



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.

ccasite.org

Credit

Consultant

Certification

Training Manual

By

Credit Consultants Association

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Contents

Why a Credit Restoration Business?	11
Bad Credit Costs Money	11
Before Repairing Your Client's Credit.....	14
FICO Scores Rebucket	18
Certification Training.....	22
"Can I Create a New Credit ID?"	24
Can Bad Credit Be Deleted?	25
SECTION 1: FIXING YOUR CLIENT'S CREDIT	29
What Is a Credit Bureau?	30
Getting a Free Credit Report.....	31
Your Client's Credit Report.....	31
What Can Be Removed From A Credit Report?	32
Understanding Your Client's Credit Report.....	34
What Are Identity Theft and Identity Fraud?	45
How do thieves steal an identity?	45
Credit Freezes	48
The Five (5) Mistakes You Can Make in Credit Repair.....	49
Know What's in Your Client's Credit Report	50
How to Repair Your Client's Credit	52
Your Client Can Hire an Attorney When All Else Fails	54
The Best Kept Secrets of Credit Repair	58
What to Dispute First.....	58
Methods of Dispute.....	61
Delinquent accounts.....	61
Incorrect payment history	61
Charged-off accounts.....	61
Collection accounts.....	62
Bankruptcies	64

Judgments.....	64
Inquiries.....	65
Forced Verification	66
Other Action Strategies.....	67
Vacating a Judgment.....	69
Resource Site.....	70

SECTION 2: ESTABLISHING AND RE-ESTABLISHING CREDIT.73

Improving Your Client's Credit by Adding Good Credit	74
The Main Steps to Establishing Credit.....	75
Build Your Client's Credit Using Current Bills.	79
What to Do If You Are Turned Down	80
Secured Credit Cards	81
Secured credit card companies.....	82
Establishing Credit for Kids.....	85
Bad Credit Personal Loans	85
Obtaining a Checking Account without a Credit Check	85
Non Chexsystems banks	86
Chexsystems for members (like banks)	86

SECTION 3: MONEY, CREDIT, AND BANKRUPTCY.....88

All about Mortgages	89
Buying a House: Top 10 Mistakes	89
Mortgage Lock-Ins	92
Mortgage Brokers?	99
Mortgage Information Updates	103
Two Key Factors in Qualifying for a Home Loan	104
VantageScore.....	106
Fico Scores	107
How are acores determined?	107
How Can I Raise My Score?	108
Increase Your Client's Credit Score within 24 hours.....	108
FICO Scores and Your Mortgage.....	109

Credit Score Range.....	110
Rapid Credit Rescoring	111
Insurance Credit Scoring	112
How much of a mortgage can your client afford.....	113
Understanding APR.....	115
What Is the Difference between Pre-qualifying and Pre-approval? .	117
What Is PMI.....	117
Why Mortgage Rates Change	118
Should I Pay Points?	120
Between commitment and closing	123
Homeowners Insurance	124
Termite Inspection and Certification.....	124
Survey or Plot Plan	124
Water and Sewer Certification	124
Flood Insurance	124
Certificate of Occupancy or Building-Code Compliance Letter.....	125
Other Documentation	125
The Loan Closing.....	125
Settlement Statement (HUD-1 Form)	126
Truth-in-Lending Statement (TIL)- Regulation Z	127
The Mortgage Note	127
The Mortgage or Deed of Trust.....	127
What Is a Good-Faith Estimate?	129
Title Insurance	129
Escrow	130
Ways to Save at Closing	131
Can My Mortgage Loans Be Sold?	132
Types of Mortgage Loans	133
Mortgages That Change	134
Adjustable-Rate Mortgages	136
An Option for Older Homeowners	137
FHA/VA Mortgages REVISE RE 1.10.14 changes?.....	138
Creative Financing or Seller-Assisted Mortgages	138

Managing Your Financial Affairs	141
Understanding Repossessions	142
Fair-Debt-Collection: Garnishment Law	143
Stop Garnishment.....	146
Wages Exempt from Garnishment (by State)	147
Home-Lending and Foreclosure-Rescue Scams	151
Stop Foreclosures	155
Protect Your Property from Legal Actions	155
How to Handle Bill Collectors.....	156
The Legal Collections Course	157
The Judgment	159
Federal Laws Restricting Debt Collection	160
The Intent of the Fair Debt Collection Practices Act.....	160
Things collectors can't do:	160
How Collection Agencies Operate.....	162
Collectors' Phone Tactics	163
Collection Strategies and Things to Know	165
A Quick Refresher of the Fair Debt Collections Practices Act	166
Debtor Tactics.....	168
How to Stop Collection Agencies from Calling	171
Estoppel by Silence: Validation of Debt	171
Admission by Silence: Validation of Debt	171
Credit and Money Management Techniques	172
How to Pay Bills	172
What to Do If Sued	174
Common Defenses to Creditor Lawsuits.....	174
Causes of Financial Problems	180
Debt Payment Reduction	181
Ways to Get Out of Debt.....	182
Technique I: Percentage of Monthly Payment	184
When All Else Fails, Bankruptcy Is Still an Option	187
Chapter 7: Straight Bankruptcy (Debt Discharge)	187
Chapter 13: Individual Debt Adjustment or Wage Earner	189

New Bankruptcy Law Passed	190
Links Regarding the Bankruptcy Legislation:.....	192
Bankruptcy Myths and Facts	193
How to Prepare a Home Budget	197
Developing the Budget.....	198
Too Much Debt.....	201
Refinancing Your Home	203
Understanding Home Equity Loans	204
SECTION 4: CERTIFIED-CREDIT-CONSULTANT TIPS	206
About Your Client's Credit Cards	207
Credit and Divorce	210
Your Client's Credit Rights as a Woman	211
Understanding Your Client's Credit-Card Statement.....	212
Acceleration Clause in Your Client's Credit Agreements	215
Mortgage Payment Difficulties	215
Car Payment Difficulties.....	218
Beware of Finance Company Loans	219
Beware of Bank Overdraft Protection Loans.....	219
Student Loan Payment Difficulties.....	219
When to Seek Legal Help	226
How to Reduce Your Mortgage and Other Loans	226
Buying a New Car May Not Be Your Best Choice	228
Negotiating with Car Dealers: Holdback.....	229
Organizations and Agencies Offering Assistance	232
When Can I Cancel a Contract?.....	233
Final Remarks	234
SECTION 5: FORMS, LETTERS AND RESOURCES	235
APPENDIX: SAMPLE LETTERS, INTERNET LINKS, AND FORMS.....	236
SAMPLE LETTER: THIS IS NOT MY ACCOUNT	237
SAMPLE LETTER: DELINQUENT ACCOUNTS	238

SAMPLE LETTER: I'M WONDERING WHY DISPUTE	239
SAMPLE LETTER: INCORRECT PAYMENT HISTORY	240
SAMPLE LETTER: CHARGE-OFF ACCOUNTS.....	241
SAMPLE LETTER: COLLECTION ACCOUNTS.....	242
SAMPLE LETTER: BANKRUPTCIES (DISPUTE THE ACCOUNTS)	243
SAMPLE LETTER: UPDATE BANKRUPTCY ACCOUNTS	244
SAMPLE LETTER: PERMISSIBLE PURPOSE LETTER (INQUIRIES).....	245
SAMPLE LETTER: INQUIRIES.....	246
SAMPLE LETTER: CREDIT BUREAU REMINDER #1	247
SAMPLE LETTER: CREDIT BUREAU REMINDER #2	248
SAMPLE LETTER: CREDIT BUREAU REMINDER #3	249
SAMPLE LETTER: REPOSSESSION DISPUTE	250
CONSUMER STATEMENT #1.....	252
CONSUMER STATEMENT #2.....	253
CONSUMER STATEMENT #3.....	254
CONSUMER STATEMENT #4.....	255
SAMPLE LETTER: CREDIT BUREAU VERIFICATION PROCEDURE	257
SAMPLE LETTER: ANTICIPATING FINANCIAL PROBLEMS	258
SAMPLE LETTER: COLLECTION AGENCY NEGOTIATION	258
SAMPLE LETTER: NEGOTIATION: COLLECTION AGENCY #1.....	260
SAMPLE LETTER: NEGOTIATION: COLLECTION AGENCY #2.....	261
SAMPLE LETTER: CREDITOR AGREEMENT	262
SAMPLE LETTER: STOP COLLECTION PROCEDURES	263

SAMPLE LETTER: COLLECTION AGENCY FAILS TO VALIDATE DEBT	264
SAMPLE LETTER: ESTOPPEL BY SILENCE—VALIDATION OF DEBT	265
SAMPLE LETTER: ADMISSION BY SILENCE—VALIDATION OF DEBT	266
SAMPLE LETTER: RECONSIDER CREDIT APPLICATION	267
SAMPLE LETTER: CREDIT CARD LIMIT IS INCORRECT (TO COMPANY) .	268
Sample Letter: Credit Card Limit Is Incorrect (to Credit Bureau)	269
FREE CREDIT REPORT	270
CREDIT PROFILE REQUEST FORM	271
THE THREE MAJOR CREDIT BUREAUS.....	272
THE SECRET CREDIT BUREAU	273
INTERNET LINKS.....	274
Q&A Information	276
Operating Your Credit Restoration Business.....	279
Additional Services You Can Offer.....	279
Regulations	279
Credit-Repair Contract Requirements.....	280
Credit-Repair Organization Act Violations	281
Credit-Repair Software	281
What to Charge Clients	283
Credit Review and Analysis Service	283
Credit-Repair: What Equipment and Papers You Need	284
Dealing with Clients.....	284
OVERALL UTILIZATION EXAMPLE.....	287
Items You Need from Clients	289
More Certified-Credit-Consultant Tips	290
When meeting with a client.....	291
Credit Restoration Agreement.....	293

Grant of Limited Power of Attorney	295
Notice of Cancellation (Provide to Client)	298
Credit Restoration Contract.....	299
Consumer Credit File Rights under State and Federal Law.....	301
Notice of Cancellation	303
Power of Attorney Limited to Credit Restoration.....	304
Credit Restoration Preliminary Form	305
Credit Restoration Client Preliminary Form	306
Glossary of credit terms.....	307
Questions Every Credit Consultant Must Be Able to Answer.....	321
Sample Business Plan.....	330

Why a Credit Restoration Business?

Credit restoration is entering a boom cycle and will stay there for the next several years and here is why:

There is great demand since credit requirements for mortgage loans have tightened significantly. It used to be that a credit score of 680 was sufficient for a stated-income loan. Now, the minimum credit score is 720 and, in **most cases**, you may never find a lender willing to offer this type of loan anymore. A large number of business owners need to go stated because they write off as much income as possible so that little or no income is reported on tax returns.

The flood of foreclosures in the past year, and at least a year into the future, makes the credit-repair business even timelier.

Foreclosure consumers typically have many other bills they fail to pay. The mortgage is the last item that doesn't get paid. All those negative accounts will affect credit reports for seven years. These people are going to need to improve their credit before trying to finance the purchase of another home or auto in the future.

Bad Credit Costs Money

A bad credit score is expensive. The public is probably not aware of how much this cost can add up to over time—in many cases it could be over one million dollars. That's right, over seven figures.

If you have bad credit, the additional money you pay for things like mortgages, car loans, and insurance, compared with those with good credit scores, can be six figures over a 30-year period. Now if that money is invested wisely that number could rise to more than one million dollars.

Here is how bad credit costs your client in more ways than you imagined:

Mortgage: One obvious place that bad credit hurts you is the interest rate you must pay when you purchase a house. The average price for a home in June 2007 was \$316,200.

A 30-year, \$300,000 loan for someone with a credit score of between 760 and 850 carried a 6.346% APR. Someone with a credit score of between 500 and 579 would have a 10.152% APR. That would mean that a person with a good score would have a monthly payment of \$1,866, while the person with the bad credit score would pay \$2,666, or \$800 a month more for the same

house. That adds up to \$288,000 over the 30 years of the loan.

Auto loan: Edmunds.com says that the average car loan is \$24,864. Just think, an auto loan for a person with good credit (defined as a score of between 720 and 850) would carry a 7.221% APR, while someone with bad credit (a score between 500 and 589) would have to pay a 14.909% APR. That works out to a difference of \$88 a month, which comes to \$3,168 over the three years of the loan. The average person keeps their car for 4.5 years.

That means if each person financed a new car every five years, it would cost the person with bad credit \$19,008 more in car financing over 30 years than someone with good credit.

Credit cards: Let's assume, for our example, that both the people with good and bad credit both carry the median credit card debt of \$2,200 over 30 years. If the person with good credit had an interest rate of 9 percent and the person with bad credit had an interest rate of 20 percent, the person with bad credit will pay an extra \$7,260 over a 30-year period.

Lost interest: If the person with good credit took the difference and invested that money in an account that earned 8 percent compounded annually for 30 years, he or she would have well over \$1 million saved. In fact, investing the \$800 difference in the cost of the mortgage alone would be worth \$1.2 million.

Insurance: All types of insurance (auto, health, homeowners) will likely cost more for a person with bad credit than one with good credit. Insurance companies know that people with bad credit make more claims than those with good credit—and therefore are more of a risk to insure.

If your credit score is taken into account on any of your insurance rates, an individual with bad credit will pay more than a comparable individual with good credit.

Job: You may lose out on a better job due to bad credit. More and more employers pull your credit report when you apply for a job, because many see a risk in employing a person with bad credit. The same can be true with promotions. For example, people in the armed forces may not be able to get clearance for classified documents and areas due to bad credit, therefore blocking potential advancement.

Housing: Many apartment managers will run a credit check on prospective tenants. If your credit is poor, you may be denied a unit due to the risk that you may not be able to pay.

Deposits: If you have bad credit, you may need to leave a deposit (or a

larger deposit) with certain companies that you would not need if you had good credit. Utility and cellular phone companies sometimes ask for deposits with people that have less-than-stellar credit.

Health: In addition to all the financial aspects where bad credit will hurt you, it could also adversely affect your health. It's not difficult to imagine that a person who has to pay a couple of hundred thousand dollars more for the same house as a neighbor down the street could have some financial stress in their life. This stress can affect a person both mentally and physically, if the bad credit is constantly a source of fighting in the house.

Bad credit is no longer a situation that can be isolated from other areas of your life. The trend is only growing stronger. Consumers must take the time to make the effort to keep their credit in good standing. It will pay off with more money in your pocket and less stress in your life. This is why, as a certified credit consultant, your profit will soar during this current financial period. We predict that there will be tons of millionaires created over the next ten years with the title of "Certified Credit Consultant."

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 book. 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.



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.



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.

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.

Why the changes?

The FICO-score rule changes fit well into the context of the mortgage crisis and the ensuing credit crunch. While it initially appeared that only subprime borrowers—the poorest credit risks—would have a problem repaying loans, mortgage delinquency rates rose even among more creditworthy borrowers. In addition, credit card trusts holding receivables from customers of banks like **Capital One** and retail stores like **Home Depot**, **Circuit City**, and **Wal-Mart** reported an 18 percent rise in defaults in October 2008, with 90-day delinquencies up sharply as well.

It's clear that many lenders have realized that they made bad decisions in judging their customers' risk of default. Those decisions were, at least in part, probably due to reliance on FICO scores that may not have accurately assessed that risk. It's likely that FICO merely responded with changes it believed would address the shortcomings of the old score.

For borrowers, however, the score changes could be a pain in the neck. But the jury's still out on how big an effect the changes will have. There are some examples in which scores are moving as much as 25 points in either direction, so there will certainly be some people who'll feel the pinch, especially in the critical middle-of-the-score range where small changes can make a dramatic impact on borrowing rates and credit availability.

However, changes to the scoring rules were inevitable. Once borrowers figured out how to game the system by getting someone with better credit to name them as an authorized user, Fair Isaac (the corporation now known as FICO) had little choice but to eliminate that tactic as a factor in credit scores. Furthermore, new competition from a joint venture put together by

the three credit-rating agencies is forcing Fair Isaac to defend the supremacy of its FICO score with a lawsuit, despite its causing particular friction with **Equifax**. Some borrowers will complain, but just as the IRS acts when too many people take advantage of a tax loophole, you can't expect FICO score loopholes to stay open forever.

What to do

None of these rule changes really affects how you can get good credit. Stop yourself from overusing your credit cards and don't let stores talk you into taking new cards for a quick discount if you won't get them paid off quickly.

If you've had good credit in the past, just keep doing what you've done, and you can still expect a score that's good enough to keep your rates down. And while those who are trying to make up for poor credit decisions in the past may see the score change as a bump in the road, staying on track by paying down debt and making on-time loan payments is still the best way to improve your score in the long run—no matter how they calculate it.



Update as of February 2012

What is currently apparent, we have noticed this new credit score model has not happened yet with any other bureau except TransUnion in some cases. Equifax stated that they will not allow FICO to apply this model to their data, and we haven't noticed the change in Experian either. Now Experian has their own scoring system called VantageScore that we will discuss later. Whenever someone in the media requests information from a credit-reporting agency as to if they will permit this model, their response is quite ambiguous.

Why, we believe that model is illegal pursuant to the Equal Credit Opportunity Act (ECOA). You can take the time to review the provision and the Act and notice the following:

(6) Credit history. To the extent that a creditor considers credit history in evaluating the creditworthiness, in evaluating an applicant's creditworthiness a creditor shall consider:

(i) The credit history, when available, of accounts designated as accounts that the applicant and the applicant's spouse are "permitted" to use . . .

As it stands now, the law clearly states that "any" account which an applicant is permitted to use must be considered. Their authorized user accounts should be part of this provision.

Considering lawsuits that may follow, it appears that modification to the scoring system has not and probably will not happen. Maybe it was just a way to slow down the business interest of selling trade lines and many believe it caused the subprime debacle.

So, as of now, adding trade lines to a credit report is still a great way to build one's credit score if we take our reference from the ECOA.

Certification Training

The Credit Consultant Certification Training Manual is divided into five sections for your convenience. This guide is designed for a newbie to the credit-service industry and also prepares experienced consultants for the exam. Whenever you need information on credit, go to the section that deals with the subject on which you are seeking information. Read the section and apply the respondent technique. If you read this book cover to cover, and keep up with all updates and nuances of the credit service business and industry; located at www.credithelpdesk.org you will know pretty much what experts know and will make money assisting others. Before you start repairing credit, go to the helpdesk knowledge base and read three categories: Strategy, Dispute and Others/General sections. This will provide you some additional distinctions in resolving credit issues and processes.

PLEASE NOTE: This entire book should be used as a reference guide. You **do not** have to read cover to cover to pass the Certified Credit Consultant Exam. You will only be **tested on** credit-repair information in section one and section five, e.g. credit scores and repair techniques and the legal organizations that govern the industry.

Section One will teach you how to correct your client's credit just like an expert. This section is filled with action strategies and explains the whole untold story concerning credit repair. As a certified credit consultant you can make a great living applying the techniques contained within this section. Please note that you want to be truthful with dealing with your clients. Why? Sometimes, these techniques don't always work. Your goal will be to assist them in increasing their credit score. Do not make promises that you cannot keep. You will first find out what is their goal and put a plan together to get them there. If you do this, there will be a healthy supply of word-of-mouth clients.

Keep in mind that all of the techniques listed in this guide have worked for some individuals, even if the techniques are ruthless or bizarre. However, we do not recommend all of the techniques contained within this manual, simply because there is a question of ethics. Nevertheless, we feel you deserve to know all of the techniques available for the sake of knowledge. We just want you to be aware of all the so-called legal techniques that can be used in your clients' behalf.

Section Two is jam-packed with strategies that will show you how to establish and reestablish credit for your clients. You will learn the secrets to getting credit for the first time, even if your client has

ruined their credit. You will learn how creditors evaluate customers and you will have the ability to improve your clients' chances of getting the credit they so deserve.

Section Three is the meat of this book. You will learn all about how obtain a mortgage, how to teach your client to handle their money to prevent a financial disaster, such as, Managing Your Financial Affairs and How to Prepare a Home Budget. You will also learn how you can handle a financial crisis by reducing your client's debts. If all else fails and you are not able to resolve your client's financial problems, we have included thorough information concerning straight bankruptcy and wage-earner plans.

Section Four deals with information every certified credit consultant should know.

Section Five is your action section. Procedural information on operating your credit consultant business, Sample business plan, contracts, forms and sample letters, you will use to restore credit.

“Can I Create a New Credit ID?”

You've probably seen the ads: "Legally create a new credit file!" For a fee they will sell you the know-how so that you, too, can legally create a new credit file (supposedly), so that you can obtain loans and credit cards and overcome your bad credit rating. Here is the question: can you really create a new credit file? We have to be honest and give the answer “Yes, technically.” But it's illegal, and you could go to jail.

Others will say “No,” but I've seen this done successfully. However, again, if you get caught, you could go to jail. You don't have to pay anyone to tell you how you can create a new credit identity, because I'm going to tell you how it is done, free of charge, right now.

When you apply for a credit card, loan, or any type of financing, you are asked for your Social Security number. Your Social Security number is the main way that the three credit bureaus, Experian, Equifax and TransUnion and many creditors and employers, etc., keep track of you and separate your client's credit file and personal information from everybody else's. Therefore, to create a new credit identity or file, one would need a new Social Security number. Since it is almost impossible to get a new Social Security number from the Social Security Administration, those who sell "create a new identity" information advise you to apply to the federal government for an Employer Identification Number (EIN) or Taxpayer Identification Number (TIN) and use that number in place of your Social Security number when you apply for a loan or credit card.

There is a problem with doing this, in that it is a felony to lie on a credit or loan application. If you decide to try this, the mortgage lender or whomever you try to defraud will likely catch it, and if they do, they have the right to turn the whole matter over to your local district attorney for prosecution. First offenders convicted of bank fraud usually get a two-year prison sentence.

Most of the people who sell "create a new credit identity" information are possibly scam artists. If they are not, they are usually ignorant to the fact that they are breaking the law. They are in violation of the Credit Repair Organizations Act, federal legislation that bars anyone from claiming that consumers can create a new credit identity. In fact, several years ago, the Federal Trade Commission went after many sellers of this information and shut them down completely. This is not a good idea. It is best to fix your own credit, instead of taking the risk of becoming a felon.

Can Bad Credit Be Deleted?

A few years ago, CNN repeated a two-minute story about credit restoration and credit-repair companies. At that time, Jodie Bernstein of the Federal Trade Commission (FTC) passionately discouraged those seeking assistance through a credit-repair company: "Don't do it. Don't give them any money. They're LYING to you!" She continued, "Only time will cure a credit record that contains adverse, but accurate credit information." At last, a news correspondent stood somewhere in a cold, Washington D.C. afternoon and informed consumers that their bad credit would have to stay on their credit records for at least seven years.

For the next week we watched as news story after news story, article after article, barraged the American consumer proclaiming that "nothing can be done about bad credit" and that "time is the only antidote to bad credit." We were quite familiar with these catch phrases; we had seen them before on propaganda literature written by the credit bureaus themselves.

Despite the fervent proclamations of bureaucrats and credit bureaus everywhere, a simple fact remains: negative credit listings are deleted from peoples' credit reports by the thousands each and every day. The proof is clear.

Ultimately, you, too, will see for yourself that bad credit can be restored. What the credit bureaus don't want you to know is that you can restore bad credit in much less time than seven years. It's not necessarily easy or foolproof, but the right to challenge and improve your client's credit is yours.

The bottom line? Those saying that you cannot repair credit are doing so because of profits! This is why you get those negative comments, "You cannot repair your client's credit.". Just do it!

Federal law

This training manual 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.

Background

The Fair and Accurate Credit Transactions Act is an amendment to the Fair Credit Reporting Act (FCRA) that accomplished the following key priorities to help ensure that all Americans, of every income level and background, are able to build good credit and confront the problem of identity theft:

- Ensuring that lenders make decisions on loans based on full and fair credit histories, and not on discriminatory stereotypes. In 1996, uniform national standards were established to set clear rules on what credit agencies were entitled to include in individual credit reports, and now more than a million Americans have credit as a result. FACTA made these national standards permanent.
- Improving the quality of credit information, and protecting consumers against identity theft.
- Giving every consumer the right to their credit report free of charge every year. Consumers are now able to review a free report every year for unauthorized activity, including activity that might be the result of identity theft.
- Helping prevent identity theft before it occurs by requiring merchants to leave all but the last five digits of a credit card number off store receipts. This makes sure that slips of paper that most people throw away do not contain their credit card number, a key to their financial identities.
- Creating a national system of fraud detection to make identity thieves more likely to be caught. Previously, victims would have to make phone calls to all of their credit card companies and to three major credit-rating agencies to alert them to the crime. Now consumers only need to make one call to receive advice, set off a nationwide fraud alert, and protect their credit standing.
- Establishing a nationwide system of fraud alerts for consumers to place on their credit files. Credit-reporting agencies that receive such alerts from customers are now be obliged to follow procedures to ensure that any future requests are by the true consumer, not an identity thief posing as the

consumer. The law also enables active-duty military personnel to place special alerts on their files when they are deployed overseas.

- Requiring regulators to devise a list of red-flag indicators of identity theft, drawn from the patterns and practices of identity thieves. Regulators are now required to evaluate the use of these red-flag indicators in their compliance examinations of financial institutions and to impose fines where disregard of red flags has resulted in losses to customers.
- Requiring lenders and credit agencies to take action before a victim even knows a crime has occurred. With oversight by bank regulators, the credit agencies were required to draw up a set of guidelines to identify patterns common to identity theft and to develop methods to stop identity theft before it can cause major damage.
- This legislation gave consumers unprecedented tools to fight identity theft and continued access to the most dynamic credit markets in the world. With a free credit report and powerful new tools to fight fraud consumers now have the ability to better protect themselves and their families.
- Also, the FACT Act requires credit bureaus to notify consumers within five days if previously disputed items that were unverified and removed from their records show up again at a later date. (One way for items to reappear in your credit report after they were removed is during updates of information that is reported from creditors to the credit bureau. Along with all other experts, we feel that the expense of printing and postage alone is an incentive for credit bureaus to take steps to prevent deleted items from showing up in your credit file again.)

Wrong or unverifiable

The Fair Credit Reporting Act (including FACTA) requires that any listing that is found to be inaccurate, **unverifiable**, or obsolete must be removed from your client's credit report. Very often, the creditor who reported the listing cannot or will not verify the listing, and the listing is removed. Also, our evidence shows that credit bureaus do not always process the dispute letters and prefer to simply delete disputed items. By whatever means, users of the Credit Consultant Certification Training Manual have maintained an excellent success rate in getting negative items deleted.

In America everyone is entitled to a defense. In a court of law a prosecutor cannot charge you with a crime and refuse to prove their case. Neither can the credit bureaus. Credit bureaus must back up the information that they are reporting about you; Congress and the law agree. Whether information

in your client's credit report is accurate or not, credit bureaus are unable or unwilling to prove it.

A credit bureau cannot send you a form letter stating that your report is accurate; again, they must prove it! You have a right to appeal their findings. If your defense is presented properly, it is more difficult for credit bureaus to prove it than just deleting the disputed information. The credit-repair section in this Credit Consultant Certification Training Manual helps you to put together your defense. If a credit bureau refuses to respond to your requests, you can hire an attorney to write a letter to enforce the law on your behalf—it's your right.

Section One

Correcting & Repairing Credit

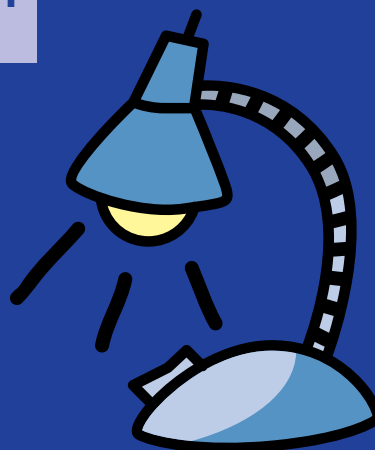
"Successfully assist your clients with their credit"



Certified Credit

Consultant

Manual



What Is a Credit Bureau?

A credit bureau is a centralized source of credit information on consumers and businesses. To make it simple, it is a clearinghouse that buys and sells information. There are three major credit agencies, Experian, TransUnion and Equifax, which we will discuss later. There is fourth bureau, Innovis Data Solutions that you should not ignore because lenders use this company when pre-screening consumer credit to offer pre-approved credit cards and loans. So if you have negative information with Innovis, you will not get offers. See appendix (section 5) on how to reach them. Information can be disputed just like other credit bureaus. Please note, these credit bureaus do share or contain the same information on a consumer's credit history simply because they are competitors and traditionally cover different geographical areas.

Lenders become paying members of the credit bureau in order to obtain information on the way a potential applicant paid their past creditors or are paying their present credit obligations. In return for receiving information from the credit bureau, these lenders will report their occurrences back to the bureau where it is processed and added to consumers' credit reports.

There are myths concerning credit bureaus, mostly that they are the ones who turn you down for credit. This is far from the truth. Credit bureaus only report what is given to them by their members (lenders). They do have a universal system whereby each member can report their information in a uniform way so everyone can interpret the contents the same way. However, they do not. The lender you are applying to for credit will or may turn you down due to incorrect information that is reported to the bureau and used in calculating credit scores. This is why it is possible for credit bureaus to report the wrong information.

Another myth is that credit bureaus can remove marks reported by lenders from your client's credit report. This is false. They can't remove information from your client's credit report without the lender's consent or for reasons pertaining to the Fair Credit Reporting Act, which we will discuss later in this section.

All consumers should periodically (once a year), have their credit report updated, changed and corrected, even if they do not plan to apply for credit.

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.

Here are the numbers:

Equifax:	800-685-1111	For FRAUD Alerts:	888-766-0008
Experian:	866-200-6020	For FRAUD Alerts:	888-397-3742
TransUnion:	800-888-4214	For FRAUD Alerts:	800-680-7289

Your Client's Credit Report

As we noted earlier there are three major credit-reporting agencies, and each have their own formats in reporting data. However, all credit reports contain basically the same information. Credit bureaus identify you by your Social Security number, date of birth, address, previous address, and employment information. Please note that these factors are not used in credit scoring. Information is updated by lenders from the data you supply them when applying for credit.

Identifying information

Your name, address, Social Security number, date of birth and employment information is used to identify you. These factors are not used in credit scoring. Updates to this information come from information you supply to lenders.

Trade lines

Trade lines are your client's credit accounts. Lenders report on each account your client established with them. They report the type of account (bankcard, auto loan, mortgage, etc.), the date opened, the credit limit or loan amount, the account balance and payment history.

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.

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.

What Can Be Removed From A Credit Report?

Withdrawn Federal Tax Liens

Several years ago the IRS announced a kinder, gentler approach to collecting unpaid taxes. Their new methods include the opportunity to have your tax lien withdrawn if you pay it in full or enter into a repayment agreement that leads to payment in full. And while the IRS doesn't have anything to do with credit reporting, the credit bureaus all have policies in place that they will remove any withdrawn tax liens. Please keep in mind that a "released" tax lien is not the same thing as a withdrawn tax lien. Released liens remain on credit reports for seven years from the release date.

Vacated Judgments

If you've been sued by a creditor, collection agency or other party and lost, you have had a judgment rendered against you. Judgments, like tax liens,

are public records and the credit reporting agencies often pick them up and report them on consumer credit reports. Judgments are maintained for seven years from the filing date—whether they’re paid, unpaid, satisfied, or not. The only exception to that rule is if the judgment is vacated. A vacated judgment essentially means that it never existed. The credit bureaus will remove them as long as it’s clear that they have been vacated rather than simply paid and satisfied.

Unverifiable Items

One of the great myths of credit reports is that you can only get errors removed. That simply isn’t true. The Fair Credit Reporting Act (FCRA), the federal statute that defines the rules of credit reporting, requires the credit bureaus to verify items with the original source if they are disputed. That means a completely accurate collection or repossession, or any other negative item, will be removed from your credit reports if the credit bureaus are unable to verify its accuracy with the reporting source.

Fraudulent Items

The number one complaint to the Federal Trade Commission is identity theft and fraud, and has been for more than 14 straight years. If you end up with something fraudulent on your credit reports, regardless of what it is, you can have it removed from your credit reports. The FCRA mandates that the credit bureaus must block the information within four business days of receiving an identity theft report from the consumer. An identity theft report is a combination of an identity theft affidavit and a police report. Consumers must provide this report in order to leverage their identity theft protections under the FCRA.

Authorized User Credit Card Accounts

If you’ve been added as a non-liable party to an existing credit card you are what is referred to as an authorized user. You have a card with your name on it, have full charging privileges, but are not liable for any of the charges or debts. It’s very common for credit card accounts to appear on their authorized user’s credit reports. Because the authorized user is not liable for the debt, it has historically been very easy to have the account removed from their credit reports. In fact, some of the credit bureaus had policies in place that they would simply delete them without any form of investigation if the consumer asked them to do so. Times have changed and today it’s not as easy to have them removed, although it’s not impossible. Make sure that you actually have your name taken off the card as an authorized user before you attempt to have it removed from your credit reports. That will make the process much easier.

Understanding Your Client's Credit Report

Credit reports may be difficult to understand when you first receive them; however, it becomes easy once you understand the meaning of the abbreviations and codes. The instructions are always included with each credit report to help you interpret the contents. Nevertheless, credit bureaus are required by law to spend time explaining the contents of your client's credit report.

Credit bureaus use codes such as letters and numbers to report the contents in a credit report. These codes and numbers are listed below:

Negative credit indicators

If the listing contains one or more of these indicators, then the listing is negative. If the listing contains none of these indicators, then the listing is positive.

Experian Credit Report: [Experian Tutorial](#)

Credit items:

The following pages will show items that have been reported to your Experian Credit Report. Each account is listed numerically starting with the number 1. If you have any negative accounts, usually they are listed first and have dashes before and after the number. (Example: - - 1 - -) If the account has no adverse information it will be listed without dashes. (Example: 1)

Each account should include the creditor's name, address, and phone number. It will also show the date the account was opened, date it last reported to Experian, type/term/monthly payment, responsible party, credit amount/high balance, current balance or payment, and lastly the status of the account.

Those pages are what potential creditors will view to decide whether or not they will issue you credit.

Your use of credit:

This section contains detailed information pertaining to each account, mostly showing the last 24 months of payment and balance history on each account. This section is also numbered, correlating with the CREDIT ITEMS section.

Requests for your client's credit history:

Any current and/or potential creditors are able to view when and to whom you have applied to for credit. Potential creditors may use this information to provide or deny credit to you. This section also will show the date until which the information will stay on your client's credit report.

Requests viewed only by you:

Examples of this include any creditors who want to offer you credit, an employer who wants to offer you employment, or when Experian sends you a copy of your report. These requests are ONLY SEEN BY YOU, not potential creditors.

Personal information:

The last part of your client's credit report will list information pertaining to your name and/or names, current or previous addresses, date of birth, driver's license number and current or previous employers. Remember, not all creditors report to EVERY credit-reporting agency. Your Experian credit report will only show what has been reported to Experian.

TransUnion Credit Report: [TransUnion Tutorial](#)

- any item rated higher than I1, M1, or R1
- any item listed as repossession, foreclosure, profit and loss write-off charge-off
- paid profit and loss
- write-off, paid charge off, settled, settled for less than full balance, or included in bankruptcy
- any collection amount, whether paid or not
- any court account, including a lien, judgment, bankruptcy chapters 11, 7, or 13, divorce, satisfied lien, or satisfied judgment
- any item showing one or more thirty-, sixty-, or ninety-day late payments in the column to the far right
- any inquiry

Equifax Credit Report: [Equifax Tutorial](#)

- any item rated higher than I1, M1, or R1 (such as R2 or I9)
- any item proceeded by a ">>>>" icon
- any item listed as repossession, foreclosure, profit and loss write-off, charge-off, paid profit and loss write-off, paid charge off, settled, settled for less than full balance, or included in bankruptcy
- any collection amount, whether paid or not

- any court account, including a lien, judgment, bankruptcy chapters 11, 7, or 13, divorce, satisfied lien, or satisfied judgment
- any item showing one or more thirty-, sixty-, or ninety-day late payments in the column to the far right
- any inquiry

Those I2 and R9 codes: What do they mean?

R- Revolving (usually a credit card)
 I - installment (like home or auto loan)
 R1 or I1 = pays as agreed never late
 R2 or I2 = 30 days late
 R3 or I3 = 60 days late
 R4 or I4 = 90 days late
 R5 or I5 = 120 days late
 R7 or I7 = making regular payments under a wage earner plan
 R8 or I8 = repossession
 R9 or I9 = charge off

Generic FICO scores

It's more common nowadays to use a shared scoring system. The "branded" name is FICO and it's quickly becoming the "generic" term (much like Band-Aid and Q-Tip respectively). This scoring system allows lenders to see your "big picture" without needing to look line by line to see if you've been naughty or nice. Some lenders will have automatic disqualifiers such as bankruptcies, charge-offs or simply from being late in the last six months, etc., regardless of your score.

What it means:

O = Open (entire amount due each month i.e. AMEX)
 R = Revolving (payment amount variable i.e. VISA)
 I = Installment (fixed number of payments i.e. Auto loans)
 0 = Approved, no rating
 1 = Paid as agreed
 2 = 30+ days late
 3 = 60+ days late
 4 = 90+ days late
 5 = 120+ days late or collection
 7 = Making regular payments under a wage earner or similar plan
 8 = Repossession
 9 = Charged off to bad debt or collection
 J = Joint
 I = Individual
 U = Undesignated

A = Authorized User
T = Terminated
M = Maker
C = Co-Maker/Co-Signer
B = On behalf of another person
S = Shared

Fair Isaac's FICO risk factors Credit-bureau risk-factor reason codes

This chart lists the score-factor reason codes and reason statement description for Fair Isaac broad-based credit-bureau risk scores (BEACON®, EMPIRICA®, the Experian/Fair Isaac® Risk Model) and associated Industry Option Scores (Auto, Bankcard Installment, and Personal Finance) across the major credit bureaus, as well as for the credit bureau mortgage risk score UniQuote, available through TransUnion®.

This chart may be used as a reference when taking adverse action or in customer service when responding to consumers' inquiries as to the reasons for the declination.

This list is presented in numerical sequence by assigned score-factor code. Note that reason statements and codes may be duplicated when the same reason is assigned different codes for different credit bureaus, or when the same code is assigned to different reason statements for different credit bureaus.

The legend is as follows:

- * A* in the column indicates that the assigned reason code and statement are assigned to that score.
- * I/O in the column indicates that the code is only used in one or more Industry Options but is not currently used in the base model.
- * A number in the column specifies the code associated with the reason statement for that score
- * "BK only" in the column indicates that the code and statement are assigned to just the BEACON-BK model (reason code 36 only).

A blank in the column indicates that the code is not presently delivered with that particular score. This list is very long but necessary for the detailed information.

Reason Statement	Equifax BEACON Code	Trans Union EMPIRICA Code	Experian Experian/Fair Isaac Risk Model Code
Account payment history is too new to rate	07	07	07
Accounts last reported in delinquent status			
Amount of credit available on revolving accounts			
Amount owed on accounts is too high	01	01	01
Amount owed on bank/national revolving accounts			
Amount owed on collections filed			
Amount owed on delinquent accounts A6 34 31 (I/O) 34 (I/O)	34	31 (I/O)	34 (I/O)
Amount owed on recently opened accounts is too high			
Amount owed on recently opened bank/national revolving accounts is too high			
Amount owed on recently opened consumer finance company accounts is too high			
Amount owed on recently opened retail accounts is too high			
Amount owed on recently opened revolving accounts is too high			
Amount owed on recently opened sales finance company accounts is too high			
Amount owed on retail accounts			
Amount owed on revolving accounts			
Amount owed on revolving accounts is too high	11	11	11
Amount past due on accounts	21	21	21
Bankruptcy filing reported			
Date of last inquiry too recent		19	
Delinquency on accounts			
Delinquency on recently opened accounts			
Derogatory public record or collection filed	40	40	40

Frequency of delinquency			
Level of delinquency on accounts	02	02	02
Serious delinquency	39	39	39
Serious delinquency, and public record or collection filed	38	38	38
Serious delinquency, derogatory public record, or collection filed	22	22	22
Insufficient installment payment history			
Lack of recently established credit accounts			
Lack of recently established revolving accounts			
Lack of recent auto finance loan information	98 (I/O)		
Lack of recent auto loan information F4 97 98 (I/O)		97	98(I/O)
Lack of recent bank/national revolving information	15 (w)	15 (w)	15 (w)
Lack of recent consumer finance company account information	99 (I/O)	99 (I/O)	99 (I/O)
Lack of recent installment loan information	32	04	32
Lack of recent reported mortgage loan information			
Lack of recent non-mortgage installment loan info			
Lack of recent retail account information			
Lack of recent revolving account information	16	16	16
No mortgage loans reported			
No recent bank/national revolving balances		29 (w)	29 (w)
No recent non-mortgage balance information	17	17	17
No recent retail balances			
No recent revolving balances	24	24	24
Length of time accounts have been established	14	14	14
Length of time auto accounts have been established			
Length of time bank/national revolving accounts have been established			
Length of time consumer finance company loans have been		98	

established			
Length of time installment loans have been established	25 (I/O)		25 (I/O)
Length of time reported mortgage accounts have been established			
Length of time open installment loans have been established			36 (I/O)
Length of time retail accounts have been established			
Length of time revolving accounts have been established	12	12	12
Time since account activity is too long			
Time since delinquency is too recent or unknown	13	13	13
Time since derogatory public record or collection is too short	20 (w)	20 (w)	20 (w)
Time since most recent account opening is too short	30	30	30
Time since most recent auto account opening is too short			
Time since most recent bank/national revolving account opening is too short			
Time since most recent consumer finance company account opening is too short			
Time since most recent installment loan account opening is too short			
Time since most recent retail account established			
Time since most recent revolving account established			
Time since most recent sales finance company account opening is too short			
Number of accounts currently in delinquent status			
Number of accounts with delinquency	18	18	18
Number of accounts with recent delinquency			
Number of active bank/national revolving accounts			
Number of active retail accounts			
Number of adverse/derog public records			

Number of bank/national revolving accounts with balances	23 (w)		23 (w)
Number of bank/national revolving accounts			
Number of bank/national revolving or other revolving accounts		26 (I/O) (w)	
Number of collections filed			
Number of consumer finance company accounts established relative to length of consumer finance history			37 (I/O)
Number of consumer finance company inquiries			
Number of established accounts	28	28	28 (I/O)
Number of open installment loans			
Number of recently opened consumer finance company accounts			
Number of retail accounts			
Number of retail accounts with balances			
Number of revolving accounts	26 (I/O)		26 (I/O)
Number of revolving accounts with balances higher than limits			
Proportion of balance to limit on auto accounts is too high			
Proportion of balance to limit on delinquent accounts is too high			
Proportion of balance to limit on consumer finance company accounts is too high			
Proportion of balance to limit on retail accounts is too high			
Proportion of balances to credit limits on bank/national revolving or other revolving accounts is too high	10 (w)	10 (w)	10 (w)
Proportion of balances to credit limits on revolving accounts is too high			
Proportion of balance to limit on sales finance company accounts is too high			
Proportion of balances to loan amounts on mortgage loans is too high			

Proportion of loan balances to loan amounts is too high	33	03	33
Proportion of revolving balances to total balances is too high			
Proportion of balances to credit limits on bank/national revolving accounts is too high			
Too few accounts currently paid as agreed	19	27	19
Too few accounts with balances			
Too few accounts with recent payment information	31		31 (I/O)
Too few active accounts			
Too few bank/national revolving accounts	03 (w)		03 (w)
Too few bank/national revolving accounts with recent payment information			
Too few consumer finance company accounts with recent payment information			
Too few installment accounts			
Too few retail accounts			
Too few retail accounts with recent payment information			
Too few revolving accounts			
Too few revolving accounts with recent payment information			
Too few sales finance company accounts with recent payment information			
Too many accounts recently opened	09	09	09
Too many accounts with balances	05	05	05
Too many bank/national revolving accounts	04 (w)		04 (w)
Too many consumer finance company accounts	06	06	06
Too many installment accounts			
Too many inquiries last 12 months	08	08	08
Too many recently active accounts			
Too many recently active auto accounts			
Too many recently active bank/national revolving			

accounts			
Too many recently active consumer finance company accounts			
Too many recently active installment loan accounts			
Too many recently active retail accounts			
Too many recently active sales finance company accounts			
Too many recently opened accounts with balances			
Too many recently opened bank/national revolving accounts			
Too many recently opened consumer finance company accounts			
Too many recently opened installment accounts			
Too many recently opened retail accounts with balances			
Too many recently opened revolving accounts			
Too many recently opened revolving accounts with balances			
Too many recently opened sales finance company accounts			
Too many retail accounts			
Too many revolving accounts			
Too many recently opened bank/national revolving accounts with balances			
Payments due on accounts			46

Other Codes

C	Current
N	Current account/zero balance-no update tape received
0	Current account/zero balance-reported on update tape
1	30 days past the due date
2	60 days past the due date
3	90 days past the due date
4	120 days past the due date
5	150 days past the due date
6	180 days past the due date
7	Bankruptcy Chapter 13 (Petitioned, Discharged, Reaffirmation of Debt Rescinded)
8	Derogatory, e.g. foreclosure proceeding, deed in lieu
9	Bankruptcy Chapter 7, 11, or 12 (Petitioned, Discharged, Reaffirmation of Debt Rescinded)
G	Collection
H	Foreclosure
J	Voluntary Surrender
K	Repossession
L	Charge Off
B	Account Condition changed, payment code not applicable
-	No payment history that month

What Are Identity Theft and Identity Fraud?

<http://www.justice.gov/criminal/fraud/websites/idtheft.html>

Identity theft occurs when someone uses your personally identifying information, like your name, Social Security number, or credit card number, without your permission, to commit fraud or other crimes.

The FTC estimates that as many as nine million Americans have their identities stolen each year. In fact, you or someone you know may have experienced some form of identity theft.

The crime takes many forms. Identity thieves may rent an apartment, obtain a credit card, or establish a telephone account in your name. You may not find out about the theft until you review your credit report or a credit card statement and notice charges you didn't make—or until you're contacted by a debt collector.

Identity theft is serious. While some identity theft victims can resolve their problems quickly, others spend hundreds of dollars and many days repairing damage to their good name and credit record. Some consumers victimized by identity theft may lose out on job opportunities, or be denied loans for education, housing or cars because of negative information on their credit reports. In rare cases, they may even be arrested for crimes they did not commit.

How do thieves steal an identity?

Identity theft starts with the misuse of your personally identifying information such as your name and Social Security number, credit card numbers, or other financial account information. For identity thieves, this information is as good as gold.

Skilled identity thieves may use a variety of methods to get hold of your information, including:

1. **Dumpster Diving.** They rummage through trash looking for bills or other paper with your personal information on it.
2. **Skimming.** They steal credit/debit card numbers by using a special storage device when processing your card.
3. **Phishing.** They pretend to be financial institutions or companies and send spam or pop-up messages to get you to reveal your personal information.
4. **Changing Your Address.** They divert your billing statements to another location by completing a change-of-address form.

5. **Old-Fashioned Stealing.** They steal wallets and purses; mail, including bank and credit card statements; pre-approved credit offers; and new checks or tax information. They steal personnel records, or bribe employees who have access.
6. **Pretexting.** They use false pretenses to obtain your personal information from financial institutions, telephone companies, and other sources. For more information about pretexting, click [here](#).

What should I do to avoid becoming a victim of identity theft?

If you think you've become a victim of identity theft or fraud, act immediately to minimize the damage to your personal funds and financial accounts, as well as your reputation. Here's a list, based in part on a [checklist](#) prepared by the [California Public Interest Research Group \(CalPIRG\)](#) and the [Privacy Rights Clearinghouse](#), of some actions that you should take right away:

Contact the [Federal Trade Commission \(FTC\)](#) to report the situation:

1. [Online](#),
2. By telephone toll-free at 1-877-ID THEFT (877-438-4338) or TDD at 202-326-2502, or
3. By mail to Consumer Response Center, FTC, 600 Pennsylvania Avenue, N.W., Washington, DC 20580.

Under the [Identity Theft and Assumption Deterrence Act](#), the [Federal Trade Commission](#) is responsible for receiving and processing complaints from people who believe they may be victims of identity theft, providing informational materials to those people, and referring those complaints to appropriate entities, including the major credit reporting agencies and law enforcement agencies. For further information, please check the [FTC's identity theft Web pages](#). You can also call your local office of the [FBI](#) or the [U.S. Secret Service](#) to report crimes relating to identity theft and fraud.

You may also need to contact other agencies for other types of identity theft:

1. Your local office of the [Postal Inspection Service](#) if you suspect that an identity thief has submitted a change-of-address form with the Post Office to redirect your mail, or has used the mail to commit frauds involving your identity;
2. The [Social Security Administration](#) if you suspect that your Social Security number is being fraudulently used (call 800-269-0271 to report the fraud);
3. The Service if you suspect the improper use of identification information in connection with tax violations (call 1-800-829-0433 to report the violations).

Call the fraud units of the three principal credit-reporting companies:

Equifax:

1. To report fraud, call (800) 525-6285 or write to P.O. Box 740250, Atlanta, GA 30374-0250.
2. To order a copy of your client's credit report (\$8 in most states), write to P.O. Box 740241, Atlanta, GA 30374-0241, or call (800) 685-1111.
3. To dispute information in your report, call the phone number provided on your client's credit report.
4. To opt out of pre-approved offers of credit, call (888) 567-8688 or write to Equifax Options, P.O. Box 740123, Atlanta GA 30374-0123.

Experian (formerly TRW)

1. To report fraud, call (888) EXPERIAN or (888) 397-3742, fax to (800) 301-7196, or write to P.O. Box 1017, Allen, TX 75013.
2. To order a copy of your client's credit report (\$8 in most states): P.O. Box 2104, Allen TX 75013, or call (888) EXPERIAN.
3. To dispute information in your report, call the phone number provided on your client's credit report.
4. To opt out of pre-approved offers of credit and marketing lists, call (800) 353-0809 or (888) 5OPTOUT or write to P.O. Box 919, Allen, TX 75013.

TransUnion

1. To report fraud, call (800) 680-7289 or write to P.O. Box 6790, Fullerton, CA 92634.
2. To order a copy of your client's credit report (\$8 in most states), write to P.O. Box 390, Springfield, PA 19064 or call: (800) 888-4213.
3. To dispute information in your report, call the phone number provided on your client's credit report.
4. To opt out of pre-approved offers of credit and marketing lists, call (800) 680-7293 or (888) 5OPTOUT or write to P.O. Box 97328, Jackson, MS 39238.

Contact all creditors with whom your name or identifying data have been fraudulently used. For example, you may need to contact your long-distance telephone company if your long-distance calling card has been stolen or you find fraudulent charges on your bill.

Contact all financial institutions where you have accounts that an identity thief has taken over or that have been created in your name but without your knowledge. You may need to cancel those accounts, place stop-payment orders on any outstanding checks that may not have cleared, and

change your Automated Teller Machine (ATM) card, account, and Personal Identification Number (PIN).

