Russ Whitney's

CREDIT:

How To Obtain, Increase and Preserve Credit

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CREDIT

How to Obtain, Increase and Preserve Your Credit

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CREDIT MANUAL
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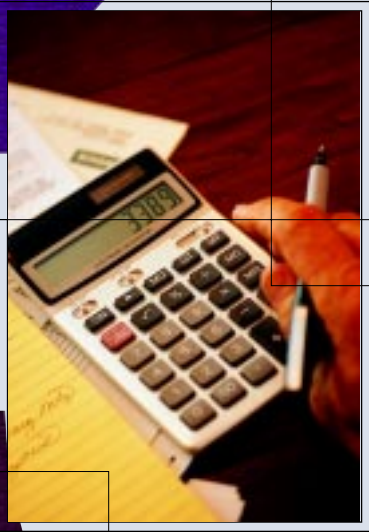
Credit: How to Obtain, Increase and Preserve Credit

INTRODUCTION TO CREDIT



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If you have no credit
If you have some credit and need more
If your credit needs rehabilitation

Then this manual was written for you.

Credit or one's ability to pay their obligations has always been a critical component of our system of exchange. For years, government was on the side of the lender to the extent that people were actually sent to jail for nonpayment of obligations. Debtors' prisons were abolished long ago, but it wasn't until 1968 that the Consumer Credit Protection Act was initially enacted. For the first time, creditors had to state the true cost of borrowing.

HISTORICAL PERSPECTIVE

Today to buy a car, home, get a job, or a new TV, most will have to pass the credit criteria of a credit bureau. With the electronic age, the collection of credit data is a multi-billion dollar industry. The first known credit bureau was formed by a group of tailors in London, England in 1803. Members of the Mutual Communication Society of London exchanged information on bad credit risks. The first US credit bureau was started in Brooklyn, New York in 1869.

For years, consumers were able to obtain credit primarily from their local stores and vendors. Then, to take advantage of all those eating out and traveling, a whole new set of credit evolved, the travel and entertainment cards. American Express and Diner's Club are prime examples. The economy was booming and banks were anxious to partake in what was the "plastic" revolution in America. Up to that point, to make a "material" purchase you had to have an account directly with the merchant you were buying from. Then some banks in California got together and the MasterCard was born.

Credit Tightens

Credit was easy. Credit card companies were determined to sign up as many members as possible. "You have been pre-approved for X amount of credit," stated their marketing materials. More often than not, the annual family income was the only criteria considered.

But consumers went on a spending spree, charging everything in sight; as a result many were unable to pay, and credit procedures were tightened considerably. The economy went sour, interest rates went through the roof and numerous consumers fell into a credit "no-man's" land. Downsizing became the buzzword in corporate circles and many became unemployed and without credit.

Credit Boom

Then, we came full circle. The economy was booming at a 50-year high and interest rates were very low. A *Time* magazine story quoted the Consumer Federation of America as stating that from 55 to 60 million Americans had an outstanding balance of over $7,000 in their credit card accounts, up $1,000 from the previous year. However, bank profit margins at that time were declining steadily since the mid-eighties. The article estimated a 300% decline during that period. Where did they look for additional business?

One way was to further penalize current customers. Some have decreased the grace period from 30 to 20 days. Others actually started charging a fee if the account is not used during a certain time

frame. How important is this business to their bottom line? Credit card loans account for 7.8% of total bank lending, however it represents 12.2% of their loan income. It is *very* important to them. Some even instituted a fee for closing an account.

How about those 50 million Americans with poor, or no credit? Many financial institutions are actually targeting them as a major new source of consumer business, realizing that their stringent rules have prevented many good and stable people from receiving the credit they deserve. A divorce, illness, job loss or even a bankruptcy deprived consumers of a record that included years of steady and faithful payments.

UNDERSTANDING CREDIT AND YOUR RIGHTS

Let's start by understanding credit. What do the lenders look for when they evaluate someone for a loan? What are the different methods they employ to do so? We will explain the terminology used in credit, and review the different types of credit cards that are available.

We will identify the nine important pieces of federal legislation that were enacted to protect you in the marketplace. We will explain the significance of each and review what they mean to you, from the landmark Truth in Lending Act to the Real Estate Settlement Procedures Act.

Did You Get the Best Deal?

We will explain how to evaluate the different types of credit card proposals that you receive, how to shop around for the best deals and where to look. This will include the most comprehensive evaluation list available.

UNDERSTANDING THE PROCESS

How are credit histories compiled and kept? Who are the keepers of this vital information and how can you access and understand what it all means? Where can you go if you have questions about your report?

Getting Started

If you have no credit, or if you have bad credit, a step-by-step plan will be provided to insure that you have the financial resources to pursue whatever it is you need. Which cards should you apply for first and what is the ideal mix?

If you have credit but need more, how can you attain those additional revenue sources and credit lines? Your goal is a $100,000 line-of-credit. How can you use creative financing while you are building up your credit resources?

How do you go about restoring credit problems? We'll show you what to look for, where to you go, and even provide sample letters you can use for your particular situation. This is the definitive credit-repair guide.

Now that you are on the road to financial success, what should you consider doing to ensure that you are not put in a position of losing your gains? We will show you how to shelter what you have from others.

WHERE TO FIND HELP

If you need help in solving a problem or in straightening out your debt, we will show you the places to go for that help, including federal, state and not-for-profit agencies. We will also show you how and which agency you should contact to report a specific problem with a financial institution.

A summary of all the consumer protection laws pertaining to credit in the market place are also included for your review.

Protecting your credit is a never-ending process, therefore, we'll show you what the professionals recommend you do and how often.

Credit: How to Obtain, Increase and Preserve Credit

UNDERSTANDING CREDIT

CHAPTER 1

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You get credit by promising to pay in the future for something you receive in the present. Credit is a convenience because you can enjoy your purchase while paying it off. Today when someone mentions credit, what they are usually referring to is a credit history. This is a record of a person's credit past, as tracked by an agency or bureau, from credit cards they have applied for and received, and the promptness of their payments. Accounts in department stores, car loans, home financing or renting, phone and electric bills, cable charges all can be variables. What do lenders want to see in a credit history? Stability is the key, both on the job and where one lives. Prompt payments of past debt and a low debt to income ratio are major determinants.

THE SIX C'S OF CREDIT

Many lenders, including financial institutions, use what is commonly referred to as the six "C's" of credit.

They are listed in the order of implied importance:

Character: Does the person appear to be trustworthy? This is a summary of what was thought about you as a person.

Capacity: The ability to pay off the debt, based upon earnings and outstanding debt.

Collateral: Is security required for the loan?

Conditions: Are there economic or regulatory influences that would come into play?

Credit: Your credit history.

Capital: Your net worth determined by a financial statement.

Most people automatically assume that credit is the most important factor, but it stands fifth in importance. Your image, both dress and presence, have a major impact on whether one receives a loan. Once again, it boils down to stability and how you relate to the particular loan officer.

HOW DO YOU SCORE?

Many consumers are not aware that most creditors actually use a system to score or rate a potential customer. Simply, it is a way to compare you with other consumers to see how you fair against their average or "safe" loans. There are two major categories: one driven by other than financial factors and one strictly based upon income and debt.

Credit Scoring

Over the years, many commercial businesses such as department stores, automobile dealerships, and the like, began to develop profiles on their customers and used them as a determinant as to their potential for prompt payment of their debt. No one system is perfect and most will not even divulge their own formula. For every type of business, the potential customer has different traits. One major factor is that it reduces the importance of their impression of you and is suppose to judge all applicants equally. According to the Federal Trade Commission (FTC), most employ from six to fifteen factors to determine credit worthiness.

Credit Scores

Different factors that the bureaus consider important are given a point score and the points are then tallied and the determination made. Here is an example. Those receiving under 15 points will be rejected for the loan, a score of 16 to 19 points, they will be referred to the credit manager for further financial data, and those scoring 20 or more will be accepted straight up. The variables that can be used are endless. However race, sex, martial status, national origin, religion, or age cannot (are not suppose to) be used as they fall under discrimination laws. Having said that, notice age is listed as part of the criteria, but the law states that people 62 or older must receive the maximum number of points for that factor.

Credit Score Systems

Factor	Points Awarded
Monthly Income:	
Less than $400	0
$400 to $659	3
$651 to $800	7
$801 to $1,000	12
$1,200 +	15
Length of time at address:	
One year	0
Two to three	2
Three to five	3
Five +	5
Telephone in Home:	
Yes	2
No	- 5
Time on the Job:	
One year	0
Two to three	2
Three to Five	3
Five +	5
Age:	
21-30	5
31-49	2
50-61	3
61 +	5
Occupation:	
Unskilled	1
Skilled	2
Professional	4

A Major Consumer Breakthrough

Until recently, people had a very difficult time finding out exactly what credit reporting agencies were saying about them. Thanks to the Internet, consumer pressure, and even government regulation, your credit report — a formerly obscure and murky aspect of personal finance — is becoming more transparent, accessible, and increasingly manageable.

You can obtain a credit report from any number of on-line sources with just a few mouse clicks.

FICO

You can go right to the source of all this elusiveness. That's because the Fair, Isaac & Company, a firm that developed the formula for rating the creditworthiness of nearly every borrower, opened its files to the public. The company was founded in 1956 by Bill Fair and Earl Isaac and is considered to be the most renowned of all the credit scoring agencies. The company preferred to work in the deep background in servicing lenders. Now, anyone can find out their own personal FICO score — just like a banker. The FICO score is a three-digit number, ranging from 300 to 900, assigned to your credit based on a formula developed by Fair, Isaac & Co.

It is in your best interest to know your FICO score because it is a key factor in determining if you get a mortgage, whether you can refinance your home at a favorable rate, or whether or not you can get a new credit card. Your FICO score can also determine whether or not you can finance a new car, buy insurance - or even get a job. For many years, this small company sat in the background of the huge credit industry controlling the credit scoring business with a secret mathematical formula.

How You Are Scored

A FICO score is usually calculated through information supplied by credit reporting agencies based on your credit history. Fair and Isaac long sought to keep FICO scores secret, as well as the methodology they used to score them. As a result of this new "Open Policy," managing credit is much easier, and can be as much a part of your personal finances as keeping track of your checking account, debts, and investments.

Why Bother?

As we mentioned earlier, your credit score will significantly affect your ability to obtain loans and mortgages, and will likely affect the interest rate you pay. According to Fair, Isaac & Co., the FICO score is used in 75% of residential mortgage applications. Moreover, use of FICO scores has increased in recent years as automated loan approvals have become more common among lenders.

According to a U.S. News & World Report article, E-Loan, an online lender that fought with Fair, Isaac & Co. over making FICO scores public, found that for auto loans, consumers with FICO scores of 720 or higher were likely to receive interest rates up to four percentage points lower than those with scores under 640. You can order your own FICO score by logging on at either of these two web sites: myfico.com or at fairisaac.com. The cost for the survey is minimal and is a relatively inexpensive way to find out where you stand with your credit - much cheaper than not knowing!

Credit Reports, Credit Scores

To be precise, a credit report is different from a credit score. Specifically, a credit report is a summary of various accounts, past and present, opened in your name, including credit cards, bank credit

lines, mortgages, department store charge cards, and other bills, though usually not rent payments or utilities. A report will also include any collection actions taken against you, and any public-record information that may exist, such as liens or bankruptcy proceedings.

This information has always been available, though in the past you might have had to call a credit bureau's 1-800 number and then mail in a check. These days you can purchase this information online. In addition to your credit report, there's your credit score. When you apply for a loan through a mortgage bank or other lender, they request your credit report from one of the three major Credit Reporting Agencies (CRAs), who then calculate your FICO score based on Fair, Isaac & Co.'s model. Since your credit report might differ among the various CRAs, your FICO scores might differ as well!

What's Changing

In response to increasing pressure from the U.S. Congress and consumer groups, and some lenders such as E-Loan, Fair, Isaac & Co. provides FICO scores online for a fee. In addition, the two companies will provide additional information about where you stand compared to everyone else, and the factors that led to your score.

In addition, the reports will likely include four "reason codes," as Fair, Isaac & Co. calls them, which are "the top four reasons your score was not higher." For example, having excessive balances on credit cards — particularly relative to a card's credit limit (in other words, don't "max out") — or having balances on too many accounts.

Fair, Isaac & Co. has also explained all the factors they consider when formulating your score, and how much weight they are given. For example, about 35% of your FICO score is based on your history of repaying loans!

Does Scoring Work?

With large numbers of applicants, many firms are committed to scoring. It is generally a fair way to judge applicants, but if the sample is small, the results may not be accurate. Remember, while the firm will not tell you how they measure the factors or points, they must by law tell you why you were rejected for credit, if that is the case. Also remember that different firms use different factors, so if you are rejected at one, the next might not use the same formula and you could receive a positive score.

The 28/36% Rule

The other commonly used credit rule utilized primarily by bankers and mortgage brokers to determine how much credit or mortgage a consumer can qualify for is the 28/36% rule. For standard mortgage programs, most lenders qualify buyers whose total housing expenses (principle, interest, taxes and insurance) equal 28 percent of their gross income. You take your gross monthly income, multiply the amount by 28%, and the resulting figure is the maximum amount one can afford for a monthly real estate payment. The 36% refers to the maximum amount of debt versus gross income traditional lenders find acceptable. For those with very good credit, they will go as high as 38%.

Car payments, installment loan payments with more than 10 remaining payments, average monthly credit card payments, student loans, medical/health care payments, and alimony or child support

payments fall into this category. If your monthly income is $4,000, the highest monthly mortgage payment you would qualify for would be $1,120. Using the same monthly gross income, the total additional monthly debt allowable would be $320, or a combined $1,440.

There are other types of credit categories used mostly by mortgage brokers who issue A,B, C, and D ratings based on one's credit history. These vary by the lending institutions. Most use a combination of mortgage history, major and minor late pays, and loan to value ratios such as the following example.

Credit Criteria

Type Late Pays	Mortgage Late Pays	Consumer Discharge	Bankruptcy Judgments	Charge Offs
A	1-30 days	None	3 years	None
B	2-30 days	1-90 days	2 years	$1,500
C	3-60 days	50% late	1 year	$5,000
D	Foreclosure Current	100% late	Case by case	Case by case

CREDIT CARDS

Any explanation of credit must include the different types of credit cards that are available. To rent a car, shop online, book a hotel room, or for hundreds of other transactions, the use of a credit card has become almost mandatory for the consumer. Telephone and catalog shopping have carried these cards on a meteoric increase. You never have to worry about having enough money because you carry the card. Need something in a hurry? Don't send a check because it might take weeks to clear and a month before the product is received.

Direct Cards

Direct cards for credit go back as far one can remember. Merchants have used them far before anyone ever imagined the concept of a credit card. Major stores have issued credit for their best customers for years. At first it was a minor line of pre-approved credit that you had to apply for prior to approval of the sale. Then accounting improved and they were able to have a pre-approved limit that you could access at the point of sale. At first they were made of paper, but those wore out rapidly and, with the advent of plastic, a new type of card was made. Today, the term "plastic" doesn't refer to the material the card is printed on, but a whole new way of conducting business: the credit card generation was born. These cards used by oil companies, department stores, etc. are only good in the retailer's store itself and are not transferable.

Travel and Entertainment Cards

American Express, Carte Blanche, and Diners Club are the primary sources of entertainment cards. As their names imply, they were designed for that purpose. American Express was used for airline

tickets and on international travel business. If you run out of money in a foreign country, find the local American Express office and you are in business. They all eventually made their way into mainstream businesses and were used to charge every type of merchandise and service imaginable.

Designed originally with no stated limits, all charges were due and payable the following month. American Express originally had a number at the end of the card number that identified the status level of the customer, but it dropped it after it was called a discriminatory practice. Today, all companies have different levels of credit standing. With the popularity of Visa and MasterCard, some travel and entertainment cards are offering card combinations with extended payment plans. American Express only used this feature in the past with travel arrangement; today its Optima card has the same features as MasterCard or Visa.

Bank Cards

Bank Cards got their start in California with the advent of the MasterCard. Banks saw the way consumers were using the direct cards and the interest payments that were being raked in. If they work for a single merchant, how much more powerful a tool they would be if one could use the card in a majority of stores. At first it was the small stores that signed on. They couldn't afford to set up their own system like the large stores could. Predictably, the large stores resisted, but today they except all cards, still pushing their own as well. Bank Cards are issued in the name of the bank that signed up the consumer, but process their card through one of the major bankcards, Visa or MasterCard.

The bank issues the credit card and use their local credit criteria, while Visa and MasterCard are their servicing bureaus. Each individual has their own credit-limit ceiling. There are different ways to arrive at the interest payment and annual fee and we will cover them in another chapter.

Secured & Unsecured Bank Cards

Payments are monthly with minimum balances required. There are two different types of bankcards, secured and unsecured. Unsecured are the ones most of us use. The secured card is usually given to one just starting to build credit or repairing their credit. You have to place an amount of money equal to your credit limit in their bank. As you make purchases, your limit is reduced until your next monthly payment and is then increased to the original limit if the balance is paid. Some banks today, in an attempt to capture this portion of consumer spending, are giving people limits that exceed their security. The normal introductory amount is $500. Some banks are only requiring 40 to 59 percent of the base amount.

Debit Cards

We will include debit cards in our discussion even if they are not credit cards in the truest sense of the word. Many even carry the MasterCard or Visa logo and are processed by them. Similar to a checking account, the money is taken or debited from your account at the transaction. It is more like paying in cash, except you do not have to carry the cash with you. There are those who think these cards are more convenient to the bank than the consumer. Some financial planners are instructing their clients not to use these cards because the security features have not been perfected as of yet. Many institutions are substituting these cards for their ATM cards. For those without any means of credit, they can be of assistance for those establishments that will not accept a check. It is our opinion that a secured card is the better way to go.

A CREDIT CREED

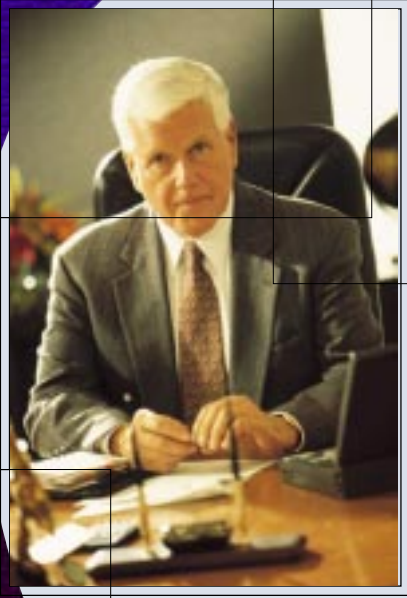
Most people are going to use credit to establish themselves in the financial marketplace. We want to end this chapter about understanding credit on what many have called the secret to building wealth. Use borrowed money or credit only for those items that will increase in value or appreciate, never for items that will depreciate like cars, boats, etc.

