How Much You Owe

*So you need to be careful with how much you charge, even if you don’t carry a balance from month to month. Your total balance during the month should never approach your credit limit if you want a good score. The score also looks at how much you owe on **installment loans** (mortgages, auto loans) compared to what you originally borrowed. Paying down the balances over time tends to help your score.*

The reporting cycle: *Creditors report your balances to the credit bureaus on a given day (usually each month, but sometimes only every other month or quarterly). It doesn't matter whether you pay the balance off in full the next day, the balance you owed on the reporting day is what shows up on your credit report. That's why people who pay off their credit cards in full every month still might have balances showing on their reports.*

"The Good, The Bad, and the Ugly"-- Assessing your credit situation— How your score is calculated

How Long You've Had Credit

*This is **15%** of your total score. While it's generally less important than the previous two factors, it still matters. You can have a good score with a short history, but typically the longer you've had credit, the better. Again, to give you perspective: The average American's oldest account has been established for about 14 years, according to Fair Isaac. One in four has an account that's been established for 20 years or more. The score considers both of the following: 1) The age of your oldest account 2) The average age of all your accounts*

"The Good, The Bad, and the Ugly"-- Assessing your credit situation— How your score is calculated

Your Last Application for Credit

*This is **10%** of your overall score.* Opening new accounts can ding your credit score, particularly if you apply for lots of credit in a short time and you don't have a long credit history.

More perspective: The average American has not opened an account in 20 months. The score factors in the following: How many accounts have you applied for recently ? How many new accounts have you opened? How much time has passed since you applied for credit? How much time has passed since you opened an account?

Important Tip: You might have heard that "shopping around" for credit can hurt your score. But the formula takes into account that people tend to shop around for important loans such as mortgages and auto financing. As long as you do your shopping in a fairly concentrated period of time, it shouldn't affect the score used for your application.

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"The Good, The Bad, and the Ugly"-- Assessing your credit situation— How your score is calculated

Your Last Application for Credit

Also, pulling your own credit report and score doesn't affect your score. So long as you do it yourself and order it from a credit bureau or a reputable source, the inquiry won't count against you.

Do offers I receive in the mail affect my credit score?

There are basically two types of inquiries; **"hard inquiries",** and **"soft inquiries".** When you apply for credit, you authorize the lender to view your credit history. This is known as a *"hard inquiry"* and can affect your credit score. You might also see inquiries that you didn't initiate such as offers you receive for new credit in the mail. These *"soft inquiries"* are typically made when a lender orders your credit report to make you a pre-approved credit offer. Such marketing efforts don't affect your score.

“The Good, The Bad, and the Ugly”-- Assessing your credit situation— How your score is calculated

The Types of Credit You Use

This is 10% of your score. The scoring formula wants to see a **"healthy mix"** of credit, but Fair Isaac is vague about what that means. The company does say that you don't need to have a loan of each possible type; credit card, mortgage, auto loan, and so on, to have a **“good”** score. Furthermore, you're cautioned against applying for credit you don't need in an effort to boost your score, because that can backfire. To get the **“highest”** possible scores, however, you need to have both *revolving debts* (like credit cards) and *installment debts* like an auto loan, mortgage, or personal loan. These latter loans don't have to still be open to influence your score. But they do still need to show up on your credit report. We like to take a look at our customer’s **credit reports** and make some recommendations on improving their credit mix based on our experience. *Here’s some basics...*

“The Good, The Bad, and the Ugly”-- Assessing your credit situation— How your score is calculated

The Types of Credit You Use

Major credit cards such as Visa, MasterCard, American Express, and Discover, are typically better for your credit score than department store or other **"finance company"** cards. (Department stores' cards are typically issued by finance companies which specialize in consumer lending, and which, unlike banks, don't receive deposits.)
Installment loans can reflect well on your score, too. That's because lenders generally require more documentation and take a closer look at **your** credit before granting the loan. This gives it a stronger weight on your credit score. To give you some perspective again: The **average** American has 13 overall credit accounts showing on their credit report(s), *including 9 credit cards and 4 installment loans*, according to Fair Isaac company.

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"The Good, The Bad, and the Ugly"-- Assessing your credit situation— How your score is calculated

Your Credit Scorecard

How these five factors are weighed when it comes to you--as opposed to the general population--depends on a little-known sorting system known at Fair Isaac as "scorecards." Scorecards allow the FICO formula to segment borrowers into one of ten different groups, based on information in their credit reports. If the credit history shows only positive information, the model takes into account the following:

• The ***number*** *of accounts • The* ***age*** *of the accounts • The age of the* ***youngest*** *account - If the history shows a serious delinquency, the model looks for these: • The presence of any* ***public record, such as a bankruptcy or tax lien*** *• The* ***worst delinquency,*** *if there's more than one on the file*

After the scoring model has analyzed this information, it decides which of the ten scorecards to assign to you. Although Fair Isaac keeps the details pretty secret, it's known that there is at least one scorecard for people with a bankruptcy in their backgrounds, and another for people who don't have much information in their reports.