Contact the major check verification companies (listed in the [CalPIRG-Privacy Rights Clearinghouse checklist](#)) if you have had checks stolen or bank accounts set up by an identity thief. In particular, if you know that a particular merchant has received a check stolen from you, contact the verification company that the merchant uses:

1. CheckRite: (800) 766-2748
2. ChexSystems: (800) 428-9623 (closed checking accounts)
3. CrossCheck: (800) 552-1900
4. Equifax: (800) 437-5120
5. National Processing Co. (NPC): (800) 526-5380
6. SCAN: (800) 262-7771
7. TeleCheck: (800) 710-9898

For more information go to the website below:

<http://www.privacyrights.org/identity.htm#sheets>

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.

<http://www.creditbible.com/CreditFreeze.html>

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 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.
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 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*.

3. **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.
4. **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.

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. 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.

Know What's in Your Client's Credit Report

PLEASE NOTE: Keep in mind that you are operating on behalf of your client and not your credit company. This means that when you are writing letters on behalf of your client, do not use your company's letterhead or have references to your company. The letters should be prepared as if the client wrote them.

Before you can start repairing your client's credit or assisting your client in recovering from bankruptcy, you must find out exactly what is in your client's credit file. When you know the contents of your client's credit file, you have the advantage in clearing false information from it, as well as taking care of as many negative marks as you possibly can.

There **were** five major credit-reporting agencies in the U.S. that dispensed information on your payment habits to assist potential creditors in making the decision to grant you credit. However, due to buy-outs and mergers there are now three major bureaus and they are again, as mentioned above, **Experian, Equifax, Inc.,** and **TransUnion** (see the appendix in section 5 for the addresses of their national headquarters). Where you live will determine which credit reporting agency serves your area. Call your local lending institutions and ask the loan officer which credit bureaus they use.

Note: *It's been my experience that using a company to gather all of your client's credit information and combine them into one easy report is good. If you are preparing to use strategies in this manual, it is best to repair your client's credit with each bureau independently. If lenders in your area primarily use one bureau, start there first. There is no need to start with a credit bureau that is not the dominant bureau in your area.*

Once you know the credit bureaus used in your area, you must obtain copies of your client's credit report. This can be done either online, by email, or just by writing a letter to the credit bureau (use the credit-profile request

form in the appendix in section 5). Supply your client's name, address, previous address if less than five years, date of birth, Social Security number, and **signature**. If your client has been denied credit within the last 60 days, you are entitled by law (FCRA) to receive a free copy or be informed of the contents of your client's credit report. (FCRA stands for The Fair Credit Reporting Act, amended in 1997). Credit bureaus will usually give you a copy, instead of sitting down with you to explain the contents; it's a lot easier. Enclose a photocopy of the rejection letter from the institution to which you applied for credit along with the credit-profile request letter. If you lost the rejection letter, just inform the credit bureau of the institution that denied you credit within the last 60 days, and you'll still receive a free copy. An inquiry will appear on your credit report (if the company used that credit bureau) to verify that you were recently denied credit, so don't lie—they'll know. If you have not been denied credit within the last 60 days, there is a nominal charge of \$8.50 depending on the state. (See the update Q&A in the appendix in section 5.) Call your local credit bureau, (there are usually local divisions of each credit bureau) to find out its fee and whether they accept checks or prefer some type of money order. (Many bureaus don't accept checks.)

When you receive your client's credit report (within 10 to 20 days), make sure you understand it. Most credit bureaus have their own method of abstracting information for a credit report; nevertheless, it is important that you learn how to read and decode these reports. Credit bureaus usually enclose literature on how to understand their credit report format. However, if you run across any item(s) that you don't understand, call the credit bureau. They will provide answers to any of your questions. Since there are thousands of credit bureaus, each of them having their own method of reporting, it is difficult to teach all of their formats.

Don't be too alarmed to find inaccurate information listed in your client's credit profile. **Errors are not uncommon.** These errors are due to credit bureau clerks punching in the wrong information when receiving it from member companies, and from clerks of these companies who are punching in the incorrect information. Whatever the source may be, it is up to you to get it corrected promptly, or they will affect your client's credit score and prevent you from obtaining credit.

How to Repair Your Client's Credit

Here is the basic process for repairing your client's credit:

1. Get and review your client's credit report. Have them to go to annualcreditreport.com for a free copy. However, you must get them to purchase their credit score from myFICO.com. This is very important.
2. Analyze their report and determine why the score is low and myFICO will help with this process.
3. Make a list of all items your client considers to be questionable or negative. Clearly identify each item in their report that you are disputing, also explain why you dispute the information,
4. Write a dispute letter to the credit bureaus.
5. Send the letter to the credit bureaus. Make sure you send it registered or certified mail.
6. Document everything. Record when you sent the letters and the results.
7. Wait for the credit bureaus to investigate your claims, usually within 35 days.
8. Analyze the results.
9. Repeat.
10. Implement specialized techniques included in this book if necessary.

Your success in repairing your client's credit is making sure you **do no harm in lowering** their credit score **FIRST!!!** The goal is to raise their score. Now it is important to note that negative items on their credit reports do not necessarily mean that it is affecting their overall credit score. However, yes, negative items play a part, but you must consider all of the factors of how credit scores are calculated before you start repairing your client's credit. We will emphasize credit score awareness throughout this manual. Read that section.

Now when you do find negative items that are affecting your client's credit score, your success in repairing their credit depends on your persistency in

challenging accounts you feel are inaccurate. This is the golden bullet of the credit-repair industry. You also have the federal government on your side protecting you against credit bureau abuse and unfair descriptions of your client's credit rating. The federal law, The Fair Credit Reporting Act, (FCRA) gives very specific procedures by which you can dispute any information in your client's credit report. **To review a copy, go to:**

<http://www.ftc.gov/os/statutes/031224fcra.pdf>

Credit bureaus must follow the law or risk criminal prosecution for willfully ignoring your rights.

Here is a summary of Section 611 of the Fair Credit Reporting Act, "Procedure in Case of Disputed Accuracy":

If you question the accuracy of any item in your client's credit profile, the credit bureau is required to "reinvestigate" (check out) the information and, within a reasonable period of time, send you the results of their investigation. The law is not specific in defining "a reasonable period of time" but to protect you, the law states, the credit bureau must re-investigate the information immediately, unless there is some good reason for the delay; such as, a breakdown of their computer system or some other disaster that may directly affect their normal operations.

The credit bureau has the right not to check out your dispute if they have reason to believe that your dispute is "frivolous or irrelevant." The FCRA has advised credit bureaus not to use this clause as an excuse unless they are prepared to defend themselves in court. We will discuss how to avoid this problem later.

If the information checks out to be in error or can no longer be verified, the credit bureau, by law, must promptly delete the information from its files.

Expect and demand to receive a prompt response from the credit bureau. Allow about 15 to 35 days (depending on whether it is a local or out-of-town company), for them to get back to you with the results of their investigation.

Be careful when disputing Online – It gives you canned responses and can create problems long term! We recommend that you do not use online disputing.

Credit bureaus may be adding a very sneaky clause

It is easy to do and we've all done it: check mark that little box on a web page that says "I have read and agree to the terms and conditions...." without actually reading the terms and conditions.

Experian figured this out and threw in a clause. Essentially, it says if a consumer disputes an item online that is later verified, the consumer waives all rights to dispute that item ever again.

Thus, if any creditor, with or without just cause, simply says "Yes, Mr. Smith owes us," then good ole Mr. Smith is stuck and cannot dispute that item again.

Web-based disputes looked like a great time-saver for both the consumers and the bureaus. But, credit bureaus are resorting to dirty tactics.

This is a critical update: We suggest you use registered mail for all disputes.

Your Client Can Hire an Attorney When All Else Fails

You have rights, and if the credit bureau violates them, hire an attorney who specializes in dealing with credit repair. You'll be surprised at the results. First, do all you can on your own and be polite, but if your rights are violated, hire an attorney. This will usually get the job done.

Sometimes credit bureaus and collection companies try to intimidate the little guy, but when all else fails, obtain an attorney and get the job done.

Action Strategy 1: Credit bureaus have up to 30 days to respond to a dispute and 45 days if you received a FREE annual report. It's OK to call the credit bureau's consumer relations department and ask the clerk how long it will take them to verify inaccurate information that is disputed by consumers. This will give you an idea of when you should follow-up on your dispute with that credit bureau. It will help if you could get the clerk's name to use as ammunition when necessary.

Time frame is a major tool, and the main strategy credit-repair companies depend on to repair negative accounts on client credit reports. The law states that you cannot be victimized by slow and lazy responses to your dispute. This is really where you are protected against careless business practices. As a certified credit consultant, you will find that this works in

your favor because many companies react very slowly or will not take the time to verify the information you are challenging, whether it is true or not, because it is not part of their normal, everyday business procedures. If they do not or cannot verify the negative information, they must delete it permanently from your client's credit report. You got them off completely on a technicality. Although the negative can come back if the credit bureau verifies the information later on, so alert your client to this possibility and advise them to stay on top of this matter. This is call credit suppression.

As a credit-repair consultant you should take advantage of your client's right to question any negative information in their credit report. Never admit guilt and make them prove your client guilty. Keep in mind that, when you have a stubborn creditor, **the final burden of proof is on your client to prove their innocence**. Otherwise, the negative information could remain on file until the statute of limitation, unless you get a ruling from a judge.

If the information is verified, the law gives you one more strategy. You have the right to place in your credit record a brief statement of at least 100 words giving your side of the story from your viewpoint. The credit bureau must include your story in every credit report that is issued.

There are also **statutes of limitation** on how long a credit bureau may report negative information in your client's credit profile.

- ★ Bankruptcies must be removed 10 years from the date filed.
- ★ All other negative items, including wage earner plans, must be removed 7 years from the date filed. However, because they are under Title I, it could be up to 10 years, too.
- ★ Late payments, P&Ls, and repossessions must be removed 7 years from the last date of activity (meaning the last date you made a payment with that company).
- ★ Judgments remain for 7 years or until the state statute of limitations is reached, whichever is longer. It can remain longer than 7 years under federal law or state law, which could be 10 years plus a renewal period of 10 years.

Now that you know what your rights are under the Fair Credit Reporting Act (FCRA), let's review and add a few preliminary steps:

1. You should know which credit bureaus hold a file on your client (it should be all three, but sometimes if the history is very new, it is only one or two).

2. You must get a copy of your client's credit report.
3. You must understand the contents of your client's credit report completely.
4. Write down on a sheet of paper all incorrect personal data listed on your client's report, such as, name, employment, address, previous address, Social Security number, etc.
5. You must also write down all of the negative accounts, such as, Delinquents, Charge-offs, Collections, Repossessions, Etc., and bankruptcies that are listed in your client's credit report.

NOTE: On a bankruptcy, make sure you noticed the closed date of the creditors listed in your client's file. Please understand that just deleting a bankruptcy will not raise their score; it could lower it, especially if it has been over two years. How the creditors under the discharged bankruptcy are currently reporting to the credit bureau, could hurt their score. Make sure they show the correct close date which is the date of filing not the discharged date. This is important since what has happened over the last two years will be a factor. A sample dispute letter is listed in the back, Delinquents, P&Ls, Collections, Repossessions, etc., that are listed in your client's credit report.

6. Write down all of the negative credit inquiries (*negative credit inquiries are companies who denied you credit*).



Note: Any time your client applies for credit with an institution and they pull a credit report, it is automatically recorded in your client's credit report as an inquiry. Too many inquiries can prevent you from obtaining credit because it will lower your client's credit score.

Once you have written down all of the negative marks in your client's credit report, it is time to develop action strategies to have the proper negative marks erased from their file. However, remember that your goal and priority is to increase their credit score. Accounts and inquiries that do not belong to them are easy to remove, especially if you can prove their innocence. Use the sample dispute letter in the appendix in section 5 for a complete format).

The items listed in your client's credit report that are correct may pose a problem for credit repair, but it's not hopeless. Several techniques, along with complete explanations, are listed in the following pages to show you just how to challenge bad credit marks in your client's credit report and, in many cases, to have them successfully removed if they are affecting your client's credit score negatively.

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

Tip

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 book that may go against these methods, but we do not agree or encourage you to use those strategies.

We are instructors and our goal is to show you methods of successful credit-repair companies who challenge everything for their own reason. This is exactly what many of these companies are doing to delete items. We believe that your goal as a certified credit consultant should be to focus on your client's credit score and work to improve this area, rather than just deleting items from their report.

SEC. 404. PROHIBITED PRACTICES.(7)

(a) *In General.* No person may—

(1) make any statement, or counsel or advise any consumer to make any statement, which is untrue or misleading (or which, upon the exercise of reasonable care, should be known by the credit-repair organization, officer, employee, agent, or other person to be untrue or misleading) with respect to any consumer's creditworthiness, credit standing, or credit capacity to—

(A) any consumer-reporting agency (as defined in section 603(f) of this Act);(8) or

(B) any person—

(i) who has extended credit to the consumer; or

(ii) to whom the consumer has applied or is applying for an extension of credit;

(2) make any statement, or counsel or advise any consumer to make any statement, the intended effect of which is to alter the consumer's identification to prevent the display of the consumer's credit record, history, or rating for the purpose of concealing adverse information that is accurate and not obsolete to—

(A) any consumer-reporting agency;

Tip

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!!!

Tip

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.

Tip

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.



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 where 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.

Tip **Action Strategy 4:** Another of interest is called **"The I'm Wondering Why" or "I'm Concerned" Dispute**. These disputes are applicable to any situation and are used as follows:

Dispute: *"I'm wondering why this company is reporting me as a delinquent customer. Please remove at once!" or "I am very concerned that this company is showing me late. Please delete this entry at once."*

The only thing you are saying is that you are concerned or wondering why and nothing more, just to get the wheels of investigation rolling. (See sample letters in the appendix in section 5.)

Incorrect payment history

Many times the company will report that you were late 30 days or more, but you know that you were late 60 days or more. Well, you are aware that you were late, but not 30 days late (it was 60 days but you are not going to volunteer this information). What was used in the past before the law changed was this dispute: *"I was never 30 days late,"* the goal was to encourage the credit bureau to investigate your request and it is not verified.

Charged-off accounts

When your client still owes a company money over a period of time, they usually will write them off their books as a bad debt expense. This account will appear as a Charged-off account.

It is very difficult to have these accounts removed from your client's credit report. What was done in the past was to look on your credit report and take notice of the last date this company reported your client to the credit bureau. If the lender has reported to the bureau within the last twelve months, your best bet is to deal directly with that company and negotiate some type of settlement. See the sample letter of negotiation in the appendix (section 5). However, if the company reported you years ago, you might have a good chance of getting the account removed.



Warning: If these companies have stopped contacting your client because they have moved or evaded them. Sometimes they will start back trying to collect the money owed when you dispute the account with the credit bureau. The credit bureau will give this company your present address and other information because they all work together. Be prepared to alert your client that they may need to settle their debt with that company.

Dispute: *"Don't know anything about this P&L" or "I paid this company as arranged."*

Charged-off accounts over two years' old

Accounts charged off recently are difficult to remove. However, after two years, it should **not** really hurt your client's credit score anymore. Therefore, you can leave them on the file. However, what was done in the past was to try the dispute given above, hoping the company will not re-verify the information you are challenging. In this case, dispute only one Paid P&L Account at a time, putting at least two (2) to three (3) months between cycles.

Collection accounts

It is important to know how collections agencies think regarding accounts. They hate when an account is disputed so BEFORE you dispute them, take note of a different strategy. If you have never heard from this collection account before, it can benefit you greatly if you DO NOT dispute the account without reaching out to them first. Here is why.

Say you have a medical collection account and it is \$300. If you haven't heard from the collection company before and it is paid off, they will remove it from your account if they have not spoken to you before. Therefore, pay them off and they will send a letter to remove the account from the credit bureaus.

If you already paid it off, all you have to do is find out the collection agency inquiry department fax number or mailing address. Send them a letter stating that you never knew anything about the account and paid it off in full and request if they can send a letter to remove it since you never was aware of the account. We have seen them remove this 98% of the time when it was done directly with them instead of the credit bureau.

Now here is what you should consider:

- How much is the collection?
- How old is the collection? If it is three years old or less, they will start back collecting once the account is disputed. Often time they will become even more aggressive from a disputed account.
- Was the collection paid already?
- Have the client had any previous contact with the collection agency.

Therefore here is the strategy:

Collection accounts work best when they are settled and paid off in full to have it removed. Not just disputing the account.

If the collection company is very small, they may not respond and you could get the account removed if it is over 3 years but is often it will come right back if they are placed with a pending response status with the credit bureau. Or the collection company will replace the entry on to the credit report. Many large collection companies have their response computerized to e-Oscar and they will respond every time.

Most collection agency will NOT remove an account that is not paid in full or less than 20% of the original amount. Therefore collection accounts have become more difficult to remove on a technical unless you can discover a violation on their part. Negotiate if the client is able.

Therefore if your client can afford to pay it off, it is best to settle before thinking about disputing. Disputing can hurt the process. But if you need to dispute a collection account, here is your dispute.

Dispute: *"I never had a collection account..."*

Bankruptcies

Most bankruptcies are being reported inaccurately. Your client is entitled to have this item investigated. If the credit bureau is unable to verify the inaccuracy within a reasonable period of time, the entire bankruptcy must be removed from your client's credit report. In the past, many have flatly denied ever filing bankruptcy and have been very successful in removing the item.

Dispute: *"I never filed for bankruptcy—Please remove at once!"*

This dispute also applies to Judgments, Liens, Chapter 13 arrangements, (wage earner), and repossessions.

Don't dispute a wage earner, judgment, or any public record if your client is currently making payment on that account. If you do, your client will be dealing with two sources that can verify the negative information, instead of one. Although they are making payments on the account, the judgment will continue to show that they still owe the company who filed the suit. Don't make a big scene about the way this item is currently being reported. You may defeat the purpose of the credit-repair process by admitting guilt before the information can be verified. Have your client be patient and pay the account off. Work with the client to add new credit to their file and increase their score because it won't matter within two years.



Important Notice: *Your client's wage-earner plan (chapter 13) **must be dismissed or discharged** before you start disputing. Additionally, if their wage earner plan was dismissed, or they stop making payments for some reason or another, proceed with **CAUTION**. Your client's creditors may come back and attempt to collect their money (as mentioned in the section on P&Ls), and cause problems for them. Unless your client is willing to pay the old debts, you must be careful in your attempt to have a wage earner plan removed from your client's credit report.*

Judgments

A judgment is a **public record (PR)** and a PR cannot be directly removed by the company who filed a suit against you; it will only come off if it's not be verified. If you wait approximately three (3) months after you have paid the company, the judgment may come off your client's credit report on a technicality because the court clerk that day may not verify your challenge.

Court clerks hate to go through old records; they are usually over worked and under paid, also busy processing new records.

Inquiries

Dispute: *"I never authorized this company to check my credit rating; please remove immediately."*



Action Strategy 5: Be persistent in disputing and do not settle for anything but the best possible response. Sometimes the credit bureau will send your client a letter stating that they checked directly with the source of your dispute or you will receive an updated copy of your client's credit report with no changes.

Don't stop there and give up. Repeat the process over and over again. There are several reasons why you must repeat the credit-repair process. Many times the credit bureau will not really investigate your request, but will respond as if they did; this is to weed out those explorers who do not know what they are doing and easily persuade them to discontinue disputing, or if the credit bureau did investigate your request and the company responded, your second dispute letter will be investigated again and the company may not respond thinking they had already responded to the previous credit bureau's investigation. This is how many credit-repair companies play the credit game of beating the system into technically removing bad credit marks.



Action Strategy 6: When you are disputing items on your client's credit profile, never say more in your letter than necessary.

"What is not necessary?" Saying things that do not apply to the situation, admitting guilt, helping the credit bureau with the investigation, example: "I never owed this company \$200, I owed them \$100.00." You just helped the credit bureau by admitting that you owe money. Say instead, "I never owed this company \$200." Then it is up to the credit bureau to investigate this claim and the probability of the items coming off your client's credit report is excellent.

Remember, you have the right to challenge any items you feel are not accurate. Getting the wheels of investigation rolling is what the credit-repair game is all about.



Action Strategy 7: Use the threat of small claims court to resolve credit disputes.

If you have followed these instructions for your client and can't seem to get a creditor to supply correct information to the credit bureau, your client will need to take them to court. In most states, you can file a suit claiming damages from the inaccurate information listed in your client's credit report. You can file a small-claims suit for a small fee and without an attorney. Nine times out of ten, you may never have to go to court, since it would be less expensive for the creditor to straighten out the error than to pay an attorney to represent them. When filing suit, name the creditor and the credit bureau. You must show damages and have proof of your innocence.



Action Strategy 8: After disputing accounts at least three (3) times, you have the right to place an explanation on your client's credit report giving their side of the story. Use the sample consumer statement letter in the appendix (section 5) as your guide when preparing explanations. However, it doesn't help; it's about the credit score.

We have covered all of the basic steps of credit repair.

Finally, on the next page, there are action strategies that will show you how to smoothly implement the credit-repair process.

Forced Verification



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.

Here is the concept:

- You can contact the original creditor and most of the time the account has been turned over to a third party collector. You should ask them for the record.
- If they say that they do not have the record, get that person's name and direct phone line.
- If they do have the records, you can demand a copy under the FACTA act.
- If the records are sent, you can review a copy, checking for errors or problems. If the records are not conclusive, process to the next step.
- If the original creditor has no records:
- Call or write the credit bureau back and tell them that the original creditor has no records of the account.
- Next request that they open another dispute with this new information; you will be including the name and number of the person you spoke with at the creditor's office.
- If the credit bureau refuses, inform them that you have the right to sue for willful non-compliance under section FCRA § 616.
- Here is where it becomes tricky. If they still refuse, you can send an Intent to Sue letter. Keep in mind that it is a crime to threaten suit with no intention of doing so; you must be willing to take this action.
- Where there is a new investigation, the credit bureau has 30 days to get back to you.

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.

2. Keep a file of all copies of correspondence you send to and receive from the credit bureau and creditors.
3. When you receive your updated credit report from the credit bureau, compare the results with the initial report. Repeat the credit-repair process if necessary.
4. Never use foul language or make threats to the credit bureau or creditors.
5. When phoning the credit bureau never discuss your personal situation with them on the phone. Ask questions concerning your client's credit report that you do not understand and say nothing more. Oral communication is no good; written communication is the only way you can get results.
6. Add positive credit data to your client's credit profile. You will be shocked when you see that many of your client's creditors are missing from your client's credit report. They have the right to have all of the positive data added to their credit report, e.g. their local grocery store, cleaners, and any place of business that grants them credit. Do not supply any negative credit data. Write the credit bureau and give them a list of all charge accounts, credit cards, loans, etc., that the client has kept current and their account numbers. Also, you can have accounts the client has paid in full added to your client's credit report. The credit bureau may charge a nominal fee for this service; call them for details.
7. You can add your side of the story if some negative items remain in your client's credit report. You have the right to add up to 100 words presenting your side of the story, (a sample letter is listed in the appendix in section 5).
8. If you are a woman, you have the right to receive the same good credit rating as your current or former spouse.
9. Do not apply for credit while disputing accounts in your client's credit report. You don't want to arouse suspicion by applying for credit when you know that accounts are in the process of being investigated.
10. If your client has used a credit-repair company to restore their credit, and they were unsuccessful, it is a good idea to wait two to four months before you start the credit-repair process. Give the credit bureau time to shred all of the dispute letters the credit-repair company submitted. We are making this suggestion in the interest of consistency; the credit-repair company has its style for repairing credit and you'll have your own; it is important to be consistent in your disputing.

11. If you feel a credit bureau has violated your rights, file a formal written complaint to The Federal Trade Commission (FTC). The Fair Credit Reporting Act is enforced by this agency. Write or call their National Headquarters: Federal Trade Commission, 6th Street & Pennsylvania Ave. NW, Washington, D.C. 20580.



Important Notice: Credit repair is designed for individuals who had past problems but are currently on their feet financially. If your client is currently experiencing problems paying bills, the credit-repair process will not work. The client must be totally caught up on all bills and have made at least three (3) payments on time before you can start repairing your client's credit report. **Use the sample letters on negotiation to assist you in settling debts with your client's creditors.**

Case Laws

You have case law in your hand that states that the Original Creditor (OC) can be held liable for reporting inaccurate information (**Richardson vs. Fleet, Nelson vs. Chase Manhattan**), the FACTA legislation allows consumers to go directly to the original creditor and dispute the furnisher of the information to the credit bureaus as stated in the FCRA.

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. See <http://www.credithelpdesk.org> for updated information.**

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.

Advise your client to prepare a Motion to Vacate Judgment

Here are a few links to assist:

<http://www.lawhelp.org/documents/1592716314.pdf?stateabbrev=/WA/>

http://www.law.cornell.edu/topics/state_statutes.html

To vacate a judgment, your client must prepare a Motion and Declaration to Vacate Judgment and an Order to Show Cause.

Motion and Declaration to Vacate Judgment

A sample document can be found here:

<http://www.lawhelp.org/documents/1404119936EN.pdf?stateabbrev=/WA/>

This document tells the court why the judgment against you should be vacated. Check with your local state for the proper procedure.

Resource Site

We at CCA believe in sharing information to make you a better consultant. We found an excellent **FREE online credit-repair source** that you can use to assist your clients. It is updated regularly. The site is

<http://www.creditinfocenter.com/repair/>

There you will find outstanding credit-repair tips that are also free to the public, but can be used by consultants also to keep track of new findings as we are here at CCA. Our goal is to provide you with sources to keep you informed and this site can help. For those of you who are new to credit repair, they have a basic video on the credit-repair process and a case study.

Please note that they are based on consumers, and their business model appears to be providing consumers a way to wipe out the credit-repair agency. Therefore, this is your competition as a consultant. However, a good source to point consumers to who choose to do it themselves after they pay you for a consultant meeting. This can be a win-win for your company. You will provide the client the initial analysis, get paid, and point them to a source to do it themselves.

Their information must be applied according to the rules, and combining information will prepare you to be an outstanding consultant. Most of the information, as with other great credit-repair training sources, can be redundant. It is just that you will find, maybe, one or two additional tips applicable to your situation. We recommend that you study this manual and

then go there to get a different feel for the system. This is great for newbies!!!!

Just understand that we provide you with information from the perspective of a credit-repair business and the two approaches can conflict, but the process is the same for an individual client.

Section Two

Establish & Re-establish Credit

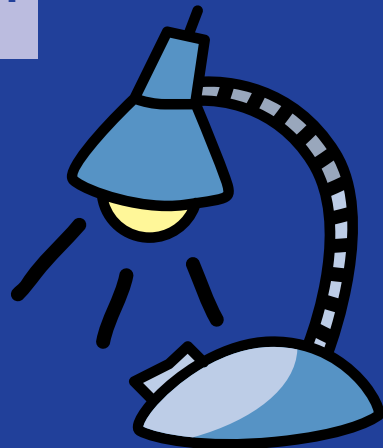
"Help your client establish credit with information and time"



Certified Credit

Consultant

Manual



Improving Your Client's Credit by Adding Good Credit

Increasing your client credit score consists of three phases: (1) removing the negative listings from your client's credit report, (2) adding new, positive listings, and (3) adjusting your client's credit balances.

It is important to note that your clients may be able to obtain much of the credit they need even without repairing their credit report. The key is how much this credit will cost. Their credit score will determine this matter.

Most home-loan guidelines (including FHA guidelines) require that the lender must not have any negative credit appearing within the last two years. This means no late pays within the last two years and all collections, liens or judgments have been paid more than two years ago. Even if with some bad credit in the last two years, your client can often find a mortgage, but must have a larger down payment and will pay much higher interest rates. With good income, a reasonable debt-to-income ratio, and a down payment, your client can get a loan.

Automotive financing will typically allow some negative credit before credit repair, but with less than optimal terms. If there are a few late pays, you may pay a little more in interest (but it adds up fast, to be sure.) If you have truly awful credit, you may still get an auto loan, but at very high rates (but you should definitely repair your client's credit in the meantime.)

Standard-rate credit cards seem to be the most difficult when it comes to credit that still needs credit repair. Most standard-rate cards will reject you immediately for any negative credit whatsoever. Yet, there are many credit card companies that work with bad credit and help you to repair your client's credit. Some require deposits and others require a significant annual fee. Most have low credit limits.

So, once your client's credit repair is underway, you can turn attention to adding positive credit. You may have to accept some of these less-than-standard credit options while you repair your client's credit. But, a word to the wise, there are many credit repair scams out there that prey upon the credit distressed.

Even your local auto dealership may take advantage of your vulnerable position and your desire to repair your client's credit. Many phony credit card offers exist that allow you a card, but one that is only good for the company's limited line of merchandise.

Maybe you've recently finished repairing your client's credit or maybe you're young and haven't used credit yet. In either case, here are a few tricks to credit repair and building a positive credit history quickly and cheaply. Most

times you start building some good credit in just a couple of weeks. But, beware, if you stack too many open accounts, or too many credit inquiries, you will be denied based on debt-to-income ratio and excessive credit inquiries.

The Main Steps to Establishing Credit

Please keep in mind that it's all about the credit score; a good one will determine if you can get that loan or credit card. Credit bureaus only judge you for what have done recently, within the last two years. What happened in the past is mainly in the past, but can hurt your overall score.



The fastest way to rebuild your credit is to get a **bank loan secured by a CD**. Yes, your client will need cash for this, however they can increase their credit score by 20-100 points with these types of loans.

Certificate-of-deposit (CD) secured loans are taken out at the bank where you hold the CD. Since you can't cash in the CD without the bank knowing about it, it is perfect collateral for the loan. So if you already have the deposits, you should talk to that bank about a CD-secured loan. The lender will typically make a loan for up to ninety (90) percent to one hundred (100) percent of the value of the deposit and the loan term will be for no longer than the term of the CD, although both may be renewed/rolled over.

The financial institutions may not require any payments on the loan until maturity, giving you maximum flexibility. Others may bill it as an interest-only loan until its maturity date. In general, these loans are priced two (2) percent to three (3) percent over the rate that you are earning on your CD. It is best to go to three (3) separate banks and repeat this process for optimum results. This approach works perfectly to increase a credit score fast!!

However, with a CD you must still look at the cost of paying off the loan. It will cost two (2) percent to three (3) percent more on the loan than you are earning on your deposit.

Your only goal is to increase your credit; and, yes, you are paying for this. For an optimum credit score, you will need a \$1,000 secured loan. Therefore, your deposit should be about 1,130.00.

To rebuild your client's credit totally, with great roots or accounts over five (5) years can take five (5) years. This doesn't mean that you can't get a great mortgage or loan with about two years of bad credit, but to make your credit life much easier.

If you are rebuilding your client's credit after bankruptcy or a negative paying history, you can take the steps listed below.

First, note that, since credit bureaus rate what you have done recently, it is important to add new credit.

Do not; we repeat, DO NOT go into credit shock after you have gone thru a bankruptcy or bad credit-paying history. If you shut down and do not add good credit or do not and just pay cash, it will still hurt you two years later. Therefore, after devastating credit problems, take massive action to start rebuilding your client's credit instantly.



Get a Subprime Merchandise Card

The single-most cost effective and powerful tool for consumers to increase their high-credit limit and decrease their debt-to-credit ratio is the use of subprime merchandise credit cards. These types of cards report to one or more of the major credit bureaus.

To their dismay, despite their immense benefits, these are the most misunderstood cards in the credit industry. A large portion of the misunderstanding is due mostly to marketers misrepresenting the cards and the growing number of companies promoting them. When you learn how they work, you will quickly understand why they have been the subject of much misrepresentation.

A Subprime merchandise card is nothing more than a card attached to a line of credit which allows you to buy merchandise from a specific vendor (more than likely the company that sold you the card). The merchandise will be purchased through a catalog or online mall.

Where the problem arises is that the cards are marketed almost exclusively to the subprime market via email, telemarketing and direct mail, etc. The reason for this is they can advertise almost irresistible offers like "\$5,000 Credit Card GUARANTEED! No Credit Check! NO Cosigner! You cannot be turned down!" or "Unsecured \$10,000 Credit Line! Everyone Approved!" You get the idea.

While there are many companies which do this and aren't necessarily on the "up and up," there are a few which do it legitimately and it's the best-kept secret to build your client's credit and build it fast.

Here's how it works. The company approves anyone with a pulse (literally) and gives them a card for \$2,500 to \$12,500 with NO credit check and NO cosigner. However, the card is only good for merchandise through their

website or catalogs and the consumer is required to put down a deposit on whatever they purchase. After the deposit is paid, the remaining balance is financed on the card.

For example, a person buys \$1,500 worth of merchandise. Their deposit is \$500 so they then finance \$1000 on their merchandise card and make payments. Sound like a scam? If you say "Yes," like most people, then you're missing the point—big time.

With a legitimate subprime merchandise card your client's credit line WILL be reported to at least one major credit bureau or even more. This means if you get a \$5,000 card and you finance \$1,000, on your client's credit report it will look like any other credit card and will do three extremely important things for you:

1. It will increase your current "High Credit Limit" by \$5,000 almost overnight as the account "looks" like any other unsecured revolving account.
2. Carrying a small outstanding balance will have a positive impact on your client's credit report by building and showing potential lenders your client's creditworthiness.
3. With a good payment history you are virtually guaranteed to receive "legitimate" pre-approved credit offers in the future due to other lenders renting your name from the credit bureaus.

This technique is hard to beat for both cost and effectiveness. Of course, the whole key is knowing exactly which cards report to the credit bureaus and offer the best rates.

Benefits of using a merchandise credit card

- No employment verifications
- No credit checks
- Monthly credit limit increases for those who qualify
- Reports to a major credit bureau
- Excellent for increasing your client's credit score
- Great for establishing credit (PLEASE NOTE: Only some cards offer these services.

If your client is new to credit and wonders how to get started, there are **five main steps you can use to establish your client's credit.**

1. Open a checking account

If you don't have a checking account, potential lenders become very skeptical about the way you handle your financial affairs. Many people do not have a checking account simply because they can't conceive the idea of paying service charges and trusting someone else to store their money.

Let's face the truth, having a checking account says a lot about the way you handle money; it gives you a credential. Although most lenders never bother to check, just having a source where potential lenders can check to verify your financial position gives you a lot of credibility with that institution.

2. Open a savings account

When potential lenders see a savings account on your client's credit application, it gives them a good feeling concerning the way you handle your financial affairs, regardless how small an amount you have in your account. Always show a savings account on your client's credit application.

3. Open a charge account with a department store

These accounts are usually the easiest to get when you are new to credit. Try talking to a credit manager before applying for a department store card to find out your chances of getting the card. You must remember when trying to establish credit not to apply for several companies at one time. If you are turned down, a negative inquiry will be listed in your client's credit report. The very first time you apply for credit to lenders who are members of the credit bureau, the information on your application is given to the credit bureau and a credit file will automatically be established in your name. This is the humble beginning of your client's credit report. Protect It!

4. Try getting a loan from a finance company

Finance companies are usually more receptive to individuals who are just getting started in credit. Most of these institutions have built their business on newcomers to the credit world. The interest rate is a lot higher than a bank, but your chances of getting started are greater. It seems that every lender wants you to already have credit, but no one wants to be first. Be sure you talk with a banker first to see your chances of getting a loan from their bank before applying to a finance company.

5. Find a co-signer

Try to get your parents to co-sign a loan for you. **See Action Strategy 9** for more information.

Once you are authentically born into the credit world, it is your responsibility to protect it for life. It can and will be your most prized possession.

Build Your Client's Credit Using Current Bills.

Pay Rent, Build Credit, Inc. (PRBC) connects people who lack a traditional credit history with lenders who want to reach them. They document and verify rental, utility, phone, and other recurring payments that aren't reported to other credit bureaus.

<http://prbc.com/>

PRBC is an FCRA-compliant credit repository that enables consumers and small business owners to build a credit file and credit score based on their history of making rent and other recurring bill payments that can be used to demonstrate creditworthiness when applying for housing, credit, insurance, and employment.

What to Do If You Are Turned Down

If you are turned down for credit, find out why immediately. Often, it could be that the lending institution was strict in its policies and required a high scoring on the point system.

Whatever the reason may be, you have the right to have the rejecting company explain why you were turned down. Most rejection letters list a telephone number where you could call for an explanation, some require that you write. Rejected applicants rarely call or write the company to find out why they were turned down because of a natural human reaction called "intimidation." Most people are reluctant to discuss their rejection to anyone, especially over the phone. When they do call, it is usually to shout, use profanity, and verbally abuse the poor clerk on the other end who is only doing his or her job. This is obviously, a poor technique to use when trying to get results. (A sample letter is provided in the appendix in section 5.)

Having a pleasant attitude with a clerk of a rejecting company can do wonders. Let's assume you were turned down for a credit card. When calling the company, assure the clerk that you are not calling to yell at them or to use profanity; this will remove their defensive attitude. I'm sure you can imagine how your attitude would be after receiving hundreds of irritated phone calls a day. It can make anyone defensive.

Explain that you are calling because you are concerned about why you were turned down for credit and are willing to rectify any perceived weakness they see in order to have the pleasure of carrying their credit card. You might be surprised! The clerks in this position will be so grateful that you are not shouting at them for doing their job that they might go out of their way to have your application reviewed and issue the credit card, or give you a complete explanation of what was wrong so that you won't repeat the same mistake again. Rejections are good if you learn from them.



Action Strategy 9: Use a co-signer to assist you in establishing or reestablishing credit. Parents, friends, relatives with a good credit rating can help you to obtain credit in cases where you might be rejected. Be sure to make all of your payments on time, or your client's credit rating as well as the co-signer's will suffer.

Many people are very skeptical about co-signing for someone else due to the risk involved. Therefore, it is imperative that you assure the co-signer of your intentions. It will be a good idea to offer the cosigner some type of consideration for letting you use their credit rating.

Secured Credit Cards

When past credit rating is haunting you, it is best to create good credit to offset the bad. The goal is to establish new credit sources as quickly as possible and bury the bad among the good.

The best and easiest way to establish or re-establish your client's credit is through a secured credit card program. Many banks offer a secured MasterCard or Visa credit card to applicants regardless of past credit history. Applicants can qualify even if they never had credit before. You can obtain the card directly from the bank or through one of their agents for a transaction fee of about \$35.00, which is well worth it.

This is how the secured credit card program works: Applicants will open a savings account and deposit \$250 to \$500 with the bank that is issuing the credit card. The amount that is deposited will be slightly less or equal to the line of credit you will receive on the credit card and you can increase your limit as you wish, usually not exceeding \$2,500.

The funds you deposit are receiving interest and are usually frozen for up to twelve (12) months with some banks. If you make regular timely payments for six (6) to twelve (12) months, your money will be released with interest and you can have your client's credit card without the security requirement or, to phrase it better, unsecured with a personal line of credit.



Action Strategy 10: Once you receive your secured credit card, use it. Never go over the credit limit and never pay the balance off in full each month. Remember the utilization rate? Use that formula.

Many people get a secured MasterCard or Visa and pay the balance in full each month thinking they're impressing the bank, only to find months down the road that the bank would not release their security deposit or give them an unsecured credit card. Please understand that your objective is to prove that you are a creditworthy person. There is only one way the bank can determine if you are worthy of credit and that is how well you make regular and timely payments. You must incur a debt with the bank in order to make payments. The interest you are paying is well worth the positive credit rating you will be receiving from the bank.

Listed below are companies you can contact for a secured card. Call these institutions and find out their minimum amount of deposit, what line of credit you will have, the annual fee, application fee, and the finance charge.

Secured credit card companies

(see members link: www.creditbible.com/members)

1	Orchard Bank MasterCard®				
	 • Set your own credit limit * • Free online 24-hour account access and bill pay * • Complete your application (including your security deposit) online * • Reports to 3 credit bureaus, which can help improve your client's credit score* • http://www.orchardbank.com/ 				
	Intro APR	Intro Period	Regular APR	Rewards	Credit Needed
	N/A*	N/A*	8.15% + Prime*	None*	Bad Credit OK*

2	New Millennium Bank Platinum Visa® and MasterCard®				
	 • You're approved for a secured card with a credit limit of \$10,000 * • Nobody gets turned down * • No credit check - ever * • Reports to 3 major credit bureaus * • http://www.nmbplatinumcards.com/ 				
	Intro APR	Intro Period	Regular APR	Rewards	Credit Needed
	N/A*	N/A*	19.5%*	Travel*	No Credit Check*

3	New Millennium Bank Secured Gold Visa® or Mastercard®				
	 • Approved regardless of credit history * • Credit limits up to \$10,000 * • Reports to all 3 bureaus * • No credit check * • http://nmbgoldcards.com/ 				
	Intro APR	Intro Period	Regular APR	Rewards	Credit Needed
	N/A*	N/A*	19.5%*	Travel*	No Credit Check*

4	First PREMIER Bank MasterCard®				

	 • You may qualify for a secured or unsecured card * • Low APR on purchases * • Quality customer service * • A credit card for those with less-than-perfect credit * • http://www.premiercreditcardsf.com 				
	Intro APR	Intro Period	Regular APR	Rewards	Credit Needed
	N/A*	N/A*	N/A*	None*	Bad Credit OK*

5	Centennial® MasterCard®				
	  - Get an instant approval decision * - Over 3 million credit card holders * - Quality customer service * - Reports monthly to 4 major credit bureaus * Click here for details and application. 				
	Intro APR	Intro Period	Regular APR	Rewards	Credit Needed
	N/A*	N/A*	N/A*	None*	Bad Credit OK*

More Secure Credit Card Companies

Creditor/Location/Phone	APR	Grace Period	Annual Fee	Deposit
Amalgamated Bank of Chicago MasterCard (800) 723-0300	15.75 0%	25 days	\$50.00	\$500 to \$5,000
American Pacific Bank Aumsville, OR Visa (800) 610-1201	17.40 %	25 days	\$25.00/u p	\$400 to \$15,000
Associates National Bank (Delaware) Wilmington, DE Visa (800) 533-5600	17.80 %	25 days	\$35.00	\$300 to \$5,000
Bank One Tempe, AZ MasterCard/Visa (800) 544-4110	19.99 %	25 days	\$25.00	\$250 to \$5,000
Capital One Richmond, VA Visa/Mastercard (888) 270-4298	19.80 %	25 days	\$29.00	\$99 to \$199
Chase Manhattan Bank USA Wilmington, DE MasterCard (800) 482-4273	19.15 %	25 days	\$20.00	\$300 to \$5,000
First NatlBank Brookings, SD MasterCard/Visa (800) 658-3660	19.80 %	Only 5 days	\$60.00	\$250 to \$5,000
First Premier Bank Sioux Falls, SD MasterCard/Visa (800) 987-5521	18.90 %	No grace	\$45.00	\$200 to \$10,000
Sterling Bank & Trust Southfield, MI MasterCard/Visa (800) 767-0923	19.9%	25 days	\$19.00/u p	\$200 to \$5,000

Establishing Credit for Kids

Using the secured bank loan approach is the best way to establish credit you're your kids who are over age 18. You used to just simply add them to your credit card, but this hole has closed.

Another approach you can take to help establish credit for your teenager is to put purchases you make on credit, such as a washer and dryer or television, in the child's name with you acting as a cosigner. Make the payments yourself, therefore giving the teenager a positive credit rating for a household purchase.

Bad Credit Personal Loans

<http://www.completeloansource.com/bad-credit-personal-loans/>

Obtaining a Checking Account without a Credit Check ChexSystems

U.S. banks and credit unions report incidents to ChexSystems to protect themselves and other banks in the future. You get reported to ChexSystems if your account is closed for "cause." What is "for cause?" Banks differ greatly between them as to what valid reasons are for closing an account. Here are some examples:

- The bank was unable to collect for an overdraft, ATM transaction, or automatic payment which they honored on insufficient funds. (Regardless of amount, and often without waiting more than a few days!)
- Multiple overdrafts
- Savings account, debit card, or ATM abuse
- Fraud
- Providing false information in opening account

Each incident stays on your record with ChexSystems for FIVE full years from the date the incident was reported.

Getting an incident reported to ChexSystems will destroy your financial future. Most banks now say: "Our bank policy is that we will not open a

checking account for you if you have one or more incidents reported to ChexSystems." This is Scary!

For more details about this system and what to do if you get reported, check out these excellent resources:

ChexSystems

12005 Ford Road, Suite 600
Dallas, TX 75234-7253
Fax: (972) 241-4772*

Instructions can be heard by calling:

(800) 428-9623* or
(972) 280-8585*

Customer service:

(800) 513-7125*, Option 1 for English,
then Option 5 for customer service.

Non Chexsystems banks

Want to find a non ChexSystems bank? Here are some free resources (yeah, they're REALLY free). However, bank policy changes ALL of the time, so you should **call these banks first** to see what their current policy is.

<http://www.cardreport.com/dirs/non-chexsystems-banks.html>

<http://chexsys.tripod.com/goodbanks.html>

Here's a good forum <http://chexvictims.com/cs/> for people trying to find a good bank or learn how to get out of CheckSystems.

Chexsystems for members (like banks)

Banks and credit unions can call (800) 328-5120* or (800) 328-5122* to reach ChexSystems' Inquiry Department. At this number, your banker (but not you) can obtain the details in your record immediately.

Strategy #1: Your banker can call this number to get all the information in your files and according to FCRA Section 607 (c) regulations; ChexSystems cannot discourage your banker from relaying that information to you.

Strategy #2 ChexSystems now offers a customer service number, (800) 513-7125, for consumers to reach a human there. If the wait time on hold at that number is too long, and you REALLY want to speak to a human, sometimes you can ask for a supervisor at either of these 800 numbers and perhaps someone may be able to talk with you. Additionally, you can try calling (972) 247-5100, and press "0". Tiffany Haley is an employee who handles consumer complaints, and she can be reached at (972) 247-5100, extension 8014. Her supervisor's name is Janette Roman. Nelly Kennedy is the manager of consumer relations. Or else, try (972) 280-8580, then press the # key, and enter random three digit extensions until you find someone on the inside at ChexSystems who will take your call. Either you will find someone this way, or after the third attempt, your call will get forwarded to a human.

Section Three

MONEY, MORTGAGES & BANKRUPTCY

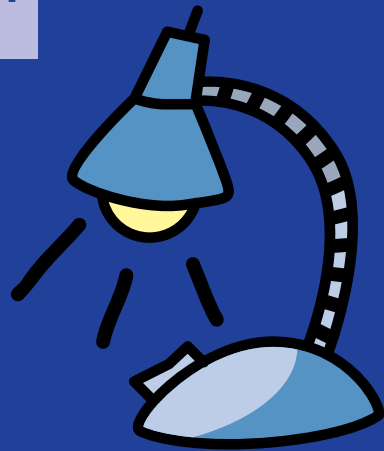
"Assist your client with their financial affairs"



Certified Credit

Consultant

Manual



All about Mortgages

SEE 1/10/14 changes—What here needs updating?

Buying a House: Top 10 Mistakes

For most people, a home is the biggest investment they will ever make. However, few people do the research necessary to make a good buying decision. The home-purchase process is extremely confusing for most people. With a little bit of homework though, and some advice from family and friends who have been through the process before, you can make this a little easier on yourself. There is no substitute for taking the time to educate yourself before you buy a house, which typically costs you 25 to 40 percent of your gross income!

1. Looking for a house without getting pre-approved.

Do not confuse pre-approval with pre-qualification. During the pre-qualification process, a loan officer asks you a few questions and then hands you a pre-qualified letter. The pre-approval process is much more complete.

During pre-approval, the mortgage company does the same work as for full approval, except for the appraisal and title search. Once you are pre-approved, you become like a CASH BUYER and have more negotiating clout with the seller. In some cases (especially in multiple-offer situations), being pre-approved can make the difference between buying a home and not buying a home. In other instances, homebuyers can save thousands of dollars as a result of being in a better negotiating situation.

Most good Realtors will not show you homes until you are pre-approved because they do not want to waste your time, their time, and the seller's time. Many mortgage companies will pre-approve you at little or no cost. They typically will need to check your client's credit and verify your income and assets.

2. Making verbal agreements!

If an agent tries to make you sign a written document that is contrary to his/her verbal commitments, don't do it! For example: if the agent says that the washer will come with the house, but the contract says that it will not—the written contract will override the verbal contract. In fact, written contracts almost always override verbal contracts. Buying a

house is a very complex process, but it's a lot easier when everything is in writing.

3. Choosing a lender just because she/he has the lowest rate.

Not getting a written good-faith estimate.

While rate is important, you have to look at the overall cost of your loan. This includes looking at the APR, the loan fees, as well as the discount and origination points. Some lenders include origination points in their **quoted points, while other lenders add an origination point in addition to their** quoted points. So when one lender says two (2) points, it means two (2) points; whereas another lender means two (2) points plus one (1) origination point, i.e. three (3) points.

The cost of the mortgage, however, cannot be your only criteria. There is no substitute for asking family and friends for referrals and for interviewing prospective mortgage companies. You must also feel comfortable that the loan officer you are dealing with is committed to your best interests and will deliver what he/she promises. Often, the company that has the absolute lowest quoted rate may not be the best company for your mortgage business.

4. Choosing a lender just because your realtor recommends it.

Your realtor is not a financial expert. They may not know what the best loan is for you. The realtor only gets a commission when your house closes. As a result, the realtor may refer you to a lender that is sure to close the loan, but not necessarily the lender that has favorable rates or fees. Also, many realtors refer you to their friends in the loan business—who again may not be able to get the best loan for you. Even if the realtor is very professional and looking out for your best interest, you should still do homework on your own.

We recommend shopping for a loan with at least three (3) mortgage companies before making a decision. There are countless stories of consumers who wind up paying higher rates or getting a loan program that was not right for them because they blindly followed their realtor's advice.

5. Not getting a rate lock in writing.

When a mortgage company tells you they have locked your rate, get a written statement that details the interest rate, the length of the rate lock, and details about the program.

6. **Using a dual agent** (an agent who represents the buyer and the seller on the same transaction):

Buyers and sellers have opposing interests. In most normal situations, dual agents cannot be fair to both the buyer and seller, and they represent sellers more strongly than buyers. If you are a buyer, it is much better to have your own agent who will be on your side. The only time you should even consider a dual agent is when you get a price break from using a dual agent. If that is the case, then tread carefully and do your homework!

7. **Buying a house without a professional inspection.** Taking the seller's word that they have made repairs.

Unless you are buying a new house with warranties on most equipment, it is highly recommended that you get a property inspection, a roof inspection and a termite inspection. This way, you will know what you are buying. Inspection reports are great negotiating tools when it comes to asking the seller to make repairs. If a professional home inspector states that certain repairs need to be done, the seller is more likely to agree to do them.

If the seller agrees to do the repairs, have your inspector verify that they are done prior to close of escrow. Do not assume that everything has been done the way it was promised.

8. **Not shopping for home insurance until you are ready to close.**

Start shopping for insurance as soon as you have an accepted offer. Many buyers wait until the last minute to get insurance, but then they have no time left to shop around.

9. **Do Not Sign unread documents!**

Do not sign documents in a hurry. Whenever possible, try to get documents that you will be signing ahead of time so you can review them. It is advisable to ask for a copy of all loan papers you are signing a few days ahead of the close of escrow. This way you can review them and get your questions answered. Do not expect to read all the documents during the closing. There is rarely ever enough time to do that.

