



BCCC Study Guide

Become a Board Certified Credit Consultant

Learn how to start and operate a
successful credit restoration company
and become certified



By The Credit Consultants Association, Inc.

Credit Consultants Association, Inc.

BCC Examination

Study Guide

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Only the content within this guide will be on the exam.

Please note that this study guide is a redacted version of CCA's training manual. There are NO forms or lists in this manual. Please refer to the larger manual for any lists, or forms. Anything stating that it is in the back of the guide is referring to CCA's training manual.

Credit Repair Compliance

CROA Compliance

The Credit Repair Industry is a profitable and rewarding business. Fortunes can be made while helping consumers change their lives. Regardless of intentions and the results you get for consumers, you may be breaking the law!!

Even if you are the best and have happy consumers, the regulators could pull the rug from under you!

The Credit Repair Organization (CROA) is Federal legislation that governs ALL credit repair organizations. NO ONE is EXEMPT from the act, including ATTORNEYS!!!! It has many consumer protections and provisions that could inhibit certain businesses. CROA was born out of necessity – due to the overwhelming amount of complaints from consumers being defrauded by credit repair companies. Most don't get into credit repair with the intention of defrauding consumers. The "Bad Guys" in credit repair come from ill execution, not ill intention.

Instead of including the documents in this manual, we have listed them in our membership dashboard. Be sure to check CCA's for more compliance information and sample documents.

<http://ccasite.org/members/forms/>

<http://ccasite.org/members/compliance-information/>

Here are some of the details of the law:

1. Don't make deceptive claims

There are no guarantees in Credit Repair. **NEVER SAY YOU CAN INCREASE A CLIENT'S SCORE BY A CERTAIN NUMBER OF POINTS.** Just like in a court of law, an attorney never guarantees a client the judge would find in their favor. If

you want to make claims about your services' success, give actual statistics and examples of what your clients have experienced. For example, "Our average clients see 4 – 10 items removed in 90 days." Successful credit repair organizations not facing legal issues are truthful and will not lie in a dispute letter. Keep in mind that it's the impression you are conveying that's important. You can violate the law by giving the impression that you can perform a certain task for ALL your clients. Therefore, if the client tells you they did something or that something is true, you must work within that and NEVER lie.

2. Watch Your Marketing Phrasing

It is best to use terms like "We will Educate YOU (the client) on your credit scores instead of saying you (the company or consultant) will have a personal impact on their scores. Using phrases like "We Fix Erroneous Item List In Your Credit Report."

3. Ask your clients which items to dispute

Another CROA violation is disputing items that are known to be accurate. Although it is rare to find credit reports "completely accurate" across all three credit bureaus, if the client indicates that "yeah, that is right, " then leave that item alone. As Brad Elbein, Director of the FTC's Southwest Regional Office, says, "No credit repair company has the right to remove accurate, current information from a credit report." Stick with disputing items the client instructs you to.

4. Provide consumers with their rights upfront

A credit repair organization must provide a copy of the "Consumer Credit File Rights Under State and Federal Law" before your client signs a contract. You must also inform your client that they have a right to cancel your contract. Visit <http://www.ftc.gov/os/statutes/croa/croa.shtm> for a copy.

5. Make sure you have a contract with the scope of the work that you will perform and that you are TSR compliant as well as compliant in your state

If you don't already have one in place, you must get one immediately. You will find a sample on CCA's membership dashboard. Make sure your contract hits these talking points:

- Provide a box that prominently displays your fee. All of the payment terms for services, including their total cost, in detail
- A detailed description of the services to be performed (service scope)
- Any guarantees or refund policies (if offered)
- Power of attorney
- The estimated time it will take to achieve results
- A copy of the FTC's "Consumer Credit File Rights."
- A cancellation notice (in bold font). Clients have three business days afterward to cancel legally.
- Your company's name and business address

- Also, provide your state's disclosures if required
- Create a privacy policy
- Create a record retention policy

If you find a sample agreement online, have a lawyer review the contract to ensure its legality. Again, we have sample copies for your review.

6. Perform the work first and then collect payment

Perform credit repair services, then collect the money. Seems like a backward way of billing, but CROA states a credit repair organization cannot collect payment for services that have not been performed. The organization can only collect payment after services are provided. With monthly billing, you are billing for work previously performed.

TSR Compliance

The Telemarketing Sales Rule (or the "TSR") imposes severe restrictions on credit repair companies. For example, it is illegal to accept fees unless a credit report proves the credit repair service was issued six months after the service was performed. Compliance with this TSR provision is practically (if not actually) impossible.

CROA and TSR prepayment restriction.

The CROA and TSR regulate quite a lot, but we're clearly only talking about credit repair services.

Even if limited to credit repair services, the CROA and TSR apply a lot of rules.

We're only going to cover one thing under each:

- The up-front fee provision in the CROA
- The 6-month delay in payment in the TSR

Why? Because compliance with everything else is simple. How easy is it to not lie? How easy is it to refrain from telling your consumers to lie? How easy is it to provide the required disclosures? How easy is it to provide a compliant contract? For the most part, compliance with these consumer protection laws is very simple.

On the other hand, prepayment prohibitions reach into your business model and disrupt it.

And, in the case of the TSR, obliterate it.

The CROA says:

Do work. Then charge.

Everyone in the credit repair industry should know what the CROA says about payments.

"No credit repair organization may charge or receive any money or other valuable consideration for the performance of any service which the credit repair organization has agreed to perform for any consumer before such service is fully performed." – 15 USC § 1679b(b)

There's still some question on whether you can take fractional payments, such as monthly, or whether you must perform all work that the CROA makes you describe in the contract, such as "a full and detailed description of the services to be performed" including "the total amount of all payments to be made."

The TSR says:

Do work. Wait six months. Prove it. Then charge.

Unfortunately, this catches a lot of people off guard. More unfortunate is the fact that the TSR means exactly what it says.

"(a) Abusive conduct generally. It is an abusive telemarketing act or practice and a violation of this Rule for any seller or telemarketer to engage in the following conduct:

(2) Requesting or receiving payment of any fee or consideration for goods or services represented to remove derogatory information from, or improve, a person's credit history, credit record, or credit rating until:

(i) The time frame in which the seller has represented all of the goods or services will be provided to that person has expired; and

(ii) The seller has provided the person with documentation in the form of a consumer report from a consumer reporting agency demonstrating that the promised results have been achieved, such report having been issued more than six months after the results were achieved. Nothing in this Rule should be construed to affect the requirement in the Fair Credit Reporting Act, 15 U.S.C. 1681, that a consumer report may only be obtained for a specified permissible purpose;"

– 16 C.F.R. § 310.4(a)(2)(ii).

It actually says that. As an aside, you should consider that last sentence about obtaining a credit repair post service.

Outbound and inbound calls.

Yes, if you perform credit repair.

The TSR has an interesting exception mechanism. This is how it works. Inbound (when people call you) and outbound (when you call people) calls are covered by the TSR, with a few exceptions, such as inbound calls made in response to general media advertising.

What does this mean? It means it covers all calls, whether you call someone or someone calls you, except if someone calls you in response to an ad online or a brochure, etc.

Except...

This exception does not apply if you operate a credit repair business.

As such, if you operate a credit repair company, the TSR applies whether you call a customer or whether a customer calls you. No exceptions.

Others may be liable for your violations.

It's called "substantial assistance."

The consequences for violating the TSR can apply to more than the violators.

"It is a deceptive telemarketing act or practice and a violation of this Rule for a person to provide substantial assistance or support to any seller or telemarketer when that person knows or consciously avoids knowing that the seller or telemarketer is engaged in any act or practice that violates §§ 310.3(a), (c) or (d), or § 310.4 of this Rule."

So, we know taking money before six months is a violation for the credit repair company, right? All credit repair companies in the Country are likely in violation of this provision. Therefore, anyone who substantially assists a credit repair company is likely in violation of the TSR as well since they are necessarily substantially assisting a violation.

- Credit repair software providers?
- Phone and email services?
- Marketing and advertising?
- Payment processors?

All of those have been wrapped up in enforcement actions for the reasons listed above.

In the 1980s, the proliferation of credit repair companies was matched by the proliferation of complaints about credit repair companies. There were headlines left and right describing the horrors of the credit repair industry.

Credit repair was synonymous with consumer harm.

This gave the political capital to regulate the industry. The CROA took nearly ten years. State laws and the TSR were on the move.

States across the Country rushed to pass credit repair laws and regulations. Some states, including California, passed laws regulating credit repair as early as 1984. Florida passed its credit repair laws in 1987. However, the federal government attempted to pass the federal law many times. It wasn't until 1996 that the CROA was finally signed into law. TSR was created in 1995.

But, one-and-down enforcement until 22 years later?

One of the strangest things about the TSR is that it was promulgated by the Federal Trade Commission in 1995. Literally, the first industry included in the TSR's framework was credit repair.

The FTC immediately used its new tool (the TSR) with "Operation Payback," a joint enforcement operation between the FTC and many States Attorneys General.

The cases were:

- Giving You credit — 952 3136 / *U.S. District Court for the Northern District of Illinois, Eastern Division, Civil Action No. 96C 2088*)
- Credit Doctor — 962 3114 / *U.S. District Court for the District of Columbia, Civil Action No. 96 0687*)
- The Law Center — 962 3037 / *U.S. District Court for the Central District of California, Civil Action No. Not available at press time.*)

From the cases that we could find, it appears they didn't enforce it again until 2016, nearly 21 years later.

This could be due to many reasons, such as:

- The CROA came out in 1996, and the FTC began enforcing that instead.
- The Consumer Financial Protection Bureau, which also has the authority to enforce the TSR, wasn't established until 2010.
- The FTC/CFPB uses unpublicized methods to bring compliance, such as CIDs and settlements.

It appears the TSR was somewhat of a sleeping giant. Unfortunately, it's awake now.

The TSR is not hypothetical. It is being enforced right now.

- Prime Marketing (2016) final update (2023)
- Lexington Law (2017) final update (2023)
- Lexington Law (2019) final update (2023)
- Top Tradelines (2019)
- BoostMyScore (2019)

- Daniel A. Rosen, Inc., d/b/a Credit Repair Cloud 2021, trial in 2024
- Commonwealth Equity Group (2020)
- Many civil investigative demands (CIDs)
- The CFPB has been re-energized and is looking for cases."

Industry reaction to CROA in the 90s. May indicate how we will react to TSR today.

CROA began in 1996. Although the TSR began in 1995, enforcement didn't start until two decades later, i.e., now.

So, it may be helpful to see how people reacted to the CROA to give us an idea of how people will react to the TSR.

When the CROA passed, there were primarily two groups frustrated by the CROA's passage: good guys and bad guys. The bad guys were frustrated because the government had targeted tools to address their fraud. The good guys were frustrated because they were doing the right thing and became subject to harsh restrictions.