"The Good, The Bad, and the Ugly"-- Assessing your credit situation— How your score is calculated

The credit reporting agencies: "Big Brother" Data furnished by your creditors is collected, stored, and updated by credit bureaus **(aka "credit reporting agencies").** Think of the credit reporting agencies as a "big brother" that keeps tabs on you. And they are in the business of *selling information* about you to interested lenders.

They might commonly be referred to as credit "bureaus" which gives them an almost *"government"* run image, but they are simply **"for-profit"** companies like any other big corporation.

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Tactics to go from zero to hero.

Disputing

Now that you have learned what a credit report contains and how to obtain yours, you need to look over it very closely. *Check everything, from account numbers to high balances to payment dates.* To compare some of this information, you are going to have to sort through some of your old records. If the items on the report are favorable, do not worry too much about crosschecking them. If they are negative, you should examine them very closely for errors. *Studies have shown that over 70% of credit reports* ***contain serious errors.*** Assume you have errors somewhere within your credit reports. First, however, let's start at the source, your creditors...

Tactics to go from zero to hero.

Disputing Bills

While this section is primarily about how to help change your credit report, it is important to understand how to deal with incorrect charges on credit cards and other bills. Resolving these problems before they affect your credit report is the easiest and best way to maintain your credit rating. *As a consumer,* it is your right to insist that the bills you receive are accurate. You are not asking for a favor or stepping outside your bounds. It is the creditor's responsibility to ensure that your bills are correct.

Credit Cards: If you find an error on a current credit card bill, not your credit report, but an actual bill from one of your credit cards, you need to: 1) *Contact your credit card company immediately*, remember, the credit reporting agencies do not handle these disputes, so you have to contact the credit card company by phone or send a letter immediately regarding the error. 2) *A phone call is better than no action*, but not the preferred way to handle this. It is fine to make an initial call to see if the bill can be corrected easily; however, *you need to put your concern in writing according to the **Fair Credit Billing Act***. You must send the letter within sixty days of the date of the bill and send it certified mail, return receipt requested. **The creditor has thirty days to acknowledge receipt of your letter.** Make sure you keep a copy of the letter and that you keep the postage receipt. Keep in mind, we do recommend you also call the creditor, so keep notes of any phone calls you have made as well.

Tactics to go from zero to hero.

Disputing Bills

You may withhold payment for a disputed item on the credit card bill (not the whole credit card bill--just the item in question) if: ***the charge is over $50,*** and, the store is within one hundred miles of your residence or is in your state. We always recommend that you make any payment requested to avoid a *messy situation.* The creditor can always credit you back for any disputed charges later. However, if you insist on withholding payment, before you do so, you must: First attempt to **resolve** the billing dispute with the store the item is from, and, *inform the credit card company in writing about the dispute.* The credit card company cannot report your account as delinquent while the dispute is being handled, and it must **resolve the dispute within two billing cycles (or ninety days).**

Important tip when disputing payments with your creditor... Remember to send all correspondence to the address for customer service and not to the address for making payments. Call and ask for the appropriate address if you cannot find it on your billing statement.

Tactics to go from zero to hero.

Dealing with a Collection Agency

Often a disputed bill will be sent to **collection.** The first thing you can try is a letter to the collection agency telling them to *cease and desist contacting you,* and that you will only deal with the original creditor. This usually doesn't work, but it is worth a try. If you are disputing the bill, the next step is to send a **request for validation of the debt.** You can use a collection agency validation letter to make this request. This forces the agency to prove that it is authorized to collect this debt. If you still believe the agency is trying to collect on something that is incorrect, *you should gather documentation of this error and send it to the agency via certified mail.* If it continues to try to collect the debt, you need to contact your state attorney general. **Do not ignore the problem;** you know that you are right, so take action. If you do nothing, even though you may be right, the collection agency can pursue action against you, *and you could still end up with a judgment against you.*

Tactics to go from zero to hero.