10. **Making your moving plans too tight.**

Example: you expect to move out of your prior residence on a Friday and into your new residence over the weekend. So you give notice to your

landlord to end your lease on a Friday and arrange for movers to come to your house on Friday. Then, your loan closing gets delayed until the next Tuesday. **You now may be homeless!** New tenants could be moving into your apartment, and the movers are going to charge you for wasting their time. You could be forced to live in a motel for a couple of days!

A Better Plan: allow for a 5-7 day overlap between closing and moving. In the long run, it is not nearly as expensive and it will sure give you peace of mind.

Mortgage Lock-Ins

When you're looking for a mortgage, you're likely to shop among lenders for the most favorable interest rate, the lowest points, and other up-front charges. When you find the most favorable terms and the lender that you want, you'll apply to that lender. But when you get to settlement, will you actually receive the terms you applied for or bargained for? Or will you find that the rate has changed-and that your costs have gone up?

Lock-ins on rates and points might offer you a way to ensure that what you shop for is what you get. This guide explains what these arrangements mean.

All about lock-ins

In most cases, the terms you are quoted when you shop among lenders only represent the terms available to borrowers settling their loan agreement at the time of the quote. The quoted terms may not be the terms available to you at settlement weeks or even months later. Therefore, you should not rely on the terms quoted to you when shopping for a loan, unless a lender is willing to offer a lock-in.

What is a lock-in?

A lock-in, also called a rate-lock or rate commitment, is a lender's promise to hold a certain interest rate and a certain number of points for you, usually for a specified period of time, while your loan application is processed. (Points are additional charges imposed by the lender that are usually prepaid by the consumer at settlement but can sometimes be financed by adding them to the mortgage amount. One point equals one percent of the loan amount.) Depending upon the lender, you may be able to lock in the interest rate and number of points that you will be charged when you file your application, during processing of the loan, when the loan is approved, or later.

A lock-in that is given when you apply for a loan may be useful because it's likely to take your lender several weeks or longer to prepare, document, and evaluate your loan application. During that time, the cost of mortgages may change. But if your interest rate and points are locked in, you should be protected against increases while your application is processed. This protection could affect whether you can afford the mortgage. However, a locked-in rate could also prevent you from taking advantage of price decreases, unless your lender is willing to lock in a lower rate that becomes available during this period.

It is important to recognize that a lock-in is not the same as a loan commitment, although some loan commitments may contain a lock-in. A loan commitment is the lender's promise to make you a loan in a specific amount at some future time. Generally, you will receive the lender's commitment only after your loan application has been approved. This commitment usually will state the loan terms that have been approved (including loan amount), how long the commitment is valid, and the lender's conditions for making the loan, such as receipt of a satisfactory title insurance policy protecting the lender.

Will your lock-in be in writing?

Some lenders have preprinted forms that set out the exact terms of the lock-in agreement. Others may only make an oral lock-in promise on the telephone or at the time of application. Oral agreements can be very difficult to prove in the event of a dispute.

Some lenders' lock-in forms may contain crucial information that is difficult to understand or that is in fine print. For example, some lock-in agreements may become void through some unrelated action such as a change in the maximum rate for Veterans Administration guaranteed loans. Thus, it is wise to obtain a blank copy of a lenders lock-in form to read carefully before you apply for a loan. If possible, show the lock-in form to a lawyer or real estate professional. It is wise to obtain written, rather than verbal, lock-in agreements to make sure that you fully understand how your lender's lock-ins and loan commitments work and to have a tangible record of your arrangements with the lender. This record may be useful in the event of a dispute.

Will you be charged for a lock-in?

Lenders may charge you a fee for locking in the rate of interest and number of points for your mortgage. Some lenders may charge you a fee up-front, and may not refund it if you withdraw your application, if your client's credit is denied, or if you do not close the loan. Others might charge the fee at settlement. The fee might be a flat fee, a percentage of the mortgage

amount, or a fraction of a percentage point added to the rate you lock in. The amount of the fee and how it is charged will vary among lenders and may depend on the length of the lock-in period.

What options are available for setting the mortgage terms?

Lenders may offer different options in establishing the interest rate and points that you will be charged, such as:

- Locked-In Interest Rate-Locked-In Points.

Under this option, the lender lets you lock in both the interest rate and points quoted to you. This option may be considered to be a true lock-in because your mortgage terms should not increase above the interest rate and points that you've agreed upon, even if market conditions change.

- Locked-In Interest Rate— Floating Points.

Under this option, the lender lets you lock in the interest rate, while permitting or requiring the points to rise and fall (float) with changes in market conditions. If market interest-rates drop during the lock-in period, the points may also fall. If they rise, the points may increase. Even if you float your points, your lender may allow you to lock-in the points at some time before settlement at whatever level is then current. (For instance, say you've locked in a 10 1/2 percent interest rate, but not the three (3) points that went with that rate. A month later, the market interest rate remains the same, but the points the lender charges for that rate have dropped to 2 1/2. With your lender's agreement, you could then lock in the lower 2 1/2 points.) If you float your points and market interest rates increase by the time of settlement, the lender may charge a greater number of points for a loan at the rate you've locked in. In this case, the benefit you might have had by locking in your rate may be lost because you'll have to pay more in upfront costs.

- Floating Interest Rate—Floating Points.

Under this option, the lender lets you lock in the interest rate and the points at some time after application but before settlement. If you think that rates will remain level or even go down, you may want to wait on locking in a particular rate and points. If rates go up, you should expect to be charged the higher rate. Because practices vary, you may want to ask your lender whether there are other options available to you.

How long are lock-ins valid?

Usually the lender will promise to hold a certain interest rate and number of points for a given number of days, and to get these terms you must settle on the loan within that time period. Lock-ins of 30 to 60 days is common. But some lenders may offer a lock-in for only a short period of time (for example, seven (7) days after your loan is approved) while some others might offer longer lock-ins (up to 120 days). Lenders that charge a lock-in fee may charge a higher fee for the longer lock-in period. Usually, the longer the period, the greater the fee.

The lock-in period should be long enough to allow for settlement, and any other contingencies imposed by the lender, before the lock-in expires. Before deciding on the length of the lock-in to ask for, you should find out the average time for processing loans in your area and ask your lender to estimate (in writing, if possible) the time needed to process your loan. You'll also want to take into account any factors that might delay your settlement. These may include delays that you can anticipate in providing materials about your financial condition and, in case you are purchasing a new house, unanticipated construction delays. Finally, ask for a lock-in with as few contingencies as possible.

What happens if the lock-in period expires?

If you don't settle within the lock-in period, you might lose the interest rate and the number of points you had locked in. This could happen if there are delays in processing whether caused by you, others involved in the settlement process, or the lender. For example, your loan approval could be delayed if the lender has to wait for any documents from you or from others such as employers, appraisers, termite inspectors, builders, and individuals selling the home. On occasion, lenders are themselves the cause of processing delays, particularly when loan demand is heavy. This sometimes happens when interest rates fall suddenly.

If your lock-in expires, most lenders will offer the loan based on the prevailing interest rate and points. If market conditions have caused interest rates to rise, most lenders will charge you more for your loan. One reason why some lenders may be unable to offer the lock-in rate after the period expires is that they can no longer sell the loan to investors at the lock-in rate. (When lenders lock in loan terms for borrowers, they often have an agreement with investors to buy these loans based on the lock-in terms. That agreement may expire around the same time that the lock-in expires and the lender may be unable to afford to offer the same terms if market rates have increased.) Lenders who intend to keep the loans they make may have more flexibility in those cases where settlement is not reached before the lock-in expires.

How can you speed up the approval of the loan?

While the lender has the greatest role in how fast your loan application is processed, there are certain things you can do to speed up its approval. Try to find out what documentation the lender will require from you. Much of the information required by your lender can be brought with you when you apply for a loan. This may help to get your application moving more quickly through the process. When you first meet with your lender, be sure to bring the following documents:

- The purchase contract for the house (If you don't have the contract, check with your real estate agent or the seller.)
- Your bank account numbers, the address of your bank branch and your latest bank statement, plus pay stubs, W-2 forms, or other proof of employment and salary, to help the lender check your finances
- If you are self-employed: balance sheets, tax returns for two to three previous years, and other information about your business
- Information about debts, including loan and credit card account numbers and the names and addresses of your creditors
- Evidence of your mortgage or rental payments, such as cancelled checks
- Certificate of Eligibility from the Veterans Administration if you want a VA-guaranteed loan (Your lender may be able to help you obtain this.)

Be sure to respond promptly to your lender's requests for information while your loan is being processed. It is also a good idea to call the lender and real estate agent from time to time. By calling occasionally, you can check on the status of your client's application and offer to help contact others, such as employers who may need to provide documents and other information for your client's loan. It is also helpful to keep notes on your contacts with the lender so that you will have a record of your conversations.

Ask about lock-ins

When you're ready to settle on your loan, you'll want to get the loan terms that you've locked in. To increase that likelihood, it is important to learn as much as you can about what the lender is promising you before you apply for a loan. Ask for the following information when you shop for a loan:

Lock-ins and fees

- Does the lender offer a lock-in of the interest rate and points?
- When will the lender let you lock in the interest rate and points?
When you apply? When the loan is approved?

- Will the lock-in be in writing? If the lock-in is not in writing, you will have no record of the lender's agreement with you in case of a dispute.
- Does the lender charge a fee to lock in your interest rate? Does the fee increase for longer lock-in periods? If so, how much?
- If you have locked in a rate, and the lender's rate drops, can you lock in at the lower rate? Does the lender charge you an additional fee to lock in the lower rate?
- Can you float your interest rate and points for now, and lock them in later?

Loan processing time

- How long does the lender expect to take to process your loan?
- What has been the lender's average time for processing loans recently?
- Has the lender's loan volume increased? Heavy volume might increase the lender's average processing time.

Expiration of lock-ins

- What rate will be charged if the lock-in expires before settlement? The rate in effect when the lock-in expires?
- If you don't settle within the lock-in period, will the lender refund some or all of your application or lock-in fees if you decide to cancel the loan application?
- If your lock-in expires and you want to get another lock-in at the rate in effect at the time of the expiration, will the lender charge an additional fee for the second lock-in?

Complaints about lock-ins

Knowing what to look for puts you in a better position to decide whether, when, and how long to lock in mortgage terms. Also, by helping to keep the loan process moving, you can lessen the chance that your lock-in will run out before settlement.

But what if your lock-in does lapse? If you believe that the lapse was due to delays caused by the lender or someone else involved in the loan process, you should try first to reach a mutually satisfactory agreement with the lender. If that effort fails, consider writing to the appropriate state or federal regulatory agency.

Some lender actions, such as offering lock-in terms that are impossible to fulfill, failing to process your loan diligently, or causing your lock-in to expire are improper and may even be illegal. In addition, because you may

have contractual rights under your lock-in or loan commitment, you may want to consult with an attorney. Be aware, though, that complaints may not be resolved as quickly as may be necessary for a home purchase.

Depending upon their authority under applicable state or federal law, regulatory agencies may either attempt to help you resolve your complaint directly or record your complaint and recommend other action.

Adjustable rate mortgages (ARMs)

With a fixed-rate mortgage the interest rate stays the same during the life of the loan. But with an adjustable rate mortgage (ARM), the interest rate changes periodically, usually in relation to an index, and payments may go up or down accordingly. Lenders generally charge lower initial interest rates for ARMs than for fixed-rate mortgages. This makes the ARM easier on your pocketbook at first than a fixed-rate mortgage for the same amount. It also means that you might qualify for a larger loan because lenders sometimes make this decision on the basis of your current income and the first year's payments. Moreover, your ARM could be less expensive over a long period than a fixed-rate mortgage, for example, if interest rates remain steady or move lower.

Against these advantages, you have to weigh the risk that an increase in interest rates would lead to higher monthly payments in the future. It's a trade-off. You get a lower rate with an ARM in exchange for assuming more risk. Here are some questions you need to consider:

- Is my income likely to increase enough to cover higher mortgage payments if interest rates go up?
- Will I be taking on other sizable debts, such as a loan for a car or school tuition, in the near future?
- How long do I plan to own this home? (If you plan to sell soon, rising interest rates may not pose the problem they do if you plan to own the house for a long time.)
- Can my payments increase even if interest rates generally do not increase?

Mortgages: Basic Features

The Adjustment Period: With most ARMs, the interest rate and monthly payment change every year, every three years, or every five years. However, some ARMs have more frequent interest and payment changes. The period between one rate change and the next is called the adjustment period. So, a loan with an adjustment period of one year is called a one-year ARM, and the interest rate can change once every year.

The Index: Most lenders tie ARM interest-rate changes to changes in an "index rate." These indexes usually go up and down with the general movement of interest rates. If the index rate moves up, so does your mortgage rate in most circumstances and you will probably have to make higher monthly payments. On the other hand, if the index rate goes down your monthly payment may go down. Lenders base ARM rates on a variety of indexes. Among the most common are the rates on one-, three-, or five-year Treasury securities. Another common index is the national or regional average cost of funds to savings and loan associations. A few lenders use their own cost of funds, over which, unlike other indexes, they have some control. You should ask what index will be used and how often it changes. Also ask how it has behaved in the past and where it is published.

The Margin: To determine the interest rate on an ARM, lenders add to the index rate a few percentage points called the "margin." The amount of the margin can differ from one lender to another, but it is usually constant over the life of the loan. Let's say, for example, that you are comparing ARMs offered by two different lenders. Both ARMs are for 30 years and an amount of \$65,000. (All the examples used here are based on this amount for a 30-year term. Note that the payment amounts shown here do not include items like taxes or insurance.) Both lenders use the one-year Treasury index. But the first lender uses a two-percent (2%) margin, and the second lender uses a three-percent (3%) margin. Here is how that difference in margin would affect your initial monthly payment. In comparing ARMs, look at both the index and margin for each plan. Some indexes have higher average values, but they are usually used with lower margins. Be sure to discuss the margin with your lender.

Mortgage Brokers?

Companies that provide mortgage origination and bring a borrower and a lender together to obtain a loan (usually without providing the funds for loans) are generally referred to as "mortgage brokers." These companies serve as intermediaries between the consumer and the funding source of the loan. It is estimated that mortgage brokers are responsible for initiating half of all home mortgages each year in the United States.

A **mortgage broker** will generally fit into two broad categories:

- ❑ those who consider themselves as representing the borrower in shopping for a loan, and
- ❑ those that simply offer loans as do other retailers of loans.

The first type may have a relationship with the borrower and, in some states, may be found to owe a responsibility to the borrower in connection with their representation. The second type, while not representing the borrower, may make loans available to consumers from any number of

funding sources with which the mortgage broker has a business relationship.

Mortgage brokers provide various services in processing mortgage loans, such as filling out the application, ordering required reports and documents, counseling the borrower, and participating in the loan closing. They may also offer goods and facilities, such as reports, equipment, and office space to carry out their functions. The level of services mortgage brokers provide in particular transactions depends on the level of difficulty involved in qualifying applicants for particular loan programs. For example, applicants have differences in credit ratings, employment status, levels of debt, or experience that will translate into various degrees of effort required for processing a loan. Also, the mortgage broker may be required to perform various levels of services under different servicing or processing arrangements with wholesale lenders.

Mortgage brokers' compensation varies from their work in arranging, processing, and closing mortgage loans. In a given transaction, a broker may receive compensation directly from the borrower, indirectly in fees paid by the wholesaler or lender providing the mortgage loan funds, or through a combination of both.

Where a mortgage broker receives direct compensation from a borrower, the mortgage broker's fee is likely charged to the borrower at or before closing, as a percentage of the loan amount (e.g., 1 percent of the loan amount) and through direct fees (such as an application fee, document preparation fee, processing fee, etc.).

Mortgage brokers also may receive indirect compensation from lenders or wholesalers. Such indirect fees may be referred to as "back-funded payments," "servicing-release premiums," or "yield-spread premiums." These indirect fees paid to mortgage brokers may be based upon the interest rate of each loan entered into by the broker with the borrower. These fees have been the subject of much contention and litigation. Another method of indirect compensation, also the subject of significant controversy and uncertainty, is "volume-based" compensation. This generally involves compensation to a mortgage broker by a lender based on the volume of loans that the mortgage broker delivers to the lender in a fixed period of time. The compensation may come in the form of: (1) a cash payment to the broker based on the amount of loans the broker delivers to the lender in excess of a "threshold" or "floor amount"; or (2) provision of a lower "start rate" (often called a discount) for such loans; the compensation to the broker results from the difference in yield between the "start rate" and the loan rate. Volume-based compensation may be received at settlement or well after a particular loan has closed.

Payments to mortgage brokers by lenders, characterized as yield-spread premiums, are based on the interest rate and points of the loan entered into as compared to the par rate offered by the lender to the mortgage broker for that particular loan (e.g., a loan of 8% and no points where the par rate is 7.50% will command a greater premium for the mortgage broker than a loan with a par rate of 7.75% and no points). In determining the price of a loan, mortgage brokers rely on rate quotes issued by lenders, sometimes several times a day. When a lender agrees to purchase a loan from a mortgage broker, the broker receives the then applicable pricing for the loan based on the difference between the rate reflected in the rate quote and the rate of the loan entered into by the borrower. In some cases, the mortgage broker can increase its revenues by arranging a loan with the consumer at a particular rate and then, based on market changes or other factors that decrease the par rate, increase his or her fees. Some consumers allege that the compensation system for brokers' results in higher loan rates for borrowers and/or that this compensation system is illegal under the Real Estate Settlement Procedures Act (RESPA).

Lender payments to mortgage brokers may reduce the up-front costs to consumers. This allows consumers to obtain loans without paying direct fees themselves. Where a broker is not compensated by the consumer through a direct fee, or is partially compensated through a direct fee, the interest rate of the loan is increased to compensate the broker or the fee is added to principal. In any of the compensation methods described, all costs are ultimately paid by the consumer, whether through direct fees or through the interest rate.

How much should a mortgage broker get?

The size of the fee varies based on the size of the loan, but one (1) percent to two (2) percent of the loan amount is usually enough. Take into account how complicated your loan is. If you barely qualify and the mortgage broker has to scramble for approval, a higher fee may be appropriate.

For a no-hassle refinance, you should expect to pay the mortgage broker less. Generally speaking, if a mortgage broker is pocketing more than two (2) percent in profits (including the rebate, but not "hard costs" like appraisal, credit, title, etc.), you deserve an explanation.

How a broker gets paid: an example

Only when the loan closes does the broker receive a commission. Once the loan is recorded the lender usually mails or direct deposits the commission check.

Just like in any other business, brokers have wholesale rate sheets and mark up the cost with their profit.

Example:

At 8 percent the lender offers to pay 1/2 point to the broker, commonly this is called a REBATE.

One point = 1% of the loan amount.

On a \$200,000 loan, one point = \$2,000.

If the broker wants to earn \$2,000, he quotes 8% + 1/2 point.
You pay \$1,000 and the lender pays \$1,000 to the broker.

If the broker wants a \$4,000-profit, you pay 1.5 points (\$3,000) and the Lender pays 1/2 point (\$1,000) in our example.

Well, guess what? Your uncle gives you a \$100,000 gift.

Now you only need a \$100,000 loan.

The broker quoted you 8% + 1.5 points because he wanted to make a \$4,000 profit.

Since you reduced your loan amount, the profit is accordingly reduced to \$2,000. (1.5 points or \$1,500 from you and 1/2 point or \$500 from the lender.)

You will have to pay an additional 2 points (\$2,000) or the broker just lost a \$2,000 commission.

What would the broker do?

In my experience, the broker would say "sorry, rates went up."

And you'd get an 8.5-percent interest rate and still only pay 1.5 points, but the broker would get 2 extra points (rebate) from the lender for the higher interest rate.

The broker has the same amount of work for the \$100K loan or the \$500K loan.

That's why we recommend that a fee should be negotiated before formal application.

And, this example is rather unrealistic. Often the borrower gets a higher loan than originally applied for and the broker subsequently gets a higher commission, if you didn't negotiate a quote upfront or otherwise limit the broker fee.

On average, for a 30-year fixed-rate loan, every point changes the interest rate by 1/4 percent.

That's how "no cost" and "no point" loans are created.

You agree to the higher interest rate in exchange for no points and/or no closing costs. The broker uses the high rebate to pay for your closing costs.

Ask your broker for a copy of a wholesale rate sheet to make sure you're not being "low quoted."

They may say that's illegal, but that's not true. They can write "Example" on the rate sheet.

Mortgage Information Updates

In April of 2009, there is a new credit score tool called BEACON® Mortgage Score that is designed specifically for mortgage lenders and is expected to be the most robust and accurate tool for measuring mortgage risk and financial management/responsibility.

According to Mauricio Navarro, is CEO of Rationale Media LLC who manage a mortgage-comparing source, the new BEACON Mortgage Score tool will have some features of previous BEACON score products, including maintaining the current scoring table, which goes from 300-850. It will also maintain the current policy on how inquiries affect your credit score.

What's new in the BEACON Mortgage Score is s that now, inthe addition to the already existing reason codes used to explain information of your report, there will be an additional fifteen (15) more codes. However, the biggest potential challenge for those of you trying to qualify for, refinance, or modify a mortgage loan is the fact that even more data will be used to scrutinize your mortgage loan creditworthiness; unfortunately, what type of "additional data " is used has not been released but it has been said that the information is based on information that Equifax collects on credit holders.

(This is a prime reason to make you're your credit information on file at Equifax is correct!)

While that's certainly enough changes for any current or soon-to-be homeowner to digest, there could be more. Now, to be clear, FICO has not announced changes beyond those listed above as of this writing. However, it wouldn't necessarily be a stretch for FICO's BEACON Mortgage Score to take on some of the characteristics of FICO Risk Score, Classic 08, which is the new FICO risk tool for assessing business' creditworthiness. If additional changes occur for BEACON Mortgage Score that do follow FICO's business product's lead, some of the additional changes that may affect your ability to qualify for a mortgage loan might include:

- Preference for mortgage applicants with long history
- Longer, deeper looks into credit histories so that what's on a credit report as well as the patterns that emerge based on that information are taken into consideration
- The influence of the types of creditors and/or blemishes on a credit report being weighted

As you can see, the current mortgage and economic crisis is already causing mortgage and other financial industry professionals to take strides to protect themselves against future risk. As we watch to see how the industry attempts to "fix" itself, the best thing you can do-as a homeowner or a homebuyer-is to put yourself in the best financial position for obtaining or modifying a mortgage. So, be proactive and keep your credit history in the best condition you can.

Until everything is implemented fully CCA will keep our 2010 data the same about mortgages.

Two Key Factors in Qualifying for a Home Loan

In attempting to approve homebuyers for the type and amount of mortgage they want, lenders basically look at two key factors: the borrower's ability and the borrower's willingness to repay the loan. Ability to repay the mortgage is verified by your current employment and total income. Generally speaking, lenders prefer for you to have been employed at the same place for at least two years, or at least be in the same line of work for a few years.

The borrower's willingness to repay is determined by examining how the property will be used. For instance, will you be living there or just renting it out?

Willingness is also closely related to how you have fulfilled previous financial commitments, thus the emphasis on the credit report or rent and utility bills.

It is important to remember that there are no rules carved in stone. Each applicant is handled on a case-by-case basis. So even if you come up a little short in one area, perhaps one of your stronger points will make up for the weak one. Everyone involved in real estate is in the business of selling homes, in one way or another. Therefore, if the loan makes sense, lenders and insurers will do their best to see that you qualify.

By its very nature, mortgage insurance is an aid to affordability, because it allows families to purchase homes with less cash on hand. The industry plays a central role in helping low- and moderate-income families become homeowners.

More and more borrowers are taking advantage of low-down-payment mortgages and becoming homeowners with as little as five (5) percent down. For more information on how you can take advantage of the benefits of a low-down-payment home loan with mortgage insurance, contact your local lender or real estate agent. For general information on purchasing a home, contact the county extension office of the U.S. Department of Agriculture, listed in the government pages of your telephone book.

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.

How Can I Raise My Score?

Your score can only be changed by the way that item is reported directly to the credit bureaus (Experian, TU, Equifax). Written confirmation from the creditor is required. It is best to make these corrections before you try to obtain credit, because you can never be sure the exact impact a change will have on your score.

Increase Your Client's Credit Score within 24 hours

This can be done by getting a copy of your client's credit report from all three bureaus. Make sure you get a confirmation number in order to follow up by phone or fax. The fastest way is to get your report online. If you are applying for a home loan, you need to know your middle score which is the value out of all three scores. If you are applying for a car loan, it is best to know what credit bureau the dealership uses, for example in Memphis, TN, the dominate bureau is Equifax and the bureau is called Memphis Consumer Credit located on Summer Ave. Check your local area for main bureau used.

Depending on the credit bureau, you can change your client's credit score within 24 hours by taking the following action:

1. Starting an immediate investigation by phone or online of any credit items you are disputing will boost your score especially with Equifax.
2. If you start an internal investigation with your client's creditor, especially if they are a big creditor like American Express or MBNA Visa, a pending deletion will show on Experian immediately! In other words, any bad item disputed will be suspended temporarily pending investigation.
3. Fax any proof of disputed items/deletions from your client's creditors or payoff letters to the credit bureau. This will take a little

longer, but if you are charming, you may convince some to have this done quickly, like in a day.

Let me explain how you can increase your client's credit score within 24 hours: Let's say that you have a loan application coming up with a little time. A friend of mine went to a loan broker when attempting to purchase an apartment building and was told that his middle credit score was 622 (Please note: Mortgage lenders pull all three reports and look at the middle score). He had a 580 from TransUnion, 622 with Equifax and 634 with Experian, making his middle score 622. As explained below, a 620 score and up is considered light to medium risk or "subprime borrower" and you can get just about any loan including low or no income verification loans, just at a higher rate than normal. The difference between prime borrowers and subprime borrowers could be \$300-\$500 higher monthly payments.

OK, so what is the play? To increase your score you must work on Equifax since this was your middle score and the most important score. Well, as stated above, it is easy to increase your score with Equifax. All you have to do is start a dispute. Your score will increase just by disputing credit items, since they will place those items in pending until the investigation is complete. If you have a late payment, you can call the creditor and tell them that this was due to their problem and not yours, and they will start an internal investigation and temporarily delete the derogatory item, and this will increase your client's credit score. My friend's score jumped up to 650, a 28-points increase.

Please note; make sure you check all of the criteria for a better score, as mentioned in the beginning of this book. Also, it could take up to one to two years to increase a score to 720. The savings in your mortgage payment is totally worth the wait.

FICO Scores and Your Mortgage

A few years ago, credit scoring had little to do with mortgage lending. When reviewing the creditworthiness of a borrower, an underwriter would make a subjective decision based on past payment history.

Then things changed. Lenders studied the relationship between credit scores and mortgage delinquencies. There was a definite relationship. Almost half of those borrowers with FICO scores below 550 became ninety-days delinquent at least once during their mortgage. On the other hand, only two out of every 10,000 borrowers with FICO scores above eight hundred became delinquent. So lenders began to take a closer look at FICO scores and this is what they found out. The chart below shows the likelihood of a ninety-day delinquency for specific FICO scores.

FICO SCORE	Odds of a delinquent account

595	2.25 to 1
600	4.5 to 1
615	9 to 1
630	18 to 1
645	36 to 1
660	72 to 1
680	144 to 1
700	288 to 1
780	576 to 1

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.

***720 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 lending institution, but the average high approval score is 720 or above. Oftentimes 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 720 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.

If you would like to check your FICO score, go to

<https://www.econsumer.equifax.com>

*** Please note the magic number score now appears to be 740 but we will keep our data the same until matters are fully understood after this crisis.**

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.

To illustrate how rapid rescoring can make a difference: Suppose you have been a victim of identity theft and there is a credit card account you didn't open appearing on your client's credit report showing a 30-day late payment. Normally, it would take at least a month (but more realistically, two or three months or longer) to clear this matter up and get the item removed from your client's credit report. However, in the meantime, this negative item on your client's credit report has lowered your client's credit score to 620, which means you will be approved for a mortgage loan, but at an interest rate of 7 % instead of the 5.7% rate being offered to those with credit scores above 700. As a result, your monthly mortgage payment is going to be about \$130 higher than it would be if that negative item weren't on your client's credit reports. You ask your mortgage lender to contact a rapid rescoring company and have the credit card account removed from your client's credit report and your client's credit score recalculated. Three days later your client's credit score is now above 700 and the client qualifies

for a mortgage loan at 5.5%, saving your client from paying \$46,800 in additional interest over the next 30 years.

In places where housing prices are through the roof, such as California, an interest rate even one percent lower will significantly reduce your monthly payment, for example, by as much as \$1,000 on a very high priced house!

Who should use rapid rescoring?

Those with FICO credit scores below 720 should check into rapid rescoring if planning to apply for a mortgage loan in the next month. However, it would be much better to try and fix the problems yourself a good six months before you even apply for a mortgage loan. This is because a rapid rescorer can't get negative items, such as late payment notations or items that are in dispute, removed. A rapid rescorer also cannot improve your client's credit score if your problem is too much debt that you can't pay off today. A rapid rescorer can only improve your client's credit score if the creditor admits to a mistake or agrees to remove specific information. For example, you might owe a big balance on a credit card and this is negatively affecting your ability to get a lower mortgage interest rate. You can pay off the credit card electronically today and have a rapid rescorer get your client's credit score recalculated within seventy-two (72) hours, rather than waiting for your payment to show up on your client's credit report a month later.

Note that a rapid rescorer requires evidence to complete the rescoring process. For example, a creditor might have sent you a letter admitting that an account being reported as yours really isn't yours and they intend to remove it from your client's credit history. Or, a creditor might admit that an account was fraudulently opened in your name by a thief and has agreed to remove it from your client's credit report. Although a rapid rescoring company usually requires that you provide proof, some might contact the creditor directly and obtain the proof for you.

It is also important to note that a rapid rescorer can't fix all problems within 24-72 hours as they often claim in their advertising. Sometimes it might take them a week or two, but in any event, it is always more rapid than fixing credit-report errors the traditional way—by mail, and waiting a month or two for changes to occur in one's credit report before a new, improved, credit score can be calculated.

Again, it is better to improve your client's credit score at least six months before you apply for a mortgage loan.

Insurance Credit Scoring

The insurance industry can, based on your credit report, raise your premiums, place you in a subsidiary, and even cancel your insurance altogether. This is done using a system called "**Insurance Credit Scoring**." The industry also refers to this as **credit-based underwriting**, **credit-based insurance scoring**, an **insurance score**, a **company placement indicator**, or an **insurance financial-stability score**. Have you been the victim of "Insurance Credit Scoring"? If you have filed for bankruptcy, divorced, lost your job, or shopped for a home or automobile, then you most likely have. And as life does not always run smoothly, and homes and autos are a necessity, chances are good someday you will be. In addition, be warned if you are a small business owner, a home-based business owner, seek credit counseling, or if you pay off your large debts (mortgage, auto) early, you will be affected too.

Forget everything you know about checking and cleaning up your credit. "**Insurance Credit Scoring**" is a whole new ballgame and not only do consumers not know the score, they do not even know the rules of the game!

Insurance Credit Scoring is based upon the belief that there is a direct statistical relationship between financial stability and risk. In other words, the **lower your insurance credit score**, the more likely you are to **file claims, inflate claims, commit fraud, and commit arson**. This score is based solely on information contained in consumer credit reports from Equifax, Experian, and TransUnion. This insurance credit score is then used in conjunction with motor vehicle records, loss reports, and application information to determine your insurance risk at a particular point in time. Some companies have also started using insurance credit scores to non-renew coverage regardless of whether a claim has been filed or premiums have been paid on time.

How much of a mortgage can your client afford

Before we talk about mortgage, due to the mortgage debacle, many rules have changed. Some of the information may not be the same and you should check before providing this information to your client. You can check with any mortgage broker or loan officer to verify any information within.

There are two basic formulas commonly used by lenders to determine how much of a mortgage you can reasonably afford. These formulas are called qualifying ratios because they estimate the amount of money you should spend on mortgage payments in relation to your income and other expenses.

It is important to remember that the following ratios may vary from lender to lender and each application is handled on an individual basis, so the

guidelines are just that, guidelines. There are many affordability programs, both government and conventional, that have more lenient requirements for low- and moderate-income families.

Many of these programs involve financial counseling for low- and moderate-income people interested in buying a home and in return, offer more lenient requirements.

Generally speaking, to qualify for conventional loans, housing expenses should not exceed 26 to 28 percent of your gross monthly income. **For FHA loans, the ratio is 29** percent of gross monthly income. Monthly housing costs include the mortgage principal, interest; taxes, and insurance, often abbreviated PITI. For example, if your annual income is \$30,000, your gross monthly income is \$2,500, times 28% = \$700. So you would probably qualify for a conventional home loan that requires monthly payments of \$700.

Any expenses that extend eleven (11) months or more into the future are termed “long-term debt,” such as a car loan. Total monthly costs, including PITI and all other long-term debt, should equal no greater than 33 to 36 percent of your gross monthly income for conventional loans. Using the same example, $\$2,500 \times 36\% = \$900$. So the total of your monthly housing expenses plus any long-term debts each month cannot exceed \$900. **For FHA the ratio is 41%.**

Maximum allowable monthly housing expense
26% to 28% of gross monthly income: Conventional
29% of gross monthly income: FHA

Maximum allowable monthly housing expense and long-term debt
33% to 36% of gross monthly income: Conventional
41% of gross monthly income: FHA

One way to determine how much to spend for housing is to compare your monthly income with your monthly, long-term, obligations and expenses.

When budgeting to buy a home, it is important to allow enough money for additional expenses, such as maintenance and insurance costs. If you are purchasing an existing home, gather information such as utility cost averages and maintenance costs from previous owners or tenants to help you better prepare for homeownership.

Homeowners insurance or property insurance is another cost you will have to consider. The lending institution holding the mortgage will require insurance in an amount sufficient to cover the loan. However, to protect the full value of your investment, you might want to consider purchasing

insurance that provides the full replacement cost if the home is destroyed. Some insurance only provides a fixed dollar amount that may be insufficient to rebuild a badly damaged house.

Understanding APR

What is an annual percentage rate (APR)?

The annual percentage rate (APR) is an interest rate that is different from the note rate. It is commonly used to compare loan programs from different lenders. The federal Truth-in-Lending law requires mortgage companies to disclose the APR when they advertise a rate. Typically the APR is found next to the rate.

Example: 30-year fixed 8% 1 point 8.107% APR

The APR does NOT affect your monthly payments. Your monthly payments are a function of the interest rate and the length of the loan. The APR is a very confusing number! Even mortgage bankers and brokers admit it is confusing. The APR is designed to measure the "true cost of a loan." It creates a level playing field for lenders. It prevents lenders from advertising a low rate and hiding fees.

If life were easy, all you would have to do is compare APRs from the lenders/brokers you are working with, then pick the lowest one and you would have the right loan. Right? Wrong!

Unfortunately, different lenders calculate APRs differently! So a loan with a lower APR is not necessarily a better rate. The best way to compare loans, in the author's opinion, is to ask lenders to provide you with a good-faith estimate of their costs on the same type of program (e.g. 30-year fixed) at the same interest rate. Then delete all fees that are independent of the loan, such as homeowners insurance, title fees, escrow fees, attorney fees, etc. Now add up all the loan fees. The lender that has lower loan fees has a cheaper loan than the lender with higher loan fees.

The reason why APRs are confusing is because the rules to compute APRs are not clearly defined.

What fees are included in the APR?

The following fees are GENERALLY included in the APR:

- Points, both discount points and origination points.
- Pre-paid interest. The interest paid from the date the loan closes to the end of the month. Most mortgage companies assume 15 days

of interest in their calculations. However, companies may use any number between 1 and 30!

- Loan-processing fee
- Underwriting fee
- Document-preparation fee
- Private mortgage-insurance
- Appraisal fee
- Credit-report fee

The following fees are SOMETIMES included in the APR:

- Loan-application fee
- Credit life insurance (insurance that pays off the mortgage in the event of a borrowers death)

The following fees are normally NOT included in the APR:

- Title or abstract fee
- Escrow fee
- Attorney fee
- Notary fee
- Document preparation (charged by the closing agent)
- Home-inspection fee
- Recording fee
- Transfer taxes

An APR does not tell you how long your rate is locked for. A lender who offers you a 10-day rate lock may have a lower APR than a lender who offers you a 60-day rate lock!

Calculating APRs on adjustable and balloon loans is even more complex because future rates are unknown. The result is even more confusion about how lenders calculate APRs.

Do not attempt to compare a 30-year loan with a 15-year loan using their respective APRs. A 15-year loan may have a lower interest rate, but could have a higher APR, since the loan fees are amortized over a shorter period of time.

Finally, many lenders do not even know what they include in their APR because they use software programs to compute their APRs. It is quite possible that the same lender with the same fees using two different software programs may arrive at two different APRs!



Use the APR as a starting point to compare loans. The APR is the result of a complex calculation and is not clearly defined. There is no substitute to getting a good-faith estimate from each lender to compare costs. Remember to exclude those costs that are independent of the loan.

What Is the Difference between Pre-qualifying and Pre-approval?

A loan officer, who, after interviewing you, determines the dollar value of a loan you can be approved for, normally issues a pre-qualification; however, loan officers do not make the final approval, so a pre-qualification is not a commitment to lend. After the loan officer determines that you pre-qualify, he/she then issues you a pre-qualification letter. This pre-qualification letter is used when you are making an offer on a property. The pre-qualification letter indicates to the seller that you are qualified to purchase the house you are making an offer on.

Pre-approval is a step above pre-qualification. Pre-approval involves verifying your client's credit, down payment, employment history, etc. Your loan application is submitted to an underwriter and a decision is made regarding your loan application. If your loan is pre-approved, you are then issued a pre-approval certificate. Getting your loan pre-approved allows you to close very quickly when you do find a house. A pre-approval can help you negotiate a better price with the seller, since being pre-approved is very close to having cash in the bank to pay for the house!

What Is PMI

Can I get rid of the PMI on my loan?

PMI or Private Mortgage Insurance is normally required when you buy a house with less than 20 percent down. Mortgage insurance is a type of guarantee that helps protect lenders against the costs of foreclosure. Private mortgage-insurance companies provide this insurance protection. It enables lenders to accept lower down payments than they would normally accept. In effect, mortgage insurance provides what the equity of a higher down payment would provide to cover a lender's losses in the unfortunate event of foreclosure. Therefore, without mortgage insurance, you might not be able to buy a home without a 20-percent down payment.

The cost of PMI increases as your down payment decreases. Example: The cost of PMI on a 10 percent down payment is less than the cost of PMI on a 5 percent down payment. Your PMI premium is normally added to your monthly mortgage payment.

The decision on when to cancel the private insurance coverage does not depend solely on the degree of your equity in the home. The final say on terminating a private mortgage-insurance policy is reserved jointly for the lender and any investor who may have purchased an interest in the mortgage. However, in most cases, the lender will allow cancellation of mortgage insurance when the loan is paid down to 80 percent of the original property value. Some lenders may require that you pay PMI for one or two years before you may apply to remove it.

In order to cancel the PMI on your loan, contact your lender. In most cases, an appraisal will be required to determine the value of your property. You will probably also be required to pay for the cost of this appraisal. Another way of canceling the PMI on your loan is to refinance and to get a new loan without the PMI.

Why Mortgage Rates Change

To understand why mortgage rates change we must first ask the more general question, "**Why do interest rates change?**" It is important to realize that there is not one interest rate, but many interest rates!

- Prime rate: The rate offered to a bank's best customers.
- Treasury bill rates: Treasury bills are short-term debt instruments used by the U.S. Government to finance their debt. Commonly called T-bills they come in denominations of 3 months, 6 months and 1 year. Each Treasury bill has a corresponding interest rate (i.e. 3-month T-bill rate, 1-year T-bill rate).
- Treasury Notes: Intermediate-term debt instruments used by the U.S. Government to finance their debt. They come in denominations of 2 years, 5 years and 10 years.
- Treasury Bonds: Long-debt instruments used by the U.S. Government to finance its debt. Treasury bonds come in 30-year denominations
- Federal Funds Rate: Rates banks charge each other for overnight loans
- Federal Discount Rate: Rate New York Fed charges to member banks
- Libor: London Interbank Offered Rates. Average London Eurodollar rates
- 6-month CD rate: The average rate that you get when you invest in a 6-month CD
- 11th-District Cost of Funds: Rate determined by averaging a composite of other rates
- Fannie Mae-Backed Security rates: Fannie Mae pools large quantities of mortgages, creates securities with them, and sells

them as Fannie Mae-backed securities. The rates on these securities influence mortgage rates very strongly.

- **Ginnie Mae-Backed Security rates:** Ginnie Mae pools large quantities of mortgages, secures them, and sells them as Ginnie Mae-backed securities. The rates on these securities influence mortgage rates on FHA and VA loans. Interest-rate movements are based on the simple concept of supply and demand. If the demand for credit (loans) increases, so do interest rates. This is because there are more buyers, so sellers can command a better price, i.e. higher rates. If the demand for credit reduces, then so do interest rates. This is because there are more sellers than buyers, so buyers can command a lower better price, i.e. lower rates. When the economy is expanding, there is a higher demand for credit, so rates move higher; whereas when the economy is slowing, the demand for credit decreases and so do interest rates.

This leads to a fundamental concept:

- **Bad news** (i.e. a slowing economy) is good news for interest rates (i.e. lower rates)
- **Good news** (i.e. a growing economy) is bad news for interest rates (i.e. higher rates)

A major factor driving interest rates is inflation. Higher inflation is associated with a growing economy. When the economy grows too strongly, the Federal Reserve increases interest rates to slow the economy down and reduce inflation. Inflation results from prices of goods and services increasing. When the economy is strong, there is more demand for goods and services; and the producers of those goods and services can increase prices. Therefore, a strong economy results in higher real-estate prices, higher rents on apartments and higher mortgage rates.

Mortgage rates tend to move in the same direction as interest rates. However, actual mortgage rates are also based on supply and demand for mortgages. The supply/demand equation for mortgage rates may be different from the supply/demand equation for interest rates. This might sometimes result in mortgage rates moving differently from other rates. For example, one lender may be forced to close additional mortgages to meet a commitment they have made. This results in their offering lower rates, even though interest rates may have moved up!

There is an inverse relationship between bond prices and bond rates. This can be confusing. When bond prices move up, interest rates move down and vice versa. This is because bonds tend to have a fixed price at maturity, typically \$1000. If the price of the bond is currently at \$900 and there are ten years left on the bond and if interest rates start moving higher, the price

of the bond starts dropping. The higher interest rates will cause increased accumulation of interest over the next five years, such that a lower price (e.g. \$880) will result in the same maturity price, i.e. \$1000.

Should I Pay Points?

The best way to decide whether you should pay points or not is to perform a break-even analysis.

This is done as follows:

1. Calculate the cost of the points. Example: 2 points on a \$100,000 loan is \$2,000.
2. Calculate the monthly savings on the loan as a result of obtaining a lower interest rate. Example: \$50 per month
3. Divide the cost of the points by the monthly savings to come up with the number of months to break even. In the above example, this number is 40 months. If you plan to keep the house for longer than the break-even number of months, then it makes sense to pay points; otherwise it does not.
4. The above calculation does not take into account the tax advantages of points. When you are buying a house the points you pay are tax-deductible, so you realize some savings immediately. On the other hand, when you get a lower payment, your tax deduction reduces! This makes it a little difficult to calculate the break-even time taking taxes into account. In the case of a purchase, taxes definitely reduce the break-even time. However, in the case of a refinance, the points are NOT tax-deductible, but have to be amortized over the life of the loan. This results in few tax benefits or none at all, so there is little or no effect on the time to break even.

If none of the above makes sense, use this simple rule of thumb:

If you plan to stay in the house for less than three years, do not pay points. If you plan to stay in the house for more than five years, pay one to two points. If you plan to stay in the house for between three and five years, it does not make a significant difference whether you pay points or not!

Zero-point/zero-fee loans

Whatever happened to the conventional wisdom of waiting for the rates to drop two percent before refinancing?

You have a 30-year fixed loan at 8.5%. A loan officer calls you up and says they can refinance you to a rate of 8.0% with no points and no fees whatsoever.

What a dream come true! No appraisal fees, no title fees and not even any junk fees! Is this a deal too good to pass up? How can a bank and broker do this? Doesn't someone have to pay? Whose money is being used to pay these closing costs?

This is not a scam. Thousands of homeowners have refinanced using a zero-point/zero-fee loan. Some refinanced multiple times, riding rates all the way down the curve in 1992, 1993 and, more recently, in 1996. Some homeowners used zero-point/zero-fee adjustable loans to refinance and get a new teaser rate every year.

The way this works is based on rebate pricing, sometimes also known as yield-spread pricing, and sometimes known as a service-release premium. The basic idea is that you pay a higher rate in exchange for cash up front, which is then used to pay the closing costs. You will pay a higher monthly payment so the money is really coming from future payments that you will make.

You can also think of this as negative points! For example, a 30-year fixed loan may be available at a retail price of:

7.00%	with	2 points	or
7.25%	with	1 point	or
7.50%	with	0 points	or
7.75%	with -	1 point	or
8.00%	with -	2 points	

On a \$200,000 loan, the loan officer can offer you 7.75% with a cost of -1 point, which is a \$2,000 credit towards your closing costs. A mortgage broker can use rebate pricing to pay for your closing costs and keep the balance of the rebate as profit.

What are the benefits of a zero-point/zero-fee loan?

The main benefit is that you have no out-of-pocket costs. As a result, if the rates drop in the future, you could refinance again even for a small drop in

rates. So if you refinanced on the zero-point/zero-fee loan to get a rate of 7.75%, and if the rates drop 1/2%, you can refinance again to 7.25%. On the other hand, if you refinanced by paying 1 point and got a rate of 7.25%, it may not make sense to refinance again. Now, if the rates drop another 1/2%, a zero-point/zero-fee loan can drop your rate to 6.75%, whereas if you paid points, you may have to do a break-even analysis to decide if refinancing will save you money.

The zero-point/zero-fee loan eliminates the need to do a break-even analysis, since there is no up-front expense that needs to be recovered. It also is a great way to take advantage of falling rates.

Some consumers have used zero-point/zero-fee loans on adjustable loans to refinance their adjustable every year and pay a very low teaser rate.

What are the disadvantages of a zero-point/zero-fee loan?

The main disadvantage is that you are paying a higher rate than you would be paying if you had paid points and closing costs. If you keep the loan for long enough, you will pay more since you have higher mortgage payments. In the scenario where you plan to stay in the house for more than five (5) years, and if rates never drop for you to refinance, you could wind up paying more money. If, on the other hand, you plan to stay at a property for just two to three (2-3) years, there really is no disadvantage of a zero-point/zero-fee loan.

Whose money is it?

Since you are being paid "cash" up-front in exchange for a higher rate, it really is your own money that will be paid in the future through higher payments. Investors who fund these loans hope that you will keep the loans for long enough to recoup their up-front investment. If you refinance the loans early, both the servicer and the investor could lose money.

To summarize, zero-point/zero-fee loans in many cases are good deals. However, make sure that the lender pays for your closing costs from rebate points and NOT by increasing your loan amount. So if your old loan amount was \$150,000, your new loan amount should also be \$150,000. You may have to come up with some money at closing for recurring costs (taxes, insurance, and interest), but you would have to pay for these whether you refinanced or not.

Zero-point/zero-fee loans are especially attractive when rates are declining or when you plan to sell your house in less than two to three years.

Zero-point/zero-fee loans may not be around forever. Lenders have discussed adding a pre-payment penalty to such loans; however few lenders have taken steps to implement such a measure.

Mortgage loan closing

Once your application for a mortgage loan has been approved and you have received a commitment letter from the lender, the final step before you can call the house your own is the closing, or settlement, of the purchase transaction and mortgage loan. Even though you have a signed purchase agreement and your loan request has been approved, you have no rights to the property, including access, until the legal [title](#) to the property is transferred to you and the loan is closed. You should have a good understanding of what is involved in the closing process, because there are a number of things that you can do to make sure that it goes smoothly and on time.

At closing, you will sign the mortgage loan documents, the seller will execute the deed to the property, funds will be collected and disbursed, and the [closing agent](#) will record the necessary instruments to give you legal ownership of the property. Settlement of a mortgage loan is a legal process, so specific procedures and requirements will vary according to state and local laws, but a general description of closing practices can help you through the process.

Between commitment and closing

As soon as you receive firm approval from the lender who is making your mortgage loan, you should confirm the actual date of loan closing. An estimated closing date was probably specified in the sale contract, but a firm date needs to be set by you, the seller of the property, and your lender. You want to make sure that settlement will take place before your loan commitment expires and before any rate lock agreement (guaranteed terms of the loan) expires. The settlement date also has to allow adequate time to assemble all of the required documentation. If repairs or maintenance on the property are a part of the lender's commitment, there must be time to complete them. The real estate agents involved in the sale transaction and the lender are often the best people to coordinate the closing arrangements. Most lenders require at least three (3) to five (5) days advance notice of the closing date in order to prepare the loan documents and get them to the closing agent.

There are standard documents and exhibits that are commonly required for a loan closing, regardless of jurisdiction. Some of these will be your responsibility and others will be the responsibility of the seller. The following documents are typically required for closing.

Title Insurance Policy

Every lender will require title insurance. The company issuing the title insurance policy will have researched legal records to make sure that you are receiving clear title, or ownership, to the property. Their title search has established that the seller of the property is the legal owner and that there are no claims, or liens, against the property. The title company offers both a lender's policy and an owner's policy. You will have to pay for a lender's policy and it is advisable for you to have an owner's policy as well. For a small additional premium, it will protect you up to the full value of the property if fraud, a lien, or faulty title is discovered after closing.

Homeowners Insurance

The lender will require you to have [hazard insurance](#) on the property at least in the amount of the replacement cost of the property. You should make sure the policy covers the value of the property and contents in the event they are destroyed by fire or storm. You must pay for the policy and have it at closing. You are free to select the insurance carrier, but the lender will require the company to meet rating standards and be rated by a recognized insurance rating agency.

Termite Inspection and Certification

In many areas of the country, the property must be inspected for termites and the inspection is required in the purchase contract. In some parts of the country, this may be called a "wood infestation" report. The report is required on all FHA and VA loans as well as many conventional loans.

Survey or Plot Plan

Your lender may require a survey of the property, showing the property boundaries, the location of the improvements, any easements for utilities or street right-of-way and any encroachments on the boundaries by fences or buildings. Encroachments can be minor, such as a fence, or may be serious and have to be corrected before closing. In some areas, an addendum to the title policy eliminates the need for a survey.

Water and Sewer Certification

If the property is not served by public water and sewer facilities, you will need local government certification of the private water source and sanitary sewer facility. Properties with well and septic water sources are usually governed by county codes and standards.

Flood Insurance

If the lender or the appraiser determines that the property is located within a defined flood plain, you will want, and the lender will require, a flood insurance policy. The policy must remain in force for the life of the loan.

Certificate of Occupancy or Building-Code Compliance Letter

If your home is new construction, you will have to have a Certificate of Occupancy, usually from the city or county, before you can close the loan and move in. The builder will obtain the certificate from the appropriate authority. Many local governments require an inspection when a home is sold to see if the property conforms to local building codes. Code violations may require repairs or replacement of structural or mechanical elements. The responsibility for ordering the inspection and paying for any required repairs should be spelled out in the purchase contract.