At the time, everyone sought to resist and "get around" the CROA with creative but insufficient arguments.

The basis of this argument is strong, but it is not a settlement matter (despite the fact that nearly the entire industry charges on a monthly basis). See *Stout v. FreeScore, LLC*, 743 F.3d 680, 684 (9th Cir. 2014); *U.S. v. Cornerstone Wealth Corporation, Inc.*, Civil Action No. 3:05-CV-2147-D, 19 (N.D. Tex. Aug. 16, 2007); *United States of America, Plaintiff, v. RMCN Credit Services, Inc. et al* (Settlement).

There are two ways to look at the issue.

- First, in one section of the CROA, it says, "No credit repair organization may charge or receive any money or other valuable consideration for the performance of any service which the credit repair organization has agreed to perform for any consumer before such service is fully performed." So, what does this mean, perform "any" service (even a portion of an overall service" before you get paid? Could you charge daily? Or, by the minute? By the word?
- Second, in another section of the CROA, it says the contract must include "the terms and conditions of payment, including the total amount of all payments to be made by the consumer to the credit repair organization or to any other person" and "a full and detailed description of the services to be performed by the credit repair organization for the consumer..." So, does this mean that the payment provision (above) requires you to complete everything outlined in the contract before you get paid?

You should know that the FTC and the CFPB have taken the position that you cannot charge until you achieve credit improvement (an interpretation that is **not** found in the text of the CROA or any case).

In addition, the DOJ has taken an even more extreme interpretation, suggesting that post-dated checks and collecting credit card information (even if you do not deposit the checks or process the credit card payment) is the acceptance of "valuable consideration" and, therefore, a violation of the CROA's up-front fee prohibition. See the *Cornerstone* case above, but you will have to search Pacer for Case 3:05-cv-02147-D, Document 22, pages 22 and 23.

Escrow is needed, as you will see below.

TSR enforcement now. How will the industry react?

The (failed) loopholes represent the credit repair industry's reaction to the CROA's passage in 1996. Even though the TSR was promulgated in 1995, it wasn't enforced until recently. So, the question is: How **will** the industry react now?

The choice is:

- Seek loopholes.
- Seek compliance.

It's a lot easier said than done with the TSR (work followed by a six-month delay in payment), especially compared to the CROA (work then payment).

The TSR is here to stay.

- Credit repair is in danger: How could you possibly wait six months to get paid?
- Loophole history is not encouraging.
- We need a solution (not a loophole).

A possible solution. Internet only + escrow.

The TSR does not cover internet transactions, even if the internet goes over telephone lines. See *800-JR Cigar, Inc. v. GoTo.com, Inc.*, 437 F.Supp.2d 273, 294 (D.N.J.2006). In fact, the TSR does not include the word "internet."

The TSR regulates Voice over Internet Protocol (VoIP), not the Internet. See 68 FR 4580-01, at 4632-33 (January 29, 2003); *United States v. Dish Network, L.L.C.*, 75 F. Supp. 3d 942, 956 (C.D. Ill. 2014).

The FTC has addressed this issue:

"This amendment proceeding is limited in scope to the direct regulation of those telemarketers and sellers covered by the TSR...The Commission, therefore, cannot extend the prohibition to Internet-based transactions, as suggested by some advocates." – 80 FR 77520 (Dec. 14, 2015)

Does a solution exist?

Yes, and it's coming in late 2023. We will provide strategies and compliance policies to all our members and offer a compliance certification logo; stay tuned. Also, we are working with consumer advocate groups in the industry with options to TSR standards.

An additional solution is the escrow service **CredZu.com**. **NOTE:** The CFPB went after Lexington Law and CreditRepair.com, and they were levied heavy fines in 2023. However, part of the fines was removed based on the model that credZu.com offers. The CFPB accepted removing all of the fines from sales other than phone, e.g., internet and chat sales, as an acceptable solution.

Our goal at CCA is to share all options with our members. Legal and compliance consultants we have contacted do not see any issues with the services that Credzu offers. It has been said that this service, based on the spirit of TSR regulations and the actual language of the law, is acceptable. Some may consider it a loophole, but regardless, it does not go against the language of the law. The law exists to prevent fraud if using the telephone. The spirit of the law is also designed to prevent CROs from performing work first before getting paid.

CredZu.com places all funds in escrow and requires all users not to use phones, do everything over the Internet, and get paid once they can show that the work was performed.

We are sharing this based on our findings, but it is always good to check with your attorney.

(UDAAPs) Unfair, Deceptive, or Abusive Acts or Practices

As a credit repair company, if you offer and provide any financial-related type services to consumers, you are subject to UDAAP.

Unfair, deceptive, or abusive acts and practices can cause significant financial injury to consumers, erode consumer confidence, and undermine the financial marketplace. Under the Dodd-Frank Act, it is unlawful for any provider of consumer financial products or services or a service provider to engage in any unfair, deceptive, or abusive act or practice.

The Act also provides CFPB with rule-making authority and, with respect to entities within its jurisdiction, enforcement authority to prevent unfair, deceptive, or abusive acts or practices in connection with any transaction with a consumer for a consumer financial product or service or the offering of a consumer financial product or service. In addition, CFPB has supervisory authority for detecting and assessing risks to consumers and to markets for consumer financial products and services.

As examiners review products or services, such as deposit products or lending activities, they generally should identify the risks of harm to consumers that are particular to those activities. Examiners also should review products that combine features and terms in a manner that can increase the difficulty of consumer understanding the overall costs or risks of the product and the potential harm to the consumer associated with the product.

These examination procedures provide general guidance on the following:

- The principles of unfairness, deception, and abuse in the context of offering and providing consumer financial products and services;
- Assessing the risk that an institution's practices may be unfair, deceptive, or abusive;
- Identifying unfair, deceptive, or abusive acts or practices (including by providing examples of potentially unfair or deceptive acts and practices); and
- Understanding the interplay between unfair, deceptive, or abusive acts or practices and other consumer protection statutes.

There is a lot that you can do and should be doing. First, you should minimize your UDAAP exposure by taking extra care in some of the more high-profile problem areas (e.g., products or services targeting certain vulnerable groups or that raise suitability concerns).

Second, consider an audit and compliance review of your organization's practices, policies, products, and services.

Credit Freezes

A credit freeze is designed to prevent a credit reporting company from releasing your credit report without your consent.

Credit freezes are one of the most effective tools against economic ID theft available to consumers. To learn more click below.

FICO Scores Rebucket

Tip This is extremely important:

Here is an example: Let's say you have a TransUnion score of 640. You have a six-year-old collection account and a three-year-old closed account with delinquency as early as four years ago. You also have three to four accounts in good standing and opened within the last four years. No matter what you do, you can't get that score above 640.

Suddenly you write a letter to a collection company and are able to have that negative account removed! You will expect that score to move up, but bang, it drops to 635. You will be left wondering what was happening. Well you have been rebucketed which is actually a good thing.

When that collection dropped, that was the only collection you had and you are currently sitting in a group with other individuals who also have no collections, but they too, have delinquent accounts. Their late accounts aren't as recent as yours, so you have one of the lowest scores in the group. BUT, the "members" of this group are constantly changing, and your reports are suddenly looking much better than the newcomers, and you suddenly see a boost to 654! Three months pass and your negative accounts are aging; therefore your good accounts have hit a milestone or reached a birthday metaphorically, and score has been boosted to 670! In this case you are one of the best of your group, but you still have late accounts that you are current on, Your old late accounts have dropped because your 90-days late becomes 60, 60s become 30s and they are less hurtful. You will be sitting pretty well with a score of 740.

One day, your last reported late account drops off. Your good accounts are all much older, around five years or more, and you have no bad accounts. You will get rebucketed again to, maybe, 785. You won't believe your eyes.

Basically, with a collection showing, you won't make it to that next bucket; with late accounts showing, you won't make it into the next bucket. Once they are cleared your score will move up. This is why a score can remain the same for a few years now.

I do know that two buckets next to each other share some of the same scores. Because each has around 30 points in either direction, you can actually get a lower score when you enter a higher bucket. But being at the next level allows you to move up and past that old score much faster!

The rebuck change?

In general, the changes were geared toward making clearer distinctions between good credit risks and bad. The penalties for occasional slip-ups in making timely payments will be reduced; while those who repeatedly make late payments will see their scores fall more. People who are close to their limits on credit cards are now seeing lower scores. Those who successfully manage a variety of loans—such as having a mortgage, a car loan, and credit cards at the same time—are rewarded for their good behavior.

In addition, other specific rules became more important under the new system. Being more than 90 days late on a payment was already a no-no, but you make a habit of it, you'll see your score drop as a result. On the other hand, you might get away with single delinquent accounts if you have other loans whose payments are up-to-date. Also, simply applying for credit too many times used to lower your score, but doing so now doesn't cause you as much grief.

What Is the Fair Credit Reporting Act?

The Fair Credit Reporting Act (FCRA) is a law that requires privacy, fairness, and accuracy with your consumer credit information. It defines how credit reporting agencies, data furnishers, and other entities can use, collect, access, and share your data.

This is the main law, among others, that we use to assist our clients in protecting their consumer right regarding credit reporting. We will also provide you with direct links to topics included in this FCRA section of this training manual.

U.S. Congress passed the FCRA in 1970 to protect consumer information from any misuse of their information. The FCRA is enforced by both the [Consumer Financial Protection Bureau \(CFPB\)](#) and the [Federal Trade Commission \(FTC\)](#).

Below, we'll dive into the purpose of the FCRA, how it protects you, and other things you need to know.

What Is the Purpose of the Fair Credit Reporting Act?

The purpose of the FCRA is to ensure your credit information is fairly reported and to ensure you know your rights over your information.

Having clearly defined rights over how your information is used is important when [mass hacks](#) and [identity theft](#) are common. Unauthorized use of information can result in marks that unfairly hurt your credit. Examples of this are maxed-out credit cards and too many open accounts that either don't belong to you or happen when your identity is stolen.

Having clear regulations is also important since credit impacts so many things. Here's a list of a few ways credit affects you:

- **Chances of being approved** for things like credit cards and car loans
- **Terms offered** for credit products like APR and repayment period
- **Approval for rental applications**
- **Insurance rates**
- **Job acceptances** depending on your industry

How Does the FCRA Protect Consumers?

The FCRA defines and enforces rules on how information on your credit report can be accessed and used. Below are a few key parts of the FCRA outlined by the [FTC](#).