Take your borrowed money and turn it into something that will go up in value, for example real estate. Then take the profits from that investment and pay cash for assets that depreciate and you will find yourself on the road to building wealth. Now that we have covered understanding credit, let's understand your credit rights.

For more information about how to Build Your Wealth call 1-800-741-7877. Ask for our Consulting Department. The consultation and the call is Free!

Credit: How to Obtain, Increase and Preserve Credit

YOUR CREDIT RIGHTS



CHAPTER 2

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The Consumer Protection Act, signed into law in 1969 with the original Truth in Lending Act, was historic in nature because for the first time, it set up a mechanism that enabled the consumer to be both informed and to dispute a commercial transaction. As time went on, Congress has seen fit to address various other major consumer concerns.

We will summarize each of these laws in this chapter:

1. The Truth in Lending Act
2. The Fair Credit Reporting Act
3. The Fair Credit Billing Act
4. The Fair Debt Collection Practices Act
5. The Equal Credit Opportunity Act
6. The Electronic Funds Transfer Act
7. The Credit Repair Organization Act

Then we will touch upon two other acts that have had impact on your consumer rights:

1. The Truth in Leasing Act
2. The Real Estate Settlement Procedures Act

The Truth in Lending Act

The Truth in Lending Act spelled out that the consumer had to be told the true cost of borrowing, in a common language, so that they could figure out exactly what the charges would be. You must be informed, in writing, of the finance charge and the annual percentage rate before you sign any contract. A Lender must also inform you of the method they are going to use to calculate the balance on which you pay a finance charge. Truth in Lending gives you a chance to change your mind when you use your home as security in any transaction. It established the first three-day right-of-rescission: for certain transactions, you have three business days to cancel a transaction, and the creditor must give you this notice prior to the transaction.

If a credit card is lost or stolen and you promptly notify the company, your liability is limited by law for the first time to $50 per card. It is also illegal for a card issuer to send you a credit card unless you ask for or agree to receive one. If a creditor does not comply with the law you may sue for actual damages and, in any lawsuit you win, you are entitled to be reimbursed for court costs and attorney's fees.

The Fair Credit Reporting Act

The Fair Credit Reporting Act was enacted when testimonials were presented to Congress about people being deprived of the ability to conduct normal business after being refused credit because of an erroneous entry on their credit history. Up to then, the consumer was helpless because they couldn't even gain access to the records, let alone correct them. The law regulates the activities of credit reporting agencies, or as more commonly known as credit bureaus and gives the Federal Trade Commission (FTC) responsibility for enforcement.

The FTC summarizes its consumer rights as:

- You have the right to know all the information in your credit report, including the source of the information in most cases.
- You have the right to know the name of anyone who received your credit report in the past six months.
- You have the right to a free copy of your credit report when your application is denied because of information supplied by the credit bureau. Your request must be made within 30 days of receiving your denial notice.
- You have a right to add a summary explanation to your credit report if the problem is not resolved to your satisfaction.

If you find an error or incomplete information in your credit report, contact the credit bureau and they are required to investigate the items in question. If the investigation reveals an error, the credit bureau may be required to send an amended report to all those who asked for your report in the last six months.

There are provisions on how long an item can appear on a credit report:

- Generally seven years.
- Bankruptcy information can be reported for 10 years.
- Information regarding a job application with a salary of more than $20,000, no limit.
- Information for more than $50,000 of life insurance, no limit.
- A lawsuit or a judgment can be reported for 7 years or until the statute of limitations runs out.

The Fair Credit Billing Act

The Fair Credit Billing Act was an attempt by Congress to level the playing field between business and the consumer when a contested bill arose. Up to now all the leverage was with the vendor: they could charge your account, keep the money, and you were stuck with a defective product, something you didn't order, or a simple error. The law sets up procedures requiring creditors to promptly correct billing errors, and allows the consumer to withhold payment on damaged goods, and makes creditors promptly credit your payments.

The Federal Reserve quotes the law as defining an error as any charge:

- For something you didn't buy or for a purchase made by someone not authorized to use your account.
- That is not properly identified on your bill or is for an amount different from the actual purchase price or was entered on a date different from the purchase date.
- For something that you did not accept on delivery or that was not delivered according to agreement.
- Errors in arithmetic.
- Failure to show a payment or other credit to your account.
- Failure to mail the bill to your current address, if you told the creditor about an address change at least 20 days before the end of the business cycle.
- A questionable item, or an item for which you need more information.

In case of an error:

- Notify the creditor in writing, detailing the error.
- Pay all the parts of the bill that are not in dispute.
- The creditor must respond within 30 days.
- The item must be resolved within 90 days.
- If a creditor has indeed made a mistake, no finance charges may be charged.

The Fair Debt Collection Act

The Fair Debt Collection Act was enacted to protect consumers from the over-zealous activities of some debt collection agencies and the tactics they employed. It also includes attorneys who do debt collection as a part of their practice. It sets basic guidelines for them to follow. They may not contact you at unreasonable times or places. Unless you agree, they must not contact you before 8AM or after 9PM, nor at your place of employment.

You must receive a written explanation of your supposed debt and what to do if you feel you do not owe the money. The FTC has prepared some excellent guidelines.

What Debt Collection Practices are prohibited?

Harassment:
Debt collectors may not harass, oppress, or abuse anyone.

For example, debt collectors may not:

- Use threats of violence or harm against the person, property or reputation.
- Publish a list of consumers who refuse to pay their debts (except to a credit bureau).
- Use obscene or profane language.
- Repeatedly use the phone to annoy someone.
- Telephone people without identifying themselves.
- Advertise your debt.

False statements:

Debt collectors may not use any false statements when collecting a debt.

For example, debt collectors may not:

- Falsely imply that they are attorneys or government representatives.
- Falsely imply that you have committed a crime.
- Falsely represent that they operate or work for a credit bureau.
- Misrepresent the amount of your debt.
- Misrepresent the involvement of an attorney in collecting a debt.
- Indicate that papers being sent to you are legal forms when they are not.
- Indicate that papers being sent to you are not legal forms when they are.

Debt Collectors also may not state that:

- You will be arrested if you do not pay your debt.
- They will seize, garnish, attach, or sell your property or wages, unless the collection agency or creditor intends to do so, and it is legal to do so.

- Actions such as a lawsuit will be taken against you, which legally may not be taken, or which they do not intend to take.

Debt Collectors may not:

- Give false credit information about you to anyone.
- Send you anything that looks like an official document from a court or government agency when it is not.
- Use a false name.

Unfair Practices:

Debt collectors may not engage in unfair practices when they try to collect a debt. For example, collectors may not:

- Collect any amount greater than your debt, unless allowed by law.
- Deposit a post-dated check prematurely.
- Make you accept collect calls or pay for telegrams.
- Take or threaten to take your property unless this can be done legally.

The Equal Credit Opportunity Act

The Equal Credit Opportunity Act passed in 1974 prohibits discrimination in the granting of credit of any form due to sex, marital status, race, religion or age. The FTC offers the following guidelines:

When you apply for credit, a creditor may not:

- Discourage you from applying because of your sex, marital status, age, race, national origin or because you receive public assistance.
- Ask you to reveal your sex, race, national origin or religion.
- Ask if you're widowed or divorced.
- Ask about your marital status if your applying for a separate, unsecured account, except in a community property state (Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, and Washington).
- Inquire about your plans for having or raising children.
- Ask if you receive alimony, child support or separate maintenance payments.

When deciding to give you credit, a creditor may not:

- Consider your sex, marital status, race, national origin, or religion.
- Consider whether you have a telephone listing in your name, but they may consider whether or not you have a phone.
- Consider the race of people in the neighborhood where you want to buy or improve a house with borrowed money.
- Consider your age, unless:
  You're too young to sign contracts, generally under 18.
  You're 62 or older and the creditor will favor you because of your age.
  It's used to determine other factors important to creditworthiness.
  It's used in a scoring system that favors applicants 62 and older.

When evaluating your income, a creditor may not:

- Refuse to consider public assistance income the same way as other income.

- Discount income because of your sex or marital status. A creditor may not assume a woman will stop working to raise children.
- Discount or refuse to consider income because it comes from part-time employment or pension, annuity, or retirement benefits programs.
- Refuse to consider regular alimony, child support, or separate maintenance payments.

You also have the right to know if your application was accepted or rejected within 30 days. You also have the right to know why your application was rejected and the reason must be specific.

The Electronic Funds Transfer Act

The Electronic Funds Transfer Act provides protection in all phases of modern banking techniques such as automatic teller machines (ATM), point-of-sale terminals, telephone transfers, and computer transactions. Its limits for the first time customers' liability for lost or unauthorized use of debit or electronic cards are similar to those in place for credit cards. If you notify the bank within two days, your maximum liability is $50. If you miss the two-day cut off you could be liable for up to $500 in charges. If sixty days go by and you have not notified the financial institution and they have sent you a statement that shows unauthorized use, you would be liable for the entire amount including any overdraft privileges you might have in place.

The act forbids a creditor from requiring a consumer to repay a loan or other credit by electronic funds transfer (EFT), except in the case of overdraft checking plans. While your employer or the government agency can require you to receive your salary or government benefit by EFT, you have the right to choose the financial institution that will receive your funds.

A financial institution may send you an EFT card that is valid for use only if you ask for one, or to replace or renew an expiring card.

They must provide the following information:

- A notice of your liability in case the card is lost or stolen.
- A telephone number to report loss or theft, or an unauthorized transfer.
- A description of its error resolution procedures.
- The kinds of electronic fund transfers you may make and any limits on the frequency or dollar amounts of such transfers.
- Any charge by the institution for using EFT services.
- Your right to receive records of electronic fund transfers.
- How to stop payment of a pre-authorized transfer.
- The financial institution's liability to you for any failure to make or stop transfers.
- The conditions under which a financial institution will give information to third parties about your account. You must receive advance notice of any change in the account that would increase your costs or liability, or limit transfers.

The Credit Repair Organization Act

When the Fair Credit Reporting Act was passed it became apparent to some that many who could benefit from the act would not have the savvy nor the resources to do so. As with any new avenue of regulation, those who mastered the legislation went on to become consultants for others. Companies sprouted up everywhere offering to clean up your credit, some giving both illegal and misleading

advice. The credit bureaus and those in government worked in unison to stop the abuses with different agendas. So everyone involved became a "bad guy" and the tough new Credit Repair Organization Act became a reality. The shame of it all was that there were those in the field giving consumers good advice and helping repair their tattered credit history.

Many states have followed suit requiring that credit repair firms be licensed. The law addressed some basic issues: It said that the credit repair organizations could not make a statement that was misleading. More important, they were prohibited from advising their clients to make a misleading or untrue statement to a credit bureau. Many were guilty of this abuse. They were stopped from advising consumers how to overlook problems in their records.

Prior to signing a contract, the credit repair organization was required to give the customer a copy of their credit reporting rights under the law. The customer must acknowledge receipt of this information in writing and the firm was required to retain that document for two years.

It gave the consumer a clear three-day right-of-cancellation, which must be on the contract and it must instruct you how to cancel. The contract must detail the services that will be provided, spell out any guarantees, give a time frame for the service and a definitive cost to the consumer which would be paid after the service was performed.

The Truth in Leasing Act

We are not going to review the entire Truth in Leasing Act, instead we will point out some of its more important consumer protection features. To begin with, the act requires the following: the amount or number of payments, down payment requirements, total number of payments, your lease end responsibilities, and if you can purchase the item at the end of the lease.

Prior to executing any lease, the firm must provide a written statement of its costs. The written statement should include the following:

- The amount of any advance payment or security deposit.
- The number, amount, dates of your regular payments.
- The total costs of these payments.
- Amount due for license, registration, taxes and any other fee.
- Lease terms, including insurance, express warranty, who is responsible for maintenance and what the standards are for wear and tear.
- Any penalty for default or late pay.
- Cancellation provisions, and charges.
- Purchase arrangements and cost.
- You could have an open-end lease where you are responsible for a loss in value, under what the company feels it is worth. The law provides that you have the right to go to an independent appraiser and both sides must abide by the estimate.

The Real Estate Settlement Procedures Act

The Real Estate Settlement Procedures Act (RESPA) protects homebuyers by requiring advanced estimates of settlement costs, limiting the size of escrow accounts, and prohibiting referral fees and kickbacks. The Federal Department of Housing and Urban Development publishes a summary that

basically states: RESPA seeks to reduce unnecessarily high settlement costs through three means: disclosure to homebuyers and sellers, prohibition of abusive practices, and research.

The law requires that lenders give all borrowers of federally related mortgage loans a HUD prepared booklet with information about real estate transactions, settlement services, cost comparisons, and relevant consumer protection laws. When applying for a loan, borrowers must receive the booklet along with the lender's good-faith estimate of the settlement costs they are likely to incur. One day before settlement, the borrower may request that the person conducting the settlement provide information on the actual settlement costs. At settlement, both the buyer and the seller are entitled to a settlement statement that itemizes the costs they paid in connection with the transaction.

Kickbacks and referral fees are outlawed, sellers may not designate borrowers' title insurance companies, and excessively large escrow accounts cannot be established or maintained. Each borrower must receive an initial and annual escrow account statement. The lender must disclose the possibility of mortgage servicing being transferred, and establishes certain borrower rights if the loan servicer makes errors in paying escrow account expenditures.

Credit: How to Obtain, Increase and Preserve Credit

CREDIT CARDS

CHAPTER 3

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You cannot open up your mailbox or turn on your television set without being bombarded with solicitations urging you to sign up or call to get that credit card you need, whether it is a secured card, Visa, MasterCard or the Platinum Card. The letter says, "Call now and you will be approved (or you have been pre-approved) for a platinum card up to $100,000 in credit". Sign up and that limit might fall to what you currently have on your other cards (i.e.$2,000).

You would never dream of buying a new or used car without shopping around to get the best possible deal. Nevertheless the vast majority of people applying for a new credit card have no idea what the actual credit card terms are.

That's right, had you shopped around you may have found a card with significantly lower fees. They differ from card to card and from bank to bank. Some think that all MasterCard or Visa cards are alike in their fee structure, but they are not. They differ from bank to bank.

TERMS AND CONDITIONS

Find out what the terms and conditions are before selecting a card. By law, credit card companies must provide you with the information. Now let's review the key components as defined by the FTC.

Annual Percentage Rate

The annual percentage rate or APR is disclosed to you when you apply for a card, again when you open the account, and it is also noted on each bill you receive. It is a measure of the cost of credit, expressed as a yearly rate. The card issuer also must disclose the "periodic rate," that is the rate the card issuer applies to your outstanding account balance to figure the finance charge for each billing period. Some credit card plans allow the card issuer to change the annual percentage rate on your account when interest rates or other economic indicators (called indexes) change. Because the rate change is linked to the performance of the index, which may rise or fall, these plans are commonly called "variable rate" plans. Rate changes raise or lower the amount of the finance charge you pay on your amount. If the credit card you are considering has a variable rate feature, the card issuer must tell you that the rate may vary and how the rate is determined, including which index is used and what additional amount (the margin) is added to the index to determine your new rate.

You also must be told how much and how often your rate may change. The most common indexes are: prime rate, one-month treasury bill rate, three-month treasury bill rate, six-month treasury bill rate, one-year treasury bill rate, federal funds rate, cost of funds, and the Federal Reserve discount rate.

Grace Or Free Period

A free, or grace period, allows you to avoid the finance charge by paying your current balance in full before the due date shown on your statement. Knowing whether a credit card plan gives you a free period is especially important if you plan to pay your account in full each month. If there is no free period, the card issuer will impose a finance charge from the date you use your credit card or from the date each credit card transaction is posted to your account. If your credit card plan allows a free period, the card issuer must mail your bill at least 14 days before your payment is due. This is to ensure that you have enough time to make your payment by the due date. The average grace period is 25 days.

Annual Fees

Some credit card issuers charge annual membership or other participation fees. These fees range from $25 to $50 for most cards and from $75 on up for premium gold or platinum cards.

Transaction Fees

A credit card may also involve other types of costs. For example, some card issuers charge a fee when you use the card to obtain a cash advance, when you fail to make a payment on time or when you go over your credit limit. Some even charge a flat monthly fee whether or not you use the card.

Balance Computation Method

If your plan has no free period, or if you expect to pay for purchases over time, it is important to know how the card issuer will calculate your finance charge. This charge will vary depending upon the method the card issuer uses to figure your balance. The method used can make a difference, sometimes a big difference, in how much finance charge you will pay, even when the APR is identical to that charged by another card issuer and the pattern of purchases and payments is the same.

Average Daily Balance

The average daily balance method gives you credit for your payment from the day the card issuer receives it. To compute the balance due, the card issuer totals the beginning balance for each day in the billing period and deducts any payments credited to your account that day. New purchases may or may not be added to the balance, depending on the plan, but cash advances typically are added. The resulting daily balances are added up for the billing cycle and the total is then divided by the number of days in the billing period to arrive at the average daily balance. This is the most common method used by credit card issuers.

Adjusted Balance

This balance is computed by subtracting the payments you made and any credits you received during the present billing period from the balance you owed at the end of the previous billing period. New purchases that you have made during the billing period are not included. Under the adjusted balance method, you have until the end of the billing cycle to pay part of your balance and avoid the interest charges on that portion. Some creditors exclude prior, unpaid finance charges from the previous balance. The adjusted balance method usually is the most advantageous to card users.

Previous Balance

As the name suggests, this balance is simply the amount that you owed at the end of the previous billing period. Payments, credits, or new purchases made during the current billing period are not taken into account. Some creditors also exclude unpaid finance charges in computing this balance. An explanation of how the balance was determined must appear on the billing statements the card issuer provides you, and on applications and pre-approved solicitations the card issuer may send you.

Areas for Concern

Stay with the major credit card companies. Avoid those that offer gold or platinum packages that only permit you to shop from specialized catalogs. Chances are that they don't report to a major credit bureau and you will not receive any credit enhancement by dealing with them. Be wary of up-front or processing fees. Do not make application calls through a 900 or 976 exchange, you might not get the card you wanted, but instead a hefty telephone bill.

OTHER IMPORTANT FEATURES

Some card issuers add enhancements with their cards that you might find valuable.

Some examples are:

- Rebates on purchases
- Extension of manufacturer's warranty
- Purchase protection/security
- Travel accident insurance
- Travel related discounts
- Automobile rental insurance
- Frequent flyer miles
- Credit card registration

SHOPPING FOR CARDS

First inquire into the major banks that service your area, especially those with a national or regional network. They will be your safest bets.