Correcting Your Credit Report

After you have passed the stage of dealing with any original creditor issues, you need to check your credit reports carefully for errors, for out-of-date information, and for any items that are misleading. If you have identified any items on your credit report that you believe are out of date or wrong, you have the right to dispute them under the **Fair Credit Reporting Act.** You are permitted to dispute any items you reasonably believe to be wrong or incomplete. To dispute an item, you need to send a letter to the *credit agency via certified mail.*

Often, credit reporting agencies enclose a form called a **Request for Reinvestigation or Request for Dispute Resolution** with your mailed credit report, which you should use since it will be easier for them to process. *Make sure you keep a log of all correspondence and phone calls.* You can use the form provided by the credit reporting agencies to list the items you are disputing, or if one has not been enclosed, you can send a letter you have drafted. Be as specific as possible and include your *personal information* to verify your identity as well. It is best to not dispute more than three items in one letter. If you wish to dispute more than three items, **use separate letters** for each group of three. A long list of disputes can indicate to the agency that you are not serious and are disputing everything just to make trouble.

Tactics to go from zero to hero.

Correcting Your Credit Report

Include copies of any documents that support your position, such as letters or statements confirming that an account has been paid off or closed, etc. Your letter would include your **personal and private information** such as your social security number, your address, and the items listed on your credit that you believe are not being reported fairly, or being reported in error. *Describe your reasons for dispute, and sign your letter.* If you are disputing a judgment on your credit report that you have paid in full, you will need to obtain a discharge of the judgment from the creditor who sued you.
Once you receive the discharge, file it with the court your case was decided in and also send a copy of it to each of the credit reporting agencies and request that they remove the judgment from your report.

Tactics to go from zero to hero.

Receiving a response from your dispute

Generally, the agency has thirty days to contact you after receiving your letter. There is no cost to dispute your credit report. This is your legal right, so do not be afraid to exercise it! Disputing an item does not damage your credit rating in any way. If you do not hear back from the agency within thirty days, **send a second request**. *If you provide the agency with additional information about the item, then the agency has fifteen extra days to investigate, for a total of forty-five days.* If the agency does not respond to your requests, **contact the FTC to file a complaint.** The agency is required to consider information and documentation from you, as well as contact the creditor whose item you are disputing.

Once all the facts have been reviewed, the agency must: Give you the results of the reinvestigation within **five days** of its completion, remove the item you are disputing if you are correct or if it is *unverifiable*, ensure that an item that was corrected does not incorrectly reappear on your report, and provide you with a copy of your corrected report. If your report is corrected, the agency must send a copy of the corrected report to any creditor who has requested your report in the last year and to *any employer who has requested it in the last two years.*

Tactics to go from zero to hero.

Receiving a response from your dispute

Wait a few months after your credit report has been corrected, and then request a new copy of it. You will, however, need to pay for this new copy. *Verify that the error that was corrected has not reappeared.* This is partly why our service actually spans over a six month period. If it has **reappeared**--and this does happen--send a letter indicating this to the credit reporting agency and detail the situation and events. If the agency determines that the item you are disputing is correct and that you are wrong, then it will remain on the report. You cannot continuously send the credit reporting agencies disputes over and over.

This tactic used to be popular among ***"gray area"*** operating credit repair companies, but the credit reporting agencies put a stop to this quickly. You cannot dispute the same account without new information within *60 days.* **(All the more reason to ensure that your first approach is a very good one)**

Tactics to go from zero to hero.

Receiving a response from your dispute

Reviewing the steps:

1. Request credit report.
2. **Review credit report.**
3. Note errors in credit report, and compile evidence you have that proves your position.
4. **Begin log of correspondence.**
5. Wait thirty days.

These above steps may appear cut and dry, however, in the real world it will almost never go so smoothly. You will most likely need to follow up with the ***CRAs*** due to a lack of response. You might receive a letter from a credit reporting agency that denies your request for various reasons, *you might have to send your supporting documentation again, and again, or you may have to verify your identity* ***(a painfully long process at times).*** Our credit repair team have witnessed these happenings to sometimes be nothing more than a *lazy credit reviewer* at the bureaus who is not carefully examining the *personal information* provided.

Tactics to go from zero to hero.

Paying down your debts with your credit score in mind

Remember that the second most heavily weighted factor in credit scoring is how much of your **available credit** you're actually using. The lower your balances compared to your credit limits, the better. The score gauges how much of your limit you use on each card or other revolving lines of credit, as well as how much of your combined credit limits you're using on all your cards. *The score also factors in any progress you're making on paying down installment accounts such as auto loans and mortgages.*

Paying down your debt over time is a way to show **consistent and responsible credit-handling** behavior that will boost your score. You can improve your credit scores in the short run by making sure you're using only a portion of the available credit limit on each credit card account. *If you have a large balance on one card, and other cards are sitting empty, it makes sense to transfer some of your debt to the unused card.* That's because it's better to have small balances on a few cards than one big balance on a single card. **But ultimately, you need to pay down your debt.** If you continue to charge on your cards instead of paying down your balances, you're using more and more of your available credit limit and *doing more and more damage to your score.*

PROVEN CREDIT REPAIR METHODS

Tactics to go from zero to hero.

