

Credit Like Gold



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CREDIT LIKE GOLD

“How to Master Your Own Shipwrecked Credit”

“Lord, give me the courage to change the things which can and ought to be changed, the serenity to accept the things which cannot be changed, and the wisdom to know the difference.” (Alcoholics Anonymous prayer)

What Is Credit?

Archimedes, the Greek mathematician and physicist, once calculated the value of credit in relationship to leverage. It is said that he once boasted that if he had a lever long enough and a place to stand, he alone could lift the world.

Credit is much like that lever. When I purchased my first rental home at the age of 18, back in 1972, I was amazed at what I had accomplished with a mere \$1,500.00 down payment. Credit may grant you the ability and privileges to leverage your financial strength using Other People’s Money, or strip you of the ability to become wealthy when used unwisely. In fact, poor credit can rob you of your monthly income and contribute to devastating problems you never imagined possible.

Credit could be defined as your reputation for paying bills on time, which makes it possible for you to attain money, goods, services or property with the understanding that you will pay for them later, under prescribed conditions. Credit isn’t a mystery. Now, more than ever, you need good credit if you are ever going to become totally “Debt Free”, amass a fortune, save hard-earned money, or just enjoy some of life’s many available comforts, without having massive payments heaped on top.

When you apply for credit, the lender will undoubtedly check your credit history. The information in your credit file helps lenders determine the credit amount and interest rate for which you are eligible. The better your credit history, the more likely you are to qualify for the best credit deals. Creditors always look for signs that show the potential risk of the prospective borrower. A person who consistently pays his or her bills on time gets preferred treatment. That doesn’t mean that the rest of the population is unable to get credit; they just don’t get favorable terms.

You may say, as some of my clients, “If I have to have good credit, I might as well keep renting a house”. Many individuals have given up on home ownership, nice cars, or other opportunities because of past credit challenges. Some say, “It’s not worth trying”, or “I have to wait for ten years until my bankruptcy falls off my credit report”.

Don’t roll over and quit! There are opportunities to clean up much of a bad credit report, even if some of the derogatory credit was justified at the time. I see far too many people paying excessively high interest rates for homes, cars and credit cards, when, with a little effort, they could enjoy most or all of the benefits available to their peers. Don’t let past credit challenges stand in your way of a happier, more successful life. The benefits of great credit far out-weigh any effort, inconvenience, and sometimes cost, the process may take.

Your Reply Is Required:

In order to more fully appreciate where you stand regarding your credit history and the possibilities available to you, complete the following questionnaire. Write “Yes” or “No” in the margin next to each question.

1. Do you worry about your bills?
2. Do you see your credit card balances going down (yes), or does it seem as though they never drop (no)?
3. Have you ever found yourself saying, “I’m going to start paying off my bills and become financially independent one of these days”, but one of these days never comes?
4. Are you ever more than 30 days late making a monthly payment?
5. Do you have any collection accounts, charge offs, judgments or tax liens showing on your credit report?
6. Have you experienced a bankruptcy in the last 10 years?
7. Have you ever lost a home through foreclosure?

8. Would you like to be debt-free within the next 5 to 10 years, including your home mortgage?
9. Have you reviewed your credit report within the last 90 days?
10. Are you aware that the average American could be a millionaire well before age 65 if certain money management principles were used?

Answers:

Give yourself 1 point if you answered “YES” to questions 1, 2, 3, and 4.
Give yourself 2 points if you answered “YES” to questions 5, 6, 7 and 9.
Give yourself 2 points if you answered “NO” to questions 2, 9, and 10.

Less than 5 points: This book may not be for you. Share it with a friend.
5-10 points: Keep reading. There are many helpful ideas ahead.
Over 10 points: What are you waiting for? This IS your opportunity. “One of these days” is TODAY! DON’T DELAY...ACT NOW!

The Cost Of Bad Credit:

The best way to develop sterling credit is to always pay your bills on time, and to keep your debt load at very manageable levels. I know that’s a lot easier said than done. Unexpected emergencies, medical problems, loss of employment, children, and a host of other valid situations all seem to rob us of our best intentions.