- Credit bureaus are required to delete unverifiable, inaccurate, or incomplete information. This is normally done within 30 days or 45 days, depending on where you obtained your credit report.
- Credit bureaus can't report old negative information. Most negative items cannot appear on credit reports if they're more than seven years old. Bankruptcies can appear on credit reports for up to 10 years.
- Credit bureaus must limit access to your consumer credit information. Consumer credit reporting agencies can only give your information to those with valid needs, like creditors or landlords.
- Credit bureaus must get your consent before giving your report to employers. You must give your written consent to the credit bureaus before your information is released to your current or future employer.
- You're entitled to know your credit score. Just like your credit report, you're entitled to know your credit score. However, it's not always free. You can ask the credit bureaus for your score.
- You're entitled to dispute any information that is inaccurate or incomplete. The credit bureaus must investigate any disputes you have with information you find is inaccurate or incomplete unless it is determined "frivolous." Learn more about the dispute process from the [Consumer Financial Protection Bureau \(CFPB\)](#).
- Businesses and other entities are required to tell you if your consumer credit report information was used against you in their decision-making process. This is required for any decision that results in an adverse action, like when you're passed over for a job, or your credit card application is rejected.
- In addition, they must give you the name, address, and phone number of the credit reporting agency who gave them your information.
- You're entitled to know what information is in your file. The FCRA grants you the right to retrieve information about you that's filed with the credit bureaus. This process is typically free, and you have a right to access your information for several reasons.
- A few instances include when you're unemployed but expect to apply for a job within 60 days when you're a victim of identity theft, or if you're on public assistance. You're also entitled to a free credit report from each credit bureau every 12 months through [Annual Credit Report](#).
- You can restrict the "prescreened" credit and insurance offers you get based on your credit report. You read that right! You have every right to limit pre-approved credit card offers from coming in the mail. You can opt-out with the credit bureaus at 1-888-5-OPTOUT (1-888-567-8688). The companies giving these offers must also provide a toll-free phone number to call if you'd like to remove yourself from their lists.
- You have a right to put a "security freeze" on your credit report. Security freezes, also known as [credit freezes](#), stop credit bureaus from releasing your credit information without your consent. Freezes prevent applications for things like credit cards and loans from being approved without your knowledge, but it can delay time-sensitive decisions like mortgage applications.

- You have the ability to sue any entity that violates your rights under the FCRA. If the FCRA is breached by a credit bureau or other entity that uses your reports, suing in state or federal court may be an option.
- Victims of identity theft and active duty military members have additional rights. The FCRA has special provisions for [identity theft victims](#) and [active duty military](#) consumers since both groups have special circumstances. If you fall into either category, read more about your rights, and consult a lawyer well-versed in credit law if you're unsure about your rights.

Who Does the FCRA Apply to?

- The FCRA applies to the three major credit bureaus (Experian®, TransUnion®, and Equifax®) in addition to all of the organizations that collect information that impacts your credit, like banks and credit card companies, and those that use your information to make decisions, like apartment complexes. Each entity has a handful of rules that they must follow.
- Below, we'll explain what rights you have in relation to all of these entities so you understand what standards they're held to, what actions you're entitled to take when your rights are violated, and who is responsible for what.

FCRA Requirements for Consumer Credit Bureaus

- As the entity that mainly holds and manages your consumer credit data, the credit bureaus are held to clear standards to ensure your information is safe and fairly used. Here are a few rights guaranteed by the FCRA regarding consumer credit reporting agencies.
- Restrict or give access to your information only to those who have a ["permissible purpose"](#) to read and use your credit report.
- Investigate disputed information unless they believe the dispute is ["frivolous,"](#) or they do not have enough information to begin an investigation.
- [Correct or delete inaccurate information](#) after it's proven inaccurate.
- **Give you a copy of your credit report when requested** and under other conditions like when [you're put on welfare or you've placed a fraud alert on your reports](#).

What You Should Know Before Credit Repair

Your FICO credit score is the most important factor in getting the best interest rates (saving money) rather than simply removing items from your client's credit report. **Please see the chapter "FICO Scores" in section 2.**

The magic number you need is a credit score is 740, BUT if your client's goal is to obtain a particular line of credit, e.g., a mortgage or car, the score required can be lower. In this business, your job is to help your client reach their credit and financial goals, and it's possible to get there faster if you apply the knowledge in this book. This introductory primer will teach you how to concentrate on increasing your client's credit score first and look for the errors or discrepancies that affect the scores.

Helping Your Score: Points to consider:

Reduce the balance of your client's credit cards to 30 percent and below your client's credit limit. However, the optimum percentage is 1 to 10 percent, with 1 percent providing the highest score. If you have a credit card with a \$5,000 limit, your balance reported to the credit bureau should be \$1500 and under to have an excellent credit score. If you go over this amount, it will affect what is called your **"Utilization Rate."**

Credit score formulas respond favorably to a utilization rate of 30 percent and below. It is a good idea to review all of your client's credit cards and align them correctly with this formula. Use the form in the appendix (section 6). Please note: if they have an American Express card or card with no preset limits, they will be rated on the highest credit charged, and the 30 percent rule still applies.

Have them try using the card to increase their high credit limit by spending more with the card with cash they were already going to use. Get that limit up to a ratio that will keep them within 30 percent of that high credit.

This is why you may have clients who pay their credit cards off in full each month without great credit scores.

Explanation: The two major components accounting for about two-thirds of the total credit score are payment history and amounts owed. Payment history tells how well you have met your obligations over the years; the amount owed is a snapshot of your indebtedness right now. If your client's credit history is short, their current indebtedness can be the most important factor determining their credit score.

How do FICO credit scorers determine whether consumers are living beyond their means? They compare the outstanding debt on each of their accounts with the maximum amount of debt that the credit grantor has set for them on that account (credit limit). As mentioned above, this generates a set of "utilization rates" for each of their accounts.

For example, if a client has two credit cards with maximum balances of \$4,000 and \$5,000, and the actual balances are \$3,000 on both cards based on the most recent date of record, the utilization rates are 75 percent and 60 percent.

The higher the utilization rates, the lower the FICO score.

Important: Clients should not open more lines of credit. This will hurt their score because FICO has a strong distaste for multiple new accounts in a short period, which can be an indicator of financial distress.

Consumers should be aware of potential problems in connection with the utilization rates that affect their credit scores. The data on debt balances, as reported by credit grantors, isn't always correct. Furthermore, for various reasons, some credit grantors do not always report the maximum limit of revolving accounts. Where no maximum is reported, the highest balance ever reported on the account is used. Since the highest balance is below the maximum and often substantially below it, this creates higher utilization rates, too. (See point number 4)

1. Paying bills on time and credit cards off each month does not mean you will have a high credit score. However, it is important to pay your bills on time.
2. Make sure that the credit bureaus are reporting the correct credit limit on your client's credit cards. Credit card companies have a **dirty secret:** They will report a lower limit or no limit at all in your client's credit report to keep other companies from attempting to lure them away. This will affect your client's credit score because of the less than 30 percent utilization rule. BUT Remember, if that account is helping, your score disputing could cause a deletion.

What can you do? Dispute those accounts as inaccurate reporting of the balances or credit card limits directly with the credit bureaus. They will fix it, or both the furnisher and credit bureaus can get sued. Watch for this in your client's credit report.

3. Your client's credit report must have a mixture of accounts to have a great score. For example, they need at least 3 to 4 revolving accounts listed in their credit report. Also, an active installment account, e.g., Mortgage, Car loan. If they have an inactive installment, that's OK, but for an optimum score, it is best that they have had an active installment account within the last two years.
4. Closing credit card accounts will lower credit scores in the short run. Credit card companies will close an account if it is inactive for 18

months. Also, please note that credit scorers like to see deep credit roots (accounts over five years); this will definitely raise scores greatly. So old good accounts are needed to get that high score.

5. Before collection accounts are paid, check with our section on dealing with collection accounts.
6. Manage your client's credit. Now, you can fully use this Credit Consultant Certification Training Manual to attack your client's credit problems.

Tip Important Notice: When performing credit repair, you must consider two things: temporary and permanent deletions. If you dispute an item in your client's credit report and the company does not respond within 30 days, the credit bureau may remove the item from your client's credit report. However, this could be an account suppression or temporary deletion rather than permanent. Why? Companies get bogged down in paperwork and do not get a chance to respond. Therefore, the item is removed and not deleted. But if they catch up with their paperwork in 60 to 90 days, the entry can reappear on the credit report. It would be best if you reminded clients to monitor their credit reports. However, our approach is to scan our client's credit reports, searching for errors and out-of-compliance reporting within their reports. If they are not corrected, you will refer your client to an FCRA Attorney in their state or within our network.

Doing Credit Repair – The Right Way!

I am sure you are excited about learning how to repair your client's credit. Many often go to YouTube or other sources to get information on solving credit problems. When you go there, you will see all types of claims about how to delete this or that off consumer's credit reports. "Get My special 609 letters", "You can't go wrong with my attack letter," It's OK to watch these videos, especially if they offer solutions to specific problems in a legal manner, BUT be careful about implementing ANY of those strategies unless it comes from an actual knowledgeable attorney. Doing so can get you into legal trouble or cause more problems if you take some of the actions in those videos. This manual will teach you how to offer credit repair to your clients correctly and legally. In other words, "credit repair done right!"

But, before you begin, you should know some important facts: Our credit reports represent our credit history but may not be correct and could be filled with reporting errors or discrepancies, even unfair or unverifiable data. As a Board Certified Credit Consultant, you are **in the business** of fixing errors on credit reports and educating your clients on how to improve their credit scores. There are millions of consumers needing your help. Therefore, there is no need to suggest that you can successfully perform specific deletions to get customers.

You are **NOT** in the business of removing or deleting specific items from consumers' credit reports. Making this claim can get you into legal trouble. You will often see ads that say, "*We remove late payments, bankruptcies, student loans, and collections off credit reports.*" You can NOT make those claims because no one can give the impression that they can do those things. They can ONLY fix errors in reporting. You can say: "We assist our clients in improving their credit scores" because this is exactly what you do. There is no need to tell your clients anything but the truth, and doing so can still help you earn a great living and stay out of legal trouble.

Here are the Credit Repair steps:

1. First, you must check to see what those credit reports say about you or your client. Technically, these are called consumer disclosures but are known as credit reports. It is the foundation of fixing your credit and the most critical part of the plan.
2. Look at each report and ask yourself: What is Equifax saying versus what Experian or TransUnion are reporting about me? Then, you identify all reported errors or discrepancies between the bureaus. *A software program we recommend can help with discrepancies between the three main CRA credit reports while importing the reports of monitoring services, such as smart credit or IdentityIQ. But you must compare it to what the official reports are saying, too.*
3. Personal information, such as addresses, employment, and birthdays. Every account will be reviewed, including each payment, how payments are being reported for each month of the year, running balances, trending balances, other balances, and soft and hard inquiries. **NOTE:** Why soft inquiries? You must determine if a company had a permissible purpose to pull your credit, even though it was not hard. If they do not have permission, you can dispute this and even sue for violating your rights. Next, You will also compare how each bureau is reporting the exact same accounts and check to see if it matches across the board over all bureaus. You will also check for accounts that do not belong to your client. **EVERYTHING MUST BE 100% ACCURATE**, or you can dispute it for corrections or deletion.
4. You will dispute **ALL** those errors in one letter; the page count is unimportant. It can be 30 pages, and it doesn't matter. The goal is to address all errors upfront.
5. You will let your client review your prepared letter before sending it to the credit bureau. Never be afraid of this. You may be honest, but many attorneys and regulators feel that only honest credit repair companies do this, and those who don't shouldn't be trusted. Yes, your clients could do this themselves if they knew how or had the time, BUT 99% just do not have the knowledge you do.
6. You or your client will mail that dispute letter certified mail receipt so that you know they received it. You can use an online mail delivery service, especially if your client procrastinates.