Adjust the way you pay your debts to best serve your credit score

Common advice to consumers who are over loaded with debt is to ***pay off their highest-rate debts first****,* and use lump sums toward any bills they can afford to pay off in full. While that makes a lot of financial sense, it unfortunately isn't the fastest way to improve your credit score. If you'd like to pay your debt in a way that will affect your score more quickly, you should do this: ***Prioritize your debts*** *by how close the balances are to the credit limits:* If boosting your score is your goal, look for the card or other revolving account whose balance is closest to its limit. *Make the biggest effort to pay as much as you can on this account while still maintaining at least the minimum balance toward the other accounts, so that you don't receive any late payments. After that account is paid down below 28.9% or so, you can then switch to the account that's the second closest to its limit.*
Your goal should be to eventually pay off all of your debt, continuing in this round-robin fashion. This is part of the normal suggestions we give customers who are focused on improving credit scores above all.
Avoid consolidating your debts: Many people want to transfer their balances to a single card, either to take advantage of a low rate or for the convenience of having only one due date and interest rate to worry about. *But for credit scoring purposes, it's typically better to have small balances on a number of cards than a large balance on one card or other revolving line of credit.* That's because the score looks at the gap between the balance and the limit on each card, as well as on all of your cards put together.

Tactics to go from zero to hero.

Adjust the way you pay your debts to best serve your credit score

If you've already **consolidated**, you should most likely just stay put. Applying for new credit or transferring balances, as noted earlier, can negatively impact your score and offset any gain you might achieve. If you think all this doesn't apply to you because you never carry a balance, think again. **Having a lack of credit history** for any given time can also cause *"anxiety"* when formulating your credit score. It might take years, but if you do not use any credit, it will begin to affect your score over time. More importantly, is how your *"credit mix"* is affected by the lack of revolving credit accounts present in your credit file. This is not the same as having a credit card with a zero balance; this is when you choose not to have any credit cards at all. A lack of credit cards or **"revolving"** credit within your credit file will negatively affect your score as well. Keep these tips in mind when you're paying debts and closing accounts to *ensure the best possible outcome for your credit score.*

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Tactics to go from zero to hero.

"Credit mix" - What is it, and why should I care?

Having a good "credit mix" accounts for 10% of your credit score. So what does "credit mix" mean exactly? Contrary to popular belief, it doesn't mean that you should have a variety of credit cards like Visa, Amex, Discover, etc. Instead it means that you should have different "types" of credit within your credit file. **A good mix of credit would include:** *A mortgage | A car loan | A couple of major credit cards like American Express or Visa*

And one or two department store or gas credit cards. Now, if you don't have this exact mix it doesn't mean you should go out and apply everywhere until your credit mix is "ideal". Remember, your mix of credit accounts for just **10%** of your overall score. Achieving an ideal credit mix has to make financial sense as well. Yes, it might raise your credit score for you to go out and get an auto loan. However, if you can afford to buy a used car and pay for it in full, then it makes more financial sense to buy the car without an installment plan, and avoid paying interest all together.

Keep in mind that opening new credit accounts can sometimes temporarily lower your score. If you do decide that you want to open a couple of new cards to improve your credit mix, *then make sure you only open one account every 3-6 months or so.* That will give your score time to recover before each new account.

PROVEN CREDIT REPAIR METHODS

Tactics to go from zero to hero.

Your Action Plan...

Step 1: Get your credit report and starting credit scores.

Step 2: Carefully review your credit reports. Review your accounts, the public records, and collections (if any) as well. *Examine the 5 major areas* that affect your credit score and see how you are doing in each area. Verify all personal information and look for errors. Do this for each of your three credit reports and pay close attention to detail.

Step 3: *Start the dispute process with your creditors or the credit reporting agencies as each situation calls for.* Be cautious of taking any actions that could negatively impact your credit score. Evaluate your debts; create an action plan that caters to your credit score. *Review your credit mix and make adjustments accordingly.* Be careful not to negatively affect your credit score with a plan that is too aggressive or poorly planned. Address any needs for positive credit. Carefully consider the risks involved for both you and any outside help you receive.

Step 4: Document your efforts, your communications, and remain organized. Evaluate the results of your efforts and make adjustments in your strategy if necessary.

Tactics to go from zero to hero.

Your Action Plan...

There are going to be many questions that you'll have as you go through the process. There are countless resources, books, and of course The Credit People to help you along the way. Now that you are educated about the true impact that your credit has on you, there are no excuses not to take action. You have the tools and basic knowledge needed to improve your situation. You can also have The Credit People handle everything for you by signing up for our service at The Credit People Either way, you have options, so get started!

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