

REBUILDING YOUR CREDIT



Rebuilding Good Credit

If you've had credit problems in the past, you probably feel frustrated and worried that your damaged credit history will stay with you forever, or at least for a very long time. However, in almost every case there are strategies you can use to put your credit back on track. If you actively work on building better credit, you will see results. It may not happen as quickly as you hope – or it may happen faster than you expect. Some consumers are able to buy a home in as little as a year after bankruptcy, for example. It all depends on your situation and whether you are willing to take the time and effort required. In this brochure, you'll find proven strategies for building better credit.

Start Where You Are

Your first step is to obtain a copy of your credit report, preferably from all three major credit bureaus. You can receive free credit reports annually by logging on to www.annualcreditreport.com or calling toll free 877-322-8228.

Equifax Credit Information Services, Inc

P.O. Box 740241

Atlanta, GA 30374

1-800-685-1111

Website: www.equifax.com

Experian

National Consumer Assistance Center

P.O. Box 2002

Allen, TX 75013

1-888-397-3742

Website: www.experian.com

TransUnion LLC

Consumer Disclosure Center

P.O. Box 1000

Chester, PA 19022

1-800-888-4213

Website: www.tuc.com

With this information, you'll be able to create a game plan for improving your score.

How Long Can Information Be Reported?

The first thing most people with bad credit need to know is, "how long can negative information haunt me?" Under the Federal Fair Credit Reporting Act, credit reporting agencies are not allowed to report any information that is too old, incomplete, or wrong. While positive or neutral information can be reported indefinitely, negative information can only be reported for set periods of time.

Bankruptcy Filings – Ten years from date filed, not discharged. The three major credit bureaus, and many smaller ones, have agreed voluntarily to remove Chapter 13 bankruptcies – a bankruptcy where debts are paid back over several years – seven years from the date of filing. If that doesn't happen automatically, you'll have to ask.

Civil suits, civil judgments, and records of arrest – No longer than seven years from the date of entry, or the current governing statute of limitations, whichever is longer.

Paid tax liens – Seven years from the date satisfied (paid).

Unpaid tax liens – Up to 15 years or until paid (see above).

Collection or charge-off accounts – Seven years unless it's a government-insured or guaranteed student loan, or National Direct Student Loan (NDSL). If those types of student loans are in default and you bring them current for an entire year, your previous late payments will be deleted.

Any other adverse information (including late payments)

– Seven years. Adverse information is any data that may cause an unfavorable result for the consumer; for example, being turned down for credit, employment or insurance; or being charged a higher rate than applied for in the case of credit or insurance.

When Does the 7-year Period Start?

If you have collection or charge off accounts listed on your credit report, you'll want to read this section carefully. It may be confusing at first. However mistakes are often made, so you'll want to make sure you understand it.

For collection or charge-off accounts, the 7-year clock starts ticking 6 months from the date you first fell behind leading up to the collection or charge-off. It does not start when the account was placed for collection or to the date of last activity.

For example: Let's say your credit card payment was due on June 1, 2016. You lost your job and couldn't make the required payment. In November of 2016, the issuer charged off your account (wrote it off as a bad debt). In January 2017, it was placed with a collection agency.

By law, the collection agency is supposed to tell the credit bureau when it first reports the collection account that the original date of delinquency was June 2016 and that should start the 7-year reporting period.

Warning: Beware of collection agencies that say they have ways of reporting the collection account “forever” if you don’t pay. It’s simply not true.

What Do I Do Now?

Once you have your credit report and understand how long information can be reported, you’re ready to create a strategy for building better credit.

Step #1: Fix any mistakes or errors.

It’s not unusual to find incorrect information or outdated accounts. You should check your credit report for the following items:

Accounts that don’t belong to you. Keep in mind, that if you cosigned for an account, it will likely be reported on your credit report and treated as your own. If you were only an authorized user on an account that fell behind, the creditor may be willing to remove it from your credit report since you weren’t legally responsible for the bills.

Incorrect balances. While you can expect it to take 30–60 days for information about your loan balances to be updated, you shouldn’t see completely wrong information. For example, an account that was discharged in bankruptcy or settled through a collection agency should show a zero balance.

Duplicate accounts. If an account was turned over to multiple collection agencies, only the most recent collection agency account should appear. Otherwise, it can look as if you have more accounts in collections than you actually do.

Old accounts. You may find old accounts you don’t use anymore

still listed. Even if an account is paid off, it may remain. FICO, creator of the credit score model, recommends that you don't close all old accounts because doing so may hurt your credit score and won't help improve it.