The following organization has a report online that provides a listing of credit cards available. The report on the Internet is available free of charge but a small fee is charged for a hard copy.

Card Trak
PO Box 1700 Frederick, Maryland 21702
1-800-344-7714 or (301) 631-9100
www.cardweb.com/

Check with magazines that specialize in giving advice on financial matters. For example, *Money* Magazine lists the best credit card deals on a regular basis.

For those shopping for the best credit card available, one of the best places to go is the Board of Governors of The Federal Reserve System. Every 6 months, they publish a report showing the terms of credit card plans offered by the largest card issuers in the country. This report is available on the Internet at www.federalreserve.gov. Click on Consumer Information, then Shop: The Credit Card You Pick Can Save You Money then PDF (www.federalreserve.gov/pubs/shop/tab/wb.pdf) or ASCII (www.federalreserve.gov/pubs/shop/shop.txt).

Credit: How to Obtain, Increase and Preserve Credit

THE CREDIT BUREAUS

CHAPTER 4

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The terms "credit bureau" and "credit reporting agency" are often used interchangeably, but there is a difference. There are three national credit bureaus: Experian (formally TRW), Trans Union and Equifax. These giant organizations maintain massive computer files that are fed by over 4,000 regional and local credit reporting agencies, along with individual creditors.

The credit reporting agencies are often affiliates or subsidiaries of the credit bureaus, but they operate as separate entities. It works like this: the Credit Reporting Agency (CRA) gathers information from creditors who provide payment data and account balance information – often on a monthly basis – on their customers. The CRA also gathers information from other sources. This data is then fed into a credit bureau's computer. Ideally, the result is an up-to-date record of an individual's credit status, including who they owe, how much they owe, what their payment habits are, and whether any action has been taken to collect overdue bills.

The three major credit bureaus cooperate and share information. The idea behind this policy is to make sure that an individual's credit history follows them wherever they go.
But there's no guarantee that an individual's file with one credit bureau will match the information on file with another. As a credit specialist, this is an important point. When you begin working on cleaning up your credit history, you must work with all three major credit bureaus, not just one.

A MAJOR INDUSTRY

Many people are under the impression that the "credit bureau" (they often don't even know the company name) is a government or quasi-government agency. Credit bureaus are private, for-profit corporations, and the business of gathering and reporting credit information is a $10 billion industry. But while credit bureaus are not part of the government, the government regulates them. These regulations came into being as a result of the clear need to protect consumers from errors and irresponsible operations by credit bureaus. The credit bureaus and credit reporting agencies' customers are not consumers or the general public, but credit grantors and other companies that may have a reason to examine individual credit reports. This includes various lenders, banks, credit card companies, mortgage companies, department stores, insurance companies, employers, etc., who pay the credit bureaus and CRA's large sums of money to collect and provide them with information. The law dictates what responsibilities credit bureaus have to the general public and consumers; but business practice dictates how they work with their customers, who are, after all, paying the bill.

CONTACTING THE CREDIT BUREAUS

Equifax

Equifax Credit Information Services, Inc.
P.O. Box 740241, Atlanta, GA 30374, www.equifax.com

For a copy of your report: 800-685-1111, www.equifax.com

For Opt-out mailing lists: 800-567-8688

For Fraud Alert on your credit report: 888-766-0008

Consumer Fraud Division
P.O. Box 105069, Atlanta, GA 30348, 800-525-6285

Experian

Experian National Consumer Assistance
P.O. Box 2002, Allen, TX 75013, 888-397-3742, www.experian.com

North American Primary Offices
Experian, 475 Anton Blvd., Costa Mesa, CA 92626, 714-830-7000
Experian, 955 American Lane, Schaumburg, IL 60173, 847-517-5600

For a copy of your report: 888-397-3742, www.experian.com

To dispute data in your report: P.O. Box 2106, Allen, TX 75013, 1-800-422-4879

To report credit fraud: 1-800-301-7195

TransUnion

TransUnion LLC
P.O. Box 1000, Chester, PA 19022

For a copy of your report: 800-888-4213, www.transunion.com

Fraud Victim Assistance Department
P.O. Box 6790, Fullerton, CA 92834, 800-680-7289, Fax 714-447-6034

To dispute data in your report:
TransUnion
P.O. Box 2000, Chester, PA ,19022
Alabama, Americas Other than Canada, Arkansas, Canada, Connecticut, Washington D.C., Delaware, APO Europe, Middle East, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virgin Islands, Virginia, West Virginia, Wisconsin

TransUnion
P.O. Box 34012, Fullerton, CA, 92831
Alaska, American Samoa, Arizona, California, Canal Zone, Colorado, Federated States of Micronesia, Guam, Hawaii, Idaho, Kansas, Marshall Islands, Mexico, Montana, Nebraska, Nevada, New Mexico, North Dakota, Northern Mariana Islands, Oklahoma, Oregon, APO Pacific, Palau, South Dakota, Texas, Utah, Washington, Wyoming

TransUnion de Puerto Rico
Consumer Relations, P.O. Box 13968, Santurce Station, San Juan, PR, 00907-3968

Originally the credit bureaus started and grew regionally. Today, however, the big three are pretty much national with some fallout from their original base. You will find most of your report will be

on one of the services, and assorted data will be reported on the others because one of your accounts is headquartered in an area originally serviced by the other.

A reminder, if you have been turned down for credit based on the information contained on a credit report, you are entitled to a free copy of that credit bureau's report on you. Otherwise a nominal charge might be imposed.

You will also receive, as required by law, a written summary of your rights under the Fair Credit Reporting Act. They will also provide a research request form assisting you to contest any item.

CREDIT BUREAU INFORMATION

The information maintained by credit bureaus falls under three main categories:

- Personal
- Credit or account information
- Public records

Let's take a look at the information in each category, what it means, and how you should review it.

Personal

Name

This includes the full name, and nicknames or aliases, any suffixes such as Jr. or Sr., titles, and maiden names of married women. If the individual has a common name, or lives with or near a relative with a similar name, mistakes can occur and the wrong information may be placed in the file. Always check to be sure the names noted on a file are accurate.

Address

The current address and previous addresses for at least five years are listed. This helps confirm an individual's identity and establishes their stability. It also provides credit agencies with the means to follow up on public records in other states. Make sure the individual has actually lived at each address on the report.

Social Security Number

One's social security number is the method whereby everyone in the country can be identified. Some have been known to apply for multiple social security numbers (usually with fraud in mind, but sometimes for innocent reasons). There are people who will try to escape from a bad credit history by changing a digit or two of their social security number. If that happened and the computer caught them, it could mean the denial of credit. If you have more than one social security number, resolve the issue with the Social Security Administration.

Employment History

Current and previous employment information is listed, including the company name, address, position held, income, dates, and when the information was verified.

Spouse's name
If married, the spouse's name and social security number will appear.

Date of birth
The month, day, and year of birth is indicated. This personal information is designed in part to identify individuals and help keep data from being entered in the wrong file. It also provides prospective creditors with information they will consider in making a credit granting decision. Any discrepancies in this section of a credit file should be corrected immediately.

Credit or Account Information
This is the section most people think of when they think of a credit report. It includes general information about accounts, including the name of the creditor, the account number (which is often scrambled or incomplete for security reasons), the date the account was opened, the highest credit level, the current balance, the date the account was last reported or verified, any collateral, and payment terms and history. This section also includes a listing of inquiries, or who has looked at the file, usually within the past two years. This tells potential creditors who the individual has applied for credit with. If the potential creditor does not see a corresponding open account, the assumption may be that the credit application was denied.

Federal law requires that companies have a permissible purpose before examining credit files. However, it's not unusual for inquiries to appear on a credit file that you will know nothing about. Removing this information could be an important part of cleaning up a credit history. Finally, any accounts placed with collection agencies will also be noted in this section.

Public Records
The third category of information maintained by credit bureaus is public information kept on file by the county, or counties, where you live.

This includes:

- Lawsuits
- Judgments
- Bankruptcies
- Arrests
- Tax Liens
- Marriages
- Divorces
- Legal name changes
- Convictions

It's entirely possible for this public information to have absolutely nothing to do with an individual's creditworthiness, but it still appears on the credit report. It's also not unusual for this information to be inaccurate. Review it carefully.

READING A CREDIT REPORT
At first glance, a credit report appears to be an almost-indecipherable collection of codes and fine print. In all fairness to the credit bureaus, the purpose of the coding is not to keep individuals from knowing and understanding what is in their files, but rather to maximize the space on the reports and

in the computer. Each credit-reporting agency will provide you with an explanation of the codes and instructions on how to decipher their reports. You'll quickly become familiar and comfortable with the variations between the agencies, and you will be able to read and understand any report with ease.

Study the sample credit report that follows to familiarize your-self with the codes, terms and formats used. This credit report was taken directly from the Equifax website.

EQUIFAX CREDIT REPORT SAMPLE

Your Credit Report as of 04/09/2001

This Credit Report is available for you to view for 30 days. If you would like a current Credit Report, you may order another from MyEquifax.

Personal Data

John Q. Public
2351 N 85th Ave
Phoenix, AZ 85037

Social Security Number: 022-22-2222
Date of Birth: 1/11/1960

Previous Address(es):

133 Third Avenue
Phoenix, AZ 85037

Employment History

Cendant Hospitality FR	Location: Phoenix,AZ	Employment Date: 2/1/1989	Verified Date: 1/3/2001

Previous Employment(s):

SOFTWARE Support Hospitality Franch	Location: Atlanta, GA	Employment Date: 01/3/2001	Verified Date: 01/3/2001

Public Records

No bankruptcies on file
No liens on file
No judgments on file
No garnishments on file
No secured loans on file
No marital statuses on file
No financial counseling on file
No foreclosures on file
No non-responsibility entries on file

Collection Accounts

No collections on file.

Credit Information

Company Name	Account Number and Whose Account	Date Opened	Last Activi ty	Type of Account and status	High Credit	Items as of Date Reported Terms	Balance	Past Due	Date Reported
Americredit Financial Services	40404XXXX JOINT ACCOUNT	03/1999	03/2000	Installment REPOSSESSION	$16933	$430	$128	$9077	2/2000

Prior Paying History

30 days past due 07 times; 60 days past due 05 times; 90+ days past due 03 times

INVOLUNTARY REPOSSESSION AUTO

412174147128XXXX
Capital One INDIVIDUAL ACCOUNT 10/1997 01/2001 Revolving $777 15 $514 01/2001
PAYS AS AGREED

Prior Paying History 30 days past due 02 times; 60 days past due 1 times; 90+ days past due 00 times
CREDIT CARD

423325003406XXXX
Schools FCU INDIVIDUAL ACCOUNT 07/1997 06/1998 Revolving $500 $0 07/1999
PAYS AS AGREED

Prior Paying History 30 days past due 02 times; 60 days past due 00 times; 90+ days past due 00 times
ACCOUNT PAID
CLOSED ACCOUNT

7360300XXXX
Heilig-Meyers Company INDIVIDUAL ACCOUNT 03/1998 07/1999 Revolving $1000 $0 07/1999
PAYS AS AGREED

Prior Paying History 30 days past due 02 times; 60 days past due 1 times; 90+ days past due 00 times
CREDIT CARD
AMOUNT IN H/C COLUMN IS CREDIT LIMIT

806050211XXXX
Sears INDIVIDUAL ACCOUNT 09/1998 07/1999 Revolving $720 $0 07/1999
PAYS AS AGREED

Prior Paying History CHARGED
AMOUNT IN H/C COLUMN IS CREDIT LIMIT

503830276150XXXX
Wells FARGO INDIVIDUAL ACCOUNT 11/1996 12/2000 Installment
PAYS AS AGREED $17146 $401 $4058 12/2000

Prior Paying History
AUTO

Credit Inquiries

Companies that Requested your Credit File
04/29/2001 EFX Credit Profile Online
06/30/2001 Automotive
06/16/2000 AR-Associates National Bank
01/18/2000 Desert Schools Federal C.U.
01/15/2000 Desert Schools Federal C.U.
07/02/1999 Time Life, Inc

THE FOLLOWING INQUIRIES ARE NOT REPORTED TO BUSINESSES:

PRM - This is a promotional inquiry in which only your name and address were given to a credit grantor so you could be solicited you with an offer such as a credit card. (PRM inquiries remain on file for 12 months.)

AM or AR - These inquiries indicate a periodic review of your credit history by one of your creditors (AM and AR inquiries remain on file for 12 months.)

EQUIFAX, ACIS or UPDATE - These inquiries indicate Equifax's activity in response to your contact with us for either a copy of your credit file or a request for research.

PRM, AM, AR, INQ, EQUIFAX, ACIS and UPDATE inquiries do not show on credit files that businesses receive, only on copies provided to you.

- Your confirmation number is 109933931. Please keep this number in your records for future communication with us.

Some Codes That Bureaus Use
Timeliness of Payment

0 - Approved, not used
1 - Paid as agreed
2 - 30 days past due, not more than one payment past due
3 - 60 days past due, two payments past due
4 - 90 days past due, three or more payments past due
5 - 120 days past due
7 - Making payments under wage-earner plan
8 - Repossession
9 - Serious/bad debt/in collection

Collection Status Date Indicators

BK	Bankrupt A Automated
BL	Discharged in Bankruptcy C Closed
CC	Consumer Counseling D Declined
CD	Dispute after Resolution F Repossessed/Written Off/Collection
DM	Dismissed H Hired
DP	Disputed I Indirect
MP	Making Payments M Manually Frozen
PD	Paid N No Record
SK	Skip P Paid Out
UK	Unknown R Reported not verified
UP	Unpaid S Slow Answering
WE	Wage Earner Bankruptcy T Terminated
U	Not Used
V	Verified
X	No Reply

How Long Will an Item Stay in a File?

Federal law addresses the issue of how long negative information can be maintained in an individual's credit file. Generally, derogatory reports—such as slow pays, write-offs, and repossessions —will appear for seven years. Some specifics are:

Bankruptcies may remain on file for up to ten years.

Civil suits and judgments may remain for seven years or until the statute of limitations expires. In most civil cases, the statute of limitations is ten years with a ten-year renewal, but generally these items are removed after seven years.

Unpaid tax liens may remain indefinitely. Paid tax liens are removed seven years after the date of payment in full.

Accounts placed with a collection agency or that were written off would remain for seven years.

Records of arrest, indictment or conviction of a crime must be removed seven years after the date of disposition, release or parole.

Most other adverse information, such as late payments, must be removed after seven years. Inquiries remain for two years.

How Mistakes Happen

Though the credit reporting agencies and credit bureaus do make a sincere effort to maintain a high level of accuracy, mistakes can and do occur. Think about the volume of consumer financial transactions that occur in this country every day: automobile, home and credit card purchases, consumer loans, insurance, lawsuits, and so on.

Credit reporting agencies gather the details on literally hundreds of thousands of transactions every day, input the data into the appropriate file and store it in the credit bureau's massive computer system. Obviously, the potential for error due to the sheer volume of the clerical work is tremendous.

Now let's get started on the road to credit.

Credit: How to Obtain, Increase and Preserve Credit

GETTING STARTED

CHAPTER 5

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Whether you are just getting started or attempting to reestablish credit, your plan for success is the same. Start by establishing a banking relationship. Look for a local bank with strong community ties, not a national or regional bank. Local banks depend more on consumer activity and are therefore more prone to have flexible lending practices. Look to see where your employer has their payroll account-many smaller firms choose a local bank for the same reasons. This makes your setting up the account much easier and your gaining access to your funds much faster.

CREDIT CARDS

Apply for what we refer to as low-risk credit cards, cards with local business establishments that carry a very small credit limit. These cards are issued by businesses with heavy competition and very low profit margins. The cards are issued to give you an incentive to shop in their store.

The Automobile Retail Card

The automobile retail credit card is the card you use when you gas up at the pump. With few full-service stations left and the restrictions on how you can pay in the evening hours because of the crime rate, they have become a major convenience item as well. Most have a limit on how much you can charge and even how much you can charge at one time, usually fifty dollars. Remember, it is credit history you are seeking so forget about those independents that have the lowest gas prices; you want a card from one of the giants because the major companies report to the credit bureaus and the small ones don't.

You can usually find a major company in every market, however, over the years certain chains seemed to have become more regional, probably because of competition and distribution patterns. Look for the one that seems to dominate your area for convenience sake. Don't start charging up your card every time you gas up. Of course, if you operate on a strict budget you can. A technique you can use is that all these offer low-cost monthly services like emergency towing that can be had for a monthly charge of only six dollars. Sign up and for that low monthly fee you will have a constant favorable credit report and a valuable service as well.

Obtain a Secured Credit Card

A secured credit card is backed up with a deposit of your funds. The basic card carries a $500 limit. Shop around and look for those banks in your area that have a regional presence. They tend to offer the best rates. Avoid those you see advertised on television. Their interest rates are out of sight. Also shop for one that will give you the best deal in terms of credit versus deposit. Some will offer $500 worth of credit with a $250 deposit. Stay with the big two, MasterCard or Visa, don't be fooled by a scam catalog card.

Be On the Lookout for Specialty Cards

One method credit card firms employ to get new customers is to identify a group of prospects and offer them a specialty card in their name. They have pre-determined that the average member would be a good credit risk. So they send out "you have been pre-qualified for this airline frequent flyer credit card." Apply and they will probably approve you, with the smallest limit possible. Since they have already stated that you have been pre-qualified, they will be hard pressed to turn you down.

College students once found it hard to obtain cards; they are now being encouraged to get their school's special card. Local fraternal and other similar type organizations are being offered these types of cards and the organizations themselves receive a benefit. Many with marginal credit do not apply for these cards thinking they could not possibly qualify. They have just missed a golden opportunity.

Retail Consumer Credit Card

Today every retail store of any size has its own unique credit card. This isn't surprising because they established the credit card industry. Even with all those major cards available (and they accept them) they still push their own card. The reasons are obvious: they want you to shop in their store regularly and they want a piece of that interest-rate bonanza. Here again, your purpose is to establish a credit history, so choose one of the larger chains such as Sears or JC Penney.

Some who deal in the credit market advocate getting a consumer card such as Visa or Master Card first and then looking for a retail card, but if you have a major credit card you don't need a retail card. Check the interest rate if you have shopped around at all, your major card will carry a much lower interest rate. You are pursuing a retail card for the sole purpose of establishing credit. Avoid the credit card security syndrome.

How Many Cards Do I Need?

For years, there have been those who have preached that you should have as many credit cards as you can - forget about the rates of interest. They have told stories of buying real estate or items at government auctions on their credit cards and have sold the item before the credit card statement was even received. Many have great success stories, however, many received a rude awakening when applying for a loan they needed and were turned down because the financial institution considered the combined limits of those cards as outstanding debt.

