

CREDIT IMPROVEMENT



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CONGRATULATIONS! You have made one of the smartest decisions you will ever make! Before long, you will not only be able to find loans, lines of credit, or business financing, you will be able to turn around your financial life by improving your credit files! Improving your credit is not a difficult thing to learn. It may take some time, however, depending on the number of negative items that are in your files.

NOTE: We are NOT a credit repair company and we do not claim that you can “repair” negative credit that is accurate. We only pass this information along to our clients as a service to them. We provide information only and hopefully we can help our clients to better understand their options.

THE 3 CREDIT REPORTING AGENCIES

EXPERIAN (Formerly TRW)

<http://www.experian.com>

**P.O.Box 2104
Allen, TX 75013-2104**

TRANS UNION

<http://www.transunion.com>

**P.O.Box 390
Springfield, PA 19064**

EQUIFAX

<http://www.equifax.com/home>

**P.O.Box 105873
Atlanta, GA 30348**

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Requesting a Credit Report

You may obtain a free credit report from the credit agencies under the following conditions:

#1) you were denied credit within the last 60 days.

#2) you were denied employment within the last 60 days.

#3) you are on welfare or public assistance.

If you do not qualify for a free credit report, you can purchase one directly from the credit agencies. It will usually cost about \$8.00 per report.

HOW TO ADD POSITIVE CREDIT TO YOUR CREDIT REPORT:

If you have no credit at all, you need to establish a good credit record. To get started, you will need a small investment, perhaps \$ 500.00, or whatever you can afford. The first thing to do is to go to your local bank and ask for a passbook loan. This is a loan that is secured with your own money. You will give them your money, (\$500.00), and they will lend you \$500.00.

The next thing you should do is to go to a 2nd bank, and take the \$500.00 the first bank gave to you, and repeat the process. Do this with 4 banks. You are now establishing good credit. You have 4 bank loans on file. (Don't get carried away with TOO many accounts, because at the end of the month you will have to start paying these loans back.)

In approximately 30 days you will get a bill from each bank for your loans of \$500.00 each, indicating how much you owe (\$500.00 per bank) and the minimum payment that is due (probably anywhere from \$20.00 to \$40.00 per bank). Start making your payments and make them ON-TIME!!!

Before long you will be considered to have very good credit. While this is going on you should try to get approved for retail credit cards (department stores). If you get approved, use the card right away for something you need anyway. Keep applying for more cards until you start getting denied, at which point you must STOP applying for cards. Once you get approved for as many cards as you can get and afford, start using them, but use them WISELY. In other words, don't buy things that cost \$ 500.00, when you wouldn't normally buy the item because you don't have \$500.00. Only buy what you would be able to pay cash for, within reason.

HOW TO FIX INACCURATE BAD CREDIT

If you have an account on your credit report that you feel should not be there, or if there is information on your report about late payments, delinquencies, etc., that you feel need to be corrected, then you will need to send the appropriate credit agency a dispute letter.

They will investigate your dispute, and seek to verify that the information is accurate. They will usually do this within 30 days or so. After 30 days, they will inform you whether or not they were able to verify the information.

If they did, then it will remain on your credit file. If they can't, then they must by law remove the disputed information from your file.

sample dispute letter:

11/10/99

John Smith
1234 56 Street
Brooklyn, NY 11220

Date of Birth: 3/15/63
SS# 012-34-5678

Dear Sir or Madam:

I have had the opportunity to review a copy of my credit report and I find that the following entry (entries) is in error:

(Name of Creditor)

(Acct #)

(Error that is in dispute)

According to my rights established by the Fair Credit and Reporting Act, I request that you investigate this (these) dispute and remove the entries which are in error from any and all files.

Also, please furnish me with the names of any people that you contact for this information.

I will assume that 30 days is sufficient time to complete your investigation.

Failure to verify these entries requires that you remove them from my credit report.

Thank you for your prompt and thorough service.

Sincerely,

John Smith

(Signature)

Add information to your credit report:

Dear Sir or Madam:

Please add the following information to my credit report.
I have enclosed proof of these accounts.

(Account information)

Please update my credit report and send me the updated copy so I can make sure that it is accurate. If you cannot add this information to my file, please send me an explanation.

Thank you for your time.

Sincerely,

John Smith

(Signature)

In Trouble With Creditors:

Dear Sir or Madam,

I cannot afford the monthly payments as per my agreement with you.

I can, however, afford \$_____ per month. I am hoping that you will be willing to renegotiate my terms with your company. If not, I will have no choice but to default on my payments, and consider bankruptcy.

Please let me know if we can still keep this account in good standing.

Thank you for your time.

Sincerely,

John Smith

(Signature)

Account# 1234-567-89

We hope you find the information contained in this booklet to be informative and useful. We are not a credit repair company and do not make any claims that you can “repair” accurate negative information in your credit file. We make no claims as to the results obtained by using this information.

We are only trying to pass this information along to our customers in the hopes of helping them out, if possible. We are not responsible for the outcomes of any disputes or correspondence with any credit reporting agency or creditor. It is possible that some of the information contained in this manual may be outdated by the time a consumer reads it and there may be an occasional misspelling. We make no claims as to the complete accuracy of every statement contained herein.

BECOMING CREDIT WORTHY

THE PROBLEM

You've had some problems; loss of a job, hospital bills, a divorce, or maybe just some bad habits of spending without a budget to control you. You find yourself buried under a debt with seemingly no way out. You're strapped for cash; yet your back is up against a wall of no credit. Pursuing you, creditors want payment for bills and mortgages. Where do you find the means to pay them? Not only is next month's income obligated, so is next years!

You feel confused and helpless, not knowing how to begin to climb out of the hole. Stress is high; money, or more exactly, the lack of it, strains even your relationships with those closest to you. Depression, anger, guilt, inadequacy are common feelings. How do you cope?

Acquire Knowledge

Don't feel alone. Millions of people are in the same situation. However, you have one advantage; you've already taken the first step out of your dilemma: seeking and obtaining knowledge and information through this program. Knowledge is power.

In this manual, you will find a wealth of information, strategies and tips that will enable you to improve your credit rating to become credit worthy. You'll be shown ways to secure a credit card; so important in today's world.

No matter how bad your financial situation, it is not hopeless. There are several specific ways to get control of and reduce your debt. There are specific steps to get credit. Follow a few strategies and you can give yourself some breathing room and regain your sense of responsibility and stability, so you can free yourself of the debt that shackles you.

CHANGE YOUR MENTALITY

Someone once said that you cannot solve a problem by using the same thinking that got you into the problem in the first place. Being credit worthy is more than being able to borrow money or to obtain credit to purchase more goods and services with delayed or scheduled payments. It's as much a matter of the heart and head, as of the pocketbook.

So, there's work to be done within as well as without. There are habits that probably will have to be developed, so that the same situation of indebtedness resulting in a poor credit rating does not repeat itself.

Although circumstances-such as loss of job or unexpected healthcare needs-might have contributed to your financial crisis, you cannot accept the victim's role. You must turn your problem into a challenge. You must control your circumstances and not let the circumstances of life control you. Acquiring knowledge gives you potential power, putting that knowledge to work is power.

TAKE ACTION

With your acquisition of knowledge and change in mentality must come readiness to act consistently and persistently. If you keep doing what you've been doing, you'll keep getting what you've been getting. Just having this manual in your possession will not do it for you. Only acting on this information will do it for you.

Being credit worthy entails work and commitment on your part. It means sitting down and making a plan and developing a budget that you commit to. Being credit worthy means you make honest effort to meet your legitimate obligations, while working out strategies that allow you some flexibility and control. You want access to credit to get on top of the situation, not to deepen the indebtedness.

Being credit worthy means rebuilding trust and repairing damages to your good credit if you have lost it. A good credit rating gives you credibility. Although credit in today's world has been depersonalized by credit cards, it is still based on trust. An agreement between two individuals, concluded by the traditional shaking of hands, has been replaced by the swipe of a card. Still, the debtor's responsibilities for repayment and the expectations of the lender are basically the same.

So, the action you take to become credit worthy goes far beyond your own financial circumstances. By your individual action, you become a contributor to the positive moral fiber of your world. That's something to feel good about and take pride in.

Do you need knowledge? It's right here in your hands.

Will you change your thinking? It will affect all areas of your life.

Will you take action? There is no short cut; this is the ONLY cut.

Yes, you CAN do it. The question is, "WILL you do it?"

GOOD CREDIT IS ABSOLUTELY NECESSARY

During the past 30 years, our American society has rapidly shifted to credit for making purchases. In today's world, it is difficult to live the American dream without good credit. Credit can buy a person both time and opportunities.

How many people, for example, could afford to take the time to save enough cash to purchase a new home or automobile? Yet, without good credit, that's the only alternative, unless you inherit some money, get an accident settlement, or win the lottery. There are many countries where you can only pay for a home or car with cash!

Try making a plane reservation, renting a car or shopping from a catalog without a credit card. Even if you have the cash, it is not very convenient.

Credit can also help a person take advantage of other business and investment opportunities that would not be obtainable otherwise.

So, when something happens that destroys your good credit rating, you're at a disadvantage, and life can be considerably more complicated. You are stuck, so to speak, and you must mend the boat before you can continue.

While a bad credit rating might not be your fault, it still needs to be corrected. And if it is your fault-due to poor management of your funds, or due to harsh circumstances-you can improve your situation. This manual will show you how.

KEEP FROM OVERSPENDING

FIGURE OUT WHERE YOUR MONEY GOES

Incredibly, most people with debt problems don't seem to have the slightest idea where their money is spent. You can easily test this phenomenon. Just place \$50.00 in your pocket today, and in one week try to recall where every cent of it was spent (don't spend it all in one place). You will probably not remember where your money has gone because you didn't have a plan for this money. It's really as simple as that. Most people also don't keep records or else keep poor records. They are not able to account for their money.

Getting out of debt and staying out should be everyone's #1 priority, unless of course the debt is actually making you money. That's a different story. Good examples are going into debt so that you can immediately increase your income far beyond the cost of the debt. I bought \$2,000.00 worth of musical equipment once. I am a musician and a very good one. I knew I could get work, but I had no equipment. I went into debt, but the debt increased my income substantially. That was a GOOD and SMART debt. Don't buy \$50,000 worth of computer equipment and go into business unless you KNOW you will make money. If it is a reasonable risk, that's fine, but start out small for crying out loud, don't be stupid. Don't buy musical equipment if you are tone deaf. Get the point?

If you wish to stay out of debt, then you MUST control your spending. If you cannot control your spending, then it does not matter how much money you make, you will always be broke. Don't believe me? Ask Rollie Fingers, ace reliever of the Oakland A's in the early 70's. He claimed bankruptcy. Scores of Lotto winners have also claimed bankruptcy because they cannot control their spending habits.

If you think about it for a moment, it's not the creditor's job to regulate or keep your spending within safe and reasonable limits. A creditor's best interest is to have you paying interest. As long as you can make the minimum payment and pay interest on the balance, you will probably be allowed to continue buying, even after you can no longer afford to. Ever wonder why you have a credit limit? It is an estimate by the creditor of how much you can afford to borrow. It is not always accurate, though.

The consequence of paying interest, of course, is that you will pay far more for something you've purchased than its value. There is a price for credit. Paying this price can sometimes be worth it. That's where you must be able to ask some tough questions before every purchase, especially those which involve credit and paying interest. The new auto might be a bargain at \$20,000.00, but add 8.9% interest paid over 5 years, is it still a bargain at \$24,500.00?

Your credit card balance is \$980.00. You purchase an iron for \$20.00. It was a good buy. Of course, you proceed to make only the minimum payment on your credit card for the next two years. That iron actually cost you \$50.00: a big ripoff! Why do you think department stores want you to have THEIR cards? Because when you buy something on their credit card, the price that you pay for that item when it is rung up is the MINIMUM that it will actually cost you. They might actually end up selling you an item for DOUBLE what they asked you to pay for it. What a great deal for them! Not for you, though.

If you can afford to pay off your credit card balance IN FULL every month, guess what? You have borrowed THEIR money for 30 days INTEREST-FREE! If you had \$50,000.00 in the bank, for example, you could have made over \$ 200.00 interest in 30 days on a 5% yielding account. The point is, USE THEIR MONEY, if you can, and use it to make MORE money for YOU, if it is at all possible.

Would you like an increase in your credit line? Make 120% of your minimum payment for anywhere from 1-8 months. ON TIME, of course! They will normally increase your credit line automatically. If minimum payment is \$ 10.00, you would pay \$ 12.00. If it is \$ 20.00, you would pay \$ 24.00. Get a calculator if you need to. Enter the minimum amount due and multiply it (X) by (1.2), or 120%.

MAKE A SPENDING PLAN

So how do you get control of your money and spending? Quite simply: by making a spending plan. If you start planning your spending to the extent that mistakes come out on paper instead of out of your pocket, it will automatically place you in control of your finances, instead of having your finances control you.

One of the most effective ways to stay in control of your finances is not to spend more than you make. When you do spend more than you make, then you are obligating your future earnings to your current spending, and that is a recipe for disaster! The only proven remedy for getting out of debt is to plan ahead, and to spend as planned.