7. Finally, the CRAs will or will not respond to your letter. Your client must send you the investigation results or the credit bureau's letter in response to the dispute letter. Getting results can be tricky with some clients. They must work with you to get the credit bureaus' responses. Some credit consultants use a power of attorney to have the responses come directly to them or their offices. We **do not recommend** this method. It doesn't matter what you may hear regarding this subject matter of third-party disputing or serving as an agent. **CRAs can, and often do, reject letters from credit repair companies**, so why deal with that hassle? We **ONLY** recommend that you help your clients understand the importance of them sending the results to you. They are paying you for help, and you should place a time limit on how you can best serve them without double work in your contract agreement and service scope.

Once you receive the responses from the CRA from your clients, there are only two choices: Those errors will get corrected or deleted, or you will instantly seek the help of an FCRA attorney to sue them. There is no need to send three to four letters to the credit bureaus. If the first letter is done properly, or maybe a follow-up letter and the legitimate error is not fixed or deleted, that's all you need to send to an FCRA attorney for them to review your case. If they take your case, it will be on a contingency basis. (Ask us about our Attorney Referral Network). These are the choices and how to perform credit repair the right way.

Tip **VERY IMPORTANT:** *Never dispute an account unless you are OK with that account being deleted. These are accounts that are helping your score. Even if you see an error or some discrepancies, do not dispute it if it's helping your score or you do not want that account deleted. If you send in a dispute letter requesting them to fix the error, there is a strong possibility that the account could be deleted instead of corrected, which will hurt your score. It would be best if you considered this factor.*

Getting a Free Credit Report

Everyone is entitled to obtain a free credit report once a year from annualcreditreport.com. Here are some other ways you can get a free report.

Conditional free report from any credit bureau:

1. Unemployed and seeking employment
2. Receiving public welfare assistance
3. Suspect errors due to fraud

Now here is the beauty of the third condition. You can place a fraud alert on your credit report by contacting just **ONE** credit bureau, and it will trigger them to contact the others. Then you can get a **FREE** credit report for all three bureaus.

Credit inquiries.

Applying for a loan automatically authorizes lenders to ask for a copy of the applicant's credit report. This is how inquiries appear on your client's credit report. The inquiries section of the report contains a list of everyone who accessed your client's credit report within the last two years. The report you see lists both "voluntary" inquiries, spurred by your own requests for credit, and "involuntary" inquiries, such as when lenders order your report so as to make you a pre-approved credit offer in the mail.

Soft inquiry

A soft inquiry, or soft pull, is a term used to refer to an inquiry into your credit history that does not adversely affect the credit score. Often, you are not even aware that there has been a soft inquiry on your credit report. For example, if you receive a solicitation in the mail offering you a credit card, the credit card company has most likely conducted a soft pull to see if you qualify. When mortgage lenders pre-approve you for a loan, they initially use a soft pull. Potential employers use it as a part of background checks, and your current credit card companies use soft inquiries to check up on you. Banks use them to verify that you are who you say you are when opening an account. If you check your own credit report, which you can do for free once a year, this is done with a soft pull. Most of the time, you do not even know when they occur, and they do not affect your credit report.

Hard Inquiry or Hard pull

A hard pull on a credit report is different. It does affect your credit score. Anytime that you are actually getting a loan or a new credit card, the lender conducts a hard pull on your credit report. This stays on the record. It also lowers your credit score by about five points for six months. For this reason, it is important to guard your credit report from too many hard pulls. If you get a store credit card just to save 10 percent on a single purchase, you have hurt your credit score. That is probably not worth the 10 percent savings. Some banks even use a hard pull if you are opening a savings account, so be sure to check your potential bank's policy. Additionally, the incentives that credit card companies offer for signing up may not be worth the hit to your credit score.

A good rule of thumb for your credit report is to try to avoid any inquiries that are considered hard pulls. By limiting them your credit will be in good shape and you can qualify for the best interest rate available to you when it comes time for you to apply for a loan that you truly need.

Public record and collection items

Credit reporting agencies also collect public record information from state and county courts and information on overdue debt from collection agencies. Public record information includes bankruptcies, foreclosures, suits, wage attachments, liens, and judgments.

Type Of Disputes

When a credit dispute is filed, there are particular forms and processes that are used to resolve the dispute. The credit dispute process involves using two systems called Metro 2 and e-OSCAR.

Here is the dispute process and what goes on behind the scenes, depending on the type of dispute filed. Here are the forms and how they are used:

Indirect Disputes

The credit bureaus obtain your credit data from data furnishers, and they are individual lenders or companies you have accounts with, such as banks, credit unions, credit card issuers, and debt collectors.

When you file a credit dispute with the credit reporting agencies rather than contacting the business furnishing the disputed data, these are called indirect disputes since you are not going directly to the furnisher of the incorrect data or information.

(ACDV) Automated Consumer Dispute Verification Form

Indirect disputes involve a form called the Automated Consumer Dispute Verification form (ACDV).

When you initiate a dispute with a credit bureau, the credit bureau generates an ACDV that contains the information about your dispute.

The credit bureau then sends the completed ACDV form to the data furnisher using a communication system called e-OSCAR.

At this point, the lender furnishing the data will verify the information. They normally have a dispute analyst who works for them, and all they do is respond to all of the ACDV as well as direct disputes. These dispute analysts will investigate the claim, update the ACDV, and return the form to the credit bureau.

Finally, the credit bureau reviews the form, makes the appropriate changes to the consumer's credit report, and notifies the consumer of the results of the dispute.

Direct Disputes

If you decide to dispute the inaccurate information on your credit report with the furnishing party directly, this is called a direct dispute. In this process, you are going directly to the lender without involving the credit bureaus.

What Is Metro 2?

Metro 2 is the "language" used by data furnishers to communicate information to the credit bureaus. It is the standard (and only) language used for this purpose.

The Metro 2 language consists of alpha, numeric, and alphanumeric characters. These characters go into different fields on your credit report, which indicate certain things.

Metro 2 is communicated through the Consumer Data Industry Associate (CDIA) using a manual called the Credit Reporting Resource Guide (CRRG).

When the data furnishers receive dispute forms from the credit bureaus, the information on those forms is encoded in the Metro 2 language.

We have a separate training program on understanding Metro 2 from a furnisher perspective available to members. The Metro 2 training will give you more knowledge about how it works and what it is NOT. You will find some in the credit repair industry that will attempt to provide information about this subject that is simply invalid. Here is a copy of the [2020 Credit Reporting Resource Guide](#). This document is difficult to obtain; one must be a CDIA member to get the latest copy. However, this is the guide for all Metro 2 Compliance.

What Is e-OSCAR?

e-OSCAR is a communication protocol analogous to a phone line between the credit bureaus and the companies that furnish data to them. It is used to transmit information such as dispute forms back and forth between the credit bureaus and data furnishers.

Like Metro 2, e-OSCAR is universal, meaning it is the only communication method used in the dispute process, and therefore, it is used by all three credit bureaus.

The Five (5) Mistakes You Can Make in Credit Repair

The credit repair business is not difficult, but you can shoot yourself in the foot if you don't pay attention to a few little things. Here are common mistakes consultants make that are easily avoidable:

1. **Failing to obtain an original credit report and dispute with the credit bureaus FIRST.** In credit repair, always dispute errors with the credit bureaus *before doing anything else*. You cannot take legal action as an individual against companies who are acting illegally by reporting you if you don't dispute first.
2. **Failing to document your efforts.** If you are not using software, make sure you keep notes and dates of all your efforts. Make a note of everything; even if you have your client speak with a person, make sure they get that person's name. When you send dispute letters or any correspondences, make sure all letters are sent via certified mail and return receipt requested. Put everything in a file folder. You don't have to get too fancy.

Documentation is especially important when you are disputing items with the credit bureaus. Under the Fair Credit Reporting Act (FCRA), credit bureaus have 30 days to get back with the results of an investigation on your dispute. If you do not hear from them within 30 to 45 days, *they must remove the item*.

3. **Disputing items online without recording screens and documenting.** If you decide to dispute online, make sure you are recording your screen from the time you log in to the time you log out to keep a record of what was done. Also, it says if you dispute online, you are agreeing to arbitration, and if you have an FCRA case, it will have to be settled in

mediation. Never do this for a client; it's best to mail letters by certified mail. You can do it for yourself. You will not have any written records of your dispute (the return receipt).

4. Not explaining the reasons you are disputing clearly and being unrealistic. Be sure that a jury or judge can clearly read and understand why you are disputing. Also, do not lie to your clients or make promises. You will have goals but no promises. If their credit report is in bad shape, there isn't a quick fix. The process takes time. Just be honest, and they will appreciate your efforts.

5. Giving up. The process may seem overwhelming at first, especially if you are new to credit repair. Just take baby steps and work on your personal credit and family first. You don't have to do everything at once.

VantageScore

Recently the three major credit bureaus have introduced a new scoring system that shares data from all three agencies.

The new system, "VantageScore," is designed to provide better reports and more accurate data, and covers a more extensive consumer base, including the elusive "thin credit file" for consumers who have little to no credit history.

It's also a direct challenge to the Fair Isaac Corporation's FICO score, which provides the most commonly used credit scoring for mortgage lenders and other agencies.

The FICO score has, until now, been the model for the three bureaus—Equifax, Experian, and TransUnion—to directly gauge customer credit-worthiness, or to develop their own scores.

With the arrival of the VantageScore, the major players in the credit industry are claiming that they "will provide consumers and businesses with a highly predictive, consistent score that is easy to understand and apply."

But some observers say that the new scoring model won't change the biggest problem consumer's face when it comes to credit scoring: inaccurate or incomplete data in their individual reports.

The VantageScore system utilizes data culled from a sampling of millions of credit files reviewed by the three agencies, creating a single consistent score, utilizing "cutting-edge, patent-pending analytic techniques."

According to company press, the new score would provide far less variation than the proprietary scores used by some of the major bureaus.