We recommend that the average person carry an entertainment card with a monthly balance payment due, and a Visa and MasterCard for the convenience in dealing with merchants who deal with one or the other. If you do a lot of driving add a gasoline card to the mix. You then have all the credit you need.

LOANS

Seek a Co-Signer

One of the fastest ways to begin establishing a positive credit history is to obtain a loan by having someone else co-sign it with you. This works so well that we recommend applying for such a loan even if you do not need one. Seek out a friend or relative who has good credit and ask that they co-sign a loan for you. Banks have no problem giving you a loan if they know there is someone with good credit to back up the loan.

If they are a little nervous about risking their credit with you, tell them that you will even give them the proceeds from the loan so that they can pay it back. However, make sure that you are on record as having paid it back or it will not count towards your credit. Have them give you the monthly payments from the loan proceeds every month, add the minimal finance charge, and you both are protected. You now have a positive credit history with that institution.

Passbook Signature Loan

Find an amount of money; say $1,000, either from a credit card or a loan from a relative or friend. Take that money and deposit it in a local community bank, and then ask for a short-term loan, using that money as collateral. Then take that $1,000 loan money and deposit it in another community bank (not in another branch but another bank). Do the exact same thing, but this time take the money to repay the first bank loan. Don't get concerned about the interest, for $1,000 it will be under $10 a month. If they ask what you want the loan for, tell them you want to consolidate some debts-they will understand.

Then go to the first bank where you paid off the loan early and request a signature loan, one without having to tie up your funds. Since you have a positive track record with them, they in all probability will give it to you. Then go to another community bank and start the process once more. What have you accomplished? You now have a credit history with three, four, and five banks or however many you decide to deal with. Even more important, you have a line-of-credit with each bank. When needed, you can obtain a signature loan from each bank to do whatever you need the money for.

Go for the Big Loan

As the process unveils, think of a big-ticket item you need to purchase, whether it be a car, boat or just a new stove. Wait as long as you possibly can, saving as much as you can in advance. Then when you go in for the purchase and financing, put as much down as you can possibly afford. Your paper will be easy for the dealership to give to a bank and your credit reference will soar.

GO ON THE OFFENSIVE

You can also help create your own positive credit history. Is that possible? Absolutely! In the chapter dealing with credit bureaus, we told you to obtain copies of each of the "big" three's credit history as they pertain to you. Then we discussed looking for items that might be in error. Now look for items that might have been omitted, especially if you have moved. Like any other type of business, credit bureaus tend to have regional strengths. Where you now live, they use one service almost exclusively. But where you used to live, they used another. Provide that service with a recent copy of the report from the service that covered the area where you used to live. They will update their records. Give each bureau a copy of the other two reports and they will add the items that they did not have to their report, further strengthening your rating.

Find those Gems

Go through each credit history with a fine-tooth comb. Compare it to your checkbook and receipts, looking for every item that you have paid on a regular basis that is not listed. Start with rents (if you rent). A lot of landlords do not want to bother with reporting and do not. This could be a major "good" rating for you. Then, look at the electric, gas, telephone, cable bills, and water or sewer charges that you have paid. For any that are not reported, get a statement that you have used them for "x" years; that you have always paid on time and have been a good customer. If they ask you why, tell them you're just trying to show good credit. Then send each statement to your local credit bureau and they will include these references on your next report.

YOU HAVE THE PLAN

You now have a plan that will not fail. Take your time, follow the plan, and in nine months you will start receiving those notices in the mail that you have been pre-approved for all sorts of credit cards and opportunities. Before you decide which ones to take, let's go to the next chapter on enhancing your credit.

Credit: How to Obtain, Increase and Preserve Credit

ENHANCING YOUR CREDIT

CHAPTER 6

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Now that your credit has been established, is your job over? No, we want you to think smart and look to enhance your credit and build long-term stability. As we stated in the last chapter, it usually takes from nine months to a year before you can further improve your credit. Some financial planners feel that this time frame is more realistically eighteen months, but you will not have to guess. When the time is right, the banks will let you know.

CREDIT CARDS

With getting credit easier today than ever before, banks are scrambling to bring more cash customers into the fold. No one brings more revenue to a financial institution than those paying high-interest credit cards. Up to now, you have tried to be careful and get the best deal with credit you could. But the reality is that you were really at the mercy of the banks. Now that you are someone they want for a customer, the tables have turned. Turned, that is, if you follow our guidance and are as tough with the banks as they were with you. Look hard at all those offers of new unsecured cards. Compare the interest rates, annual fees and how they compute your bills.

Make sure it is a good deal for you; check the Federal Reserve listing. Credit bureaus scan their listings for updates such as yours. Call your secured card company. Tell them you have credit card companies beating at your door and you don't see the sense of their tying up your money any longer. Request a better interest rate and higher credit limits. If they balk, move on - you don't need them anymore.

Never Request A Specific Credit Limit

The first thing credit bureau personnel are trained to do is never let on to the amount of credit they are willing to give you. They will always say, "How much do you need?" Knowing that, in all probability, you will give a low-ball figure, always come back with, "How much will you give me?" The first person to give a number loses. If you can't get an answer say, "I take it by your answer that you do not have the authority to make this decision," and terminate the conversation. Then turn around and call the company again. The chances of you getting the same individual are very slim. Start the process once again using our script. It might take three or four calls but one will usually cave in to you.

Ask for the Moon

If you find this difficult to do, pick a number that you feel they would never give you, like $100,000, and see what happens. They might retort, "Gee, the highest we could go is $25,000," either way you have won. At the point you have a card with at least a $10,000 limit, unless you want to use it for investing, you are set. Bear in mind that your limit will steadily increase until it will eventually reach that $100,000 number.

Never Accept Less

You are going to receive numerous requests in the mail promising to give you a platinum card with a limit of up to $100,000. Check them all out and apply for all those that have acceptable rates. We said apply, not accept. What will happen is that most will come back with a figure for your current high limit. If it is currently $2,000, they will say we will give you a limit of $2,000 and it could increase to $5,000. Do not accept it. You want the $10,000 with a low rate of interest and no annual fee, if possible.

Should the Mix Change?

No, the mix shouldn't change. You only need two bankcards. If you want to add another entertainment card to the mix, that's fine but keep in mind our goal is to take you to the $100,000 level. That will take time. Make it an annual event.

An Annual Event

Once every year you are going to go through the drill one more time until you eventually reach the target plateau, only now you have even more control. You are a major creditor with the bank. What you are looking for now, in addition to the limit increase, is a decrease in the amount of interest they now charge you. Banks never charge their big customers the same interest rate they charge everyone else. If you have an annual fee, get the bank to drop it entirely. At first they will agree to lower the fee. At every turn, if they refuse to increase the limit or decrease your interest rate, make them tell you why. Always be prepared to switch banks if you don't get what you want. A new bank will not reduce what you have already in place.

Cash Advance

Another method to explore is using a cash advance from one of your new cards. Often times the interest rate on a cash advance from a card you have shopped for is significantly lower than what you are paying on your debt. It may even pay to take a cash advance to reduce your outstanding balances. Bear in mind that interest continues to accrue on unpaid balances. If you owe $2,500 and pay the minimum two percent required monthly, it will take you 30 years and $6,500 in interest payments to clear up the debt.

If you need a couple of months to get out from under, consider taking an initial cash advance to clear up card number one and then take a second cash advance from another card to clear up your first advance. Use this technique only if you know you can pull out of the cycle, otherwise you will drown in debt.

There are some banks that see this as a way of attracting new customers. If you sign up with them, they will give you a cash advance for a period of time at a greatly reduced rate, some are even less than 5 percent. It is a great one-time chance to get your credit balances in order. The banks don't care if you're using balances to pay off each other; they are making money every day you use one.

Balance Transfers

One of the new products banks are offering to increase their credit card income and bottom line is balance transfers. They will transfer all your preexisting credit card debt to their card at a greatly reduced annual percentage rate and, at the same time, increase your credit limits. There are so many ways to improve your credit situation; you just have to be a smart credit shopper.

Think about it, you have decent credit but carry a heavy monthly balance, usually at a high annual rate. Simply transfer your activity to their card and your monthly savings are huge. What are the banks counting on? Simply that your spending habits are not going to change and in time you will be owing their bank a ton of interest payments. But, if you are smart, you can take advantage of the offer and get out from under your credit crunch.

Exploit the Grace Period

Most articles you read about credit card use seem to place major importance on the grace period each card gives. We have told you that this is one of the important items in shopping for a card. However, remember that interest is accrued daily on any unpaid balance so using the grace period is only the correct thing to do if you are intending to completely pay off your balance. If you are not, then pay that bill the minute you receive it because every day you delay is additional interest for the bank.

Restrict the Use of Your Card

Is that what we are extolling? No, if you do so you will never reach the high level of credit you will eventually want. Remember the credit credo: only use borrowed money for things that go up in value. You need to use your card during the year to show activity to justify the raising of your limits. Only put an item on your charge card if you can afford to pay cash for it. There are other times you should use your card, like when ordering from a catalog or when having your car repaired, because it's protection for you against the vendor. When making a purchase you fully intended to pay cash for, address the storeowner and say, "If I use my credit card you have to pay from two to seven percent in credit card charges and then wait for your money. How about giving me a discount if I pay cash right now?"

ADDRESSING YOUR DEBT

Because your credit has improved, do not lose sight of the fact that you should still be working to reduce the level of consumer debt. If your consumer debt is approaching fifteen percent of your gross income then you are in the danger zone. If it has approached twenty percent, you are in trouble. There are private agencies that will help you consolidate your debt. The fees they charge can mount and if you have the discipline, you are better off doing it yourself.

OTHER FINANCING METHODS

Consumer Loan

One of the first things you should look at is a consumer loan. Talk to one of those banks you developed a relationship with when you established a line-of-credit with your passbook signature loan. By shopping around and negotiating a loan rate, you should be able to get a rate far more favorable than you are currently paying the credit card company. Since the consumer loan you want is for three years and credit card debt is on a two-year cycle, your monthly payments will be automatically reduced even further.

Creative Financing

You have started on the road to financial independence, and now you want to start investing. Where do you turn? There are a number of creative financing techniques that you can use to get started. The most logical is to look for a distressed seller, someone for whatever reason needs to sell hisor her property fast. Whether it's a divorce, job transfer, estate sale or possible foreclosure, there exists in every community individuals who fall into some of these categories. It will take work finding them, but that's the ticket for you. Once you have found such a possibility, talk the owner into financing the property, even to the extent of giving you a second mortgage. Let them know how much more they will realize if they act as the bank and accept a balloon payment down the road.

Equity Line of Credit

If you presently own your own home or another property, chances are you have built up equity in the property that you can borrow against. It is one of the easiest types of loans to get. Many financial planners caution against this approach and we share their concern. We don't want to see anyone out in the street, but if you use the money to purchase an income producing property that will pay itself off and cover the cost of the equity loan payments each month, you're pretty safe.

100 Percent Plus Loan-to-Value

One of the most creative loan strategies we have seen in a long time is the 100% plus loan to value. For example, a couple with decent credit is drowning in debt and had accumulated $30,000 in credit card and other consumer debt. Their minimum monthly payments totaled $2,200 plus a $900 PITI (principle, interest, taxes, insurance) mortgage payment. They took out a second mortgage that put their loan to value at 125%. Their new monthly payments became $1,424 rather than the original $3,100. Also, remember that consumer debt interest is not tax deductible, while interest on real estate is deductible.

Interest rates are significantly higher, but look at the difference in monthly payments in the example we cited. There are even lenders that are offering portable second mortgages that you can transfer to a new home, rather than pay it off. Now to be letter perfect, you really are not allowed to deduct interest payments on debt that is above the market value of your home.

Home Improvement Loans

One of the fastest ways to increase income when investing in real estate is through the use of one of the home improvement loans that are available. Put together inventories of all the repairs that are needed. Have subcontractors come in and give you a bid for each type of repair. Then put them on a proposal form that you can obtain at any stationery store under your own contracting firm's name, mark them up 100 percent and submit it to the bank for approval. Sound illegal? Not at all, you can be your own contractor for any property you own, no license required. Just make sure that you do as much as possible of the work yourself. The more you do the more you make. Best of all, the money or profit is not taxable income because it comes from loan proceeds. Your tenants will pay it off in time.

Life Insurance Policy

A lot of people have life insurance policies that they have been paying on for years. Most policies offer a loan provision whereby you can actually borrow money based on the current value of the policy. This is an often overlooked source of funds that can be turned into an investment.

Lease Option

Explore the purchase of properties using the lease-option technique. Make offers on properties based on your ability to obtain satisfactory financing and in the offer add the phrase "and/or assigns." Then immediately look for buyers for the property. You will not make a large spread on the deal because you will keep the asking price low to attract buyers. Your "and/or assigns" phrase gives you the right to sell the property even though you technically do not even own it. The wording "obtains suitable financing" protects you in case you can't find a suitable buyer and have to pass the deal by.

Partners

There are those in your community that have the money, but don't have the expertise or time to hunt for and invest in real estate. More than likely they will be professionals like doctors, lawyers, accountants, etc. Contact them and see if they will partner with you. You do all the work, they put up the money, and you split the profits at a pre-determined percentage. You always have the arrangement in writing to protect yourself.

Do You Need a Home?

If you are looking for a home for you and your family, there are more opportunities today since the west was opened with the Homestead Act. Providing every American with the American dream of home ownership is one of the largest priorities of the federal government today. Even with the huge federal bureaucracy, combined with state governments and not-for-profit agencies, they haven't even made a dent in matching up the available funds with those who need housing.

Direct Federal Programs

The Department of Housing and Urban Development, the Department of Veteran Affairs, the remnants of the old Farmers Home Administration, now called the Rural Housing Service, all have massive programs to assist those in need of housing. If you are a first-time homebuyer, or one who hasn't owned a home for three to five years, every state in the nation has programs designed to assist you, even with the initial down payment. Down payment assistance is usually tied to income limits that most of working America can qualify for. If you're a veteran, you don't even need a down payment. Some state and local governments have offered a soft second mortgage on the property to cover all or a portion of the down payment. Live in the house for a period of time and that amount is forgiven.

If you want a house and have followed our blue print for obtaining credit, the only thing that prevents you from homeownership is that you haven't taken the first step.

Take Advantage of the System

Take advantage of the system; don't let the system take advantage of you. Some will need to clean up their credit first and we will show you how in the next chapter.

For more detailed information on borrowing money to buy real estate or to buy a business, call one of our Consultants at 800-741-7877.

Credit: How to Obtain, Increase and Preserve Credit

IMPROVING BAD CREDIT

CHAPTER 7

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Improving what took years to evolve can be a slow process, but one that is highly rewarding. Remember also that every action you take increases the credit rating even though you are not at the "A" rating yet. In our chapter on establishing credit, we touched on the first two steps in improving credit. The first is making sure each bureau is reporting all your favorable items. Simply put, send each a recent copy of the other two reports.

Then we addressed going over all your accounts and making sure that the bureaus reported all those favorable credit transactions such as rent, telephone, electric, gas, and so on that they were not aware of. These could also include some store cards that you have but weren't reported. Have these creditors give you a statement about your account and then forward them to each bureau.

IS IT CREDIT REPAIR THAT YOU NEED?

The next step is going directly to your credit history. Before we do, let's stop and reflect on who would be the best candidates for help. A good candidate for credit repair will generally meet these criteria: has a steady, verifiable source of income; is not currently in arrears on any debts; has derogatory information on his or her credit report that is at least 12 months old. Someone who is unemployed, over his or her head in debt with creditors hounding them, or just needs help managing their money is not a candidate who needs credit repair. They need help of another sort that we cover in the next chapter.

Many will likely have had problems a few years ago, but have paid everything off and just want to straighten out their credit history so they can buy a home, a car or otherwise qualify for credit. There is no way a legitimate debt that is currently in the process of collection attempts can be removed from a credit report. Some credit repair experts may promise this, but the methods they use are illegal, unethical and don't always work.

Don't Forget Your Spouse

If you are married, make sure that you request your spouse's credit reports as well. Some items might appear jointly while others could be reported individually. It is much easier to do both at the same time. Don't forget that your spouse has rights, and must sign his or her own request form.

Let's Get Started

Review the credit files in detail. Go over each negative item and write down the story behind what happened. Of course, errors are usually the easiest items to remove, but it is possible and very common to remove factual negative information. That's why you need to detail what really happened, whether it's slow pay, a bankruptcy, or an arrest.

Credit repair begins with a campaign of denial. The Fair Credit Reporting Act requires credit bureaus and credit reporting agencies to respond to inquiries within 22 business days or 30 calendar days. If you have challenged an item on a credit report and they do not respond to your inquiry within the required period of time, they must remove the item from the report. It's really that simple. And in numerous cases, the credit bureau will not respond in time.

ORGANIZATION IS KEY

The key to your success is in organization, good record keeping, and persistence. Remember, while you're challenging a credit bureau which is a massive, billion-dollar corporation, your contact with

that corporation is an individual, usually a clerk, whose primary concern is getting to work on time, leaving on time, and collecting a paycheck at the end of the week. It's highly unlikely that these clerks will have your entrepreneurial spirit. It's almost certain they don't share your high level of motivation. They just want to keep things simple and stay out of trouble.

It's a Letter Campaign

Your initial campaign begins with a series of letters challenging every negative entry in your credit history. We have prepared sample letters in this manual as a guide. However, challenge only one item per letter. A lengthy letter challenging several points may get special attention you don't want at this point. Remember, the credit bureau must respond within a specified time or the item must be removed regardless of whether or not it was a valid entry.

If your letter makes someone at the credit bureau suspicious, they may be inclined to give the investigation a higher level of personal attention. At this point, you're better off getting lost in the shuffle. In fact, that is what you would prefer to have happen. Make your challenge generic but truthful. Your letter may simply say something like, "My records do not agree with the information you have listed. Please investigate and remove this item." Remember, sometimes account numbers are scrambled for security reasons, and your lack of "agreement" may simply be that the account number doesn't match precisely.

Certified Mail Only

Date every letter and use certified mail, return receipt requested. That way you have a record of when the letter was delivered. Yes, this is slightly more expensive than regular mail and takes more time to complete the forms, but it's essential in proving a lack of response from the credit bureau. Make sure you sign the letters yourself. If you are doing this for your spouse or a friend, make sure they sign the letters. The logic behind this is the same as the logic behind disputing only one item per letter. If someone at the credit bureau thinks you are using a professional service, they may take steps to thwart your efforts.