To dispute incorrect information, you can contact the credit reporting agency that lists that information, the credit grantor that is reporting it, or both. The advantage of going to the credit reporting agency is that they are better equipped to handle disputes. If they cannot promptly verify the information on your report with the source, by law it must be removed. The disadvantage is that the major credit bureaus don't share information with each other, so you'll have to dispute mistakes through each one if they all report the same mistake.

The advantage of disputing mistakes directly with the credit grantor is that they must supply any correction to all the credit bureaus that have the mistake. The disadvantage is that creditors aren't always set up to handle disputes and you may find it harder to get your problem resolved promptly.

Whichever approach you choose, put your dispute in writing; type it if your handwriting isn't clear, and make it brief and concise describe the problem clearly. Provide any documentation you have available to prove your case. By law, the credit bureau or credit grantor must generally get back to you within 30 days to tell you the results of their investigation. Keep copies of all the letters you send and get back.

Step #2: Let time heal the wounds.

As negative information becomes older, it becomes less important on your credit file. It will still have an impact on your credit worthiness but that impact becomes less over time – but only if you pay your bills on time and keep debt minimized!

Sometimes, waiting for the negative information to get older is the best strategy, especially if everything on your credit report is accurate. Of course, you'll also want to continue to build positive new credit references.

Step #3: Ask your creditors for help.

Sometimes negative information is accurate but due to unusual circumstances. For example, you may have been in a car accident and unable to work or keep up with the large medical bills, or you may have had a business that failed due to a significant change in the marketplace.

If you had a good payment history but fell behind due to extenuating circumstances, and you are now back on your feet and paying your bills on time, you may want to ask your creditors to “re-age” your accounts – or essentially delete those previous late payments. Generally, divorce alone is not considered an extenuating circumstance.

There are banking guidelines that lenders must follow when re-aging accounts, but it can be done under certain circumstances. It may be worth asking your lender for help.

Step #4: Build positive new credit references.

The best thing you can do to rebuild your credit is use credit carefully and always pay your bills on time. Consumers who are proactive about rebuilding their credit after problems have occurred can see significant improvement in as little as a year or two! Here are some tips:

- Lenders will want to see at least a couple of recent credit accounts paid on time. If you still have open accounts, use them periodically for things you would buy anyway, then make sure to pay the bill well before the due date.
- Carrying balances and paying interest is not necessary for rebuilding good credit. So paying in full is never a bad thing.
- If you don't currently have any credit cards, it may be a good idea to get one. Avoid "guaranteed approval credit cards" that cost a couple of hundred dollars in fees. A better bet is a legitimate "secured card" where you place a security deposit with the lender in exchange for a major credit card with a modest credit limit. Shop for one at www.bankrate.com.
- Never pay a bill late.

How Will Credit Counseling Affect My Credit Score?

Many people worry that their credit will be damaged if they enter a debt management program through a credit counseling service. In fact, their credit score actually improves if they successfully complete the program. There are several reasons for this:

1. FICO, does not consider the fact that a consumer is in a counseling program when calculating a credit score.
2. Many creditors will not report anything to the credit bureaus that indicates that an account is being repaid through a counseling agency.
3. Some creditors will "re-age" accounts that are behind when a consumer enters a counseling program and sticks with it for several

months. That means the late payments immediately prior to beginning the counseling program may be removed.

4. By entering a credit counseling program you may avoid further late payments, credit problems and even bankruptcy – all of which can significantly hurt your credit.
5. If you successfully pay down your debt through a counseling program, your credit score can improve since the amount of debt you carry is one of the major factors in calculating a credit score.

Warning: While you are paying your debts through a counseling agency, you still remain legally liable to the creditor for those payments. If the counseling agency pays creditors late, or doesn't pay them at all, your credit report may suffer. Choose a reputable counseling agency with a track record of paying creditors on time. Use the Better Business Bureau to research agency reputations before you work with one.

Credit Repair Firms

Think twice before spending your money on a credit repair program. Many times these programs cost hundreds of dollars and their techniques may actually be illegal!

For example, some companies will tell consumers to get an Employer Identification Number (EIN), which is the same number of digits as a Social Security Number. They'll then tell consumers to try to get new credit using that number. The goal is to establish a brand new

credit file. Obtaining an EIN for that reason is not legal. You can face prosecution from following this type of advice.



NOTES

[illegible]