Studies show that in the year 2001, Americans spent more than 102% of their earnings. The average consumer has four credit cards and revolving debt totaling \$15,600. That doesn’t even take into account auto loans, personal loans, or student loans. I don’t know about you, but this isn’t the group with whom I care to be lumped. There’s no security associated with this group. The very first emergency or financial setback sends many of our fellow Americans running to file for bankruptcy. Stress increases, family relationships are strained, and unhappiness reigns, all because of the inability to manage that nasty little four-letter word, “debt”.

If you have bruised credit, consider what it may be costing you. Chances are it is stripping you of your wealth, without you realizing it. Take a look at the following example and grade yourself:

Example 1: Credit Cards (Revolving Debt)

Let's assume that you are atypical, and have four credit cards totaling \$15,600 charged against them. Take a look at what they could be costing you.

<u>Credit Status:</u>	<u>Excellent</u>	<u>Bruised</u>	<u>Badly Damaged</u>
Interest Rate:	8%	21%	26% (if available)
Annual Interest Charged:	\$1,248	\$3,276	\$4,056
Annual Fees & Costs:	<u>0</u>	<u>\$ 200</u>	<u>\$ 300</u>
Total Annual Cost:	<u>\$1,248</u>	<u>\$3,476</u>	<u>\$4,356</u>
Cost Over 5 Years:	\$6,240	\$17,380	\$21,780

Can you use an extra \$15,540? That's the difference between excellent credit and damaged credit over five years. Now if that's not enough to make you really squirm, I don't know what will. Those who can least afford to pay all of the extra penalties are the ones that are forced to cough it up! What's more, those credit cards are actually designed to cause you to pay on them for 21 to 43 years, without ever adding another charge to them. That's right, if you never charge another thing, and make only the minimum payment due, on average, it will take you over 30 years to pay off those four credit cards.

Example 2: Auto Financing

Most consumers are able to secure some kind of auto financing. The problem, they may have to pay extraordinarily high rates of interest. How much of your hard-earned cash are you kissing good-bye to due to your credit history? The following illustration assumes a \$20,000 auto loan amortized over 60 months.

<u>Credit Status</u>	<u>Rate</u>	<u>Payment</u>	<u>Grand Total</u>
Excellent	4%	\$367.11	\$22,026.41
Bruised	15%	\$469.93	\$28,195.47
Badly damaged	26%	\$586.11	\$35,166.62

With this example, you are only flushing \$13,140 down a black hole. Ever wonder where all your money was going? Or why the family next door always seemed to have the cash available to take fun family vacations? It's not hard to figure out where your financial priorities need to begin, is it?

Example 3: Home Mortgage

Finally, take a look at the coveted home mortgage. After all, home ownership continues to be the "American Dream" of most individuals. With this illustration, we will assume a loan amount of \$180,000 amortized over 30 years. Since the national average for the life of a loan has been about five years, we'll consider that time frame.

<u>Credit Status</u>	<u>Rate</u>	<u>Payment</u>	<u>Total After 5 Yrs.</u>
Excellent	5.875%	\$1,064.77	\$63,886.08
Bruised	7.300%	\$1,234.03	\$74,041.66
Badly damaged	9.000%	\$1,448.32	\$86,899.24

Another \$23,013 is lost because of credit problems milking this individual's income dry. Would this person be better off not purchasing their own home? No, probably not. The tax advantages and property value appreciation warrants home ownership in most situations.

As is obvious, the things you did not pay for (charged off accounts), or the late payments made on revolving and installment accounts, are costing you big bucks! You pay by being turned down for things you would like to buy on credit or by paying higher interest rates. Combining the three examples together, over a five-year period of time, the person with badly damaged credit loses \$51,693. That's \$10,339 each of those five years! Have you ever received a \$10,000 pay increase at work? Now you can give it to yourself. Assuming your credit is only bruised, the cost of not cleaning up that credit report totals \$27,465. That's a whopping \$5,493 a year. Who wouldn't want to have an extra \$458 each month to put into savings, invest, use for an extra special family vacation, to buy a new car, or whatever it is you like?