Other Documentation

Additional documentation required for closing will be set out in the commitment letter from the lender and will depend upon terms of the sale, peculiarities of the property, and local ordinances and custom. Examples would include private road maintenance agreements if the street in front of your property is not maintained by a municipality. Also, proof of sale of your previous home, if that was a condition of approval of your loan.

Within twenty-four (24) hours prior to the actual closing, you and your real estate agent should make a final inspection of the property to make sure that any required repairs have been completed; that all property described in the sale contract, such as kitchen appliances, carpeting, and draperies are present; and that no recent fire or storm damage has occurred. In most cases, the lender will make a similar inspection before closing.

The Loan Closing

The actual loan closing procedure, including who conducts the closing and who is present, depends upon local law and custom and lender practices. Some states require that you be represented by an attorney, others do not. Even if it is not required by law, you may want to have an attorney review the closing documents.

Some lenders will close the loan in their offices, some will use title or escrow companies, and some will send their instructions and documents to their attorney or yours to conduct the closing. As soon as you receive your commitment letter from the lender, you should determine who is responsible for closing arrangements.

The actual closing is conducted by a closing agent who may be an employee of the lender or the title company, or it may be an attorney representing you or the lender. The lender and seller, or their representatives, and the real estate agents may or may not be at the actual closing. It is not unusual for the parties to the transaction to complete their roles without ever meeting face to face.

The closing agent will have received instructions from the lender on how the loan is to be documented and the funds disbursed and will have collected all of the necessary exhibits from you, the seller, and the lender. The closing agent will make sure that all necessary papers are signed and recorded and that funds are properly disbursed and accounted for when the closing is completed.

You typically need to come to the closing with a certified check for the closing costs, including the balance of the [down payment](#). You can get the exact figure a day or two prior to the closing from the lender or the closing agent. You should also bring the homeowners insurance policy and proof of payment if it has not been delivered earlier.

For the most part, your role at closing is to review and sign the numerous documents associated with a mortgage loan. The closing agent should explain the nature and purpose of each one and give you and/or your attorney an opportunity to check them before signing. A brief description of the major documents may help you understand their purpose and significance.

Settlement Statement ([HUD-1 Form](#))

The "Settlement Statement (HUD-1) form is required by federal law and is prepared by the closing agent. It provides the details of the sale transaction including the sale price, amount of financing, loan fees and charges, proration of real estate taxes, amounts due to and from buyer and seller, and funds due to third parties, such as the selling real estate agent. It must be signed by both buyer and seller and becomes a part of the lender's permanent loan file. (a copy is in the back of this book)

Some of your charges on the HUD-1 may have already been paid, such as credit report and appraisal fees. They will be noted as P.O.C. (paid outside the closing). You will usually be charged interest on the loan from the date of settlement until the first day of the next month; your first payment will be due on the first day of the month. Make sure you know exactly when your first and subsequent payments are due and what the penalties are for being late.

If your loan is greater than eighty (80) percent of the value of the property, you will probably have to pay for mortgage insurance that protects the

lender in case you default. One year's premium will usually run between 0.5 percent to 0.75 percent of the loan amount.

In addition to your monthly payments on the loan, most lenders will require you to maintain an "escrow", or "impound," account for real estate taxes and insurance. Current law permits a lender to collect 1/6th (2 months) of the estimated annual real estate taxes and insurance payments at closing. Additionally, real estate taxes for the current year will be pro-rated between you and the seller and paid at closing. After closing, you will remit 1/12 of the annual amount with each monthly payment. Tax and insurance bills should be sent to the lender who will pay them out of the escrow funds collected.

Truth-in-Lending Statement (TIL)- Regulation Z

This form is also required by federal law. You were given an initial TIL shortly after you completed the loan application. If no changes have taken place since that time, the lender need not provide one at closing. If, however, there are significant changes, you must receive a corrected TIL no later than settlement.

The Mortgage Note

The [mortgage note](#) is legal evidence of your indebtedness and your formal promise to repay the debt. It sets out the amount and terms of the loan and also recites the penalties and steps the lender can take if you fail to make your payments on time. It outlines the amount of the debt, the terms and payments, the interest rate, margins and caps for ARMs, the name of the lender ([beneficiary](#)), the name of the borrower ([mortgagor](#)) and any other material item required by the lender. The borrower(s) must sign the note.

The Mortgage or Deed of Trust

This is the "[security instrument](#)" which gives the lender a claim against your house if you fail to live up to the terms of the mortgage note. It recites the legal rights and obligations of both you and the lender and gives the lender the right to take the property by foreclosure if you default on the loan. The mortgage or deed of trust will be recorded, providing public notice of the lender's claim (lien) on the property. Usually the security instrument is recorded as a public document.

Miscellaneous Documents

There will be a number of documents or affidavits that you will be asked to sign at closing. Some are lender requirements (e.g. a statement that you intend to occupy the property as your primary residence); others are required by state or federal law. These instruments should not be taken lightly. Some provide for criminal penalties for false information, and some may give the lender the right to call your loan, which means the entire loan amount becomes immediately due and payable. When everything has been signed and the closing agent is satisfied that all of the instructions for closing have been complied with in full, you become the owner and are given the keys to the property.

What Is a Good-Faith Estimate?

Your lender is required by the federal Real Estate Settlement Procedures Act (RESPA) to provide you with a good-faith estimate of the fees due at closing within three days of applying for a loan. (a copy of this form is located [here](#))

These mortgage fees, also called settlement costs, cover every expense associated with your home loan: inspections, title insurance, taxes, and other charges.

Because closing costs typically amount to between three (3) and five (5) percent of the sale price, it is best to wait until you receive the good-faith estimate before signing any loan. In fact, smart shoppers will obtain good-faith estimates from several lenders, compare their costs, and then ask their chosen lender to meet or beat the competition's best offer.

Here's a list of some of the fees you'll find listed on your good-faith estimate (for an average price range, see table of closing costs below):

- Loan application and credit report
- Title search and title insurance
- Lender's attorney
- Property appraisal
- Inspection
- Survey
- Document recording
- Transfer taxes
- Buyer's attorney
- Documentary stamps on new note
- Points and origination
- Condominium application
- Escrow account balances/prepays



Take your good-faith estimate papers to another lender to see if they beat your current offer. This is a process that is overlooked by many first-time home purchasers. You could save a lot of money on a better interest rate.

Title Insurance

Title insurance insures against errors in the title search and guarantees that you and your lender retain financial interest in the property. A title search checks for liens, encumbrances and legal errors, as well as fraud,

forgery, missing heirs, or divorce proceedings that could affect your rights of ownership, possession, or use of the property.

The required title insurance only protects the lender, so if the property has a long and checkered history, you may want to take out an owner's title insurance policy to protect yourself. If the property is relatively new, you may be able to lower the cost of title insurance by asking your insurer for a reissue rate if there have been no claims against the title since the previous title search was done. If you and the seller are both getting title insurance, you may save by using the same insurer, who then only has to research the property once for both of you.

Escrow

At closing you may have to put aside money into special escrow accounts to insure that such things as private mortgage insurance (PMI), property taxes, and homeowners insurance are paid on time. Federal law limits the amount of escrow "cushion" to two months of payments. Be sure to ask the lender what escrow payments will be required at closing; some mortgage companies may waive escrow requirements if you pay more points or a higher interest rate.

Ways to Save at Closing

Many closing costs are standard and won't vary from lender to lender, for instance appraisals, credit reports, title insurance, government stamps, and recording fees. Others, however, may be eliminated simply by opting out of a service, such as overnight delivery of documents. If a fee seems vague or questionable, ask. Some mortgage companies include so-called junk fees that you can eliminate or reduce.

Because all mortgage loan payments are due on the first of the month, you can avoid or reduce the prepaid interest due by closing on or near the last day of the month.

Remember, you can always negotiate with the seller to have them split or pay outright some of the closing costs, points or fees.

Type of fee	Fees for a \$50,000 loan	Fees for a \$100,000 loan	Fees for a \$200,000 loan
Loan application and credit report	\$75 to \$300	\$75 to \$400	\$75 to \$400
Loan origination fee (1%)	\$500	\$1,000	\$2,000
Points (1 to 3%)	\$500 to \$1,500	\$1,000 to \$3,000	\$2,000 to \$6,000
Title search and insurance fees	450 to \$600	\$450 to \$600	\$450 to \$600
Lender's attorney	\$150 to \$400	\$150 to \$400	\$150 to \$400
Appraisal	\$150 to \$400	\$150 to \$400	\$150 to \$400
Homeowners insurance	\$300 to \$600	\$500 to \$800	\$700 to \$1,000
PMI	\$350 to \$675	\$750 to \$1,500	\$900 to \$1,750
Inspections	\$175 to \$300	\$175 to \$300	\$175 to \$300
Survey	\$125 to \$400	\$125 to \$400	\$125 to \$400
Recording fees	\$40 to \$60	\$75 to \$150	\$100 to \$200
Transfer taxes	\$75 to \$1,125	\$75 to \$1,125	\$75 to \$1,125
Buyer's attorney	\$400 to \$700	\$1,200 to \$1,500	\$1,500 to \$3,000

Escrow deposit for taxes* (depends on closing date)	\$100 to \$800	\$100 to \$2,400	\$100 to \$3,000
Partial month's interest* (depends on closing date)	\$20 to \$400	\$50 to \$1,200	\$100 to \$2,400
Subtotals	\$3,335 to \$8,660	\$6,125 to \$8,850	\$9,550 to \$22,975
Plus down payment	\$5,000	\$10,000	\$20,000
Totals	\$8,335 to \$13,660	\$16,800 to \$18,850	\$29,500 to \$42,975
* Real estate closing practices vary widely from state to state and county to county. Where you live will determine what you will have to pay. Even if you are not required to prepay into an escrow account for taxes, you may want to set aside this amount to assure that you will be able to pay these bills when they fall due.			

Can My Mortgage Loans Be Sold?

Your loan can be sold at any time. There is a secondary mortgage market in which lenders frequently buy and sell pools of mortgages. This secondary mortgage market results in lower rates for consumers. A lender buying your loan assumes all terms and conditions of the original loan. As a result, the only thing that changes when a loan is sold is to whom you mail your payment. If your loan has been sold, your existing lender will notify you that your loan has been sold, who your new lender is, and where you should send your payments from now on.

What happens if my lender goes out of business?

If your lender goes out of business, you are still obligated to make payments! Typically, loans owned by a lender going out of business are sold to another lender. The lender purchasing your loan is obligated to honor the terms and conditions of the original loan. Therefore, if your lender goes out of business, it makes little difference with regards to your loan payments. In some cases, there may be a gap between the date of your lender's going out of business and the date that a new lender purchases your loan. In such a

situation, continue making payments to your old lender until you are asked to make payments to your new lender.

Types of Mortgage Loans

Although you may see many different types of mortgage loans advertised, they all belong to just two families: those mortgages that carry fixed interest rates, and those whose rates change during the course of the loan on a periodic schedule mutually agreed upon by you and your lender. This page does, however, discuss some new loans that are really "cousins" to each family: convertible mortgages.

Fixed-rate mortgages

You are probably familiar with a fixed rate mortgage. Your parents more than likely had one, as did their parents before them. The major advantage of fixed rate mortgages is that they present predictable housing costs for the life of the loan. Some fixed-rate mortgages you will probably hear about are:

- 30-year fixed-rate mortgages
- 15-year fixed-rate mortgages
- Biweekly mortgages
- "Convertible" mortgages

When people thought of a mortgage 10 to 50 years ago, they thought of a 30-year fixed-rate mortgage. This traditional favorite is not the only choice nowadays because volatile financial times created a whole new range of selections. However, the 30-year fixed rate mortgage may still be the best mortgage for your circumstances. It offers the lowest monthly payments of fixed rate loans, while providing for a never-changing monthly payment schedule. Some lenders offer 20-, 25-, and even 40-year term mortgages as well. But remember, the longer the term of the loan, the more total interest you will pay.

The 15-year fixed rate mortgage allows homeowners to own their homes free and clear in half the time and for less than half the total interest costs of the traditional 30-year loan. The loan's term is shortened by the ten (10) percent to fifteen (15) percent higher monthly payments. Some homebuyers prefer this mortgage because it allows them to own their home before their children start college. Others prefer it because they will own their home free and clear before retirement and probable declines in income.

The major disadvantages of the 15-year fixed rate mortgage are the sometimes higher monthly payments. But if saving on total interest costs and cutting the time to free and clear ownership are important to you, the 15-year fixed rate mortgage is a good option. The biweekly mortgage

shortens the loan term to eighteen (18) to nineteen (19) years by requiring a payment for half the monthly amount every two weeks.

The biweekly payments increase the annual amount paid by about eight (8) percent and in effect pay thirteen (13) monthly payments (26 biweekly payments) per year. The shortened loan term decreases the total interest costs substantially. The interest costs for the biweekly mortgage are decreased even farther, however, by the application of each payment to the principal upon which the interest is calculated every fourteen (14) days. By nibbling away at the principal faster, the homeowner saves additional interest. Remember, however, that you trade lower total interest costs for fewer mortgage interest deductions on your federal income tax. Your ability to qualify for this type of loan is based on a thirty (30)-year term, and most lenders who offer this mortgage will allow the homebuyer to convert to a more traditional thirty (30)-year loan without penalty. Availability is limited on this mortgage, but it can be worth looking for.

Mortgages That Change

Some newer mortgages afford homebuyers some of the best qualities of the fixed-rate and adjustable-rate mortgages. One new type of loan, often called a Two-Step, Super Seven, or Premier Mortgage, gives homeowners the predictability of a fixed-rate and adjustable-rate mortgage for a certain time, most often seven (7) or ten (10) years; then the interest rate is adjusted to fit market conditions at that time. The main advantage associated with this type of loan is that homebuyers often get a slightly lower-than-market rate to begin with. The main disadvantage is that they may see their interest rate go up by as much as six percentage points at the end of the seven-year period. The lender may also reserve the option to call the loan due with 30 days' notice at that time, making this loan similar to a balloon mortgage in some cases.

Lenders offer this type of loan in part because research indicates that many homebuyers remain in the home for seven to ten years before moving. For this type of homebuyer, the Two-Step or Super Seven loan presents an excellent way of getting a fixed-rate loan at a better-than-market price for a fixed period of time.

Another type of mortgage that is becoming popular is called a Lender Buydown, where the homebuyer gets an initially discounted rate and gradually increases to an agreed-upon fixed rate over a matter of three years. For example: When the market rate is 10 percent, the fixed rate for the mortgage is set at about 10.5 percent, but the homebuyer makes monthly payments based on a first year rate of 8.5 percent. The second year the rate goes up to 9.5 percent, and for the third year through the remaining life of the loan, the rate is calculated at 10.5 percent. A second

type of lender buy-down, called a Compressed Buydown, works the same way, but with the interest rate changing every six months instead of on a yearly basis.

The Lender Buydown gives consumers the advantage of lower initial monthly payments for the first two years of the loan when extra money may be needed for furnishings and, secondly, the advantage of knowing that, although the interest rate does change during the first three years of the loan, the interest is fixed from the third year on.

Convertible mortgages offer today's homebuyer the option to change the loan's interest rate after some period of time or some specified movement in interest rates.

Convertible fixed-rate mortgages are often referred to as the Reduction Option Loan (ROL) or, in some locations, the Reducing Interest Loan (RIL), or Mortgage (RIM). This new type of loan offers homeowners the option of getting a loan that, under the right conditions, can be adjusted to a lower interest rate with a payment of \$100 or \$200 or so and a small loan amount-based fee, sometimes as little as one-fourth of a percentage point. These conditions usually are a prescribed movement in rates-typically two percent below the initial, for example, during a set time limit-between months 13 and 59.

On a 30-year fixed-rate mortgage with a reduction option, the homebuyer pays an extra one-fourth to three-eighths of a percentage point in the interest rate on the mortgage plus a quarter to three-eighths of one percent of the loan amount (points) at the time of closing. This allows the homeowners to adjust the interest rate on the loan without having to go through a refinancing, which could cost up to five (5) percent or six (6) percent of the loan amount, if the rates are right during the prescribed time limit.

On an \$80,000 loan, this means that you could reduce the interest rate on your loan from, say, 10.5 percent to 8.5 percent, and take advantage of the low rates for the rest of the loan term for \$150 instead of up to \$4,800, if the rates dropped to that point during your "window of opportunity" - months 13 through 59. Some homeowners may find the ROL a good "insurance policy" against the high costs of refinancing. Others may want the flexibility that refinancing offers, namely the ability to draw on built-up equity that is not available with ROLs. The decision is up to you.

Convertible Adjustable-Rate Mortgages (ARMs) are another new loan product on today's market. It works like any other ARM, but it offers homeowners a distinct advantage:-it allows them to turn their ARM into a

fixed-rate mortgage after a set period (usually during the second through fifth years of the loan).

A new product developed by the Federal National Mortgage Association (Fannie Mae), which buys mortgages from lenders, allows the homeowner to convert an ARM to either a 15- or 30-year fixed-rate mortgage for a fee of one percent of the original loan plus \$250, as compared to the three (3) percent to six (6) percent costs of refinancing. Say, for instance, that you got your convertible ARM at an initial interest rate of 10.0 percent, and after a year or so, rates had dropped to 8.0 percent. For the smaller conversion fee, you could adjust your mortgage to either a 15- or 30-year fixed-rate loan at a new rate that would be about one-half percent higher than the going market rate, or 8.5 percent. There are other variations on this loan available from lenders across the country. Homebuyers who want the low initial rate of an ARM, and the option and peace of mind of a fixed mortgage should rates drop, can now have it both ways.

Adjustable-Rate Mortgages

Adjustable Rate Mortgages (ARMs) have become one of the most popular and effective tools for helping some prospective homebuyers achieve their dream of homeownership. Developed during a time of high interest rates that kept many people out of the housing market, the ARM offers lower initial rates by sharing the future risk of higher rates between borrower and lender.

ARMs can be an excellent choice of financing under certain conditions, such as rising income expectations, high interest rates, and short-term homeownership. But, because payments and interest rates can increase, either steadily or irregularly, homebuyers considering this kind of mortgage need to have the income to keep up with all possible rate and/or payment changes. Each ARM has four basic components:

1. Initial interest rate, which is typically one to three percentage points lower than that of most fixed-rate mortgages. Lower interest rates also make ARMs somewhat easier to qualify for. The initial interest rate is tied to certain economic indicators that dictate in part what the monthly payments will be.
2. Adjustment interval, at the time between changes in the interest rate and/or monthly payment will be.
3. Index, against which lenders measure the difference between what they are making on their investment in the mortgage and what they could be making on other types of investments. The most popular index is based on the rate of return on a one- year Treasury bill (also called T-bill).

4. Margin or the additional amount the lender adds to the index to establish the adjusted interest rate on an ARM. The margin is usually 1.5 percent to 2.5 percent.

In addition to the four basic components, an ARM usually contains certain consumer safeguards, such as interest rate caps, which limit the amount that the interest rate applied to the payments, may move. This prevents the amount of interest the consumer pays from rising higher than perhaps the homeowner can afford. For instance, a typical ARM would have a two-percentage-point cap over the life of the loan. That means that a loan with an initial interest rate of 9.75 percent would be able to go no higher than 14.75 percent over the life of the loan, and it would be able to move no more than two percentage points per year.

Another safeguard found on some ARMs are monthly payment caps that limit the amount homeowners need to increase their payments at adjustment time. Monthly payment caps can, however, sometimes prevent the monthly payments from increasing enough to keep up with the rise in the interest rate, causing negative amortization and resulting in higher or more payments for the homeowner later on.

Other options you should ask about when shopping for an ARM are

Assumability, or whether you may transfer the mortgage to a new homebuyer, usually with the same terms, if the new homebuyer qualifies for the loan. ARMs are almost always assumable. Convertibility allows the borrower to change an ARM to a fixed rate mortgage, usually at the end of some predetermined period, locking in a lower interest rate.

An Option for Older Homeowners

A relative newcomer in the mortgage market is a Reverse Annuity Mortgage (RAM). For older Americans, especially retirees living on fixed incomes, the equity in their paid-for or almost-paid-for home represents a large but liquid asset. The RAM is designed to help supplement those homeowners' income.

The lender who will issue a RAM appraises the property and makes the loan based on a percentage of its current value. The homeowner retains ownership, and the property secures the loan. The lender then pays an annuity to the borrower, usually on a monthly basis, up to an amount equal to the equity they have in the home.

The advantage of such a loan for older Americans is that of receiving a monthly tax-free income. Under one plan, this income is available for life or until the house is sold and the homeowner moves. The schedule of

payments depends on the value of the home and the ages of the owners. There are risks involved, however. If the homeowner wants to move and buy a new house, there may not be enough equity in the home to permit such a plan. Or, appreciation when deciding on the monthly payments, the lender may consider only the current market value of the home rather than any future.

FHA/VA Mortgages REVISE RE 1.10.14 changes?

The Federal Housing Administration (FHA) and the Veterans Administration (VA) offer a wide range of mortgage choices that may appeal to you. These include 30- and 15-year fixed-rate mortgages, as well as ARMs. Insured by these government agencies, the loans feature low- or no-down-payment terms and are often assumable by future purchasers. VA loans are restricted to individuals qualified by military service or other entitlements, but FHA-insured loans are open to all qualified home purchasers. Note that there are limits to handle moderately priced homes anywhere in the country. Talk to your lender about FHA/VA possibilities.

Creative Financing or Seller-Assisted Mortgages

This type of financing became popular when interest rates went to very high levels in the early 1980s. Seller-assisted creative financing usually means the seller of the home helps with the financing by underwriting all or part of the loan.

The advantage of this type of arrangement is that the mortgage usually carries a lower interest rate with lower monthly payments. The disadvantage is that the previous homeowner, not an institution, may hold the deed of trust. If the loan terms call for certain payment schedules, the buyer may have to seek new financing. Many homebuyers in recent years have found "creative financing" deals to be fraught with problems and useful only as short-term alternatives to mortgages from traditional lenders.

One type of mortgage you are apt to run into with seller financing is the balloon payment mortgage. Balloons, as they are known, are usually offered as short-term fixed-rate loans. The balloon payment mortgage gets its name from the payment schedule, which involves smaller payments for a certain period of time and one large payment for the entire amount of the outstanding principal. They have terms of 3, 5, and sometimes 15 years, though payments are usually calculated as though it were a 30-year loan. Sometimes a balloon will be offered as a second mortgage where you also assume the homeowner's first mortgage. The major disadvantage with a balloon payment loan is that it may be difficult to save up the money to make the final large payment (often the entire amount of the principal) while paying interest on the loan. Some lenders guarantee refinancing, though the

interest rate is usually adjusted when the principal comes due. If you cannot refinance, you may have to forfeit the property if you cannot meet the large payment. Balloons are an advantage if you plan on living in an appreciating house for a short period of time and want to pay less while you live there.

Interest-only mortgages

Looking for a way to afford a larger home for less money?

The answer may lie in an interest-only mortgage loan. The mechanics of an interest-only mortgage loan are simple. For a set period (generally in the early years of a mortgage when most of the payment goes toward interest anyway), you pay only the interest portion of your monthly payment, freeing up for other purposes the amount that would normally go toward paying off the principal.

At the end of the interest-only period, your loan reverts back to its original terms, with the monthly payments adjusted upward to reflect full amortization over the remaining years of the loan (for instance, following a five-year interest-only loan, a 30-year mortgage would now fully amortize over 25 years).

You won't build equity during the interest-only term, but it could help you close on the home you want instead of settling for the home you can afford.

Since you'll be qualified based on the interest-only payment and will likely refinance before the interest-only term expires anyway, it could be a way to effectively lease your dream home now and invest the principal portion of your payment elsewhere while realizing the tax advantages and appreciation that accompany homeownership.

Interest-only loans are the latest tool aimed at offsetting high home prices. Since the '60s, lenders have stretched mortgages from 20 years to 25 years to the current 30-year term to assist the home-buying market.

That's a major selling point for the interest-only loan, especially in high-ticket housing markets. On a 30-year amortizing loan of \$500,000 at 6.5 percent fixed, the initial monthly payment would be \$3,160, with \$2,708 going to interest and \$452 toward principal. With an interest-only loan, the fixed monthly payment would be \$2,708.

Tax advantages to interest-only vs. amortizing mortgages are admittedly minimal because you're not paying your principal down each month; your interest-only portion remains fixed instead of declining, however infinitesimally over time.

Interest-only loans represent less risk to a lender because they give the homeowner more cash-management options; the payments are lower by definition; and the principal "nut" can be used to stave off more pressing debt that might eventually threaten the mortgage, such as high-interest credit card bills. The homeowner can also choose to make principal payments at any time.

Managing Your Financial Affairs

This section will give you strategies on how to handle everyday financial problems that may occur without any advance warning. Most, or should we say all, attorneys and credit consultants use these techniques when approached by a client facing the problems mentioned in this section.

In this section you will discover how to reduce your financial obligations using the theory of pro-rating. This theory is widely used by companies who advertise a debt reduction program called "Bills Consolidation." Some of these companies are very good at what they do, while others can't be trusted. Consumer Credit Counseling Service counselors can assist you in arranging a repayment plan that is acceptable to both you and your client's creditors. Contact **The National Foundation For Consumer Credit, Inc., 801 Roeder Road, Suite 900, Silver Spring, Maryland 20910**, (301) 589-5600 or 800-388-2227. <http://www.nfcc.org>. However, you are equipped with the same basic knowledge as they have and can do the job successfully yourself.

If you are faced with any of the problems in this section, and are contemplating bankruptcy or a wage earner plan, read the material several times until you understand it thoroughly. You can use the **sample letters** in the appendix (section 5) when negotiating with your client's creditors. Don't be afraid to make an offer to your client's creditors using these techniques; they work quite well when presented correctly.

Often people are encouraged to file bankruptcy by money-hungry attorneys when they could have solved their problems without filing. If you approach an attorney concerning bankruptcy and are told that your only solution is bankruptcy or a wage-earner plan, make sure you get a second opinion from a competent credit counselor who in most cases may direct you to other viable solutions, negotiating directly with your creditors.

Understanding Repossessions

A creditor can repossess your car or other merchandise if you fall behind on the payments. There are two types of loans: secured and unsecured. A secured loan requires you to put something of value as collateral, such as a car. An unsecured loan does not require any collateral, such as a bank charge card. If you do not pay an unsecured loan, the only recourse a creditor has is to sue you, get a judgment, and go after your other assets and/or attempt to garnish your wages.

But if you do not pay a secured loan, the creditor can repossess the pledged collateral and sell it to pay off the outstanding balance. If the sale of the collateral isn't enough to pay off the out-standing balance, the creditor can sue for the rest. In some states, the creditor must notify you of the date and time the collateral will go up for sale so you can come up with the funds to keep your collateral, and can be in violation if they do not.

Before a creditor can repossess the collateral, you must be in default of the loan, which is explained in the contract you signed with the creditor. Non-payment is of course grounds for default; however, you may be in default for other reasons, such as, not keeping adequate insurance on the collateral (which in most cases means an automobile), filing bankruptcy, loss or destruction of the collateral, and deaths. These are all grounds for default.

Once a loan is in default, it is normally the right of the creditor to repossess the collateral. In most states the creditors don't have to go through a court system if the collateral can be seized peacefully. In some states the creditor must notify you that you are in default and that they are about to repossess the collateral. In other states, the repossession can be done without notifying you at all.

The only major restriction facing the creditor is not violating a "breach of peace." Violating a breach of peace also means entering your home or garage without your consent and in some states, breaking into a locked car in order to repossess it. If the creditor violates a breach of peace, you can sue for damages.

Fair-Debt-Collection: Garnishment Law

Federal wage garnishment laws explained for consumers, creditors and collectors. Read the law [here](http://www.fair-debt-collection.com/garnishment-law.html).

<http://www.fair-debt-collection.com/garnishment-law.html>

Wage garnishment laws include attaching wages, bank accounts, and student loans in default. The law does not describe how to stop wage garnishment!

The best way to prevent wage garnishment actions is to be pro-active when dealing with creditors and debt collectors.

Federal and state garnishment laws can be used to stop, start, and avoid wage garnishment actions by consumers, creditors and collectors. Wage garnishment (except student loans) is only possible after creditors and collectors obtain a court-ordered judgment for such action. The garnishment action, otherwise known as "administrative wage garnishment," can be up to twenty-five (25) percent of your disposable income.

Wage Garnishment rules taken directly from federal law; Title 15, Chapter 41, Subchapter II.

1. SEC. 1673: RESTRICTION ON GARNISHMENT

(a) Maximum allowable garnishment

Except as provided in subsection **(b)** of this section and in section **1675** of this title, the maximum part of the aggregate disposable earnings of an individual for any workweek that is subjected to garnishment may not exceed

- (1) 25 per cent of disposable earnings for that week, or
- (2) the amount by which disposable earnings for that week exceed thirty times the federal minimum hourly wage prescribed by section 206(a)(1) of title 29 in effect at the time the earnings are payable, whichever is less.

In the case of earnings for any pay period other than a week, the Secretary of Labor shall by regulation prescribe a multiple of the federal minimum hourly wage equivalent in effect to that set forth in paragraph (2).

(b) Exceptions

(1) The restrictions of subsection (a) of this section do not apply in the case of

(A) any order for the support of any person issued by a court of competent jurisdiction or in accordance with an administrative procedure, which is established by State law, which affords substantial due process, and which is subject to judicial review.

(B) any order of any court of the United States having jurisdiction over cases under chapter 13 of title 11.

(C) any debt due for any state or federal tax.

(2) The maximum part of the aggregate disposable earnings of an individual for any workweek that is subject to garnishment to enforce any order for the support of any person shall not exceed

(A) where such individual is supporting his spouse or dependent child (other than a spouse or child with respect to whose support such order is used), fifty (50) per cent of such individual's disposable earnings for that week; and

(B) where such individual is not supporting such a spouse or dependent child described in clause (A), 60 per cent of such individual's disposable earnings for that week; except that, with respect to the disposable earnings of any individual for any workweek, the 50 per cent specified in clause (A) shall be deemed to be 55 per cent and the 60 per cent specified in clause (B) shall be deemed to be 65 per cent, if and to the extent that such earnings are subject to garnishment to enforce a support order with respect to a period which is prior to the twelve-week period which ends with the beginning of such workweek.

(c) Execution or enforcement of garnishment order or process prohibited

No court of the United States or any State, and no State (or officer or agency thereof), may make, execute, or enforce any order or process in violation of this section

2. Sec. 1674: Restriction on discharge from employment by reason of garnishment

(a) Termination of employment:

No employer may discharge any employee by reason of the fact that his earnings have been subjected to garnishment for any one indebtedness.

(b) Penalties :

Whoever willfully violates subsection **(a)** of this section shall be fined not more than \$1,000, or imprisoned not more than one year, or both

3. SEC. 1675: EXEMPTION FOR STATE-REGULATED GARNISHMENTS

The Secretary of Labor may by regulation exempt from the provisions of section **1673(a)** and **(b)(2)** of this title garnishments issued under the laws of any State if he determines that the laws of that State provide restrictions on garnishment which are substantially similar to those provided in section **1673(a)** and **(b)(2)** of this title

4. Sec. 1676: Enforcement by Secretary of Labor

The Secretary of Labor, acting through the Wage and Hour Division of the Department of Labor, shall enforce the provisions of this subchapter

5. SEC. 1677: EFFECT ON STATE LAWS

This subchapter does not annul, alter, or affect, or exempt any person from complying with, the laws of any State

(1) prohibiting garnishments or providing for more limited garnishment than are allowed under this subchapter, or

(2) prohibiting the discharge of any employee by reason of the fact that his earnings have been subjected to garnishment for more than one indebtedness

Social Security and garnishment:

Generally, Social Security benefits are exempt from execution, levy, attachment, garnishment, or other legal process, or from the operation of any bankruptcy or insolvency law. The exceptions are that benefits are subject:

(1) to the authority of the Secretary of the Treasury to make levies for the collection of delinquent federal taxes and under certain circumstances delinquent child support payments; and

(2) to garnishment or similar legal process brought by an individual to enforce a child support or alimony obligation.

Section 207 of the Social Security Act provides: "The right of any person to any future payment under this title shall not be transferable or assignable, at law or in equity, and none of the moneys paid or payable or rights existing under this title shall be subject to execution, levy, attachment, garnishment, or other legal process, or to the operation of any bankruptcy or insolvency law."

However, section 6331 of the Internal Revenue Code of 1954 (26 U.S.C. 6331) which was enacted into law on August 16, 1954, after the enactment of section 207, gives the Secretary of the Treasury the right to levy or seize for collection of delinquent federal taxes, property, rights to property, whether real or personal, tangible, or intangible, and the right to make successive levies and seizures until the amount due, together with all expenses, is fully paid. References: SSR 79-4: SECTIONS 207, 452(b), 459 and 462(f) (42 U.S.C. 407, 652(b), 659 and 662(f)) LEVY AND GARNISHMENT OF BENEFITS 20 CFR 404.970 SSR 79-4

Stop Garnishment

In some states, there is a technique you can apply that will stop your paycheck from being garnished. This technique is called *"Filing a Motion to Set Payments."* You must still pay the money that you owe the company who is filing a garnishment against you. However, instead of the money coming out of your paycheck, it is paid directly to the court. Here is how this technique works. Once a garnishment notice is filed at your job, get a copy of the notice from personnel or payroll department and take the notice to the General Sessions Court Garnishment Department. Tell the clerk that you want to file a motion to set payments; the clerk will give you the proper form to fill out and explain to you how this system works and, in most cases, the garnishment will be stopped. There is a small fee for this action, approximately \$3.00. You don't have to wait until the garnishment is filed at your job. On the date a judgment is filed against you a motion to set payments can be filed. Check with the General Sessions Court in your state to see if this technique is available.

Law in most states limits the amount of your salary after deductions (called disposable income) that may be garnished. Below is a chart showing the statutory limits.



Note: A writ is a written order issued by a court, commanding the person to whom it is addressed to do or not to do some act specified therein.

Wages Exempt from Garnishment (by State)

Alabama 75%; but for consumer debts, 80% or 50 times the federal minimum hourly wage, whichever is greater

Alaska 75% of income or \$114 per week, whichever is greater

Arizona 50% of money earned within 30 days preceding writ; 75% of income or 30% of federal minimum hourly wage, whichever is greater

Arkansas (1) \$500 (\$200 if unmarried) or income within 60 days preceding writ; or (2) 60-days wages if less than above; \$25 per week absolute exemption

California 50% of the income within 30 days preceding writ of garnishment

Colorado 70% (35% if unmarried)

Connecticut 75% of income or 40 times federal minimum hourly wage, whichever is greater

Delaware 85% of wages (except when process if for debts to state)

D.C. 75% of income or 30 times federal minimum hourly, wage whichever is greater

Florida 75% of income or 30 times federal minimum hourly wage, whichever is greater

Georgia 75% or 30 times federal minimum hourly wage, whichever is greater

Hawaii 95% of the first \$100 of monthly wages; 90% of the next \$100; 80% of monthly wages over \$200 (50% in some cases)

Idaho 75% of income or 30 times federal minimum hourly wage, whichever is greater

Illinois (1) \$65 a week (\$50 if unmarried); or (2) 85% of gross wages; or (3) 75% of income or 30 times federal minimum hourly wage, whichever is greater

Indiana 75% of income or 30 times federal minimum hourly wage whichever is greater (resident householders may qualify for higher exemptions)

Iowa 75% of income or 30 times federal minimum hourly wage, whichever is greater (no one garnishment may exceed \$250 a year)

Kansas 75% of income or 30 times federal minimum hourly wage whichever is greater

Kentucky 75% of income or 30 times federal minimum hourly wage whichever is greater (50% if judgment is for food, medicine or certain other essentials)

Louisiana 75%- minimum exemption is \$70 per week

Maine Earnings may not be garnished

Maryland \$120 or 75% of wages, whichever is greater

Massachusetts \$125 of weekly earnings

Michigan 60% (40% if not a head of household), subject to certain limitations

Minnesota 75% of income or 40 times federal minimum hourly wage, whichever is greater (plus earnings within 30 days preceding writ if necessary for family support)

Mississippi 75%

Missouri 75% of income or 30 times federal minimum hourly wage, whichever is greater; 90% for resident head of household

Montana All wages earned by head of household; for a person over 60, within the 45 days preceding writ of garnishment (with limitations)

Nebraska 75% of income or 30 times federal minimum hourly wage, whichever is greater; 85% for head of household

Nevada 75% of weekly wages or all weekly income in excess of 30 times of federal minimum hourly wage, whichever is greater

New Hampshire \$40 of weekly wages owing for services rendered before issuance of writ of garnishment; all of wages earned after issuance of writ

New Jersey \$48 a week plus 90% of excess

New Mexico 75% of income or 40 times federal minimum hourly wage, whichever is greater

New York 90%; but if earnings are less than \$85 per week, garnishment is not permitted

North Carolina No specific provision

North Dakota 75% of income or 40 times federal minimum hourly wage, whichever is greater

Ohio 75% of income or 30 times federal minimum hourly wage, whichever is greater, within 30 days preceding writ

Oklahoma 75%, but all earnings for 90 days following judgment may be exempt, if necessary for family support

Oregon 75% of income or 40 times federal minimum hourly wage, whichever is greater

Pennsylvania None, but garnishment is only allowed in execution of an order against a husband for support of his family

Rhode Island \$50 a week

South Carolina All wages for 60 days after issuance of writ of garnishment if necessary for family support. Judge has discretion to exempt earnings

South Dakota No specific provision

Tennessee (1) Head of family: 50% of weekly earnings or \$20 a week, whichever is greater, but no more than \$50 a week; (2) others: 40% of weekly earnings or \$17.50 a week, whichever is greater, but no more than \$40 a week

Texas Wages may not be garnished

Utah 75% of income or 40 times federal minimum hourly wage, whichever is greater

Vermont No specific provision

Virginia 75% of income or 30 times federal minimum hourly wage, whichever is greater

Washington 75% of income or 40 times Washington state minimum hourly wage, whichever is greater

West Virginia 80% of earnings or 30 times federal minimum hourly wage, whichever is greater

Wisconsin 75% of income or 30 times federal minimum hourly wage, whichever is greater

Wyoming 75% of income or 30 times federal minimum hourly wage, whichever is greater

Garnishment may well be called rough justice, and as you can see, some states have outlawed it entirely. However, there are still many states where it can be used as effective stick over the heads of individuals who do not pay their debts.

Please note that State laws **change very rapidly**. Contact your states to see if any changes have been made in their garnishment laws.

Your Notes: _____

Home-Lending and Foreclosure-Rescue Scams

Home-lending and foreclosure-rescue scams are serious problems, costing Americans thousands of dollars and often their most valuable asset: their home. Scam artists have successfully targeted consumers in danger of losing their homes or home-owners who are equity rich but cash poor. The elderly and those with low incomes or poor credit are particularly vulnerable.

See the National Consumer Law Center's June 2005 report, "Dreams Foreclosed: The Rampant Theft of Americans' Homes through Equity-Stripping Foreclosure 'Rescue' Scams".

This Consumer Alert highlights common tactics con artists employ, provides tips to protect yourself, and explains how to complain if you become a victim.

Foreclosure rescue scams: big promises but no results

If you are in foreclosure and desperate to save your home, you need to be extremely cautious of any claim offering to lower your monthly mortgage payment while also promising that in a short time you can own your home free and clear of any debt. The con artist claims to offer or arrange for a new loan, but instead tricks the homeowner into selling the home to the con artist or a third party and agreeing to either lease the home back or purchase it back on a land contract. The con artist or third party will pay off the existing mortgage or take out a loan. If the scammed homeowner lived in the home for a number of years, he or she likely built up and is surrendering significant equity. Equity is the market value of the home minus the value of all mortgages and other liens on the home. The con artist now owns the home and has stripped or taken the equity out of the scammed consumer's home.

The former homeowner's resulting lease or land-contract payments may be lower for a few months, but a careful inspection of the agreement is likely to uncover an unaffordable balloon (a large lump sum) payment due at the end of a short period of time, sometimes only 13 months! This means the entire **remainder** of the agreement must be paid off. Few can afford the huge cost in such a short time. In the end, foreclosure "rescue" victims find themselves being evicted, and the con artist cashes in on the sale of the home!

This scheme is a form of "equity stripping." Equity stripping occurs when the loan is made on the basis of the equity of the property, rather than the borrower's ability to repay the loan. This allows the borrower to benefit

temporarily; but, in the long run, only adds to his or her debt upon foreclosure.

Locating victims

Information disclosing the homeowner name and the property description for a home in foreclosure is readily available. The con artist obtains the legal description of a property in foreclosure and matches a street address, then solicits the distressed homeowner promising an alternative to foreclosure. Solicitations are made by letter, a home visit, a telephone call, a road sign, an advertising flyer, and radio or newspaper ads.

Senior citizens: attractive targets

Seniors often live in homes for many years and the mortgage balance owed is very low or the home is paid off. By reviewing records accessible through the Register of Deeds and other sources, scam artists are able to determine how much any given individual owes on his or her home. The equity in your home is an attractive asset the con artist will encourage you to pledge or risk.

False promises

In a foreclosure situation, an individual or a company may offer to contact the lender on the homeowner's behalf or to work to get another lender to refinance and save the home from foreclosure. The con artist, however, does little or nothing to help a homeowner out of foreclosure. Any services actually performed could have easily been performed, at no expense, by the homeowner. When the homeowner learns the con artist has failed in his promised efforts, valuable time and money has been lost, and the homeowner is forced into accepting the con artist's "rescue" program.

“Home repair or improvement” hook

The con artist may propose to perform home repairs or improvements, promising it will not cost any cash because the homeowner can use the equity in the home to finance the project. After the homeowner is approved for the loan, the scammer does little or shoddy work while pilfering the money the homeowner took out for the repair or renovation. In the end, the homeowner owes money on the new loan, likely secured by a second mortgage, and may even need to hire a reputable company to correct the poor work.

“Fast cash if you own your own home” hook

Be very cautious of claims offering to quickly get you out of debt by refinancing your home. Cash now and lower monthly payments means you will be paying off your mortgage over a longer period of time. Although you may see a few thousand dollars at the closing, your slightly lower mortgage cost may continue for 30 years instead of the few years you had left on the original mortgage. Additionally, lenders and brokers may add unnecessary closing costs and excess fees.

Loan flipping

Refinancing to obtain cash necessarily means a larger loan and likely means a higher interest rate and high-priced refinancing fees. Loan flipping occurs when a mortgage company or broker, after placing a borrower in a high-rate, high-cost loan, seeks to have the borrower refinance the transaction within a short period, often only six months to a year after signing the original loan. The enticement usually is a slightly lower interest rate or monthly payment. However, the loan term becomes longer and the total cost of the loan increases. And, because various fees, such as loan origination fees and points, inevitably were financed the first time the loan was made, any refinancing where these fees are refinanced results in the consumer borrowing and owing more without any corresponding benefit.

Forged quit-claim deeds

Homeowners may find they are a victim of a forgery when they begin to get mail with an unfamiliar name or mail in their name but for unfamiliar bills. These clues may evidence that the homeowner's signature was forged on a quit claim deed purporting to convey the property to the thief. The thief then takes out a new loan that provides for a substantial cash payment and disappears. The homeowner victim is left with the burden of clearing title and his or her good name.

Loans secured through identity theft

Crooks may not even bother with a quit claim deed, instead stealing your identity and taking out loans in your name. By the time you get the bills in your mailbox, the thief has made off with thousands from a lender who is not aware of any wrongdoing. The lender may even begin foreclosing on your home before you are aware anything is wrong. It can be very costly for the rightful homeowner to quit title and reinstate proper ownership of the property.

Protect yourself and your home

- When reviewing mortgage choices, consider a Federal Housing Administration (FHA) insured mortgage. FHA loans have a low down payment requirement and easier credit and underwriting standards. Additionally, unlike most conventional lenders, FHA lenders are required to follow foreclosure prevention procedures designed to assist the homebuyer in keeping his or her home through rough times. For more information, see www.hud.gov.
- Be sure your loan agent is employed by a lender that is a licensee or registrant and therefore authorized to sell mortgages in your state.
- Read and **understand** everything you sign.
- Obtain copies of **everything** you sign. **Never** sign a blank document.
- Don't sign a power of attorney without discussing it with somebody you know and trust.
- Get all promises, as you understand them, **in writing**.
- Don't deed your property to anyone without consulting an attorney or some other person you trust who is knowledgeable about real estate sales, mortgages, and mortgage transactions.
- Keep complete records of what and who you paid, including billing statements and cancelled checks. Challenge charges you believe were not correctly billed.

Stop Foreclosures

There are a few procedures that must be followed to stop foreclosure, and we will list these steps for you.

1. Know all the important dates involving foreclosures in your area and act promptly to meet these dates.
2. Before time runs out, refinance the loan, sell the property, or take in a partner to raise the money to keep the property.
3. Know the foreclosure procedures in your area. Check with the local library or an attorney to know your rights.

Check your loan papers. If there are any errors, take the paper to an attorney to see if you can challenge the loan documents.

4. Negotiate with your lender. Remember, they do not want a foreclosure either.
5. You can fight the foreclosure in court or file bankruptcy.

There are a lot of books on how to stop foreclosures and these techniques are too lengthy to elaborate on in this training manual. Check with your local library for books.

Protect Your Property from Legal Actions

Some states protect the house and property you live in from creditors under a law called The Homestead Act. This law may exempt your property from certain legal actions. You must consider that this law may vary greatly in the amount or value of the property it protects, but can give some relief to property owners. Check with your attorney about the homestead laws in your area.

How to Handle Bill Collectors

Before you can handle any bill collector, you must understand the game of collecting money and how collectors think. **I'm not here to show you how to maneuver out of paying your bills, but to give you tips on how to make a bad situation better.** Many people are afraid to answer their phone in fear of the bill collector. My goal is to shed a little light on how the collector operates and to give you the worst-case scenarios that could happen to you. With knowledge you will know the consequences of not having the funds to pay your bills, and you'll be in more control of the collection process rather than letting it get the best of you. **There is no need to worry about things you cannot change now or never.** Always be honest and straightforward and you'll go a long way.

Before we move on, let me give you a little information concerning this age of credit in America. Just about everything is based on the buy-now/pay-later system. Credit is easy to obtain, if you know what you are doing, and difficult to pay back in most cases. Credit grantors are trying to get a little stricter in their standards for granting credit because many people could care less about their financial obligations.

Everyone is treated basically the same when behind on their bills; believe me, we know. It doesn't matter how long you have had an account with the company or how many payments you made on time -- if you get behind; you are treated like a second class citizen. There used to be a time when you were judged according to your past payment history and given special consideration for just being a good customer. Nowadays, in the age of computer, you are treated like a number. We are not saying that every creditor is aggressive in their collection procedures when their customers are having financial problems, but we are saying that many have a "pay now or else" attitude.

The worst possible scenarios



Don't Worry about Things You Cannot Change Now or Never.

The Only Thing That a Bill Collector Can Do Is File a Lawsuit for the Money Owed. What Happens During This Process Determines What Happens in the End.

What Happens When You Hear: "**We Will Be Forced to Turn this Matter over to Our Attorneys.**" This statement usually strikes terror in the hearts of debtors. Always keep in mind that the **only time** you should be concerned is when the account is turned over to an attorney. **Not Frightened**, but concerned.

The Legal Collections Course

It is commonly known that a telephone call or a demand letter, from an attorney is usually all it takes to get a debtor to pay a delinquent account. However, if a debtor doesn't pay on their account, the attorney must decide if a lawsuit is in order.

By way of example, we will discuss the legal collections' course in Tennessee. Collection laws and procedures vary somewhat from state to state, therefore you can check with your local court clerk to familiarize yourself with the legal steps where you live. (For example, not all states have a general sessions court.)

Once the lawyer decides to file suit, the legal course begins with the lawyer or individual filing a complaint or The Civil Warrant in General Sessions Court. The debtor is always notified by something known as **service of process**. In the state of Tennessee the sheriff of the county, an authorized court officer, or any adult individual who is not involved, is required to personally deliver a copy of the Summons and Complaint or Civil Warrant directly to the debtor. The service of papers lets the debtor know that a lawsuit is pending and gives them time to answer. Answer, in simple terms, means that the debtor is given the opportunity to respond to the allegations

of the Plaintiff's (bill collector's) complaint. The time to answer may be as short as 5 and as long as 30 days, depending on which court the lawsuit was filed in. In Tennessee, check T.C.A. 20-2-101 et. seq. for the requirements for service processing. Also in Tennessee, most collections affairs are brought under the statute providing for sworn accounts.

Lawyers know that approximately 95 percent of all collection lawsuits are given a judgment by default. This is because most debtors (defendants) will not answer the lawsuit by showing up for court. If a debtor (defendant) does not show up for court, the Plaintiff, upon a verified account or sworn account, is entitled to make the motion requesting the judge to enter a judgment by default. To get the default judgment, all the Plaintiff has to do is simply answer the call of the docket on the court date and, when the Defendant fails to answer, the court will call a default judgment, and a judgment in favor of the Plaintiff is entered.



ACTION STRATEGY: Always show up for your court date. **STAY THERE TO ANSWER WHEN YOUR NAME IS CALLED FROM THE COURT DOCKET WHETHER YOU ARE GUILTY OR NOT.**



HINT: Never let a lawyer persuade you to leave after you make arrangements for payment. In our research, we noticed that many debtors showed up for their court date and were very afraid of what may happen. We saw many lawyers who showed up early to attempt to make arrangements with the debtors knowing that they were afraid. Once the arrangements were made, the debtor was told that they could leave because everything was taken care of and in-order. Once the debtor left and the court called their name, the lawyer turned around and requested an entry for default judgment noting that the debtor failed to answer. Who said that lawyers play fair, to be a major player, you must know how to play the game.

The Judgment

Once a judgment is entered, attorneys become collectors. Under Tennessee's statute, a judgment lien exists immediately from the date of the judgment and covers all property of the debtor, T.C.A- 25-5-101. The lien is absolutely effective when the attorney files a certified copy of the judgment in the Registrar of Deed's office in the county of the debtor's property. If the debtor pledges anything as collateral, the creditor will usually get this property, if they haven't already. The creditor can also get your bank account and other assets.

Check to see if your state allows **exemption on personal property**. For example, if a debtor has a savings account, car, and other assets that total \$4,000.00, he can file a written list, under oath, of these items with the Clerk of the Court and have these items exempt from creditors who are seeking to satisfy a judgment. The exemption list may be filed at any time and may be changed anytime as necessary. *The list must be filed before any judgment becomes final or it will not be protected from execution of garnishment.* Keep in mind that certain items are automatically exempt by law and do not need to be listed, such as: clothing, family portraits, family Bibles, and schoolbooks. Also, state pension paid to the debtor, certain insurance benefits, Social Security, veterans' benefits, disability benefits, tools of trade, healthcare aids, and more are exempt from seizure.



Hint: Go to General Sessions Court and file your exemption to protect your property from judgment.

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.