The FICO score (as discuss next) model grades consumers' credit ratings based on factors such as debt-to-income ratio, credit usage and history, bad credit items, and so on.

Whereas the FICO score ranges from 300 to 850, with most Americans scoring between 670 and 700, the new VantageScore goes from 501 to 990, with each score range being grouped by letter. Consumers with scores in the 900 and higher range would be grouped in the "A" range, while those in the 600 and below range would receive a grade of "F." Time will tell about this system.

Fico Scores

A FICO score is a credit score developed by Fair, Isaac & Co. (now known as Fair Issac Corporation or FICO). Credit scoring is a method of determining the likelihood that credit users will pay their bills. Fair Isaac began its pioneering work with credit scoring in the late 1950s, and since then, scoring has become widely accepted by lenders as a reliable means of credit evaluation. A credit score attempts to condense a borrower's credit history into a single number. Fair Isaac and the credit bureaus do not reveal how these scores are computed. The Federal Trade Commission has ruled this to be acceptable. Credit scores are calculated by using scoring models and mathematical tables that assign points for different pieces of information which best predict future credit performance.

Developing these models involves studying how thousands, even millions, of people have used credit. Score-model developers find predictive factors in the data that have proven to indicate future credit performance. Models can be developed from different sources of data. Credit-bureau models are developed from information in consumer credit-bureau reports.

How are scores determined?

The FICO model has five (5) main elements:

1. Past payment history (about 35 percent of the score)

The fewer the late payments the better. Recent late payments will have a much greater impact than a very old Bankruptcy with perfect credit since.

Myth: paying off cards with recent late payments will fix things. Payoffs do not affect payment history.

2. Credit use (about 30 percent of the score)

Low balances across several cards are better than the same balance concentrated on a few cards used closer to maximums. Too many cards can bring down the score, but closing accounts can often do more harm than good if the entire profile is not considered.

BE CAREFUL WHEN CLOSING ACCOUNTS!

3. Length of credit history (15 percent of the score)

The longer accounts have been open the better for the score. Opening new accounts and closing seasoned accounts can bring down a score a great deal.

4. Types of credit used (10 percent of the score)

Finance Company accounts score lower than bank or department store accounts.

5. Inquiries (10 percent of the score)

Multiple inquiries can be a risk if several cards are applied for or other accounts are close to maxed out. Multiple mortgage or car inquiries within a 14-day period are counted as one inquiry.

Credit Score Range

Given the current credit score stats, how does this relate to your own personal score? Generally, if your score is higher than 660, you will be considered a good credit risk. If your score is below 620, then you might have a tougher time getting a loan. The following ratings explain the impact of the different score ranges:

FICO score ranges:

- Exceptional: 800 and above.
- Very good: 740-799.
- Good: 670-739.
- Fair: 580-669.
- Poor: 579 and lower.

***740 Credit Score Is the Magic Number**

Your score will range between 300 and 850. The higher, the better. As the score increases, your client's credit risk decreases. Exact numbers differ by the lending institution, but the average high approval score is 720 or above. Often your score is taken from all three credit reporting companies, and the middle score or average score is used.

Depending on the lending institution, your score can cost you. Some lenders will charge a higher interest rate if your score is between 570 and 650.

A credit score of 740 or above can save you money, especially for home loans. If you are considering a significant loan, you will want to be sure to check your client's credit reports first. If your client's credit is bad, it may very well be possible to fix.

Rapid Credit Rescoring

You've probably come across claims made by certain companies that they can fix your client's credit in twenty-four (24) hours. Most of those claims are fraudulent, but you can get your client's credit score recalculated in a few days by any one of the two hundred (200) companies who specialize in rapid credit-rescoring and who have special relationships with the three major credit-reporting agencies—Equifax, Experian and TransUnion. In addition, these rapid rescoring companies can only be accessed by mortgage lenders and brokers and not by the general public. This means that if you want to have your client's credit report rapidly rescored, you must ask your mortgage lender to do it for you. The cost is modest, around \$25 to \$50 for each item they fix. It is certainly worth paying for this, since an improved credit score can result in reducing your monthly mortgage payment significantly.

Federal Laws Restricting Debt Collection

In March of 1978, The Fair Debt Collection Practices Act (FDCPA), 14 U.S. C. A. 1692, became effective. The Act originally affected only professional debt collectors (collection agencies), with the purpose of protecting consumers from the use of abusive, deceptive, or unfair debt collection practices. Creditors and anyone employed by creditors, such as attorneys, were not directly regulated by the Act. However, effective July 1, 1986, Congress included creditors, their employees, and attorneys under the provisions of the Act.

Estoppel by Silence: Validation of Debt

Doctrine of Estoppel by Silence may be a term you are unfamiliar with, but can prove very powerful with collection agencies who ignored Validation of Debt letters (VOD). According to Black's Law Dictionary, the meaning is: Estoppel is a: A legally imposing bar resulting from one's own conduct and precluding any denial assertion regarding a fact. A doctrine that prevents a person from adopting an inconsistent position, attitude or action if it will result in injury to another. An affirmative defense alleging good faith.

Estoppel by Silence: Estoppel that arises when a party is under a duty to speak but fails to. Take a look at the meaning of it on the encyclopedia website:

<http://en.wikipedia.org/wiki/Estoppel>

The Estoppel letter is used when you request VOD and do not get a response from the Collection Agency. It uses the "Doctrine of Estoppel" which tells the collection agency that their silence must mean they agree with you. This letter can be used after you have sent two (2) VOD requests to the collection agency. Check in the appendix for this letter (section 5).

Admission by Silence: Validation of Debt

This tool is similar to the Estoppel by Silence letter, but different.

This may be the most valuable VOD tool available. Most credit experts do not know about this tool and it will give you an edge.

The purpose of this letter is to advise a collection agency of the following: Here is the meaning from Black's Law Dictionary: The failure of a party to speak after an assertion of fact by another party that, if untrue, would naturally compel a person to deny the statement. This is a powerful statement! If you are right, you speak up; if you are wrong you do nothing to stand your ground. The goal is to make the collector think twice about whom they are dealing with and give them the option of proving their claim of losing it all together. Check in the appendix for this letter too (section 5).

Know Your Rights Under the Consumer Protection Laws.

Get familiar with the various federal and state laws enacted to protect consumers from unfair business practices. The laws you should familiarize yourself with are as follows:

The Fair Credit Reporting Act: enacted to protect consumers from abusive credit reporting practice

The Fair Credit Billing Act: enacted to help consumers settle disputes with creditors and to guarantee fair handling of your client's credit accounts

Equal Credit Opportunity Act: enacted to protect consumers against discrimination on the basis of sex, race, religion, age, marital status, public special assistance income, and national origin

Truth-in-Lending Act: enacted to make creditors disclose clear and easy-to-understand credit information, such as finance charges, terms, and etc.

Fair Debt Collection Practices Act: enacted to restrict collections procedures from collections agencies and any third party collector.

The Secret Credit Bureau

Scottsdale, Arizona—Innovis, a new credit reporting agency (CRA), shares information with consumers only under duress. CRAs keep consumer profiles which contain a person's entire payment history. This history is used to determine the hit to a consumer's wallet when shopping credit cards, mortgage rates, and insurance premiums.

CRAs such as Experian, Equifax and TransUnion are well known within the industry and consumers have a relatively easy time obtaining access to their credit reports from these companies. Several consumers report that it was like pulling teeth to get a copy of their Innovis report, and some have said that the company mentioned they didn't give out credit reports as "their database was being updated." Others had to write threatening letters to the company or verbally point out that refusal to give out the information was in violation of the Fair Credit Reporting Act (FCRA). Also the company address is not posted on their website (<http://www.innovis-cbc.com>).

Barriers to accessing consumer credit reports borders on the illegal and should be brought to the attention of the FTC immediately! Even credit-savvy consumers are unaware of this fourth CRA, ignorance of which could provide a nasty surprise in the future. With rising incidents of identity theft, victims of this crime may have to relive the credit-cleansing horror with Innovis should all lenders start to use this database as a matter of route.

Innovis, owned by CBC Companies, is already referred to as the fourth credit bureau by many financial institutions. Fannie Mae and Freddie Mac, the two biggest buyers of home mortgages in the United States, have recently begin requiring mortgage companies to report accounts that are 90-days late to Innovis.

I am urging consumers to complain about Innovis to the FTC. An online complaint form is available at: <http://www.ftc.gov>. For consumers wishing to contact Innovis:

Innovis Data Solutions
Post Office Box 219297
Houston, TX 77218-9297
800.540.2505
877-INNOVIS

Regulations

The Credit Repair Organization Act (CROA) was put in place to protect consumers from unscrupulous practices by organizations who claim to repair credit. [Check here to see credit-repair laws by state](#). The Act seeks to ensure that consumers who decide to use credit-repair services are aware of their rights and are able to make an informed decision about choosing to pay a credit-repair company.

A credit-repair organization is any person or business that takes money in exchange for improving your credit.

Restrictions on credit-repair organizations

Here are a few things credit-repair organizations cannot legally do:

- Lie or advise you to lie about your credit history to your current or future creditors
- Alter your identity, e.g. get a new EIN or new identity, to try to get a new credit history
- Misrepresent the services they provide to you
- Ask you to pay for services before they have been provided

The law requires you, the credit-repair consultant, to provide your clients with a disclosure called “Consumer Credit File Rights under State and Federal Law” that lets you know your right to obtain a credit report and to dispute inaccurate information on your own. You should also provide the right for your client to sue your organization for violating the CROA.

Credit-Repair Contract Requirements

Before you can perform any services for your client, you must provide a contract, you must sign the contract, and the three (3)-business day cancellation period must expire.

The contract should include the following:

- Payment amount required
- A description of the services that will be performed to repair your credit
- An estimate of the time it will take to complete the services (or a date by which the services will be completed)
- A visible statement letting you know you can cancel the contract within three business days

Your client has the right to cancel a signed contract within three business days. You cannot charge your client a fee for this cancellation as long as it’s made within the specified time frame. Your contract should include a Notice of Cancellation form that you can fill out and return to cancel the contract.

Waiving rights

You cannot ask your client to sign any kind of form waiving their rights under the CROA. Any waiver they sign is considered void and cannot be enforced by federal or state law.

Credit-Repair Organization Act Violations

Organizations that violate the law can be sued for actual damages, punitive damages, and attorney's fees. Consumers can report violations to the FTC, your state attorney general, and can file suit in your state. Your client will have five (5) years from the date the violation occurred (or the date you learned of the violation) to take action against the organization.

Credit-Repair: What Equipment and Papers You Need

- Insurance bond (required by [some states](#))
- Fax machine (I like efax.com)
- Computer with word processor and broadband Internet Access. If you don't have a fax machine, you need a scanner.
- If you will have an office and see clients face to face, you will need a copier.
- File Folders, pins, legal pads for notes
- Secure, locked file cabinet

Dealing with Clients

Face-to-face can give you an edge in your area. However, this service can be performed completely by phone and mail or over the Internet. If you are local, you should have the ability for your clients to drop off files at your office.