AVOID IMPULSE BUYING

The opposite of smart buying is impulse buying. Impulse buying is responsible for wrecking many a budget. You should always remind yourself that impulse buying usually fills a want or a desire, but not always a real need. A bread maker might be nice to have, but is it necessary? Similar to impulse buying is buying something just because it is on sale. Even if it's a good buy it doesn't mean you have saved money-if you don't need it. Here's a tip: Whenever you are tempted to buy something that is not ESSENTIAL, tell yourself that you will not buy it today, but maybe next week. When you arrive at the same store the next time, you will be EXTREMELY surprised at how many times you say to yourself, "I'm glad I didn't buy that item last week". Try it, you'll see. Also, the opposite is true. When you see something ESSENTIAL that you might not need right at this moment, and you can get a great price on it, BUY IT, even though you don't need it yet. As long as the item will not expire or go bad, and as long as you can afford to do so, this will save you money. It MUST be an essential item that you will be buying anyway sometime in the future.

ASK TOUGH QUESTIONS BEFORE EVERY PURCHASE

Determine the difference between want and need. Be able to say “no” to yourself when necessary. Ask yourself these questions prior to every purchase, repeat, EVERY purchase, even that bubble gum at the checkout racks.

DO I NEED THIS?

IS THERE A BETTER PRICE ELSEWHERE?

WILL IT BE ON SALE AT A LATER DATE?

IS IT ABSOLUTELY NECESSARY THAT I HAVE IT RIGHT NOW?

IF I HAD TO PAY CASH FOR THIS ITEM, COULD I AFFORD IT?

Have some common sense, though. For instance, don’t drive your car 30 miles away just you can buy a can of hair spray that will save you 30 cents. If you are going to that far away store anyway to buy items, then by all means wait on the hair spray, but only if you are going anyway. I know this sounds ridiculous, but you’d be surprised. If you did this, you would waste \$ 2.00 in gasoline, wear and tear on your vehicle, risk being involved in a traffic accident by being on the road, or even breaking down, not to mention an hour or two hour loss of your valuable time all to save 30 cents! Be realistic and think! If you can be doing something that makes you \$ 15.00 an hour, for example cutting someone’s hair, instead of mowing your lawn, then cut someone’s hair and pay a kid \$ 5.00 an hour to mow your lawn! Makes sense, doesn’t it?

You are a fix-it man, and you like to save money by doing things yourself. That’s fine and it is smart. However, are you REALLY saving money? Again, if you can pay someone \$ 10.00 an hour to do the job and you can make \$ 20.00 an hour elsewhere, then WHY ARE YOU HOME FIXING THAT FENCE? Of course, the opposite is true.

If it is going to cost you \$ 50.00 an hour for someone else to do something for you, but you want to work at your job to make overtime, is it worth it? Figure it out! You might be better off financially if you don’t go to work, and fix it yourself. Think these things through. I had an incredible amount of garbage in the backyard of my new house which was left by a previous tenant. You name it, it was there. Half-full paint cans, old cabinets, old tools, and tons and tons of wood and metal. I found out from the town sanitation department that I had to either bag everything or tie bundles of garbage together at certain measurements and weights. I started getting the garbage together. I had to get out the power saw to cut pieces of wood and metal so it would “measure up” for the garbage collections. After a while, reality set in. I realized that not only would it take months for the garbage to actually be collected since they had a quantity limit, but it would take me around 20 hours of HEAVY labor just to get it all together. Boy was it TIRING! Since I make about \$ 50.00 an hour, I realized that this was really costing me about \$ 1,000.00! Plus a lot of sweat, backaches, and the job wouldn’t really be finished for 2 months! So, instead, I called a waste container company, and they came to my house with a 10 yard long container. I filled it up in 2 hours. They took it away 6 days later. It cost me \$ 275.00 plus 2 hours labor. Net cost: \$ 375.00.

Total savings: \$ 625.00!!! Not to mention the convenience and physical and mental savings! A word of caution: if you are sitting home and doing nothing, then you better get out in the backyard and do it yourself unless you have money to burn.

Use a “cooling off” period before making purchases

Shop around for the very best buy, sleep on it for a few days, and at the end of this “cooling off” period you will know where you can find the very best buy, or realize you didn’t need it anyway.

A “cooling off” period is not only a way to save money by avoiding impulse buying, but also a way of setting priorities. For example, other questions may arise such as “Do I need something else more than I need this”, or “Is there a better purpose I can use the money for.”

Planned purchasing eliminates impulse spending. Planning is the key to taking control of your finances. Planning ahead will allow you to pay your debts and maintain a good credit standing.

MAKE A BUDGET

Turn to “personal budget worksheet” on page 44 and start developing your spending plan. We suggest that for all forms in the workbook section of this manual you make a copy to work on and keep the original copy for future duplication.

If you are married, this spending plan or budget must be done together, each being willing to understand the other’s logic, and both must be willing to make compromises.

A financial spending plan will enable you to:

- establish priorities
- Keep track of and adjust spending
- keep track of your net worth

No special skills are needed, just a basic knowledge of simple arithmetic (or an inexpensive calculator), and good old common sense. To take the hassle out of paperwork, you can:

- Make yourself a cup of tea or coffee
- Find a quiet place to work. Keep it free of clutter and where you have no distractions
- Have a storage place for receipts and records. This can be as simple as a metal file box.
- Devote two hours per month, and develop a system for paying bills.
- Keep a ledger for what you have done, and what you plan to do.

Budget one month at a time, keeping an overview of the entire year. Most home insurance is semiannual, so plan accordingly. Similarly, the money needed for holiday spending during Christmas needs to be prorated and saved for ahead of time.

ESTABLISHING A HOLIDAY FUND

Holiday shopping is a true test to your commitment to live debt free. So, when planning your spending for Christmas, determine an exact amount for spending: gifts, food, decorations, entertaining etc.

Make a savings fund and budget a monthly amount to be saved and deposited. When the time comes for actual purchases out of this fund, closely monitor your spending. Keep track of each purchase to see that it fits into your plan. Refuse to go beyond what your spending limits. Be willing to say “no”. Be creative in your gift giving and think of ways to give other than commercially purchased gifts.

WHAT IS A CREDIT BUREAU?

Credit bureaus are nothing more than “information centers” where lenders can obtain data on a consumer’s credit history. This information is supplied to bureaus by creditors, who also rate the consumer’s payment records according to how well the loan was repaid. Usually, ratings are given numerical values of 0 to 9 (9 being the most favorable). Some credit bureaus use a lettering system, instead. The credit bureaus compile a file or history of all the information of each consumer’s credit purchases.

Most lending institutions will check your credit history before giving you a loan. They do this by subscribing to a credit bureau’s services.

THE THREE MAJOR CREDIT BUREAUS OF AMERICA

- Experian (formerly T.R.W. Credit Information Services) www.experian.com
P.O. Box 2104
Allen, TX 75013
- Equifax www.equifax.com/home
P.O. Box 105873
Atlanta, GA 30348
- Trans Union Credit Information www.transunion.com
P.O. Box 390
Springfield, PA 19064

Credit bureaus do not all contain the same information, nor is any one credit bureau likely to have all the credit history of any one particular consumer. In all probability, there is some kind of credit information for every consumer in the United States.

Most banks, savings and loans, finance companies, credit card companies, and even some retail stores, employers, and apartment complexes will use a credit bureau’s services, so they can be more aware of the financial risk they will be taking by extending the consumer credit. They are the same ones who report back to the credit bureau if that risk failed.

Most lending institutions will run only one credit check. They will ask for a second check ONLY if they are not satisfied with the first one. Some things that raise suspicion are:

- No credit found after you have claimed credit.
- Over age 27 and no credit record found.
- Discrepancies between credit application and credit report. In these cases, a second report (from a different credit bureau) should be expected.

Get in touch with the lending firms and retailers in your area, in particular the one(s) you plan on using, and ask them what credit bureau they use for credit reporting services. This is where you should start.

HOW DO CREDIT BUREAUS GET THEIR INFORMATION?

Whenever you provide information about yourself on a credit application, that information usually will end up in a credit bureau's file. Credit data from millions of Americans is continually maintained and updated by credit bureaus.

Creditors that use credit bureaus include finance companies, commercial banks, major department stores, savings and loans, credit card companies, and any other businesses that do not have the time or staff that can check out an applicant's credit worthiness themselves.

Not all companies report to credit bureaus, however. Many people who think they have a good credit report from various creditors are surprised to learn that oil credit card companies, hospitals, credit unions and checking account information are not generally reported. In the case of checking accounts, if every overdraft that occurred was reported, it would be too time consuming and credit bureaus could easily become overloaded.

Credit bureaus also get their information by searching public records. What they would be most interested in would be liens, judgments, bankruptcy actions and wage attachments. Credit bureaus also share information with one another, so no matter what part of the country you move to, your credit report will soon follow.

When you consider all the information available, and the methods by which it is obtained, then you can better understand the likelihood of errors.

GET A COPY OF YOUR CREDIT REPORT

Under the Fair Credit Report Act, you are allowed to obtain a copy of your credit report anytime you request it. You are entitled to a free update once a year, but you must request it. If you have been denied credit in the past 60 days, the report is free. In all other instances, the credit bureau is permitted to charge a small fee.

Before you can receive a report, you must first determine which credit bureau has your file. The best way to find out quickly (unless there is only one in your area) is to ask one of your major creditors which credit bureau they use when processing an application. Major creditors are banks, department stores, etc., Otherwise, you will have to call every credit bureau listed in your telephone book until you find one that has a file on you.

Once you locate the credit bureau that has a file on you, write a letter explaining that you would like to see your file. You may also set up an appointment by telephone to view your file in their office. There is usually a charge for providing you with a copy of your credit report unless you have been denied credit within the past 60 days. Then you can receive a copy of your credit file free.

If you have been having credit problems and know that your credit will be denied, apply for credit at a lending institution, department store, etc. You should receive a letter explaining why your application for credit was denied. If the credit denial was in any way related to the information contained in your application, you will be advised and given the name and address of the credit agency that holds your file. If you contact that agency within 60 days, you should receive the contents of your file free of charge.

By making a visit in person to the credit bureau, you will have the advantage of having a trained staff person explain the credit report to you in its entirety.

REVIEW THE CONTENTS OF YOUR CREDIT FILE

A credit report will have the following information:

1. Name and subscriber number(s) of reporting institution(s).
2. Loan account number(s).
3. Date of account(s) opening.
4. Original amount of account(s).
5. How promptly payment(s) was made (late payments of less than 30 days are not reported).
6. How often payment(s) was 30, 60 or 90 days late.
7. When and if account(s) was paid.
8. Was account paid as agreed?
9. How account(s) was secured (collateral, co-signer, etc.)
10. Repossessions
11. Charge-offs (lender has given up collecting and written off account as uncollectible).
12. S.C.N.L. - skipped, cannot locate (left with no forwarding address available).
13. Closed or open account(s) (at whose choice - lender or consumer?)
14. Judgment - date and name of company that filed.
15. Bankruptcies - date filed.
16. Lien, including past tax liens.

Most of your report will be in coded or abbreviated form. Usually, you can decode it yourself. If not, your reporting agency is required to answer any and all questions to help explain your report. Remember, you have the right to know.

Also, please remember the information on your report is based on how it was given to the bureau by the subscriber/lender.

WHAT SHOULD YOU LOOK FOR IN YOUR REPORT?

Understanding your credit report is very important. Every bureau uses different codes and abbreviations, so don't be afraid to ask questions.

The credit bureaus handle millions of credit files, and the reality is that they are not perfect. After you have received your report and have decoded the information, review it carefully for:

- Errors and/or inaccuracies
- Misleading information
- Incomplete information
- Outdated derogatory reports

Take note of these all-too-common errors:

- If you are self-employed, the credit reporting agency may have you listed as unemployed because they don't know; so you need to correct this as soon as possible.
- Sometimes your name can be confused with someone else's. For example, if you are a Jr., you may be on your father's credit report or your father may be on your credit report.
- It may be a typographical error by the secretary at the credit bureau that typed your information in.
- If you have changed your address, this may create some problems in the recording of your credit history.
- NOTE: All derogatory information must be removed after a given amount of time --
- After seven years for late payments, liens, judgments, charge-offs and repossessions.
- After ten years for bankruptcy.

In effect, the passing of time will wipe your slate clean, if you don't mind waiting 7-10 years. There are always exceptions to every rule. Your entire credit history can be requested if you have:

- (1) Applied for credit in excess of \$50,000
- (2) Applied for life insurance in excess of \$50,000
- (3) Applied for an employment position that pays \$20,000 or more per year.

Remember, in these cases, your entire credit history can be reviewed.

After reading the laws included in this manual, you may see other reasons to dispute your credit report, but concentrate on finding obsolete, incorrect or misleading information.

DISPUTE INCORRECT, OUTDATED & MISLEADING INFORMATION IN YOUR CREDIT FILE.

Let's assume you don't want to wait 7-10 years in order to have a good credit report. You can have most inaccurate negative items removed by disputing them with the credit bureaus.

