

# DIY Credit Repair 2018

*“A definitive guide on repairing bad credit scores”*

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# Introduction

Credit drives our society; this is not saying that you can't live on cash-only. However, with credit, life is easier, and you have easier access to the things you need. Credit with attractive terms makes it easier for you to purchase those big items you couldn't afford to pay for with cash. When you have credit, it is easier for you to shop online, make hotel reservations, take a family vacation, rent a car, pay for your children's education, etc.

For you to enjoy the above benefits of having credit, your credit history needs to contain positive information, and not negative. When your credit history is filled with positive information, it is easier for you to rent a house, land a job or promotion, obtain adequate insurance, etc.

Unfortunately, due to unforeseen circumstances and poor money management skills, we often let negative information find its way into our credit file. The negative information stays there for many years and causes us untold hardship. But the good news is that you can repair your credit even after passing through some money troubles.

Repairing your credit isn't as difficult as many people portray it to be. You just need to have a basic knowledge of the consumer laws that protect you, be ready to take action, and you are good to go. These consumer laws and the

necessary measures you need to take to fix your credit are the things you will be learning in this book. The methods you will learn are those that have helped many people like you repair their bad credit, and it will help you if you take action. The book is arranged in chronological order, meaning that each chapter is dependent on the information in the previous one. So, don't miss any chapter. Without much ado, let's get started.

## **Chapter One: What is credit repair?**

Credit repair is the process of removing inaccurate, unverifiable, and untimely accounts from your personal credit report. In plain terms, it has to do with removing accounts that shouldn't be on your credit report.

It is not uncommon for you to find inaccurate information in your credit report when you get a copy of it. I have seen many instances where people get a copy of their credit report and find lots of negative information that shouldn't be there. Other times, positive information that is supposed to boost people's credit score is totally omitted. One of the direct consequences of having negative information in your credit is that you are going to find it difficult getting well-paying jobs for the next seven or even ten years of your life. Besides, if you manage to get credit, you will pay higher interest rates, you will pay higher insurance premiums, etc. In fact, the consequences of having negative information in your credit report are innumerable, and not something that anyone would wish for. That's why it is important that you take active steps to repair your credit.

## **The first step towards repairing your credit**

There are many consumer laws that govern what the creditors and the credit bureaus can and can't do. The primary law used in the consumer credit repair industry is the **Fair Credit Reporting Act (FCRA)**.

Now, when you are working on fixing your credit, the credit reporting agencies become very important to you.

## **The three national credit reporting agencies (CRAs)**

The first step towards repairing your bad credit is to understand the influence the three credit reporting agencies or bureaus have in your life.

Who are these three credit reporting agencies?

1. Equifax
2. Experian
3. TransUnion

These three reporting agencies are giants in your life and play significant roles. They collect information on you and legally sell them to individuals, government agencies, creditors, and businesses. This information that the credit reporting bureaus collect on you and give out can affect your life in

profound ways. Most notably, they can make it really hard for you to obtain credit on favorable terms. And that's the primary reason you need to understand how the **Credit Reporting Agencies (CRAs)** work, the various information they collect on you, and what they do with the information they collect, and who has access to the information. It's the first step towards repairing your credit. It is also crucial that you know the federal laws that establish your credit reporting rights, regulate the CRAs, and govern the companies or organizations that supply your information to the CRAs. All of these are what we are going to do in this chapter. After laying an excellent foundation, we will build upon the solid foundation and show you how to repair your credit.

## **Credit Reporting Agencies (CRAs), who are they?**

As stated earlier, these are agencies whose jobs involve collecting and maintaining information on how good you are at managing your credit. They are also known as credit bureaus. The information they collect on you is used to maintain your credit report, credit record, credit file, credit history, etc. Your credit report is like the result card that you are given after an exam which shows your scores in different subjects, and then your overall average.

When you were in high school, at the end of the session, your school teacher sends your result card to your parents. Similarly, after collecting your

financial record, the CRAs sell this information, legally, to insurance companies, government agencies, employers, creditors, and other bodies who then use the information to make decisions about your life. It is also this credit record information that is used to calculate your credit score. As you know, your credit score is that three-digit number that gives a forecast of how you are likely to manage your credit in subsequent times. Instead of using the actual information in your credit files, businesses are increasingly using your credit score to arrive at decisions that affect your life.