The Intent of the Fair Debt Collection Practices Act

Congress found that the existing laws were not protecting consumers, and that abusive debt-collection practices were used in business. During the hearings, Congress discovered that bill collectors deliberately harassed debtors (mostly by abusive phone calls and by publishing personal information about their debts), misrepresented the legal process, and verbally abused them. Additionally, employers, co-workers and neighbors were repeatedly called with the purpose of harassing the debtor. Collectors also sent out postcards with debt information exhibited openly and letters designed to look like legal notices. This is why the Fair Debt Collection Practices Act was designed: to limit professional debt collectors and to protect debtors.

There are two ways to start debt collection. First, if there is pre-court action, such as a letter demanding payment, the collector must comply with the Law and give a "*validation notice*." Within five days after contacting a debtor about a bill that is owed, the collector must send out a written notice informing them of the amount owed and the name of the creditor, and that the debt will be considered valid unless **disputed in writing, within 30 days**. If you dispute the validity of the debt the collector must send out verification of the debt or send out a copy of the judgment if one was obtained. Upon request, the collector will provide you with the name and address of the original creditor, if different from the current creditor. During a period when a debt is being verified, the collector may not attempt to continue collection of a payment. The second approach to starting collection, especially by an attorney, is to have the creditor file suit without pre-court collection efforts.

Things collectors can't do:

Make anonymous or threatening phone calls, or use abusive language or profanity, e.g. threats of arrest or violence.

- Without your consent, call you between the hours of 9 p.m. and 8 a.m. in an attempt to catch you at home.
- Call you at work if you let them know that your employer disapproves.
- Publish a black list of consumers who owe money, nor can they tell other individuals. If they talk to others they can only try to find out your location.
- Contact the consumer with a letter on whose front the envelope or postcard indicates that they are trying to collect a debt.
- Pretend to be a law firm or use other deceptive names, such as being involved with the government or credit bureau. However, a collector can use an alias, but they must be consistent with the name they choose.
- Make you write a postdated check. Debt collectors cannot accept postdated checks which are postdated more than five days unless they re-notify the consumer in writing not more than ten or less than three business days prior to their intent to deposit the postdated check. There are many regulations related to the unfair use of postdated checks that a collector may be subject to if they deposit a postdated check prior to the date of maturity.
- Collect an additional fee not authorized by law or under the terms of the debt agreement
- Forget to provide adequate disclosure for the reason for contacting you about a debt.
- Make threats to take legal action against you, unless they intend to do so.
- Charge you with collect calls or telegram fees.
- Keep trying to collect from you once you give notice (**write a letter**), stating that you want all collection procedures (phones calls letters, etc.) to **stop**. The only time the collector may contact you at this point is when he is giving notice that some type of legal

action is about to take place or that he is forgiving the debt. (a sample letter is included in the appendix in section 5.)

How Collection Agencies Operate

A collection agency is a service business. Collection agencies act on behalf of business clients unable to get paid for a product *or* service rendered. The collector collects the amount due on a given bill and makes their money by taking a commission on that amount. There are thousands of collection agencies in the country. Most agencies are members of the American Collectors Association, or the National Association of Credit Managers. Collectors' commissions are usually 25 percent of the first \$1,000, up to 50 percent on accounts under \$50.00, and usually a minimum charge of about \$25.00 on accounts from under \$150.00. These fees are not the rule-of-thumb, but are considered close to the fees that most agencies charge.

The collector will get accounts listed on a collection sheet from their clients. They will start a file on each account and immediately start sending letters, usually three before phoning. Collectors know that writing collection letters is an art and that some letters work better than others for reasons no one knows. Because no one know why some letters work better than others, collectors test letters out and keep a record of the outcomes. Most collection agencies have already tested most letters and have a pretty good idea which letter is more effective in certain areas. They usually have form letters in their computer and will send them out at intervals, usually every seven days.

The first collection letter is usually a friendly reminder and will generate a 10 to 15 percent response rate. Collectors consider responses from these letters as easy-to-collect accounts. After the first letter, they will cross out the names of those who paid and then turn to the troublemakers. If they have not gotten the debtor to respond after the third letter, the collector will start phoning. Before phoning, collectors will usually get more information from their client about the debtor, such as where they work, their salary, and other personal information that is listed on the application the debtor filled out when obtaining credit with that company.

Collectors' Phone Tactics



The first step collectors take before phoning a debtor is to study their file carefully. They prepare themselves for the "Kill" by reviewing all the facts and figures and other personal information. Also, it is good to make note that collection agencies handsomely reward their top collectors with money and recognition.

Collectors are trained to keep telephone conversations not over one minute. They know that the longer the conversation, the more likely a legal mistake will take place. However, in some cases phone conversation can go considerably longer if there are major problems that take much time to solve.

Secondly, the collector makes the call and asks to speak to the debtor. If he or she is not home, then they provide their name and phone number and ask him or her to return their call. They don't tell anyone that they are a bill collector because they know that most people will not return their phone call, and the rights of the debtor will be violated.

Once they get the debtor on the phone, the collector will make sure that they are speaking to the right person by using additional information to verify their identity. Next, the collector will identify himself and wait for ten (10) seconds. The silent treatment is used as a tool to generate a good guilt response from the debtor in hopes that the debtor will come up with a good solution, but most of the time they will get an excuse. The collector is trained to handle all types of excuses, to be firm, somewhat courteous, and how to get to the point.

They will confirm the information they have on you in their file and then ask for the full amount. They will suggest that you borrow the money from anyone—a family member, friends, or your church pastor. Why? Because they know that many debtors would rather borrow money to pay off one delinquent bill than to face the hassle of dealing with a bill collector. If the debtor can't pay the full amount, they will ask how much he or she can pay each week. Then they will ask the debtor when their paydays fall. The

collector will not usually accept your payment offer verbally because they are trained to squeeze you for all of the money. They will usually say that they need much more than you can pay, knowing that you will come up with more money somehow.

Keep in mind that collectors are not concerned about personal problems. They will make a sympathetic remark such as "I'm sorry to hear that; however, we need to know when you can make a payment on this account." Collectors are trained that sob stories are designed to waste their time and not to be suckered in by crying and other tactics. If you cry, they will only try to calm you down so that they can get a definite response as to when you can make a payment.

What collectors are looking for from debtors **is a promise to pay a specific amount by a specific time.** Collectors keep good notes to point out contradictions in the debtor comments to use as ammunition when necessary. If the collector gets a promise to pay, he will go over the payment arrangements and make sure the debtor understands and agrees to the terms. He will also make clear that, if the debtor doesn't live up to their agreement, there will be more phone calls and possibly other severe collection action.

Collection Strategies and Things to Know

1. What collectors want is a definite promise to pay, not "I'll try to pay." They will press on and on until they get a definite "yes."
2. Each collector is assigned many debtors and must give a report on the results of their collections. In my investigation of collections agencies and collection departments of large companies, we discovered that there are many lazy salaried collectors who will make a few phone contacts and report non-action to their superior so that the file will leave their desk into someone else hands. This is one reason why a debtor may get a phone call from different collectors. A Collector will in other cases, turn over their difficult accounts to a more successful collector.
3. Collectors know that over-extended debtors are usually easy to deal with. They honestly want to pay in full and will make big sacrifices to do so. Often these debtors do not have the money to pay their debts. Collectors know that these people worry a lot about their bills and tend to pay on a crisis basis; *whichever collector is making the most noise is the crisis*. To collect from these people, collectors must get on them and stay on them.



Note: Collectors know that whoever makes the most noise about a debt will get paid first, so every collector is going to try to make the loudest noise.

4. The last thing a collector wants is for a debtor to file bankruptcy; therefore, they will use a little more caution when dealing with an over-extended debtor. Over-extended debtors tend to consider filing bankruptcy when they are facing financial pressure.
5. Some collectors will tell you to file bankruptcy because, as mentioned above, they must give a report to their superior on the results of the collection process. They just want their boss off their back about a particular case and will report that the debtor said that they will file bankruptcy so that the file will leave their desk and move on to someone else.

Here is a memo and refresher to the Fair Debt Collection Act that an executive of a large collection company wrote to their collectors.

A Quick Refresher of the Fair Debt Collections Practices Act

Note to collectors: This was written to quickly refresh your knowledge of the Fair Debt Collections Practices Act (hereafter referred to as FDCPA).

The FDCPA was originally adopted by Congress to squelch abusive debt collection agencies. Some feel it went too far and seriously affected a creditor's ability to collect on legitimate debts because of fear of lawsuits by under worked attorneys.

What follows is not a normative analysis of the FDCPA, but an attempt to be certain our agency complies and to inform our clients.

MEMO

As you already know, communications generally with either the primary debtor or a third party require the following constraints:

1. No communication at any unusual time or place (convenient time for communicating with a debtor is generally defined as 8:00 a.m. through 9:00 p.m., local time, at the debtor's location).
2. If debtor is known to be represented by an attorney, then communications should be with that attorney, unless the attorney fails to respond within a reasonable period of time to a communication from us.
3. Do not contact debtor at work if asked not to or we know employer does not permit those types of calls to debtor.

If the debtor notifies us that he refuses to pay the debt or that the debtor wishes us to cease all further communication, then we should stop communicating with the debtor, except:

- 1. To advise the debtor that we are ceasing communication.**
- 2. That we are invoking specified remedies that we are entitled to.**

Of course, we already know that we cannot harass, oppress or abuse the debtor such as making violent threats, using obscenity, ringing the telephone and hanging up, etc. We also know that we cannot misrepresent ourselves, i.e., claim that we are government entities capable of arresting the person or taking the property, or imply that

we are attorneys and that we, ourselves, are able sue the debtors (but we can say, we will refer this matter to attorneys for legal action) or that nonpayment of the debt will result in arrest or imprisonment, etc. Please ask for clarification regarding what is considered misleading a debtor. It is confusing.

Many times we contact parties other than the primary debtor in order to acquire location information for the primary debtor. This is especially true now that Chris is engaged in our Internet skip tracing initiative. The Fair Debt Collections Practices Act ("FDCPA") constrains us in our approach to third parties in acquiring location information. We need to be aware of these constraints.

The constraints are as follows:

- 1. Make sure we identify ourselves (see #2) and state that we are confirming or correcting location or whereabouts information concerning the debtor.**
- 2. Not state who we are, or that we are a collection agency, unless expressly requested by the third party.**
- 3. We must not state that the debtor owes any debt.**
- 4. Not communicate with any third party more than once, unless requested to do so by that person or unless we "reasonably believe" that the earlier response of the third person is erroneous or incomplete and that the person now has correct or complete location information. Note: "reasonable belief" is not clearly defined by the act.**

Except as provided above, generally, no communication should take place with third parties regarding the primary debtor's debt. Remember, however, you are permitted "leeway" when questioning debtor's spouse or parent. See me for definition of "leeway".

Remember that the FDCPA applies only to natural persons involving transactions primarily for personal, family, or household purposes. Therefore, in many of our accounts, the FDCPA would not apply. However, there is common law (judge made non-statutory law) preventing us from committing many of the offenses defined by the FDCPA, therefore, it is best to adhere to the FDCPA in all cases.

Debtor Tactics

Let me give you a few action techniques you can use to handle bill collectors. We have given you the worst possible thing that could happen to you when facing financial pressure from collectors. This session is here in case you want to play the collection game with collectors.

Make sure you understand your rights under the Fair Debt Collections Act.

Collector: Once you receive a call from a collector, he is going to identify himself by saying: "Hello, I am Mr. T of XYZ collection agency, collecting for ABC company." They will pause for a while waiting for a response.

You: With a little authority in your voice, politely say: "Hello, Mr. T., may I ask who are you with again?"

Collector: "I am with XYZ Collections Agency. I'm calling concerning your account with ABC Company."

You: "Mr. T, is that, if I may ask, your real name? If not, may I have your full name and your supervisor's name?" The collector doesn't have to give you his real name, but must give you a name that he consistently uses when collecting. (Keep in mind that five days after contact with a debtor, a collector must send out a written notice informing the debtor of his right to dispute the debt, if he feels it is invalid. However, lately most collection agencies will send you a notice usually within a week prior to calling. Make sure you get the collector's company name and address). If you ask the questions it will throw the collector off a little because most people are very intimidated by collectors and usually play a more inferior role while the collector takes the aggressive role.

Collector: The collector will usually give you the information, or he may try to bluff his way out of your questions. He will ask: "When can you make payment on this account? We need the full amount."

You: "Look Mr. T, with all due respect, I am not sure I know what you are talking about and prefer that you contact me in writing." Remain silent for about a few seconds,

Collector: The collector is going to make a desperate attempt to get control of the conversation by probably saying: "Sir, we need to know when you can make a full payment on this account. Didn't you receive our letter stating that we are attempting to collect a debt for ABC Company?"

You: Again, politely inform him that you understand your rights fully and that you don't discuss financial matters over the phone. However, tell the

collector you only deal in writing and you will be more than happy to respond to their claim. But it must be in writing so that there is no chance for any misunderstandings. Also make you sure you tell the collector to verify that you owe the money that he's trying to collect. If you already have a notice, you have the right to follow-up with a letter stating that you dispute the validity of that debt and demand verification.

Collector: "Have you ever had an account with ABC Company? And do you live at such and such a place?"

You: If you have not yet received their letter, state that you must receive a notice in writing before discussing any matters. If you have already received your notice, ask the collector to send you verification of the debt and that you will mail your request in writing. Politely say, "Good day, sir," and hang up the phone.

He must go back and get more information to prove that you owe the money. What you are doing is using the system to buy more time to come up with money if you don't have it.

You must understand the basic bluffs of the collectors. Many times collectors will try to scare you into paying the money you owe. **Example:** In some cases, a collector may raise his voice, get angry, and hang the phone in your face (a new technique that collectors are using), threaten to garnish your paycheck (you must remember that the collector has violated the rules if he said that he will garnish your check; he doesn't have the authority to perform such a task; only a court of law has this authority); all of this is just to intimidate you. If he hangs up the phone in your face, don't do anything; he'll call you back. We know of a case where a collector hung the phone up in the face of a gentleman seven (7) times before he decided to give up on collecting.

If you wish, you can negotiate with the collector over the phone, but don't let him force you to pay more than you can afford. If the collector is not very cooperative and hostile, you might mention that you may be forced to file bankruptcy (whether you are considering it or not), if he can't or won't accept the terms you are offering. Keep in mind that when an account is turned over to a collection agency, in most cases, the company has basically written you off their books as a bad debt expense. The reason is simple; they don't expect to receive any money from you, and they hope to get what they can by allowing a collector to do the dirty work.

Remember, if the collector sends you a notice concerning a debt, you have the right to dispute the debt and have the collector prove his claim. An example of a dispute follows: **Once the collector's notice is received, write directly on the notice that you are in dispute of this debt,**

mentioning that you feel the allegations are inaccurate and you want them to verify the debt as being accurate. Make a copy of this letter and forward it to the collector's office via certified mail. As we said above, the collector will have to decide if it's worth it to perform extra duties to collect this debt, and if it's not, he will forget the whole thing.

Keep in mind that you can always file bankruptcy, straight or wage earner, and immediately **STOP** all collection proceedings! Go to <http://www.creditbible.com/members> for more information on the FDCPA.

How to Stop Collection Agencies from Calling

What we are about to tell you does not mean that the collection agency will not sue, but this will stop those nasty phone calls. You can stop a collection agency from calling you by simply writing a letter telling them to stop contacting you. It is just that simple. Tell them if they continue contacting you, you will contact your state Attorney General's Office and local office of the FTC to report the abuse. Once they receive your letter, they must stop all contact—however, they can notify you to let you know that they are planning to sue.

Remember that a collection agency can report you to the credit bureau also, and this will be a double entry on your file. Try to negotiate.

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).

Credit and Money Management Techniques

Credit has become a necessity in our society and should be used intelligently. The credit-repair techniques in this book may assist you in restoring your client's credit report, but if you have not solved what caused you to have credit problems in the first place, you will get right back in credit trouble again.

Therefore, the following guidelines may assist you in using credit wisely and to live within your means.

- **Watch your client's credit spending.** It is imperative that you know how much your client is spending each month on credit obligations. Develop a budget to help keep track of all expenditures. Use credit only when the life of the purchase will exceed the payments.

- **Protect your client's credit rating.** Credit obligations must be paid on time in order to maintain a positive credit rating. When obtaining credit, select a monthly payment date that coincides with your client's payday. If a problem occurs, call your client's creditors and explain the situation. Don't wait until the collection department calls concerning a payment.

How to Pay Bills

When your client is experiencing problems paying bills and not having enough money to go around each month, get a copy of your client's credit report and notice which companies are reporting this to the credit bureau. These companies should be paid first to protect your client's credit rating. Those accounts you have that do not report to the credit bureau can be paid later without affecting your client's credit rating.

However, if you still do not have enough money to go around to pay your client's creditors, you can try the "rob peter and pay Paul" method. This is how this system works:

1. You must carefully keep up with the closing and due dates of each of your accounts.

2. You must know approximately how long it takes for your payment to be posted to your account once received in the mail. You can call the company you have an account with for this information.

3. Believe it or not, you have approximately 15 to 29 days after the due date, to make a payment on your account without the slow payment being reflected on your client's credit report.

For Example: Let's say your client has an account with XYZ Company and payments are due the 10th of each month, and we are currently in the month of March. We know that your payment is due March 10th, however, if your payment is posted to this account by April 9th, the slow payment will not be reflected in your client's credit report simply because the company must report how many days you were late over 30 days, and that answer is zero. Your payment reached their office before the 30 days were up and the slow payment cannot be reported to the credit bureau. However, the company itself will have a record of your slow payment, but not anyone else.

Nevertheless, most companies do not check your payment record internally when applying for credit, although you may have had an account with them previously. They still pull a credit report and, many times, base their decision solely on the information given.

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.

What to Do If Sued

If a creditor, because of non-payment, sues you, consult an attorney immediately. If you do not have the money to pay an attorney, don't panic. You can represent yourself in court. The first step you can take is to try to settle the debt with the creditor out of court. If you cannot reach an acceptable payment plan, let it go to court. When going before the judge, never admit guilt even if you owe money, saying you have reason to believe the complaint is incorrect. This is your legal right. Make the lawyer of the other party go through the additional work to prove you guilty. If you admit guilt the judge will only give a judgment for the plaintiff and you'll have a judgment in your client's credit report. If you contest the suing party's complaint requesting a trial, you are placing their attorney in a more frustrating position, forcing him or her to prepare for trial. This places you in a better position for negotiating with the suing party. In some states, it is required that you sign a sworn denial stating that you do not owe the money; however, it is still your legal right to contest the complaint requesting a trial. Remember this: "inconvenience gives better grounds for negotiating."

Common Defenses to Creditor Lawsuits

This guide provides general information for your clients facing debt collection lawsuits. It is not a substitute for obtaining legal advice in their individual case. To find out the requirements for a state, click below:
http://www.ncsconline.org/D_KIS/info_court_web_sites.html#State

What Is a Defense?

Generally, a defense is a reason why the plaintiff should not win its case. In a debt collection lawsuit, a defense is a reason why (1) the plaintiff failed to prove its case or (2) you do not owe the money. If one of your defenses is successful, the plaintiff will lose and you will win.

What Is NOT a Defense?

- The reason that you fell behind on your bills

- The reason that you cannot pay the debt today
- The fact that the creditor or debt collector refused to make reasonable payment arrangements in the past
- A statement that you want to settle the case or make a payment agreement

Do most defendants have defenses to creditor lawsuits?

Yes. One or more of the common defenses discussed below probably applies to your case. Each of the defenses discussed below, if it applies to your case, is a reason why the plaintiff should lose and you should win.

What is the best way to present my defenses to the court?

To alert the court to your defenses, you should list them briefly in your answer. Many states have their answer form online or you can get it at a civil court clerk's office. Call them for assistance preparing your own Pro Se Answer.

Defense 1: Improper Service (no personal jurisdiction)

The defense of improper service applies if (1) you never received the summons and complaint at all; or (2) you received the summons and complaint, but the manner of service was not correct.

Check your state for proper service requirements. In most states, a process server must try to make **personal service** or **substitute service**. Personal service occurs when the process server delivers the summons and complaint to you in person. Substitute service occurs when the process server leaves one copy of the summons at your home (or place of business) with a roommate, relative, or other responsible party (known as a "person of suitable age and discretion") AND mails a second copy of the summons to you at your last known address (or place of business).

If a process server makes three unsuccessful attempts at personal or substitute service, he or she is allowed to use **conspicuous service** (otherwise known as nail-and-mail). Conspicuous service means slipping one copy of the summons under your door or attaching it to the door AND mailing a second copy of the summons to you at your last known address.

Here are some common examples of incorrect service:

- Leaving the summons with your neighbor, who lives in a different apartment.
- Sending the summons to an old address where you no longer live.

- Throwing the summons on the floor in the lobby of your apartment building.
- Sending the summons to you by mail only.

If you want to get a case dismissed for improper service, there are a few things you have to do:

- You **MUST RAISE** the defense in your answer the first time you appear in court.
- You need to **GET A COPY** of the "affidavit of service" from your file in the courthouse. The affidavit of service is a sworn statement by the process server that describes how you were served. The plaintiff will rely on this document to claim you were served correctly.
- You **MUST ASK** the court to dismiss the case for lack of jurisdiction within 60 days of filing your answer. Sometimes this means that you will have to file special papers, called a "motion to dismiss," before your first court date is scheduled.
- You **MUST SCHEDULE AND ATTEND** a special hearing called a "traverse hearing." At the traverse hearing, the judge will hear from both sides to determine whether you were properly served. If the judge decides that you were improperly served, he or she will dismiss the case.
- You also need to **GATHER EVIDENCE** to present at your traverse hearing. This evidence could include witnesses or documents that support your claim of improper service.

If your case is dismissed for improper service, the plaintiff can sue you again. You have to decide, based on the facts of your case and the strength of your other defenses, whether it is worth it to go through with a traverse hearing.

Know Your Rights!

The plaintiff's attorney and court personnel will often try to discourage you from pursuing a defense of improper service. They will tell you that the defense will not help you because the plaintiff will only sue you again. But improper service is sometimes your best defense. If so, do not be afraid to insist on your right to a traverse hearing! Remember that the court has no power to issue a judgment against you if you were not served according to law.

Sometimes process servers lie when completing the affidavit of service. For example, a process server may falsely claim to have left the summons with someone at your home. You can detect this false statement by looking at the physical description of the person the process server claims to have met at

your home. Does it sound like someone you know? You can file a complaint against a lying process server with your state consumer affairs office.

Defense 2: Identity Theft or Mistaken Identity

These defenses apply when you believe that the debt for which you are being sued is not your debt. Identity theft occurs when somebody steals your name and personal information and opens up credit accounts in your name. **Mistaken identity** occurs when you have been confused with somebody else who has a similar name or other identifying information. Remember that the burden of proof is on the plaintiff to establish that you made or authorized each and every charge. You do not have to prove that the debt is not yours. NEVER agree to a settlement if you are a victim of identity theft or mistaken identity.

Defense 3: Statute of Limitations

A statute of limitations is a time limit that a creditor has to file a lawsuit against you. It runs from approximately the last time you made a payment. Check your state's statute of limitations on a credit card debt, also the statute of limitations on an auto loan or store card e.g. Macy's or Sears. If it has been more than the time of your state statute of limitation, meaning since you paid your credit card debt, the statute of limitations on that debt has expired. The statute of limitations is an absolute defense. The court must dismiss a case if the debt is past the statute of limitations. Any payment, no matter how small, can reset the statute of limitations. To be safe, NEVER make a payment if you want to assert the statute of limitations as a defense.

Defense 4: You Were Only an Authorized User

This defense may apply if you are being sued for a card that you shared with someone else. The defense hinges on the difference between a co-signer and an authorized user. If another person gave you permission to use his or her card, and you never agreed to be responsible for paying for that card, you were an authorized user. As an authorized user, you cannot be held responsible for that credit card debt. However, if you signed a credit card agreement in which you agreed to be jointly responsible with someone else for a credit card, you are a co-signer, and this defense does not apply to you. As a co-signer, you can be held responsible for the debt, even if none of the charges were yours.

Defense 5: Payment

If you have paid all or a part of the debt, and you believe you have not been credited for the payment, you can raise the defense of payment.

Defense 6: Dispute the Amount of the Debt

If you believe that the amount of the debt is incorrect, you have the right to dispute it. Remember that the plaintiff has the burden to prove that you owe the amount for which you have been sued. The plaintiff must prove that the principal, interest, collection costs, and attorney's fees are all correct, agreed to in your contract, and lawfully charged. You always have the right to insist that the plaintiff come up with your original contract, account statements, and even purchase receipts, to prove the amount of the debt.

Defense 7: No Business Relationship with the Plaintiff (lack of standing)

This is a defense that applies when the plaintiff is a debt buyer, not your original creditor. Because you never signed a contract directly with the debt buyer, you have the right to challenge the debt buyer's right to sue you (also known as "standing"). The plaintiff will not be able to prevail unless it can prove to the court that it owns your debt. To do this, the debt buyer will have to produce a contract of sale (also known as an "assignment") that mentions your debt specifically. If the debt buyer bought your debt from another debt buyer, it has to provide a chain of assignments going all the way back to the original creditor. If the debt buyer cannot or will not provide these documents, the court must dismiss the case.

Defense 8: The Plaintiff Is Not a Licensed Debt Collector

This is a defense that applies when the plaintiff is a debt buyer, not your original creditor. In some states, all debt collectors must have a license. Check with that state Department of Consumer Affairs. If not, the court should dismiss the case.

Defense 9: The Complaint Does Not Contain a License Number

This is a defense that applies when the plaintiff is a debt buyer, not your original creditor. This defense is very similar to Defense 8 above. Every licensed debt collector is required to write its license number in the complaint. If the debt buyer fails to write the license number in the complaint, the complaint should be dismissed. However, the court may allow the debt buyer to amend the complaint to include a license number.

Defense 10: Bankruptcy

If you previously declared bankruptcy, and the debt for which you are being sued was discharged as part of that bankruptcy proceeding, you do not owe it anymore. Bankruptcy is an absolute defense to a debt collection lawsuit.

Defense 11: Collateral Was Not Sold at a Commercially Reasonable Price

This is a special defense that applies in auto loan cases. When you default on an auto loan, the bank will usually repossess the car and sell it, often for far less than the value of the car. When the proceeds of the sale do not cover the entire auto loan, the bank may sue you for the remainder (called the "deficiency"). However, the bank cannot pursue you for a deficiency unless it obtains a fair price for the car (a fair price is known as a "commercially reasonable price"). The burden of proof is on the bank to establish that it sold the car at a commercially reasonable price. Because a bank rarely, if ever, obtains a commercially reasonable price for the car, this is a very strong defense that should be raised in every auto-deficiency case.

Causes of Financial Problems

We will briefly elaborate here on the major causes of financial problems. However, do not use this information as a guide to track where your financial problems exist. The way to prevent or solve financial problems is to know what caused them.

Let's look at the characteristics of a good working budget, according to The National Foundation for Consumer Credit (NFCC). When a family or an individual is not having financial problems, it is because their income equals their living expenses plus their debt payments. A simple mathematical equation that shows this is as follows:

$$\text{Income} = (\text{Living Expenses}) + (\text{Debt Payments})$$

Using the same equation above we can say that a financial problem occurs when in a case where the sum of living expenses plus debt payments is greater than income. In other words, there is not enough income to pay all the bills. Now, let's assume that everybody has a balanced budget. What we will be looking for is those things that unbalance the budget. There are three basic elements that cause this:

- 1. Decrease or loss of income**
- 2. Increase of living expenses**
- 3. Increase of debt payments**

It is possible that any two or all three of the elements mentioned above happen together. A good example of this would be a bread winner (the income producer of a family) who gets ill, and it results in a loss of income and increased medical expense.

Placing your budget into the three categories, income, living expenses, and debt will give you a basic guide to prevent a financial tragedy, resulting in extensive financial problems. It also gives a way of approaching solutions to the problems.

In order to keep the balanced budget equation simple, we have omitted savings. Savings is essential in making a financial plan work. Saving money should be part of your living expense, which makes this budget item very important in an effective financial plan.

In the simplest terms, financial problem-solving is a process of increasing income or reducing expenses and/or debt payments enough to make a budget balanced.

There are other reasons for financial problems as well as the ones mentioned above, and you'll find all the reasons listed below:

1. **Temporary unemployment**
2. **Permanent loss of income**
3. **A lack of prudent (wise) management of finances**
4. **A lack of planning**
5. **Attitude of irresponsibility toward paying debts**
6. **Poverty**
7. **Marital and family problems**
8. **Accidents, repairs, and other unforeseen events**
9. **Co-signer responsibility and lawsuits**
10. **Wrong doing by the seller**
11. **Payment misunderstanding**
12. **Death of a family member**

Debt Payment Reduction

All of us have a life-style. One essential aspect of that life-style is our use of money. Most people want things that they can't afford, and some refuse to do without the things they want very much, even if they can't afford them. Often these people will purchase the things they want using credit. When they extend their credit too far, they may realize the creation of a serious financial problem for themselves.

The way each of us spends our money reflects our personal values and the things in life that are important to us. Changing the way we spend our money means that we must give up doing things the way we want, altering our life-style.

When we get over our head with financial problems we must learn how to change our spending habits and decrease our living expenses. Some expenses can be cut down or eliminated entirely. Examples of this might be to quit smoking cigarettes, cut out trips to the beauty parlor, stop going to movies, and many more. Other expenses are necessary and cannot be cut out entirely, but may be cut down. The grocery bill is a good example. Nobody can go without food entirely, but people can certainly cut grocery bills by reducing their purchases of convenience items, junk foods, soda and expensive types of foods.

Write down on a sheet of paper all of your expenses and note what items could be cut out entirely.

Ways to Get Out of Debt

Pay more than the minimum

If you want to get out of debt you need to pay more than the minimum required each month. Paying the minimum, usually 2% to 3% of the outstanding balance, only prolongs your staying in debt. It is also precisely what the banks want you to do. The longer you take to repay the charges, the more interest they make, and the less cash you have in your pocket.

Instead, buckle down and pay as much as you can each month. If your minimum payment is \$50, double that to \$100 or more. Look at your personal budget and I'm sure that you can find the money, e.g. by bringing your lunch instead of eating out, and in other ways. We all have "luxuries" and you know what yours are. It's time to make a few sacrifices for a great cause: getting out of debt. Increasing your payments will save you hundreds, if not thousands, in interest payments. Plus, you will get out of the hole you've dug for yourself much more quickly. It is not easy, but think of how great it will feel to be debt free!

Snowball your client's credit card payments

Get your client's credit cards and take a look at the one with the lowest interest rate. If you have not reached the maximum limit on that card, why not consider transferring a higher-interest bill to that one. Many credit cards permit transfers.

If you are not able to fit the balance of all of your client's credit cards to one low-interest-rate card, your goal is to pay at least the minimum amounts due on all of cards except the one with the lowest balance. Concentrate all of your efforts on making large payment on that one credit card and pay it off as quickly as possible. When the balance on that card reaches zero, move on to the next card with the lowest balance and make the same aggressive plan.

This process of making payments is called "snowballing." As your debts decrease, the amount of money you have to attack them increases. Your payments snowball until all of your debt is knocked out completely!

Another way to transfer higher-interest debt to a lower-interest card is to take advantage of the promotional offers many banks use to entice you to their line of credit. If you have good credit, I'm sure you've seen these deals in the mail. "Transfer all your client's credit card balances to us, and pay just 5.9% until January 1, 2003." It could be worth it. Moving to 5.9% from 18% interest could mean substantial dollars to you. And the money saved in

interest could then be applied toward the principal each month, thus reducing your outstanding debt balance even further.

Be very cautious before you act on those promotional offers. Study the offer closely. Look for the hooks. Will the interest rate rise after the introductory period is over and be higher than you're paying now? If so, you may have to switch again at that time. That, in turn, could give rise to another surprise. Banks have caught on to those who are credit-card hoppers due to all the recent press about getting out debt and will try to make certain stipulations, e.g. if you transfer balances from the new card within a 12-month period, the normal interest rate will be applied to all outstanding balances retroactively. That condition could be a bitter pill to swallow for someone short on cash, and it certainly doesn't help the debt repayment schedule. Just make sure you read the fine print!

Look at your savings account for additional funds

You could cash out your savings and investments and use the proceeds to pay off your client's credit cards. We know that you may not want to do that; but, unless you are getting a better rate of return on your investment, that is more than the interest rate on your client's credit card. It is best to pay off the debt and then rebuild your savings.

Consider your life insurance as an option to borrow money

Do you have life insurance with a cash value? If so, borrow against the policy. It's your own money, but the interest rate is typically well below commercial rates, and you can take your time repaying the loan. You must repay it, though. If you die before it's repaid, the outstanding balance plus interest will be deducted from the face value of the policy payable to the beneficiary. As a negative, that seems a small price to pay to get out of debt now, but it could create hardship for your family or loved ones if you should croak before paying back the money.

Get a home equity loan

Do you own your own home and have some equity? If so, now is the time to consider a home equity (HELOC) line of credit for the maximum amount possible. A HELOC helps you in two ways. First, you use the loan proceeds to pay down your debt, trading an 18-21% loan for a 7-9% loan. Second, if you itemize on your income tax returns the HELOC interest is tax deductible. In a 28% marginal tax bracket, the 9% loan really has an effective rate of 6.5%, and that's probably the cheapest interest rate you'll see on a personal loan.

The danger here is falling into a common trap. Many get an HELCO, pay off credit cards, and then start charging on those cards all over again. Now they have the HELCO to repay on top of the credit cards. You are now in a bigger hole. Don't fall into this trap!!!!

Renegotiate terms with your client's creditors

OK, you've done all you can. Savings are gone; you don't have a home to borrow against, so what can you do? Is bankruptcy your only option? No, let your client's creditors know your situation. Tell them that your client is on the verge of bankruptcy and doesn't have the means to repay the debt. Keep in mind that they knew bankruptcy has a means test that your client must pass.

Please review the section on bankruptcy in this book.

Ask for a new and lower repayment schedule; request a lower interest rate; and appeal to their desire to receive payment. **Everything is negotiable.** You never know--it may work for you.

As a last resort, file bankruptcy

What if you decide you can't pay down your debt using any of the methods listed above? What should you do? The absolute last resort is bankruptcy. When repayment is impossible, bankruptcy may be the only available course of action. Nevertheless, be aware of the major drawbacks.

I hope this helps your client to get out of debt.

Debt Reduction (The Alternative to Bankruptcy)

Debt reduction simply means reducing the amount of the payments paid to your client's creditors. There is one theory of debt reduction that is called pro-rating. Using this theory, each creditor is paid a "fair-share" percentage of their regular monthly payment. The idea behind this theory is simple; if someone doesn't have enough money to pay their bills, they can send a fair share of what they can pay to each creditor. The following examples will help to illustrate how this system works.

Technique I: Percentage of Monthly Payment

1. You have the following debts:

Creditor	Balance Owed	Monthly Payment
First Bank	\$3,000	\$100
Finance Company	1,500	60

Dr. Jones	300	20
Smith's Collection Co	<u>200</u>	<u>20</u>
Total	\$5,000	\$200

- After you deducted your basic living expenses from your income, you discovered that you could only make \$150 per month for debt payments. This is 75 percent of regular payments.
- Next, you will offer each creditor a pro-rated payment of 75 percent of your regular monthly payment:

Creditor	Regular Payment	Pro-rated Payment
First Bank	\$100 (x .75)	\$75
Finance Company	60 (x .75)	45
Dr. Jones	20 (x .75)	15
Smith's Collection Co.	20 (x .75)	<u>15</u>
Tota		\$150

Technique 2: Percentage of Total Debt

- You have the same debt as above.
- Each creditor holds the following percentage of the total debt:

Creditor	Balance Owed	Percentage
First Bank	\$3,000 (/ \$5,000	60%
Finance Company	1,500 (/ \$5,000	30%
Dr. Jones	300 (/ \$5,000	6%
Smith's Collection Co.	200 (/ \$5,000	4%

- You can afford to pay only \$150 per month toward debts.
- Each creditor is paid a fair share of the \$150 per month according to the percent of the total debt that is owed.

Creditor	Total Monthly Payment	Creditor's Share
First Bank	\$150 (x .60)	\$ 90
Finance Company	150 (x .30)	45
Dr. Jones	150 (x .06)	9
Smith's Collection Co.	150 (x .04)	<u>6</u>
		\$150

The two examples above should point out clearly which technique you can use in offering a fair share of payments to your client's creditors. Dr. Jones

and Smith 's Collection Co. are apt to be most pleased with Technique 1. However, since First Bank and Finance company received a bigger share when figured by Technique 2, they will probably favor that technique.

Pro-rating is only a theoretical formula to use to reduce your debt payments. In essence, reducing debt payments doesn't work that easily. Some creditors won't reduce their payments at all not even one penny. Others may be very easy to negotiate with and may even waive payments for up to four months in a case where you are having severe problems, such as serious illness, injury, or unemployment. Additionally, some creditors may stop your late payments or interest just by asking. Always make this suggestion to your client's creditors. It won't hurt; they can only say no.

Each creditor will have a different policy or procedure when handling debt reduction. Bear in mind that creditors will usually negotiate payments somewhat. They are not likely to take ten cents on the dollar or a \$10 payment on a balance of \$2,000. Reasonable reductions in debt payments can be negotiated, but if you can only free up \$50 per month to put toward a monthly debt load of \$4,000, your chance of gaining creditor cooperation is minimal. But, you can rest assured, they would rather have something than be faced with the threat of having you file bankruptcy and getting nothing. Always remember to make it known to your client's creditors that bankruptcy is an option that you are trying desperately to avoid.

These are the same techniques many bill consolidation companies are using to reduce their clients' debts for a fee.

When All Else Fails, Bankruptcy Is Still an Option

Straight bankruptcy or wage earner is a viable solution to severe credit problems. The decision to file should not be taken lightly. It should be considered your last resort after other attempts to resolve your client's credit problems failed.

If you can see no reasonable solution to paying your bills, you should not regard bankruptcy or a wage-earner plan as dishonorable or immoral. Congress authorized bankruptcy proceedings. Additionally, obtain the advice of an experienced attorney and cooperate with him or her. Your greatest loss may be your pride, but this is a small price to pay to have the burden of your bills released from you.

In this section we are going to discuss the two major types of bankruptcy pertaining to consumers.

Chapter 7: Straight Bankruptcy (Debt Discharge)

It used to be possible for anyone to file for bankruptcy under chapter 7. However, a new bankruptcy law—the **Bankruptcy Abuse Prevention and Consumer Protection Act of 2005**—came into effect on October 17, 2005. Under the new bankruptcy law, you are eligible to file for bankruptcy under chapter 7 if you earn less than the median income in your state. If you earn more than the median income in your state, then you will only be eligible to file for bankruptcy if you pass a "means test" to determine whether you are eligible. (According to the ABA)

What is a means test?

A means test determines what means or resources you have available for disposal. It is used to determine eligibility for public assistance and other programs. In the United States, a means test is used to determine whether you are eligible to file for bankruptcy and under which chapter.

If you earn more than the median income in your state, the state applies a means test to determine whether you are eligible to file for bankruptcy under Chapter 7. In the means test, the court applies a complex formula (subtracting costs of food/rent/mortgage etc, calculated under IRS guidelines) to determine if you can afford to pay \$100 per month. If your income is less than \$100 per month, you can file under Chapter 7. If your income is between \$100-\$166 per month, the court will determine what percentage of your unsecured debt they could pay off using disposable

income over a 5-year period and decide whether you should file under chapter 7 or 13.

If your income is more than \$166 per month, you must file under chapter 13.

A bankruptcy lawyer can help you calculate whether or not you will be eligible to file for bankruptcy under chapter 7.

Chapter 7 is a complete liquidation of a debtor's non-exempt assets by an appointee of the court, which is called a trustee. This trustee distributes all of the debtor assets to the creditors on a pro rata basis. An honest and cooperative debtor can obtain a discharge of almost all of their unsecured debts. The debtor must have incurred the majority of their debt for personal, family or household purposes.

The court-appointed liquidator collects all of the debtor's assets as of the date filed and sells the assets. The proceeds are distributed in the following manner: *(1) to all creditors holding a valid and enforceable lien on a certain asset, but to the extent of the value of these assets; (2) to the debtor giving them the property exemptions they are entitled to; (3) to pay the administrative expenses, such as, attorneys' fees and filing fees; (4) the balance, if any, will be distributed to unsecured creditors on a prorated basis.*

The purpose of chapter 7 is to give the debtor a fresh economic start in life. The very moment you file bankruptcy, any lawsuits, collection procedures and all pressing creditors must stop contacting you and no action can be filed against you. You must list all of your client's creditors on the bankruptcy filing forms. If you don't list a certain creditor, that debt cannot be discharged and the creditor can sue for the debt.

What are exempt assets?

These are assets that you must list on your Statement of Financial Affairs and schedules and that you may shield from your unsecured creditors. Federal and state law defines the assets that you may protect in this way. In about fifteen states you may choose either of the two laws, while in most states you may use only the state exemptions. Exemptions vary widely. For example, under the federal statute a couple filing jointly may exempt a total of \$32,300 in equity in their home, \$16,500 for each of them. Thus, if the home is worth \$65,000 and has a \$30,000 mortgage, creditors can claim only \$2,700 (the difference between the equity of \$35,000 and the \$32,300 exemption).

In contrast, Florida allows a homestead exemption that protects from creditors a debtor's home and property so long as it does not exceed half an

acre in a municipality or 160 acres elsewhere. Thus, an investment banker who filed bankruptcy has been able to retain a beachfront home reportedly valued at \$3.25 million. In Georgia the homestead exemption is limited to \$5,000. Similar variations among the states are found concerning a broad array of other exempt assets such as autos, jewelry, household furnishings, books and tools of the debtor's trade.

Under the new bankruptcy law, you may not be able to take advantage of a high homestead exemption in your state. If you bought your home within 40 months of filing for bankruptcy, you can exempt no more than \$125,000 of its value. Of course, if the homestead exemption in your state is lower, the lower exemption applies.

Before filing for bankruptcy

Under the new bankruptcy law that came into effect on October 17, 2005, you must undergo credit counseling at an "approved non-profit budget and credit counseling agency" within 180 days before filing for chapter 7 or chapter 13. Credit counseling can take place individually or in a group, in person, on the telephone, or over the Internet. Section 111 of the new bankruptcy law provides that the bankruptcy court clerk shall maintain a publicly available list of approved credit counseling agencies. So, if you are considering bankruptcy, contact your local bankruptcy court to find a credit-counseling agency near you.

Also remember that a bankruptcy remains in your client's credit report for ten years.

Chapter 13: Individual Debt Adjustment or Wage Earner

Chapter 13 is the formulation of a plan to repay all debts of the debtor. This plan is only available to individuals with a regular income, unsecured debts of not more than \$100,000, and secured debts not more than \$350,000. It is also limited to specified debts.

Just as above, a court-appointed trustee would review your plan to determine if it is honest and feasible. Most chapter 13 plans must be repaid in three (5) years.

Once the repayment is approved, you will either send a check to the trustee each month or it will be deducted from your paycheck. The trustee will pay each creditor a fair share. If you can't make your monthly payments, you can either ask for a re-evaluation to modify your repayment plan or consider converting to a chapter 7 bankruptcy.

Remember that a chapter 13 remains on your client's credit report for seven (7) years.

Note: Make sure you double-check the efforts of your attorney in listing all the debts to be discharged. (You don't want any surprises in the future.) There have been cases where creditors, prior to the statute of limitations, have attempted to collect money from consumers who had filed bankruptcy claiming they were never listed on the bankruptcy papers. We know of a case where a consumer's income-tax refund check was taken by a company making such a claim and, as plain as the nose on my face, the attorney didn't list this company on the filing papers.

Also, make sure your attorney carefully explains the legal language in contracts where you are still liable for certain costs after debts are discharged, such as HUD/FHA or VA Loans.

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).

Links Regarding the Bankruptcy Legislation:

www.abiworld.org (American Bankruptcy Institute)

<http://www.clla.org> (Commercial Law League)

http://www.bankruptcy-expert.com/bankruptcy_legislation.htm

The new laws will supposedly take effect six months after signed into law by the President. However, it is possible that this provision could be eliminated in the conference committee (see below). The existing laws would govern any cases filed prior to the effective date of the new law. When and IF the law is finalized and signed into law, we will post updated information on here and on my various links (Chapter 7, Chapter 11, Chapter 13) as to how things will change. For some, it may not be a dramatic change, but one thing is certain: The new law will not benefit ANY debtor. We won't say that everyone should rush to file before the new law takes effect, but you should definitely consult with an attorney as soon as possible if you think you may need to file bankruptcy in the near future.

"In my 40 years of dealing with Congress on bankruptcy legislation, this is the worst I've ever seen. It's the kind of bill that makes you want to point your fingers at individual congressmen and say, 'Shame on you.'"

The late Prof. Lawrence P. King, NYU Law School, concerning the bankruptcy bill now being considered by the United States Senate; quoted in The New York Times, March 14, 2001

Please reach out to your congressional delegation and let them know that everyone involved in the bankruptcy process (excluding credit card companies) think that this is a terrible bill that will have a devastating impact on the bankruptcy courts, and punish ordinary taxpayers who have

lost their jobs, health insurance, or both, while permitting the rich executives who looted America's biggest companies to keep many of their palatial estates.

House: <http://www.house.gov/house/MemberWWW.html>

Senate: http://www.senate.gov/senators/senator_by_state.cfm

If you want simple explanations of the specific provisions of the bill, and the likely impact, go to www.nationalbankruptcyconference.org

Suggestions: If you are in a situation where you think you may need bankruptcy relief, you would be wise to look into it immediately before your opportunity disappears.

Bankruptcy Myths and Facts

People who are considering straight bankruptcy (Chapter 7) or wage earner (Chapter 13) have a great deal of questions. We have listed some facts that may clear up any misunderstandings. Keep in mind that they knew bankruptcy **laws**.

Myth: I will lose my job if I file bankruptcy.

Fact: All employers including governmental agencies are forbidden to terminate you just because of bankruptcy. However, jobs where you must be bonded may be at risk if you file bankruptcy.

Myth: I can only file wage earner once every eight years.

Fact: No. You can file wage earner anytime, even if you previously filed chapter 7 straight bankruptcy. Straight bankruptcy can be filed once every eight years.

Myth: It only takes 5 days to file bankruptcy and appear in court.

Fact: No. It usually takes months from the day you file bankruptcy to the day you appear in court. The court proceeding determines if your debts will be discharged. Keep in mind that the important date is the date you file. The court will contact your client's creditors to stop collection efforts, garnishments and, repossessions, immediately.

Myth: I can take as long as my income allows me to repay my debts under a chapter 13 wage earner.

Fact: No. Most repayment plans take three years and up to five years in cases of hardship.

Myth: I can file all my debts under a wage-earner plan even if it's over \$600,000.

Fact: You must owe less than \$100,000 of unsecured debt and \$300,000 of secured debts to file a wage-earner plan.

Myth: If someone else co-signed for me, they are not responsible for the debt if I file bankruptcy.

Fact: Bankruptcy only protects you. If someone else co-signed for you on a loan, they must pay it, even though you are not obligated. Also, you are not legally required to pay the person back. It is up to you to pay that person back--your conscious should guide you.

If you file a wage-earner plan, the co-signer must pay the portion you don't pay, and again, you are not obligated to repay them.

Myth: It costs much money for a wage-earner proceeding.

Fact: It only costs \$299 to file chapter 7 and \$274 to file your repayment plans with the court (The filing fee may increase at any time). The court may charges a small administrative fee that may be included in your regular payment.

Myth: I must have a job to file a wage-earner plan.

Fact: No. But you must have a steady source of income such as wages, self-employment, Social Security, etc.

Myth: My creditors can refuse to accept my repayment plan under a wage earner.

Fact: Filing a wage-earner plan is your decision. If you are willing to repay your obligations and the court approves your repayment plan, your client's creditor won't have any choice but to accept your plan.

Myth: I have to pay 100 percent of my debts under a wage-earner plan.

Fact: No. You must first deduct your living expenses from your income. The remaining balance is paid to your client's creditors over the term of the repayment plan. If you can't pay all or almost all of your debts in the allowed period, a wage-earner plan is not feasible.

Myth: I will lose my property if I don't pay my debt under a wage-earner plan.

Fact: Maybe not. One purpose for filing a wage-earner plan is to have the right to keep your property, even if you are not able to pay all of your debts. The only exception is a secured debt. Example: If you receive a loan to buy a stereo system and don't pay the balance in full, they can repossess the property because the loan is secured by the property.

Myth: Filing straight bankruptcy, not wage earner, will only damage my credit rating.

Fact: No. Both forms of bankruptcy will be listed in your client's credit report and will have a tremendous effect on your so-called rating. Straight bankruptcy will be reported for ten years, and wage earner for seven years.

Myth: I need an attorney to file a chapter 13 wage-earner plan.

Fact: No. Preparing a chapter 13 plan is very easy. If you can prepare your income tax on your own, you probably can handle your own repayment plan.

Myth: My payments to the trustee can only be deducted from my paycheck each pay period. Therefore, my employer will know that I filed chapter 13 wage earners.

Fact: No. Your employer doesn't have to know. You can choose to have your payment paid directly to your trustee yourself. Keep in mind that your employer can't fire you just because of bankruptcy.

Myth: My spouse doesn't have to file bankruptcy or wage earner with me.

Fact: Your spouse should file if the debts to be filed are in both of your names. If you don't, your client's creditors can go after the spouse for repayment.

Recovering from Bankruptcy

(Also see Re-Establishing Your Client's Credit)

Credit granters see opportunities in servicing bankrupt consumers

With this number of filings, it is not surprising that dozens of lenders, ranging from mortgage companies to car lenders to cell phone providers to

department stores, have established offices to service this growing customer base.

Realize as well that a newly discharged debtor is a much better credit risk in many respects. Under current law, you cannot re-file a chapter 7 for eight years. If you were in the business of loaning money, wouldn't you agree that a consumer with no debt who could not file bankruptcy for eight (8) years is a better risk than a consumer with thirty or forty thousand dollars of debt who can file?

Other innovative services have also sprung up to offer help to post-bankruptcy consumers as well as consumers who cannot yet afford a new home.



1SourceRents.com is an example of a useful resource for credit-challenged consumers.

Carloan.com is another source.

How to Prepare a Home Budget

When a family is over-indebted it can lead to many other problems such as, divorce, emotional problems, and in some cases total disruption of the family.

We will discuss here how your client's family can put together a workable budget to help solve any financial problems the currently have and to prevent future problems. Keep in mind that no system of personal money management will quickly and permanently exterminate financial problems your client may have--especially if heavily indebted. However, a good practical budget can enable your client to overcome financial problems.

If your clients have over-extended their credit and lost control of their personal finances, it is simply because they failed to plan for the future. Budgeting is a planning tool that prepares you for the future by giving you a way to control your finances.

There are three key elements to consider when preparing a budget:

1. The budget should be a combined effort for you and your spouse.
2. The budget should provide each member of your household with a personal allowance with each person participating in the decisions pertaining to his or her allowance.
3. The record-keeping system must be very simple.

In reality there is no "standard" budget. A good workable budget is one that is simple, flexible, and helps you achieve individual or family goals. Therefore, the purpose of the budgeting plans is: **1) to summarize objectives; 2) to set up a timetable for action; and 3) to set boundaries and limits.** However, developing a budget that meets primary needs and wants, and control spending is a "must" for those individuals or families who are already over-extended.