Step 1. As a preliminary, contact any creditors with whom you have a current problem of payment. Is there some reason for dissatisfaction in the goods or services? Can you return the product? Can you work out a payment plan that you can meet?

The Fair Credit Report Act provides that a creditor may not report an account delinquent to a credit reporting agency while there is a dispute that has been filed by the borrower or party involved.

If you see an inaccurate negative report that is in dispute on your credit file report, ask the credit bureau to remove it from your file, or request that a note be added indicating that this item is under dispute.

Step 2. When you write your dispute letter to the credit bureau, explain what you want removed in a simple, direct way without going into great detail. Enclose any documentation you have that will support your claim. It is best to make copies of such documentation and keep the original yourself. In your letter, use words like detrimental or damaging to stress how the information could jeopardize your future credit worthiness. This is very effective if used correctly.

Step 3. Send your dispute letter by certified mail. Keep a copy of your letter, along with copies of documentation, and your mail receipt.

Step 4. Keep detailed notes on all phone conversations. Always get the names of those with whom you have talked. Not only might you need this documentation later, but also you will have the added bonus: the change of attitude once you have a person's name.

Step 5. Wait a reasonable amount of time for a response. By law, a credit bureau should respond within 30 days.

Step 6. Send a follow-up letter if you have not received a response after 30 days. Again, use certified mail and keep a copy. Inquire as to the delay in getting a response. Indicate your awareness of the Federal Trade Commission's 30-day mandate in the Fair Credit Report Act.

According to the Fair Credit Report Act, credit reporting bureaus do not have to investigate a disputed report if they feel your request is "frivolous or irrelevant". However, they are advised against using this as an excuse, unless they have reasons that would stand up in Court. This is why they rarely turn down a request to investigate inaccurate disputed information.

ONE OF THE BEST WAYS TO IMPROVE YOUR CREDIT

Failure of the credit bureau to respond to you within a timely manner entitles you to have any inaccurate negative marks on your credit report removed, as long as it is the one that you challenged. There are several explanations why they might fail to respond:

1. With the millions of files to be maintained, it is very common that the credit bureau is not going to take the time or the effort to defend an inaccurate negative entry.
2. Creditors may not bother to re-verify because of the extra work and fail to respond to the credit bureau's query.
3. Some creditors only keep records for two to three years, and if an item you challenged is older, it is possible that it cannot be verified, because the record no longer exists.

Step 7. Request your updated credit report with the inaccurate negative items removed per your dispute.

Each time you send a letter to the credit bureau, always request an updated copy of your report at the end of your letter. Credit bureaus are required by the Fair Credit Reporting Act to give you a free notification of any updates to your credit report, as long as you have received a copy of your report within 6 months prior to any corrections or statements that are added. You are also entitled to receive a free update once a year, but you must request it.

Step 8. Compare your new report with the previous one.

Step 9. Repeat the process two more times. There are probably still bad marks remaining on your credit report. You must be careful during this process to not allow any new problems to appear on your record. It is very important to stay current on all your accounts and debts.

REMOVE FILE VARIATIONS AND INQUIRIES FROM YOUR CREDIT REPORT

FILE VARIATIONS

File variations can appear on credit reports when a credit bureau receives conflicting information. Variations mean that some creditor also has a file with inaccurate negative or erroneous information, and you want this source cleaned up as well.

Why is it important to clear up variations? An incorrect social security number, employer's name or address can make the difference between approval or denial of a credit application.

Variations in information can also work against you because they send a signal to creditors that you may be attempting to deceive or mislead them. Make certain that every creditor who submits a report to a credit bureau has the correct information. When you discover an error, write to the credit bureau explaining that the information they have on file is incorrect and provide them with the right information. They will then investigate the item in question and remove any variations.

Too many inquiries over a short period of time can send a negative signal to any creditor reading your credit report. It will appear that you have been denied approval and raise questions as to the reasons. Or, too many inquiries might make a lender wonder why you need so much credit all of a sudden.

A lender/subscriber to the credit bureau service must have your permission in order to run an inquiry of your credit report. If you notice inquiries on your report that you are not aware of, you should send a letter to those subscribers. Explain to them that you did not authorize them to check your credit. Remind them that they are in direct violation of the Fair Credit Reporting Act. Suggest that they immediately contact the credit bureau involved and remove the unauthorized inquiry. Inquiries remain on a credit report for up to two years and then should be automatically removed by the credit bureau. If you don't plan on applying for credit before the inquiries are removed, there is probably nothing to worry about. However, if you will be applying for credit and want to eliminate this type of inaccurate negative entry, there are two approaches you can take:

1. You can dispute the inaccurate inquiries listed. Simply write a letter to the credit bureau stating that you have no recollection of ever applying for credit with the creditor who made the inaccurate inquiry, and ask them to remove the listing from your records. When using this method, only dispute up to 3 inquiries during a given period.
2. Write to the credit bureau and tell them that you believe you have been denied credit because of the previous inaccurate inquiries and would appreciate their removal from your files. Tell them you are willing to pay for processing charges if there are any.

REMOVE INACCURATE NEGATIVE ITEMS FROM YOUR CREDIT REPORT

Here's the most important "secret" you need to know in order to clear up damaging inaccurate negative items listed on your credit report years before they will be eliminated by time limitations prescribed by the Fair Credit Reporting Act:

Each inaccurate item on a credit report **MUST BE PROVEN**. If you challenge an inaccurate item and the credit bureau can't prove it, it must be removed from your file report. **THIS IS HOW IT WORKS.**

When challenged, the credit bureau must investigate. If a challenged inaccurate item cannot be verified as correct **WITHIN A REASONABLE PERIOD**, it is automatically removed from the report. If you were to send a letter to any credit bureau holding your file and deny all of the inaccurate entries in your credit report, or question the accuracy of certain inaccurate negative items, (for example, you have absolutely no recollection of any late payments), then the credit bureau must verify the information you have presented.

The inaccurate negative items will begin to disappear from your file for several reasons:

- If the credit bureau is too busy to verify the inaccurate information, or if the creditor who is contacted doesn't respond in a certain time frame, the inaccurate negative items will be removed from your record. Many creditors will not respond to a credit bureau inquiry simply because it is a bother.
- Also, if any past problems have been corrected, a creditor will show less interest in keeping an inaccurate negative item on your credit record and will probably not bother to respond to a written inquiry.
- Generally, creditors will only maintain credit-account information for two years. If you challenge an account that is more than two years old, chances are the inaccurate records won't be available for verification.

If, after receiving your new updated credit report, there are still inaccurate negative items that have not been removed, then try again.

NEGOTIATE WITH CREDITORS TO ELIMINATE INACCURATE NEGATIVE REPORTS

(STRATEGY THREE)

All the information in your credit bureau record has come from creditors that you have either done business with or currently have an account with. These are the sources who have reported how well or badly you are doing on those accounts.

Keep in mind that if the negative information is true, there is little a credit bureau can do to eliminate the reports from your record, save to investigate your dispute upon your request. However, the original creditors who reported the information can change it.

You will be surprised to discover the willingness of creditors if it is in their best interest. After all, they are not out to get you. What they want is to be paid for their goods or services. And they will respect you for trying to do right by your debt. Assume their good will.

NEGOTIATING WITH YOUR CREDITORS

Step 1. Contact the creditor and set up a personal appointment, when possible. Or send a letter certified mail. Be specific in detailing the facts.

Step 2. If you are disputing the charges, include any supportive documentation. If you are acknowledging the debt as legitimate, appeal to the good will and sense of fairness of the creditor. Present your side of the story--maybe your company went bankrupt, or you suddenly lost your job or had a death in the family. Maybe you were out of the country for a couple of months and not around to pay your bills--strong, believable, compelling reasons.

Step 3. Suggest a win-win deal. Keep your objective in mind--for you, the win is to have the inaccurate negative item removed from your report and to work out a plan of payment within your means. For the creditor, the win is to receive payment, even partial payment. Many creditors will even settle for less in order to get some.

For example, although you owe the creditor money, you can't borrow funds to pay off the bill because the creditor has damaged your ability to get further credit. Suggest that as long as you are unable to get further credit, you will not be able to pay them. But if the inaccurate negative report were to be removed or reduced to a less serious, non-evaluating status, that would allow you the opportunity to get enough money to pay your debt. If the creditor agrees, and it happens all the time, you'll both be winners!

Step 4. Be sure to follow-up your agreement with written documentation of what has been agreed to, signed by both you and the creditor. This is very important. Do not pay a creditor or collection agency unless you have an agreement signed and dated by them. Make sure a collection agency does not trick you into paying for nothing. Collection agencies are not to be trusted. Pay in person if you have to.

Step 5. After you have shown your willingness to stand up to your side of the agreement (this could take two or three months), then ask the creditor not to respond to a reinvestigation. This inaccurate negative item would then automatically be removed from your credit report.

Step 6. Always let the creditor know that you appreciated the services and products in spite of the payment problem that arose.

ADD A 100 WORD CONSUMER STATEMENT

(STRATEGY FOUR)

Another way to remove inaccurate negative reports from your credit file is to take advantage of the 100-word consumer statement, which allows you to tell your side of the story. "Your side of the story" will often convince a creditor that a negative entry on your report was just an unfortunate incident that couldn't be prevented at the time it occurred. "Unfortunate incidents" does not mean that you are not generally trustworthy.

For example, the company you worked for went bankrupt or relocated to another state. You couldn't find a job for five months, which resulted in late payments, etc. By telling the full story, plus the fact that you now have a steady job and can meet an obligation to repay, you will counter any negative reports with a positive entry. Stick with the facts, and be sincere. It will be to your benefit.

If, on the other hand, the creditor with whom you have the dispute refuses to see it your way--defective or undelivered merchandise, etc.--and refuses to change the negative report, then submit a 100-word statement to the credit bureau to explain your reasons for not paying all, or part of a bill in your consumer statement (but only if it appears in your credit report). Write your explanation as if you were speaking directly to the creditor. Just tell the facts, be sincere, and don't get too wordy, or start expressing anger. You will be given the benefit of the doubt if you explain your side intelligently and precisely.

ADD POSITIVE ACCOUNT HISTORIES TO YOUR CREDIT FILE

(STRATEGY FIVE)

Millions of Americans have A-1 credit accounts that never show up on a credit report because not all creditors will share your credit history with a credit bureau.

If you have some detrimental information showing on your report, you can try to balance that out by adding information that shows good credit history.

The Federal Trade Commission (FTC) has advised credit bureaus that when a report has created a negative action against a debtor, that person may add a creditor's name and positive credit information that will show a favorable credit history. As a result, most credit bureaus will contact any creditor you name and then add that information to your file. There may be a small fee, but any positive credit information you can add would generally be well worth the small costs.

Start by listing creditors that have not reported your personal credit history to a credit bureau. List only those with whom you have a good relationship and flawless payment record. Let these creditors know that the credit bureau will be contacting them, and ask them to release your account information to the caller.

Once you have contacted the creditors with whom you have a good credit rating, call the credit bureau and ask them to contact the list of creditors you will provide. Also ask them to add the information to your report as soon as the information has been verified.

In your letter to the credit bureau, give them:

- Name of lender.
- Account number, and
- All other information concerning the account.

Once you have cleared as many inaccurate negative items as possible from your credit file and added more positive reports, your credit rating will improve dramatically.

CONSUMER PROTECTION LAWS

You can protect your credit by being aware of legal facts regarding your consumer credit protection rights. All too often, consumers have their credit damaged unjustly as a result of misinformation being placed in their credit file.

YOU HAVE THE RIGHT:

1. To know the name and address of the credit reporting agency that prepared the credit profile which was used by the subscriber to deny you credit.
2. To receive information from a credit reporting agency pertaining to the nature, substance, and the sources (not including investigative sources) regarding the information collected about you.
3. To have an attorney, credit consultant, or anyone of your choice, accompany you when visiting the office of the credit reporting agency.
4. To know who has received a report on you in the past six months, or within the preceding two years, if the report was pulled for employment purposes.
5. To find out all information held on you, without any charge, in the event you have been denied credit or employment in the past 60 days.
6. To have information pertaining to you that you disagree with, and therefore, dispute, reinvestigated and corrected or removed if inaccurate or unverified.
7. To place a statement in the credit reporting agency's files if you continue to dispute the accuracy of any items after a reinvestigation.
8. To have an updated report sent to those credit grantors who have received a report pertaining to you within the last six months.
9. To request that the credit reporting agency send your side of the dispute to your potential credit grantors.
10. To sue a credit agency if it willfully or negligently violates the law in reference to possible damages resulting from such an act.
11. To have a credit report kept from anyone who, under the law, does not have a legitimate business needed to receive that information.
12. Not to have adverse information pertaining to you over seven years, or bankruptcies for ten years, on file or reported.
13. To be notified by a business that ordered an investigative report for information about the nature and extent of the investigation.
14. To be notified by a business asking for information about you that would constitute the equivalent of an investigative consumer report.

