

YOUR MONEY

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One of America's Oldest, most trusted Consumer Credit Counseling Agencies.

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The Truth About Credit Reports

The following are answers to the most often asked questions about your credit file.

What is a Credit File and how is it created?

There are about 260 million credit files on individuals Americans. They are a picture of one's credit and debt repayment history. The files are created when an application is made for a credit card or a loan. Information is added to the credit files by merchants who extend credit. Each consumer has about three credit files in his or her name with various credit reporting firms. The most active credit users and seekers may have as many as five or six credit files.



Who Keeps and maintains these credit files?

Credit Reporting agencies and credit bureaus create, maintain and disseminate information, for the benefit of their subscribers—usually retailers, banks, employers, etc.—on individual consumers worldwide. There are three major agencies with offices who report nationwide. They are: Experian, Trans Union, and Equifax. There are also hundreds of smaller credit and/or collection bureaus with reporting services to creditors. In addition, there are other firms known as 'compilers', who merge information from other credit reports into one report and sell it to lenders throughout the United States.

What is a credit rating and where does it come from?

Some credit files are rated as (1) Positive—for good accounts; (2) Negative—for unsatisfactory accounts; and (3) Non-Rated—for new and/or inactive accounts. These ratings are provided to credit bureaus and credit reporting agencies by the lenders, retailers and merchants who extend credit to their customers. Depending on one's credit activity, credit ratings could be updated monthly.

How long can information such as Bankruptcy or other negative items appear on files and exactly when does the time begin running?

A negative item can remain on a credit file for up to 7 years—a bankruptcy, up to 10 years. The clock starts running from the date of the last regularly scheduled payment that was made before the account became delinquent, unless the creditor later took action on the account, such as charging it off, or obtaining a judgment for the amount due. If such action is taken, then the 7 years runs from the date of that event.

Who may gain access to my credit files?

Subscribers, (lenders, car dealers, etc.) of the various credit reporting agencies have access, but are only supposed to look at your individual file with your written permission—usually given when signing credit, loan and check cashing applications or life insurance and employment applications.

What if there are accounts reported negative, can they be removed?

The law says that if negative comments are correct, they may remain on your file for up to 7 years from the date they first appear. A Bankruptcy is the only exception, it may remain for up to 10 years. Credit Inquiries may remain for up to 2 years. Too many credit inquiries could preclude you from obtaining needed credit in the future, so resist collecting credit cards. Incorrect and/or unverifiable data you have disputed, must be removed according to the Fair Credit Reporting Act.

How can errors and omissions be handled?

The mechanism established by the Fair Credit Reporting Act is for you to correspond directly with the credit reporting agency about errors or needed changes in your file. All correspondence must be in writing. Call us if you would like us to provide you with examples of letters that you can send to a credit bureau regarding errors/omissions to your file. Any information, including negative accounts, etc. in your file can be investigated and verified. If verification is not done within a reasonable time period (usually 30-45 days) the negative accounts may be removed by reason of default. If the investigation reveals an error, your file will be corrected. Be sure to ask for a copy of the corrected file when you write requesting changes.

If a negative item cannot be removed, am I stuck with bad credit?

It's possible. One right the law provides, that enough customers don't take advantage of, is the "100 word consumer statement." This is your opportunity to tell your side of the story about a particular negative account. These statements sometimes positively influence credit decisions.

What about credit repair companies? Many promise, and will even offer a guarantee in writing, of their ability to get negative accounts removed.

Steer clear of so called "Credit Doctors" or repair agencies. Most of these companies do exactly what you can do on your own, but charge excessively high fees, usually \$300-\$500. In addition, complaints from consumers nationwide who use credit repair firms, say the negative items removed, began to reappear on their credit files.

What low-cost help is available?

Many states have an office for a Commissioner for Consumer Affairs. They are a good resource center in addition to assisting consumers. There are agencies of the federal government with consumer affairs sections to deal with credit reporting. The one stop on the internet that we recommend is: www.firstgov.gov and www.consumer.gov. Both of these sites offer help to the consumer with regards to consumer credit and fraud difficulties.

15 steps to reduce your debt burden

1. Begin Immediately. (getting started can be the biggest obstacle)
- 2.
3. Make up a written plan of action.
- 4.
5. Don't take on any new debt, especially a consolidation loan.
- 6.
7. Close credit card accounts by returning charge cards to issuers.
8. Maintain written accounting of all income and outgo, especially cash.
9. Begin collecting receipts to raise awareness.
10. Closely examine all expenses looking for ways to decrease spending and to increase value.
11. Put all extra income towards paying off debts.
12. Start doing things yourself and do not pay for services.
13. Make all necessary sacrifices to eliminate debt.
14. Sell items that are losing value, especially those with debt owing.
15. Make getting out of debt a family affair.
16. Contact creditors in writing to keep them informed and if necessary get temporary reductions in payments.
17. Utilize cents-off coupons wherever possible. Send in for rebates.
18. Review spending practices and habits, begin comparison shopping, etc.

