

The Secret Revealed

Credit, Home-Ownership, and You!



***A practical guide to quickly improving your credit and credit scores.
Designed to help you obtain the American Dream of Home-Ownership
& make the seemingly complex, EASY!***

"We've Never Seen a Legitimate Credit-Repair Operation"

Steven Baker, director of the Federal Trade Commission's Chicago regional office.

Despite the phenomenal claims made by most credit repair companies, all they do is dispute trade lines in the name of the consumer. The filing of a consumer dispute is the only method anyone other than the creditor, a credit reporting agency or the repository itself has to affect change in any repository file. A credit repair company cannot do anything the consumer cannot do themselves for free and faster, in fact – they cannot even obtain a copy of the consumers' credit report as credit repair companies are prohibited access to Experian, Trans Union and Equifax.



Unforeseen Credit Repair Dangers for Consumers

Besides the monetary risks associated with credit repair, the actions of a credit repair company can damage your credit score. Most credit repair companies simply dispute every derogatory item appearing on your credit report. Those creditors that verify the disputed items often update the data reported to the repositories including the reporting dates. The result of frivolously disputing trade lines often results in lowering your FICO scores. The dispute process also means you are providing your current address to creditors, which can also result in new collection contacts and phone calls. Other credit repair warnings signs include,

Charging Up-Front Fees in Violation of Federal Law

Many credit repair firms violate federal law by requiring up-front fees often disguised as "account set-up" or analysis fees. Some require you to purchase a training manual for hundreds of dollars just to access "free" credit repair. Credit Repair Organizations Act - Public Law 90-321, 82 Stat. 164 "404. Prohibited practices. b) Payment in Advance.

"No credit repair organization may charge or receive any money or other valuable consideration for the performance of any service which the credit repair organization has agreed to perform for any consumer before such service is fully performed."

THE FIRST STEP: JUST BEGINNING!

As simple as this may sound, this seems to be the hardest part of credit restoration. Simply beginning.

We all get caught up in everyday life and many put this task off until later. Seems like there will always be time, but then it is forgotten.

If your goal is to buy a home today, next month, or next year then you must begin today! Beginning is actually the easiest part. Just order your credit reports!

There are three major credit reporting bureaus for the average consumer. They are Experian, Equifax, and TransUnion. Under Federal Law, **you are entitled to one free credit report per year from each of the major bureaus.** You may order them all at once or one at a time.

The advantage of ordering all three credit reports at once is there is no guarantee that they are reporting the same accounts. Depending on your area of the country, a creditor may have a preference to which they report your payment history. Experian may contain accounts that are not on TransUnion or Equifax. Some accounts may report to two bureaus and not the third, and some may report to all three. If you are trying to clear up credit issues quickly for any reason, especially if you wish to buy a home, it is best to obtain all three.

There is also an advantage to obtaining your credit reports one bureau at a time. If you are more interested in credit maintenance then obtaining one credit report every four month will allow you to keep tabs on errors throughout the year.

Consumers can obtain free copies (once per year) of all three repository files in minutes at AnnualCreditReport.com and if errors are found, dispute them online at no cost. They are also provided a toll-free number to reach a live person that can answer questions and assist them with the process if needed, including faxing documentation **all at absolutely no cost.**

Inaccurate information is very easily corrected, but you must first know it is there. If you agree after reviewing your credit report then the next step is to know your credit scores.

*** If the information is accurate, and your credit still needs work Don't Give Up!
I will share with you what to a little later in this booklet.**

Please note - AnnualCreditReport.com works very well for correcting any errors appearing on any of your credit reports, **but it does not include your FICO scores.**

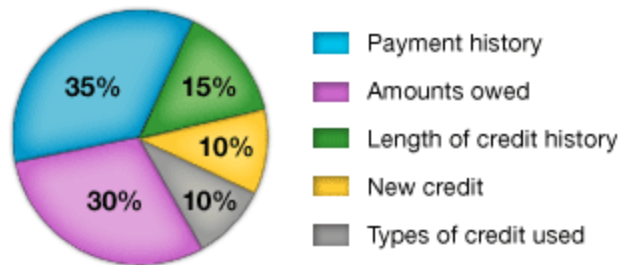
STEP 2: KNOWING YOUR CREDIT SCORES

It is fairly common knowledge that most creditors use credit scores to determine if they will give you a loan. This is especially true for mortgages. When you purchase a home a mortgage company or bank will use what is called a “middle score.” Your highest and lowest credit score will be “thrown out” to achieve an average. If you only have two scores, the lowest will be used.

To obtain your credit reports with FICO scores from TransUnion and Equifax, visit MyFICO.com (Experian no longer provides consumers access to their FICO score.) There may be a charge for obtaining your scores so it is always better to order your free credit report first.

What’s in your FICO® (credit) score?

FICO Scores are calculated from a lot of different credit data in your credit report. This data can be grouped into five categories as outlined below. The percentages in the chart reflect how important each of the categories is in determining your FICO score.



These percentages are based on the importance of the five categories for the general population. For particular groups - for example, people who have not been using credit long - the importance of these categories may be somewhat different.