FAIR CREDIT BILLING ACT

Have you ever received a bill and didn't know what it was for? Billing errors can damage your credit standing, even if they didn't belong to you. The Fair Credit Billing Act was enacted in 1975 to protect consumers from billing errors, so that they can be resolved expeditiously and in a fair manner. This law protects you from the following errors:

1. Charges for goods and services that were not accepted or delivered as agreed.
2. Charges which are incorrectly identified in terms of amounts and dates.
3. Charges not made by the person, or persons, authorized to use the account.
4. Failure to reflect payments, returns, or other credits.
5. Bills that were delivered to the incorrect address (even though you made a change of address notification in a timely manner).
6. Charges for which a written proof of purchase had been requested.

The law also provides that a creditor may not report an account delinquent to a credit reporting agency while there is a dispute that has been filed by the borrower or party involved. If you see a negative report that is in dispute on your credit file report, ask the credit bureau to remove it from your file, or request that a note be added indicating that this item is under dispute.

WHEN YOUR DEBT IS SENT TO A COLLECTION AGENCY

If you ignore the original creditor's letters and phone calls, or you set up a repayment schedule but fail to make the payments, your bill will most likely be turned over to a collection agency and your delinquency reported to a credit bureau.

Our interest here in this book is to help you establish credit worthiness. So, our interest in collection agencies is only in strategies related to helping you improve your credit history. There is much information about collection agencies that you should be aware of to safeguard your finances and credit history and we suggest you pursue information in this area. Remember, as we said earlier, knowledge is power.

If your debt has been turned over to a collection agency, there are still a few advantages for you to negotiate.

1. You can offer a lump-sum settlement at a reduction of the original amount owed.

A lump sum settlement can be a way to reduce the total amount you pay on a debt. The collection agency didn't lend you the money or extend you credit initially. It doesn't care if you owe \$250 or \$2,500. It just wants to maximize its return, which is usually a percentage of what it collects.

Time is money for the collection agency. Every time the collection agency writes or calls you, it spends money. The agency has a strong interest in getting you to pay as much as you can as fast as possible. It has less interest in collection 100% over five years.

Before you contact a collection agency, review your debt priority plan. If you don't have the cash to make a realistic lump sum offer, don't call. You may make promises you can't keep or give the agency more information than it already has.

If you decide you can make a lump sum offer, understand that no general rule applies to all collection agencies. Some want 75%-80%. Others will take 50% on the dollar. Those that have all but given up on you may settle for one-third of what you owe.

Before you make an offer, however, decide your top amount and stick to it. Once the agency sees you are willing to pay something, it will try to talk you into paying more. Don't agree to go any higher than what you have predetermined.

A collection agency will have more incentive to settle with you if you can pay all at once a reduced negotiated fee. If you owe \$500 and offer \$300 on the spot to settle the matter, the agency can take its fee, pay the balance to the original creditor (who takes as a business loss the amount you don't pay) and close its books.

2. Ask that any negative information about the debt be removed from your credit file as a condition of a reduced lump sum payment.

If the collection agency agrees to settle a debt with you, ask the agency as a condition of your paying to have any negative information about the debt removed from your credit file. The collection agency will probably tell you that this is not its decision--that only the original creditor can remove the information.

Ask for the name and phone number of the person with the original creditor who has authority to make this decision. Call that person and plead. Let the creditor know that you are taking steps to repay your debts, clean up your credit and be more responsible. Emphasize that a clean credit report will help you achieve your goals.

Better yet, you can tell the collection agency person to arrange to have it removed from your file. If they do not agree, then forget it. They will see what they can do, believe me. MAKE SURE YOU GET ANY AGREEMENT IN WRITING. MAKE SURE IT IS CLEAR AND CONCISE, SIGNED, DATED, ETC., IT WOULD EVEN BE BETTER TO PAY IN PERSON, GET A RECEIPT AND SIGNED AGREEMENT AT THE TIME OF PAYMENT IF POSSIBLE. DO NOT TRUST THEM!

3. If the collection agency violates the Fair Collection Practices Act, then you have additional leverage to negotiate a reduced settlement.

Collection agency bill collectors aren't supposed to engage in any of the illegal practices listed on the next page; but that doesn't mean they don't. Low income and non-English speaking debtors are especially targeted. So are non-U.S. citizens.

If a collection agency bill collector violates the law--be it a large or small violation--try to get a witness, or better yet, tape it. Then complain. Complain even if you didn't get a witness. If you're loud enough about the abuse you suffered--and you've got a witness backing you up, or a tape, --you have a chance to get the whole debt cancelled in exchange for shutting up.

To complain about a collection agency's tactics --

To complain, contact the Federal Trade Commission. Also complain to the State agency that regulates collection agencies for the State where the agency is located.

The Federal Trade Commission or the State agency may send you a form to help it process your complaint. Be thorough. Include dates, times and the names of any witnesses to unlawful conversations, and attach copies (keep the originals for yourself) of all offending materials you received.

Also, write to the original creditor and send a copy of this letter to the collection agency, the Federal Trade Commission and the State agency. The original creditor may be disturbed by the collection agency's tactics and concerned about its own reputation. It might prefer to have you come back some day as a customer than have you be abused by a collection agency.

You also have a right to sue the collection agency for harassment and name the original creditor as a defendant in the lawsuit. Making your intentions known can be a further reason for the original creditor to work with you on resolving your debt and clearing negative information from your credit file. Most creditors will want to avoid any further problems.

WHAT COLLECTION AGENCIES ARE NOT ALLOWED TO DO

Third party collection agencies are regulated by the Fair Collection Practices Act. This Act outlines what a debt collector cannot do in collecting a debt for others.

They are not allowed to:

- Contact you at inconvenient or unusual times or places, such as before 8 a.m. or after 9 p.m., unless you agree.
- Contact you at your place of employment if your employer doesn't approve.
- Contact you after you send written notice to an agency to stop, except to state that there will be no further contact, or to notify you that specific action will be taken if that specific action is usually taken by the collector. In that event, your account will probably be referred to an attorney immediately.
- Contact anyone but your attorney if you have one. Otherwise, a collector may contact other people only to determine where you work or live.
- Tell people that you owe money, except you or your attorney.
- Advertise your debt or publish a list of non-payers, except to credit bureaus.
- Harass, oppress, or abuse any person, such as use of threats of violence or harm to property or reputation, use of obscene or profane language, repeated use of the telephone to annoy someone, or telephone without identifying themselves.
- Make false statements when collecting a debt, such as falsely imply that they are an attorney or government representative, falsely imply that you have committed a crime, falsely imply that they work for a credit bureau, misrepresent the amount of debt, indicate papers are legal when they are not.
- Fail to give you written notice within five days after contacting you, to tell you the amount owed, the name of the creditor and what to do if you feel you do not owe the money.
- Contact you about the debt if you deny owing the debt within 30 days after being contacted, unless you are sent proof of the debt.
- Imply or say that you will be arrested for non-payment.
- Say that they will take legal action unless the creditor intends to do so, and that it is legal.
- Give false credit information about you to anyone.
- Send you official looking documents that appear like documents from a Court or agency of the United States government.
- Use any false name.
- Deposit a postdated check before the date of the check.
- Make you pay for communications, such as collect calls or telegrams.
- Contact you by postcard that could advertise your debt.
- Put anything on an envelope that shows the communication is about the collection of a debt. For example, Midwest Collections is not an acceptable return address.

- Fail to apply amounts to the specific debts you choose.

Here are some of the more atrocious acts by collection agency bill collectors that have been documented:

- Sending debtors fake legal papers and then pretending to be Sheriffs. They tell debtors to pay immediately or threaten that the debtors will lose their personal possessions.
- Using vulgarity and profanity to threaten debtors.
- Harassing a debtor's parents - in particular, impersonating a government prosecutor before the parent and requesting that the parent ask the debtor to contact the collector.
- Soliciting a postdated check, depositing early and threatening the debtor with prosecution for writing a bad check.
- Suggesting to a female debtor that she take up prostitution to increase her income.
- Threatening to report Latin and Asian debtors to the Immigration and Naturalization Service and posing as INS officers.
- Engaging in repeated violations of the law - such as verbal harassment, late night calls and calls to neighbors and friends - especially at the end of each month when collectors are trying to reach their monthly collection quotas.

SPECIFIC LOANS THAT CAN CREATE A GOOD CREDIT RATING

AUTO FINANCING -- In order to generate the sale of automobiles, major car manufacturers have established their own loan-payment programs. Millions of Americans now bypass lending institutions altogether and go directly to car dealerships, which are often much more liberal with loan applications. After all, they are in the business of selling cars, trucks, vans, etc., not denying loan applications.

Also, a vehicle, plus a modest down payment, serves as collateral in the event that a borrower defaults. The vehicle would simply be repossessed, and sold again to cover any loss. Purchasing a new or used vehicle directly from a car dealer is an easy way to establish or reestablish good credit.

DEBT CONSOLIDATION - Debt consolidation loans are another way of getting back on track. This type of loan will allow you to pay off all of your creditors by making one single, monthly payment to a lending institution. The payments are almost always far less than the various payments you were paying when added together. Consolidation is a great way of maintaining, or reestablishing an A1 credit rating.

OVERDRAFT LOANS --Overdraft loans have become increasingly popular, and can protect your credit rating by avoiding the embarrassment of having checks bounce. An overdraft loan is a type of loan that has been approved before a need for the money has occurred. When you need the cash, you simply write a check. When your account is overdrawn, the bank then lends the money automatically up to your approved loan limit. Usually, you will be expected to pay it back in monthly installments, much the same as a credit card account.

CHECK LOANS --Check loans are another way of establishing good credit. This loan plan involves the issuance of a special set of check blanks. When you want to borrow money, you write an amount on the check and receive an instant loan. The following month, you will automatically receive your installment payment coupons.

THRIFT ACCOUNTS/PASSBOOK LOANS --If you have a savings account but haven't established credit, you can establish credit with a banking institution by borrowing from yourself. Thrift accounts, or passbook loans, allow you to make a loan up to the amount that you have in your savings. Because the banking institution is taking no risk, a loan can be approved quickly.

CREDIT SOURCES COMMONLY USED TO ESTABLISH CREDIT

COMMERCIAL BANKS offer a wide variety of loans, including personal loans, auto, business, overdraft, student, credit card, thrift, single and installment loans, and secured or unsecured loans, including credit cards, which are generally issued by a bank.

CREDIT UNIONS AND FINANCE COMPANIES offer auto loans, second mortgages on real estate, personal and debt consolidation loans, installment and single payment loans, secured and unsecured.

INSURANCE COMPANIES WILL LOAN you money against the value of a life insurance policy for any purpose. These amounts, plus interest, will be deducted from the face value of an eventual claim if the loan is not paid back.

STOCK BROKERS may arrange loans for clients to purchase stocks, etc., or secure loans against the value of stocks already owned.

SALES FINANCE COMPANIES lend money for the purpose of marketing a product that is often a high ticket item. After the item is sold, the dealer may then sell the contract to a bank or finance company.

SAVINGS AND LOANS offer all types of mortgages, home improvement, overdraft, credit card, student, installment, secured, single payment and car loans.

LOANS BY MAIL can get you a personal loan through the mail from executive finance companies if you have a good credit record and substantial income. However, the finance charges are usually high.

SECOND MORTGAGE COMPANIES specialize in second mortgage loans on your home. The total finance costs, including interest charges, can be very high when you tap into a second mortgage of the net equity in your real estate.

FEDERAL GOVERNMENT LOAN PROGRAMS offer many loan programs to those who qualify. With a government loan guarantee, you can get a loan approved at your local bank that might have otherwise been denied, because the government “guarantees” that the loan will be repaid by them if you default. The bank has nothing to lose. Examples of government guaranteed loans are student loan, farm loans, business loans, VA, FHA, and SBA loans.

PAWNSHOPS are a last resort for many people. A pawnshop will accept just about anything as collateral on a single payment loan. The problem with this type of loan is that the borrower can receive as little as 10% of the actual resale value of an item. Also, if the loan is not paid back in a certain period of time, the pawnshop can sell the item to recover its money and make a good profit besides.

LOAN SHARKS are definitely not recommended. A loan from this source may be offered with interest as high as 2,000% or more.

HOW BANKS GIVE YOU A CREDIT RATING

The first thing loan officers will scrutinize is your ability to repay a loan. To do this, they look closely at your employment, the length of time on the job, and the stability of that employment.

Employment - Is your occupation stable, or are there layoffs? It is seasonal work?

Financial Obligations - How much of your income is already spent?

Do you have previous obligations, such as alimony or child support?

If your present living expense is in excess of 40 percent of your gross monthly income, then in all probability, your loan will be denied.

Character - Loan officers will also look at your personal character. The fact that you have the ability to pay does not guarantee you have the character to pay. Some indications of a stable character are credit checks through credit bureaus, length of time in the community, etc. Most lenders will make a personal judgment of your character during your personal contact. Do everything you can to make a good impression.

Collateral - If your credit is less than perfect, even if you make a good impression, most lenders will want some kind of security or collateral in case you would not repay. The collateral needs to cover the amount of unpaid balance. So, you won't be able to put up a \$100 Savings Bond as collateral for a \$500 loan.

Point System - Most lending institutions use a point system to evaluate your credit worthiness. This is only an example. Each bank sets up its own point system.