The three CRAs are – TransUnion, Experian, and Equifax. Besides these three, there are often regional and smaller CRAs that are usually affiliated with the big three. Every year, these reporting agencies generate billions of credit reports about the citizens.

## **What is the information in your credit history?**

Four basic types of information are contained in your credit history, they include:

### **1. Identification information**

This part of your credit file contains your identification information. Your identification information includes your name as well as other names you might have used in the past, including all the variations of your name. Your

identification information also includes your past and current addresses, names of your past and current employers and your Social Security Number (SSN).

If you share credit accounts with your spouse or anyone else or if they are an authorized user on one of your accounts, information about them may also appear in this part of your credit file.

## **2. Inquiries**

Often, employers, insurance companies, credit issuers, and other bodies look up your credit information, and the list of these people who have made inquiries about you are often contained in your credit history. Usually, the information is often about those who have looked at your history in the past two years.

## **3. Public record information**

If you have ever had unpaid money judgements against you or been arrested or indicted, or if you have ever filed for bankruptcy, or had a tax lien placed on your assets, the information appears in the public record section of your credit history, especially if the information is recent enough to be reported.

## **4. Information about how you have managed your credit accounts over time**

The things that are contained in this section of your credit history include your current account balance, the minimum due date each month, information on whether you have ever been late paying the account, and whether it's ever been sent to a collection agency.

The above are the four basic types of information that are contained in your credit history. There are also some information that are not contained in your credit history, and you are going to see them below.

## **Information not contained in your credit history**

Information not contained in your credit history include those about your medical history. Another body, the **Medical Information Bureau (MIB)** is tasked with the responsibility of keeping your medical information, so it is not the responsibility of the CRAs. Other information that your credit history doesn't contain includes those about your political preferences, sexuality, race or ethnicity, and religion.

In addition, your credit history doesn't contain information about your savings or checking accounts, brokerage account, and retirement accounts. There are also some credits accounts that you might find missing from your credit history, so, don't be surprised when that happens.

## **Where does the Credit Reporting Agencies get their information?**

The CRAs get the information on you from various sources including creditors who supply them with regular reports, often monthly on the status of your accounts. Basically, bodies such as:

- Credit unions that issue national bank cards (Visa and MasterCard),
- Banks
- Mortgage companies
- Nonbank credit card issuing companies like Discover and American Express
- Some oil and gas companies
- Large national retailers that issue their own store credit card, etc. are the significant sources of information to the CRAs

Many times, some of these creditors only release your information to the CRAs if they have taken adverse action against you or if your accounts are past due. The creditors that often do the above include insurance companies, local retailers, utility companies, medical providers, professionals such as accountants and attorneys.

Your public information such as arrest, tax lien, or bankruptcy get to the CRAs through companies whose business involves going through federal and

state records and selling obtained information to the CRAs. The CRAs may also obtain public information on their own.

Besides these sources of information to the CRAs, you also provide them information about you through several avenues. For example, when you list your name, employment history, address, etc. upon completing an application for credit, the information usually end up in the records of the CRAs. All the CRAs may not get the information, but at least one of them is going to receive the information you provide when filling your credit application.

The above are the various methods through which the CRAs get information about you

## **Who can look at your credit history and why?**

The federal Fair Credit Reporting Act (FCRA) is a United States law that regulates the collection, dissemination, and the use of consumer information, including consumer credit information. In plain terms, the Act specifies who is authorized to view your credit history. According to the Act, below is a summary of who can look at your credit history and why:

### **1. Employers**

When employers are looking to recruit, they subject candidates to a rigorous verification process. Part of the verification has them look at your credit history. The information they find in your credit history can help them to make a final decision on whether to employ you or not. Also, employers also look at your history when they want to promote you to a new position, or even fire you.

It is worthy of note that these people (current and potential employers) can only look at your history with your written permission. Before an employer can take adverse actions against you based on the information they found in your credit history, they are mandated by law to let you know of the particular CRA (their name and contact) that provided them with the information being used against you. Examples of adverse reaction that employers can take against you due to information they found in your credit history include not hiring you for the role you might have applied for, firing you from your current position, or demoting you.

There are several reasons why employers review the credit history of their potential employees. One, they believe that an employee is going to be bad at managing other vital aspects of their life, like work life, family life, etc. if they are bad at managing money. Some employers also believe that those with bad credit can be tempted to pilfer at their place of work especially if they are

trusted with a lot of money. Furthermore, employers believe that money issues can affect a person's reasoning and make them not to focus on their duties at work. For instance, money issues often affect families, marriages, friendships, make employees more prone to illness, cause depression, lead people to drink or engage in illegalities. And these things can decrease a person's productivity, that's why employers are often keen on checking on your credit history.