Once again, the cost, time and inconvenience of credit repair is only a drop in the bucket when compared to the cost of leaving your credit to chance. You can repair bad credit! You must do it and keep it that way.

Remember, always use credit wisely and not more of it than you can handle under conservative conditions. I have found the following to be timelessly true: “Interest never sleeps nor sickens nor dies; it never goes to the hospital; it works on Sundays and holidays; it never takes a vacation; it never visits nor travels; it takes no pleasure; it is never laid off work nor discharged from employment; it never works on reduced hours; it never has short crops nor droughts; it never pays taxes; it buys no food; it wears no clothes; it is un-housed and without home and so has no repairs, no replacements, no shingling, plumbing, painting, or whitewashing; it has neither wife, children, father, mother, nor kinfolk to watch over and care for; it has no expense of living; it has neither weddings nor births nor deaths; it has no love, no sympathy; it is as hard and soulless as a granite cliff. Once in debt, interest is your companion every minute of the day and night; you cannot shun it or slip away from it; you cannot dismiss it; it yields neither to entreaties, demands, or orders; and whenever you get in its way or cross its course or fail to meet its demands, it crushes you.” (J. Reuben Clark, Jr.)

Take a look at what can happen when you use credit to your advantage.

Good Credit Allows You To Become Wealthy

Imagine your local banker calling and inviting you to a very special event tomorrow morning at 5:00 a.m. They are going to open up the money vault to all of their preferred customers. You may go in, one at a time, grab as much money as you can, and keep it! This will go on until the money in the vault is all gone. Where would you like to be in the line? How early in the morning would you arrive to insure a favorable position in that line? Would you juggle other commitments to make sure you were there, or would you say, “I can’t make it”?

In essence, that is exactly the position good credit allows you to enjoy. Allow me to illustrate, once again. Suppose you were able to correct past credit problems and you now had that extra \$10,339 each year, for five years starting at the end of the first year, to do whatever you wished. Let’s also assume that you invest that money and are able to get a 10% return (this is an achievable goal if you will do your

homework and continue your education). The most critical issue here is: Don't spend your new money on depreciating assets! A depreciating asset includes things like cars, furniture, toys for the boys, entertainment, and so forth. Save or invest all of it until it grows up and becomes a big pot of gold for you. Then, if you take from the pot later on, it won't have devastating results on your capital growth plan.

Look at what happens to your \$10,339 over five years:

Year:	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
Savings:	\$10,339	\$11,373	\$23,883	\$37,644	\$52,782
+ New Year:		+10,339	+10,339	+10,339	+10,339
+10% Return:	+ 1,034	+ 2,171	+ 3,422	+ 4,798	+ 6,312
End of Year:	\$11,373	\$23,883	\$37,644	\$52,782	\$69,433

Now watch that \$69,433 grow at a 10% return without adding any more money to it:

Year	Value	Year	Value
6	\$ 69,433	14	\$148,836
7	\$ 76,376	15	\$163,719
8	\$ 84,014	16	\$180,091
9	\$ 92,415	17	\$198,100
10	\$101,657	18	\$217,910
11	\$111,823	19	\$239,702
12	\$123,005	20	\$263,672
13	\$135,305	21	\$290,039

Starting to get pretty exciting isn't it! Can you imagine what your balance would be if you kept on adding \$10,339 to your pot of gold each year? And that's just at a 10% annualized rate of return.

You've just witnessed the great power of good credit. You didn't have to spend one dime more out of your pocket. You merely saved the cash that poor credit was costing you, and then you re-invested it each year. Remember, the bank vault of credit repair is wide open. Fix it, invest it, and watch it grow, but do not steal from your pot of gold until it is filled and overflowing.

“Wealth is when small efforts produce big results.
Poverty is when big efforts produce small results.”
(Robert Allen)

How Can I Establish—or Rebuild, Good Credit?

If you do not have a well-established credit history, now is the time to begin to build one. Good credit doesn't just happen overnight, however, the initial process need not take longer than a few months. An excellent credit history is a systematic, step-by-step process that takes time and effort. The most important part of your credit report, that a lender looks at, is your credit scores. One good account can give you the scores needed to qualify for most forms of quality credit. However, three open accounts with a 24+ month history will ensure your success.