The Point System

<u>CATEGORY</u>	<u>POINTS</u>
Age	18-25.....2
	26-64.....4
	65 & Up.....2
Dependents	1-3.....4
	4 or more..... 2
Stability	5 years at present address..... 2
	5+ yrs at present address.....4
	5 yrs at previous address..... 2
	5+ yrs at previous address..... 4
Employment	less than 1 yr at present job... 2
	1-2 yrs at present job..... 4
	2-4 yrs at present job..... 6
	10 yrs at present job..... 7
	10+ yrs at present job..... 8
	Spouse works..... 4

Again, this point system is not universally used at all banks. It is just an example, used to show what banks look at, and what order of importance they generally carry.

HOW TO APPLY FOR A BANK LOAN

Here are some tips to help you when you are applying for a loan from a lending institution:

Step 1. Talk to the loan officer at the lending institution. Find out:

- What credit bureau they use?
- Who is the decision maker - who grants or denies the loan?
- What is the debt-income ratio on approvable loans? (Most lenders will deny loans to persons whose outgoing indebtedness is 40 percent or more of their income).
- What is the lender looking for in length of employment, and length of time at present residence?
- What types of loans are frequently granted by this lending institution?

Lenders are required, by the Truth in Lending Act, to disclose to you the following:

- Interest rate on the loan
- Total cost of the loan
- Amount of monthly payments
- Date payments are due

Most loan contracts have parts, or all of the Truth in Lending Act printed on the back.

Step 2. Get your credit report from the bureau which the lender subscribes to.

Make sure it is in agreement with your credit application. If there is anything on the report that needs explaining, write the explanation and submit it with your loan application.

Step 3. Get two copies of your loan application.

Do your figuring on your first copy. If you need to, you can always get another. The copy you submit needs to be written neatly and clearly in block letters. Do not scratch out or change numbers. This raises questions. Most lenders do not verify the income amount unless the amount seems questionable.

Step 4. Take your credit application to your loan officer in person by appointment.

Step 5. Make a positive impression by smiling, using good body language and personal mannerisms.

Step 6. The loan officer will be able to give you his/her personal opinion as to whether the loan seems favorable or unfavorable.

Step 7. Explain things he/she doesn't understand.

Step 8. A personal reference from your employer is another point for your side.

IF YOUR LOAN IS DENIED, ASK WHY

See if you can talk to the person in charge. Maybe there is something you could explain that would change his/her mind. Maybe you can personally convince him/her to take a chance in trusting you.

Don't stop there. Go to another lender. There may be one lender out there who is willing to take a chance on you. See if you can find him/her. Don't give up too easily.

Apply with only one lender at a time.

After you have received this new line of credit, make sure you keep all your payments current, proving your trustworthiness.

MAKE USE OF YOUR CREDIT UNION

As a member of a credit union, your chances of getting a loan there are better than at other lending institutions.

Your monthly payments are usually made by payroll deduction, reducing the risk of nonpayment. Because of this, your work history and income-debt ratio are looked at more carefully than your credit history.

Credit unions also offer lower interest rates than banks or finance companies. If your company has a credit union, join - it's a fringe benefit most people do not take advantage of. Use it.

CREDIT CARDS - TO USE OR NOT TO USE

When most of us think of credit cards, Visa and MasterCard come to mind. These cards are relatively easy to get if you have good credit. They are also easy and convenient to use for credit. And that's where the trouble begins.

Almost every business accepts credit cards-airlines, hotels, restaurants, retailers, telephone companies and professionals. Credit card companies also offer other services including traveler's checks and subscriptions to travel and entertainment magazines.

Many businesses offer credit cards exclusive to their business. Generally, there is no charge, unless payment is not promptly received within ten days or so after receipt of the billing. In that event, an interest charge is applied.

APPLYING FOR A CREDIT CARD

For credit-building purposes, it can be a smart thing to have a few credit cards in good standing. That might mean applying for a credit card and not using it, or using it sparingly.

If you have credit problems ---

1. Apply at a local retailer. These merchants seem to judge more by face value than credit history. However, if you are denied, use this denial as a tool to get a free credit report.

Find out the requirements that will qualify you. This can be done by phone.

Take care in filling out the application. Ask for two forms - one to use as a worksheet, the other to submit. Write neatly and complete all required information.

2. Arrange for a secured card. A secured credit card is a good way to establish, or re-establish a line of credit. A secured card is one that uses a savings account or C.D. account as collateral. This eliminates the credit card company's risk. Chances are, if you have a negative credit history, or no credit history, this will be the only kind of plastic money available to you.

Once you have proven yourself (through collateralized loans from other creditors) as a low-risk borrower, getting an unsecured line of credit is relatively easy.

Remember, credit cards can tempt you to overspend. Use a credit card wisely and as a tool to help you build your credit worthiness. Used without discipline and vigilance, it can be the executioner of your credit worthiness.

Protecting Your Card Rights

Don't wait until you have a problem with your card to find out your rights. They're spelled out on the back of your statement.

The Equal Credit Opportunity Act applies to credit card applications as well. Use your rights for equal opportunities.

Getting More Credit

More isn't always better where credit is concerned. Obviously you need a large enough line of credit to be able to charge something you need - an airline ticket in an emergency, for example. But you can have two types of problems with large lines of credit. The first, which you can control, is that you might be tempted to spend more than you can repay. The second is that whatever lines of credit you have available count as a liability when potential creditors consider an application for a loan or mortgage, even if you never use it.

WHAT CARDS COST

Three things affect your card-based credit costs: **annual fees, finance charges and grace periods.**

You can control your card-based credit costs even if you use credit all the time by choosing a card that's suited to your usage and payment habits. However, if you always have a big outstanding balance and pay only the minimum charges each month, you'll be saddled with huge costs no matter which card you use.

Annual fees are once-yearly charges for using a particular card. You can often avoid them entirely by choosing a card that guarantees that there will be no annual fee for as long as you use it. These are quite common, and often by merely talking to a service representative and saying that you are going to cancel your card because of its annual fee, that fee will be waived. (It is amazing how many other fees can be and are waived—such as a late payment fee—by calling and talking to a customer representative and explaining the circumstances).

Finance charges are the costs of using credit. Many issuers still charge 18% or more a year (1.5% a month) on your outstanding balances and cash advances, though the justification for these high rates dates to a period of high inflation in the early 1980's. However, some banks charge less, sometimes significantly less during an introductory period. If you regularly have an outstanding balance, it can be wise to shop for the lowest rate.

The Grace period is the time between when you're billed and when you have to pay. However, some cards charge interest on all purchases from the day they're made, even if you paid your last balance in full. If you always pay on time, you'll probably agree that avoiding interest charges altogether outweighs finding the lowest rate, so be sure to read the small print.

Extra Costs

In addition to an annual fee, card issuers may charge extra fees for specific situations. For example, if you exceed your credit line, you may have to pay an over-the-limit fee, usually about \$10-\$15, even if your charge has been approved. And if your minimum payment is overdue, there's often a late payment fee, also about \$10-\$15.

You will probably have to pay a cash advance fee for withdrawing money from an automated teller machine (ATM) with your credit card, plus interest for the time between the advance and when you pay it off. Or you can take money directly out of your checking account with an American Express card for an access fee of 2% of the withdrawal (\$2.50 minimum, \$20 maximum) if you're enrolled in their Express Cash program.

Bottom Line Advice

Be wary before using any credit card. It is so easy to overspend your income.

Rule #1: “Do not use a credit card to finance anything beyond the 25-day grace period offered by most cards.” Interest rates on “plastic money” are much higher than on conventional loans. If you need to finance, get a conventional loan at your bank or from your credit union. (One exception might be to take advantage of a credit card promotion offering a low-rate of interest for a limited period of time, usually six months. Be prepared to switch your credit card balance to a conventional loan as soon as the promotion ends).

Since the 1986 Tax Reform Act, interest charges are no longer tax deductible. Pay your balance as quickly as possible and try to avoid excess finance charges. So, why use a credit card then, if not to **finance** purchases?

Convenience: First, for the convenience of having all your purchases on one bill and therefore, having only one check to write out.

Bookkeeping: Secondly, for the efficiency of keeping records. However, following Rule #1 requires much discipline and vigilance. Paying by check is equally efficient for keeping track, plus it has the benefit that you are not as likely to spend beyond the funds you have in your account.

The principle, “Buy today, pay tomorrow,” promoted by businesses with their own interests at heart, will get you quickly into some trouble.

References: Thirdly, in applying for credit from most lending institutions, references of credit worthiness are required. Credit card accounts in good standing make great references.

Offerings: Some credit card lenders give credit rebates based upon your credit card purchases. Many offer warranty extensions on products purchased with their card. A number of other “freebies” are also offered to entice you to use their credit card. Rule #1 still applies.

Affinity Cards: A credit card that’s co-sponsored by a bank and another company or institution - perhaps an oil company, an airline, a college or a charity - offers savvy consumers a smart way to use credit and accomplish something else at the same time, typically saving money on future purchases, adding mileage to frequent flier accounts or making charitable contributions. Rule #1 still applies.

EQUAL CREDIT OPPORTUNITY ACT (SUMMARIZED)
(PUBLIC LAW 90-321)

Do you feel you have been denied credit, or are not able to re-establish credit, because you have been discriminated against? Congress enacted the Equal Credit Opportunity Act to protect the rights of the consumer. It was amended in 1976 by Federal Reserve Regulation B to prohibit discrimination on the basis of race, color, religion, country of origin and receipt of public assistance.

Regulation B also contains partial exemptions from the procedures listed except for discrimination on the basis of sex or marital status for certain businesses, securities, and public utilities. The exempt businesses include physicians, dentists and small shop owners who may issue credit, although not necessarily through a credit card or a conventional payment method of more than four installments, or including the existence of finance and late charges.

This Act Provides and Gives You These Rights:

1. To be judged on an equal basis with all other credit applicants; prevents creditors from making statements to discourage applicants on the discriminatory basis listed above.
2. To have a joint account reported for both spouses separately after June 1977.
3. To have your income considered without regard to sex or marital status except in states with community property laws or as required to comply with state laws governing permissible finance charges or loan ceilings.
4. To have child support and alimony payments regularly received counted as income, if necessary.
5. Not to question about childbearing plans, or birth control practices.
6. Not to have your sex or marital status applied in a credit application scoring system.
7. To obtain credit in your own name if you are a woman.
8. Not to have creditors use or require unfavorable information about a spouse or former spouse, in case an applicant applies for credit independently of that spouse and can demonstrate that the unfavorable information should not be applied.
9. To have creditors count part-time income, although the creditor may consider the probable continuity of an applicant's employment.
10. To know the reasons you have been denied credit.
11. Not to have a creditor terminate your credit on an existing account because of a change in the applicant's marital status without evidence that the applicant is unwilling or unable to pay.

The Same Law Also Provides the Creditor With Rights:

1. To inquire about and consider whether obligations to make alimony payments, child support or maintenance payments would affect the outcome of a credit application.
2. To ask to what extent an applicant is relying on alimony or child support or maintenance payments to repay the debt. However, the applicant must first be informed that such a disclosure is unnecessary if the applicant does not rely on such income to obtain credit.

The Equal Credit Opportunity Act also addresses the retention of certain records that must be kept by a creditor pertaining to any action taken on an application for credit. The creditor must retain any application form, or other information, notifications of actions taken, reasons for any adverse action, and any allegations or violations.

WOMEN AND CREDIT

Projections from the U.S. Census Bureau state that of 100 typical American women now 21 years old, six will never marry. Ninety-four of them will marry, and 33 of them will see that marriage end in divorce. Out of the remaining 61 who stay married, 46 will outlive their husbands. Thus, 85 out of 100 women will be on their own at some point within their lives.

Of the 61 women who stay married, what percentage of them married men with a bad credit history? Of the 33 who divorce, how many of them come out of the marriage with their own personal, positive credit history? How many women know how much their net worth is? What their husband's life insurance policy is worth? Every woman - married, single, or divorced - should be able to answer these questions, but how many can?

Financial planning is an abstract concept that has no meaning until it is used in our everyday life. Women deserve credit. A good credit history is as important to a woman as it is to a man. A woman should use the steps in this manual to find out what her credit history is. If she has none, she should work at establishing some. If it is an inaccurate negative history, she should take the necessary steps to fix it, and work at re-establishing good credit. This should be done in her own name, not as Mrs. John Doe.

Remember the Equal Credit Opportunity Act. Again, exercise your rights to equal opportunities. A lender cannot deny you credit because of sex or marital status.

DEVELOPING A SPENDING PLAN

Budgeting is easy if you have enough income to meet all the outgo. The difficulty is when you run out of money before you run out of month. Having money available when it is needed means planning. If you are in debt with credit problems, planning is the only way to get control of your financial life.

The purpose of this is to help you see where your money is going. Then to look for ways to adjust your spending to fit your income.

Some items might need to be cut entirely from your spending in order to reduce your expenses. Some items might need to be reduced. In some cases, you might even realize that you need an item totally put on the back burner, such as a college education fund, or a retirement fund. But to add them, you might have to give up some nonessential enjoyment, say, for example, cable TV, certain magazine subscriptions, junk food, etc.