There are many employers who will rather choose to order an investigative report on you instead of checking your credit history. An investigative report provides information about your personal life, and this kind of information is usually the subjective opinions of the people you know.

## **2. Creditors**

When you apply for credit, whether personal or business credit, the issuers look up your history to help them decide whether to approve your application or not. In addition to knowing whether to approve your application or not, creditors also use your credit history to determine the credit terms they are going to offer you. For instance, if the financial institution that issued you a Visa or MasterCard observes from your credit history that you have not been paying your accounts prompt, they could decide to decrease your credit limit,

increase your rate, or even take more adverse actions like canceling the account entirely.

### **3. Landlords and rental agents**

Landlords often look at the credit history of prospective tenants as they use the information obtained to decide who rents their property. No landlord wants to rent their property to someone who was previously evicted by another landlord for not paying rents. None also wants someone who has a history of late payments. Landlords often get more reports about a prospective tenant from other national agencies and combine them with the credit report of the tenant to conclude whether or not the tenant should be accepted.

### **4. Insurance companies**

These companies check your credit report to help them decide the following:

- Whether they will sell you insurance or not
- How much to charge you for the insurance policy
- How much insurance to sell you, etc.

The information they find in your record may also prompt them to terminate your coverage or increase the cost.

## **5. Utilities**

If you want to obtain new services, utility companies may have to look at your credit history to determine the amount of initial deposit you may have to pay. If you have been prompt in paying, you stand a chance of getting a smaller deposit for new services. Otherwise, the utility company may insist that you pay a huge first deposit for a new service.

## **6. Collection agencies**

Collection agencies look at your credit history to enable them to collect a debt that you owe which is past due. For instance, a collection agency looking to collect a past due debt from you may look up your residential address and your other important information in your credit history. Remember there is a section in your credit history that contains your personal information.

## **7. Individuals and businesses**

If a money judgment is awarded against you to a business or individual as a result of a lawsuit, they can look at your credit history to ascertain whether they should try to collect on the judgment based on the information they find in your report.

## **8. Potential investors, loan servicers, and current insurers**

Investors are not people who run a charity; they invest their money because they expect a return. Similarly, when loan servicers offer loans to people, they do so with the hope of getting their money back with interest. And to ensure that the person they want to give money to is capable of living up to a credit obligation, they check your credit history for the relevant information they need.

## **9. State and local child support enforcement agencies**

If these kind of agencies want to find out some information about you such as your residential address, your wages, and other relevant information, they may look at your credit history.

## **10. Other governmental agencies**

If you are looking to get a driver's license, for instance, the licensing agency may look at your credit history and use the information they find in there to determine your eligibility.

Besides the above-mentioned bodies, there are many others who can look at your credit history, and they include the following:

- Anyone that obtains a permit from the courts to look at your details
- Anyone who has obtained written permission to look at your details

- Anyone who legitimately needs to review your credit information to help them make an informed decision about a business transaction that you initiated.

## **What impact does negative information in your history have on you?**

Having negative information in your credit history can be very harmful to you, and that's why you need to avoid it. Negative information in this regard include:

- A tax lien as a result of you not paying your taxes
- Defaults
- Late payments
- High account balances
- Too many open accounts, etc.

The more of these above negative information you have in your credit history, the more your finances will suffer. However, if you have more positive information in your credit history, you stand to enjoy the following benefits:

### **1. You have a better chance for credit card and loan approval**

No financial institution offers loans to people on a first name and handshake basis. That said, financial institutions often check thoroughly to see that those applying for loans have a sound credit history. If yours is shaky, there are high chances of your loan application being turned down. I am not saying that having a good credit score is a sure-fire way of getting loan approval seeing as there are still other factors that lenders consider before approving loans, but it sure does improve your chances of getting an approval. With a good credit score, you don't worry so much about getting loan approval; you simply walk up to a lender in confidence knowing that you have higher chances.

## **2. Low-interest rates on credit cards and loans**

Even if you succeed at getting loan approval with a bad credit score, you can't escape the high-interest rates. This is because the rates you pay for your loans are usually directly tied to your credit score. You will always qualify for the best interest rates if you have a good credit score. You will also pay lower finance charges on credit card balances.