Develop a Mail Schedule

Don't send all the letters out at once. Set up a mailing schedule over a week or so, sending out only two or three objections per day per file. Keep copies of every letter and attach the return when it comes back. Set up a system, either manually or on your computer, to follow up each letter within the appropriate time frame.

The Ball is in Their Court

The information contained in a credit report is considered to be accurate until and unless it is disputed. Once you question an item, the credit bureau or reporting agency must substantiate their information by verifying the entry with the original creditor. The burden of proof is on the credit bureau. They must be able to document the entry, or it must be removed from the file. Keep in mind, though, that credit bureaus will go to great lengths to protect their reputation for accuracy.

Accuracy is Essential

That's why you should never tell a lie when disputing an item, and you should never ask questions that are frivolous. Don't claim the entry doesn't belong to you if you know it does; don't claim the account was paid if you know it wasn't. If the credit bureau can prove that you are either lying or making frivolous challenges, they are not required to remove the derogatory item from the report.

Demand Detail

However, it is perfectly acceptable to ask for complete details on an entry. Just be sure the questions are relevant.

For example:

- What were the items purchased?
- What was the original date credit was extended?
- Please provide a complete payment profile.
- Please send me a complete and accurate disclosure of the information for this entry.

The Next Step

When you dispute an item on a credit report, there are four possible situations that may result:

- The credit bureau will be unable to verify the information and will remove it from the file.
- The credit bureau will issue a form letter challenging your dispute.
- The credit bureau will verify the information with the creditor and leave the item in the file.
- The credit bureau will not respond within the required time frame.

The first situation is what happens most of the time, and frankly, it's what you are hoping for. When a credit bureau receives a dispute, they must contact the creditor, who must dig through their old records to verify the item.

Most companies store their records after a certain length of time (it varies, depending on the company's internal policies) and do not have immediate access to the information. To research credit information in old, inactive records can be very time-consuming and labor intensive, and many companies are not willing to invest the time required to respond to the request for verification. But remember what the law says. If the information cannot be verified within 30 days, it must be removed from the consumer's credit file. The burden of proof is on the creditor and the credit bureau. This is why it's especially easy to remove older entries from a file.

File Again

The second situation will only occur if you are not careful in how you compose your letters, or if you dispute several items in one letter. If your disputes are personal and specific, this won't happen. If it does, simply respond appropriately by filing the dispute again. In the third situation, it is also appropriate to file the dispute again. Challenge something different about the item so the credit bureau can't claim you are being frivolous.

What often happens is the credit bureau receives the first dispute, sends a request for verification to the creditor, receives verification and advises the consumer of that fact. When the credit bureau receives the second dispute letter, they are still obligated to request verification from the creditor. But it's not unusual for the clerks in the creditor's office to see the second request and think it's a duplicate. They know they already verified the information so many times they won't bother to do it again. But if they don't, the item then becomes unverified and must be removed.

They Didn't Respond Timely

In the fourth situation, write a letter to the credit bureau advising them that they have failed to respond to your dispute within the time frame required by law, and that they now must remove the item from the credit file and provide evidence that they have done so. A sample letter for this purpose is provided at the end of this chapter.

A Possible Pitfall You Must be Prepared to Handle

It's possible that challenging an old derogatory entry may prompt a creditor to renew pursuit of the claim if the item concerns a debt that was never fully paid. It doesn't happen often, but you should be prepared to deal with it. One approach is to negotiate. Your contact will probably be the credit manager of the company that made the negative report. Keep in mind that credit managers who have been on the job more than a week or so have heard every story in the book.

If your dispute of a negative credit entry becomes a request for payment by the creditor, be prepared to discuss options. Think about how much you are willing or able to pay to settle the debt. If the account was written off years ago, anything the credit manager can collect will be a bonus, so he or she may be happy to settle for a partial payment to close the account. But remember that negotiating is a two-way street. If you're going to offer money, you must get something in return and what you want is for the negative item to be removed from your file. When you reach an agreement on the settlement terms, get the credit manager to sign a letter outlining the details before you send any money. There is a sample settlement agreement at the end of this chapter.

Public Records

If the derogatory items are public record, they should still be disputed just as you would a creditor's item. It is the credit bureau's responsibility to verify the public records within the stipulated time frame and if they do not, the item must be removed. This means that it's even possible to have a bankruptcy removed from a credit report in less than the standard 10 years. It won't always happen, but it's worth a try.

SOME TECHNIQUES

It's a good idea to pay attention to the signature on the verification form. It is usually a clerk in the creditor's office, someone who is usually at the same status as the army of clerks at the credit bureau who process your disputes. These people aren't looking for trouble; they're just pushing paper around. When they verify an item you are attempting to get removed, write to them directly. Point out the consequences of incorrect information in a credit file and explain that the item they verified was either incorrect or erroneous. Request that they either verify it correctly or not at all. At the same time, send another letter to the credit bureau to force another investigation. This, quite frankly, is a technique that borders on intimidation. Some attorneys in the credit repair business take this idea a step further and either hint or threaten legal action. Don't do this unless you either are an attorney or fully intend to follow through with your threat.

If You Can't Get the Item Removed

If, despite your best efforts, you are unsuccessful at getting a negative item removed from a credit file, the law allows you to include a 100-word explanation of the situation that must be furnished to anyone who reviews the file. There are different ways to approach the explanation. Write a concise, clear, and reasonable statement-just tell the story. After all, if you have managed to eliminate all but

one or two negative entries and they have plenty of positive entries, most creditors will sympathize with and understand a period of temporary misfortune. A caution, the statement must be true and verifiable, consistent with the remainder of the information on the credit report.

Simply Dispute

If the situation is more complicated (perhaps a judgment, lawsuit or even a bankruptcy), you may want to simply include a statement to the effect that he or she should be contacted for a complete explanation. For example: "This item is in dispute. See consumer's statement which accompanies the credit application" or "Contact consumer for a full and detailed explanation." You should be prepared to provide that explanation when applying for credit.

Handling Judgments

When creditors feel as though all other avenues of collection have been exhausted, they seek a judgment against the debtor. This is a legal action designed to force payment. Now, if you've ever been involved in collecting a debt to this extent, you know getting a judgment is one thing, and getting money is something else. But that's another issue. From a credit perspective, a judgment can be a serious matter. Once a judgment has been entered against a debtor, court costs and interest are added to the amount owed. Worse, a final binding and non-reversible public record exists and will remain for ten years from the date of recording and is renewable for an additional ten years. The first step in dealing with a judgment is to dispute it like any other derogatory entry. If it doesn't get verified within the required time period, off it comes.

Consent Agreements are Another Story

If it is verified, the only way it can be removed is with the consent of the creditor and the creditor is not going to consent without payment of some sort. You should never directly offer a creditor cash to vacate a judgment. You should use a third party to negotiate a deal. Remember, anything you offer to satisfy the judgment already belongs to the creditor. On the other hand, the creditor doesn't actually have possession of the money, so a power struggle is likely. A third party is in a position to help bring about a meeting of the minds, with the stipulation that any settlement agreement includes removing the record of the judgment from your credit history.

What You Must Know About Judgments

Keep in mind that judgments are the result of a lawsuit and the process must begin with a summons and complaint. If the defendant doesn't answer the summons within a specified period of time, the judgment is enforced as a general rule; judgments must be served in person. There are some exceptions (such as actions by the IRS), but if you were not served personally, then, in legal terms, good service has not been performed. What may have happened was that the complaint was dropped at your home and a backup copy sent in the mail. But however it was handled, if you were not personally handed the summons by a process server and a default judgment was enforced, he or she has cause for reopening the judgment on the grounds that they never knew of the suit. That means the entire case must be brought before a judge again and the creditor must prove you are obligated to pay the debt involved.

Vacate the Order

This can be a very effective technique, especially if the creditor is no longer in business or is not in a position to repeat the process. The rules of judgment service are different in every state, so this tactic may not always be successful, but it's a good idea to try it anyway.

If you have a situation where this method might work, use an Order Vacating Judgment form, which can be purchased at most office supply stores. Remember that you are the defendant in this action and you should always reference the index number of the judgment, as well as the county and state where the judgment was made. The clerks at the courthouse will be happy to help you file this document and get the process rolling.

HANDLING TAX LIENS

Tax liens at the city, county and state level are the most difficult to settle. In most cases, these liens deal with property taxes or other assessments secured by the property itself. That means collection of the money due will take place when the property is sold (or at the foreclosure auction, if it comes to that), so payment is guaranteed. Consequently, government representatives don't have much motivation to settle and they are rarely interested in compromising. Your best bet with these liens (assuming, of course, that your initial dispute letter did not produce the desired result) is to pay them, if possible, and include an explanation in your credit file. If you do a good enough job cleaning up the rest of the file, this one negative entry won't do much damage.

Federal Tax Liens

You have much more flexibility when dealing with tax liens at the federal level. In spite of its deadly reputation, the Internal Revenue Service offers a wide range of services to help the individual pay back taxes. If the federal tax lien is the result of an unresolved tax problem, seek out the IRS's problem resolution program. If normal negotiations don't bring about satisfaction, you should ask to speak with a district director.

The only grounds for a compromise on a federal tax lien are doubt as to liability or doubt about collecting the full amount of tax and penalties. If you cannot reach an agreement with the IRS, you should consult a tax attorney for further assistance.

FREQUENTLY ASKED QUESTIONS

Why are there three different credit reports?

Because there are three different bureaus and their files are usually not identical. For example, one may have a negative entry the other two don't have.

Why do you need to clear up a credit history with all three credit bureaus if you have lived in the same area all your life?

Where someone lives has nothing to do with the location of his or her credit. Credit is reported to the credit bureaus that serve the areas where creditors are headquartered. For example, a person living in Florida who has a Sears card will have credit reported to the bureau that serves Chicago where Sears is located. It's impossible to track the location of every creditor, so it's just safer and smarter to clear up the record with all three bureaus.

Does a married person need to clear only one history?

No, married couples should clear up the credit files on both names. Marriage doesn't automatically mean that credit is a joint account. If you are going to work on repairing your credit, you should do it fully and completely, or not bother at all. That means checking out the records of both partners.

How long does it take to repair a credit history?

This all depends on the extent of the individual's history and how much work needs to be done. The Fair Credit Act requires that the credit bureaus and credit reporting agencies respond to you in a reasonable time, which has been defined as 22 working days or 30 calendar days. You also have to allow time for mail and follow-up. In most cases, you can repair a credit history in three to six months; a complicated case could take as long as a year.

Who erases or removes credit items from the report?

Only the credit bureaus can remove items from a credit file. This is why you cannot say you "erase" bad credit. What you do is clean up a credit report by taking the necessary actions that will prompt the credit bureaus to remove negative items.

Must credit reports be signed before you send them in with a dispute?

Yes, all correspondence must by signed by the person whose name is on the credit report.

Can a bank's credit report be used in the credit repair process?

The credit report used in the challenge must be from the credit bureau you are filing the dispute with.

How do I know the process is working?

The credit bureaus will comply with federal law and send an updated report to you when corrections have been made. Closely monitor any and all correspondence you receive from credit bureaus, credit reporting agencies, and creditors immediately.

What if the credit report includes charge-offs, late pays, judgments and bankruptcies?

It's possible to remove all of these negative entries with persistence and diligence. Some are easier than others and there may be some entries you won't be able to remove no matter how hard you try.

SAMPLE LETTERS

The following sample letters may be used for your individual situation.

Request a Copy of a Credit Report

This letter should be used after a letter of denial from a creditor, or to initiate the credit repair process.

(Your name and address)

(Date)

Equifax
PO Box 105873
Atlanta, GA 30348

Experian National Consumer Assistance Center
PO Box 2104
Allen, TX 75013-2104

Trans Union
PO Box 1000
Chester, PA 19022

Attn: Customer Relations Dept.

Please send me a copy of my credit report. I'm including the following personal information.

My current address is as follows:

My former address is as follows:

My birth date is:

My Social Security Number is:

(If appropriate) I have been denied credit in the last 30 days by:

Yours truly,

(signature)
Name

Request a Copy of an Investigative Consumer Report

This letter is used in connection with any person who procures or causes an investigative consumer report on you.

(Your name and address)

(Date)

(Name and address of company requesting the report)

Re: Request for a copy of Investigative Consumer Report

Your organization recently requested an Investigative Consumer Report on me.

Please be advised that at this time I would like a complete and accurate disclosure of the source and character of the report generated by you regarding me.

Please be further aware that this request is made pursuant to section 606 of the Federal Fair Credit Reporting Act, which mandates a response by you within five (5) days.

Yours truly,

(signature)
Name

Request a Personal Interview

(Your name and address)

(Date)

Credit bureau name and address

Re: Request for interview

At this time, I would like to request a personal interview with your organization. The purpose of this interview will be to review the files you currently have on me and obtain a copy of my credit report. I make this request pursuant to Sections 609 and 610 of the Fair Credit Reporting Act.

Please be further advised that a fee for your services is not due because of the following reasons:

1. Because I recently received, within the last 30 days, a letter of adverse action.

2. Because I recently, within the last 30 days, heard from an affiliate in the collection business.

I am available (indicate time and telephone number). Please call me to arrange an appointment.

Sincerely,

(Signature)
Name

Request a Telephone Interview

(Your name and address)

(Date)

(Credit bureau name and address)

Re: Request for interview

At this time, I would like to request an interview by telephone with your organization. The purpose of this interview will be to review the files you currently have on me and obtain a copy of my credit report. I make this request pursuant to Section 610 (b) (2) of the Fair Credit Reporting Act.

1. Because I recently received, within the last 30 days, a letter of adverse action.

2. Because I recently heard, within the last 30 days, from an affiliate in the collection business.

Please furnish the undersigned with the telephone number of the department and/or a name of a person responsible for handling this request.

I can be reached at (insert telephone number) between the hours of (indicate time), or you can write me at the above address.

Sincerely,

(Signature)
Name

Request for an Investigation

This letter should go to all of the credit bureaus challenging any and every inaccuracy on the credit report.

(Your name and address)
(Date)

(Credit bureau name and address)

Re: Request for investigation

This is a formal request to have the following items on my credit report investigated immediately. Please make the following corrections in order to reflect my true credit file. These items are inaccurate and therefore injurious to my credit rating.

My date of birth is not correct on my credit report. Please list my true date of birth as_____.

The following is listed on my credit report as my previous address. It is incorrect. Please remove the following:
1.

The following is listed on my credit report as my previous employment. It is incorrect. Please remove the following:
1.

The following inquiries were never authorized. Please investigate and remove the following:
1.
2.
3.

The following account on my credit report contains erroneous information. Please investigate and remove the following:

Firm	ID Code	Account Number
1.		
2.		
3.		

Please send me a copy of your report and an updated copy of my credit report when you have completed your investigation. Thank you for your prompt attention in this matter.

Sincerely,

(Signature)
Name

Requesting the Deletion of Information

This letter goes to any agency not responding to your letter requesting an investigation after 30 days. (Remember to use a separate letter for each type of complaint)

(Your name and address)

(Date)

(Credit bureau name and address)

Re: Delete erroneous information

On (date), you received a letter from me requesting an investigation into erroneous information you have on my credit report. As of this date, I have not heard from you. Since a reasonable time has passed, I make the following request. Under the Fair Credit Reporting Act, section 611, Subsection A, I formally request that the information, which has not been verified, be deleted from my credit file. Please send a copy of my updated report.

Thank you for your prompt attention to this matter.

Sincerely,

(Signature)
Name

Letter of Dispute

This letter goes to any agency that responded to your request for an investigation within 30 days, but did not delete the information.

(Your name and address)

(Date)

(Credit bureau name and address)

Re: Section 611 of the Federal Fair Credit Reporting Act Notice of Accuracy Dispute

At this time the undersigned hereby disputes the completeness and accuracy of the following information as it currently appears in your file:

Name of creditor _____

Account number _____

Pertaining to _____

Amount professedly in arrears _____

1. I do not owe on this account and dispute the charges.

2. These charges were not incurred by me.

3. Other (describe):

At this time, I would request that you reinvestigate the information and if found inaccurate or no longer verifiable, please delete from my report promptly.

Sincerely,

(Signature)
Name

Requesting Reinvestigation

This letter is used to request a reinvestigation of items the credit bureau(s) have verified as accurate.

(Your name and address)

(Date)

(Credit bureau name and address)

Re: Reinvestigate erroneous information

The following items are currently reflected on my credit report since your previous investigation. These items are erroneous and injurious to my credit standing. Please reinvestigate the following and send to me the names and addresses of the individuals that have verified the information. This request is made in accordance with the Fair Credit Reporting Act, Section 609, Subsection A.

The following accounts, on my credit report contain erroneous information. Please investigate and remove the following:

Firm	ID Code	Account Number
1.		
2.		
3.		

The following records on my credit report are erroneous. Please investigate and remove the following:

Type of Record	Description

Please send me a copy of your report and an updated copy of my credit report when you have completed your investigation. Thank you for your prompt attention in this matter.

Sincerely,

(Signature)
Name

Consumer Statement in a Credit File

If you are not successful in getting a derogatory item removed, use this letter to insert a consumer statement in your file.

(Your name and address)

(Date)

(Credit bureau name and address)

Re: Consumer statement

Reference is made to the following information currently maintained in your files concerning the undersigned:

_____

Name of creditor _____

_____

Account reference: _____

_____

Amount shown as owed: _____

Please be advised that the undersigned vigorously disputes the truth of such information and interposes the following consumer statement:

(insert typed statement; maximum length of 100 words)

Please be further advised that pursuant to Section 611 (b) of the Federal Fair Credit Reporting Act, the undersigned requests that you update your records to provide a copy of such consumer statement or a clear and accurate codification or summary thereof.

Sincerely,

(Signature)
Name

Letter Requesting Information Disclosure

This letter is used to request complete details on information in your credit file that has been provided by an organization other than a credit reporting agency.

(Your name and address)

(Date)

(Credit bureau name and address)

Re: Section 615 (b) Reasons for adverse action

Pursuant to Section 615 (b) of the Federal Fair Credit Reporting Act, please disclose the nature of the information disclosed to you by persons other than Consumer Reporting Agencies concerning the undersigned.

This information should be a full disclosure of the same to allow the undersigned to challenge or dispute its accuracy. This information should be received within a reasonable amount of time, as required by the referenced section.

Sincerely,

(Signature)
Name

Creditor Sending Erroneous Information

Use this letter to notify a creditor that they are reporting erroneous information about you.

(Your name and address)

(Date)

(Creditor's name and address)

Attn: (individual name disclosed to you by credit bureau)

Re: (insert name of credit bureau involved)

Dear (individual name):

This is formal notification that you are sending erroneous information to the above credit reporting agency. This information is highly injurious to my credit rating.