We are all individuals, and the way we spend, save, or budget our money, is just one of the ways we express ourselves. What is right for you may be wrong for someone else. What is important is for you to understand the logic of your own personal spending habits - where is your money going and is it going in the right places according to your priorities?

THE PROCESS--

1. Tally your current expenses and income.
2. **Tally all the necessary outgoing expenses under WHAT WE PLAN.**
 - (1) Housing
Mortgage or rent.
Taxes and Insurance; Utilities.
Improvement and Maintenance.
 - (2) Food
 - (3) Transportation, car payments, gas and oil,
insurance, taxes and tags, repairs,
bus and taxi fares
 - (4) Health care insurance
Doctor and dental bills, medications
3. **If after tallying these up, there is still more income than outgo, then under WHAT WE PLAN, gradually add other things, such as:**
 - * Savings (this is #1) for a good reason, be prepared for the unexpected;
(pay yourself first)
 - * Gifts (start planning for Christmas in January)
 - * Charities
 - * Recreation (this should include vacation expenses)

SAMPLE FORM LETTERS

Sample form letters are included in the following pages of this manual. Intended to serve as examples only, they can help you in drafting you own letters. Each letter addresses a specific strategy or tip previously described in this section of the manual on cleaning up your credit report file.

Sample Letter 1 - Request for Credit Report

Sample Letter 2 - Request for Free Credit Report

Sample Letter 3 - Request for Investigation

Sample Letter 4 - Letter to Delete Inaccurate Information

Sample Letter 5 - Request to Merge Inquiry with Account

Sample Letter 6 - Request to Delete Account

Sample Letter 7 - Request to Update Account

Sample Letter 8 - Reminder to Respond

Sample Letter 9 - Final Follow-up on Failure to Respond

Sample Letter 10 -Demand for Corrected Credit Report

Sample Letter 11 -Explanation for Delinquent Payment to Creditor

Sample Letter 12 -Statement to be added to Credit Report File

Sample Letter 13 -Request for Good Credit Accounts to be added to Bad Report

Sample Letter 14 -Negotiation with Creditor for Settlement of Disputed Debt

Sample Letter 15 -Direction to Collection Agency for Verification

SAMPLE LETTERS

These letters are samples only. You need to re-draft and personalize the information for your particular situation.

Sample Letter 1 - Request For Credit Report

Date

Name of Credit Bureau

Mailing Address

City, State, Zip

Re: Request for Credit Report

Dear Sir/Madam:

Please send me a copy of my credit report as soon as possible.

My full name_____

My spouse's name_____

My Social Security_____

My Present Address_____

My Previous Address_____

My Date of Birth_____

Enclosed is \$_____ as requested by your Bureau over the phone.

Thank you for your prompt attention to this matter.

Sincerely,

John Doe

10 Elm Street

City, State, Zip

(Signature)

Sample Letter 2 - Request For Free Credit Report

Date

Name of Credit Bureau

Mailing Address

City, State, Zip

Re: Request for Free Credit Report

Dear Sir/Madam:

According to the attached letter, which says that my credit application was denied, your credit bureau issued the report which was used for my credit evaluation.

The Fair Credit Reporting Act of 1970, 15 USC section 1681-g provides that the credit bureau should send me information which led to the denying of my credit application. According to the provisions of 15 USC section 1681-j, there should be no charge for this information.

Please send me my credit report at the address listed below. Additional information identifying my account is on the attached letter that denies me credit.

Sincerely,

John Doe

10 Elm Street

Any town, State, 10000

Tel: 012-34-5678

(Signature)

Sample Letter 3 - Request for Investigation

Date

Name of Credit Bureau

Mailing Address

City, State, Zip

SUBJECT: Your Name, Your Address
Your Social Security Number

Dear Sirs:

I am writing this letter in regard to the Fair Credit Reporting Act. Please investigate the information listed below. I do not have a record of these debts. Having this report on my credit record is extremely damaging to my creditworthiness and character and I am anxious to have this item removed.

Creditor's Name _____

Creditor's Account # _____

Amount in Question \$ _____

Please forward me an updated copy of my credit report as soon as your investigation is complete. Thank you.

Yours truly,
(Same as other letters)

Sample Letter 4 - Letter to Delete Inaccurate Information

Date

Name of Credit Bureau

Mailing Address

City, State, Zip

Re: Complaint to Delete Inaccurate Information

Dear Sir/Madam:

I received a copy of my credit report and found the following items to be in error. See the attached copy of the credit report. Below I have explained the discrepancies in the numbered problem entries:

(Example Only) Item 7: This account was paid on time.

(Example Only) Item 4: This was not my obligation to pay.

By the provisions of 15 USC section 1681-i of the Fair Credit Reporting Act of 1970, I demand that these items be re-investigated and deleted from my record. Send me names and addresses of individuals you contacted so I may follow up.

I shall assume that 30 days constitutes "reasonable time" for re-verification of these entries, unless you immediately notify me otherwise. It should be understood that failure to re-verify these items within 30 days constitutes reason to promptly drop the information from my file according to section 1681-i (a).

Also, pursuant to 15 USC section 1681-i (d) of the Fair Credit Reporting Act, please notify me when the items have been deleted. You may send an updated copy of my credit report to the

address listed below. According to the provisions of 15 USC section 1681-j, there should be no charge for this notification.

Sincerely,

(Same as other letters)

Sample Letter 5 - Request to Merge Inquiry With Account

Date

Name of Credit Bureau

Mailing Address

Any town, CA 10000

Re: Request to Merge Inquiry with Account

Dear Sir/Madam:

I recently received my credit report and located problems of inaccurate reporting. A copy of the credit report is attached, with the incorrect item numbers marked.

The presence of the inquiries as entries separate from the resulting accounts inaccurately duplicates information. The inquiries reflect an incomplete and inaccurate processing of information in my file. The inquiry entries should be removed, or at least merged into the accounts to which they belong.

Under the provisions of the Fair Credit Reporting Act 15 USC section 1681-i, please reinvestigate and delete these disputed items. Send me names and addresses of persons contacted. I shall assume that 30 days constitutes a "reasonable time" to complete these actions unless you immediately notify me otherwise. It should be understood that failure to re-verify within this time constitutes non-verification; and the items must be promptly deleted according to Section 168 ii (a).

Also pursuant to 15 USC section 168 ii (d) of the Fair Credit Reporting Act, please notify me when the items have been deleted. Send an updated copy of my credit report to the address listed below. According to 15 USC section 1681 j, there is no charge for notification of changes on my credit report.

Sincerely,

(Same as other letters)

Sample Letter 6 - Request to Delete Account

DATE

Name of Creditor

Street Address

City, State, Zip

Re: Request to Delete Account

Dear XYZ Creditor:

This letter is to confirm our telephone conversation on (insert date) regarding the settlement of the above account.

As discussed, I will pay your company the amount of (insert amount) as full settlement of this account.

Upon receipt of the above consideration, your company has agreed to change the entry on my credit file to "paid satisfactory". In addition, any adverse credit information regarding my account, such as "late payment" or "charge off" should be deleted from my report.

If you agree to the aforementioned terms and conditions, please acknowledge with your signature and return a copy to me.

Upon receipt of this signed acknowledgement, I will immediately forward you a cashier's check in the amount stated above.

Signature of Authorized Officer

Date

Type in the Officers name

Name of Authorized Officer

President Title

Sincerely,
(Same as other letters)

Sample Letter 7 - Request to Update Account

DATE

Name of Credit Bureau

Mailing Address

City, State, Zip

Re: Request to Update Account

Dear Sir/Madam:

Please note that under Sections 605 and 607 of the Federal Fair Credit Reporting Act, you are obligated to delete obsolete information from my consumer credit report since it is damaging my credit worthiness.

Please refer to the information circled on the attached copy of my consumer credit report. It is obsolete and should be deleted immediately from your credit files.

Also, pursuant to Section 168 of the same Act, I am entitled to notification that the items have been deleted. Please send an updated copy of my credit report to the address listed below as well as to any other party that has inquired about my credit rating in the last six months.

I anticipate your immediate attention to this matter.

Sincerely,
(Same as other letters)

Sample Letter 8 - Reminder to Respond

DATE

Name of Credit Bureau

Mailing Address

City, State, Zip

Re: Reminder to Respond

Dear Sir/Madam:

Thirty days ago, you received my letter disputing several items listed in my credit report issued by your firm. The items were inaccurate and incomplete. I have attached the original letter.

Note that 30 days is considered a “reasonable time” under the Fair Credit Reporting Act, 15 USC 168 ii for responding to my request for re-verification of the erroneous items. Since you did not immediately write to inform me of the need for additional time, I presume you accepted the 30-day time limit.

I have not received a reply from you within these 30 days. Therefore, it must be that the information on my credit report was either inaccurate, or it could not be verified. In either case, according to the provisions of 15 USC Section 168 ii (a), the item must be deleted immediately.

Please respond immediately so that I do not need to pursue my legal rights under 15 USC Section 1681 (n) or 1681 (o), which require your compliance with the law.

Also, pursuant to 15 USC Section 1681 i(d) of the Fair Credit Reporting Act, please send me notification that the items have been deleted. Send an updated copy of my credit report to the address listed below, as well as to any other party that has inquired about my credit rating in the last six months. According to the provisions of 15 USC Section 1681 J, there should not be a charge for notification of changes on my credit report.

Sincerely,
(Same as other letters)

Sample Letter 9 - Final Follow-Up on Failure to Respond

DATE

Name of Credit Bureau

Mailing Address

City, State, Zip

Re: Final Follow-Up on Failure to Respond

Dear Sir/Madam:

On INSERT DATE OF PREVIOUS LETTER, I sent you a follow-up letter pointing out that you had failed to respond to my disputes of certain items found on my credit report, issued by your company. Copies of that letter and the original dispute letter are attached.

To date you still have not fulfilled the intent of the Fair Credit Reporting Act, which requires your bureau, as a consumer reporting agency, to maintain and ensure that information "is fair and equitable to the consumer".

Also, the law stipulates that bureaus will maintain "accuracy, relevancy and proper utilization of such information" (15 USC Section 1681 e).

These requirements have not been met by your actions. You have not given me evidence that you have acted in a prompt or "fair and equitable" manner.

- 1) You have not submitted evidence of investigation by giving me names and addresses of persons contacted, nor have you removed anything found inaccurate.
- 2) You have not removed any item for which no verification could be found within the 30 days "reasonable time".
- 3) You have not taken care to maintain the accuracy, relevancy and proper use of information in my file.

I still dispute the items given on my attached letter. I expect an appropriate response on or before INSERT DATE for each item. Otherwise, I must contact the Federal Trade Commission, the Subcommittee on Banking, Credit and Insurance and your INSERT STATE regulatory agency.

I also expect the names and address of individuals you contacted to verify the information so I may follow-up on any item.

Sincerely,
(Same as other letters)

Sample Letter 10 - Demand for Corrected Credit Report

DATE

Name of Credit Bureau

Mailing Address

City, State, Zip

Re: Demand for Corrected Credit Report

Dear Sir/Madam:

On INSERT DATE OF PREVIOUS LETTER I wrote to tell you I had not heard about any specific actions taken to re-verify the items I had identified as inaccurate or incomplete in my credit report. Copies of my correspondence are attached for your review.

Since you have not given me names of those parties you contacted for re-verification of the information nor have you complied within a “reasonable time” to my request for re-verification, I assume that you have not been able to re-verify the information I have disputed. Therefore, you must comply with the provision of the Fair Credit Reporting Act and drop the disputed items from my credit report.

I demand that you send me a copy of my updated credit report showing the elimination of the items which I disputed on the attached letters. This copy must be provided free, according to 15 USC Section 1681 j. I demand that it be postmarked within five days after signing the certified mail receipt for the letter you are holding.

If I do not receive an updated copy of my credit report with the disputed items dropped, my attorney will pursue my legal rights under 15 USC Section 1681 n or 1681 o of the Fair Credit Reporting Act, “Civil liability for willful noncompliance.” Your credit bureau may be liable for:

- 1) Any actual damages I sustain by your failure to delete the items.
- 2) Punitive damages as the court may allow.
- 3) Cost of the court action, plus attorney’s fees.

I have forwarded copies of this letter to the Federal Trade Commission, the Subcommittee on Banking, Credit and Insurance, and the INSERT YOUR STATE Consumer Protection Agency and Department of Business and Professional Regulations (Division of Consumer Complaints).

Sincerely,
(Same as other letters)

Sample Letter 11 - Explanation For Delinquent Payment to Creditor

DATE

Name of Creditor

Mailing Address

City, State, Zip

Re: Explanation for Delinquent Payment

Dear Sir/Madam:

It has recently come to my attention that several of my payments to your account have been labeled "late" on my credit report.

I have been prompt in paying in the past, and missed the payments due to a temporary layoff from work. This account was promptly paid as soon as I resumed work.

Since the late payments occurred for the above excusable reason, please correct the payment history for my account at the following credit bureaus, which carry your account histories:

Name of Credit Bureau

Mailing Address

City, State, Zip

It is important that my credit report reflect the good relations I have had with your company in the past. The corrections in the credit report will make it more representative of my financial habits.

I appreciate your assistance.