The following steps are helpful guidelines in developing a workable budget.

Determining Values and Goals

As mentioned earlier in the section on Debt Payment Reduction, the way we spend money identifies our life-style. The way we live, dress,

travel, eat, etc., depicts our life-style and these elements are determined by our values, goals, needs, wants, and means of support or resources; thus giving us our preferences.

For the purpose of discussion, values are defined as the beliefs or feeling we have about certain things. For example, our friends, family, religion, customs, cultural background, make up our values and influence the way our decisions are made and carried out. Answering the following questions can help you determine your values.

1. What do you want most out of life?
2. What makes you happy?
3. What do you want to achieve in life?
4. What are your dreams?

Knowing your present values will help you design your budget so your goals can be achieved.

Needs and wants will help determine your goals. Needs are things that are very important to your family; whereas wants are things that you feel would be "good to have." Sometimes it is difficult for many people to separate needs from wants; however, a few typical needs and wants are listed as follows:

Needs

Nourishing food
Safe and comfortable housing
A good running car
Warm, clean clothing

Wants

Soft drinks, candy, snacks..
Modern furniture, home style
Brand name, new model car
Latest fashion trend

It is best for you to identify your needs and wants before preparing your budget. ***Keep in mind that you can have the things you want if they are priced the same as your needs and if you are debt free.***

Resources are another key factor in accomplishing a satisfying lifestyle. Resources are not only financial (money and possessions), but environmental, such as, health, knowledge, people, aptitude, skills, and interests. It is good to know how you will use your natural resources, and if they are consistent with your values and life-style. Knowing the above information will help you determine the extent of your resources.

Developing the Budget

1. **Estimate your income.** Count every penny you receive into the household.
2. **Estimate your expenses.** You have fixed and variable expenses. A fixed expense usually remains the same, it occurs every month such as, rent, mortgage, car payment, etc. A variable expense changes frequently, such as, food, clothing and utilities, etc., anything you can exercise a certain amount of control over what is actually spent.
3. **Calculate your present debt load.** List all debts, even small bills and loans from friends or family members. This information will let you know exactly how many debts you currently have and how to plan for repayment.
4. **Develop a trial-spending plan.** This plan will give an estimate of how you are going to spend your take home pay or net income.

Once you have determined the above, it is time to draw up your budget. As mentioned before, you must first list the payment amounts, or estimated amount, of all your basic needs and some fixed expenses and get a total. These expenses are as follows:

Mortgage or rent payment
Utility payments
Child support or alimony payments
Basic clothing
Insurance payments
Car payments
Medical costs
Any other expense that you can't do without

We purposely didn't list, as you probably noticed, any debt payments such as bankcards, charge cards, etc., when in fact, they may be fixed expenses. If you are over-extended, your debts are treated as a separate category. Your goal is to have these debt payments reduced through pro-rating, as discussed in the section on debt reduction.

Take these amounts and subtract them from your monthly take home pay. The balance will give your basic living expenses, and any amount left over should be used for debt payments. If you don't have any money left to make debt payments, you may consider taking measures to increase your income by taking on a part-time job or to cutting living expenses.

Since getting out of debt means reducing your living expenses or increasing your income, it is very important to examine each expenditure, making sure it is completely necessary.

Listed below you'll find a few suggestions for decreasing your living expenses.

- Teach kids domestic chores, so there is no need to hire a domestic service.
- Learn how to do simple repairs, e.g. painting, etc.
- Save energy by insulating your home.
- Make only emergency long-distance phone calls.
- Move to a less expensive home or apartment, if it is feasible.
- Carry your lunch instead of buying fast food.
- Grow a garden if possible
- Do not buy junk food, it can be very expensive.
- Make a list before grocery shopping, to prevent unnecessary impulse buying.
- Clip coupons to save on grocery bills.
- Use public transportation when feasible.
- Learn how to do your own maintenance on your car such as, changing the oil, etc.
- Learn how to sew, and repair your own garments.
- Teach kids to care for their clothing.
- Follow safety rules to prevent accidents, thus preventing medical bills.
- Stop smoking, consuming alcohol, and using addictive drugs.
- Give your time instead of money. E.g. visit the sick instead of buying and sending flowers.)
- For recreation and entertainment, do family things together such as, picnicking, hiking, visiting the zoo, museum or library, and attending free concerts.
- Learn how to fix your own hair.
- Make sure it's more feasible for the mother to work than to pay childcare. You can determine this by factoring the cost of her working and the income she receives, versus the cost of her staying home.

Envelope Budgeting System

In this approach, you will take all of your expenses and label them on a separate envelope e.g. grocery, entertainment, etc. You will keep those envelopes in a box or some organizer. Some people use cash, but we

recommend using paper to write down the amount you have to spend in each category—keeping a running total for the month. Once the money is spent you stop spending for that month. If you need more money for one category, you must take it from another. This system can get your family budget in order quickly and is very effective!

In summary, budgeting is a process through which you can assess the most important use of your money and expenses, and plan for the future. A good workable budget is based on your goals and values. It is very important that you learn to keep accurate records to determine if the budget is working, and if not, where to adjust it.

Wise spending is the key in helping you get the most of your money. You will save money by taking on as many "do-it-yourself" projects as you are capable of learning.

Too Much Debt

Credit grantors could be considered a financial protector. Too many people have the tendency to over-extend themselves with credit. These over-extenders can get in so deep over their heads, that bankruptcy or total financial ruin is inevitable. Therefore, turning these individuals down for credit is doing them a favor.

There are many danger signals that indicate if your client has too much debt and you'll find these signals listed below.

- Your client carries bills over into the following month because there is not enough money to pay them.
- Your client can only pay the minimum due on credit cards.
- Your client doesn't have enough cash to buy merchandise or pay for services; therefore uses credit cards, even if it is against your wishes.
- Your client is getting cash advances from credit cards to pay bills or for cash, even when not traveling.
- Your client cannot accumulate any savings for going in and withdrawing cash to pay bills, etc.
- Your client takes out new loans to pay bills or to buy merchandise before other loans are paid out.

- Your client doesn't have enough money to buy important items and to pay off debts.
- Your client can never pay down the balance on credit cards.
- Your client uses more than 25 percent of take-home pay for debt payments, such as credit cards, charge accounts, and loans excluding the mortgage.
- You are suddenly becoming more interested in the bankruptcy laws.
- Your client is receiving calls and demand- for-payment letters from creditors.
- Your client has been denied credit by lenders for having too many debt obligations.
- Your client has to finance a car loan for over 36 months.
- If your client misses one week of work, he/she is struggling or not able to pay bills.
- Your client is borrowing from other family members or friends.
- Your client is borrowing money at whatever interest rate he/she can get to obtain the loan.
- Your client's expenses are rapidly becoming more than income.
- Your client is frequently gambling or playing the lottery hoping the winnings will solve his/her financial problems.
- Your client is afraid to discuss financial problems with his/her spouse.
- Your client can't sleep at night for worrying about the bills.

If your client can identify with a few of these danger signals, you must take immediate action to solve these financial problems before they become worse.

As mentioned earlier, you can contact the National Foundation for Consumer Credit (NFCC), to help you resolve your financial problems.

If you have a problem budgeting your money or solving your financial problems after reading this book, contact this non-profit organization for assistance. Look in the Yellow Pages under "Credit and Debt Counseling."



Be aware of credit counselors or debt management organizations that charge a fee for reducing your debts. It is OK to seek the assistance of a competent credit counselor who may charge a small fee to help you prepare a budget for your family, but proceed with caution when seeking these individuals. Call your local better business bureau to check for complaints from unsatisfied clients of these individuals.

Refinancing Your Home

There are many factors you must consider before refinancing your existing mortgage, such as...

1. **The cost of refinancing.** Refinancing usually consists of paying off your original mortgage and taking out a totally new loan. Therefore, most of the costs you paid in the beginning such as an appraisal fee, settlement cost, title search, points, etc., will be paid again, even if you use the same lending institution. Sometimes you may be penalized for paying off your existing original loan too early.

According to the Mortgage Bankers Association of America, the cost of refinancing a mortgage can run between three and six percent of the total amount borrowed. Therefore, if refinancing a \$75,000 mortgage, you may pay between \$2,250 and \$4,500 in additional fees and charges.

2. **The interest rate.** Will the rate be low enough to make a considerable difference? If you are planning to move in a couple of years, it is not feasible to refinance. If you are planning to stay in your home over five years, refinancing may be worthwhile. A 3 percent difference between your old interest rate and the new rate will pay the closing costs only if you plan to stay in your home for three (3) or more years.

3. **The points.** A point equals one percent of the loan amount. Many lenders charge up to three (3) points for new loans. Points are in addition to interest rates, and other charges a lender may impose on the borrower for a loan.

Shop around for points and interest rates thoroughly before taking out a new loan. Also, if you are given a quote by a lender, get it in writing. This usually gives 60-days guarantee that the lender won't raise the points or interest rate at the time of closing. If a lender won't put a quote in writing, find one who will.

4. Will your application fee be refunded if you do not sign the mortgage? Lenders charge from \$100 to \$500 as a processing fee before accepting your application. This tactic prevents people from applying to more lenders at the same time. This is also a revenue booster for the lender. Sometimes a lender may take forever in processing your application, or other factors may occur where you will not want to continue the processing of your application. You must find out before hand, if the lender will refund you application fee, and what is their policy for refunds.

5. Know how much money you can save by refinancing your home. According to the Mortgage Bankers Association of America, if you currently have a 30-year 12-percent fixed-rate mortgage with a balance of \$75,000, and monthly payments of \$771, a new mortgage at 10 percent will give monthly payments of \$658, saving \$113 per month.

The savings are even more if the interest rate is higher; therefore, if the difference covers the cost of refinancing and the savings is large enough, go for it!

Understanding Home Equity Loans

Home equity loans have been very popular since the Tax Reform Act of 1986. Since consumer interest is no longer fully tax-deductible, the interest on a home equity loan remains fully deductible. However, the loan amount cannot be greater than the value of the home.

You must read and understand the fine print on the home equity home loans contract before signing; or you may be in for a big surprise. Lenders in the past had the right to change the terms in their contract at any time. But a new federal law, effective May, 1989, **will** prevent lenders from changing the terms. Also, the law **will** obligate the lender to provide clear disclosure of its terms and fees when you apply for a home equity loan.

There are other factors you must consider before signing a home equity loan contract...

1. **Beware of acceleration clauses and balloon payments.** You must understand these two factors fully or they can make you lose your home.
2. **Beware of mortgage brokers.** Some of these individuals are unscrupulous and will burn you. Call your local Better Business Bureau to check out these individuals.
3. **Make sure you can afford a home equity loan.** If your total debt payments are from 35 to 40 percent, do not take out a home equity loan. However, if you can consolidate your debts to a lower interest rate and will save on the total interest paid with lower monthly payments; take out the loan.
4. **Do not take out more money than you need because closing costs are based on the amount of the credit line you are taking out.** Additionally, the size of your client's credit line will be reflected in your client's credit report as an outstanding loan even if you don't use it. This could affect the decision of another potential lender such as a credit card company, who may think that you have too many outstanding debts and will not issue a credit card to you.
5. **Don't trust any lending institution 100 percent.** Have a competent and trusted attorney review your contract before signing.

Section Four

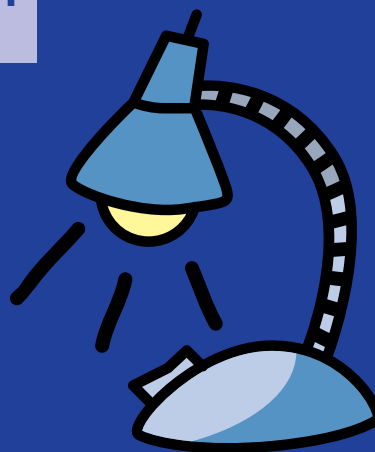
Certified Credit Consultant Tips



Certified Credit

Consultant

Manual



About Your Client's Credit Cards

Here are some tips for you and your clients, including ways in which you can help clients to recover if they don't follow them.

Always keep or tear up your carbon copies of charges you make with your client's credit cards. Believe it or not, thieves dig through trashcans looking for credit-card carbon copies to get the number and use your name to charge goods and services by phone.

Report loss or theft immediately. There is a \$50.00 limit on your liability you are required to pay if someone steals a credit card and runs up a bill on it. Make sure your clients know this and that they must contact the credit card company immediately. Although your liability is only \$50, if you have a lot of credit cards, the \$50-liability will add up. We suggest you join a credit card protection service to take the responsibility of contacting the credit card company and paying the potential \$50 liability. However, if your clients loans his card to someone, alert them that they are liable for the entire amount they charge to the card. (See below for a way to stop this, "Credit cards and marriage or authorized users.")

Beware of credit-card scams. Someone may call your client on the phone, saying "Congratulations! You have won a prize!" But, they need a credit card number "for identification." This is a scam. These callers often use the credit-card numbers to make purchases or even to counterfeit a card. Tell your clients NOT to give out their credit-card number out over the phone unless they are very familiar with the company they are dealing with.

Always check your credit card statement against your receipts. It is very easy for dishonest storeowners or clerks to run off several slips for the same amount against your client's credit card. They know that most people do not keep their credit-card receipts and do not check their statements. Most people, especially busy professionals, just pay the minimum amount every month without ever checking for errors.

Withholding credit-card payments. If this happens, your client may be able to withhold payments if the case meets the following conditions:

1. The amount of the charge must exceed \$50
2. The charge must be made in your state, or within 100 miles of your home.
3. You must first try to settle your dispute with the merchant directly.

4. You must give the credit-card company written notice that all attempts to straighten out your dispute with the merchant have failed.

When the credit-card company receives your client's notice, it will credit the account for the amount of charges disputed. The company will then charge back the bank where the merchant deposited the credit-card charges, and the bank will in turn charge the merchant. Do not think your client can get away with not paying credit-card bills by always disputing the charges, you may be investigated for credit-card fraud.

Credit Card Consumer Protection Act of 1987

This law gives you 90 days to return tangible items (not services) purchased through the mail. Additionally you can receive a full credit for the charges. For example, suppose you purchase a product through the mail and it did not measure up to your standards or the standard advertised. You can dispute the charges with the credit-card company and receive a credit on your bill for the full amount of the purchase.

This newly enforced law gives the credit-card user a guarantee when purchasing products by mail. Additionally, you are protected from being ripped off by mail-order firms. These firms must put up a reasonable amount of money in an escrow account and maintain it at a certain level just for the purpose mentioned above. If there are too many charge-backs on their account, they can risk losing their status as a merchant of that credit-card company, thus losing the privilege of convenience and increased sales.

Credit-card billing errors

If there is an error on your client's credit-card bill, you or the client must notify the credit card company of your objection, in writing, within 60 days after the bill was mailed. The client is not required to pay the amount in question while the credit-card company is investigating the claim, but is still obligated to pay the part of the statement that is not in question.

The credit-card company must confirm receiving your notice within 30 days. Within two billing cycles, but not more than 90 days, they must either:

1. **Correct the bill and send you a notice.** If you still disagree with the figure, they must, if you request, furnish documented evidence of the difference.

2. **They must send you a written explanation of why they feel the bill is correct.** If the client claims that the goods were not delivered, the company must prove that the goods were delivered, giving the date, etc., before they can charge you.

During this process, according to the Fair Credit Billing Act, the company cannot attempt to collect the disputed charges, revoke your client's card, use the acceleration clause to call in the total amount owed, or put a negative mark in your client's credit report. If they do, your client can sue for damages and for improperly reporting your client to the credit bureau. To prove damages, have the client apply for credit somewhere. If your client's credit report shows a denial, you can easily prove damages.

Credit cards and marriage or authorized users

Let's say your client obtained a Visa card in his or her name and received an additional card for someone else, such as a spouse. Suppose that later they separate. Your client is liable to pay for the authorized user's purchases until your client does the following:

1. Tells the authorized user to stop using the card and demands the return of it. (If the user does not, don't worry; number 2 below will protect you.)
2. Notifies the credit-card company, in writing, that he/she has revoked the user's authority to use the card.

After this, your client is not liable for payment on any of the user's purchases on the card. Still, your client is liable for all purchases made before notifying the credit-card company.

If someone forges your client's signature on a credit-card application

See "What Are Identity Theft and Identity Fraud?" in SECTION 1. Believe it or not, many people are forging the signature of someone in their family who may have good credit in order to obtain a credit card. They use them as a joint applicant without their knowledge. If they default on the credit card or don't pay it on time, it will affect the credit rating of the innocent party. If this happens to your client, you or your client can do the following:

1. Contact the credit-card company and file a deposition stating that you've never submitted an application for a credit card with their company.

2. The credit-card company will investigate your claim. If your side of the story checks out accurately, they will remove the negative mark from your credit report and press charges on the friend or family member for credit card fraud.

Your client's friend or family member could get two to three years in prison for fraud. If they have two other felonies on their record, they could get 30 years for being a habitual criminal. **However, if the information checks out accurately, you could find yourself subject to prosecution for attempting to commit fraud.** *Make sure you are right about your claim.*

Your client is faced with a difficult situation if this person is a family member because of the potential prison sentence. If your client does not file a deposition with the credit card company denying ever submitting an application, he/she will be liable for the charges, and the negative mark will remain in your client's credit report.

Credit and Divorce

A divorce brings about all types of financial changes. It is important for you, as a certified credit consultant, to know and understand how a divorce affects your clients' credit files. After a divorce, before applying for that apartment, automobile, or new home, it's critical for you and your client to be familiar with the contents on their credit report.

Keep in mind that a divorce decree does not release your client from paying bills. Each party is still obligated to repay the joint debts incurred while married. In fact, a divorce decree has no impact on outstanding debts. Even if a divorce judge orders your ex-spouse to pay a bill, if the bill is not paid, the other is also still liable. Both parties are responsible for paying all of the debts they entered into jointly.

Also, if your client's ex-spouse is slow and delinquent paying the joint bill, the creditor has every right to report that negative information to a credit bureau and it will affect the credit rating of both of them. Also, the company can ask you to repay the bill if your ex-spouse doesn't pay the debt and can even take legal action against you for unsettled accounts.

Advise clients who are divorcing to consider closing joint accounts and to begin, as soon as possible, to develop their own independent credit. Before the divorce is finalized, advise your client and his/her spouse to review all joint debts and decide who will be responsible for paying each one. It is advantageous to both to come up with a fair solution. Remind your clients that both of their credit files will be affected by any negative information that is reported, now and in the future.

For extreme cases, clients may need the help of a divorce mediator or attorney. The Academy of Family Mediators, American Bar Association, or Legal Aid office in your area can provide information and referrals.

Your Client's Credit Rights as a Woman

A creditor cannot turn you down for a loan or a credit card just because you are a woman-- single or married. The Equal Credit Opportunity Act (ECOA) is a federal law that prohibits creditors from discriminating against anyone due to their sex, marital status, race, etc.

There are certain questions a creditors ask about sex on their credit application. Know these questions. They are as follows:

1. Unless you are building a home, you cannot be asked about your sex on a credit application. The federal government requires creditors to ask your sex when building a home in order to monitor compliance with the ECOA.
2. Unless you live in a community-property state such as Arizona, California, Idaho, Louisiana, Nevada, Mexico, Texas and Washington, a creditor cannot ask your marital status on a credit application if you are applying individually for an unsecured line of credit such as a Master Card or Visa. In other cases, they are limited to asking whether you are married, unmarried (single, divorced, widowed), or separated.

Women (and men) must receive fair consideration by creditors when applying for credit and there are certain guidelines they must follow when making the decision to grant credit.

Creditors can't:

1. Consider you a poor credit risk because of your sex.
2. Discriminate against you because of your marital status.
3. Refuse to consider your income because you are married or working part time.
4. Refuse to consider alimony payments, child support payments, etc., as reliable income. Remember, you are not required to disclose this information, unless you desire to increase your chances of receiving the credit you are seeking.

5. Ask about your birth control methods.



Note: *A creditor may consider your marital status if the laws of your state have different property rights for married and unmarried people. In this case, it may be difficult for a creditor to collect on a defaulted loan in these states. Check with your state legislative office to see if there is a difference in property rights.*

Getting married? Remind your women clients who are getting married, “Just because you are getting married doesn't mean that you must give up your individual credit accounts. You can keep your credit cards and maintain your own credit file.”

Married clients: Remind your married clients, “You deserve and can have the same good credit file as your husband.” Just get a copy of your client's credit report and supply the credit bureau with all the positive credit ratings you feel should be in your client's credit report. Don't volunteer any negative information.

If your client feels she is being discriminated against because of marital status, sex, or etc., fight back! Your client can file a suit against her adversary seeking punitive and actual damages for intentionally violating the ECOA.

Understanding Your Client's Credit-Card Statement

Do you have a problem understanding your client's credit card statement? Most people just use their credit cards and pay the minimum payment each month, never understanding how the finance charges are calculated. To help you understand this system, let's take a credit card company that charges an Annual Percentage Rate of 19.8%. We will break down this rate point by point to show you how the finance charges are calculated.

Many credit-card companies will have the following quote on the back of their monthly statement.

- A. Purchases: We figure the finance charge on your purchases by applying the monthly periodic rate(s) to the "average daily balance(s)" of your account (including current transactions). To get each the average daily balance, we take the beginning balance of your account each day, add any new purchases or cash advances and subtract any payments, credits, membership fees, over-limit fees, late charges, and unpaid finance charges. This gives us the daily balance. Then, we add up all the daily balances for the billing cycle and divide

the total by the number of days in the billing cycle. This gives us the average daily balance.

Let's imagine that this is the very first day in the billing cycle and you have decided to have your car's entire systems checked, therefore you pulled out your Visa card and charged \$50 dollars. On the 10th day you decided to buy yourself a new sports jacket for an important luncheon you must attend and charged \$150 dollars, on the 20th you bought a new dress for your wife after a heated argument that morning and you charged \$200. Your account will be calculated as follows:

Day	Purchase Amounts	Day	Purchase Amounts
1	\$ 50	16	\$ 200
2	50	17	200
3	50	18	200
4	50	19	200
5	50	20	400 (\$200 PUR*)
6	50	21	400
7:	50	22	400
8:	50	23	400
9:	50	24	400
10:	200 (\$150 PUR* added)	25	350 (\$50.00 *Pmt)
11:	200	26	350
12:	200	27	325 (\$25.00 credit)
13:	200	28	325
14:	200	29	325
15:	200	30	<u>325</u>
Total		\$6,450	

*** PMT= Payment PUR=Purchase**

First you will add up the daily unpaid balances and divide the total **by 30** (the number of days in the billing cycle). This gives you a total of \$215.00. The equation will look like this:

\$6450/30 = \$215.00. This is your **Average Daily Balance of Purchases.**

As you can see there was a payment applied to your account on the 25th day and a credit was posted the 27th, did you see how the average daily balances changed? Since you charged the larger ticket item on the 20th day, your average daily is a lot lower than it would have been if you had charged the new dress on the 13th day. Make it a practice to charge large ticket items closer to the end of the billing cycle.

The annual percentage rate, which is 19.8%, is divided into 12 and gives a monthly periodic rate of 1.65%. To get the total finance charge on purchases, we will multiply the monthly periodic rate--1.65% by the total average daily balances of the billing cycle (215 x 1.65 = \$354.75).

Some credit card companies have a different finance charge for cash advances, which are calculated the same way as the average daily balance of purchases in the above example. Therefore, the cash advances balance is kept separate from the purchases account balance. Keep in mind that most credit-card companies charge a minimum finance charge of \$.50.

The information above may seem difficult to understand the very first time you read it. I suggest that you read this over and over until you understand the mechanic of your client's credit card statements, and when to make your payments, as well as, can determine which credit card you should use more frequently.

Acceleration Clause in Your Client's Credit Agreements

Before receiving a credit card, you must agree to the conditions of the credit-card company, which can be very frightening. Credit-card companies, as well as other loan institutions, have an acceleration clause in their agreement that states the following under the Default and Demand for Full payment section of your statement:

"Except where prohibited by law in your area, we may cease your credit privileges and require that you pay the entire balance of your account in full immediately if you do the following:

- Fail to live up to the agreement as required of you;
- Fail to pay the amount due by its due date;
- Provide false credit information or false signatures to receive your credit card or loan;
- Die or become incompetent or file bankruptcy.

Credit card-companies can pull your credit card if you are one day late with the minimal payment and require you to pay the entire balance in full, whether it's \$100 or \$5,000 dollars. They are fully entitled to this. You might ask, would a credit-card company really pull my credit card if I am one day late? Maybe they will, but probably not. If you are regularly over 30 days late with this company, they may exercise their right.

Mortgage Payment Difficulties

Here is how to talk with your clients about their mortgage payment difficulties:

Are you having problems making your mortgage payments on time due to illness, cutbacks on your job, a decrease in your household income, being overextended with credit, or for any other emergency? The fear of losing your home can itself bring more stress to your family than the problems above. If you are experiencing one or more

of these problems, and it is preventing you from making timely payments on your mortgage, you must act quickly! It is a normal human reaction to hope a problem will simply vanish. However, you cannot avoid your financial problems if you want to save your home or protect your credit rating. The information listed below will help you save your home.

Write or telephone (it is best to do both), the collection department of the company who loaned you the money to purchase your home. [As a certified credit consultant, you can help your client to write the letter or provide a sample from the appendix.] If you call the company, be prepared to discuss your financial problem in detail. The collection clerk needs complete information to assist you with your problem. Therefore, it is best to know the answers to the questions they ask such as...

- a) *Why did you fall behind in your payments? Tell the circumstances that caused your payments to get behind such as a lay-off, illness, divorce, etc.*
- b) *What is your current total household income? List all of the dependable income you currently have coming into the household.*
- c) *What is your plan to bring your mortgage payments up-to-date? Write down all the choices available to you. List your total debts such as food, utilities, insurance premium, child support payments, and all other monthly payments (excluding you mortgage payment). Make sure you list your needs and not your wants (see the section on how to prepare a home budget for more information). Show what you are realistically able to do in bringing your mortgage current.*

Be honest and very open with the lender. Your sincerity in solving your problems and meeting your financial obligations will inspire the lender to help you. Whatever payment arrangement you make with the lender-stick to them! Keep in mind that lenders make their money by making loans and receiving payments on time from borrowers. It is costly for them to collect on delinquent accounts or to foreclose on a mortgage. But, if you fail to keep the agreement you made with the lender, you will lose the lender's desire to help you and severe collection actions will follow.

How the lender can help you

There are several options a lender can assist you with your problem; however, it is up to you to prepare a plan to bring your mortgage payments current. A few possibilities are listed below:

Repayment arrangement:

1. The lender may give you forbearance by temporarily reducing or suspending your regular monthly payments or reducing the late payments by extending them over a specified period of time.
2. The lender, in some cases, may rework your entire mortgage by increasing the unpaid principal balance and the late payments. The length of time may increase, but you will be able to start making payments as if you are not behind on your mortgage.
3. If your mortgage is insured by HUD/FHA, it may be assigned back to their department, and they would become the lender and could help you work out a repayment plan.
4. The lender may advise you to protect your investment by selling your home or reducing your loss by signing your property over to them. You can avoid foreclosure and protect your rating by taking either one of these actions; but only as a last resort.



Other Helpful Tips

1. Call your local HUD/FHA or Veteran Administration if your mortgage is insured by these agencies and ask for assistance. HUD has home-ownership counseling agencies that may be very helpful.
2. Contact your local Consumer Credit Counseling Service or other non-profit organizations that offers assistance in debt or mortgage counseling. You may have to pay a small fee to some of these agencies, but they may be very helpful in helping you to get your mortgage payments up-to-date.
3. Watch out for those individuals who prey on the problems of others. They will claim to speak to your creditors on your behalf to resolve your financial problems. There are a few good counseling firms offering this service but you must proceed with caution when approaching these companies. Ask for references and check them out. Also, check with the Better Business Bureau for any unsolved

complaints. Keep this in mind, **THE LENDER PREFERS HEARING DIRECTLY FROM YOU, NOT SOMEONE ELSE.**

4. Do not borrow from family, friends, credit cards, or other lenders to get yourself temporarily out of trouble or to catch up on your mortgage. Remember, this is usually what got you into financial trouble in the first place.

Car Payment Difficulties

If you are experiencing problems meeting your car payments, you must apply the same techniques for meeting other types of payments. However, most car loan lenders won't allow you to be more than two months behind on your payments before they will apply several collection procedures against you (such as repossessing your car). You must contact them the first time you anticipate any problems.

Car loan lenders will judge you according to the manner in which you've previously paid your car notes. If you have been late before one to two times over 30 days, without a good explanation, they may not be as lenient with you when approaching them for help the next time. You must always keep the lender informed of your financial difficulties and they will do all they can to assist you with the problems.

Car lenders could take several steps in assisting you with your problem, such as...

1. Reducing your car payments by reworking your car loan over again and extending the time to repay the loan.
2. Allowing you to make interest payments until you are able to make regular payments again. However, the loan will be extended for a longer period of time.
3. They can defer payments for a few months by placing the overdue payments at the end of the loan period. Yet, you still will be responsible for the interest payments and the repayment period will be longer.



Important Notice: *Always remember to get the clerk's name, date, time, and take good notes when making arrangement to repay your debts. There have been cases where people have made special arrangements to repay their debts over the telephone, and their telephone or utility service was disconnected, or some other severe action was taken against*

them. This happened simply because the clerk that day didn't make any notes concerning the arrangement and the individual didn't have the clerk's name and didn't know the exact time and date the arrangement was made. Don't let this happen to you!

Beware of Finance Company Loans

Beware of local finance companies that are not regulated by federal law. These companies use very high-pressure techniques, especially rough collection tactics, and they charge very high interest rates. Most of these companies limit their loans to around \$600 and sometimes make loans for as little as \$25.00. They charge interest rates sometimes higher than 35 percent per year. We are not criticizing ethical finance companies; there are many good firms that offer fair rates. Most finance companies specialize in lending to people who can't qualify for a loan through the bank or other competitive lenders. When dealing with these firms, be sure you understand your rights; become very familiar with the Fair Debt Collections Act.

Beware of Bank Overdraft Protection Loans

In our opinion, overdraft protection loans are good when not used excessively. However, it appears that most people who use overdraft protection do not balance their checkbook or keep up with their financial affairs. It is more convenient for them not to worry about their financial affairs, knowing that they are protected from overdraft. Not keeping up with your financial affairs is the first step toward financial devastation.

Student Loan Payment Difficulties

If you are having difficulties paying back your student loans, there are steps you can take to reduce or defer your payments for up to three years. The steps are as follows:

1. Contact the lender's collections department immediately, as soon as the problem occurs. Inform them of your financial difficulties.
2. If you can't afford to make payments at all, request a deferment until a later date when your financial position changes. Sometimes the lender will grant you a forbearance up to three years in cases where you are unemployed, laid-off from your job, or your income is barely covering your basic living expenses. The lender will require you to fill out a form listing all of your current financial

obligations and will make their determination to grant your request after their evaluation.

3. If you are ill or temporarily disabled, the lender may defer payments for as long as your illness or disability exists.
5. If you are permanently disabled or have a chronic illness, you can file a claim permanently releasing you from making payments.

It is best to assess accurately your financial position before giving the lender a date when you can start making payments. If you don't, a deferment may not be available if you've used up your time limit.

If you default on your government student loan, your income tax refund check may be garnished each year until the balance of the loan is depleted.

Other repayment options for student loans:

1. **Graduated Repayment Plan.** This plan allows you to make lower payments the first two years after your graduation and increases over time as your expected income increases. Contact your lender concerning this repayment option.
2. **Loans Consolidation Plan.** A new approved federal program will allow you to combine under one payment plan some or all of your student loans if the amount exceeds \$5,000. This program was developed to reduce your financial burden by lowering your monthly payments and extending the repayment period 10 to 25 years. This program allows state guarantee agencies, the Student Loan Marketing Association (Sallie Mae), and other participating lenders to pay off a student's existing loans and create one new loan at an interest rate of 9 percent or more, depending on the consolidated loans.
3. **Sallie Mae's Consolidation Plans**

Level Payment Plan: Your payments are divided into equal amounts for the span of your loan, including interest plus a portion of the principal each month.

Max 2 Plan: You only pay interest for two years. The remainder of the time your payments will become fixed for the span of your loan period.

Max 4 Plan: You only pay interest for four years. Your payment will increase in small increments for the next three years

The following loan programs listed below may be consolidated:

- Guaranteed Student Loan (GSL)
- Auxiliary Loans to Assist Students (ALAS)
- Supplemental Loan for Students (SLS)
- Perkins or National Direct Student Loan (NDSL)

Keep in mind that these repayment plans are not for everyone; yet, it offers a solution to those qualified individuals who are currently having problems meeting their payment obligations. If you are one of these individuals, you are not alone. In 1987, approximately one half the college students left the university owing on the average of \$6,675 for public schools and \$8,950 for private schools. In 2012 seventy-one percent of students graduated with student loans averaging \$29,400.

The "Rule-of-78" loan

A standard loan is called "simple interest." You borrow money and pay it back plus interest. For longer-term loans, you make periodic payments. However, with some consumer loans, especially auto loans, you may encounter a type of loan that mentions the "Rule of 78." It is another method of calculating how much of each monthly payment is interest and how much is principal.

If you don't terminate the loan early, simple interest loans and Rule-of-78 loans will be equivalent. You will pay the same amount and get the interest rate quoted. However, if you pay off the loan early, you will end up *paying more interest* with a Rule-of-78 loan than with a simple-interest loan.

Tip You should not take loans computed on the "Rule of 78."

How Rule of 78 Loans calculate payoff

Have you ever been curious about how lenders calculate the payoff value of a loan? Often you are told that, if you want to know the payoff of a car loan, you must call the lender and ask for the total figure. Well, I will show you how this system works and you can calculate the figures yourself.

The formula is called the Rule of 78 or "Monthly Rebate and Earnings System" (so called by bankers). This is how this system works:

1. The Rule of 78 acquires its name from the following thesis:
Suppose you have a one (1) year loan of \$2,400 with payments of \$200 per month, as shown below:

Payment	Amount	Balance
		2,400
1	200	2,200
2	200	2,000
3	200	1,800
4	200	1,600
5	200	1,400
6	200	1,200
7	200	1,000
8	200	800
9	200	600
10	200	400
11	200	200
12	200	0

The monthly interest charge is equal to the balance outstanding during the month. In other words, you have 12 payments outstanding the first month, 11 payments outstanding the second month, 10 payments outstanding the third month, etc., and the sum of the payments outstanding $(1+2+3+4+\dots+12)$ equals 78, thus deriving its name.

As you can see, the lender earns exactly 12 times as much of the finance charge during the 1st month as during the 12th month. This system helps lenders earn most of their money during the early part of a loan. Lenders are in the business to make money, they rent out their product, which is called "money." We pay rent when borrowing the money, which is called a "finance charge." However, many people pay off their loan prematurely, in which case, if the finance charge is divided equally for the 12 months, the lender earns less, losing the benefit of earning a profit. Without the profit they will go out of business.

2. Now let's suppose you bought a car on June 25, 1989, and it was financed for 60 months with an interest charge of \$5,257.75. Suppose you paid the car off September 8, 1989. The lender will owe you a rebate of the unearned interest, which is calculated as follows:

A: The formula is computed as follows:

$$\frac{(\text{Remaining \# of Periods} + 1) \times (\text{Remaining \# of Periods} / 2)}{(\text{Original Term} + 1) \times (\text{Original Term} / 2)}$$

B: In the example above the computation will come out as follows:

$$\frac{(57 + 1) \times (57 / 2)}{(60 + 1) \times (60 / 2)} = \frac{1653}{1830} = .9032787 \quad (\text{See the chart listed for the same factor})$$

$.9032787 \times \$5,257.75 = \mathbf{4,749.21}$ is the rebate on September 8, 1989.

This formula may be a little complicated for many; therefore, we have listed a 60-month chart that displays the month and factor to use when calculating payoffs on loans and or rebates.

The numbers on the left represent the number of months remaining and the numbers on the right represent the factor of these months.

The example above explains how the rebate is calculated. Another simple example is as follows: Let's say you took out a loan for 36 months and the finance charge was \$200.00. Let's say that you paid the loan off after 13 months. You would subtract 13 months from 36 months, which leaves 23 months. The 23-month factor "276" is divided by the 36-month Factor "666," giving you .4144. Two hundred dollars (\$200) times .4144 is 82.88. This is the rebate or the amount to deduct from the payoff.

Mo. Fact.		Mo. Fact.		Mo. Fact.		Mo. Fact.	
01	01	21	231	40	820	59	1770
02	03	22	253	41	861	69	1830
04	10	23	276	42	903		
05	15	24	300	43	946		
06	21	25	325	44	990		
07	28	26	351	45	1035		
08	36	27	378	46	1080		
09	45	28	406	47	1128		
10	55	29	435	48	1176		
11	66	30	465	49	1225		
12	78	31	496	50	1275		
13	91	32	528	51	1336		
14	105	33	561	52	1378		
15	120	34	595	53	1431		
16	136	35	630	54	1485		
17	153	36	666	55	1540		
18	171	37	703	56	1596		
19	190	38	741	57	1653		
20	210	39	780	58	1711		

When to Seek Legal Help

With problems of consumer credit there comes a time when we must seek legal advice. Many credit problems can be handled by yourself, but good advice from the right attorney can make the difference between something causing you more trouble compared to a little inconvenience and cost. With the right attorney you can usually solve most credit problems with one visit. This should be a 30-minute consultation costing between \$75-\$150.00 depending on your area. Additionally, when visiting an attorney, only tell him or her the problem and let them give you the solution. Don't go in with your own answers, that's what you are paying them for and they must be accountable for the answers they give you.

Consult an attorney when on these matters:

1. Foreclosure Notice
2. Repossession of collateral (auto, etc.)
3. Garnishment Notice
4. Bankruptcy
5. Notice of suit
6. Attachment

How to Reduce Your Mortgage and Other Loans

For only \$1.00 extra per day you can save a fortune in interest if you are a homeowner or have other loans. Adding small monthly principal pre-payments of \$25.00 a month on your mortgage can save you \$34,000 in interest if you have a typical \$75,000 mortgage. If you decided to pay \$200.00 more per month you can save \$100,000 in interest just using this very simple process.

When you make your mortgage payment—or any loan payment—each month, interest is tabulated to determine how much you owe for having the privilege to use the money you borrowed from the lender. The lender will then subtract the interest from your payment and credit the difference to the balance of your mortgage or bank loan.

If you take a good look at what is going on, you'll see that the lender is collecting compound interest. Therefore, if you make pre-payments each month, your savings are from the compound interest you'll never have to pay.

If you want the savings, you must discipline yourself to make these extra payments. If you are not disciplined, ask your banker to

automatically deduct the pre-payment from your bank account each month. There may be a very small service charge for this service, which is well worth it.

Buying a New Car May Not Be Your Best Choice

The price of new automobiles is ridiculously high in this day and time. Most of us lose our shirt when buying these new cars, because car dealers know that buying a new car is a symbol of success and everyone wants to feel successful whether they can afford it or not.

In our research on what goes on behind closed doors of a car dealership, I made a miraculous discovery: "no one has ever gotten a good deal in buying a new car except the dealer." Let's look at what goes on behind closed doors in every car dealership in this country.

Dealership rip-offs

- 1 Trade-in tricks
- 2 Extra suggested retail sticker
- 3 Overblown delivery charge
- 4 Overblown preparation and setup charge
- 5 Expensive options package which is over-priced
- 6 Low-interest scam
- 7 Credit life insurance
- 8 Credit disability insurance
- 9 Extended warranty plan
- 10 Adding extra percentage points to the rate they are receiving from the lender.
11. periodic maintenance that is required by the dealership

New cars have a very high markup, between 15 to 30 percent. Because of this high markup, new cars depreciate tremendously the minute you drive them off the lot—about 20 percent. A \$15,000 car is worth about \$12,000 the minute it is driven off the lot. If you financed that new car, you owe more for the car than what it is worth.

Top financial leaders suggest that you buy a car two years old and in good shape. Before you purchase the car, take it to a mechanic you trust—not the seller's mechanic, but someone with an unbiased opinion. Have him check out the car's system entirely and deduct the necessary repairs from the seller's lowest price tag. Not only will you have a good car, but a good deal.

Negotiating with Car Dealers: Holdback

What exactly is holdback? Dealers must pay the manufacturers when they order a vehicle, not when it is sold. To provide adequate numbers of new vehicles whose options satisfy most customers, dealers finance this excess inventory through the financial arm of their manufacturer or through a local bank. This financing procedure is called a floor plan. To help their dealers keep up their inventory, manufacturers return the interest the dealer has to pay on these floor-plan loans for the first 90 days by issuing them a "holdback" check every 90 days. The amount is based on either the base manufacturer's suggested retail price (MSRP) or total MSRP or the base invoice or total invoice less destination charges and averages between 2 and 3 percent, depending on the manufacturer. In addition, some Ford-Lincoln-Mercury dealers who excel in Ford's dealer-service ratings (those that are Blue-Oval-certified) receive an additional 1 to 2 percent rebate as a further incentive to keep up their good service record.

Don't expect a holdback discount on every vehicle. If a car has been sitting on the lot for 90 days or more, all of the potential holdback profits have been wasted on interest payments that the dealer makes to floor plan (finance) the vehicle. After 90 days the dealership has to dip into its own profits to keep the car in inventory.

If the car has just arrived, the dealer gets to keep all of the holdback as instant profit. At 45 days he gets to keep 50 percent of it. Since most dealers rotate their inventory in less than 90 days, they usually get to keep some of the holdback payment.

Holdbacks are paid out whether a customer leases, finances, or purchases a vehicle with cash. Note: not all manufacturers pay their dealers a holdback, so check below to see if your dealer is getting one before negotiating a price on a vehicle. Most salesmen will either deny that such payments exist or will tell you that other manufacturers offer them, but not their manufacturer. Even dealers who acknowledge it aren't going to include the holdback in any negotiations. High volume dealerships or dealers with excellent service departments (eg: Ford Blue Oval) qualify for additional manufacturer discounts and incentives (in addition to their holdback payments) and are usually willing to sell vehicles at or near invoice.

How holdback effects you

There is usually more money available to play with than your salesperson will admit to. Several hundreds of dollars in extra cash can be made by a shrewd dealer who sells a car "at invoice" without acknowledging that they get a holdback payment or a rebate from their manufacturer. Unless you're

buying an Audi, BMW, Jaguar, Land Rover, Mini Cooper, Porsche or Saturn, rest assured that your dealer is getting a holdback payment which may amount to over \$1000 on some higher-priced models.

However don't expect a holdback discount on every vehicle. If a car has been sitting on the lot for 90 days or more, all of the potential holdback profits have been wasted on interest payments that the dealer makes to floor plan (finance) the vehicle. After 90 days, the dealership has to dip into its own profits to keep the car in inventory. So on vehicles that the dealer has had for over 90 days, holdback won't help you at all.

Holdback allows dealers to advertise big sales with ads that promise you "\$1 over/under invoice!" The dealer can stand to collect more if dealer cash (a rebate) is offered by the manufacturer on the car you are considering. Most advertised sale prices stipulate that all holdback payments, rebates, and incentives go directly to the dealer.

Special orders. Since the dealer doesn't have to floor plan (or finance) a vehicle that's special-ordered, the holdback is pure profit, so take that into consideration when you finalize your negotiations (subtract all of the dealer's holdback from your final offer).

Our final advice. We recommend that you avoid mentioning the holdback during final dealer negotiations, just be aware of it. Bring it up only if the dealer gives you a song-and-dance about not making any money on your sale, especially if you're special-ordering a new vehicle.

Current dealer holdback percentages:

Make	Holdback Percentages
Acura	3% of Base MSRP
Audi	No holdback
BMW	No holdback
Buick	3% of Total MSRP
Cadillac	3% of Total MSRP
Chevrolet	3% of Total MSRP
Chrysler	3% of Total MSRP
Daewoo	No holdback
Dodge	3% of Total MSRP
Ford	3% of Total MSRP + 1.25% rebate of Total Invoice to Blue Oval Dealers
GMC	3% of Total MSRP
Honda	3% of Base MSRP
HUMMER	3% of Total MSRP
Hyundai	2% of Total Invoice
Infiniti	1% of Base MSRP for holdback + 2% of Base Invoice for floor plan
Isuzu	3% of Total MSRP
Jaguar	No Holdback
Jeep	3% of Total MSRP
Kia	3% of Base Invoice
Land Rover	No Holdback

Lexus	2% of Base MSRP
Lincoln	2% of Total MSRP + 2.5% rebate of Total Invoice to Certified Dealers
Mazda	2% of Base MSRP
Mercedes-Benz	3% of Total MSRP
Mercury	3% of Total MSRP
Mini Cooper	No Holdback
Mitsubishi	2% of Base MSRP
Nissan	2% of Total Invoice for holdback+ 1% of Total Invoice for floor plan allowance
Oldsmobile	3% of Total MSRP
Plymouth	3% of Total MSRP
Pontiac	3% of Total MSRP
Porsche	No Holdback
Saab	2.2% of Base MSRP
Saturn	No holdback
Subaru	3% of Total MSRP (May differ in Northeast)
Suzuki	3% of Base MSRP for holdback + 1% for floor plan allowance
Toyota	2% of Base MSRP (May differ in South)
Volkswagen	2% of Base MSRP
Volvo	1% of Base MSRP

If holdback is calculated from Total MSRP, include the MSRP price of all options before figuring the holdback. If holdback is calculated from Base MSRP (no options) figure out the holdback before adding in optional equipment. If holdback is calculated from Total Invoice include the invoice price of all options before figuring the holdback. If holdback is calculated from Base Invoice (no options), figure out the holdback before adding in optional equipment.

Organizations and Agencies Offering Assistance

National Foundation for Consumer Credit, Inc. 8611 Second Avenue, Suite 100, Silver Spring, Maryland 20910 (301) 589-5600 or 1-800-388-2227 <http://www.nfcc.org>

NFCC is a non-profit. Its members, often known as Consumer Credit Counseling Service, assist consumers who have problems paying their bills. There are over 600 community-based offices located in all 50 states and Puerto Rico. Call NFCC or look in your yellow pages under Credit and Debt Counseling or on the NFCC website.

Federal Trade Commission Division of Credit Practices 6th Street & Pennsylvania Ave. NW, Washington, D.C. 20580 (202) 326-2222. <http://www.ftc.gov/>

The FTC is a bipartisan government agency that protects consumers and promotes competition. It makes rules and regulations regarding fair business practices and enforces the laws concerning credit transactions. If you feel your rights have been violated, contact this office immediately.

As a certified credit consultant, contact this organization if you feel your client's credit rating is being dealt with unfairly.

When Can I Cancel a Contract?

Important notice: Always remember that you are entitled to a 72-hour cancellation right on all unsolicited contracts. If you purchase an automobile, furniture, receive a loan, etc., you have the right, in most cases, to cancel the contract within three (3) business days after signing. You must submit your cancellation notice in writing via certified mail postmarked on or before the third business day after signing. In some cases, if you go to their office for services, your 3-day cancellation may not be applicable. Before you sign a contract at someone's office, check with your local court clerk or an attorney to see if the contract is cancelable.

Final Remarks

Credit is now a necessity; an essential part of life. It is important because it represents a community's belief in the financial status of the individual. Without credit, it's almost impossible to live as a first-class citizen.

If your clients have bad credit or have never been able to get credit or, just maybe, are experiencing problems paying their bills, we can understand that they might be skeptical concerning the techniques described here, wondering if they will work for them.

The answer is yes, if you apply the principles properly as outlined. The person who gets credit is not necessarily the one who is most qualified, but the one who knows the most about how to get it, repair it, and use it. (Or the one who works with a certified credit consultant.)

Always remember that the information in this training manual will not help you or your client until you own it, both in your mind and in your ability. You must go through this material again and again and apply the portions that will give you what you need to help your clients reach their financial goals and help you in establishing a successful credit-repair business.

REMEMBER: To pass the Certified Credit Consultant Exam, the most important parts of this training manual are the credit-repair information in sections 1 and 5 on credit scores and repair techniques and the legal organizations that govern the industry. The entire training manual will then serve you well as a reference guide.

Along with the knowledge that you now possess, you must be persistent and ambitious. You have shown both of these qualities because you have come this far. Keep up the good work and don't let anything or anyone get in the way of your credit.

OK, now you can take the test to become a certified credit consultant.

Section Five

Forms, Letters And Resources

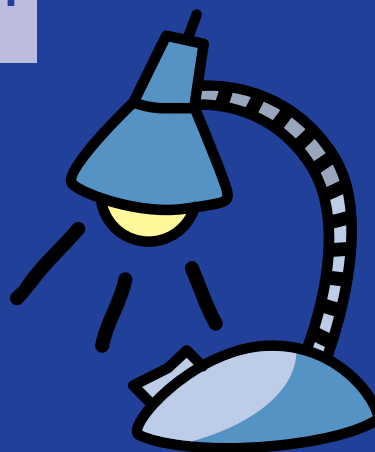
"Repairing credit with information and time"



Certified Credit

Consultant

Manual



Appendix: Sample Letters, Internet Links, and Forms

On the next few pages you will find sample letters for you to use as a guideline in repairing or correcting your client's credit rating. You will notice that these preliminary letters are very short and directly to the point. Also, many do not include any clauses pertaining to the "Fair Credit Reporting Act" such as, *"Pursuant to the Fair Credit Reporting Act (Public Law 91-508, Title VI, Section 611), I understand that you must reinvestigate my claim within a reasonable time and notify me of the results."*

The reason this clause has been left out of the sample letters is due to a recent experiment performed by a credit-repair company in preparation for this training manual. The credit consultants conducting this experiment noticed that dispute letters that included legal clauses, such as the one mentioned above, received less favorable responses from credit bureaus than letters without the clause. In other words, more items on the dispute letter without the clause came off their client's credit report. In some cases, according to the experiment, no items came off their client's credit report on the first attempt with the clause included; whereas some items did come off without the clause. Credit bureaus seem to dislike any threats or intimidation from consumers. It seems credit bureaus feel that letters with these clauses were written by a credit-repair company or by an individual using a "how to repair your client's credit" book, and it is quite obvious that credit bureaus care nothing for credit-repair companies and will do everything in their power to cause the process to move a lot less smoother or slower when they are involved.

Do not reject the clause completely; it is necessary sometimes, but there is really no need to apply the clause on the first attempt. You have the knowledge, using the Fair Credit Reporting Act, to repair your client's credit without using this clause and you are less conspicuous.

You may receive favorable results when you make a copy of their credit reports and write the dispute directly on the copy and mail it to the credit bureau. This method saves you a lot of typing and writing time and the response usually is a lot faster.

Make sure you re-write the following sample letters to your style.

Sample Letter: This Is Not My Account

Date

Name of Credit Bureau
Street Address of Credit Bureau
City State Zip

ATTN: Consumer Relations Department

Gentlemen:

Thank you for sending me a copy of my credit report just as I requested. However, after careful review, I noticed accounts and inquiries which do not belong to me.

Please remove these entries immediately.

ABC COMPANY NAME - ACCOUNT #

XYZ COMPANY NAME - DATE OF INQUIRY

Please send me an updated copy of my credit report after you remove these entries.