The credit reporting agency is currently investigating this information and will be in contact with you. I would appreciate it if you would correctly verify my current status or not verify it at all.

Thank you for your attention to this matter.

Sincerely,

(Signature)
Name

The Deletion of Obsolete Information

This letter requests the deletion of items remaining in your file after the statutory date has passed.

(Your name and address)

(Date)

(Credit bureau name and address)

Re: Obsolete information

Reference is made to your obligation under Section 605 and 607 of the Federal Fair Credit Reporting Act to delete obsolete information from the consumer credit report of the undersigned.

Please be advised that the information circled on the attached copy of my credit report is obsolete and should be deleted from your credit files relating to the undersigned.

Please delete this information immediately and send me an updated copy of my report.

Sincerely,

(Signature)
Name

Updated Credit Reports Be Sent to Inquirers

This requests that an updated credit report be sent to anyone who has made an inquiry into your credit history within the statutory period.

(Your name and address)

(Date)

(Credit bureau name and address)

Re: Notification

With reference to Section 611 (d) (a) (b) of the Federal Fair Credit Reporting Act, I take this opportunity to request that you notify all persons who received disputed and/or deleted information from you within the last two (2) years with reference to employment or six (6) months with reference to a consumer file, that information has been subsequently deleted or that a personal statement has been added disputing the claim.

This request is made within 30 days after receipt of an adverse credit determination.

Sincerely,

(Signature)
Name

Complaint with the FTC

When a credit bureau does not comply with Fair Credit Reporting Act, you should lodge a complaint with the FTC.

(Your name and address)

(Date)

Federal Trade Commission
Correspondence Branch
Fair Credit Reporting Act
Washington, DC 20580

The undersigned understands that you regulate consumer reporting agencies pursuant to the Fair Credit Reporting Act and wishes to lodge a complaint against the following agency:

Name of Credit Bureau _____

Address of Credit Bureau _____

This credit bureau has refused to comply with its obligation under the Fair Credit Reporting Act. The substance of the complaint is as follows:

(insert details)

Your organization is hereby notified so that you may be aware of and able to act upon a matter of abuse of the Fair Credit Reporting Act.

The undersigned would be happy to furnish full particulars to you if you need further information for enforcement proceedings.

Sincerely,

(Signature)
Name

Filing A Complaint with a Better Business Bureau or Other Consumer Agency

Use this format to file a complaint with a Better Business Bureau or other consumer agency about a credit bureau.

(Your name and address)

(Date)

(Better Business Bureau address)

The undersigned hereby lodges a complaint against the following credit bureau:

Name of Credit Bureau _____

Address of Credit Bureau _____

This credit bureau has refused to comply with its obligations under the Federal Fair Credit Reporting Act. The substance of the complaint is as follows:

(insert details)

Your organization is hereby notified of such complaint so that (a) you may be aware of a pattern of abuse and (b) you may take action to help consumers.

The undersigned would be happy to furnish full particulars to you if you need additional information.

Sincerely,

(Signature)
Name

Separate Files for a Husband and Wife

This letter should be used in case of a divorce or when one spouse has a poor credit history and the other does not.

(Your name and address)

(Date)

(Credit bureau name and address)

Reference is made to those provisions of the Equal Opportunity Credit Act that allow credit information to be maintained in separate files of each of a husband and wife.

Please be advised that the undersigned hereby request that credit information on the account of the undersigned be maintained by you in separate files under each name.

Please be further advised that we request this information be made available to all credit reporting agencies.

Sincerely,

Husband's signature _____

Husband's social security number _____

Wife's signature _____

Wife's social security number _____

Add Data to a Consumer Report

Use this letter to request the addition of positive information to your credit file.

(Your name and address)

(Date)

(Credit bureau name and address)

Re: Request to Add Data to Consumer Report

Pursuant to the Fair Credit Reporting Act, you are hereby requested to add the following data to the consumer credit report of the undersigned:

(Insert details)

Please advise as to the amount, if any, of your fee for verifying and including this data on all new consumer reports issued by you.

Sincerely,

(Signature)
Name

Social Security Number

Date of Birth

Sample Settlement Agreement

When you have negotiated the best deal and you're ready to settle with a creditor, use this form.

SETTLEMENT AGREEMENT
AGREEMENT made this _____ day of _____, 20____, between _____(debtor), residing at_____ and _____ (creditor), having an office at _____.

WHEREAS, Debtor and Creditor have previously entered into a certain commercial transaction, and

WHEREAS, certain circumstances had subsequently developed causing both Debtor and Creditor to desire to enter into this agreement.

NOW THEREFORE based upon the mutual promises contained herein

IT IS AGREED:
1. Debtor agrees to pay and creditor agrees to accept $_____as full payment for all amounts owed by Debtor to Creditor.

2. Debtor shall be permitted to pay the aforesaid sum by monthly payment without interest at the rate of $_____ per month. All of the monthly payments are to be made by mail or otherwise at the office of the Creditor set forth above prior to the _____ day of each month, commencing the _____day of _____, 20_____.

3. In the event of a default by Debtor in making any of the above stated payments, the Creditor shall have the right upon ten (10) days written notice to Debtor, to declare the unpaid installments due hereunder immediately due and payable.

4. Creditor agrees to notify each credit bureau with whom the creditor deals with that adverse information regarding Debtor's account is no longer verifiable and should be deleted from Debtor's consumer report.

IN WITNESS WHEREOF, the Debtor and Creditor have signed this agreement as of the date set forth above.

_____
(Debtor)

_____
(Creditor)

Credit: How to Obtain, Increase and Preserve Credit

PRESERVING WHAT'S YOURS

CHAPTER 8

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In today's society lawsuits are almost a way of life. Just about every day you hear about someone sueing someone else. There are people who seem to specialize in seeking out others to sue. You have come a long way, don't lose it all because of an accident suit. What if someone falls on one of your properties and gets seriously hurt. You could lose all or part of your assets. Even with liability insurance, which is a must, what if the injured party receives a settlement that exceeds your policy limits? There are attorneys who regularly take on suits without an up front payment relying on the settlement for their payback. Why would they chance such an action? Because they know all about your real estate investing and figure that you have plenty of money.

PRIVACY ISSUES

You can never hide your real estate activity and you shouldn't because referrals can be the cornerstone to success. Once you have achieved a certain level of success, it will be a distinct liability for everyone to know what your moves are. Why give you a deal on the property when everyone is aware you are the biggest landlord in the neighborhood. With the Internet, you can pull up the records of the real property appraiser in most communities, key in a name and up on the screen will come every single property you own. Maybe you're trying to assemble a few lots for a small commercial venture. If everyone is aware of your moves, don't you think the individual lot prices will skyrocket? Absolutely. There are two rules to follow.

Never Deed a Property in Your Name

Straight out, it's a privacy issue. No one should be aware of all your activity. We know that that is almost impossible, but the fewer that do, the better off you are. Want to be sued, place it in your name. The second rule is just as simple.

USING DIFFERENT ENTITIES

Always choose a different name for every property you purchase and deed. Many feel that by getting a DBA (doing business as) or fictitious name as many states refer to it, you have protected your privacy. It doesn't take that long to figure out who really controls and owns that DBA. Most will say, "Hey that's okay for a few ventures but after a while just choosing a name will become complicated." Not at all, simply name the venture after the street address. That's the best way to start. Now let's explore other methods to further protect you. There are numerous ways to shield your assets; we will just explore a few.

Incorporate

Most will say that is the way to go. You have limited liability and are somewhat shielded from the public. However, all your profits will be double taxed: first the corporation has to pay taxes and so will you on any income you derive from that corporation. But remember what we said about having them deeded separately. If all your properties are in one corporation, then in a suit all are vulnerable. Should you have a separate corporation for each property? Many will say yes. Unless you have a number of large complexes or apartment houses, it doesn't make economic sense to us. Each will have to pay taxes and file tax returns separately. The only ones who will make money under that scenario are your attorney and accountant.

Limited Partnership

Numerous experts in asset protection favor the limited partnership as a way of shielding your assets. Like a corporation, its papers are filed with your state. In a limited partnership, taxes are not paid by

the partnership but by the partners as individuals. It is very difficult to attach the assets of the limited partner in this arrangement and that is what makes it a favorite of many experts. No one can attach or force the sale of this type of arrangement. For further details, call one of our advisors at 800-741-7877.

The Land Trust

The land trust is the type of arrangement that we recommend for the purchase and recording of real estate. Under a land trust only the trustee's name is divulged to the public. You, and only you, keep the trust agreement. It can be changed any time you want or need it to be. The trustee can be your attorney, real estate broker, a friend or any combination thereof. You as the beneficiary of the trust, have all the rights to the property. This includes control, and receipt of all the proceeds from the property. Now, every property you own is deeded under a different trust. If you are sued and they get a judgment against the property, it is only against that property and all your others are free and clear. If by chance it is a serious action and you fear that they might try to find and attach your other holdings, just remember legal actions take time and since only you have the trust agreement, you always have further recourse. It is not a complicated document that requires an attorney every time you execute one. In fact, we have included the one we use as part of this manual.

LAND TRUST AGREEMENT

This was not meant to be a "how to protect yourself " document, just some helpful hints on how to get started on the road to protection. There are some excellent attorneys and legal courses out there that we can recommend to you. Simply call our office at 1-800-741-7877 and one of our counselors will be happy to oblige. We will tell you that most experts feel strongly that you should be protected at least three layers deep, meaning that there should be at least two entities between you and your assets.

AGREEMENT AND DECLARATION OF TRUST

THIS AGREEMENT AND DECLARATION OF TRUST is made and entered into this ____of _____, 20__, by and between (Your Name), as Grantors and Beneficiaries, (hereinafter referred to as the "Beneficiaries", whether one or more, which designation shall include all successors in interest of any Beneficiary), and (Name of Trustee), whose address is (Trustee's Address), (hereinafter referred to as the "Trustee", which designation shall include all successor trustees). IT IS MUTUALLY AGREED AS FOLLOWS:

1. Trust Property. The Beneficiaries are about to convey or cause to be conveyed to the Trustee by deed, absolute in form, the property described in the attached Exhibit "A", which said property shall be held by the Trustee, in trust, for the following uses and purposes, under the terms of this Agreement and shall be hereinafter referred to as the "Trust Property".
2. Consideration. No consideration was paid by Trustee for such conveyance. The conveyance will be accepted and will be held by Trustee subject to all existing encumbrances, easements, restrictions or other clouds or claims against the title thereto, whether the same are of record or otherwise. The property will be held on the trusts, terms and conditions and for the purposes hereinafter set forth, until the whole of the trust estate is conveyed, free of this trust, as hereinafter provided.
3. Beneficiaries. The persons named in the attached Exhibit "B" are the Beneficiaries of this Trust, and as such, shall be entitled to all of the earnings, avails and proceeds of the Trust Property according to their interests set opposite their respective names.
4. Interests. The interests of the Beneficiaries shall consist solely of the following rights respecting the Trust Property:
   a. The right to direct the Trustee to convey or otherwise deal with the title to the Trust Property as hereinafter set out.
   b. The right to manage and control the Trust Property.
   c. The right to receive the proceeds and avails from the rental, sale, mortgage, or other disposition of the Trust Property.

   The foregoing rights shall be deemed to be personal property and may be assigned and otherwise transferred as such. No Beneficiary shall have any legal or equitable right, title or interest, as realty, in or to any real estate held in trust under this Agreement, or the right to require partition of that real estate, but shall have only the rights, as personalty, set out above, and the death of a Beneficiary shall not terminate this Trust or in any manner affect the powers of the Trustee.
5. Powers of Trustee.
   a. With the consent of the Beneficiary, the Trustee shall have authority to issue notes or bonds and to secure the payment of the same by mortgaging the whole or any part of the Trust Property; to borrow money, giving notes therefor signed by him in his capacity as Trustee; to invest such part of the capital and the profits therefrom and the proceeds of the sale of bonds and notes in such real estate, equities in real estate, and mortgages in real estate in the United States of America, as he may deem advisable.

b. With the consent of the Beneficiary, the Trustee shall have the authority to hold the legal title to all of the Trust Property, and shall have the exclusive management and control of the property as if he were the absolute owner thereof, and the Trustee is hereby given full power to do all things and perform all acts which in his judgment are necessary and proper for the protection of the Trust Property and for the interest of the Beneficiaries in the property of the Trust, subject to the restrictions, terms, and conditions herein set forth.

c. Without prejudice to the general powers conferred on the Trustee hereunder, it is hereby declared that the Trustee shall have the following powers, with the consent of the Beneficiaries:

(1) To purchase any real property for the Trust at such times and on such terms as may seem advisable; to assume mortgages upon the property.

(2) To sell at public auction or private sale, to barter, to exchange, or to dispose of otherwise, any part, or the whole of the Trust Property which may, from time to time form part of the Trust estate, subject to such restrictions and for such consideration for cash and for credit, and generally upon such terms and conditions as may seem judicious, to secure payment upon any loan or loans of the Trust, by mortgage with or without power of sale, and to include such provisions, terms, and conditions as may seem desirable.

(3) To rent or lease the whole or any part of the Trust Property for long or short terms, but not for terms exceeding the term of the Trust then remaining.

(4) To repair, alter, tear down, add to, or erect any building or buildings upon land belonging to the Trust; to fill, grade, drain, improve, and otherwise develop any land belonging to the Trust; to carry on, operate, or manage any building, apartment house, or hotel belonging to the Trust.

(5) To make, execute, acknowledge, and deliver all deeds, releases, mortgages, leases, contracts, agreements, instruments, and other obligations of whatsoever nature relating to the Trust Property, and generally to have full power to do all things and perform all acts necessary to make the instruments proper and legal.

(6) To collect notes, obligations, dividends, and all other payments that may be due and payable to the Trust; to deposit the proceeds thereof, as well as any other monies from whatsoever source they may be derived, in any suitable bank or depository, and to draw the same from time to time for the purposes herein provided.

(7) To pay all lawful taxes and assessments and the necessary expenses of the Trust; to employ such officers, brokers, engineers, architects, carpenters, contractors, agents, counsel, and such other persons as may seem expedient, to designate their duties and fix their compensation; to fix a reasonable compensation for their own services to the Trust, as organizers thereof.

(8) To represent the Trust and the Beneficiaries in all suits and legal proceedings relating to the Trust Property in any court of law of equity, or before any other bodies or

tribunals; to begin suits and to prosecute them to final judgment or decree; to compromise claims or suits, and to submit the same to arbitration when, in his judgment, such course is necessary or proper.

(9) To arrange and pay for and keep in force in the name and for the benefit of the Trustee, such insurance as the Trustee may deem advisable, in such companies, in such amounts, and against such risks as determined necessary by the Trustee.

6. Duties of Trustee. It shall be the duty of the Trustee in addition to the other duties herein imposed upon him:
   a. To keep a careful and complete record of all the beneficial interests in the Trust Property with the name and residence of the person or persons owning such beneficial interest, and such other items as he may deem of importance or as may be required by the Beneficiaries.
   b. To keep careful and accurate books showing the receipts and disbursements of the Trust and also of the Trust Property, and such other items as he may deem of importance or as the Beneficiaries hereunder may require.
   c. To keep books of the Trust open to the inspection of the Beneficiaries at such reasonable times at the main office of the Trust as they may appoint.
   d. To furnish the Beneficiaries at special meetings at which the same shall be requested a careful, accurate, written report of his transactions as Trustee hereunder, of the financial standing of the Trust, and of such other information concerning the affairs of the Trust as they shall request.
   e. To sell the Trust Property and distribute the proceeds therefrom:
      (1) If any property shall remain in trust under this Agreement for a term which exceeds that allowed under applicable state law, the Trustee forthwith shall sell same at public sale after a reasonable public advertisement and reasonable notice to the Beneficiaries and, after deducting his reasonable fees and expenses, he shall divide the proceeds of the sale among the Beneficiaries as their interests may then appear, without any direction or consent whatsoever, or
      (2) To transfer, set over, convey and deliver to all the then Beneficiaries of this Trust their respective undivided interests in any nondivisible assets, or
      (3) To transfer, set over and deliver all of the assets of the Trust to its Beneficiaries, in their respective proportionate shares, at any time when the assets of the Trust consist solely of cash.
7. Compensation of Trustee. The Beneficiaries jointly and severally agree that the Trustee shall receive the sum of $1.00 per month for his services as Trustee hereunder.
8. Liability of Trustee. The Trustee and his successor as Trustee shall not be required to give a bond, and each Trustee shall be liable only for his own acts and then only as a result of his own gross negligence or bad faith.
9. Removal of Trustee. The Beneficiaries shall have the power to remove a Trustee from his office or appoint a successor to succeed him.

10. Resignation and Successor.
    a. Any Trustee may resign his office with thirty (30) days written notice to Beneficiaries and Beneficiaries shall proceed to elect a new Trustee to take the place of the Trustee who had resigned, but the resignation shall not take effect until a certificate thereof, signed, sealed, and acknowledged by the Trustee, and a certificate of the election of the new Trustee, signed and sworn to by the Beneficiaries and containing an acceptance of the office, signed and acknowledged by the new Trustee, shall have been procured in a form which is acceptable for recording in the registries of deeds of all the counties in which properties held under this instrument are situated. If the Beneficiaries shall fail to elect a new Trustee within thirty (30) days after the resignation, then the Trustee may petition any appropriate court in this state to accept his resignation and appoint a new Trustee.
    b. Any vacancy in the office of Trustee, whether arising from death or from any other cause not herein provided for, shall be filled within thirty (30) days from the date of the vacancy and the Beneficiaries shall proceed to elect a new Trustee to fill the vacancy, and immediately thereafter shall cause to be prepared a certificate of the election containing an acceptance of the office, signed, sealed, and acknowledged by the new Trustee, which shall be in a form acceptable for recording in the registries of deeds of all the counties in which properties held under this instrument are situated.
    c. Whenever a new Trustee shall have been elected or appointed to the office of Trustee and shall have assumed the duties of office, he shall succeed to the title of all the properties of the Trust and shall have all the powers and be subject to all the restrictions granted to or imposed upon the Trustee by this agreement, and every Trustee shall have the same powers, rights, and interests regarding the Trust Property, and shall be subject to the same restrictions and duties as the original Trustee, except as the same shall have been modified by amendment, as herein provided for.
    d. Notwithstanding any such resignation, the Trustee shall continue to have a lien on the Trust Property for all costs, expenses and attorney's fees incurred and for said Trustee's reasonable compensation.
11. Objects and Purposes of Trust. The objects and purposes of this Trust shall be to hold title to the Trust Property and to protect and conserve it until its sale or other disposition or liquidation. The Trustee shall not undertake any activity not strictly necessary to the attainment of the foregoing objects and purposes, nor shall the Trustee transact business within the meaning of applicable state law, or any other law, nor shall this Agreement be deemed to be, or create or evidence the existence of a corporation, de facto or de jure, or a Massachusetts Trust, or any other type of business trust, or an association in the nature of a corporation, or a co-partnership or joint venture by or between the Trustee and the Beneficiaries, or by or between the Beneficiaries.
12. Exculpation. The Trustee shall have no power to bind the Beneficiaries personally and, in every written contract he may enter into, reference shall be made to this declaration; and any

person or corporation contracting with the Trustee, as well as any beneficiary, shall look to the funds and the Trust Property for payment under such contract, or for the payment of any debt, mortgage, judgment, or decree, or for any money that may otherwise become due or payable, whether by reason or failure of the Trustee to perform the contract, or for any other reason, and neither the Trustee nor the Beneficiaries shall be liable personally therefor.