The trick is to get started now. Start small. Don't move too fast, or that will be interpreted as a negative by credit grantors. If it looks like you are desperate, or are on a spending spree that will plunge you in over your head, you will get turned down for a lot of credit and have several derogatory inquiries on your report as a result.

Before applying for credit, make sure the credit grantor reports credit results and history to one of the three national credit bureaus. If you find that your credit history is not being reported, you can request that it be added to your file. It would be best to contact the creditor, as well as the national credit bureaus, in writing when making this request. A sample letter is included at the end of this report, along with addresses of the three national credit bureaus.

- If you do not have established credit of any kind, a good place to start is with a **student loan**. Interest rates are low, and repayment programs favor the borrower. Most students are able to obtain this loan unless they already have derogatory credit history. The trap many fall into is the repayment blues. Student loans are often the most favorable as far as a repayment plan, but because monthly payments are usually deferred until one year after graduation, and they take so many years afterwards to pay off, many students end up in default. It is a very good way to start building your credit history. Just be sure not to fall prey to the repayment blues.

- The next place to consider is a “low risk credit card”. One of the best low risk cards is a **gas card**. They are relatively easy to get, and can help you start building credit quickly. Remember, you are building a credit file. You want a gas credit card from one of the giants such as Mobil, Exxon, or Chevron. I’m certainly not recommending any particular brand of gas, only that you get the credit card and use it once in a while. They will usually allow a small credit limit, thus you are not able to charge an excessive amount on that card. Be sure to pay it off every month. The smaller, regional gas stations normally don’t report to the credit bureaus unless you are late making a payment. Stay away from those.
- Consider one of the many unsecured credit card offers so prevalent today. Try to stay away from those with annual fees, and don’t get more than two or three cards. If you do get credit cards, use them sparingly, never charging more than 1/3 of the available credit limit, and **pay them off in full every month!**
- If you have had credit difficulties in the past, you may have to re-establish your credit through a **secured credit card**. Secured cards usually require you to make a deposit in advance, into a savings account controlled by the credit grantor. When you make a charge against the account it is secured by your advance deposit. You normally are not permitted to charge more than the amount of your savings deposit; however, some are now extending credit above your initial deposit. You in essence are borrowing, or charging against, your own money that you already deposited, but this is an effective way to start re-establishing your good credit. Secured credit cards have annual fees, high interest rates and hefty penalties for late payments.
- **Department stores** are good places to establish credit. Start with a store like Target, Sears, Mervyns, and JC Penney. The higher end department stores like Nordstrom or The Macy's often have higher credit standards, and require prior history before issuing you a line of credit. Once again, only use these cards if you have the money to pay them off when the bill comes.
- **Auto loans** are an excellent source of credit history. Unfortunately, if you’ve never had credit before, or are a high credit risk, you will be paying 25% interest or more to get one of these loans. Start with a reliable, low priced car. One that allows for low monthly payments, and pay it off as quickly as possible.

- **The premier line of credit is that of your home loan.** This one loan, and your subsequent perfect payment history, can do more for your credit standing than any other source of credit. You don't have to have prior credit established to get a home loan, but it certainly helps. If you do not have prior credit history that has been reported to the credit bureaus, your lender may have to look for a 12 month history of utility bill payments, insurance payments, or other outside sources to show your ability and willingness to make timely mortgage payments.
- Some banks or credit unions will allow you to borrow against a Certificate of Deposit (CD) or some other form of security. Ask your bank if you deposited \$2,000.00 (or whatever amount you can come up with) in a secure account with them, if they would make you a loan secured by your money. By depositing your own money, you show good faith and the ability to save. Ask for a personal loan for the same amount as your deposit, and then make regular monthly payments. You can establish or re-establish credit fairly quickly by using this method. Just make sure the bank agrees to report your payment history to the credit bureaus.
- Finally, if all else fails, get help from a friend or relative. **Have someone co-sign with you** on a loan or credit card. This is one of the fastest ways to begin establishing a positive credit history. I like this method least of all because one slip-up on your part can have devastating consequences to the co-signor's credit. As far as the credit grantor is concerned, the debt belongs to both of you. The monthly payments go against the co-signor's credit and borrowing ability as well as yours, so as soon as your credit is on the right path, pay that loan off and get the co-signer off.