## **3. Get approved for higher limits**

Again, your credit score together with your income are some of the things that determine your borrowing capacity. No bank wants to borrow money to

someone with a known history of not paying back. They can only do that if they are running charities, but they are not. Although there are few times when banks lend money to people with bad credit score but trust me, you can never get an amount that will solve your problems unless you are maintaining good credit.

#### **4. Easier approval for rental houses and apartments**

Although this is not yet a general practice by landlords, so many of them now resort to using credit score to assess tenants. Your chances of getting into a new apartment could be seriously damaged by a bad credit score especially if the bad credit score was caused by outstanding rental balance or a previous eviction. However, with a good credit score, you save yourself the hassle, and the time you would have spent finding a landlord who'll overlook bad credit.

#### **5. Better car insurance rates**

State laws in almost all the states in the US have mandated that every vehicle with four or more wheels must maintain an auto insurance coverage. And to get coverage, you have to go through the various auto insurers who are now increasingly using credit score to determine the rates you pay as premium. Many of these insurers justify the high rates they slam on people with bad credit because they believe that people with bad credit tend to file more

claims. This means that you will always pay higher insurance rates than a similar applicant with a good credit score.

## **6. Get a cell phone contract with no security deposit**

Cell phone service providers may not give you a contract if you maintain a bad credit score. You will always be left with the choice of going with one of those pay-as-you-go plans that have more expensive phones. Having a good score can get you hundred-dollar discounts on the latest phones by signing a contract even without paying a security deposit.

## **7. Bragging rights**

This might sound funny, but having a good credit score is actually something to feel good about, especially when you remember the other benefits like the ones above that it offers you. For people who have worked hard to take their credit score from bad to good, it is yet another bragging right.

## **How long does negative information stick around?**

Information in your credit history doesn't stay forever, and that's a major relief. Some information in your credit history can only be reported for seven years, as stipulated by the FCRA. Though there are some negative information that can be reported for longer periods of time. Below is a summary of durations that information can stay in your credit history:

## **1. Bankruptcies**

Completed Chapter 13 bankruptcies stay for seven years in your credit history, while Chapter 7 bankruptcies stay for ten years.

## **2. Tax Liens**

A tax lien will continue to be reported until you pay it off and then another seven years from the time you paid it off.

## **3. Foreclosures**

Stays for seven years in your credit history

**4. Public records** – will stay in your credit history for seven years after the date they first got recorded with the court.

In this chapter, you have learned the preliminaries of credit repair and the important things that affect your credit. In the next sections, you will go about learning how to repair your credit yourself without the help of an agency.

# **Chapter Two: Your FICO score and what you should know**

Your credit score is the three digit number that is derived from the information in your credit history and calculated using a mathematical formula. The number describes how you have been managing your credit in the past and forecasts how well you will manage it in the future.

This number is very important in your life, as it is what determines whether a landlord is going to rent his property to you or not. It is also what an employer uses to decide whether to employ you or not. Also, the credit issuers use your credit score to check your creditworthiness. So, your credit score is very important, and you need to know how it is gotten from your credit record information. Hence, this essence of this chapter.

## **Who is keeping your credit score?**

It is worthy of mention that you don't have just one credit score. Different agencies keep a record of your score. All the three CRAs have a formula they use to calculate your credit score. This means that your credit score being kept by the different CRAs can be showing entirely different values. The CRAs often indicate that the credit score they keep is only for educational

purposes as it is an estimated score and not your actual score, so, you can't depend on that.

Besides the CRAs, large insurance companies and mortgage lenders now have their own way of calculating credit scores as they use these scores to make decisions about you. The credit scores calculated by these insurance companies and mortgage lenders are not available to the general public.

The third organization that keeps your credit score is the FICO (Fair Isaac Corporation). This corporation calculates a variety of credit scores including the FICO score. The credit score provided by FICO is more accurate than those provided by the CRAs.

**Remember:** your credit score changes from time to time because as new information is being added to or removed from your credit file, your credit score is recalculated to reflect the last information that was added or removed.

### **Your FICO scores**

FICO is your best when it comes to obtaining your credit score. The score from this corporation is what most lenders and large banks use, so, you should consider getting your credit score from FICO.

FICO provides you your credit score at a fee; visit their website at [www.myfico.com](http://www.myfico.com), then click on products, follow the instructions to get your credit information including your credit score from the bureau of your choice for \$19.95.