Sincerely,

Signature

Your Name
Your Social Security Number
Your Address
City State Zip

Sample Letter: Delinquent Accounts

Date

Name of Credit Bureau
Street Address of Credit Bureau
City State Zip

ATTN: Consumer Relations Department

Gentlemen:

The following accounts listed below were paid on time.
Please correct and forward to me an undated copy of
my credit report.

ABC COMPANY - ACCOUNT #
XYZ COMPANY - ACCOUNT #

Your prompt attention in this matter is greatly
appreciated.

Sincerely,

Signature

Your Name
Your Address
City, State & Zip
Social Security Number

Sample Letter: I'm Wondering Why Dispute

Date

Name of Credit Bureau
Street Address of Credit Bureau
City State Zip

ATTN: Consumer Relations Department

Gentlemen:

I am wondering why you are reporting that I was late with ABC Company Acct.# 123-456. I am in dispute of the information listed, and it is my request that you remove this account from my credit report and send me a new copy that reflects the change.

This negative account is having a harmful effect on my credit rating.

Sincerely,

Signature

Your Name
Your Social Security Number
Your Address
City State Zip

Sample Letter: Incorrect Payment History

Date

Name of Credit Bureau
Street Address of Credit Bureau
City State Zip

ATTN: Consumer Relations Department

Gentlemen:

I am in dispute of the account that is listed below.

Dispute Supply Company
Acct. #456789-1231—Never 30 days late

Please delete the negative entry and forward me an updated copy of my credit report to reflect the changes.

I appreciate your cooperation.

Sincerely,

Signature

Your Name
Your Social Security Number
Your Address
City State Zip

Sample Letter: Charge-Off Accounts

Date

Name of Credit Bureau
Street Address of Credit Bureau
City State Zip

ATTN: Consumer Relations Department

Gentlemen:

Since I don't know anything about this P&L, I would appreciate it if you remove this incorrect account immediately.

XYZ Company Account #_____

Please send me an updated copy of my credit report to show this deleted account.

Thank you for your cooperation.

Sincerely,

Signature

Your Name
Your Social Security Number
Your Address
City State Zip

Sample Letter: Collection Accounts

Date

Name of Credit Bureau
Street Address of Credit Bureau
City State Zip

ATTN: Consumer Relations Department

Gentlemen:

I never had a collection account with ABC Company
Acct# 1234. Please delete this account from my
credit report and send me an updated copy showing
the results.

Your cooperation is greatly appreciated.

Sincerely,

Signature

Your Name
Your Social Security Number
Your Address
City State Zip

Sample Letter: Bankruptcies (dispute the accounts)

Date

Name of Credit Bureau
Street Address of Credit Bureau
City State Zip

ATTN: Consumer Relations Department

Gentlemen:

The following accounts are being reported incorrectly, fix asap:

1. Account name, Acc#____. Problem: The DATE CLOSED should be the filing date of bankruptcy (enter month and year of filing)

2) Creditor name. Please note that this account must be reported as open and current because it was NOT included in my bankruptcy and my payments are made as agreed.

Please forward my updated credit report after you remove these harmful and incorrect items.

Your prompt attention to this matter is greatly appreciated.

Sincerely,

Signature

Your Name
Your Social Security Number
Your Address
City State Zip

Sample Letter: Update Bankruptcy Accounts

Many times, accounts which were included in a bankruptcy are not updated to reflect this on your credit report which could lower your client's credit score even more than it already is.

This is a sample letter requesting the update of those accounts to show "Included in Bankruptcy." Keep a copy for your files and send the letter registered mail.

Credit Bureau
Credit Bureau Address
Some City, Any State 56789

RE:

CREDITOR AGENCY	Account XXXXX-XXXXXXXXXXXX
CREDITOR AGENCY	Account YYYYY-XXXXXXXXXXXX
CREDITOR AGENCY	Account ZZZZZ-ZZZZZZZZ

Date:

To Whom It May Concern:

Dear Credit Bureau:

This letter is a formal complaint that you are reporting inaccurate credit information on my credit report. The above-referenced accounts were included in my bankruptcy and are, instead, showing as <chargeoffs> <pastdue> <late>. The incorrect listings are lowering my credit score unnecessarily, and this is also preventing me from purchasing a home. I am enclosing a copy of my bankruptcy discharge papers as proof of the date of my discharge.

Please correct your records to display the proper listings.

Sincerely,

Your Signature

Your Name

enclosure

Sample Letter: Permissible Purpose Letter (Inquiries)

Lender Legal Department

To whom it may concern:

As per my credit report, your company obtained my credit file on
<Date>.

I don't recall applying for credit or employment with <your company>.

From the FCRA § 616. Civil liability for willful noncompliance [15 U.S.C. § 1681n]

"(b) Civil liability for knowing noncompliance. Any person who obtains a consumer report from a consumer-reporting agency under false pretenses or knowingly without a permissible purpose shall be liable to the consumer-reporting agency for actual damages sustained by the consumer-reporting agency or \$1,000, whichever is greater."

From the 1998 FTC opinion letter Greenblatt at
<http://www.ftc.gov/os/statutes/fcra/greenblt.htm>:

"Any person who procures a consumer report under false pretenses, or knowingly without a permissible purpose, is liable for \$1000 or actual damages (whichever is greater) to both the consumer and to the consumer-reporting agency from which the report is procured."

Please explain your permissible purpose for your obtaining my credit file. Should you not have a permissible purpose, please arrange for payment of \$1,000 by <Date>.

Please respond via fax to (555) 555-1212.

Sincerely,

Your Name

Sample Letter: Inquiries

Date

Name of Credit Bureau
Street Address of Credit Bureau
City State Zip

ATTN: Consumer Relations Department

Gentlemen:

I never authorized the following companies to check my credit rating. Please remove immediately.

ABC Company - Date of Inquiry
XYZ Company - Date of Inquiry

Your cooperation in this matter is appreciated.

Sincerely,

Signature

Your Name
Your Social Security Number
Your Address
City State Zip

Sample Letter: Credit Bureau Reminder #1

Date

Name of Credit Bureau
Street Address of Credit Bureau
City State Zip

ATTN: Consumer Relations Department

Gentlemen:

Please refer to the letter I sent on <Date> (please see enclosed copy), in which I challenged negative information listed on my credit report.

As of the date above, I have not heard from you. It's been almost <Amount of weeks or months> with no response.

Please respond to my request immediately.

Your Signature

Your Name
Your Social Security Number
Your Address
City State Zip

enclosure

Sample Letter: Credit Bureau Reminder #2

Date

Name of Credit Bureau

Street Address of Credit Bureau

City State Zip

ATTN: Consumer Relations Department

Gentlemen:

On <date> I contacted your bureau by certified mail to dispute incorrect entries listed on my credit report. It is my understanding that you must send me the results of my dispute within a reasonable time; however, as of the above date, I have not received a response from you.

Please delete the incorrect information I have disputed and send me an updated copy of my credit report. Also, please include the names and addresses of the companies or individuals who were directly checked with in regards to this matter.

Your cooperation is greatly appreciated.

Sincerely,

Signature

Your Name

Your Social Security Number

Your Address

City State Zip

Sample Letter: Credit Bureau Reminder #3

Date

Name of Credit Bureau

Street Address of Credit Bureau

City State Zip

ATTN: Consumer Relations Department

Gentlemen:

I disputed incorrect information contained in my credit report in a letter dated <Date> (please see enclosed copy). I understand that, under the Fair Credit Reporting Act (FCRA), I am entitled to timely response from your bureau.

Please take notice that I must receive a corrected copy of my credit report with the changes I have outlined within five (5) business days from receipt of this letter, or I will be forced to take legal actions under the FCRA, seeking damages for loss of credit and for the mental anguish your bureau has caused me.

Because of your violation of the FCRA's time frame on such timely responses, it is safe to believe that the information I have disputed has been corrected and all negative data have been removed from my credit report.

I thank you for your kind attention to this matter and hope to receive my updated credit report soon.

Sincerely,

Signature

Your Name

Your Address

Your Social Security Number

enclosure

Sample Letter: Repossession Dispute

When your car is repossessed, in many cases, the original creditor sells the car for less than the amount remaining on your loan. It is possible for them to come after you for the balance, this is called the *deficiency*. This letter is for the purpose of disputing collection activities on a deficiency from vehicle repossession. It may be used AFTER two (2) years from the date of the repo sale, providing there has been no filed claim for a judgment. It should not be used if you have been sued, or if the repossession is less than two years ago. The following site has all the states' repo laws listed:
http://www.nfa.org/Site_search.html

Send a copy to EACH of the parties (collection agency and original creditor)
Certified Return Receipt Request.

Your Name
123 Your Street Address
Your City, ST 01234

Date

Cheatem Collections
123 Fagetaboutit Ave
Chicago, IL

Name of Original Creditor
Address of OC

Name of Original Seller (car dealer)
Address of OS

Re: Acct # XXXX-XXXX-XXXX-XXXX (collection agency)
Re: Acct # XXXX-XXXX-XXXX-XXXX (original creditor)

Make of car:
Model:
VIN#

To Whom It May Concern:

I am writing in regard to the above-referenced accounts and transactions.

This vehicle was repossessed by <Original Creditor> in the State of <Your State> on or about, xx/xx/xxxx, and resold on or about xx/xx/xxxx.

Under the laws of the State of <State where car was repossessed> UCC § <Your stat's UCC code, you will need to look this up> and State RISA and MVISA statutes a deficiency cannot be claimed unless all of the required notices were properly and timely given and all of the allowable redemption and cure time limits were adhered to.

Please provide copies of the legal notices and proof of the commercially reasonable manner of the resale of the subject vehicle.

If no such proof is provided within 14 days from receipt of this notice, the alleged claim of a deficiency will be considered null and void and any continued collection activities, or continued reporting of this invalid claim on my credit reports, will be considered a violation of the FDCPA and FCRA.

In addition, if you singularly or severally fail to comply with the above requests, I reserve the right to seek damages against all parties, under all available state and federal statutes and UCC § 9 remedies .

Sincerely,

XXXX

Consumer Statement #1

Today's Date

Name of Credit Bureau

Street Address of Credit Bureau

City State Zip

ATTN: Consumer Relations Department

Gentlemen:

Under section 611(b) of the Fair Credit Reporting Act, I am requesting that the following consumer statement be inserted in my credit report exactly as I have written it:

"I dispute the fairness of the late payments being reported on the [name of creditor] account. These late payments are the fault of <name of creditor> that habitually mails my monthly statement to me after the date payment is due, if it bothers to mail me a statement at all. Because I do not receive my billing statement in time and sometimes not at all, I have had no choice but to make payment after the due date. For this reason, there are numerous late pays associated with this account that are no fault of mine."

Please send me an updated copy of my credit report once the above statement has been added to my credit report. Thank you very much.

Sincerely,

Signature

Your Name

Your Social Security Number

Your Address

City State Zip

Consumer Statement #2

Today's Date

Name of Credit Bureau

Street Address of Credit Bureau

City State Zip

ATTN: Consumer Relations Department

Gentlemen:

Under section 611(b) of the Fair Credit Reporting Act, I am requesting the following consumer statement be inserted in my credit report exactly as I have written it:

"On <date> I was laid off from work while employed at <employer's name> due to <reason why laid off, e.g., company downsizing, etc.>. As a result, I fell behind paying my debts. I found employment on <enter date of new employment> and began catching up paying my delinquent debts. My overall credit report shows an excellent payment history. If it weren't for losing my job, I would still have a good credit rating. I believe the late payments associated with the <creditor's name> account are not a true reflection of my creditworthiness."

Please send me an updated copy of my credit report once the above statement has been added to my credit file. Thank you very much.

Sincerely,

Signature

Your Name

Your Social Security Number

Your Address

City State Zip

Consumer Statement #3

Today's Date

Name of Credit Bureau

Street Address of Credit Bureau

City State Zip

ATTN: Consumer Relations Department

Gentlemen:

Under section 611(b) of the Fair Credit Reporting Act, I am requesting the following consumer statement be inserted in my credit report exactly as I have written it:

"The <creditor's name> account being reported as a charge-off on my credit report is not mine. I have tried to resolve this dispute with the creditor directly numerous times, but have not been successful. The creditor insists on claiming that this account is mine, despite the fact that I was only 15 years old when this account was opened. I am asking any prospective lender reading my credit report to examine the date of my birth and the date this particular account was opened."

Please send me an updated copy of my credit report once the above statement has been added to my credit file. Thank you very much.

Sincerely,

Signature

Your Name

Your Social Security Number

Your Address

City State Zip

Consumer Statement #4

Today's Date

Name of Credit Bureau

Street Address of Credit Bureau

City State Zip

ATTN: Consumer Relations Department

Gentlemen:

Under section 611(b) of the Fair Credit Reporting Act, I am requesting the following consumer statement be inserted in my credit report exactly as I have written it:

"The <creditor's name> account being reported as a collection account on my credit report arose out of a conflict with this creditor over <nonperformance of a promised service or non-delivery of a product>. I tried to resolve this dispute with <name of creditor> on numerous occasions, but was unsuccessful. Since I did not receive the <service or product>, I refused to pay the bill."

Please send me an updated copy of my credit report once the above statement has been added to my credit file. Thank you very much.

Sincerely,

Signature

Your Name

Your Social Security Number

Your Address

City State Zip

The next series of letters can be used as a guide when negotiating with creditors and collection agencies. Remember, these are sample letters, and they must be adjusted to your current situation.

NOTE: Do not copy the sample letters included in this book word for word. You do not want credit bureaus or creditors to get several letters written exactly the same.

Sample Letter: Credit Bureau Verification Procedure

This letter should be sent to credit bureaus if you get a “verified” response from a dispute of a negative mark. Credit bureaus will not take the time or trouble to send you this information unless you ask, but it is your right to know it under the FCRA. Many times you can use this information as ammunition for your credit disputes.

Date

Company

Address

City, State Zip

To Whom It May Concern:

This letter is a formal request for the description of the procedures used to determine the accuracy and completeness of the disputed information, including the business name, address, and telephone number of any furnisher of information contacted in connection with this reinvestigation, in compliance with the the Fair Credit Reporting Act, Section 611, part B, subsection (iii).

§ 611. Procedure in case of disputed accuracy [15 U.S.C. § 1681i] (6)

(B) Contents. As part of, or in addition to, the notice under subparagraph (A), a consumer-reporting agency shall provide to a consumer in writing before the expiration of the 5-day period referred to in subparagraph (A)

(i) a statement that the reinvestigation is completed;

(ii) a consumer report that is based upon the consumer's file as that file is revised as a result of the reinvestigation;

(iii) a notice that, if requested by the consumer, a description of the procedure used to determine the accuracy and completeness of the information shall be provided to the consumer by the agency, including the business name and address of any furnisher of information contacted in connection with such information and the telephone number of such furnisher, if reasonably available;....

I am disappointed that you have failed to maintain reasonable procedures to assure complete accuracy in the information you publish and insist that you comply with the law by providing the requested information within the 15 days allowed.

As a matter of convenience to you and to expedite my request, I am resubmitting my request to correct my credit report.

Name of Creditor/Agency, Account #_____

<List your reasons for disputing this negative mark here, inaccurate account information, dates wrong, etc.>

As already stated, the listed item is inaccurate and incomplete and is a very serious error in reporting.

Sincerely,

Signature

Your Name Your SSN

Sample Letter: Anticipating Financial Problems

Date

Company Name & Address

Re: Account Number #123456789

Gentlemen:

It has been a pleasure doing business with your company. Since the inception of my account with you, the quality of service you've rendered has been excellent.

I am writing this letter notifying you of difficult times, which are rapidly approaching. During recent cutbacks on my job, I received notice from my superiors of a tremendous cut in my pay. Due to this cut, my financial situation is such that I am unable to meet my current monthly obligations, as my most recent payment history shows. However, I want you to know that my intention is to pay my account in full and in a timely manner. I am currently writing all of my creditors and working out a lower payment arrangement in proportion to my reduced income.

I am prepared to offer a temporary payment arrangement with your company for the next nine months in the following manner: It is feasible for me to only pay <Amount> per month on my account payable on the <due date> of each month. This new arrangement will prevent a financial disaster for my family and me. Additionally, it is my concern that my credit rating will begin to go sour from my current situation. I hope and pray that you will refrain from giving me a negative mark during these difficult times.

If you have any questions, please feel free to contact me at the address below:

Sincerely,

Signature

Your Name

Address

Sample Letter: Collection Agency Negotiation

Date

Collection Agency Name & Address

ATTN: Collection Manager

RE: Account Number 123456789

Gentlemen:

Concerning the letter sent to me on <Date> (please see enclosed copy), I am apologizing for not responding to you as to what my intentions are concerning my account. I have always appreciated doing business with your company. During the time I have had an account with you, the service I received has been to my satisfaction.

My personal situation has recently become difficult. Due to recent cut-backs on my job, and a little poor management, my financial situation is such that I have been hard pressed to meet my obligations, as my recent payment history with your company shows.

However, I want you to know that I am in the process of recovery, and I fully intend to pay my account with you in full.

I hope you will allow a temporary adjustment of my account during this period. Because of this situation, I am behind on my financial obligations. I am now trying my best to catch up on my bills, but I am getting farther behind. I am now in the process of working out agreements with all of my creditors to prevent a financial disaster. I am currently several payments past due on my account. With a balance of _____. I am only able to pay _____ per month until this account is current, enclosing _____ with this letter. This offer will help me tremendously to get back on my feet financially.

Your cooperation will be greatly appreciated. I am concerned that my previously good credit rating will begin to suffer from my current situation. I hope you will show patience and understanding and refrain from issuing less-than-favorable reports during this time. As I stated earlier, I will fulfill my responsibility to you fully, but the adjusted payment I am requesting will allow me to meet that responsibility without even greater burden on my family and me.

Please contact me at the address below if you require further information.

Sincerely,

Your Name
Address
enclosure

Sample Letter: Negotiation: Collection Agency #1

Your Name & Address

Date

Collection Company Name & Address
Attn.: Credit Manger

RE: Account Number _____ Amount Owed

Gentlemen:

This letter is in regard to the response received <Date>, from your company, concerning my account with <Company Nam,. Your letter dated <Date> states that the bank would not accept my settlement offer of >Amount) per month, and has turned my account over to you for collections.

I showed that letter to my attorney and was advised to file bankruptcy due to my financial hardship. However, I feel that brighter days are coming soon. I am prepared to make this counter offer. I can pay your company ____ payments of \$____ until the balance is paid in full, making the first payment due ____, and due the ____ of each month thereafter. I would also like you to agree to take the negative mark off my credit rating if I stick religiously to my agreement. I am currently unemployed due to health problems, but making plans to go back to work on (Date).

If this offer is not agreeable, I have no other alternative but to file bankruptcy, for this is the best I can do.

Yours truly,

Signature

Your Name

Read, Approved and Accepted By: _____

Collection Manager _____ Date _____

Witness _____ Date _____

Sample Letter: Negotiation: Collection Agency #2

Date

Person's Name

Their Company Name

Address

City, State, & Zip

RE: Account Number _____ Amount Owed

Gentlemen:

This letter is to inform you that I received your letter dated <Date> (please see enclosed copy) stating that my proposal dated <Date> (please see enclosed copy) was unacceptable.

It is my desire that this account be satisfied. Therefore, I am prepared to make a counter offer concerning my account. If I pay the balance of this account in full, will you then accept my proposal of deleting the negative mark off my consumer credit report? I am trying to make a new life for my daughter and I, but it is very difficult when your husband leaves you in a financial hole.

Please reconsider my offer. Thank you for everything.

Sincerely,

Signature

Your Name

Your Address

Your City, State, & Zip

enclosure

Sample Letter: Creditor Agreement

Today's Date

Creditor's Name

Address

City, State, Zip

ATTN: (Name of person you made the agreement with)

Dear (Name of person you made the agreement with)

Thank you for your understanding and professional courtesy.

Your sensitive approach of handling my account is a great burden off my family and me. We all thank you for working out a payment plan in a fashion that won't cause financial hardship on us, at the same time both parties come out winners.

Please find enclosed an SASE along with two (2) copies of this notarized agreement following:

I, <your name>, agree to pay (creditor's name) the total amount of <\$ amount> by <date>. In return, <creditor's name> agrees to delete all negative marks entered on any credit report under the name: <your full name, date of birth and Social Security number>.

I/We agree that the above is a legal binding contract.

Your Signature Date

Creditor's Signature Date

Notary Signature Date

Notary Signature Date

Date Commission Expires

Date Commission Expires

(PLEASE NOTE: THIS CONTRACT IS A SAMPLE ONLY. YOU MAY WISH TO SEEK A COMPETENT ATTORNEY BEFORE ENTERING SUCH AN AGREEMENT IF YOUR SITUATION IS COMPLEX.)

Sample Letter: Stop Collection Procedures

CEASE AND DESIST LETTER

Date

Person's Name

Their Company Name

Address

City, State, & Zip

RE: Account Number

Gentlemen:

Please be advised that I am exercising my rights under the Federal Fair Debt Collection Act to have all collection procedures **STOP** immediately.

It is my understanding that all letters, phones calls, etc., must **CEASE** immediately or I can file a claim against your organization for non-compliance.

It is my regret that we could not solve our problem amicably or reach some possible solution to the matter in which you contacted me. However, I must take appropriate action to cease our communication.

Thank you for complying.

Sincerely,

Signature

Your Name

Your Address

Your City, State, & Zip

Sample Letter: Collection Agency Fails to Validate Debt

SEND THIS LETTER TO THE CREDIT BUREAUS

This letter assumes that you have contacted a collection agency using our debt-validation methods, and they have failed to send you adequate proof of your legal obligation to pay a debt. This is the letter you need to write to the credit bureaus.

Date

Company
Address
City, State Zip

RE: Account XXXXX-XXXX-XXXXX

Dear Sir/Madame:

I am writing to dispute the account referenced above. I have disputed this account information as inaccurate with you, and you have come back to me and stated you were able to verify this debt. How is this possible? Under the laws of the FDCPA, I have contacted the collection agency myself and have been unable to get them to verify that this is indeed my debt.

I enclose copies of my requests to the collection agency, asking them to validate my debts, and the receipts showing that I sent these letters certified signature requested. This debt is not mine and I was given no evidence of my obligation to pay this debt to this collection agency.

The FCRA requires you to verify the validity of the item within 30 days. If the validity cannot be verified, you are obligated by law to remove the item. There is a clear case of unverified debt here, and I urge you to remove this item before I am forced to take legal action.

In the event that you cannot verify the item pursuant to the FCRA, and you continue to list the disputed item on my credit report, I will find it necessary to sue you for actual damages and declaratory relief under the FCRA. According to this regulation, I may sue you in any qualified state or federal court, including small claims court in my area.

While I prefer not to litigate, I will use the courts as needed to enforce my rights under the FCRA.

I look forward to an uneventful resolution of this matter.

Sincerely,

Signature

Your Name
Your Address
enclosures

Sample Letter: Estoppel by Silence—Validation of Debt

Date

Name

Address

Account ID

Dear Collection Agency,

This certified letter, receipt number# _____ is to formally advise you that I believe your company has violated several of my consumer rights. Specifically you:

- Failed to validate a debt at my request—FDCPA violation
- Continued to report a disputed debt to the CRA—FCRA violation

Not only have you ignored my prior requests for validation of debt (proof enclosed- receipt copies or letter copies), but you continue to report this debt to the credit bureaus, causing damage to my character. This letter will again request that you follow the FDCPA and provide the following:

Validation of Debt Request

- Proof of your right to own/collect this alleged debt
- Balance claimed including all fees, interest, and penalties
- Contract bearing my personal signature

As you may be aware, "Estoppel by Silence" legally means that you had a duty to speak, but failed to do so. Therefore, that must mean you agree with me that this debt is false. I will use the Estoppel in my defense.

I expect to receive proof requested above, within 15 days of this letter. Should you again ignore my request for validation of debt I reserve the right to sue your company for violations of my consumer rights as indicated under both the FDCPA and the FCRA. I may seek damages from you if warranted.

Sincerely,

Signature

Your Name

Your Address

enclosures

Sample Letter: Admission by Silence—Validation of Debt

Date

Name

Address

Account ID

Dear Collection Agency,

This certified letter, receipt number# _____ is to formally advise you that I believe your company has violated several of my consumer rights. Specifically you: [list all that applies]

- Failed to validate a debt at my request—FDCPA violation
- Continued to report a disputed debt to the CRA—FCRA violation
- Continued to attempt to collect a disputed debt—FDCPA violation
- Ignored my cease and desist—FDCPA violation

Not only have you ignored my prior requests for validation of debt (proof enclosed- receipt copies or letter copies) but also you continue to report this debt to the credit bureaus causing damage to my character. This letter will again request that you follow the FDCPA and provide the following:

Validation of Debt Request

- Proof of your right to own/collect this alleged debt
- Balance claimed including all fees, interest and penalties
- Contract bearing my personal signature
- License proof to collect debts in my state

As you may be aware, "Admission by Silence" legally means that you had a duty to defend your position but failed to do so and if my claims were untrue you would have been compelled to deny my charges. I will use the Admission by Silence in my defense should I be summons to court or take action against you.

I expect to receive proof requested above, within 15 days of this letter. Should you again ignore my request for validation of debt I reserve the right to sue your company for violations of my consumer rights as indicated under both the FDCPA and the FCRA. I may seek damages from you if warranted.

Sincerely,

Signature

Your Name
enclosure

Sample Letter: Reconsider Credit Application

Person Name

Date

Company Name

Address

City, State, & Zip

RE: Reconsidering my credit application

Gentlemen:

Thank you for your prompt response to my (company name) application.

In your disclosure letter dated <date>, you stated that your decision to deny me a credit card was based on information obtained from my credit report. I am writing desiring you to reconsider my application, because my credit report does not reflect my true credit worthiness.

First, I have several credit references not listed on my credit report that are verifiable—you'll find them listed below.

Secondly, I have always all paid my bills on time and have maintained an excellent credit report since the inception. I'm aware that your point-scoring system didn't give me enough points to obtain your fine credit card; however, I am asking you to personally review my application and allow your skill as a credit officer to cross-check the additional information I am providing and grant me the privilege of carrying your credit card.

Thanking you in advance

Sincerely,

Sincerely

Name, Address

City, State, & Zip

Enclosures:

Sample Letter: Credit Card Limit Is Incorrect (to Company)

Date

Company Name

Address

City, State, Zip

Attn: Customer Service Department

Re: Account Number #123456789

Gentlemen:

Please be advised that I am writing to dispute incorrect credit limit information currently being reported in my credit report. You are reporting that my credit is: [enter credit limit reported] However, my correct credit limit is: [enter correct credit limit].

Failure to report my correct credit limit has damaged my credit score severely. To verify the accuracy of my credit limit, I have enclosed my last credit-card statement for your review.

Please correct the matter with the following credit bureaus: [Enter credit bureaus that are reporting the information incorrectly]. Failure to correct this matter only leaves me the option of closing my account and moving to a company that is willing to report accurate credit-limit information to the credit bureaus.

I appreciate your cooperation.

Sincerely,

Signature

Your Name

Your Address

City, State Zip

enclosure

Sample Letter: Credit Card Limit Is Incorrect (to Credit Bureau)

Today's Date

Name of Credit Bureau
Street Address of Credit Bureau
City, State Zip

ATTN.: Consumer Relations Department

Re: **Account Number #123456789**

Gentlemen:

Please be advised that I am writing to dispute incorrect credit-limit information currently being reported in my credit report. Company x is reporting that my credit is: [enter credit limit reported]. However, my correct credit is [enter correct credit limit].

To verify the accuracy of my credit limit, I have enclosed my last credit-card statement for your review and my credit report outlining the incorrect reporting. I'm sure you understand that the failure to report my correct credit limit has damaged my credit score severely.

Please investigate and correct this matter as soon as possible.

Your prompt attention to matter is greatly appreciated.

Sincerely,

Signature

Your Name
SS#123-11-1111
Your Address
City, State Zip
enclosures

As mentioned previously, in the United States there are three major credit bureaus. Credit information about your client is contained in at least one of the bureaus listed below. If you need the address of their closest branch, call or write to their national headquarters requesting the information.

Please be advised that, if you repair your client's credit rating at one of these bureaus, it is not automatically repaired at the others. If necessary, you must repair your client's file at the other credit bureaus too. It is important that you concern yourself with the bureaus that are reporting in your area.

Free Credit Report

The Fair Credit Reporting Act (FCRA) requires each of the nationwide consumer-reporting companies—Equifax, Experian, and TransUnion—to provide you with a free copy of your client's credit report, at your request, once every 12 months.

How do I order a free report?

You can order a free annual credit report for your clients online at <http://annualcreditreport.com>, by calling 1-877-322-8228.

When you order, you need to provide your name, address, Social Security number, and date of birth. To verify your identity, you may need to provide some information that only you would know, like the amount of your monthly mortgage payment.

A warning about other websites

The FTC advises consumers who order their free annual credit reports online to be sure to correctly spell <http://annualcreditreport.com>, to avoid being misdirected to other websites that offer supposedly free reports, but only with the purchase of other products. While consumers may be offered additional products or services while on the authorized website, they are not required to make a purchase in order to receive their free annual credit reports.

Credit Profile Request Form

Go to www.Annualcreditreport.com for a free copy of your report.

Please send me a copy of my credit profile. The information that you require is listed below:

(Please Print Clearly)

Name: _____

Spouse's Name: _____

Current Address: _____

City: _____ State: ____ Zip: _____

Previous Address: _____

City: _____ State: ____ Zip: _____

Home Phone: _____ Work: _____

SS # _____ Spouse's SS# _____

Date of Birth: _____ Drivers Lic#: _____

Present Employer: _____

How Long: _____ Position: _____

I have been denied credit with the last 60 days by: _____

I have not been denied credit and I am enclosing a check or money order for \$ _____.

Signed _____ Date: _____

Signed _____ Date: _____

The Three Major Credit Bureaus

Equifax

P.O. Box 740241
Atlanta GA 30374-0241
(800) 685-1111
(770) 612-3200

(800) 548-4548 residents of Georgia, Vermont or Massachusetts

(800) 233-7654 residents of Maryland

Order online at <http://www.equifax.com/consumer/consumer.html>
<https://www.econsumer.equifax.com>

Experian

P.O. Box 949
Allen TX 75013-0949
(888) 397-3742

<http://www.experian.com>
<http://www.experian.com/product/consumer/>

TransUnion Corporation

Consumer Disclosure Center
P.O. Box 390
Springfield PA 19064-0390
(800) 916-8800
(800) 682-7654
(714) 680-7292

<http://www.transunion.com>

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

Internet Links

Credit Info Center is an excellent **FREE** online **credit-repair source**, updated regularly: You can use this to assist your clients.

<http://www.creditinfocenter.com/repair/>

In ***The Credit Secrets Bible*** you will find outstanding credit-repair tips, free to the public, but can be used by consultants to keep track of new findings as we are here at CCA.

<http://www.creditbible.com/members/links.htm>

The **Federal Trade** Commission (FTC) website is an important source for credit-related information and updates:

<http://www.ftc.gov/opa/2000/03/transunion.htm>

Trans Union's Sale of Personal Credit Information Violates Fair Credit Reporting Act, FTC Rules.

<http://www.ftc.gov/os/statutes/fdcpa/fdcpact.htm>

Fair Debt Collections Act

<http://www.ftc.gov/os/statutes/2-fedreg.htm>

Fair Credit Reporting Act.

Debt Management Links:

Profina

www.profina.org

a national, non-profit credit counseling organization offering free debt management and financial education programs to help consumers get out of debt.

Debtors Anonymous

<http://www.debtorsanonymous.org/>

National Foundation for Consumer Credit

<http://www.nfcc.org>

Myvesta.org (formerly Debt Counselors of America)

<http://www.myvesta.org/>

Solutions to help you get out of debt and eliminate money troubles so

you can avoid bankruptcy, debt consolidation loans, and stop your worry and stress.

Other Great Links

Bankruptcy Alternatives / Debtor's Options

<http://www.debtworkout.com>

FAQs examining the debt itself, personal issues, and many resolution options including workouts, payment, and bankruptcy

Victims of Credit Reporting

<http://members.aol.com/victcrdrpt/index.html>

Learn more about credit bureaus and credit scores

Get Smart

<http://www.getsmartinc.com>

This “financial marketplace” includes the SmartMatch System that helps shop thousands of financial services to find the one that meets the needs of consumers and their consultants.

Quicken. http://www.quicken.com/banking_and_credit/loans/

A wealth of banking and lending information

Money Café. <http://www.moneycafe.com/personal-finance/>

ALIAS: <http://www.nfsn.com/>

The Premier Online Marketplace for Financial Products and Services

FTC. <http://www.ftc.gov/>

The Federal Trade Commission – Consumer Protections.

Credit-Repair Business Plan and Marketing

<http://www.125aDay.com/books/325/business-plan-credit-debt-repair.cfm?AffiliateID=69685>

Q&A Information

This section is provided in between printings to keep our readers abreast of new legislation, respond to questions, or just give more information as we obtain it through our constant research.

Q: I want to receive credit card offers based on my credit report. Can I call to add my name?

A: Yes! And if you want to **remove your name**, it can be done by calling the same number: 1-888-5-optout (888-567-8688). This call will either add or remove your name from consumer credit bureaus' marketing lists. Make sure you tell all institutions not to share your personal information with others for marketing purposes.

Q: I work at a financial institution and can retrieve my own credit report, can I get into trouble with the law for doing this?

A: The law, as we understand it, does not permit this action and may punish violators with a \$5,000 fine and possibly one year of jail time.

Keep in mind that, as a consumer credit counselor, you can't use a retrieved credit report from an institution to challenge entries in your client's credit report. Credit bureaus in our experience have denied disputes from individuals in these cases and issued warnings to violators. Play it safe and obtain copies of your client's credit file through normal procedures.

Q: Can anyone check my credit rating or do they need written authorization?

A: Most institutions or business acquaintances will get your written authorization to retrieve your credit file. However, the Fair Credit Reporting Act allows anyone to obtain or pull a credit report on anyone else, as long as a *"legitimate business need"* for the credit information exists.

NOTE: Although a "legitimate business need" is vague, someone could retrieve a credit report on your client and in defense to their action could say that they were thinking of doing business with your client and needed the information. Your client's privacy, in our opinion, could be violated by the vagueness of such an otherwise fine legislation.

Q: There is a "Hawk Alert" statement in my credit report. Can you explain why?

A: Hawk Alerts are warnings particular to TransUnion that alert lenders or other interested parties to duplicate files, alternate Social Security numbers, or aliases used within an individual's credit profile. Other credit bureaus may use "Warnings," "Checkpoints," "File Variations" or "Alternate File" as their method of alerting potential inquirers of credit information. A security freeze may replace this in the future.

In our experience, several individuals have been damaged due to these alerts at no fault of their own. Clerks have punched in the wrong information and accidentally changed one digit in a consumer's Social Security number. This resulted in alerts appearing in their credit reports as if the consumer illegally tried to alter their identity or falsify their file. Be sure to challenge alert entries at once--they are usually easily removed when the mistake is obvious.

Q: A prospective employer obtained information from my neighbors and others to check out my lifestyle and reputation. They said it came from my credit report. How can this be true?

A: The Fair Credit Reporting Act allows insurance companies, prospective employers, and other special lenders or businesses to commission an investigative report for which your character, reputation, lifestyle, and other information can be obtained from your friends, neighbors, or anyone else. Equifax is best known for gathering investigative reports, and their investigators seek and are rewarded with bonuses or promotions for negative information.

Q: I received my credit reports from two different credit bureaus, and they had different information. Why?

A: Keep in mind that members or subscribers of the credit bureau transmit payment history information to them for your credit report. If that financial institution, credit card company, or lender is not a member of that credit-reporting agency, information concerning that company might not show in your credit file.

Q: My ex-spouse did not make payments on the accounts as agreed, and now the negative information is listed in my credit reports. What can I do?

A: Unless your ex-spouse obtained credit in your name without authorization, there is very little you can do legally.

Reason: If you had credit in both names and signed the credit application in that manner, you are just as responsible for payment as your ex-spouse. The lender is really not concerned about the divorce--just continuous payments. You are still liable for payments, even if the court ruled that the ex-spouse must pay the bills. Keep in mind that the ex-spouse can pay until such time as they no longer are able to or won't. It is within the lender's rights to go after whoever is solvent to recover debts and you signed the application saying that you are jointly liable for the debts.

Q: If all credit bureaus use Social Security numbers to retrieve a person's credit history, why are they confusing my client with his father because he is named after him?

A: Computerized systems often confuse information on fathers and sons with the same names who live at the same address because of the way data is retrieved. The best approach to avoid this problem is to have the credit

bureau place a *"not to confuse with father with the same name"* statement in the file. Many-times this can work in your client's favor, if his father pays his bills on time, especially on paid-out debts.

Reason: Some of the good information will be listed in the file too, building your client's credit reputation.

Q: It is now 2008 and I defaulted on a student loan in 2000, which is well over 7 years, and it is still on my credit report. I thought all negative marks (except straight bankruptcy) must be removed after 7 years. They took my income tax check in 2007. Can you explain why this negative mark still appears in my credit file?

A: Remember this: All negative marks (except straight bankruptcy) must be deleted from your file seven years from the **LAST DATE OF ACTIVITY**. Since your income tax check was taken in 2007, activity exists. That forced payment was activity; If that was the last activity, then you must wait seven years from 2007. I suggest you pay the loan off and consider applying some of the credit-repair techniques listed in this book.

Q: I have been out of the system a long time and lost my Social Security number some time ago. I have not work or filed income taxes or had to use my Social Security number for anything. How can I get my number back?

A: Fill out the regular application for a Social Security card and write *"duplicate"* on the form, provide proper identification and the Social Security Administration will reissue your same original number.

Operating Your Credit Restoration Business

- Choose a name for your credit company.
- Register your name if needed.
- Get a business license.
- Become a member of the Credit Consultants Association.
- Get Certified via this trade association.
- Choose your location or, if you will operate by phone, Internet at home.
- Pick the credit services you want to provide,
- Apply for an EIN number for your company from the IRS (<http://irs.gov>),
- Open a bank account and get a PayPal account.

Additional Services You Can Offer

You can provide a wide array of service to your clients as well as credit restoration. I suggest that you become an affiliate of a credit reporting service, e.g. credit.com and offer these services:

1. Credit monitoring
2. Identity theft protection
3. Credit reports
4. Credit and divorce consultation
5. Credit scoring analysis
6. Credit review and analysis—providing a written plan of action
7. Seminars on Credit Education (especially for churches)

Each of these services could provide you a nice additional monthly income.

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 Software

Depending on your needs, there is a credit-repair software solution available for you. *Please note that prices are subject to change.*

Complete Credit-Repair Solution from marketing to office automation and security (**serious companies only**): Network solutions available for growing company. This is small price to pay for a serious credit-repair operator.

Credit Money Machine – Professional Credit System

www.creditmoneymachine.com

Pros: Has many features from marketing to office management and everything to run your business, online progress status...

Cons: Expensive, Learning curve and can be very cumbersome. But once learned, it is a great product.

Credit-Repair-Customer Tracking, Letter Writing and Forms:

Excellent Starter Package.



We tested this software and really like Credit Detailer. This is a very simple and low cost solution. We did not find many problems and love their support. Make sure this product will work with your operating system. This solutions was \$479 and prices varies.



We tested this software and find it very good also and very reasonable: \$379.00

Credit-Aid Pro Platinum \$499.00

[Click here to view more details](#)

Pro: Easy to use and direct.

Cons: No online progress as of this writing.

Credit Repair Cloud: <https://www.creditrepaircloud.com>

Several members are using this service. We have not received complaints as if yet.

Disputes Suite Software: <http://www.disputesuite.com/>

Seems very user friendly. Members in the past have complained about their support. Just make sure you cover this topic with the company.

SX3 Credit Repair Software: <http://www.sx3software.com/creditrepair>

We have not received any complaints from this product. However, a few members stated that if you grow larger this package can become too tedious to use.

Features you need to consider when selecting software:

1. Does _____ offer automatic importing from a Credit Report in one click?
2. Does _____ offer automatic setup up of letters, descriptions and types ?
3. Does ____ allows the consultants to adjust letters?
4. Can _____ post to the Internet your client's progress report ?
5. Does _____ offer automatic importing of forms from the internet into the program?
6. Does _____ handle lots of records with ease?
7. Does _____ include an Invoice System ?
8. Does _____ offer a Fully Contact Integrated E-mail System ?
9. Does _____ offer Accounts Receivable ?
10. Does _____ offer Accounts Payable?
11. Does _____ offer Check Writing ?
12. Will you be able to Charge Credit Cards directly from _____ ?
13. Does _____ include an Automatic Disputes Follow Up System ?
14. Does _____ offer automatic importing of Internet Forms (from your website) or automatic creation of clients with automatic population of fields ?

What to Charge Clients

One of the major problems you will have is setting a price point. This should be according to the current market value in your area. However a good price point is from \$200 - \$500 per case. In some cases successful firms can charge up to \$1800 per case or couple. Set the price in the range that's comfortable for you or that you are capable of receiving. **It is best to charge monthly for the work done in the previous month instead of charging a flat fee.** Why? The CROA states that you cannot collect money upfront. Also, some [state laws](#), require that you place money in an escrow account and draw on funds as work is completed. You also will have to get the client's permission to draw the funding down. This law is in place due to unscrupulous credit-repair operators. We recommend that you charge monthly or after the work has been completed. You can also charge per item removed or per point the credit score has raised. There are some who charge by the hour, up to \$500 as attorneys. Also, some states require you have a special bond to operate a credit-repair business.

Back to what you charge, you will spend about 20-30 minutes on each file per month and the process can take from 6-18 months. In some cases your time will be much shorter per file, especially if you have to put in time between disputes. Keep in mind that you depend on the client to provide you with up-to-date credit reports sent to them by the credit bureau. There will be cases where the client will not send in their information and will stagnate their service. You should have a clause in your contract regarding this matter and possibly increasing your fee for noncompliance.

Another model is to charge monthly for 12-18 months. This way you will not have to charge additional fees. To factor in a month charge, determine how much money you want to make per hour and figure 30 minutes per case per month. This is the perfect starting point. However the current monthly rate is between \$29.95 - \$99 per month for a single case or a couple. Make sure you charge a setup fee because you will spend more time on each case in the beginning. Keep in mind that you are competing with other companies in your area as to charging a setup fee.

Credit Review and Analysis Service

One way to assist your clients is to offer a credit review and analysis service providing them with a written plan of action. You can charge from \$100-\$500 per case. This is a two- to four-hour service for each case. You should set your hourly rate in this matter, but charge a flat fee. Your job is to offer personal, long-term planning and analysis of your client's credit situation. Provide them with a course of action so they can journey along using your action plan. Your goal is not to sell your actual credit-repair service, but to give the client concrete information on getting their credit back on track.

You will NOT be offering credit-repair services--where you are writing the letters and disputing, just review, analysis and a written plan of action.

What you need:

1. You will need access to the client's credit reports and scores either online or in person.
2. You will provide them with a written strategy to solve their own problems. In this matter you are telling them how to repair their own credit. (A do it yourself approach)
3. The best part, you are getting paid for an actual service and a plan, not making promises you possibly cannot keep.
4. Virtually no complaints; more direct face to face or phone to phone contact and personal service.
5. You could also provide the service online, sending your written plan online.
6. In your written report, include a sample dispute letter for them to reference. Use the "Credit Restoration Preliminary Form" in the back as your guide. Develop your own plan based on what you have learned in the course.
7. This personal relationship service is a great way to run your business and the client will appreciate the personal nature of the service.

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 this book. 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 book, 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 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.

Credit Restoration Agreement

1. This is an agreement between <Your Credit Company Name> and the Client as signed below. We will increase your credit score and attempt the removal of all errors, misrepresentations, and outdated or unverified negative items on your credit reports that the client provides. We offer no debt consolidation and we do not make payments. This contract is strictly for credit restoration services.
2. The Client understands that this is a <Flat or Monthly> contract. Each month, the Client will pay a fee of <Amount> for the service that <Your Credit Company Name> has already performed for the previous month. The Client agrees that the <Amount> will be electronically debited from clients' checking, savings, or credit card as indicated below. The Client understands that he or she may cancel from this program at any time without penalty.
3. The Client understands that each credit bureau investigative challenge will take approximately 30 to 40 days. This contract will automatically renew itself each month accordingly. If there is no more work to be performed on the Client's behalf, then the Client will be cancelled automatically by <Your Credit Company Name>. There are no other fees at all associated with this service.
4. The Client understands that he or she should forward all correspondence (credit reports, letters, etc.) to <Your Credit Company Name> as soon as possible after receiving. Do not send anything back to the different reporting agencies. If you have not received any credit reports or correspondence within 35 days from the return of this agreement, then the Client shall notify <Your Credit Company Name> promptly. The Client understands that he or she should receive such reports every 30 to 45 days as work is performed, and that all credit reports or letters must be sent to <Your Credit Company Name> immediately. Failure to do so may prolong the term of this contract. Please notify <Your Credit Company Name> of any changes in your mailing address or status.
5. The Client understands that, by law, <Your Credit Company Name> cannot offer any promises or guarantees as to the outcome or length of time to achieve results. However, if the Client is in full compliance with the terms in paragraph (4) and payments in paragraph (2) of this agreement, then the Client will be entitled to the following: If there is no improvement to the Client's credit reports or credit score within three (3) credit bureau investigative challenges, the Client will, upon request, receive a full refund of their first three (3) months' fees.

6. The Client understands that, due to the nature of this service, <Your Credit Company Name> our select staff may view your file for providing accurate service. We understand the importance of your privacy and <Your Credit Company Name> agrees to take measures to limit the access to such information accordingly.
7. By law <Your Credit Company Name> is required to provide the following three (3) documents:
 - (1) A "limited power of attorney" form that is used only for credit-repair purposes. This form must be signed and returned;
 - (2) The "Consumer Credit File Rights under Federal and State law." By signing below, the Client acknowledges that this has been received;
 - (3) The Client's "Right to Cancel" form. The Client may cancel at any time by mailing or faxing this document to <Your Credit Company Name>

By initialing below, I agree to the above terms and conditions.

Please type your initials as your acceptance of this contract.

Client initials_____

By law, <Your Credit Company Name> allows you to cancel this contract within three (3) business days from the date you signed the contract. You may also cancel at any time when you are satisfied with your results.

Client Signature

Date

Print name

Credit Consultant

Date

(Make sure the client signs this form or have the client's
Initials or name input to confirm agreement online)

Grant of Limited Power of Attorney

(online version) Make adjustment for signature off-line.

Client empowers <Your Credit Company Name>, its employees, agents, subcontractors, and assignees to perform or engage in any act on behalf of Client related to inaccurate, unverifiable or outdated information contained in Client's personal credit profile, including, without limitation, the right to obtain the Client's credit reports and profiles from credit reporting agencies and credit bureaus and/or their resellers, and to send disputes on your behalf in connection with any and all information on your credit report which you instruct us to dispute.

You agree to review your credit reports and inform us which items you want disputed, if any. You agree that you will not ask us to dispute anything that you know to be accurate or not outdated. *You will be charged for each dispute and/or request for verification, if fees apply. (per item or point plan)*

Client further gives and grants to <Your Credit Company Name> full power and authority to do and perform every act necessary and proper in the exercise of any of the powers granted hereunder as fully as Client might or would do if personally present, with full power of substitution and revocation, hereby ratifying and confirming all that said attorney-in-fact shall lawfully do or cause to be done by virtue hereof.

From time to time, credit reporting agencies may refuse to honor the provisions of the above grant of a power of attorney, and will therefore send a letter to you stating that they will not honor the dispute letter sent on your behalf by <Your Company Name>. While <Your Company Name> believes that this action by the credit reporting agencies is a violation of the provisions of the Fair Credit Reporting Act, in such case, you are encouraged to print out the Power of Attorney available on <Your Company Name> website, and provide to <Your Company Name> a notarized or acknowledged executed original Power of Attorney. <Your Company Name> believes that the credit reporting agencies are more likely to honor the power of attorney in such case and will then comply with their obligations under the Fair Credit Reporting Act. Upon receipt of the Power of Attorney, <Your Company Name> will resend the disputes free of charge.

You, the buyer, may cancel this contract at any time prior to midnight of the fifth day after the date of the transaction. See the Notice of Cancellation form for an explanation of this right.

Final digital signature: the Federal E-Sign Act (HR-1714):

The Electronic Signatures in Global and National Commerce Act (E-Sign Act) of 2000 grants electronic signatures and documents equivalent legal status as traditional handwritten signatures. By completing our online Agreement, you are certifying that your digital signature is the equivalent of your handwritten signature. Furthermore, you agree that you have read all of the Agreement and are agreeing to and signing each section of this Agreement with your digital signature. You further agree that you understand the agreement and have read "Your Rights as a Consumer."

<Your Company Name> does not guarantee a success rate. Our methods are based upon procedures that have been found to have a high success rate. The length of time necessary to complete the Credit Restoration Program varies from client to client. The typical amount of time necessary to complete the Credit Restoration Program and see results is six (6) months. Any such renewal will be deemed a new purchase of services under the terms of this Agreement, and you will then have the same cancellation and refund rights described herein that apply to any new Client.

To clarify, this means that, if you, as a Client, have a renewable account, you will then have the right to receive a full refund of any fees charged during the renewable Clientship. If you cancel that renewable Clientship for any reason or no reason, within five days of the renewal or of the dispute of items on your credit reports during such new Clientship, <Your Company Name> is not liable for any changes in your credit profile which have an adverse effect on your credit rating. <Your Company Name> is not liable for the actions of any companies in partnership with, or which provide services at the request of, <Your Company Name>.

You, the buyer, may cancel this contract at any time prior to midnight of the fifth day after the date of the transaction. See the Notice of Cancellation for an explanation of this right.

Consumer Credit File Rights under State and Federal Law

You have a right to dispute inaccurate information in your credit report by contacting the credit bureau directly. However, neither you nor any "credit-repair" company or credit-repair organization has the right to have accurate, current, and verifiable information removed from your credit report. The credit bureau must remove accurate, negative information from your report only if it is over seven (7) years old. Bankruptcy information can be reported for ten (10) years.

You have a right to obtain a copy of your credit report from a credit bureau. You may be charged a reasonable fee. There is no fee, however, if you have been turned down for credit, employment, insurance, or a rental dwelling because of information in your credit report within the preceding 60 days. The credit bureau must provide someone to help you interpret the information in your credit file. You are entitled to receive a free copy of your credit report if you are unemployed and intend to apply for employment in the next 60 days, if you are a recipient of public welfare assistance, or if you have reason to believe that there is inaccurate information in your credit report due to fraud.

You have a right to sue a credit-repair organization that violates the Credit-Repair Organization Act. This law prohibits deceptive practices by credit-repair organizations.

You have the right to cancel your contract with any credit-repair organization for any reason within three (3) business days from the date that you signed it.

Credit bureaus are required to follow reasonable procedures to ensure that the information they report is accurate. However, mistakes may occur.

You may, on your own, notify a credit bureau in writing that you dispute the accuracy of information in your credit file. The credit bureau must then reinvestigate and modify or remove inaccurate or incomplete information. The credit bureau may not charge any fee for this service. Any pertinent information and copies of all documents you have concerning an error should be given to the credit bureau.