I have long been inspired by the words of the song **"The Impossible Dream"**:

*To dream the impossible dream,
 To fight the unbeatable foe,
 To bear with unbearable sorrow,
 To run where the brave dare not go;
 To right the un-rightable wrong,
 To love pure and chaste from afar,
 To try, when your arms are too weary,
 To reach the unreachable star –*

*This is my quest, to follow that star,
No matter how hopeless, no matter how far,
To fight for the right, without question or pause,
To be willing to march into hell for a heavenly cause!
And I know, if I'll only be true to this glorious quest,
That my heart will lie peaceful and calm when I'm
laid to my rest!*

*And the world will be better for this,
That one man, scorned and covered with scars,
Still strove, with his last ounce of courage,
To reach the unreachable star!*

■ lyrics by Joe Darion

The hero, Don Quixote, set out on his quest as an old man, but he pursued his goal with the energy of a much younger man. What gave him such energy? How was he able to stay so focused about his quest? One thing that made the difference was his commitment to succeed. He believed with all his heart that he could make a difference.

How strongly do you feel about your financial goals? Are you fully committed to do all you can do to have sterling credit? Do you believe that you can do it? If not, you are wrong. Many, many people have been in the same situation as you, and have been able to improve their credit and financial position as a result of their determination.

Never quit! Get help if you need, but believe that it can be done and go for the gold.

CREDIT BUREAUS

If you have ever applied for a credit card, personal loan, insurance, or even a job, there's a file about you. This file contains information on where you work and live, how you pay your bills, and whether you've been sued, arrested, or filed for bankruptcy.

Companies that gather and sell this information are called Consumer Reporting Agencies (CRAs). The most common type of CRA is the Credit Bureau. The information credit bureaus sell to creditors, employers, insurers, and other businesses, is called a consumer report.

A credit bureau or credit reporting agency is a private, for profit company. I once read that one of the credit bureaus earned net income of \$250.00 ever two seconds. These companies are in the business of receiving, collecting, organizing and selling historical information on nearly every adult in America. They collect information about payment habits, the frequency and use of credit, the amount of credit used and available, and residential and employment histories. A credit bureau does not make credit decisions. That is left for your lender or creditor to analyze.

When you apply for new credit, the credit bureau provides the potential credit grantor all of the information available in your credit file. Of course, this is provided for a fee. In turn, most lending institutions report your history back to the credit bureau. For doing so, the lender not only protects itself from bad risk customers, but usually gets a discount for the credit histories it requests from the bureau in return.

HOW MANY CREDIT BUREAUS ARE THERE?

Although there are hundreds of credit agencies throughout the United States, there are only three national credit bureaus in the country: Equifax, Experian (formerly known as TRW), and Trans Union. All of the other smaller companies get their information from one or more of the “Big Three”. Whenever you get a credit report from other than these three, you should always ask where they get their information. That way you will know whom to contact in case of discrepancies and disputes.

WARNING: A great mistake that many consumers make is to assume that each of the three major credit bureaus have the same information. That is not true! Each gathers and processes information independent of the other. Each has its own separate business accounts from which they gather your personal, financial and credit information. A smaller lender, collection company, or government agency may only report to one bureau, whereas the larger companies often send your history to all three of the national bureaus.

Never assume that because one report is in good shape, the others are as well. It is highly recommended that you monitor all three reports on a regular basis. Each of the national credit bureaus is equally important. In fact, each will provide your lender with a credit score summarizing your stability in numeric fashion. A mortgage lender will usually use the middle score in determining the type of loan for which you qualify.

WHO REPORTS MY CREDIT INFORMATION?