Your credit score ranges from 300 to 850. Generally, 700 and above is considered a good credit score, and if you have such a score, you will get better interest rates on credits, and lower insurance premium than you would get if your score were lower. If your score is at least 650, most lenders, insurance companies, and co will likely do business with you, but if your score is lower, it means that you will have problems getting reasonable terms on credits, insurance, and employers will not like to look towards your direction, etc.

## **The factors that determine your classic FICO scores**

Five important factors determine your FICO score. Each of these five factors has different weights in the FICO's scoring formula. Below are the five factors:

- 1. Your account payment history** – if you don't pay your accounts on time, have had tax lien put on your asset, exceeded your credit limits, your credit score will suffer.

2. Having a lot of credit accounts can lower your FICO scores
3. The length of time you have had credit – if you have had credit for many years, it is seen as a sign of your financial responsibility, and it increases your credit score with many points.
4. The amount of credit you have applied for recently – if you just applied for new credit recently, your credit score will reduce but will improve after some time.
5. Your credit mix – the more your credit mix, the better your credit score becomes. Example, it is ideal to have both a mortgage and car loan, Visa, MasterCard, etc. FICO believes your ability to manage different types of credit as a sign of financial responsibility.

### **Tips for raising your FICO scores**

1. Distribute the balance among different cards: It's better to have a lower balance on a few cards than a higher balance on one card and no balances on the others.
2. Use older cards if you haven't been using them: Older credit history is better and using your oldest account can help increase your credit score.
3. Pay Your Bills on time

This is another basic secret but is usually missed by many. Setting up automatic payments for at least the minimum amount due will keep you in good standing. Keep in mind, the higher your balances, the higher the minimum payment.

In this chapter, you have learned about credit scores and the factors that affect your credit score, in the next sections of the book, we'll go in details to discuss how to raise your credit score.

# Chapter Three: Your rights according to the federal credit reporting laws

Repairing your credit isn't something that takes a straight line approach, you have to go through many processes. And to really be effective at it, you need to know the many consumer laws that govern what the creditors, collection agencies, and CRAs can and cannot do. With a sound knowledge of the law, you will know when the CRAs, creditors, collection agencies, etc. are going against you, and you will be able to take the necessary actions to protect yourself.

There are many consumer laws that govern what the creditors and the credit bureaus can and can't do. The main law used in the consumer credit repair industry is the **Fair Credit Reporting Act**, FCRA. When you are working on repairing your credit, the FCRA becomes very important. As seen earlier, the FCRA is a United States federal law that regulates the collection, dissemination, and use of consumer information, including consumer credit information.

The law was originally enacted on October 26, 1970, as an amendment to the Consumer Credit Protection Act that was enacted June 29, 1968. Before the enactment of the FCRA, what the credit bureaus were doing was that they

were getting all types of information from consumers without regard to the data being accurate and selling the same record to anybody that indicated interest. There were absolutely no checks and balances to see if the data was correct. Those days, Equifax, for example, could call neighbors claiming to be a relative of yours to get news and gossip. They could collect data regarding habits, sex, life, divorces, and any and all other data they could get. They would even reward and incentivize data collectors who got the best negative information on you.

There were basically no restrictions on the data the credit bureaus could collect and how they sold it. As the CRA's records were getting ready to be computerized, the government stepped in and created the FCRA in 1970 in direct response to CRA tactics of gathering even inaccurate data.

## **What does the FCRA require?**

The FCRA requires that:

1. A CRA provides you with information about you in their files and that the CRAs must take steps to verify the accuracy of the information disputed by you.
2. If negative information is removed as a result of you filing a dispute, it may not be reinserted without notifying you within five days, and in writing.

3. The FCRA also requires that all data being reported on you must meet 3 specific criteria. These three criteria are what makes credit repair possible.

Below are the three criteria:

- All information in your report must be hundred percent accurate
- The data must be hundred percent verifiable
- And it must be hundred percent timely.

If a credit servicer is sending in a report on you to the CRAs, all the information, not just a single data on the report must be correct, as stipulated by the FCRA. A little inaccurate information on a reported account can have a massive impact on your credit score, that's why the FCRA mandates that all data be accurate.

I have seen people's credit score reduce by up to a 100 units because a few factors on their account were misreported. Even though the FCRA stipulates that all information being reported must be accurate, most times, the data is inaccurate.