If the credit bureau's reinvestigation does not resolve the dispute to your satisfaction, you may send a brief statement to the credit bureau, to be kept in your file, explaining why you think the record is inaccurate. The credit bureau must include a summary of your statement about disputed information with any report it issues about you.

The Federal Trade Commission regulates credit bureau and credit-repair organizations. For more information contact The Public Reference Branch, Federal Trade Commission, Washington DC 20580.

Notice of Cancellation (Provide to Client)

You may cancel this contract, without any penalty or obligation, at any time within three (3) business days of the date the contract is signed by you.

To cancel this contract, mail, fax, or deliver a signed, dated copy of this cancellation notice, or any other written notice to <Your Credit Company Name> at <address, city and state> before midnight on the third day after signing the contract.

I hereby cancel this transaction,

Date

Social Security No.

Signature

Print full name

(Send this back only if you wish to cancel.)

Credit Restoration Contract

1. This is an agreement between _____ and the Client as signed below. We will increase your credit score and attempt the removal of all errors, misrepresentations, outdated, or unverified negative items on your credit reports that the client provides. We offer no debt consolidation and we do not make payments. This is strictly for credit restoration services.
2. The Client understands that this is a (Flat or Monthly) contract. Each month, the Client will pay a fee of (Amount) for the service that _____ has already performed for the previous month. The Client agrees that the (Amount) will be electronically debited from clients' checking, savings, or credit card as indicated below. The Client understands that he or she may cancel from this program at any time without penalty.
3. The Client understands that each credit bureau investigative challenge will take approximately 30 to 40 days. This contract will automatically renew itself each month accordingly. If there is no more work to be performed on the Client's behalf, then the Client will be cancelled automatically by _____. There are no other fees at all associated with this service.
4. The Client understands that he or she should forward all correspondence (credit reports, letters, etc.) to _____ as soon as possible after receiving. Do not send anything back to the different reporting agencies. If you have not received any credit reports or correspondence within 35 days from the return of this agreement, then the Client shall notify _____ promptly. The Client understands that he or she should receive such reports every 30 to 45 days as work is performed and that all credit reports or letters must be sent to _____ immediately. Failure to do so may prolong the term of this contract. Please notify _____ of any changes in your mailing address or status.
5. The Client understands that by law, _____ cannot offer any promises or guarantees as to the outcome or length of time to achieve results. However, if the Client is in full compliance with the terms in paragraph (4) and payments in paragraph (2) of this agreement, then the Client will be entitled to the following: If there is no improvement to the Client's credit reports or credit score within three (3) credit bureau investigative challenges, the Client will receive a full refund of their first three (3) months fees upon request.

6. The Client understands that due to the nature of this service, _____, our select staff may view your file for providing accurate service. We understand the importance of your privacy and _____ agrees to take measures to limit the access to such information accordingly.
7. By law, _____ is required to provide the following three (3) documents:
- (1) A "limited power of attorney" form that is used only for credit repair purposes. This form must be signed and returned;
 - (2) The "Consumer Credit File Rights under Federal and State law." By signing below, the Client acknowledges that this has been received;
 - (3) The Client's "Right to Cancel" form. The Client may cancel at anytime by mailing or faxing this document to _____

By initializing below, I agree to the above terms and conditions.

Please type your initials as your acceptance of this contract.

By law, _____ allows you to cancel this contract within three (3) business days from the date you signed the contract. You may cancel at any time when you are satisfied with your results.

Client Signature

Date

Print name

Credit Consultant

Date

(Make sure the client signs this form or have the client's initials or name input to confirm agreement online)

Consumer Credit File Rights under State and Federal Law

You have a right to dispute inaccurate information in your credit report by contacting the credit bureau directly. However, neither you nor any "credit repair" company or credit repair organization has the right to have accurate, current, and verifiable information removed from your credit report. The credit bureau must remove accurate, negative information from your report only if it is over 7 years old. Bankruptcy information can be reported for 10 years.

You have a right to obtain a copy of your credit report from a credit bureau. You may be charged a reasonable fee. There is no fee, however, if you have been turned down for credit, employment, insurance, or a rental dwelling because of information in your credit report within the preceding 60 days. The credit bureau must provide someone to help you interpret the information in your credit file. You are entitled to receive a free copy of your credit report if you are unemployed and intend to apply for employment in the next 60 days, if you are a recipient of public welfare assistance, or if you have reason to believe that there is inaccurate information in your credit report due to fraud.

You have a right to sue a credit repair organization that violates the Credit Repair Organization Act. This law prohibits deceptive practices by credit repair organizations.

You have the right to cancel your contract with any credit repair organization for any reason within 3 business days from the date that you signed it.

Credit bureaus are required to follow reasonable procedures to ensure that the information they report is accurate. However, mistakes may occur.

You may, on your own, notify a credit bureau in writing that you dispute the accuracy of information in your credit file. The credit bureau must then reinvestigate and modify or remove inaccurate or incomplete information. The credit bureau may not charge any fee for this service. Any pertinent information and copies of all documents you have concerning an error should be given to the credit bureau.

If the credit bureau's reinvestigation does not resolve the dispute to your satisfaction, you may send a brief statement to the credit bureau, to be kept in your file, explaining why you think the record is inaccurate. The credit bureau must include a summary of your statement about disputed information with any report it issues about you.

The Federal Trade Commission regulates credit bureau and credit repair organizations. For more information contact: The Public Reference Branch, Federal Trade Commission, Washington DC 20580.

Notice of Cancellation

Date:_____

You may cancel this contract, without any penalty or obligation, at any time within three (3) business days of the date the contract is signed by you.

To cancel this contract, mail, fax, or deliver a signed, dated copy of this cancellation notice, or any other written notice to _____ at (address, city and state), before midnight on the third day after signing the contract.

I hereby cancel this transaction,

Client Id or Customer# _____

Full Name

Signature

Power of Attorney Limited to Credit Restoration

I, _____ a resident of _____ State

Give and appoint, _____, as my assistant for my behalf, as set forth in the following matters only; signing of correspondences, addressed to credit bureaus and creditors, obtaining credit information over the telephone, fax, through written correspondence from credit bureaus, creditors or collection agencies. If mediation of and debt is necessary, I give, _____ and its officers the right to discuss information to help resolve a debt. I hereby release the bearer of this authorization as well as the recipient, included but not limited to the custodian of such records, Repository of the Court records, Credit Bureaus (**Trans Union, Equifax and Experian**) and consumer reporting establishments. I have the right to revoke or terminate this power at any time.

I have been made aware of the fact that I do not need to pay for this service and could attempt to repair my credit on my own.

Power Giver Information:

Name _____

Address _____

Social Security ____ - ____ - ____

Signature _____

Date _____

Telephone Number _____

DO NOT WRITE BELOW THIS LINE FOR OFFICE USE ONLY

(Your Company Name). Officer _____ Date _____

Signing Officer: _____

Start Date _____

Credit Restoration Preliminary Form

Credit Consultant: _____ Date: _____

Client Name: _____

Phone: _____ Denied Credit (Last 60 days)? _____

Email: _____ Married? _____

Credit Problems/Complaints
Slow Pay? ____ Collections? ____ Charge-Offs? ____ Judgments/Liens? ____
Bankruptcy? ____ (Chap: 13 or 7) Repossession? ____ Foreclosure? ____ Inquires? ____
Is client caught up on current bills? ____ Credit Type: Revol. ____ Install ____ Mortag? ____
Did you check client's credit length? ____ Notes:

Credit Bureaus	Current Score
Equifax	
Experian	
TransUnion	

Revolving Accounts

Utilization Ratio: _____ %

Credit Card	Balance	Credit Limit	Ratio
Add Total Balance & Limits	\$	\$	Divide: bal / limit

Credit Restoration Client Preliminary Form

Date: _____

(write Yes or No in form)

Full Name: _____

Phone: _____ Denied credit in last 60 days? _____

Email: _____ Are You Married? _____

•-----•

List Current Credit Problems, check all if you know.
Slow Pay? ____ Collections? ____ Charge-Offs? ____ Judgments/Liens? ____
Bankruptcy? ____ (Chap: 13 or 7) Repossessions? ____ Foreclosure? ____ Inquires? ____
Are you caught up on current bills? ____ Do you have a copy of your credit reports? ____

Credit Bureaus	List Current Score	What are your Credit Goals & Comments
Equifax		
Experian		
TransUnion		

Revolving Accounts

Credit Card	Balance	Credit Limit	Office Use
Add Total Balance & Limits	\$	\$	

Office Use: _____% Company Name: _____

Confidential

CCASITE.org – Credit Consultants Association, Inc.

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-

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-**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

Questions Every Credit Consultant Must Be Able to Answer

Below are some frequently asked credit questions and answers..

What are the different types of credit?

Generally, credit is organized into three major buckets: Revolving credit: where a consumer borrows money from a lender and pays it back at the end or makes partial monthly payments (e.g. Visa and Mastercard). Charge credit: where the lender provides the consumer with a loan under the presumption that it is going to be paid in full at the end of the month (American Express). Installment credit: occurs when the consumer agrees to finance a debt with monthly payments over a predetermined period of time (e.g. mortgage).

How do you begin to establish credit? Consumers desirous of establishing a good credit record should start off by applying for a credit card. The companies that monitor credit history compile information based on your payments and responsible consumers build up a good credit report by promptly paying off what they owe. A second consideration, especially if the consumer did not qualify for a conventional credit card, is to apply for secured credit. This method lessens the lender's risk by having access to some kind of guaranty from the borrower in case of default. An alternative way is to have a person with a proven history of good credit co-sign a loan. These co-signers are a form of guarantee diminishing the lender's risk of non-payment.

What happens if your request for credit is denied? There are a variety of reasons dictating why credit may not have been extended. Reasons ranging from insufficient income, short-time at a job or address, and/or poor credit history. You should evaluate your situation and know that you are entitled to receive a credit report delineating your denial. You should also know that the credit bureau is obligated to investigate and correct whatever legitimate errors you find therein.

What type of bad credit loans can I get? A short term loan (a.k.a. payday/cash advance loans) is one common type of bad credit loan that is available to you. This type of loan requires no credit check or co-signer. However, you do need collateral to qualify for a short term loan and a checking account for the funds to be transferred to.

Why do unsecured credit cards for bad credit have higher interest rates? When creditors provide unsecured credit to those individuals with bad credit, the credit issuers face higher financial risks. So, to protect themselves, creditors set higher interest rates and fees for those with bad credit.

Why should I pay a company to repair my bad credit if everything is going to reappear after a few months? If you use a reliable credit repair service, everything WON'T reappear after a few months – if you have been the victim of identity theft, all of the wrong information should be removed. Most reputable bad credit repair services correct your entire credit file and stick with it until all issues are resolved and cleared. Your bad credit might have a long and deep trail, so it could take time to completely clear your credit file of all issues.

When do I need debt counseling? There is no established debt amount or situation that dictates the need for credit counseling. Whenever you feel overwhelmed by debt, regardless of the amount, and need assistance with your credit debt, credit counseling can help you steer clear of huge financial troubles.

How do I know if a Credit Counseling Service is Legit? When selecting a credit counseling service, make sure the credit counselor you'll be working with is certified. Many credit counselors are required to have and maintain a Consumer Credit Counselor certification. The certification process involves specialized and comprehensive credit counseling training as well as the passage of the certification exam. Also, check with the Better Business Bureau.

How will Credit Counseling Affect my Credit Rating? The existing condition of your credit report will influence how credit counseling will affect your credit; however, there is no hard and fast rule regarding credit counseling and your credit. Most creditors will report your usage of a credit counselor while others may not; and there's no predicting how future creditors will interpret it. Many lenders perceive credit Bottom of Form counseling as a consumer "work-out" program. Credit counseling will NOT impact your FICO score.

Is Credit Repair Illegal? Credit repair is LEGAL. You may have heard some mention that credit repair is actually illegal; but the fact of the matter is there is nothing illegal about credit repair and disputing inaccurate information about your credit file. The Fair Credit Reporting Act (FCRA) actually encourages people to dispute inaccurate information.

What can be taken off my credit report? Any inaccurate, unverifiable accounts such as inquiries, old addresses, additional names on the report (you must have at least one name on your report), unpaid collections, charge-offs, repossessions, bankruptcies, medical bills, credit card debt, and divorce debts.

What can't be taken off my credit report? There are certain things that just can't be removed from your credit report. Those things are federal and state tax liens, child support, new student loans, and any bankruptcies reported by the bankruptcy court.

What is a Good Score? The higher your credit score, the better; however, there is no real industry standard. Credit scores range from 350-850. Each creditor/lender judges your credit score differently and takes other factors into consideration when determining your eligibility and/or risk. Typically, anything above 690 is considered a great score. Below a 620 is frequently referred to as "sub-prime."

How often do Credit Scores Change? Your credit score is fluid; it changes as your credit information changes. Anytime new information is added to your credit report, your credit score can change. The credit reporting agencies (Transunion, Equifax, Experian) usually update their credit data every 90 days.

I have a Number of Credit Cards. Will that Affect my Credit Score? Your overall credit history will determine how your credit is affected by having numerous credit cards. However, having an overabundance of credit cards with high balances or credit availability can negatively impact risk scores if your credit history is questionable.

How do you begin to establish credit? Consumers desirous of establishing a good credit record should start off by applying for a credit card. The companies that monitor credit history compile information based on your payments and responsible consumers build up a good credit report by promptly paying off what they owe. A second consideration, especially if the consumer did not qualify for a conventional credit card, is to apply for secured credit. This method lessens the lender's risk by having access to some kind of guaranty from the borrower in case of default. An alternative way is to have a person with a proven history of good credit co-sign a loan. These co-signers are a form of guarantee diminishing the lender's risk of non-payment.

Is There a Rule of Thumb Regarding the Number of Credit Cards to Have? In general, it's better to have a few credit cards with high credit limits than a large number of cards with limited credit limits. Having credit

cards with high credit limits demonstrates that you are responsible enough to carry a high credit limit on multiple cards.

Is it a Good Idea to Transfer my High Credit Card Balance to a New Card with a Rock-bottom Rate? If you want to transfer your credit card debt to a different card, you need to make sure that there are no catches with the introductory rate of the new card. For example, sometimes the low introductory interest rate on a card is only for a very limited time and then it skyrockets to an exuberant amount. You also need to ask if there are annual fees, late charges, or any other stipulations that might make transferring your credit card debt to a new card counter-productive.

So what is Credit Monitoring? Credit monitoring is the automated process of keeping an eye on your credit. Credit monitoring helps protect you against identity theft and monitors any changes and/or inquiries made to your credit file by alerting you within approximately 24 hours of any major changes made to your credit file.

Will Credit Monitoring Hurt My Credit Score? No. Credit monitoring has no affect to your credit score. It's simply a service that keeps your credit in check. The only time it affects your credit is when you ask a creditor to inquire about your credit.

Does Credit Monitoring Monitor my Credit with all Three Bureaus? The specific credit monitoring service you use will determine which credit bureau is referenced in monitoring your credit. Each credit monitoring service uses only one of the three bureaus to monitor your credit; however, since the activity you're looking out for affects your credit across the board, it won't matter which bureau your credit monitoring service uses. They'll still be able to identify unexpected changes or discrepancies in your credit report.

How do I get a Hold of My Credit Report?

There are three major credit bureaus that offer credit reports:

Equifax 1-800-685-1111

www.equifax.com

Experian 1-888-397-3742

www.experian.com

Trans Union 1-800-916-8800

www.transunion.com

To get a hold of your credit report, contact one of these three bureaus. Each bureau interprets your credit information differently, so you might want to get a report from all three.

Can I get a Copy of My Credit Report at Any Time? By law, you're entitled to one free credit report annually from the credit bureaus. This can be accessed at: www.annualcreditreport.com - You can also request a free copy of your credit report if you were denied credit; however, you can only request a copy from the specific credit bureau that supplied the credit report to the creditor who denied you.

What Information do Credit Bureaus Collect about Me? Credit bureaus collect your identification information, employment history, credit inquiries, and any additional public records and data.

Will Requesting a Credit Report Affect My Credit? No. Requesting a credit report will NOT affect your credit. You have the right to look at your credit report without it affecting your credit or score. When you request your credit report it's called a "consumer pull" and has no affect on your credit. The only time when requesting a credit report can affect your credit is when you ask a possible creditor to inquire about your credit. This is because it implies that you're possibly opening a new line of credit.

Should I Consolidate my Credit Card Debt? If you have multiple credit cards, each with their own increasing debt, credit card debt consolidation might be just the thing you need. Consolidating your credit debt will allow you to make just one payment to a consolidator, instead of numerous smaller payments to multiple credit card companies. Frequently, you can also obtain a lower monthly payment.

Can I Get Arrested for Not Paying my Debt? As long as fraud and theft are not involved, you can not be arrested and jailed for failing to pay your debt. However, creditors can go after you monetarily to reclaim the amount owed to them.

Do Joint Credit Cards Help Build Good Credit? Joint credit cards can work both ways. Since the credit card account is placed on both holders' credit accounts, the activity on the card as a whole affects both parties equally. So, if the card is maintained properly, it can help improve credit. However, if one of the card holders abuses the card and ranks up thousands of dollars in debt, it can adversely affect the other holder's credit rating.

What is A Credit Reports?

A credit report has a lot of information about consumers. When you apply for a job, a loan, an insurance policy or an apartment, the business or homeowner will often want to have some credit information about you. Your credit information (or history) is written in a report called a credit report or

consumer report. These reports are kept by a consumer reporting agencies (also called credit bureaus).

There are federal and state laws which give you rights. These laws protect you against a credit bureau giving out wrong or old information. They also require that credit reports are given only to those which have a "legitimate business need" (*see p. 5*). Under these laws, you can:

- get a copy of your credit report,
- know who gets a copy of your report,
- disagree with wrong information and try to get it corrected,
- explain negative information in the report,
- complain to the appropriate government agency.

Do credit bureaus have reports on everyone?

Credit bureaus have reports on almost everyone. You probably have a credit report if you have ever had applied for a credit or charge account, a life insurance policy, a personal loan, or even for some jobs.

What information is in my credit report?

Your credit report has more than credit history information. It will probably have information about:

- your income and jobs held;
- your social security number and birth date;
- your current and former addresses and phone numbers;
- money you have owed and money you now owe;
- your payment record (for example late or no payments to utility companies, hospitals, landlords, credit card companies, etc.)
- whether you have been sued, filed for bankruptcy, been arrested, and more.

What information CANNOT be in my credit report?

Credit bureaus cannot report old credit information. For example, negative information such as debts, lawsuits, judgments, or other actions against you can only stay on for 7 years. A bankruptcy can stay on your report for 10 years (except Chapter 13 bankruptcy which can only stay on for 7 years).

Also, medical information cannot be in the report unless you agree. (Your age, marital status or race cannot be given to a current or possible employer). And, information about arrests, charges, or convictions that have been erased cannot be on your report. (See the legal aid pamphlet, [*Is Your Criminal Record Keeping You From Working?*](#)).

How do I get a copy of my report?

You can now get a free copy of your credit report once every 12 months from each of the three nationwide consumer reporting companies (credit bureaus). The companies are Equifax, Experian and TransUnion. Do not contact these companies individually.

To order your free annual credit report,

Call toll-free: 1-877-322-8228

Visit on the web: www.annualcreditreport.com. **Important: This is the only authorized website to order online. Be very careful of other websites claiming to offer "free credit reports or scores".**

Mail your completed Annual Credit Report Request Form to: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281.

You can get the form on the website or calling the number above.

In addition, there are other reasons you can get a free credit report including:

you have been denied credit, insurance or a job (you must ask for it within 60 days after you get something in writing saying you were denied credit, insurance or the job);

you write a letter saying you are on welfare/public benefits; or

you are not working and will be applying for a job within the next 60 days, or

you believe your report is wrong because of fraud.

In these cases, contact the individual companies:

Experian: 1-888-397-3742

Equifax: 1-800-685-1111

TransUnion: 1-800-888-4213

The information you need to give each company may be different, so call first to find out what you need to send and where to send it. (See below).

What must the credit bureau tell me?

Once you provide proof of your identity, the credit bureau must then:

tell you the kind of information that is in your file;

give you a written summary of your rights;

tell you where the information came from except when the report is an "Investigative Consumer Report." (See below).

tell you the names of businesses or creditors who have been given copies of your credit report recently.

What can I do if there are errors in my credit report?

Many credit reports have errors and you have the right to have errors changed. There are two main reasons for errors:

(1) You are mistaken for another person with a similar name and *their* information is on *your* record, and

(2) Fraud; that is when someone has purposely used your personal information to get credit in your name.

If you don't agree with some of the information in your credit report, you should tell the credit bureau in writing. The credit bureau must then:

give you a toll-free number so you can call again without cost,

write a letter to the creditor which gave the information you think is wrong to tell them there is a disagreement, re-investigate the information without charge to you, and report the results of the investigation to you within 30 business days (subject to one 15-day extension if you provide new information). After the new investigation, the bureau must quickly remove from your file any information which is not correct or cannot be proven. If you still do not agree with the information from the second investigation, you can write a letter explaining your reasons why the information is wrong. This letter must be put in your credit report. *Note:* If you ask, the credit bureau must send the changed credit report to any creditor who asked for a report in the past year if: information has been removed from your file at your request, or you have not been able to get the credit bureau to correct your file and you have sent the letter explaining how you disagree with what is in the file.

Who can get a copy of my credit report?

The credit bureau may only give a credit report if the person asking for the report has a "legitimate business need" including:
those considering giving you credit;
landlords;
insurance companies;
employers and potential employers (but only with your consent);
child support enforcement agencies.

What can I do if I think I was denied credit, insurance or a job because of my credit report?

If you think that you have been denied credit, insurance or a job based *even in part* on your credit report, the user of the report must tell you the name and address of the credit bureau.

You have a right to a free copy of your credit report if you ask for it within 60 days of being turned down. The *credit bureau* can tell you what is in your report, but only the *creditor or user of the report* can tell you why you were denied.

What is an investigative consumer report?

An investigative consumer report is a detailed report that has information about your character, lifestyle and reputation. The credit bureaus get this information from interviews with your friends, neighbors or associates. You must be told when a company asks for an investigative consumer report. What can I do if a credit bureau has broken the law?

You can file a complaint with the state and federal agencies that enforce the credit reporting laws. Write/contact:

Director
Connecticut Department of Banking
Government Relations & Consumer Affairs
260 Constitution Plaza
Hartford, CT 06103-1800
(860) 240-8299 or 1-800-831-7225

and

Federal Trade Commission
Consumer Response Center, Room 130-A
600 Pennsylvania Ave., NW
Washington, DC 20580
1-877-382-4357 (1-877-FTC-Help)

If a credit bureau has broken the law, you also have the right to sue the bureau. If you win, you may collect any money you have lost plus attorney's fees and court costs.

We Can A consumer order a FREE credit report?

Annual Credit Life Report Website

Trans Bureau of Credit Reporting

Annual Credit Report Website

Annual Personal Credit Website

None above

Order your FREE credit report once a year and check it for errors. Call toll-free: 1-877-322-8228 or visit on the web:

www.annualcreditreport.com. **Important: This is the only authorized website to order online.**

Check your report at least 1 to 2 months before it will be used for important decisions such as applying for a car loan, renting an apartment, etc.

Know your rights.

Beware of credit repair services that say, "Credit problems? No problem," or "We can erase your bad credit," etc. Don't believe these statements.

Call Statewide Legal Services at 1-800-453-3320 or 860-344-0380 or contact the University of Connecticut, Cooperative Extension Center, 305 Skiff Street, North Haven, CT 06473. Phone: 203-407-3161.

Contact the Federal Trade Commission (FTC). The FTC is a part of the federal government and has free information to help consumers spot, stop and avoid fraudulent, deceptive and unfair business practices. To get free information on consumer issues, visit www.ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261.

Sample Business Plan

January 2007

For

Your Company Name Credit Restoration Business

Confidentiality Agreement

The undersigned reader acknowledges that the information provided by _____ in this business plan is confidential; therefore, reader agrees not to disclose it without the express written permission of _____.

It is acknowledged by reader that information to be furnished in this business plan is in all respects confidential in nature, other than information which is in the public domain through other means and that any disclosure or use of same by reader, may cause serious harm or damage to _____.

Upon request, this document is to be immediately returned to _____.

Signature

Name (typed or printed)

Date

This is a business plan. It does not imply an offering of securities.

Table of Contents

1.0 Executive Summary	1
1.1 Company Summary	2
2.0 Services.....	2
3.0 Market Analysis Summary	3
4.0 Strategy and Implementation Summary	3
4.1 Competitive Edge	4
4.2 Marketing Strategy	4
4.3 Sales Strategy	5
4.4 Milestones.....	5
Table: Milestones	6
5.0 Management Summary.....	6
6.0 Financial Plan	7
Table: Financials.....	7
6.1 Projected Cash Flow	10

1.0 Executive Summary

Credit Restoration Company will provide top-quality credit score enhancement and Credit Consulting services. The principal officer of Credit Restoration Company believes that most consumer suffer two major problems. They lack training and depth of knowledge needed to focus on their on personal credit. Both lead to lowered expectations, lack of ability to increase their credit score. Credit Restoration Company believes that it can improve upon and exploit these weaknesses to gain local market share.

The objectives for Credit Restoration Company over the next three years are:

- Achieve sales revenues of approximately \$100,000 by end of year one (2007).
- Achieve sales revenues of approximately \$150,000 by year three (2007).
- Achieve a client mix of 60% small business/30% entrepreneurial/10% individual per year.
- Move into small office space by the end of the first year (2007).

The company will provide its credit score enhancement services in the most effective manner and will provide 100% client satisfaction. The company's principal officer sees each contract as an agreement not between a business and its clients, but between partners who wish to create a close and mutually-beneficial relationship. This will help to provide greater long-term profits through referrals and repeat business.

Credit Restoration Company will institute the following key procedures to reach its goals:

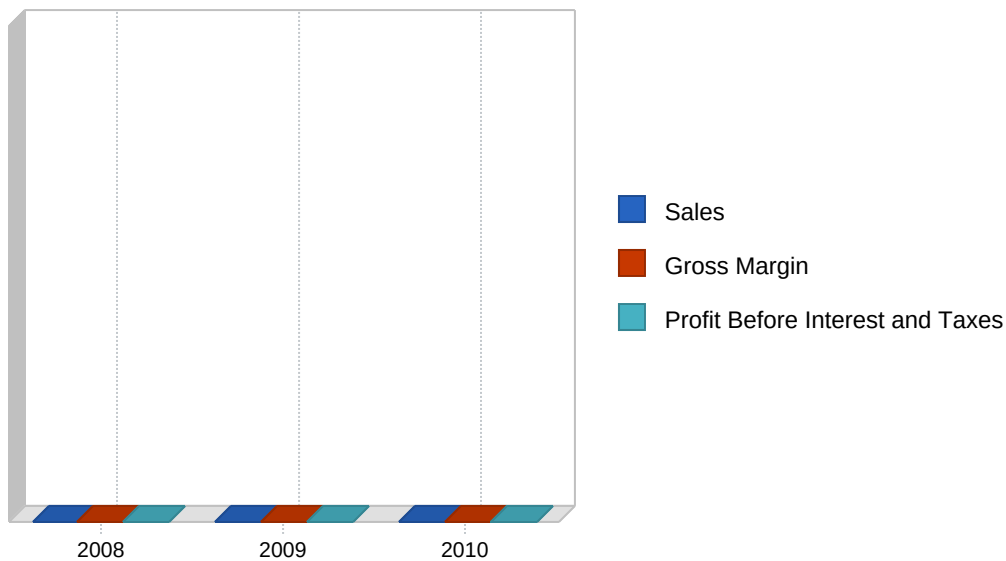
- The creation of a credit score conscious company instead of just deleting items off credit reports and this will differentiate our Credit Restoration Company from other Credit repair businesses.
- Educating the community on what credit score enhancements Consulting has to offer.
- Affordable access to the resources of credit consulting services.

Credit Restoration Company is a start-up (type of company) consisting of one principal officer with ?? years of experience. John Doe (principal) will be investing significant amounts of his own capital into the company to cover start-up costs and future growth. Credit Restoration Company will be limited in a home office in Anytown, GA.

The company plans to use its existing contacts and customer base to generate both short and long-term Credit Consulting contracts. Its long-term profitability will rely on professional contracts obtained through strategic alliances, a comprehensive marketing program and a successful referral program.

Initially, the company will focus on credit score enhancement, Credit analysis, one-on-one Credit Consulting. The company has rigorously examined its financial projections and concluded that they are both conservative in profits and generous in expenditures. This was done deliberately to provide for unforeseeable events. The company's principal believes that cash flow projections are realistic.

Highlights



1.1 Company Summary

My Credit Restoration Business, doing business as Credit Restoration Company, is a start-up (business type e.g. sole or corp.) consisting of one principle officer with who is a certified credit consultant and has 2 years in sales, credit score enhancement training and business operations. The company was formed to serve the millions of consumers affected by the credit & housing crunch. Also, with the problems with of errors on 79% of consumers credit reports we will take advantage of this weakness in the credit reporting systems and assist client with credit score enhancements opportunities. Credit Restoration Company will be owned and operated by John Doe. Mr. Doe will be investing significant amounts of his own capital into the company and may also seek a loan to cover start-up costs and future growth.

Credit Restoration Company will be located in a home office in Anytown, GA. The facilities required for workshops will be contracted with professional service firms, community facilities, colleges or universities or contract office facilities.

The company plans to use its existing contacts and the combined customer base of Mr. Doe to generate both short and long-term Credit Consulting contracts. Its long-term profitability will rely on focusing on professional contracts that will be obtained through strategic alliances, a comprehensive marketing program and a successful referral program.

2.0 Services

Credit Restoration Company provides strategic Credit Consulting, credit score enhancement and counseling for small business owners, entrepreneurs and self-employed professionals. The core services that will be offered from day one will be:

Two Year Strategic mindset Program: these quarterly workshops include strategic planning, peer advisory counseling, marketing/sales planning, accountability processes, business planning and work/life balance implementation.

One-on-One Credit Consulting includes ongoing reinforcement to support Strategic Credit Consulting program, credit score enhancement

On Demand Credit Consulting (for time restricted clients) includes but is not limited to, private in home Credit Consulting, affordable and "on-demand," access to Credit Consulting via phone/email.

3.0 Market Analysis Summary

Credit Restoration Company will focus on general populations from ages 25-45 and anyone concerned about their credit. Especially since the credit and housing crunch will bring millions looking at the industry to solve their credit problems.

A study, conducted by the National Association of State Public Interest Research Groups, is the most alarming yet.

It discovered that 79 percent of all credit reports contain some type of error - and 25 percent contain such serious errors that those individuals could be denied credit.

Here are other significant findings:

- 54 percent contained inaccurate personal information such as misspelled names, wrong Social Security numbers, inaccurate birth dates, inaccurate information about a spouse and out of date address. For example, one credit report listed a man's business partner as his spouse.
- 30 percent listed "closed" accounts as "open." For example, listing a student loan that was paid off years ago as still outstanding. Another report listed several credit cards, a mortgage and an auto loan all as open.
- 22 percent of reports had the same mortgage or loan listed twice. This mistake often occurs when loans are serviced or sold.

8 percent of reports simply didn't list major credit, loan, mortgage or other accounts that could be used to demonstrate the creditworthiness of a consumer.

These errors can create the appearance of a consumer having "too much" credit available, being over-extended, or not having been a responsible payer of his or her obligations.

The "big three" credit report bureaus - Equifax, Experian and TransUnion - have been in this business for years, so how can they possibly be making all of these mistakes?

Most mistakes can be pinned to your creditors and others providing info to the credit bureaus. As mentioned above, some mistakes happen when credit accounts change hands. Some errors are intentional. The report found that some banks admit to not furnishing bureaus with complete information on customers.

Other mistakes are simply human error. According to a credit bureau industry spokesman, some 30,000 data processors file 4.5 billion updates to credit reports each month, leaving considerable room for errors.

These errors on credit reports can cause consumers serious trouble. Many consumers probably don't realize just how serious.

It's no secret that banks use your credit report to determine interest rates on loans. The better

your report, the better rate you receive.

More insurance companies examine credit reports to determine what rates you should pay on auto and homeowners insurance. According to the Insurance Information Institute, companies have found that people with poor credit reports tend to file more claims. Thus, it makes sense to charge these folks more for insurance, the companies say. This view is being challenged in some states.

Perhaps the most surprising use of credit reports is by potential employers. In recent months, newspapers have published stories about people not getting jobs after employers examined their credit reports. About 35 percent of companies report using credit reports in pre-employment screening. This number is larger - about 40 percent - among retailers. According to credit bureaus, the other industries that appear the most interested in credit histories include defense chemical, pharmaceutical and financial services.

Because of the reasons above, credit restoration will a booming business for years to come.

4.0 Strategy and Implementation Summary

Emphasize results & speed

We will differentiate ourselves with results. We will establish our services offering the do-it-yourselfers a more efficient way to preserve their time by assisting them with the credit restoration system faster than they could do it themselves.

4.1 Competitive Edge

The most unique benefit that Credit Restoration Company offers to clients is simple know-how. We know what, when and how to dispute items for maximum effectiveness. We will manage and monitor the specific progress of each client to ensure appropriate credit score enhancement.

4.2 Marketing Strategy

Credit Restoration Company plans to reach their target companies by four methods which have been proven to be effective. They are:

Lead Generation Program: Credit Restoration Company will do a direct mailing to 3,000 potential credit challenged customers in the A and B county areas. Interested individuals or couples will reply by mail, email/website or phone. In this industry, an average of 5% of the recipients typically respond.

Free Talks/Networking: These are talks given to local talkshows, churches, and other organizations, etc. It has been industry experience that it is most beneficial to have at least two of these talks per month and attend two networking events per month.

Referrals: Referrals will not be a large part of Credit Restoration Company's business until late in the first year. In the second and third year they should account for as much as 50% of new business.

Other Income Generators: Credit monitoring, Identify Thief service, Credit Reports, Credit & Divorce Consultation, Credit scoring analysis service, Seminars on Credit Education (especially for churches) and custom programs based on credit consulting on an ongoing basis.

4.3 Sales Strategy

Credit Restoration Company will make a significant profit through the delivery of top-of-the-line credit score enhancement services. The company will see profit within the first year due to beneficial word-of-mouth advertising and referral networking. The company expects to double its clientele every six months, for the first 18 months.

Pricing

Credit analysis (two year program) - \$Include your pricing here..

Services Package - \$

Service Package - \$

Service Package - \$

Second year – Prices

One-on-one Credit Consulting - Prices.

Special Projects - Priced as needed

4.4 Milestones

Credit Restoration Company has a big year coming. In order to achieve the sales and marketing goals that have been outline in this business plan, the company has deadlines to meet and ideas to implement. John Doe is accountable for all items. Some of these are outlined below:

- March 1, 2007 is the date Credit Restoration Company must commence operations.
- March 1, 2007 is the date specified to begin the Lead Generation Program (direct marketing) which includes direct mail, email marketing, advertising and phone sales calls.
- February 28, 2007 is the deadline for joining two chamber of commerces (Anytown and Pleasantville), and other networking groups; this is key to the marketing/networking effort. This will be effective immediately after submitting application and membership fee. John Doe will begin scheduling free talks immediately.
- April 15, 2007 is the deadline for....
- Marketing materials. Printing costs are involved in printing brochures, business cards, and developing website. This can't be done until after the photo/logo design work (costing

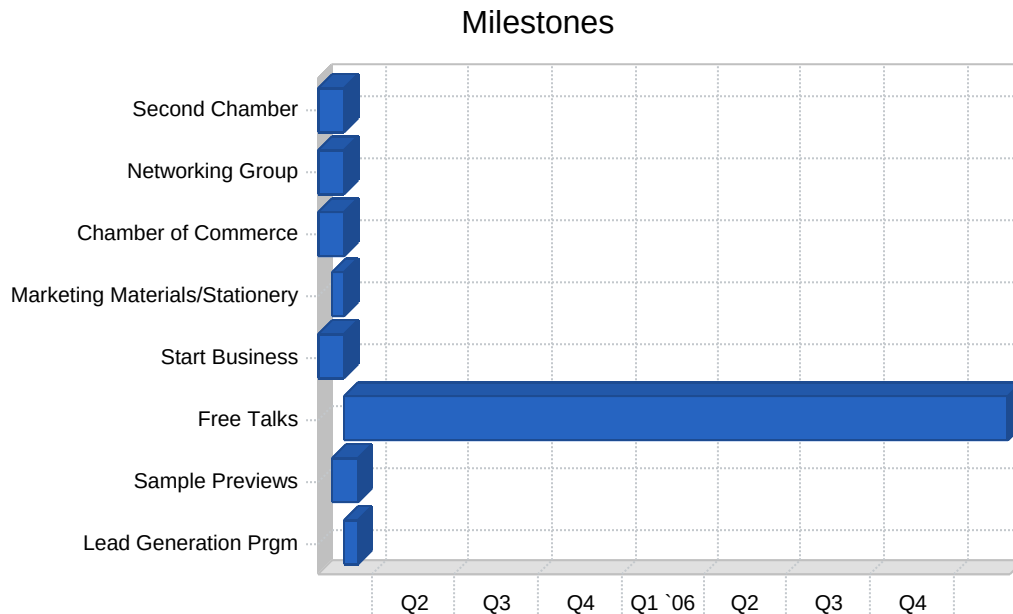
Credit Restoration Business

\$1,000) has been completed.

- February 28, 2007 is deadline for joining the Anytown Chamber of Commerce and a secondary Chamber. Cost is \$195-\$225/year. Benefits include networking, marketing and free talks.
- February 28, 2007 is the deadline to join Local Business Network. Cost is \$360/year. Benefits include networking, marketing and free talks. May also be used to populate first workshops.

Table: Milestones

Milestones					
Milestone	Start Date	End Date	Budget	Manager	Department
Lead Generation Prgm	3/1/2007	3/15/2007	\$1,000	ABC	Marketing
Sample Previews	2/15/2007	3/15/2007	\$300	ABC	Marketing
Free Talks	3/1/2007	3/1/2007	\$50	ABC	Marketing
Start Business	2/1/2007	2/28/2007	\$17,900	ABC	Finance
Marketing Materials/Stationery	2/15/2007	2/28/2007	\$500	ABC	Marketing
Chamber of Commerce	2/1/2007	2/28/2007	\$195	ABC	Marketing
Networking Group	2/1/2007	2/28/2007	\$360	ABC	Marketing
Second Chamber	2/1/2007	2/28/2007	\$200	ABC	Department
Totals			\$20,505		



5.0 Management Summary

The initial management team depends on the founder himself, with little back-up. As we grow, we will take on additional consulting, sales, and marketing help.

6.0 Financial Plan

Our financial plan is based on conservative estimates and assumptions. We will need initial investment to make the financials work, but the owner is prepared to contribute that funding.

We can minimize risk factors by:

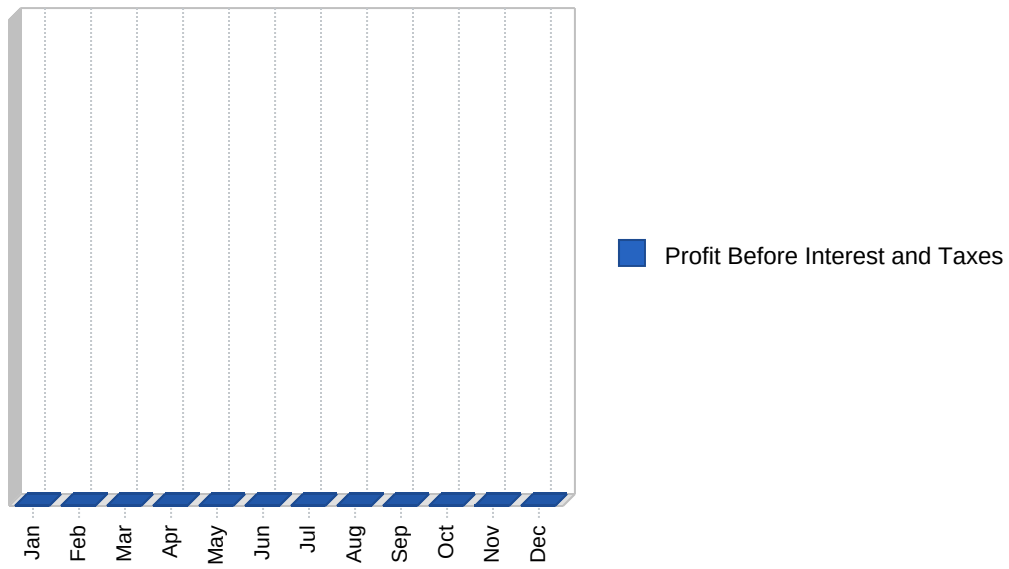
1. Obtaining initial capitalization of the company to sustain operations through year one
2. Maintaining low overhead through the use of shared office space and home-based office through year one
3. Developing a strong customer base through aggressive marketing
4. Creating strong community ties and involvement
5. Eliminating collection costs, by establishing cash/credit/debit card only facilities

Table: Financials

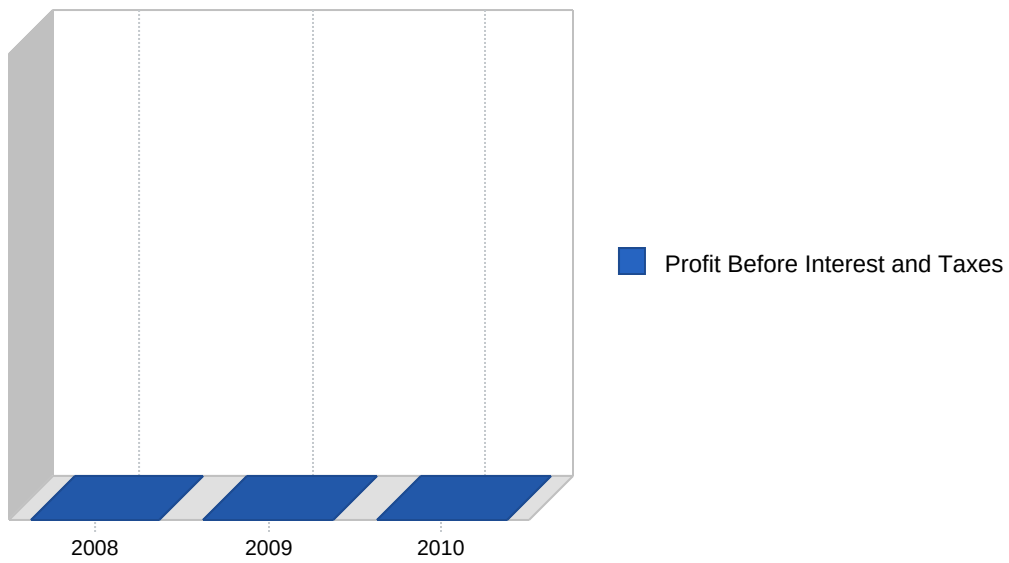
<i>Financials</i>	2007	2009	2010
Beginning Balance			
Opening Balance Cash & Checking	\$0	\$0	\$0
Plus Money Received			
New Investment	\$0	\$0	\$0
New Loans	\$0	\$0	\$0
Sales	\$0	\$0	\$0
Other	\$0	\$0	\$0
Subtotal Money Received	\$0	\$0	\$0
Less Money Spent			
Direct Costs			
Direct Cost of Sales	\$0	\$0	\$0
Other Costs of Sales	\$0	\$0	\$0
Normal Operating Expenses			
Payroll and Payroll Taxes, Benefits, Etc.	\$0	\$0	\$0
Rent and Utilities	\$0	\$0	\$0
Sales and Marketing Expenses	\$0	\$0	\$0
Other Operating Expenses	\$0	\$0	\$0
Other Outflows			
Payments of Taxes	\$0	\$0	\$0
Debt Payments	\$0	\$0	\$0
Purchase of Assets	\$0	\$0	\$0
Other	\$0	\$0	\$0
Subtotal Money Spent	\$0	\$0	\$0
Ending Balance			
Ending Balance Cash and Checking	\$0	\$0	\$0
Profit Before Interest and Taxes			
Sales	\$0	\$0	\$0
Less Cost of Sales	\$0	\$0	\$0
Gross Margin	\$0	\$0	\$0
Less Operating Expenses	\$0	\$0	\$0
Profit Before Interest and Taxes	\$0	\$0	\$0
Net Cash Flow	\$0	\$0	\$0

Credit Restoration Business

Profit Monthly

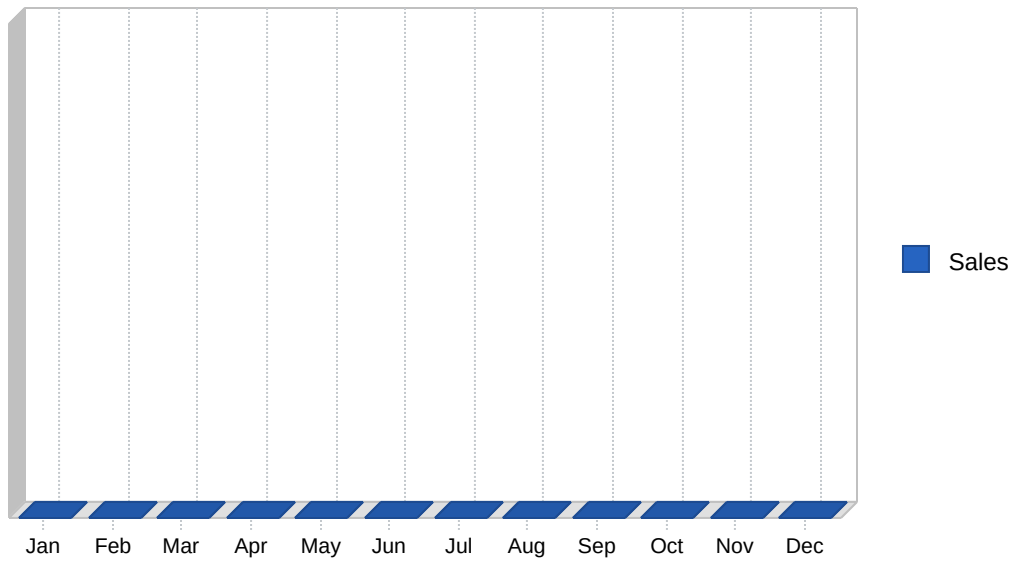


Profit Yearly

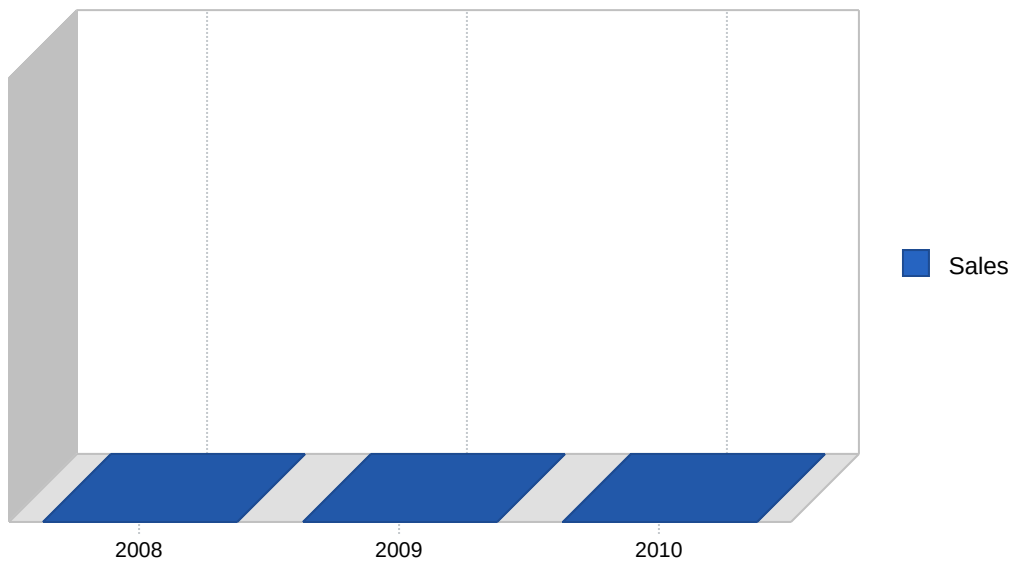


Credit Restoration Business

Sales Monthly

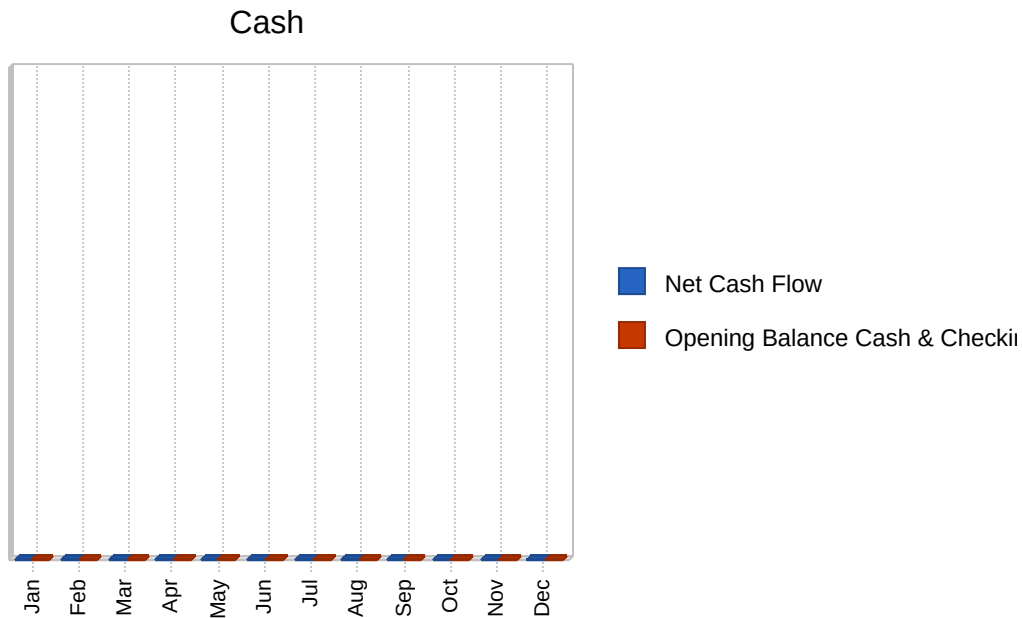


Sales by Year



6.1 Projected Cash Flow

The following table and chart show the Cash Flow for Credit Restoration Company. After the first six months, cash flow should be positive for all months. We expect an initial period of decreasing cash balance, until sales reach mid-year targets.



Appendix

Table: Financials

Financials		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Beginning Balance													
Opening Balance Cash & Checking	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Plus Money Received													
New Investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Loans	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Money Received	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less Money Spent													
Direct Costs													
Direct Cost of Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Costs of Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Normal Operating Expenses													
Payroll and Payroll Taxes, Benefits, Etc.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Rent and Utilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales and Marketing Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Operating Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Outflows													
Payments of Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Debt Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase of Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Money Spent	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Balance													
Ending Balance Cash and Checking	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Profit Before Interest and Taxes													
Sales		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less Cost of Sales		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gross Margin		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less Operating Expenses		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Profit Before Interest and Taxes		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash Flow		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0