Payment History (35% of score)

- Account payment information on specific types of accounts (credit cards, retail accounts, installment loans, finance company accounts, mortgage, etc.)
- Presence of adverse public records (bankruptcy, judgments, suits, liens, wage attachments, etc.), collection items, and/or delinquency (past due items)
- Severity of delinquency (how long past due)
- Amount past due on delinquent accounts or collection items

- Time since (how recent) past due items (delinquency), adverse public records (if any), or collection items (if any)
- Number of past due items on file
- Number of accounts paid as agreed (on time)

Amounts Owed (30% of score)

- Amount owing on accounts
- Amount owing on specific types of accounts
- Lack of a specific type of balance, in some cases
- Number of accounts with balances
- Proportion of credit lines used (proportion of balances to total credit limits on certain types of revolving accounts)
- Proportion of installment loan amounts still owing (proportion of balance to original loan amount on certain types of installment loans)

Length of Credit History (15% of score)

- Time since accounts opened
- Time since accounts opened, by specific type of account
- Time since account activity

New Credit (10% of score)

- Number of recently opened accounts, and proportion of accounts that are recently opened, by type of account
- Number of recent credit inquiries
- Time since recent account opening(s), by type of account
- Time since credit inquiry(s)
- Re-establishment of positive credit history following past payment problems

Types of Credit Used (10% of score)

- Number of various types of accounts (credit cards, retail accounts, installment loans, mortgage, consumer finance accounts, etc.)

STEP 3 (IF NEEDED): FIXING YOUR CREDIT

The first thing you should know is that **you have rights!** Credit agencies are regulated by the Federal Trade Commission and your rights are covered under the Fair Credit Reporting Act.

Below is a brief summary of your rights under the Fair Credit Reporting Act

You have the right to dispute incomplete or inaccurate information:

If you identify information in your file that is incomplete or inaccurate, and report it to the consumer reporting agency, the agency must investigate unless your dispute is frivolous.

Credit reporting agencies must correct or delete inaccurate, incomplete, or unverifiable information: Inaccurate, incomplete or unverifiable information *must be removed or corrected*, usually within 30 days. A credit reporting agency may continue to report information it has verified as accurate.

Now that you know your right, what do you do next? If there are inaccuracies on your credit report, dispute them. That is your right! Get them fixed or removed! **You must remember to have erroneous information removed from all the credit bureaus that reported it.** It will not be sufficient to correct with one credit reporting agency and not correct the information with the others.

Where can you find information on disputing or correcting information in your credit file?

Contact the nationwide consumer credit reporting company that provided the credit report.

Here is their information: Equifax - www.investigate.equifax.com, Experian - www.experian.com, and TransUnion - www.transunion.com. Forward any supporting documentation you may have.

What do you do if the information is accurate but you still need to improve your credit?

What most “credit repair” companies do is just dispute everything. They know that the burden of proof is on the creditor, the company reporting the bad information. They also know the company reporting it has a limited time to verify its accuracy or the credit bureau must remove the item. Is that the best way repair bad credit? It probably isn't. There may be a better way because frivolous disputes are definitely and frowned upon by the credit bureaus.

Before you dispute derogatory and “accurate” items, you may want to contact the creditor. They may be willing to remove a minor late payment just because it is good customer relations. If the account is old they may not have kept the records to verify the information. In a case like this, the bad item must be removed.

Negotiation is a very useful tool. **Past due debts, collections, charge offs, and judgments can be negotiated!** Many times a creditor will accept some money (rather than none) and remove a negative item from your credit report. It benefits the creditor and it benefits you! Never offer more than you are able to pay because your side of the “bargain” must be kept.

STEP 4: IMPROVING YOUR CREDIT SCORE

Important: DO NOT Close Your Accounts without Careful Thought on the Score Effect!

One important component for determining your credit score is the proportion of credit lines used. The chart on page 4 shows that it accounts for 30% of your credit score. This is almost as much as your payment history!

In short this is how it works:

You have a credit card with a \$1,000 limit. You owe \$950. Your score is lowered because you are utilizing almost all of the credit on this card.

You pay the balance down to \$200 owed on that same card. Your score goes up because you are utilizing only 20% of the credit available. It shows you have good budgeting habits.

You pay off the card **and close it**. Paying off the credit card increases your score. When you close it, this card is now no longer part of your credit score. **The score can actually go down!**

A quick way to raise your scores is to pay down your credit cards to a lower percentage of the credit limit. Pay down the smaller cards first because your money will go further and you can pay down more cards. If you have a large credit card and you don't have the funds to pay it down, *ask to raise the credit limit!* Assume you have a credit card with a \$5,000 limit and you owe \$3,000. That's 60% of the limit. If the limit is raised to \$8,000, you will owe 35% of the limit. This will raise your credit scores if you do not increase your balance owed.

With a little work you can improve and maintain good credit. Set a budget and use credit wisely.

If your goal is to purchase a home and you need additional assistance, don't hesitate to contact me directly. I would love to hear for you and my assistance is free of charge.

Best Regards,

Mark Robinson

Mark Robinson

732-207-8434

Mark@NJFHAPro.com

www.njfhapro.com

[www.Facebook.com/NJHome.Help.U.Own](https://www.facebook.com/NJHome.Help.U.Own)

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References: Credit Technologies, Inc., AnnualCreditReport.com, MyFico.com, and the Federal Trade Commission.