There is an easy way to know that there is an error in your credit report. Just order your credit report from the three different CRAs, sit down and look at the three different reports. You are likely going to find discrepancies in the reports. That's an indication that something is wrong somewhere, because if

your credit report is correct, then all the three bureaus should have the same information in their database.

Having little inaccuracies in your credit report can restrict you from getting financing. These inaccuracies are forbidden by the FCRA and can be removed if, and only if you challenge the account through a dispute. Nobody else watches your report for you, not even the government; you need to do it yourself.

In addition to making sure that the information the CRAs have on you is accurate, the FCRA also mandates that reported data must be hundred percent verifiable – this means that data being reported to the CRAs by the creditors must be 100 hundred percent verifiable. This is like saying that you are innocent until proven guilty. A creditor must have to verify what they are reporting and if they cannot verify that the information they are reporting is hundred percent accurate, the data by law cannot stay in your credit report.

It is your right to make sure that all information in your credit report is hundred percent accurate because a simple misinformation can affect your life for about seven to ten years. As seen earlier, your credit report is directly tied to almost area of your financial life, and if there is a wrong data in your report, it means you could spend the next years of your life suffering the consequences of false information.

Again, the FCRA mandates that reported data must be hundred percent timely – the FCRA has time frames of how long derogatory items can be shown in your credit report. In the previous section, we saw that the time frame for most accounts is seven years, although there are some that can stay for ten years. If a tax lien is imposed on your property, for instance, the date-of-last-activity is the last day you made a payment on the account. So if your last payment on the tax lien were on January 1, 2018, the account would have to be removed on or before January 1, 2025. That’s what it means for the reported data to be timely.

#### A summary of FCRA requirements

- All data in your credit report must be 100% accurate, timely, and verifiable or it cannot be on your credit report as stipulated by law.
- The FCRA gives you the right to challenge the accuracy, validity, and timeliness of your accounts.
- If you don’t make sure that reported data meets these requirements, nobody does it.
- Surveys have shown that more than 70% of reported data is not accurate.

Having talked much about FCRA, let's look at other consumer laws that protect you and your credit.

### **Fair and Accurate Credit Transactions Acts (FACTA)**

FACTA is another law that helps you protect your credit report. The Act helps you fix and prevent identity theft (often referred to as ID theft), and also gives you the ability to have fraud alerts put onto your credit report. In addition, the Act prevents creditors from listing more than 5 number of your credit cards.

Information resulting from ID theft can't be listed in your credit report. Every year, you are entitled to a copy of your credit report if you suspect that you have been a victim of identity theft.

### **The Fair Debt Collection Practices Act (FDCPA)**

The FDCPA was established to protect you from abusive debt collection practices. So, the FDCPA restricts collectors from engaging in practices that have been found to be unethically or even illegal. Below are what the FDCPA stipulates:

- A collector or collection agency should not contact you outside stipulated hours of the day.

- They also have to cease communication with you if you tell them in writing to do so. They shouldn't call you at the place of your employment.
- They should not communicate with you after a request for validation has been made.
- A collector should not misrepresent your debt or try to use deception to collect the debt
- A collector should not claim that he or she is an attorney or law enforcement officer when they are not.
- They should not publish your name or address on a "bad debt" list.
- They should not seek unjustified amounts, which would include demanding any amounts not permitted under an applicable contract or as provided under applicable law.
- They should not threaten you with arrest or legal action that is either not permitted or not actually contemplated
- They should not use abusive or profane language in the course of communication related to the debt.

Even though the FDCPA doesn't directly deal with consumer credit reporting, violations can be used as leverage to have accounts deleted from your report.

## **The fair Credit Billing Act (FCBA)**

The FCBA (Fair Credit Billing Act) provides you with the mechanism for addressing billing errors in open-end credit accounts such as credit card accounts. The Act gives you the ability to question whether or not the information in your billing account is accurate. If it is not correct, you could proceed to get verification.

Common billing errors that are protected by this law include:

- 1- Charges not actually made by you
- 2- Charges in the wrong amount
- 3- Charges for goods or services not received by you
- 4- Charges for goods not delivered as agreed
- 5- Charges for goods that were damaged on delivery
- 6- Failures to properly reflect payments or credits to an account
- 7- Calculation errors
- 8- Charges that the consumer wants to be clarified or requests proof of

Basically, the FCBA allows you to dispute billing errors by sending a written notice of the error to the creditor.

