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BCCC Study Guide

Become a Board Certified Credit Consultant

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

CREDIT CONSULTANTS ASSOCIATION
MEMBER

By The Credit Consultants Association, Inc.

Credit Consultants Association, Inc.

BCC Examination

Study Guide

Table of Contents

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.

Federal law

This study guide relies, for the most part, on the Fair Credit Reporting Act (FCRA) for the basis of the dispute procedure. In sum, the FCRA gives you the right to dispute anything that you believe is not accurate or **verifiable**. At that moment, the responsibility shifts to the credit bureaus and the creditor who listed the information to prove otherwise

FACT ACT: Amending the FCRA

The Fair and Accurate Credit Transactions Act of 2003 (FACTA) ensures that all citizens are treated fairly when they apply for a mortgage or other form of credit. This legislation provides consumers, companies, consumer-reporting agencies, and regulators with important tools that (1) expand access to credit and other financial services for all Americans, (2) enhance the accuracy of consumers' financial information, and (3) help fight identity theft. These reforms made permanent the uniform national standards of our credit markets and instituted new, strong, consumer protections.

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

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.

Before Repairing Your Client's Credit

I'm sure that you are very excited about starting this course on learning how to repair your client's credit. But, before you begin, you should know some important facts: Your FICO credit score is the most important factor in getting the best interest rates (saving money) than just simply removing items off your client's credit report. **Please see chapter "FICO Scores" in section 3.**

The magic number you need is a score of 720, more so 740 now, and it's possible to get there in a short period if you apply the knowledge in this study guide. This introductory primer will teach you how to concentrate your efforts on increasing your client's credit score first, rather than simply repairing your client's credit. The other section of this book will concentrate on expert credit-repair tactics as well as detailed information regarding your client's credit score.

Here are points to consider:

1. Concentrate your efforts on entries in your client's credit report that are less than two years old. Some things are not that important to challenge when attempting to increase your client's credit score.

Personal information, e.g. address, employment, birthday are not important to your client's credit score.

Tip *If you see a different name or Social Security number on your client's credit report, take notice. They could be a victim of identity theft and must make it a high priority to look into this matter and to have these items removed.*

Important items are as follows:

A. Collection accounts less than two years old and duplicate collection accounts. Some collection accounts are reported twice and that is totally illegal. Make challenging this one of your highest priorities.
B. Other duplicate items.
C. Accounts that do not belong to you should be a high priority.
D. Credit Card Limit being reported correctly should be a high priority.

2. **Important:** Reduce the balance of your client's credit cards to 30 percent and below your client's credit limit. If you have a credit card with a $5,000 limit, your balance reported to the credit bureau should be $1500 and under in order 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 5). 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 with not so 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 card 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 of time, 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 score. 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 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 number 4)*

3. 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.

4. 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 totally affect your client's credit score because of the 30 percent utilization rule.

What can you do? Challenge this with the credit card company and then send the same letter to the credit bureau. Watch for this in your client's credit report.

5. 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.

6. 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.

7. Before collection accounts are paid, negotiate to receive a letter of deletion.

8. Start to clean up items on your client's credit report that directly affect their score. Note that all marks do not affect scores when they are older than two years.

9. You can advise your client to call a creditor who is reporting them late to request a **good-faith payment adjustment.** This can pay off especially if a client has never been late before.

10. Manage your client's credit. Now you can use this Credit Consultant Certification Training Manual in full 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 will remove the item from your client's credit report. However, this could be a suppression or temporary deletion rather than permanent. Why? Well, companies get bogged down in paperwork and do not get a chance to respond. Therefore the item is deleted. But if they catch up with their paperwork in 60 to 90 days, the entry can reappear on the credit report. You should remind clients to keep an eye on their credit reports.

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.

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:

Failing to dispute with the credit bureaus FIRST. In credit repair, always dispute your negatives with the credit bureaus *before doing anything else*. Ten to twenty percent of all items disputed in an initial round of disputes fall off. Why not pick off the low hanging fruit in the beginning so you can concentrate on the tough stuff? In addition, you cannot take legal action as an individual against companies who are acting illegally by reporting you if you don’t dispute first.