13. Dealings with Trustee. No party dealing with the Trustee in relation to the Trust Property in any manner whatsoever, and, without limiting the foregoing, no party to whom the property or any part of it or any interest in it shall be conveyed, contracted to be sold, leased or mortgaged by the Trustee, shall be obliged to see to the application of any purchase money, rent or money borrowed or otherwise advanced on the property; to see that the terms of this Trust Agreement have been complied with; to inquire into the authority, necessity or expediency of any act of the Trustee; or be privileged to inquire into any of the terms of this Trust Agreement. Every deed, mortgage, lease or other instrument executed by the Trustee in relation to the Trust Property shall be conclusive evidence in favor of every person claiming any right, title or interest under the Trust that at the time of its delivery the Trust created under this Agreement was in full force and effect; and that instrument was executed in accordance with the terms and conditions of this Agreement and all its amendments, if any, and is binding upon all Beneficiaries under it; that the Trustee was duly authorized and empowered to execute and deliver every such instrument; if a conveyance has been made to a successor or successors in trust, that the successor or successors have been appointed properly and are vested fully with all the title, estate, rights, powers, duties and obligations of its, his or their predecessor in Trust.
14. Recording of Agreement. This Agreement shall not be placed on record in the county in which the Trust Property is situated, or elsewhere, but if it is so recorded, that recording shall not be considered as notice of the rights of any person under this Agreement derogatory to the title or powers of the Trustee.
15. Name of Trustee. The name of the Trustee shall not be used by the Beneficiaries in connection with any advertising or other publicity whatsoever without the written consent of the Trustee.
16. Income Tax Returns. The Trustee shall be obligated to file any income tax returns with respect to the Trust, as required by law, and the Beneficiaries individually shall report and pay their share of income taxes on the earnings and avails of the Trust Property or growing out of their interest under this Trust.
17. Assignment. The interest of a Beneficiary, or any part of that interest, may be transferred only by a written assignment, executed in duplicate and delivered to the Trustee. The Trustee shall note its acceptance on the original and duplicate original of the assignment, retaining the original and delivering the duplicate original to the assignee as and for his or her evidence of ownership of a beneficial interest under this Agreement. No assignment of any interest under this Agreement, other than by operation of law, that is not so executed, delivered and accepted shall be valid without the written approval of all of the other Beneficiaries who possess the

power of direction. No person who is vested with the power of direction, but who is not a Beneficiary under this Agreement, shall assign that power without the written consent of all the Beneficiaries.

18. Individual Liability of Trustee. The Trustee shall not be required, in dealing with the Trust Property or in otherwise acting under this Agreement, to enter into any individual contract or other individual obligation whatsoever; nor to make himself individually liable to pay or incur the payment of any damages, attorney's fees, fines, and penalties, forfeitures, costs, charges or other sums of money whatsoever. The Trustee shall have no individual liability or obligation whatsoever arising from his ownership, as Trustee, of the legal title to the Trust Property, or with respect to any act done or contract entered into or indebtedness incurred by him in dealing with the Trust Property or in otherwise acting under this Agreement, except only as far as the Trust Property and any trust funds in the actual possession of the Trustee shall be applicable to the payment and discharge of that liability or obligation.
19. Reimbursement and Indemnification of Trustee. If the Trustee shall pay or incur any liability to pay any money on account of this Trust, or incur any liability to pay any money on account of being made a party to any litigation as a result of holding title to Trust Property or otherwise in connection with this Trust, whether because of breach of contract, injury to person or property, fines or penalties under any law, or otherwise, the Beneficiaries, jointly and severally agree that on demand they will pay to the Trustee, with interest at the rate of 6.50% per annum, all such payments made or liabilities incurred by the Trustee, together with his expenses, including reasonable attorney's fees, and that they will indemnify and hold the Trustee harmless of and from any and all payments made or liabilities incurred by him for any reason whatsoever as a result of this Agreement; and all amounts so paid by the Trustee, as well as his compensation under this Agreement, shall constitute a lien on the Trust Property. The Trustee shall not be required to convey or otherwise deal with the Trust property as long as any money is due to the Trustee under this Agreement; nor shall the Trustee be required to advance or pay out any money on account of this Trust or to prosecute or defend any legal proceedings involving this Trust or any property or interest under this Agreement unless he shall be furnished with sufficient funds or be indemnified to his satisfaction.
20. Entire Agreement. This Agreement contains the entire understanding between the parties and may be amended, revoked, or terminated only by written agreement signed by the Trustee and all of the Beneficiaries.
21. Governing Law. This agreement, and all transactions contemplated hereby, shall be governed by, construed and enforced in accordance with the laws of the State of (Name of State). The parties herein waive trial by jury and agree to submit to the personal jurisdiction and venue of a court of subject matter jurisdiction located in (Name of County) County, State of (Name of State). In the event that litigation results from or arises out of this Agreement or the performance thereof, the parties agree to reimburse the prevailing party's reasonable

attorney's fees, court costs, and all other expenses, whether or not taxable by the court as costs, in addition to any other relief to which the prevailing party may be entitled. In such event, no action shall be entertained by said court or any court of competent jurisdiction if filed more than one year subsequent to the date the cause(s) of action actually accrued regardless of whether damages were otherwise as of said time calculable.

22. Binding Effect. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon any successor trustee under it, as well as upon the executors, administrators, heirs, assigns and all other successors in interest of the Beneficiaries.
23. Trustee's Liability to Beneficiaries. The Trustee shall be liable to the Beneficiaries for the value of their respective beneficial interests only to the extent of the property held in Trust by him hereunder and the Beneficiaries shall enforce such liability only against the Trust Property and not against the Trustee personally.
24. Annual Statements. There shall be no annual meeting of the Beneficiaries, but the Trustee shall prepare an annual report of their receipts and disbursements for the fiscal year preceding, which fiscal year shall coincide with the calendar year, and a copy of the report shall be sent by mail to the Beneficiaries not later than February 28 of each year.
25. Termination. This trust may be terminated at any time by the Beneficiaries and with thirty (30) days written notice of termination delivered to the Trustee, the Trustee shall execute any and all documents necessary to vest fee simple marketable title to any and all Trust Property in Beneficiaries.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

Signed, sealed and delivered in the presence of:

BENEFICIARIES

_____	_____
Witness	Your Name
_____	
Witness	
_____	_____
Witness	
_____	
Witness	
_____	_____
Witness	
_____	
Witness	
_____	
Witness	
_____	_____
Witness	Name of Trustee
_____	
Witness	

STATE OF _____

COUNTY OF _____

Before me personally appeared (Your Name) to me well known and known to me to be the person described in and who executed the foregoing instrument, and acknowledged to and before me that he/she executed said instrument for the purposes therein expressed.

WITNESS my hand and official seal in the State and County aforesaid, this ___ day of ___ 20_____.

_____

Notary Public

(SEAL) State of

My Commission Expires:

_____

STATE OF _____

COUNTY OF _____

Before me personally appeared (Name of Trustee) to me well known and known to me to be the person described in and who executed the foregoing instrument, and acknowledged to and before me that he/she executed said instrument for the purposes therein expressed.

WITNESS my hand and official seal in the State and County aforesaid, this ___ day of ___ 20_____.

_____

Notary Public

(SEAL) State of

My Commission Expires:

_____

EXHIBIT “A”

Legal Description of Property

EXHIBIT “B”

Names of Beneficiaries

Credit: How to Obtain, Increase and Preserve Credit

WHERE TO FIND HELP

CHAPTER 9

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People tend to be very closed mouth and secretive when it comes to their finances. They don't want others to know their business or the trouble they are in. Most wait until it's too late to seek counseling or outside advice. In the credit arena, it is really a shame because there are numerous places to turn for help.

COMMON SENSE APPROACH

Let's review some common sense approaches when the debt noose begins to tighten.
First develop a budget and then stick to it. Begin by adding up all your monthly income sources. Then figure out all your necessary or fixed expenses: rent, mortgage, car payments, insurance, water, electric and telephone bills, and don't forget food and health care. Track every dime you spend, making sure that your essential expenses are always covered. Then prioritize your remaining expenses on a pay as you go basis.

Debt Counselors of America, a member of the National Foundation for Consumer Credit, has a rule of thumb for family budgets and it is as follows:

Monthly Income

Category Percentage of take-home pay
Housing 30%
Utilities 5%
Food 20%
Essential 2 to 4%
Medical 5%
Clothing 7%
Transportation 15%
Recreation 4%
Savings 8%
Mad money 2 to 4%

This is not an end all, but a mirror of what their experience shows a working family's budget should look like. Budgeting can be a trying effort, but it is the first step on the road back.

Take Action

If you know you are facing financial difficulties, don't wait until you can't meet your obligations. Call all your creditors and explain the situation to them. You will be amazed at how many will allow you some slack to stay above water. They would rather have you pay less than not at all.

You might be able to reduce your cost of credit by consolidating your debt. Be especially careful if this entails a second mortgage or home equity line of credit. Don't let your secondary debt jeopardize your place to live.

GOVERNMENT AND PRIVATE SECTOR

Help is available both in government and the private sector. No one is more aggressive in protecting the consumer than the Federal Trade Commission (FTC); they constantly monitor the marketplace looking for ways of preventing fraud. They publish numerous pamphlets to both inform and assist the

public. While there are numerous organizations and of course attorneys prepared to give advice there are also private non-profit organizations that perform a valuable service to thousands across the land.

National Foundation for Consumer Credit

The National Foundation for Consumer Credit is an umbrella group of not-for-profit organizations throughout the country whose charge is to provide low-cost credit counseling and financial advice. They have over 850 offices in fifty states. You can call them at 800-388-2227 and ask where their nearest affiliate is located. Their affiliates are universally recognized as the best credit organizations available to the general public.

Credit Counseling

Credit counseling is the best bet for most. It allows you at a nominal cost to have highly trained professionals work with you to assist in your trials. Sometimes just having someone to talk things out with is a major plus. But be careful whom you choose, make sure they are members of the National Foundation for Consumer Credit. The Consumer Credit Counseling Service is clearly one of the best. They can be reached at 800-873-2227.

They offer the following services:

Budget Counseling: They will work with you to develop the best possible budget tailored to your needs.

Credit Report Review: They will get copies of your credit history and see what they can do to make sure it is correct.

Business Education: They conduct a series of financial meetings to train those they counsel on the financial strategies they should know about and implement.

Debt Management: They completely restructure your debt, talking to your creditors and insuring that you are able to handle your debt.

Housing Program: They are certified by HUD as approved housing counseling agencies and offer assistance to renters, homeowners and future homeowners.

Strategies: They will structure a monthly financial plan designed to meet your individual needs.

Bankruptcy

Bankruptcy should always be a last resort because it has a long lasting effect. However, to some it is the only recourse left. With bankruptcy at an all-time high, we wonder if too many people are choosing this method as the easy way out. As a best-selling book stated, “There is a life after bankruptcy.” You can survive and thrive, we show you how, but it should only be used as your last resort. You should know that there are two different types of bankruptcy, Chapter 7 and Chapter 13. Each must be filed in a federal court.

Chapter 7

Chapter 7 bankruptcies involve liquidation of all assets that are not exempt in your state, which is usually only work related tools and materials, and household furnishings. Personal bankruptcy does not erase certain obligations such as child support, alimony, fines, taxes and certain student loans.

Chapter 13

Chapter 13 bankruptcy, which is referred to as reorganization, is just that. Under the supervision of the court it allows you to restructure your debt into a plan to pay it off, usually a three- to five-year plan. Under Chapter 13, you can keep items like your house and automobile.

FEDERAL AND STATE AGENCIES

Knowing what federal agencies regulate what industry is a big help in contacting the appropriate agency. In fact, in making a complaint to any business entity, you should always make it a practice to copy the appropriate federal agency. You will soon find that your response rate will improve dramatically and so will your success rate. Institutions are very sensitive about the number of complaints that are referred to the federal government because they know if the numbers mount, the agency is likely to go to Congress, outline the problem, and seek remedial legislation. That is how many of the consumer protection laws got their start.

Federal Trade Commission

The Federal Trade Commission is your best bet for all incidents of fraud, lease, and credit bureau problems. They have a long track record of dogged determination in protecting the consumer.

Federal Trade Commission Southeast Region

60 Forsyth St. SW, Suite 5M35, Atlanta, GA 30303

Federal Trade Commission Northeast Region

1 Bowling Green, New York, NY 10004

Federal Trade Commission Midwest Region

55 East Monroe Street, Suite 1860, Chicago, IL 60603-5701

Federal Trade Commission East

Central Region, 1111 Superior Ave, Suite 200, Cleveland, OH 44114-2507

Bureau of Consumer Protection Office of Consumer and Business Education.

The Toll Free telephone number for all FTC offices: 1-877-382-4357 Call 9am to 5pm EST, Monday - Friday.

Federal Credit Union

If your problem involves a credit union:

National Credit Union Administration

775 Duke St., Alexandria, VA 22314-3428, 703-518-6300

Federal Trade Commission Southwest Region
1999 Bryan St., Suite 2150, Dallas, TX 75201-6808

Federal Trade Commission Western Region
901 Market Street, Suite 570, San Francisco, CA 94103

Federal Trade Commission Northwest Region
2896 Federal Building, 915 Second Avenue, Seattle, WA 98174

Department of Justice
On questions regarding a violation of the Equal Opportunities Law, one would seek out the Department of Justice.

Civil Division, Office of Consumer Litigation
950 Pennsylvania Ave. NW, Washington, DC 20530-0001, 202-514-2000

Federal Reserve System
Questions regarding a bank can get complicated because the responsibility for regulating banks is split between numerous federal agencies. That becomes important because while you might have a problem with a credit card, it is the issuing bank that must bear the responsibility.

If you have a doubt about where to file your complaint, we suggest you contact the Board of Governors of the Federal Reserve System and they will forward your complaint to the proper authority. However, taking the time to find out who is the direct responsible party will greatly speed up your response time.

National Banks
Office of the Comptroller of the Currency, Customer Assistance Unit
1301 McKinney St., Suite 3710, Houston, TX 77010
1-800-613-6743 (9am to 3pm CST)

Federal Savings and Loans Banks
The Office of Thrift Supervision, Office of Consumer Programs
1700 G Street NW, Washington, DC 20552, 1-800-842-6929

State Banks Members of the Federal Reserve System
Board of Governors of the Federal Reserve System
Division of Consumer and Community Affairs
20th and C Street, NW Mail Stop 801, Washington, DC 20551, 202-452-3693

Federal Reserve Bank of Atlanta
104 Marietta Street, NW, Atlanta, GA 30303-2713, 404-521-8500

Federal Reserve Bank of Boston
PO Box 2076, Boston, MA 02106-2076, 617-973-3000

Federal Reserve Bank of Chicago
PO Box 834, 230 South La Salle St., Chicago, IL 60690-0834, 312-322-5111

Federal Reserve Bank of Cleveland
Community Affairs, 1455 East 6th St., Cleveland, OH 44114, 216-579-2000

Federal Reserve Bank of Dallas, Community Affairs Office
2200 North Pearl St., Dallas, TX 75201-2272, 214-922-5377 or 800-333-4460, Ext. 5377

Federal Reserve Bank of Kansas City
Community Affairs, 925 Grand Blvd., Kansas City, MO 64198-0001, 816-881-2000

Federal Reserve Bank of Minneapolis
Community Affairs, 90 Hennepin Ave. PO Box 291, Minneapolis, MN 55480-0291, 612-204-5000

Federal Reserve Bank of New York
33 Liberty Street, New York, NY 10045, 212-720-6134

Federal Reserve Bank of Philadelphia, Public Affairs Department
PO Box 66, Philadelphia, PA19106, 215-574-6115

Federal Reserve Bank of Richmond
Public Affairs, PO Box 27622, Richmond, VA 23261, 804-697-8109

Federal Reserve Bank of St. Louis
Public Affairs, PO Box 442, Saint Louis, MO 63166, 314-444-8808/8809

*** Federal Reserve Bank of San Francisco, Public Information Department**
PO Box 7702, San Francisco, CA 94120, 415-974-2163/2246

* Alaska and Hawaii are included in this district.

Non-Member Federally Insured State Banks

The Federal Deposit Insurance Corporation Division of Compliance and Consumer Affairs, 550 17th Street NW, Washington, DC 20429, 1-800-934-FDIC

FDIC Atlanta Regional Office, One Atlantic Center, Suite 1600
1201 West Peachtree Street, NE, Atlanta, GA 30309-3415, 404-817-1300

FDIC Boston Regional Office
15 Braintree Hill Office Park, Braintree, MA 02184, 781-794-5500

FDIC Chicago Regional Office
500 West Monroe Street, Suite 3600, Chicago, IL 60661, 312-382-7500

FDIC Dallas Regional Office
1910 Pacific Avenue, Suite 1900, Dallas, TX 75201,972-754-0098

FDIC Kansas City Regional Office
2345 Grand Avenue, Suite 1500, Kansas City, MO 64108, 816-234-8000

FDIC Memphis Regional Office
5100 Poplar Avenue, Suite 1900, Memphis, TN 38137, 901-685-1603

FDIC New York Regional Office
452 Fifth Avenue, 19th Floor, New York, NY 10018, 212-704-1200

FDIC San Francisco Regional Office
25 Ecker Street, Suite 2300, San Francisco, CA 94105, 415-546-0160

Attorney General

There are many state and local consumer protection agencies that provide assistance. However, the primary agency we recommend is the state attorney general. Almost every state has passed legislation that mirrors the federal law. Some have even made their laws tougher. The reason that they passed a law that mirrors federal laws is that it enables state officials to get involved in the prosecution of those cases.

Most attorneys general have taken their consumer protection duties much more seriously and have mounted aggressive anti-fraud campaigns. If the problem you are having involves an intra-state firm, you will probably be better off seeking assistance with your local attorney general.