Sincerely,

(Same as other letters)

Sample Letter 12 - Statement to be Added to Credit Report File

DATE

Name of Credit Bureau

Mailing Address

City, State, Zip

Dear Sir/Madam:

In accordance with the Fair Credit Reporting Act, I would like the following statement added to my credit report. This statement reflects my side of some of the negative reports appearing in my credit file.

(EXAMPLE ONLY) I worked for (firm's name) on insert date. The Union I belong to voted to go on strike. This strike lasted much longer than anticipated. As a result, I was not able to fulfill my monthly obligations. As soon as I returned to work, I began making all attempts to bring all my accounts up to date. I always do my best to fulfill my obligations. These circumstances were beyond my control.

(ANOTHER FOR EXAMPLE ONLY) On insert date, my wife became very ill. The Doctor and hospital bills have exceeded the limits allowed by our health insurance. As a result, we had to liquidate all of our savings and checking accounts. My wife lost her job, and I was not able to work full time. Now that I am again employed, I am attempting to fulfill all my credit obligations and am willing to work with all my creditors to the best of my ability.

Yours truly,

(Same as other letters)

Sample Letter 13 -

Request For Good Credit Accounts to be Added to Bad Report

DATE

Name of Credit Bureau

Mailing Address

City, State, Zip

Dear Sirs/Madam:

I would like to add the following credit information to my credit report in order to reflect good credit accounts:

Name of Lender _____

Address _____

Account # _____

Amount Borrowed _____

Date Paid _____

Please send me my updated credit report as soon as this information is added. Thank you.

Yours truly,

(Same as other letters)

Sample Letter 14 - Negotiation with Creditor for Settlement of Disputed Debt

DATE

Creditor's Name

Mailing Address

City, State, Zip

Re: YOUR NAME

ACCOUNT #

Dear INSERT CREDITOR'S NAME:

FOR EXAMPLE ONLY: INSERT YOUR EXPLANATION. This letter concerns the money I owe you. For the past three months, I have received bills from you stating that I owe you \$300 for a three-day rental of your New-Finish-Now hardwood floor finisher. As you will recall, I rented the finisher on a Friday evening intending to return it on Sunday, for a total of two days rental. When I came to your store on Sunday, it was closed and I could not return the finisher until Monday. I believe that I owe you no more than \$200, and it is obvious that there is a good faith dispute over the amount of this bill.

To satisfy this debt, I will send you a check for (\$INSERT AMOUNT) with a restrictive endorsement; and if you cash that check, it will constitute an accord and satisfaction. In other words, you will receive from me a check that states "cashing this check constitutes payment in full". If you cash it, that check will take care of what I owe you.

Sincerely,

(Same as other letters)

Sample Letter 15 -

Direction to Collection Agency for Verification

DATE

Name of Collection Agency

Mailing Address

City, State, Zip

Re: Verification for _____

(List name of company and Account #)

Dear Sir/Madam:

Pursuant to the Federal Fair Debt Collection Practices Act, I am asking that you cease all collection efforts until you have verified this debt and sent me a copy of the verification. I do not believe that I owe the amount stated in your collection request.

Failure to verify this alleged debt upon my written request will constitute a deceptive or unfair practice upon your part and will subject you or your agency to civil damages of up to \$1,000 and attorney fees, and/or a Federal Trade Commission action for penalties of up to \$10,000 per violation per day.

Sincerely,

(Same as other letters)

cc: Company of Disputed Account

THE EQUAL CREDIT OPPORTUNITY ACT

Title V - Equal Credit Opportunity

Section 501. Short Title. Public Law 93-495--Oct. 28, 1974

This title may be cited as the Equal Credit Opportunity Act.

Section 502. Findings and purpose.

The Congress finds that there is a need to insure that the various financial institutions and other firms engaged in the extensions of credit exercise their responsibility to make credit available with fairness, impartiality, and without discrimination on the basis of sex or marital status. Economic stabilization would be enhanced and competition among the various financial institutions and other firms engaged in the extension of credit would be strengthened by an absence of discrimination on the basis of sex or marital status, as well as by the informed use of credit which Congress has heretofore sought to promote--It is the purpose of this Act to require that financial institutions and other firms engaged in the extension of credit make that credit equally available to all creditworthy customers without regard to sex or marital status.

Section 503. Amendment to the Consumer Credit Protection Act.

The Consumer Credit Protection Act (Public Law 90-321) is amended by adding at the end thereof a new title.

VII:

Title VII-EQUAL CREDIT Opportunity

Sec.

701. Prohibited discrimination.

702. Definitions.

703. Regulations.

704. Administrative enforcement.

705. Relation to State laws.

706. Civil liability.

707. Effective date.

Section 701. Prohibited discrimination.

(a) It shall be unlawful for any creditor to discriminate against any applicant on the basis of sex or marital status with respect to any aspect of a credit transaction.

(b) An inquiry of marital status shall not constitute discrimination for purposes of this title if such inquiry is for the purpose of ascertaining the creditor's rights and remedies applicable to the particular extension of credit, and not to discriminate in a determination of creditworthiness.

Section 702. Definitions.

(a) The definitions and rules of construction set forth in this section are applicable for the purposes of this title.

(b) The term "applicant" means any person who applies to a creditor directly for an extension, renewal or continuation of credit, or applies to a creditor indirectly by use of an existing credit plan for an amount exceeding a previously established credit limit.

(c) The term “Board” refers to the Board of Governors of the Federal Reserve System.

(d) The term “credit” means the right granted by a creditor to a debtor to defer payment of debt or to incur debts and defer payment or to purchase property or services and defer payment therefore.

(e) The term “creditor” means any person who regularly extends, renews or continues credit; any person who regularly arranges for the extension, renewal or continuation of credit, or any assignee of an original creditor who participates in the decision to extend, renew or continue credit.

(f) The term “person” means a natural person, a corporation, government or governmental subdivision or agency, trust, estate, partnership, cooperative or association.

(g) Any reference to any requirement imposed under this title or any provision thereof, includes reference to the regulations of the Board under this title or the provision thereof in question.

Section 703. Regulations.

The Board shall prescribe regulations to carry out the purposes of this title. These regulations may contain but are not limited to such classifications, differentiation, or other provision, any may provide for such adjustments and exceptions for any class of transactions, as in the judgment of the Board, are necessary or proper to effectuate the purposes of this title, to prevent circumvention or evasion thereof, or to facilitate or substantiate compliance therewith. Such regulations shall be prescribed as soon as possible after the date of enactment of this Act, but in no event later than the effective date of this Act.

Section 704. Administrative enforcement.

(a) Compliance with the requirements imposed under this title shall be enforced under:

(1) Section 8 of the Federal Deposit Insurance Act, in the case of --

(a) national banks, by the Comptroller of the Currency.

(b) member banks of the Federal Reserve System (other than national banks), by the Board.

(c) banks insured by the Federal Deposit Insurance Corporation (other than members of the Federal Reserve System), by the Board of Directors of the Federal Deposit Insurance Corporation.

(2) Section 5(d) of the Home Owners’ Loan Act of 1933, section 407 of the National Housing Act, and sections 6(i) and 17 of the Federal Home Loan Bank Act, by the Federal Home Loan Bank Board (acting directly or through the Federal Savings and Loan Insurance Corporation), in the case of any institution subject to any of those provisions.

(3) The Federal Credit Union Act, by the Administrator of the National Credit Union Administration with respect to any Federal Credit Union.

(4) The Acts to regulate commerce, by the Interstate Commerce Commission with respect to any common carrier subject to those acts.

(5) The Federal Aviation Act of 1958, by the Civil Aeronautics Board with respect to any air carrier or foreign air carrier subject to that Act.

(6) The Packers and Stockyards Act, 1921, (except as provided in Section 406 of that Act), by the Secretary of Agriculture with respect to any activities subject to that Act.

(7) The Farm Credit Act of 1971, by the Farm Credit Administration with respect to any Federal land bank, Federal land bank association, Federal intermediate credit bank, and production credit association.

(8) The Securities Exchange Act of 1934, by the Securities and Exchange Commission with respect to brokers and dealers, and

(9) The Small Business Investment Act of 1958, by the Small Business Administration, with respect to small business investment companies.

(b) For the purpose of the exercise by any agency referred to in subsection (a) of its powers under any Act referred to in that subsection, a violation of any requirement imposed under this title shall be deemed to be a violation of a requirement imposed under that Act. In addition to its powers under any provision of law specifically referred to in subsection (a), each of the agencies referred to in that subsection may exercise for the purpose of enforcing compliance with any requirement imposed under this title, any other authority conferred on it by law. The exercise of the authorities of any of the agencies referred to in subsection (a) for the purpose of enforcing compliance with any requirement imposed under this title shall in no way preclude the exercise of such authorities for the purpose of enforcing compliance with any other provision of law not relating to the prohibition of discrimination on the basis of sex or marital status with respect to any aspect of a credit transaction.

(c) Except to the extent that enforcement of the requirements imposed under this title is specifically committed to some other Government agency under subsection (a), the Federal Trade Commission shall enforce such requirements. For the purpose of the exercise by the Federal Trade Commission of its functions and powers under the Federal Trade Commission Act, a violation of any requirement imposed under this title shall be deemed a violation of a requirement imposed under that Act. All of the functions and powers of the Federal Trade Commission to enforce compliance by any person with the requirement imposed under this title, irrespective of whether that person is engaged in commerce or meets any other jurisdictional tests in the Federal Trade Commission Act.

(d) The authority of the Board to issue regulations under this title does not impair the authority of any other agency designated in this section to make rules respecting its own procedures in enforcing compliance with requirements imposed under this title.

Section 705. Relation to State laws. (a) A request for the signature of both parties to a marriage for the purpose of creating a valid lien, passing clear title, waiving inchoate rights to property, or assigning earnings, shall not constitute discrimination under this title; provided, however, that this provision shall not be construed to permit a creditor to take sex or marital status into account in connection with the evaluation of creditworthiness of any applicant.

(b) Consideration or application of State property laws directly or indirectly affecting creditworthiness shall not constitute discrimination for purposes of this title.

(c) Any provision of State law which prohibits the separate extension of consumer credit to each party to a marriage shall not apply in any case where each party to a marriage voluntarily applies for separate credit from the creditor: provided that in any case where such a State law is so preempted, each party to the marriage shall be solely responsible for the debt so contracted.

(d) When each party to a marriage separately and voluntarily applies for and obtains separate credit accounts with the same creditor, those accounts shall not be

aggregated or otherwise combined for purposes of determining permissible finance charges or permissible loan ceilings under the laws of any State of the United States.

(e) Except as otherwise provided in this title, the applicant shall have the option of pursuing remedies under the provisions of this title in lieu of, but not in addition to, the remedies provided by the laws of any State or governmental subdivision relating to the prohibition of discrimination on the basis of sex or marital status with respect to any aspect of a credit transaction.

Section 706. Civil Liability.

(a) Any creditor who fails to comply with any requirement imposed under this title shall be liable to the aggrieved applicant in an amount equal to the sum of any actual damages sustained by such applicant acting either in an individual capacity or as a representative of a class.

(b) Any creditor who fails to comply with any requirement imposed under this title shall be liable to the aggrieved applicant for punitive damages in an amount not greater than \$10,000 as determined by the court, in addition to any actual damages provided in section 706(a); provided, however, that in pursuing the recovery allowed under this subsection, the applicant may proceed only in an individual capacity and not as a representative of a class.

(c) Section 706(b) notwithstanding, any creditor who fails to comply with any requirement imposed under this title may be liable for punitive damages in the case of a class action in such amount as the court may allow, except that as to each member of the class no minimum recovery shall be applicable, and the total recovery in such action shall not exceed the lesser of \$100,000 or 1 percent of the net worth of the creditor. In determining the amount of award in any class action, the court shall consider, among other relevant factors, the amount of any actual damages awarded, the frequency and persistence of failures of compliance by the creditor, the resources of the creditor, the number of persons adversely affected, and the extent to which the creditor's failure of compliance was intentional.

(d) When the creditor fails to comply with any requirement imposed under this title, an aggrieved applicant may institute a civil action for preventive relief, including an application for a permanent or temporary injunction, restraining order, or other action.

(e) In the case of any successful action to enforce the foregoing liability, the costs of the action, together with a reasonable attorney's fee as determined by the court shall be added to any damages awarded by the court under the provisions of subsections (a), (b) and (c) of this section.

(f) No provisions of this title imposing any liability shall apply to any act done or omitted in good faith in conformity with any rule, regulation, or interpretation thereof by the Board, notwithstanding that after such act or omission has occurred, such rule, regulation or interpretation is amended, rescinded, or determined by judicial or other authority to be invalid for any reason.

(g) Without regard to the amount in controversy, any action under this title may be brought in any United States district court, or in any other court of competent jurisdiction, within one year from the date of the occurrence of the violation.

Section 707. Effective Date. This title takes effect upon the expiration of one year after the date of its enactment.