Tip

You can get a Virtual Office or Executive Suite to solve this problem. Instead of having an official office, you will be sharing office space and a receptionist and have the ability to pick up mail and documents from your clients. Virtual Offices/Executive Suites can cost between \$50 -\$200 per month and can make your company appear larger.

When a client comes into your office, or you pick up their case on the Internet, you will need to do the following:

This should be done before a face to face meeting; usually over the phone or via email: Use the [Credit Restoration Preliminary Forms](#) at the back of CCA's training manual. One form is for over-the-phone office use and the other is to provide to your client via email or fax.

1. First find out your client's goals, e.g. purchasing a home, car, etc. This way, when they reach their goal, you will know that your work is complete.
2. Remember that your primary goal is to increase the client's credit score rather than to just delete items off their credit report.
3. Collect customer preliminary contact information, e.g. name, email address, city and state, and phone number.
4. If they are married, you will need to get information on both. If they keep their credit separate, then you assist just one.
5. Listen to the client's problems.
6. Find out if they were recently denied credit. If they were denied, find out the reason based on the denial letter.
7. Discuss available services you offer based on their problems; quote prices.
8. Have the client list their credit cards in writing. What you are looking for is their credit limit and current balances, type of credit, and length of credit. If they don't know the balances of their credit cards, have them give you their best estimate. You will need this information to assess how you can help them to improve their credit, even before you see their credit report or score. I don't need to explain why because, if you read this book and the chapter on credit scores, it is self-explanatory. Remember that some credit companies do not report their customer's credit limits.

Collecting preliminary data from your clients will assist you in developing a plan of action right from the start. Just think that getting this information will put you ahead of the game. OK, I'll explain again with some more tools:

As said in this study guide and CCA's training manual, one of the first steps when repairing credit is to pay down any credit accounts where the balance is more than 30 percent of the account's credit limit. When your credit score is calculated, substantial consideration is taken on a simple calculation. This calculation is called your "utilization ratio". It simply means how much of your total available credit you are using. In other words, lenders are asking themselves, "Is this person spending money without realizing that it must be paid back?"

Utilization of your credit card is a *huge* factor when a credit score is calculated.

When your credit score is calculated, you should consider your overall utilization ratio. This is calculated by adding together the balances of all of your revolving accounts, and then adding together all of the credit limits. Then divide the balance by the limit.

Overall Utilization Example

Credit Card #1 — **Balance:** \$250 **Limit:** \$500

Credit Card #2 — **Balance:** \$500 **Limit:** \$800

Credit Card #3 — **Balance:** \$600 **Limit:** \$1000

Total balance: \$1350 **Total credit limit:** \$2300

Utilization = $\$1350 / \$23000 = 59\%$ Total revolving utilization

Therefore, as you can see, **a credit card with a \$0 balance has 100 percent utilization.**

In addition to your overall credit utilization, **individual credit account utilization is also taken into account.** This basically means that if you have **ANY individual** account where the balance is over 30 percent of the credit limit, it is likely hurting your credit. Therefore, if your overall credit utilization is under 30 percent, and any one of those accounts have a balance over 30 percent, your credit score is affected.

It's about ratio, not actual numbers

You may wonder if the credit limit dollar amount matters. Well, if you have a credit card with a credit limit of \$300, and every month it's reported that you use over 50 percent of the available credit, the question is, does it matter? Based on logic it appears that it shouldn't apply because it's likely that this person can easily pay off a \$300 balance every month. However, utilization does apply –the limit **does not matter.** If you have a credit card with a \$300 credit limit, spending over \$75 to \$90 per credit reporting cycle, will hurt your credit score.

When you are repairing or building credit, it's good to have a credit card even if the credit limit is low. However, as you begin to build credit for your client, it is in your best interest to have them to request credit limit increases when the time is appropriate. **Remember:** keep their utilization ratio as low as possible—preferably at or around 25 percent, but no more than 30 percent.

Once you have their credit card information, use the calculator and tell the client that you already see problems that you can solve, but don't give them information on how you are going to do this. You are the consultant and getting paid for this information. Get paid first; then give data.

Next Step

1. Have the client obtain their official credit reports and scores from all three bureaus before you meet with them in order to properly assess their problems and to be able to develop a strategy to increase their credit score. It is important to know exactly where the client stands credit wise.
2. Establish an arrangement or become an affiliate with a credit reporting service e.g. credit.com or one of the credit bureaus to be able to assist the client in obtaining their credit reports and scores. As an affiliate, you have created another profit center for your business. You could do this over the phone and use your client's credit card to get this information, or the clients can perform this task themselves and give you the password to access the information on line. The client must be aware that this could cost around \$34 to \$49 dollars to get their credit score from all three bureaus. They can get their credit report free with Annual Credit Report, but would have to pay for the score.
3. Please remember, you can talk until you are red in the face but until you know the client's official credit status, you cannot help them.
4. Once you get the credit report and score, develop a plan of action to increase their credit score; deleting items may not be the only option. Sometimes it is about rearranging credit balances or making sure the credit bureaus are reporting the correct credit card limits.
5. Let's say that your client has a late payment on an account that is three years old and now closed. If you dispute the negative item, it may come off, but the client's score could actually go down. Why? Because the length of credit is very important and you just deleted an account that shows a lengthy credit history. Be careful and understand the credit factors in this manual before you just start disputing inaccurate negative items in your client's report.
6. You will show your clients their starting credit score. Your job will be totally completed when all errors are corrected or deleted else you would have forward the case to a FCRA attorney and/or when you help the clients reach their credit goals. Sometimes it means getting new credit for your client. They will have to be

willing to take your advice, e.g. to use credit-building bank loans and secure credit cards or merchandising cards.

7. Remember, as a credit consultant, you will find out your clients' goals and base your success on fulfilling their needs. They may just want to get a mortgage with the best interest rates possible. Whatever the case may be, your job is to help them reach their credit goals.
8. After you prepare letters of dispute, make sure you have your follow-up system in place. I recommend that you get one of the software programs listed in this manual.

That was simple wasn't it? All you have to do is follow these steps and you are in business. Now you need clients. This is where marketing will come into play.

Credit Repair Business Practices

Operating a fully compliant and successful credit repair company requires more than just a great dispute letter. Following regulations, understanding consumer expectations, and logistics create an environment that will either grow or cause problems for your business. Structuring all facets of your operation will help to mitigate detrimental or fatal consequences. This is why it is best to set up processes throughout your organization to ensure you comply with CROA and TSR. If you are doing business with all clients in person face-to-face, you are exempt from TSR and can use the telephones. Just make sure you have an agreement for all clients.

The process will have the end game in mind from the intake process, such as the first call if you are fully operating face-to-face or chat, if not, to review and go over expectations.

The first contact with your client is extremely important. If you are one person or have a sales team or affiliates, you must know how the business operates and understand the credit services process fully. A compliant credit service company will understand that they will never give the impression that their services will absolutely improve a client's score. In other words, do not make promises, but set goals and ensure that you will help them remove errors or send them to an attorney. This is why you should create a script that everyone in your organization, including affiliates, will follow when contacting the client. Outside salespeople like affiliates can get your company in trouble by making claims and promises is detrimental to your organization. Having a script and them signing off on it will protect your company.

You will never tell a client what their score will be; you will never tell a client how long the process will be to improve their score; you will never guarantee any single item will be deleted on a credit report. You can guarantee that ALL genuine errors

can be fixed, or they can seek the help of an attorney. This will be on all promotional materials and websites.

When you speak with your client, it is best that it is on a recorded line, and you will operate from a script. You must alert the client that their call may be recorded for training and monitoring purposes. Recording your interaction with the client will optimize your success in protecting your organization.

Items You Need from Clients

You will need a COPY of the following items from your clients.

Please send copies of the following items:

- 1 Driver's license or State ID Card
- 2 Your Social Security Card (if you have) or any document that shows your name and Social Security number, such as W-2 or tax forms.
- 3 Proof of residency: showing your NAME and CURRENT ADDRESS: electric, gas, water, or cable TV bill, voters or auto registration card, or the top part of any bank statement.
- 4 Documentation that will assist in identifying any errors, misrepresentations, or omissions..

Certified-Credit-Consultant Tips

Credit bureaus

Credit bureaus have up to 30 days to investigate disputes; however, if you received a free annual report, they have 45 days.

Inquiries

Multiple hard inquiries can hurt your score, even after the application has been approved or denied.

A creditor should run your credit once when you apply for a loan. If you end up with several hard inquiries based on the creditor, especially AFTER they have either approved or declined your loan application, contact the credit bureau to have the inquiry reclassified.

The Fair Credit Reporting Act allows only credit or collection inquiries to be report to third parties.

Bankruptcy disputes

1. Make sure that you do NOT send your client's bankruptcy papers to the credit bureau, even if they are requested. They will usually include good accounts not included as part of the bankruptcy. Also, every creditor listed in your credit report could be listed too. This could really lower your score.
2. Make sure that the filing date is correct.
3. Most credit reports with a bankruptcy have discharged accounts that still show a balance in many instances
4. In some cases, many creditors will continue to access your client's credit file and in the process possibly lower their credit scores. Please note: they do NOT have the right or permission to access your credit report after the discharge and there is a \$1,000 penalty for each violation. Check your credit and if they have violated your rights, get your money.

Your bankruptcy attorney could help you with this, however; you may need to educate them on this matter.

Chapter 13 bankruptcy

Although chapter 13 (wage earn plan) bankruptcies are usually deleted in seven years, they could remain for up to 10 years. Why? Because they are covered under Title 11 of the United States Bankruptcy Code.

A voluntary bankruptcy petition may be reported for ten years from the date that it is filed, because the filing of the petition constitutes the entry of an "order for relief" under this subsection, just like a filing under the Bankruptcy Act (11 U.S.C. 301).

Section 605(a)(2)--"Suits and judgments which, from date of entry, antedate the report by more than seven years or until the governing statute of limitations has expired, whichever is the longer period."

Please Note: Collection accounts must be deleted if the consumer no longer has the account. Why? Because this account is no longer verifiable. Sometimes, accounts are passed around to multiple collection companies. Make sure that all of them are not reporting the same account.