Alabama
Office of the Attorney General, State House, 11 South Union Street, Third Floor, Montgomery, AL 36130, 334-242-7300

Alaska
Attorney General of Alaska, Post Office Box 110300 Diamond Courthouse, Juneau, AK 99811-0300, 907- 465-3600

American Samoa
Attorney General of American Samoa, Office of the Attorney General, 684-633-4163

Arizona
Office of the Attorney General, 1275 West Washington Street, Phoenix, AZ 85007, 602-542-5025 or toll free 888-377-6108

Arkansas
Office of the Attorney General, 323 Center Street, Suite 200, Little Rock, AR 72201, 501-682-2007 or toll free 800-482-8982

California
Attorney General of California, Department of Justice, P.O. Box 944255, Sacramento, CA 94244-2550, 916-445-9555

Colorado
Office of the Attorney General, Department of Law 1525 Sherman Street, 7th Floor, Denver, CO 80203, 303-866-4500

Connecticut
Office of the Attorney General, 55 Elm Street, Hartford, CT 06106, 860-808-5318

Delaware
Office of the Attorney General Carvel State Office Bldg, 820 North French St., Wilmington, DE 19801, 302-577-8300

District of Columbia
Office of the Corporation Counsel, 441 4th Street NW, Washington, DC 20001

Florida
Attorney General, State of Florida, The Capitol Tallahassee, FL 32399-1050, 850-487-1963

Georgia
Office of the Attorney General, 40 Capitol Square, SW, Atlanta, GA 30334-1300, 404-656-3300

Guam
Guam Office of the Attorney General, Judicial Center Building, 120 West O'Brien Drive, Agana, GU 96910, 671-575-3324

Hawaii
Office of the Attorney General, 425 Queen Street, Honolulu, HI 96813, 808-586-1282

Idaho
Office of the Attorney General Statehouse, Boise, ID 83720-1000, 208-334-2400

Illinois
Office of the Attorney General, James R Thompson Center, 100 West Randolph St., Chicago, IL 60601, 312-814-3374

Indiana
Office of the Indiana Attorney General, Indiana Government Center South, IGCS -Fifth Floor - 402 West Washington St., Indianapolis, IN 46204, 317-232-6201

Iowa
Attorney General of Iowa, 1305 East Walnut St., Des Moines, IA 50319, 515-281-5926

Kansas
Kansas Office of the Attorney General, 120 S.W. 10th, 2nd Floor, Topeka, KS 66612-1597, 785-296-2115

Kentucky
Attorney General of Kentucky, 1024 Capitol, Center Drive, Frankfort, KY 40601, 502-696-5300

Louisiana
State Capitol, Attorney General of Louisiana, 22nd Floor, Baton Rouge, LA 70804-9005, 225-342-70133

Maine
Attorney General of Maine, 6 State House Station, Augusta, ME 04333, 207-626-8865

Maryland
Maryland Office of the Attorney General, 200 Saint Paul Place, Baltimore, MD 21202-2202, 410-576-6300

Massachusetts
Attorney General of Massachusetts, Office of the Attorney General, One Ashburton Place, Boston, MA 02108-1698, 617-727-2200

Nevada
Nevada Office of the Attorney General, 100 North Carson Street, Carson City, NV 89701, 775-684-1100

New Hampshire
Office of the Attorney General, 33 Capitol Street, Concord, NH 03301, 603-271-3658

New Jersey
Office of the Attorney General, Justice Complex, 25 Market Street, CN 080, Trenton, NJ 08625-0080, 609-292-3508

New Mexico
Office of the Attorney General, Post Office Drawer 1508, Santa Fe, NM 87504-1508, 800-678-1508

New York
Office of the Attorney General, Department of Law-The Capitol, 2nd Floor, Albany, NY 12224-0341, 518-474-7330

North Carolina
Office of the Attorney, General Department of Justice, Post Office Box 629, Raleigh, NC 27602-0629, 919-716-6400

Michigan
Office of the Attorney General, G. Mennen Williams Bldg., 7th Floor, 525 West Ottawa St, P.O. Box 30212, Lansing, MI 48909-0212, 517-373-1110

Minnesota
Office of the Attorney General, 102 State Capitol St. Paul, MN 55155, 651-296-6196 or toll free 800-657-3787

Mississippi
Office of the Attorney General, Post Office Box 220, Jackson, MS 39205-0220, 601-359-3692

Missouri
Office of the Attorney General, Supreme Court Bldg, 207 West High St., P.O. Box 899, Jefferson City, MO 65102, 573-751-3321

Montana
Office of the Attorney General, Justice Building, 215 North Sanders, Helena, MT 59620-1401, 406-444-2026

Nebraska
Office of the Attorney General, 2115 State Capitol, Lincoln, NE 68509, 402-471-2682

Rhode Island
Office of the Attorney General, 150 South Main Street, Providence, RI 02903, 401-274-4400

South Carolina
Office of the Attorney General, P. O. Box 11549, Columbia, SC 29211-1549, 803-734-3970

South Dakota
Office of the Attorney General, 500 East Capitol Pierre, SD 57501-5070, 605-773-3215

Tennessee
Office of the Attorney General, 425 5th Ave. North, Nashville, TN 37243-0485, 615-741-5860

Texas
Office of the Attorney General, P. O. Box 12548, Austin, TX 78711-2548, 512-463-2100

Utah
Attorney General of Utah, State Capitol, Room 236, Salt Lake City, UT 84114-0810, 801-538-9600

North Dakota
Office of the Attorney General, State Capitol Bldg., 600 East Boulevard Avenue, Bismarck, ND 58505-0040, 701-328-2210

Ohio
Office of the Attorney General, State Office Tower, 30 East Broad St., 17th Floor, Columbus, OH 43215-3428, 614-466-4320

Oklahoma
Office of the Attorney General, 2300 North Lincoln Blvd, Suite 112, Oklahoma City, OK 73105, 405-521-3921

Oregon
Office of the Attorney General, Justice Building, 1162 Court Street NE, Salem, OR 97310, 503-378-6002

Pennsylvania
Pennsylvania Office of the Attorney General, Strawberry Square, 16th Floor, Harrisburg, PA 17120, 717-787-3391

Puerto Rico
Attorney General of Puerto Rico, Office of the Attorney General, Post Office Box 192, San Juan, PR 00902-0192, 809-721-0940

Vermont
Vermont Office of the Attorney General, 109 State Street, Montpelier, VT 05609-1001, 802-828-3171

Virginia
Virginia Office of the Attorney General, 900 East Main Street, Richmond, VA 23219, 804-786-2071

Virgin Islands
Virgin Islands Office of the Attorney General, Department of Justice, G.E.R.S. Building, 2nd Floor, Charlotte Amalie, U.S., Virgin Islands, 00802, 340-774-5666 or 340-773-0295

Washington
Attorney General of Washington, Office of the Attorney General, P.O. Cox 40100, 1125 Washington Street, SE, Olympia, WA 98504-0100, 304-558-2021

Wisconsin
Wisconsin Office of the Attorney General, Wisconsin Department of Justice, P.O. Box 7857, Madison, WI 53707-7857, 608-266-1221

Wyoming
Wyoming Office of the Attorney General, 123 Capitol Building, 200 W. 24th St., Cheyenne, WY 82002, 307-777-7841

Credit: How to Obtain, Increase and Preserve Credit

IT'S A NEVER-ENDING PROCESS

CHAPTER 10

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Some surveys have actually stated that it was their belief that over 50 percent of consumer credit reports had errors in them. Can you ever be complacent and feel that yours is in good shape? The same authority said that it was their belief that 20 percent had errors that would cause the consumer to be denied credit. Who checks to make sure the reports are correct? No one does, so if you want to make sure yours is correct the only person that's going to do so is you. Is the problem really that severe? Well, the most complaints filed with the Federal Trade Commission for a three-year period involved credit bureau complaints. The same source said that the consumer had already spent an average of 23 weeks trying to resolve the complaint themselves, with no satisfaction.

REGULAR CHECK-UPS

There are varying theories on how often one should check their credit reports. The Consortium of Consumer Attorneys advocates checking them every three months. We don't feel that is necessary, and quite frankly could possibly work to your disadvantage. Some lenders could become leery of applicants who have checked their report that often. Remember all credit reports list how often the report has been accessed, and by whom. They might be nervous that you have a problem coming down the pike. It's the same as applying for credit all over the lot. The average lender doesn't know that you are shopping around for a deal, only that you had to contact a number of lenders. They assume that the others probably turned you down for credit. Or you are taking on more liability than you can handle.

Once a Year is Fine

If you check the reports once a year you should be fine. Remember, however, that if you are about to undertake a major investment you might want to check the reports before the lenders do. Since it will take a few months to correct an erroneous item, plan your actions accordingly.

Unauthorized Use

The growing problem of unauthorized use of individuals' personal information to obtain credit has hit victims from every walk of life. Often the crime involves the theft of personal information such as a person's name, social security number and date of birth from a computer database. The information is then used by the criminal to obtain credit cards, lines of credit, car loans and in some extreme cases home mortgages or equity loans.

During the process the criminal usually arranges for a change of the consumers' address, so that the victim does not receive the fraudulent mailings. Since the consumer only discovers the fraud when they apply for credit or are denied credit, this type of activity can go unnoticed for years. If they were checking their report once a year, most of this activity would be stopped.

ON-LINE RISKS

Many people are wary of making credit card purchases on the Internet. Although this practice is still not foolproof, advancements in technology have eliminated many of the risks. As e-commerce became more popular, the companies handling electronic transactions devised secured credit card transaction methods that encrypt and shield information passing from the credit card holder. The advantage of these online transactions is that it allows the purchase to be made in **real time**, with the customer receiving an approval code in seconds. Besides the speed of the transactions, it eliminates

piles of paperwork, mail delays and postage. Despite the great strides made in technology, there still remains the rare and occasional instance where a hacker can unravel the security of a system.

Our advice to you is to be certain that the credit card transaction site you use on the Internet is secure before you make your purchase. And be sure to closely monitor the charges on your credit card bills. No matter how small the charge is, make sure it is legitimate. It's up to you to weigh the risk factor against the convenience, selection and discounts when considering online shopping. Bear in mind too that because of the great technological strides made in Internet security, the Government signed a bill into law making "e-signatures" legal endorsement on documents.

FINAL REMINDERS

One of the most glaring omissions from what is currently being taught in high school and college is how to make and manage money. There are numerous courses on economic theory, but nowhere is there Making Money 101. Even more important, we are not preparing our youngsters on how to manage their money. Consumer debt has soared and now exceeds $1 trillion according to the National Credit Counseling Services. In a survey done for them by the Opinion Research Corporation International, one in four Americans faces problems in managing debts. Nearly half of those polled would go back to school to learn the ABC's of money management. Unfortunately most did not recognize their lack of money management skills until faced with a financial crisis.

Envision a Stop Sign

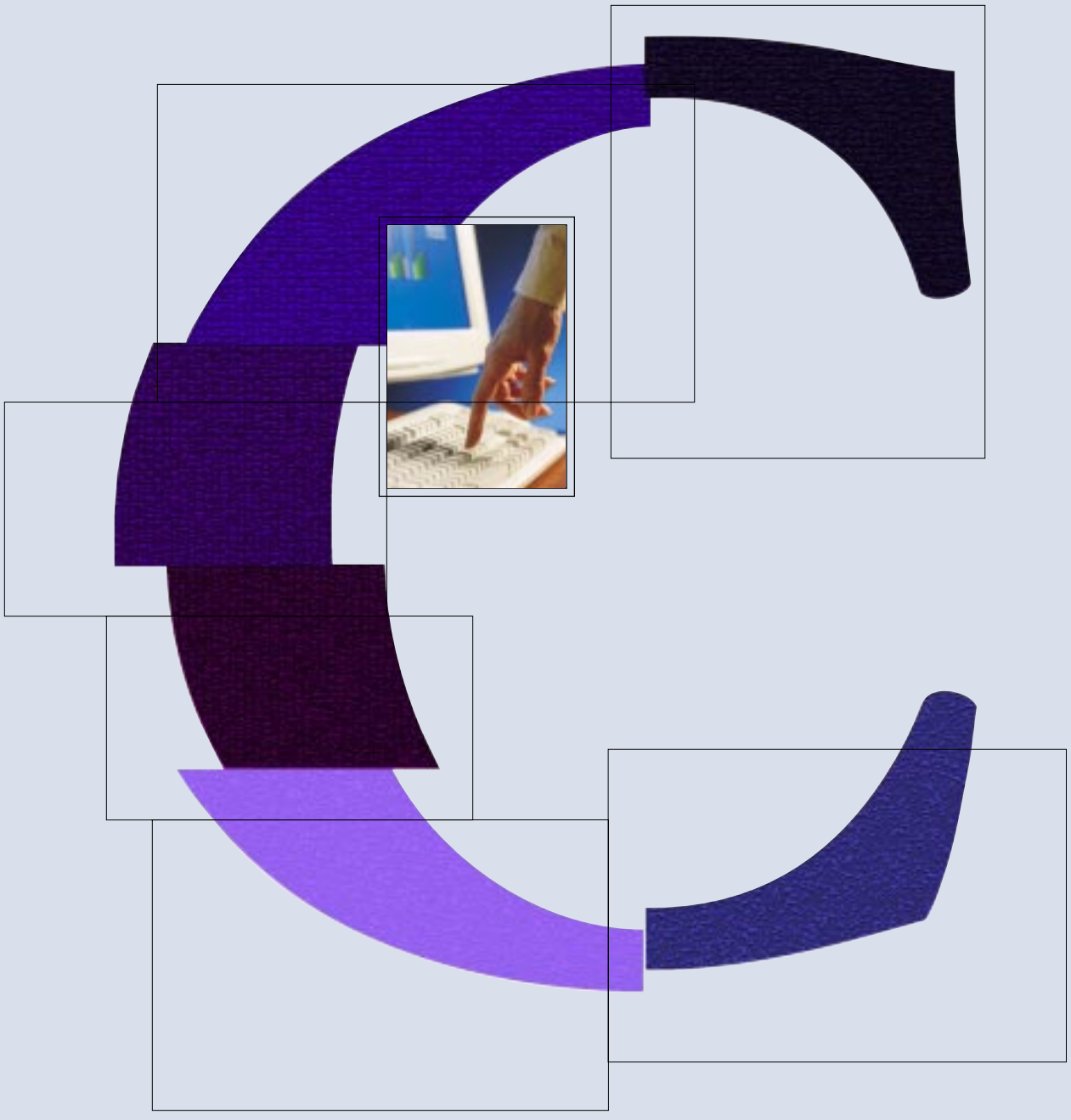
Every time you want to use a credit card or enter into debt, envision a giant stop sign in front of you. Then stop for a moment and think, "Is this the right financial step for me to take?" Just stopping to reflect will make a difference. We are not urging you to become cautious, just careful. To make wealth and become financially independent, you must take risks. Just make sure they are measured risks.

Remember the Credit Creed

Never use borrowed money for items that will go down in value. Building wealth is not any one thing you do right but the sum total of all the little things you do. And how you handle your credit will be a major factor in determining whether you make it or not.

Credit: How to Obtain, Increase and Preserve Credit

GLOSSARY



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Annual Percentage Rate (APR):
The cost of credit at a yearly rate.

Appraisal Fee:
The charge for estimating the value of property offered as security.

Asset:
Property that can be used to repay debt, such as stocks and bonds or a car.

Automated Teller Machines (ATM):
Electronic terminals located on bank premises or elsewhere, through which customers of financial institutions may make deposits, withdrawals, or other transactions as they would through a bank teller.

Balloon Payment:
A large extra payment that may be charged at the end of a loan or lease.

Billing Error:
Any mistake in your monthly statement as defined by the Fair Credit Billing Act.

Business Days:
Check with your institution to find out what days it counts as business days under the Truth in Lending and Electronic Fund Transfer Acts.

Collateral:
Property offered to support a loan and subject to seizure if you default.

Cosigner:
Another person who signs your loan and assumes equal responsibility for it.

Credit:
The right granted by a creditor to pay in the future in order to buy or borrow in the present; a sum of money due a person or business.

Credit Bureau:
An agency that keeps your credit record.

Credit Card:
Any card, plate, or coupon book used from time to time or over and over again to borrow money or buy goods or services on credit.

Credit History:
The record of how you've borrowed and repaid debts.

Creditor:

A person or business from whom you borrow or to whom you owe money.

Credit-related Insurance:

Health, life, or accident insurance designed to pay the outstanding balance of debt.

Credit Scoring System:

A statistical system used to rate credit applicants according to various characteristics relevant to creditworthiness.

Debit Card (EFT Card):

A plastic card, looking similar to a credit card, that consumers may use to make purchases, withdrawals, or other types of electronic fund transfers.

Default:

Failure to repay a loan or otherwise meet the terms of your credit agreement.

Disclosures:

Information that must be given to consumers about their financial dealings.

Elderly Applicant:

As defined in the Equal Credit Opportunity Act, a person 62 or older.

Electronic Fund Transfer (EFT) Systems:

A variety of systems and technologies for transferring funds electronically rather than by check.

Finance Charge:

The total dollar amount credit will cost.

Home Equity Line-of-Credit:

A form of open-end credit in which the home serves as collateral.

Joint Account:

A credit account held by two or more people so that all can use the account and all assume legal responsibility to repay.

Late Payment:

A payment made later than agreed upon in a credit contract and on which additional charges may be imposed.

Lessee:

A person or company who signs a lease to get temporary use of a property.

Lessor:

A company or person that provides temporary use of a property usually in return for periodic payment.

Liability on an Account:
Legal responsibility to repay debt.

Open-end Credit:
A line-of-credit that may be used over and over again including credit cards, overdraft credit accounts, and home-equity lines.

Open-end Lease:
A lease, which may involve a balloon payment, based on the value of the property when it is returned.

Overdraft Checking:
A line of credit that allows you to write checks or draw funds by means of an EFT card for more than your actual balance, with an interest charge on the overdraft. Deposit accounts are debited electronically without the use of checks.

Points and Origination Fees:
Points are finance charges paid at the beginning of a mortgage in addition to monthly interest. One point equals one percent of the loan amount. An origination fee covers the lender's work in preparing your mortgage loan.

Punitive Damages:
Damages awarded by a court above actual damages as punishment for a violation of law.

Rescission:
The cancellation or "unwinding" of a contract.

Security:
Property pledged to the creditor in case of default on a loan; see collateral.

Security Interest:
The creditor's right to take property or a portion of property offered as security.

Service Charge:
A component of some finance charges, such as the fee for triggering an overdraft checking account into use.