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 to speak with a person, make sure they get that person’s name. When you send letters and when your client receives letters, make sure all letters and disputes are sent via certified mail, 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 days, *they must remove the item*.

Disputing items online. Never do this! You will not have any written records of your dispute (the return receipt). Plus, you are making it easy for them by disputing online. Your dispute will become a two-letter code and will be sent (using eOscar) to an offshore computer for analysis. You will also not be able to dispute specific information *within* the listing, for instance, wrong high balance; wrong date account was opened, etc. You will not be able to send documentation. In addition, if your client’s name, SSN or address is incorrect, the request has to be in writing any way.

Being unrealistic. Do not lie to your clients. If their credit report is in bad shape, there isn’t a quick fix. The process takes time, usually from six months to a year. In addition, some items are extremely difficult, if not impossible, to remove: bankruptcies, tax liens, judgments, and child support. If they have any of those

listings, you may be in it for the long haul. Just be honest and they will appreciate your efforts.

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. After the first dispute letters are mailed, you really shouldn’t have to spend any more than 20 minutes to an hour a month working on your credit or a client’s. The earning power is very rewarding.

The Best Kept Secrets of Credit Repair

Tip The quickest way to repair your client’s credit is to increase their credit score.

The quickest way to increase a score is to remove any outstanding collections. However, be careful not to remove an old account that is helping the credit score (see credit score factors). Many people have collections accounts in their credit report and most are very small. For example an unpaid utility or phone bill or unpaid medical bills and credit card balances. Anything showing outstanding debt! An unpaid collections entry on your client's credit report can hurt their score by 20 points and even more. So call up those collection agencies that they owe and ask one main question: "Do you delete credit entries"? Most do not know that collection agencies will voluntarily delete your negative credit item from your current report if you just ask them to and pay them the balance that is owed.

At least fifty percent of the time the collection agency will be able to delete bad items off a credit report. The good part is you can ask for and obtain a deletion letter showing that the intention of the creditor in question to delete the bad entry. **This is very important!** Because if you are attempting to increase your client's credit score now, the fastest way is to have that letter mailed/faxed or personally delivered to the credit bureau and within days your credit score will increase. Otherwise, it will take up to 60 days for this to correct thru normal processes. This is why that letter is very important.

What to Dispute First

Please Note, according to the Credit Repair Organizations Act, you are prohibited from advising your clients to make untrue statements. You will see strategies within this study guide that may go against these methods, but we do not agree or encourage you to use those strategies.

Action Strategy 2: Dispute those items you know are incorrect and are affecting the client score, meaning accounts that do not belong to your client or outdated accounts. However, if those accounts are helping your client's score e.g. adding length to their history, do not touch them!!!

Note: Don't dispute negative accounts just because the balance is incorrect unless it hurts your score. For example, if you dispute negative accounts by saying "I paid this account in full" you will possibly lock yourself into a negative mark for at least seven (7) years. The only thing that the credit bureau will do is change the balance; the negative mark will not be removed. We will show you how to dispute these incorrect items.

Action Strategy 3: It is OK to dispute at once all the negative marks that are not your client's or are outdated; otherwise dispute only three

(3) accounts or two to four inquiries at a time. This takes longer, but the strategy has been proven to be effective. If you dispute too many items at once, the credit bureau will think you are trying to get off the hook and will delay or not reinvestigate your request using the "frivolous or irrelevant" clause under the FCRA. You must work within the system; the results are a lot more favorable.

Tip *Don't dispute more than three (3) items, unless you are disputing false information.*

Question: How and why should you dispute items listed in client's credit report that are correct? Is this unethical or lying?

Answer: You can dispute items for any reason you feel necessary, but never admit guilt. For example, many of these companies may have reported your client's account as better than it is (i.e. that the client actually paid them more), but it is still listed as a negative account. You can dispute this account as incorrect because it is incorrect. The object of the game is to find something wrong with the accounts that are listed negatively in your client's credit report, such as incorrect dates, payments, amounts, and anything else you can find. If you want to get even more technical, some credit-repair companies have disputed an account simply because the company's name is abbreviated by the credit bureau.