There is a group of Automatic Subscribers that report information monthly, quarterly or annually, depending upon their contract administration. This is the number one resource for information obtained by credit bureaus. These same Automatic Subscribers are the most likely to check your credit before granting you a line of credit. They include:

- Mortgage Companies
- Major Banks; loan departments for auto loans, credit cards, personal loans, etc.
- Credit Unions
- Major Department Stores
- Travel & Entertainment Companies
- Finance Companies; auto loans, home improvements, etc.
- Credit Card Issuers
- Student Loan Grantors
- Collection Agencies
- Some Landlords/Leasing Companies

In addition, credit bureaus may collect information from county records. Anything that is recorded at the county recorders office is public record. These records could include bankruptcy filings, tax liens, general liens of any kind, judgments, garnishments, and even DSHS obligations.

WHO DOES NOT REPORT?

Limited Subscribers are those that may inquire into someone's credit history, but normally do not report consumer payment histories to the credit bureaus. There has been some push to include these records, but the likelihood of that happening anytime

soon is remote. Those who usually do not report information to the credit bureaus are:

- Utility Companies
- Phone Companies
- Banks; savings or checking account information
- Insurance Companies
- Smaller Leasing Agencies
- Private Landlords
- Medical Payment Plans – unless turned over to collection
- Low Budget Installment Purchases from Smaller Companies

HOW TO CONTACT THE BUREAUS?

The three major national credit bureaus are:

- | | |
|--|--|
| <ul style="list-style-type: none">• Equifax
P.O. Box 740241
Atlanta, GA 30374-0241
(800) 685-1111
www.credit.equifax.com | To dispute data in your report:
P.O. Box 740256
Atlanta, GA 30374-0256
(800) 216-1035 |
| <ul style="list-style-type: none">• Experian (formerly TRW)
P.O. Box 2104
Allen, TX 75013
(888) 397-3742
www.experian.com | To dispute data in your report:
P.O. Box 2106
Allen, TX 75013
(800) 422-4879 |
| <ul style="list-style-type: none">• Trans Union
P.O. Box 1000
Chester, PA 19022
(800) 888-4213
www.transunion.com | To dispute data in your report:
P.O. Box 34012
Fullerton, CA 92363
(800) 916-8800 |

DISPUTING ERRONEOUS CREDIT

This section may be the most important part of the whole report! This is where you learn how to get rid of derogatory information from your credit file. Unfortunately, more than 60% of all credit reports have some incorrect information. Even those with justifiable derogatory credit can be cleaned up substantially. The key is to take action and to do something now... Today!

First, a word of warning: If you do have poor credit, don't try to clean up everything at one time. This is a step-by-step process that could take time if you have a lot of negative credit history. If you do challenge more than just a few items at a time, you will get a letter back from the credit bureau that, in essence says, your report is correct "as is". Don't be over anxious.

Disputing is the most effective way to get action quickly. Many people try to get satisfaction by going directly to the past creditor or collection company handling the account. I have found that this is hit-or-miss at best. The collection companies and creditors may correct an account, but they do not always report it to the credit bureaus. Or, if they report the change, it is often not to all three of the national bureaus, thus it will still show on your credit report.

When disputing a credit account, go directly to the credit bureau(s) reporting the account. They won't talk to you over the phone, so don't waste your time trying to get through to them. Write them a letter, or dispute your file online, at their web site. If you have proof that an account is paid or never was yours, send that along with your dispute letter.

The credit bureaus are bound by law to remove items that cannot be verified within 30 days.

As soon as you have your credit reports in front of you, begin the tedious process of reviewing each item. Look for any possible errors of any kind. If there is even the slightest doubt as to the accuracy of an item, or any information reported regarding that account, DISPUTE IT! Remember, you are not required to prove anything... they are. If the credit bureau is unable to verify the accuracy of their information within 30 days, they must, by law, remove it. You will be amazed at how much bad credit can be legally erased when you follow this method.

If you have tried, and fail to get the results you desire, wait a few months and try again. Each time you send a dispute letter, your chances of success increase. Force them to check for accuracy by challenging everything that you are uncomfortable with in your credit file.