When meeting with a client

1. Start a log and track everything. You will need to keep all records in case you need to take legal action against a credit bureau. This is why I recommend a good credit restoration software, e.g. Credit Letters software.
2. Understand the problems and develop a strategy. Make sure you order the correct credit reports to solve their problems.
3. Get the reports; analyze and point out **pertinent** incorrect data.
4. You must assess the factors of their current credit score and try to resolve why the client has this score. The credit bureau will provide data on this. Then determine **what** to dispute and what **NOT** to dispute. Next, you must determine **how** you are going to dispute the items.
5. You do not want to cause irrevocable damage to your client's report.
6. There are some things that cannot be **Undone, if you make a mistake.**
7. Do not dispute an item simply because it is showing or not showing in different credit-bureau report. What you do in one credit report could affect all reports. Assess each report for each bureau—they usually have different scores. Make a decision on why an item affects the score at that bureau. If you tell the credit bureau that another credit bureau is not showing a negative account, all three bureaus could end up with that same negative account. Be smart and deal with issues affecting the score.
8. It is OK to leave some bad marks on your client's credit reports. They do not have to be squeaky clean. Your goal should be to increase their credit scores.
9. Do not dispute negative accounts that actually increase your client's scores. Remember the credit factors: **Payment History, Credit Use, Type of Credit, Length of History, and Inquiries.** What if your client has a limited credit history and you dispute old trade lines (accounts), those over two years old? Do you know what would happen? It will affect one of the credit factors—"length of history." You must understand how each of these factors relates to your client's score.
10. If you mess up and dispute accounts that help their score, it is usually impossible to get these closed accounts re-reported after they have been deleted. So, don't dispute old and irrelevant late payments. Remember credit scores are affected by things under two years old. Many accounts older than two years do not matter anymore. A charge-off deleted from your account can lower FICO scores.

In this matter, the account history increases the scores by more points than are lost due to the charge-off.

11. Be careful of false or frivolous disputes. If your client used a credit-repair firm in the past, the credit bureau could have a record that they directly lied to them and this could hold up in court. Make sure there is consistency in what was said before.

Bankruptcy Law

The Bankruptcy Abuse Prevention and Consumer Protection Act (BAPCPA) of 2005, a major reform of the bankruptcy system, was passed by Congress and signed into law by President Bush in April 2005. Changes instituted by this new law took effect on October 17, 2005. Below are some of the key changes that came about as a result of this new bankruptcy law.

- **Mandatory credit counseling**

On October 17, 2005, before filing for bankruptcy most applicants must now undergo credit counseling in a government-approved program. You can get more information on the procedure for pre-filing credit counseling (and a list of approved credit counseling agencies) from the U.S. Trustee Program (a component of the Department of Justice responsible for overseeing the administration of bankruptcy cases).

- **Stricter eligibility for Chapter 7 filing**

Under the new law, bankruptcy applicants who wish to file under Chapter 7 must meet certain eligibility requirements under a "means test." described above.

Under the "means test," if your current monthly income is less than the median income in your state, you can file for bankruptcy under chapter 7. But if your current monthly income is above the median income in your state, and you can afford to pay \$100 per month toward paying off your debt, you cannot file under chapter 7 and must proceed under chapter 13 (more on Chapter 13 below). Whether you can afford to pay \$100 per month (or \$6,000 over a five-year period) is based on a formula that includes your monthly income, your expenses, and the total amount of your debt. Get more information on means testing from the U.S. Trustee Program (a component of the Department of Justice responsible for overseeing the administration of bankruptcy cases).

- **Tax returns and proof of income required**

Under the new bankruptcy law, people wishing to file bankruptcy under chapter 7 or chapter 13 must show proof of their income by providing federal tax returns from the last tax year. If a bankruptcy filer has not paid taxes for the previous tax year, he or she must do so before the bankruptcy can proceed.

- **More filings under Chapter 13**

As discussed above, if a bankruptcy applicant is ineligible for filing under chapter 7 based on the "means test," he or she must file under chapter 13 instead. There are a number of major differences between chapter 7 and chapter 13 bankruptcy, but the main distinction is that under chapter 13, the debtor enters into a five-year repayment plan in which he or she must pay a certain amount of money to creditors, based on a strict expenses-to-income formula.

- **Fewer "Automatic Stay" Protections for filers**

People who file for bankruptcy have traditionally been entitled to certain immediate protections from creditors and others, including most debt collection and lawsuit actions. These protections are part of what is called the "automatic stay" effect of a bankruptcy filing, because many potential legal actions against the filer are stopped (known as "stayed" in legal terms). But, under the new bankruptcy law which took effect in October 2005, some of these protections have been eliminated. For example, filing for bankruptcy no longer delays or stops eviction actions, driver's license suspensions, legal actions for child support, or divorce proceedings.

- **New priority for unpaid child support and alimony**

Bankruptcy laws provide a system of re-payment priority for people and companies that are owed money (called "creditors"). Under the new bankruptcy law, among the changes in creditor priority is that people who are owed unpaid child support and alimony (i.e. the bankruptcy filer's family members) take priority over any other creditor.

- **Mandatory financial management education**

After the conclusion of bankruptcy proceedings, but before any debt can be discharged, bankruptcy debtors must participate in a government-approved financial-management education program. You can get more information on the procedure for financial management education (and a list of approved debtor education providers) from the U.S. Trustee Program (a component of the Department of Justice responsible for overseeing the administration of bankruptcy cases).

Glossary of credit terms

-A-

Account condition

Indicates the present state of the account, but does not indicate the payment history of the account that led to the current state. (i.e. open, paid, charge off, repossession, settled, foreclosed, etc).

Account number

The unique number assigned by a creditor to identify your account with them. Experian removes several digits of each account number on the credit report as a fraud-prevention measure.

Accounts in good standing

Credit items that have a positive status and should reflect favorably on your creditworthiness

Adjustment

Percentage of the debt that is to be repaid to the credit grantors in a chapter 13 bankruptcy

AKA

Also Known As

Annual fee

Credit card issuers often (but not always) require you to pay a special charge once a year for the use of their service, usually between \$15 and \$55.

Annual percentage rate (APR)

A measure of how much interest credit will cost you, expressed as an annual percentage

Authorized user

Person permitted by a credit cardholder to charge goods and services on the cardholder's account but who is not responsible for repayment of the debt. The account displays on the credit reports of the cardholder as well as the authorized user. If you wish to have your name permanently removed as an authorized user on an account, you will need to notify the credit grantor.

-B -

Balloon payments

A loan with a balloon payment requires that a single, lump-sum, payment be made at the end of the loan.

Bankruptcy Code

Federal laws governing the conditions and procedures under which persons claiming inability to repay their debts can seek relief

-C-

Capacity

Factor in determining creditworthiness. Capacity is assessed by weighing a borrower's earning ability and the likelihood of continuing income against the amount of debt the borrower carries at the time the application for credit is made. While capacity may be considered in a credit decision, the credit report does not contain information about earning ability or the likelihood of continuing income.

Chapter 7 Bankruptcy

Chapter of the Bankruptcy Code that provides for court-administered liquidation of the assets of a financially troubled individual or business

Chapter 11 Bankruptcy

Chapter of the Bankruptcy Code that is usually used for the reorganization of a financially troubled business. Used as an alternative to liquidation under chapter 7. The U.S. Supreme Court has held that an individual may also use chapter 11.

Chapter 12 Bankruptcy

Chapter of the Bankruptcy Code adopted to address the financial crisis of the nation's farming community. Cases under this chapter are administered like chapter 11 cases, but with special protections to meet the special conditions of family farm operations.

Chapter 13 Bankruptcy

Chapter of the Bankruptcy Code in which debtors repay debts according to a plan accepted by the debtor, the creditors, and the court. Plan payments usually come from the debtor's future income and are paid to creditors through the court system and the bankruptcy trustee.

Charge-off

Action of transferring accounts deemed uncollectible to a category such as bad debt or loss. Collectors will usually continue to solicit payments, but the accounts are no longer considered part of a company's receivable or profit picture.

Civil action

Any court action against a consumer to regain money for someone else. Usually, it will be a wage assignment, child support judgment, small claims judgment, or a civil judgment.

Claim amount

The amount awarded in a court action

Closed date

The date an account was closed.

Co-maker

A creditworthy co-maker is sometimes required in situations where an applicant's qualifications are marginal. A co-maker is legally responsible to repay the charges in the joint account agreement.

Consumer Credit Counseling Service

A non-profit organization that assists consumers in dealing with their credit problems. Consumer Credit Counseling Service has offices throughout the United States that can be located by calling 800 388 CCCS (2227).

Co-signer

Person who pledges in writing as part of a credit contract to repay the debt if the borrower fails to do so. The account displays on both the borrower's and the co-signer's credit reports.

Credit limit/Line of credit

In open-end credit, the maximum amount a borrower can draw upon or the maximum that an account can show as outstanding.

Credit items

Information reported by current or past creditors

Credit report

Confidential report on a consumer's payment habits as reported by their creditors to a consumer credit reporting agency. The agency provides the information to credit grantors who have a permissible purpose under the law to review the report.

Credit scoring

Tool used by credit grantors to provide an objective means of determining risks in granting credit. Credit scoring increases efficiency and timely response in the credit granting process. Credit scoring criteria are set by the credit grantor.

Creditworthiness

The ability of a consumer to receive favorable consideration and approval for the use of credit from an establishment to which they applied

-D-

Date filed

The date that a public record was awarded.

Date of Status

On the credit report, date the creditor last reported information about the account.

Date opened

On the credit report, indicates the date an account was opened.

Date resolved

The completion date or satisfaction date of a public-record item

Delinquent

Accounts classified into categories according to the time past due. Common classifications are 30-, 60-, 90-, and 120-days past due. Special classifications also include charge-off, repossession, transferred, etc.

Discharge

Granted by the court to release a debtor from most of his debts that were included in a bankruptcy. Any debts not included in the bankruptcy (Alimony, child support, liability for willful and malicious conduct, and certain student loans) cannot be discharged.

Disclosure

Providing the consumer with his or her credit history as required by the FCRA. The credit bureaus provide consumer credit report disclosures via the Internet, by U.S. Mail, and sometimes in person at their office

Dismissed

When a consumer files a bankruptcy, the judge may decide not to allow the consumer to continue with the bankruptcy. If the judge rules against the petition, the bankruptcy is known as dismissed.

Dispute

If a consumer believes an item of information on their credit report is inaccurate or incomplete, they may challenge or dispute the item. The credit bureaus will investigate

and correct or remove any inaccurate information or information that cannot be verified. Some of them give consumers the option of disputing online or they may call the telephone number on their credit report for assistance.

-E-

ECOA

Standard abbreviation for Equal Credit Opportunity Act

End-user

The business that receives the report for decision-making purposes that meet the permissible-purpose requirements of the FCRA

Equal Credit Opportunity Act (ECOA)

Federal legislation that prohibits creditors from discriminating against credit applicants on the basis of sex, marital status, race, color, religion, age, and/or receipt of public assistance.

Equifax

One of the three national credit reporting agencies, headquartered in Atlanta, Georgia. The other two are Experian and TransUnion.