> *"Why should we accept their method of reporting? It is more convenient for them, not us, to abbreviate names. Many of these abbreviations are confusing and it can be very difficult to interpret." This is what credit consultants usually say.*

Just remember, you have the right to question the accuracy of any item you feel is inaccurate. As for claiming accurate accounts inaccurate, is this unethical, misleading or lying? Only you can answer these questions—however, don't break the law. We can only say that yes, we're sure that many credit consultants are still doing this and clearing up bad marks on their client's credit report.

Methods of Dispute

Delinquent accounts

Your client must be totally caught up on their bills and have made at least three (3) payments on time before you should dispute these accounts. It is better to wait until the account is paid in full before you dispute it; however, accounts of this type have been successfully removed in cases were payments are still being made.

Dispute: *"I paid this company on time"* or, *"I paid this company on time as agreed."*

Tip Remember, that good defense attorneys usually never admit guilt.

Forced Verification

Tip **Power Move: Forced Verification (method of verification)**

Some credit bureaus are not investigating disputes when challenged, using various types of reasons and some simply ignoring letters. There is a three-part system called e-oscar that they use to investigate disputes instead of contacting creditors directly (http://www.e-oscar.org/about.htm).

Please note that, if you get a notice from your credit bureaus telling you the information you disputed has been *verified* as accurate, you can request the ***method of verification***, which is your right under the FCRA section 611 (a) (7). The credit bureau must give you this information within 15 days of the request.

Here is the process you should use for tough disputes. The only issue is that you have to do this on behalf of your client. The best approach is to have your client make the call and keep a log.

Other Action Strategies

These strategies will help make the credit-repair process work a lot smoother if followed correctly:

1. Send all correspondence to the credit bureau online via priority mail where you can have a delivery confirmation e.g. stamps.com or endicia.com. Fedex and UPS will also work very well. Only use certified mail if it is required by a court in your area. Being able to track your mailings online is a plus for a great log system. You can print the postage on your printer and tape it on the envelope. No need to take your letters to your local post office anymore unless you are required by a court.

Vacating a Judgment

If a judgment was filed against your client, there is a chance to get it dismissed or vacated. Vacating a judgment is a legal way of having a judgment voided and filing an appeal with the court. **Keep in mind that most of you are not lawyers, but certified credit consultants can point their client in the right direction of understanding their rights.**

There are rules of the courts when filing lawsuits and many who file lawsuits, even collection agencies, do not follow procedure. We know that judges are supposed to provide some form of protection; but, for various reasons, these procedures in consumer law are not followed.

Just because you are sued does not mean that they will win. You have a chance, too, even if it is on a technicality. For the most part, those who sue usually win their case by default because the defendant did not show or respond to the court.

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:

720-850	**Excellent**—This represents the best score range and best financing terms.
700-719	**Very Good**—Qualifies a person for favorable financing.
675-699	**Average**—A score in this range will usually qualify for most loans.
620-674	**Subprime**—May still qualify, but will pay higher interest.
560-619	**Risky**—Will have trouble obtaining a loan.
500-559	**Very Risky**—Need to work on improving your rating.

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. ssl692, 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)
- Phone
- 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. For accurate results use this calculator for your clients.

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 credit reports and scores from all three bureaus before you meet with them in order to properly access 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. I will discuss this issue again below in "More Certified-Credit-Consultant Tips," because it is very important to your success as a credit consultant to understand this matter.

6. You will show your clients their starting credit score. Your job will be totally completed when the score has improved to an acceptable level 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.

Items You Need from Clients

It is good to have 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 (i.e. W-2 forms, paycheck stub, bank statement, medical insurance card, etc.)
3 Any one of the following 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.
5 Tell the client to fill out the form below and follow the above instructions or your application will be further delayed.

More 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 Money Machine 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 happened? 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 disputes 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.

New Bankruptcy Law Passed

If you are interested in the specifics of the complete bill, visit http://thomas.loc.gov/cgi-bin/bdquery/z?d109:SN00256: for a summary.

Key changes

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**

As of 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. For a detailed look, see Chart: Comparing Chapter 7 and Chapter 13.

- **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 (FCCCDA)
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