The best time to begin this process is right now. Don't wait another day. The best way to begin this process is as follows:

- 1) Make photocopies of each of your three reports (TransUnion, Equifax, Experian), and clearly number each account you will be disputing on your report. Once again, it is best to not challenge more than three to five items at a time. Once you receive a response back from your first letter, you can send the next one.
- 2) Go through with a Hi-Liter and mark all discrepancies for each account you have numbered.
- 3) Type your letter as shown in the sample provided. Your letter will have a simple opening statement followed by a numbered list that corresponds to the accounts numbered on your credit report. This list will contain the items you are requesting to be changed, updated, or deleted.
- 4) Send your letter and your hi-lighted original credit report directly to the dispute division of the corresponding credit bureau. Your letter should be on top of your report. Certified mail is recommended, but not required.
- 5) Repeat this procedure for each credit report and each time you submit a new dispute letter. Credit information is considered outdated after 60 days. That is the time to submit a new dispute.

Before I share a sample dispute letter, I would like to make a few other suggestions. **First, be courteous!** The people handling your request are good people. They didn't cause you the grief you are experiencing. If you have a good, positive attitude, you are much more likely to get their cooperation. **Second, be professional!** Do not hand-write your letter. Make sure that your credit report is not all marked up. Make it look neat and clean. Show that you really do know what you

are talking about. **Third, be honest!** Yes, it is true that you can challenge anything on your credit report. My suggestion is that you find those items, no matter how small, that have incorrect information, or that you think should be out of your credit file, and work on those.

What Should You Dispute?

- All erroneous items on your report!
- Any information that does not belong to you, or that you don't think is yours
- The account amount or outstanding balance, if incorrect
- Dates are often reported incorrectly. Dispute date of last activity, date opened, date closed, highest amount owed, date of last late payment.
- Challenge the number of days that a payment is reported as being late (30, 60, 90 days).
- Check the spelling of your name, addresses, and employers
- If you disagree with any aspect of a bankruptcy, tax lien, judgment, collection account, foreclosure, or repossession; dispute it.
- If you have no knowledge that a collection agency handled your account, you are entitled to challenge that.
- Duplicate accounts; the same change is often listed more than once on your credit report. Get it off!

There are many other possible scenarios, but this gives you a good start of what to look for on your credit report. Remember to get a copy of your report from each of the three national bureaus.

Sample Dispute Phrases:

Here are a few sample phrases that you might find handy. Put them in your own words, and personalize them to your situation. Be creative, and don't let your letter look like a canned approach. Remember, if they think you are pulling a fast one, they will not change a thing.

- I have never had a tax lien in the amount of \$_____. Please remove this record from my credit file.

- This account was paid off _____ years ago. Please update your file or remove it from my credit report.
- Account #_____ with (name of creditor) is erroneous. I have never had an account with that number with (name of creditor). Please remove this account entirely.
- Account #_____ indicates a 120 day late payment. This was a student loan, deferred while I was in school. No payments were due. Please remove all derogatory information.
- This account was paid off in full, in a timely manner, and closed at my request. Please update your information and remove the 30 day late payment from my record.
- Account #_____ with Sears is incorrect. This account does not belong to me. Verification of signed documentation will confirm this. Please remove this account and it's inaccuracies at once.
- Account #_____ has never been paid late. I verified this with (name of creditor). The payment was posted on the 29th of the month. Please delete the late payment immediately.
- Account #_____ with (name of creditor) is incorrect and must be removed. I contacted (name of creditor) and confirmed that this is not my account.
- This account on my credit report is incorrect and unsubstantiated. Please verify and remove it as soon as possible.
- This judgment is not correct and does not apply to me. I was released of all responsibility for this matter. It should never have been reported on my credit report. Please remove this at once.
- Account #_____ with xyz hospital is not mine. I have never received medical services from them. I have no knowledge of any service from them. Please remove this item from my credit report.
- I have never had an account with (name of creditor), nor have I ever lived at the address they list on their records. Please remove this account at once.
- I have never applied for credit with (name of company), nor have I ever lived in (location). Please remove this inquiry as soon as possible.
- This bankruptcy listed on my credit report is not mine. I never filed bankruptcy on this date or for this amount. Please remove this immediately.
- The lien listed on my credit report filed (date) in (location) is not at all accurate and is completely erroneous. Please remove this item at once.