Experian

One of the three national credit reporting agencies, with U.S. headquarters in Costa Mesa, CA. The other two are Equifax and TransUnion.

-F-

Fair Credit and Charge Card Disclosure Act (FCCDA)

Amendment to the Truth in Lending Act that requires the disclosure of the costs involved in credit card plans that are offered by mail, telephone or applications distributed to the general public.

Fair Credit Billing Act (FCBA)

Federal legislation that provides a specific error-resolution procedure to protect credit-card customers from making payments on inaccurate billings

Fair Credit Reporting Act (FCRA)

Federal legislation governing the actions of credit reporting agencies

Fair Debt Collection Practices Act (FDCPA)

Federal legislation prohibiting abusive and unfair debt collection practices

Finance charge

Amount of interest. Finance charges are usually included in the monthly payment total.

Fixed rate

An annual percentage rate that does not change

-G-

Generation identifier

Generation identifiers are Jr., Sr., II, III, IV, etc.

Geographical code

This information is received from the Census Bureau and represents the state, Metropolitan Statistical Area, county, tract and block group of the reported address. This code is similar to a ZIP Code™.

Grace period

The time period you have to pay a bill in full and avoid interest charges

Guarantor

Person responsible for paying a bill

-H-

High balance

The highest amount that you have owed on an account to date.

-I-

Installment credit

Credit accounts in which the debt is divided into amounts to be paid successively at specified intervals.

Investigation

The process a consumer credit reporting agency goes through in order to verify credit report information disputed by a consumer. The credit grantor who supplied the information is contacted and asked to review the information and report back; they will tell the credit reporting agency that the information is accurate as it appears, or they will give them corrected information to update the report.

Investigative consumer reports

These are consumer reports that are usually done for background checks, security clearances, and other sensitive jobs. An investigative consumer report might contain information obtained from a credit report, but it is more comprehensive than a credit report. It contains subjective material on an individual's character, habits, and mode of living, which is obtained through interviews of associates. Not all credit bureaus provide investigative consumer reports. (Experian does not.)

Involuntary bankruptcy

A petition filed by certain credit grantors to have a debtor judged bankrupt. If the bankruptcy is granted, it is known as an involuntary bankruptcy.

Item-specific statement

Offers an explanation about a particular trade or public-record item on your report, and it displays with that item on the credit report

-J-

Judgment granted

The determination of a court upon matters submitted to it. A final determination of the rights of the parties involved in the lawsuit.

-L-

Last reported

On the credit report, the date the creditor last reported information about the account

Liability amount

Amount for which you are legally obligated to a creditor

Lien

Legal document used to create a security interest in another's property. A lien is often given as a security for the payment of a debt. A lien can be placed against a consumer for failure to pay the city, county, state, or federal government money that is owed. It means that the consumer's property is being used as collateral during repayment of the money that is owed.

Line of credit

In open-end credit, the maximum amount a borrower can draw upon or the maximum that an account can show as outstanding

Location number

The book and page number on which the item is filed in the court records

-M-

Mortgage Identification Number (MIN)

Indicates that a loan is registered with Mortgage Electronic Registration Systems Inc., which tracks the ownership of mortgage rights. This number will follow the homeowner throughout the mortgage.

Most recent date

The date of the recent account condition or payment status. This date is also the balance date.

-N-

Notice of results

If a credit investigation results in information being updated or deleted, the consumer may request that the credit bureau sends the corrected information to eligible credit grantors and employers who reviewed the information within a specific period of time. If an investigation does not result in a change to the credit history, results will not be sent to other lenders.

-O-

Obsolescence

A term used to describe how long negative information should stay in a credit file before it's not relevant to credit-granting decisions. The FCRA has determined the obsolescence period to be 10 years in the case of bankruptcy and 7 years in all other instances. Unpaid tax liens may remain indefinitely. Actual terms used by credit bureaus vary, e.g., Experian removes obsolete information after 15 years.

Opt in

The ability of a consumer who has opted out to have their name re-added to prescreened credit and insurance offer lists, direct marketing lists and individual reference service lists. Consumers who have previously opted out of receiving prescreened offers may have their names added to prescreened lists for credit and insurance offers by calling 1 888 5OPTOUT (1 888 567 8688).

Opt out

The ability of the consumer to notify credit-reporting agencies, direct marketers, and list compilers to remove their name from all future lists. Consumers may opt out of prescreened credit and insurance offer lists by calling 1 888 5OPTOUT (1 888 567 8688).

Original amount

The original amount owed to a creditor.

-P-

Payment status

Reflects the previous history of the account, including any delinquencies or derogatory conditions occurring during the previous seven years (e.g., Current account, delinquent 30, current was 60, redeemed repossession, charge-off – now paying, etc.)

Permissible purposes

There are legally defined permissible purposes for a credit report to be issued to a third party. Permissible purposes include credit transactions, employment purposes, insurance underwriting, government financial-responsibility laws, court orders, subpoenas, written instructions of the consumer, legitimate business needs, etc.

Personal information

Information on your personal credit report associated with your records that has been reported to us by you, your creditors, and other sources. It may include name variations, your driver's license number, Social Security number variations, your date or year of birth, your spouse's name, your employers, your telephone numbers, and information about your residence.

Personal statement

You may request that a general explanation about the information on your report be added to your report. The statement remains for two years and displays to anyone who reviews your credit information.

Petition

If a consumer files a bankruptcy, but a judge has not yet ruled that it can proceed, it is known as bankruptcy petitioned.

Plaintiff

One who initially brings legal action against another (defendant) seeking a court decision.

Potentially negative items

Any potentially negative credit items or public records that may have an effect on **your** creditworthiness as viewed by creditors.

Public record data

Included as part of the credit report, this information is limited to tax liens, lawsuits and judgments that relate to the consumer's debt obligations.

-R-

Rate Shopping

If you find a loan within 30 days, the inquiries won't affect your score while you're rate shopping. In addition, the score looks on your credit report for rate-shopping inquiries older than 30 days. If it finds some, it counts those inquiries that fall in a typical shopping period as just one inquiry when determining your score

Recent balance

The most recent balance owed on an account as reported by the creditor

Recent payment

The most recent amount paid on an account as reported by the creditor

Released

This means that a lien has been satisfied in full.

Report number

A number that uniquely identifies each personal Experian credit report. This number displays on your personal credit report and should always be referenced when you contact us.

Reported since

On the credit report, the date the creditor started reporting the account to Experian

Repossession

A creditor's taking possession of property pledged as collateral on a loan contract on which a borrower has fallen significantly behind in payments

Request an investigation

If you believe that information on your report is inaccurate, we will ask the sources of the information to check their records at no cost to you. Incorrect information will be corrected; information that cannot be verified will be deleted. Experian cannot remove accurate information. An investigation may take up to 30 days. When it is complete, we'll send you the results.

Request for your credit history

When a credit grantor, direct marketer or potential employer makes a request for information from a consumer's credit report, an inquiry is shown on the report. Grantors only see credit inquiries generated by other grantors as a result of an application of some kind, while consumers see all listed inquiries, including prescreened and direct marketing offers, as well as employment inquiries. According to the Fair Credit Reporting Act, credit grantors with a permissible purpose may inquire about your credit information prior to your consent. This section also includes the date of the inquiry and how long the inquiry will remain on your report.

Responsibility

Indicates who is responsible for an account; can be single, joint, co-signer, etc.

Revolving account

Credit automatically available up to a predetermined maximum limit, so long as a customer makes regular payments

Risk-scoring models

A numerical determination of a consumer's creditworthiness. Tool used by credit grantors to predict future payment behavior of a consumer

-S-

Satisfied

If the consumer has paid all of the money the court says he owes, the public record item is satisfied.

Secured credit

Loan for which some form of acceptable collateral, such as a house or automobile has been pledged.

Security

Real or personal property that a borrower pledges for the term of a loan. Should the borrower fail to repay, the creditor may take ownership of the property by following legally mandated procedures.

Security alert

Statement that is added once Experian is notified that a consumer may be a victim of fraud. It remains on file for 90 days and requests that a creditor request proof of identification before granting credit in that person's name.

Service credit

Agreements with service providers. You receive goods (such as electricity) and services (such as apartment rental and health club memberships) with the agreement that you will pay for them each month. Your contract may require payments for a specific number of months, even if you stop the service.

Settle

Reach an agreement with a lender to repay only part of the original debt

Source

The business or organization that supplied certain information that appears on the credit report

Status

On the credit report, this indicates the current status or state of the account.

-T-

Tenant Screening:

This type of inquiry is O.K. It simply shows you are moving or did move and the landlord ran a credit check. **(it has a neutral effect on a credit score)**

Terms

This refers to the debt-repayment terms of your agreement with a creditor, such as 60 months, 48 months, etc.

Third-party collectors

Collectors who are under contract to collect debts for a credit department or credit company; a collection agency

Trade line (aka tradeline)

An entry by a credit grantor to a consumer's credit history maintained by a credit-reporting agency. A trade line describes the consumer's account status and activity. Trade line information includes names of companies where the applicant has accounts, dates accounts were opened, credit limits, types of accounts, balances owed and payment histories.

Transaction fees

Fees charged for certain use of your credit line; for example, to get a cash advance from an ATM

TransUnion

One of three national credit reporting agencies. The other two are Experian and Equifax.

Truth in Lending Act

Title I of the Consumer Protection Act. Requires that most categories of lenders disclose the annual interest rate, the total dollar cost, and other terms of loans and credit sales.

Type

This refers to the type of credit agreement made with a creditor; for example, a revolving account or installment loan.

-U-

Unsecured credit

Credit for which no collateral has been pledged. Loans made under this arrangement are sometimes called “signature loans”; in other words, a loan is granted based only on the customer's words, through signing an agreement that the loan amount will be paid.

-V-

Vacated

Indicates a judgment that was rendered void or set aside

Variable rate

An annual percentage rate that may change over time as the prime lending rate varies or according to your contract with the lender

Verification

Verifying whether data in a credit report is correct or not. Initiated by consumers when they question some information in their file. Credit-reporting agencies will accept authentic documentation from the consumer that will help in the verification.

Victim statement

A statement that can be added to a consumer's credit report to alert credit grantors that a consumer's identification has been used fraudulently to obtain credit. The statement requests the credit grantor to contact the consumer by telephone before issuing credit. It remains on file for seven (7) years unless the consumer requests that it be removed.

Voluntary Bankruptcy

If a consumer files the bankruptcy on his own, it is known as voluntary bankruptcy.

-W-

Wage assignment

A signed agreement, by a buyer or borrower, permitting a creditor to collect a certain portion of the debtor's wages from an employer in the event of default

Withdrawn

This means a decision was made not to pursue a bankruptcy, a lien, etc. after court documents have been filed.

Writ of replevin

Legal document issued by a court authorizing repossession of security