THE FAIR CREDIT BILLING ACT
Public Law 93-495 -- Oct. 28, 1974

Chapter 4 -- Credit Billing

Sections:

- 161. Correction of billing errors.
- 162. Regulation of credit reports.
- 163. Length of billing period.
- 164. Prompt crediting of payments.
- 165. Crediting excels payments.
- 166. Prompt notification of returns.
- 167. Use of cash discounts.
- 168. Prohibition of tie-in services.
- 169. Prohibition of offsets.
- 170. Rights of credit card customers.
- 171. Relation of State laws.
- 502. Correction of billing errors.

(a) If a creditor, within sixty days after having transmitted to an obligor a statement of the obligor's account in connection with an extension of consumer credit, receives at the address disclosed under section 197(b)(11) a written notice, other than notice on a payment stub or other payment medium supplied by the creditor if the creditor so stipulates with the disclosure required under section 127 (a)(8) from the obligor in which the obligor:

(1) sets forth or otherwise enables the creditor to identify the name and account number (if any) of the obligor.

(2) indicates the obligor's belief that the statement contains a billing error and the amount of such billing error, and

(3) sets forth the reasons for the obligor's belief (to the extent applicable) that the statement contains a billing error, the creditor shall, unless the obligor has, after giving such written notice and before the expiration of the time limits herein specified, agreed that the statement was correct--

(a) not later than thirty days after the receipt, send a written acknowledgement thereof to the obligor, unless the action required in subparagraph (13) is taken within such thirty day period, and

(b) not later then two complete billing cycles of the creditor (in no event later than ninety days) after the receipt of the notice and prior to taking any action to collect the amount, or any part thereof, indicated by the obligor under paragraph (2) either --

(i) make appropriate corrections in the account of the obligor, including the crediting of any finance charges on amounts erroneously billed, and transmit to the obligor a notification of such corrections and the creditor's explanation of any change in the amount indicated by the obligor under paragraph (2) and, if any such change is made and the obligor so results, copies of documentary evidence of the obligor's indebtedness, or

(ii) send a written explanation or clarification to the obligor, after having conducted an investigation, setting forth to the extent applicable, the

reason why the creditor believes the account of the obligor was correctly shown in the statement and, upon request of the obligor, provide copies of documentary evidence of the obligor's indebtedness. In the case of a billing error where the obligor alleges that the creditor's billing statement reflects goods not delivered to the obligor or his designee in accordance with the agreement made at the time of the transaction, a creditor may not construe such amount to be correctly shown unless he determines that such goods were actually delivered, mailed or otherwise sent to the obligor and provides the obligor with a statement of such determination.

After complying with the provisions of this subsection with respect to an alleged billing error, a creditor has no further responsibility under this section if the obligor continues to make substantially the same allegation with respect to such error.

(b) For the purpose of this section, a "billing error" consists of any of the following:

(1) A reflection on a statement of an extension of credit which was not made to the obligor or, if made, was not in the amount reflected on such statements.

(2) A reflection on a statement of an extension of credit which the obligor requests additional clarification including documentary evidence thereof.

(3) A reflection on a statement of goods or services not accepted by the obligor or his designee or not delivered to the obligor or his designee in accordance with the agreement made at the time of a transaction.

(4) The creditor's failure to reflect properly on a statement a payment made by the obligor or a credit issued to the obligor.

(5) A computation error or similar error of an accounting nature of the creditor on a statement.

(6) Any other error described in regulations of the Board.

(c) For the purposes of this section, action to collect the amount, or any part thereof, indicated by an obligor under paragraph (2) does not include the sending of statements of account to the obligor following written notice from the obligor as specified under subsection (a), if --

(1) the obligor's account is not restricted or closed because of the failure of the obligor to pay the amount indicated under paragraph (2) of subsection (a), and

(2) the creditor indicates the payment of such amounts is not required pending the creditor's compliance with this section.

Nothing in this section shall be construed to prohibit any action by a creditor to collect any amount which has not been indicated by the obligor to contain a billing error.

(d) Pursuant to regulations of the Board, a creditor operating an open end consumer credit plan may not, prior to the sending of the written explanation of clarification required under paragraph (b)(ii), restrict or close an account with respect to which the obligor has indicated pursuant to subsection (a) that he believes such account to contain a billing error solely because of the obligor's failure to pay the amount indicated to be in error. Nothing in this subsection shall be deemed to prohibit a creditor from applying against the credit limit on the obligor's account the amount indicated to be in error.

(e) Any creditor who fails to comply with the requirements of this section or section 162 forfeits any right to collect from the obligor the amount indicated by the obligor under paragraph

(2) of subsection (a) of this section, and any finance charges under this subsection may not exceed \$50. Section 162. Regulation of credit reports. (a) After receiving a notice from an obligor as provided in section 161 (a), a creditor or his agent may not directly or indirectly threaten to report to any person adversely on the obligor's credit rating or credit standing because of the obligor's failure to pay the amount indicated by the obligor under section 161(a)(2), and such amount may not be reported as delinquent to any third party until the creditor has met the requirements of section 161 and has allowed the obligor the same number of days (not less than ten) thereafter to make payment as is provided under the credit agreement with the obligor for the payment of undisputed amounts. (b) If a creditor receives a further written notice from an obligor that an amount is still in dispute within the time allowed for payment under subsection (a) of this section, a creditor may not report to any third party that the amount of the obligor is delinquent because the obligor has failed to pay an amount which he has indicated under section 161(a)(2), unless the creditor also reports that the amount is in dispute and, at the same time, notifies the obligor of the name and address of each party to whom the creditor is reporting information concerning the delinquency.

(c) A creditor shall report any subsequent resolution of any delinquencies reported pursuant to subsection (b) to the parties to whom such delinquencies were initially reported. Section 163. Length of billing period.

(a) If an open end consumer credit plan provides a time period within which an obligor may repay any portion of the credit extended without incurring an additional finance charge, such additional finance charge may not be imposed with respect to such portion of the credit extended for the billing cycle of which such period is a part unless a statement which includes the amount upon which the finance charge for that period is based was mailed at least fourteen days prior to the date specified in the statement by which payment must be made in order to avoid imposition of that finance charge.

(b) Subsection (a) does not apply in any case where a creditor has been prevented, delayed, or hindered in making timely mailing or delivery of such periodic statement within the time period specified in such subsection because of any act of God, war, natural disaster, strike or other excusable or justifiable cause, as determined under regulations of the Board.

Section 164. Prompt crediting of payments.

Payments received from an obligor under an open-end consumer credit plan by the creditor shall be posted promptly to the obligor's account as specified in regulations of the Board. Such regulations shall prevent a finance charge from being imposed on any obligor if the creditor has received the obligor's payment in readily identifiable form in the amount, manner, location and time indicated by the creditor to avoid the imposition thereof.

Section 165. Crediting excess payments.

Whenever an obligor transmits funds to a creditor in excess of the total balance due on an open-end consumer credit account, the creditor shall promptly (1) upon request of the obligor refund the amount of the overpayment, or (2) credit such amount to the obligor's account.

Section 166. Prompt notification of returns.

With respect to any sales transaction where a credit card has been used to obtain credit, where the seller is a person other than the card issuer, and where the seller accepts or allows a return of the goods or forgiveness of a debit for services which were the subject of such sale, the seller shall promptly transmit to the credit card issuer, a credit statement with respect thereto and the credit card issuer shall credit the account of the obligor for the amount of the transaction.

Section 167. Use of cash discounts.

(a) With respect to credit cards which may be used for extensions of credit in sales transactions, in which the seller is a person other than the card issuer, the card issuer may not, by contract or otherwise, prohibit any such seller from offering a discount to a cardholder to induce the cardholder to pay by cash, check, or similar means rather than use a credit card.

(b) With respect to any sales transaction, any discount not in excess of 5 per centum offered by the seller for the purpose of inducing payment by cash, check or other means not involving the use of a credit card shall not constitute a finance charge as determined under section 106, if such discount is offered to all prospective buyers and its availability is disclosed to all prospective buyers clearly and conspicuously in accordance with regulations of the Board.

502 Prohibition of tie-in services.

Notwithstanding any agreement to the contrary, a card issuer may not require a seller, as a condition to predicate in a credit card plan, to open an account with or procure any other service from the card issuer or its subsidiary or agent.

Section 169. Prohibition of offsets.

(a) A card issuer may not take any action to offset a cardholder's indebtedness arising in connection with a consumer credit transaction under the relevant credit card plan against funds of the cardholder held on deposit with the card issuer unless:

(1) Such action was previously authorized in writing by the cardholder in accordance with a credit plan whereby the cardholder agrees periodically to pay debts incurred in his open-end credit account by permitting the card issuer periodically to deduct all or a portion of such debt from the cardholder's deposit account, and

(2) Such action with respect to any outstanding disputed amount not be taken by the card issuer upon request of the cardholder.

In the case of any credit card account in existence on the effective date of this section, the previous written authorization referred to in clause (1) shall not be required until the date (after such effective date) when such account is renewed, but in no case later than one year after such effective date. Such written authorization shall be deemed to exist if the card issuer has previously notified the cardholder that the use of his credit card account will subject any funds which the card issuer holds in deposit accounts of such cardholder to offset against any amounts due and payable on his credit card account which have not been paid in accordance with the terms of the agreement between the card issuer and the cardholder.

(b) This section does not alter or affect the right under State law of a card issuer to attach or otherwise levy upon funds of a cardholder held on deposit with the card issuer if the remedy is constitutionally available to creditors generally.

Section 170. Rights of credit card customers.

(a) Subject to the limitation contained in subsection (b) a card issuer who has issued a credit card to a cardholder pursuant to an open-end consumer credit plan shall be subject to all claims (other than tort claims) and defenses arising out of any transaction in which the credit card is used as a method of payment or extension of credit if (1) the obligor has made a good faith attempt to obtain satisfactory resolution of a disagreement or problem relative to the transaction from the person honoring the credit card; (2) the amount of the initial transaction exceeds \$50; and (3) the place where the initial transaction occurred was in the same State as the mailing address previously provided by the cardholder or was within 100 miles from such address, except that the limitations set forth in clauses (2) and (3) with respect to an obligor's right to assert claims and defenses against a card issuer shall not be applicable to any transaction in which the person honoring the credit card (A) is the same person as the card issuer, (b) is controlled by the card issuer, (c) is under direct or indirect common control with the card issuer, (d) is a franchised dealer in the card issuer's products or services, or (e) has obtained the order for such transaction through a mail solicitation made by or participated in by the card issuer in which the cardholder is solicited to enter into such transaction by using the credit card issued by the card issuer.

(b) the amount of claims or defenses asserted by the cardholder may not exceed the amount of credit outstanding with respect to such transaction at the time the cardholder first notified the card issuer or the person honoring the credit card of such claim or defense. For the purpose of determining the amount of credit outstanding in the preceding sentence, payments and credits to the cardholder's account are deemed to have been applied, in the order indicated, to the payment of: (1) late charges in the order of their entry to the account; (2) finance charges in order of their entry to the account; and (3) debits to the account other than those set forth above, in the order in which each debit entry to the account was made.

Section 171. Relation to State laws.

(a) This chapter does not annul, alter, or affect, or exempt any person subject to the provisions of this chapter from complying with, the laws of any State with respect to credit billing practices, except to the extent that those laws are inconsistent with any provision of this chapter, and then only to the extent of the inconsistency. The Board is authorized to determine whether such inconsistencies exist. The Board may not determine that any State law is inconsistent with any provision of this chapter if the Board determines that such law gives greater protection to the consumer.

(b) The Board shall by regulation exempt from the requirements of this chapter any class of credit transactions within any State if it determines that under the law of that State that class of transaction is subject to requirements substantially similar to those imposed under this chapter or that such law gives greater protection to the consumer and that there is adequate provision for enforcement.

Section 307. Conforming amendments.

(a) The table of chapters of the Truth in Lending Act is amended by adding immediately under item 3 the following: “4. CREDIT BILLING 161.”

(b) Section 111(d) of such Act (15 U.S.C. 1610(d)) is amended by striking out and 130 and inserting in lieu thereof a comma and the following: 130, and 166.

(c) Section 121 (a) of such Act (15 U.S.C. 1631(a)) is amended--
(1) by striking out “and upon whom a finance charge is or may be imposed”; and (2) by inserting “or chapter 4” immediately after “this chapter”.

(d) Section 121(b) of such Act (15 U.S.C. 1631(b)) is amended by inserting “or chapter 4” immediately after “this chapter”.

(e) Section 122(a) of such Act (15 U.S.C. 1632(a)) is amended by inserting “or chapter 4” immediately after “this chapter”.

Section 415. Grace period for consumers.

Section 127 of the Truth in Lending Act (15 U.S.C. 1637) is amended--

(1) by amending subsection (a)(1) to read as follows:

(1) The conditions under which a finance charge may be imposed, including the time period (if any) within which any credit extended may be repaid without incurring a finance charge, except that the creditor may, at his election and without disclosure, impose no such finance charge if payment is received after the termination of such time period; and

(2) by amending subsection (b)(10) to read as follows:

(10) The date by which, or the period (if any) within which, payment must be made to avoid additional charges, except that the creditor may, at his election and without disclosure, impose no such additional finance charge if payment is received after such date or the termination of such period.

Section 416. Effective date.

This title takes effect upon the date of its enactment, except that sections 409 and 411 take effect upon the expiration of one year after the date of its enactment.