- I have never had a home foreclosure. The information listed here is totally wrong and unsubstantiated. Please remove this very bad information immediately!
- Account #_____ with (name of company) is erroneous. I never consented to any type of ambulance service. This information is not at all accurate. Please remove this account from my credit report.
- This has been paid in full. It is reported incorrectly. Please delete it from my credit file.
- As shown by the attached letter, this account has been paid in full. The account was opened many years ago and closed on (date). The date and the amount being reported is wrong. Please remove it or have it corrected.
- The dates are grossly erroneous and the amounts are wrong. It was paid in full on (date). Please delete this from my credit report or correct the information immediately.
- We have paid this account in full. It is the same as (name of creditor) on page x of my credit report. Please delete it at once.
- This company has reported this information incorrectly. I never opened an account with them on (date). Additionally, the balance owed is a 0 balance. Please delete this from my credit file at once.

As you can see, there are a myriad of different responses possible for each account on your credit report. **It is within your legal rights to dispute any information on your credit report** and to have it verified by the credit bureau handling your records. Even if the account or item belongs to you, but you suspect a flaw in the accuracy of the item reported, you can legitimately request that they check into it. This request forces the credit bureau to prove the accuracy of their report. If they have been unable to verify their information within 30 days, they must remove by law. If the information is not verified, for whatever reason; a computer breaks down, the collection company no longer has records of the account, a lost file, nobody available to verify information, and so forth... it comes off!

Sample Dispute Letter

The following page will give you an idea of how to structure your letter. If you omit any part of what is required, the credit bureau will reject your request. Make sure you include all of the personal information indicated in the letter.

Date

Name of Credit Bureau (Experian, Equifax, TransUnion)

Address

Address

RE: CORRECTION OF ERRONEOUS DATA

To Whom It May Concern:

I have recently been denied credit, and subsequently have thoroughly reviewed each credit account on my report. I have found several items that have been reported erroneously. Listed below is an explanation of each of the incorrect accounts, numbered to correspond with the attached credit report. I would greatly appreciate your assistance in clearing up this incorrect information as soon as possible. Restoring my credit integrity is very important to me.

Here is my personal information:

Full Name:

Address:

Previous Address (If at current address less than 2 years):

Social Security #:

Date of Birth:

Current Employer: (optional)

Items disputed:

(These are the items you have hi-lighted and numbered on your personal credit report. Make this section easy to follow and relate it back to the credit report. Remember to be sincere and thorough. I would suggest not listing more than five items at a time, starting with those accounts which will affect your credit report most.)

Thank you for your assistance and consideration.

Sincerely,

Your Name Here (Be sure to sign the letter above your name)

Success is achieved and sustained by those who keep trying. You can change your life and your world. Now is the time... Do it Now!

AS AN ADDED BONUS

**Take a look at some of our Special Loan Programs that we can tailor to meet your needs:

- **If you have great income and credit but don't have enough money for down payment or closing...**

Ask about our 103% loan where you put ZERO down and we will lend you 3% of your closing costs.

- **If you are self-employed or paid in cash and don't want to provide pounds of paperwork...**

Ask about our 5% no-questions asked program, or our Zero down – self employed loan programs.

- **If you have had a bankruptcy or other credit issue...**

Ask about our programs with zero or very little money down, and low rates even if you have had a bankruptcy or other credit issue.

- **If you want the lowest payments and best home...**

*Ask us about our Interest First financing
You'll be amazed at the possibilities!*

Please call **253-854-5000** now to schedule your free 1 hour consultation.

Sincerely,

Dennis Tyler

President

Mortgage Master Service Corporation dba.

Capital Financial Mortgage.

Other Free Reports Available:

1. How To Kiss The Debt Rat-Race Goodbye
2. 101 Questions & Answers About Real Estate
3. Yes, You Can Get A Mortgage, Even After A Bankruptcy!
4. Six Things Credit Card Companies Don't Want You To Know
5. The Ten Biggest Mistakes Buyers Make When Getting A Loan