The above are the major federal laws that govern what the creditors and the credit bureaus can and can't do. Having a sound knowledge of these will help to get the information you don't want out of your credit report. In the next section, you will learn how to go about removing negative information in your credit report.

# **Chapter Four: Removing negative information in your credit report**

In chapter one, you saw and understood the information that your credit history contains. You saw that many times, your credit reports could contain negative information that could affect you negatively. Now, the first step towards repairing your credit is to find and remove this negative information.

To remove negative information in your credit report, your first action should be to get copies of the report from the three CRAs. In this chapter, you will learn how to do that, and how to review the information contained in the copies of the credit history.

## **Get and review your credit history from the three bureaus**

It is best to get a copy of your credit history from the three bureaus, and the reasons are for that are not farfetched. One, the CRAs get their information from different sources. A creditor could send a report to Equifax leaving out the other two; a creditor could decide to send a report to two out of the three agencies. So, it is better you get a copy from the three to ensure that none of them contains wrong information. Another reason why you need to get the three copies is that you don't know which particular CRA that a potential

employer could choose to get a copy of your credit report from. And if the potential employer happens to get the copy of your credit report that contains a wrong information, you stand a chance of losing a potential job. So, it is ideal that you order a copy from each of the bureaus.

It is ideal that you review your credit history every six months as information is constantly added to the credit file. You should also order for them to ensure there are no errors before applying for an important job, credit, or doing other important stuff that require your credit history.

## **How to obtain your credit history for free**

The FCRA says that you are eligible for a free copy of your credit report from the three agencies every year. The Act also makes you eligible for a free copy of your credit history if you believe that you have been a victim of identity theft.

You can get your free credit reports from Equifax, TransUnion, and Experian every twelve months. You could choose to order for the three copies once or space it out through the twelve months of a year. After you place your order, your report should arrive your address within 15 days.

You have three options when it comes to ordering your free credit report.

First is to visit <https://www.annualcreditreport.com/index.action> to

download a free copy. Another method is to order by phone at: 1-877-322-8228. The third method is to order by mail. There are two ways to order by mail; you can download a request form at [www.annualcreditreport.com/cra/requestformfinal.pdf](http://www.annualcreditreport.com/cra/requestformfinal.pdf), fill out the form and mail it to the address: *Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281.*

The second method you can use to order by mail is to write a letter requesting your report and mail to the same address above. You are better off downloading a request form from the annual credit report website than to write a request letter yourself. You may not include all necessary information required if you are writing the letter yourself. When filling the form, indicate the number of credit reports you want and from which bureaus.

Besides the annual report that you are entitled to, are there other times you are entitled to a free copy of your credit report? Yes, there are other times you are entitled to a free copy of your credit report as stipulated by the FCRA.

1. If an employer, creditor, insurance company, etc. takes an adverse action against you based on inaccurate information they obtained in your credit history. The creditor or company must provide you with the name of the CRA that reported the wrong information so that you can request a free copy of your credit report from them. And this you must do with 60 days.

2. If you think you have been a victim of identity theft, then you are entitled to a free copy of your credit report.

3. You can also get a free credit report if you have been unemployed and intend to apply for a job within 60 days. You will have to show documents justifying your claim to expedite the process.

4. If a collection agency notifies you that they have reported or are about to report one of your credit accounts to a CRA, then you are entitled to order a free copy of your credit report from the particular CRA that the collection agency reported your account to.

Besides the Federal law that stipulates that you are entitled to a free copy of your credit report every year, some states offer citizens the chance to order two copies of their credit report in a year. You need to check with your attorney general's office to see if your state is among those that allow citizens get two copies of their credit report a year.

If you have already ordered your free copy of credit report for a particular year and you have a need for another one within that year, you can get a copy from the CRAs for approximately \$10, although this may vary depending on your state. Again, contact your attorney general's office to know what obtains in your state.

## **Overview of the information in your credit reports**

In chapter one, you saw an overview of the information presented in your credit report, refer to that section of the book to refresh your memory.

## **How the CRAs organize the information in your credit history**

When you order your credit reports from each of the credit reporting agencies, you may find the presentation of the information in the report a bit confusing. The different bureaus present your information a bit differently. No matter how they present the information, the CRAs are basically presenting the same basic types of information. Reading and understanding the information in the reports may seem difficult at first, but after looking at the reports for a few moments, you will start understanding how it is organized.

## **Correcting errors in your credit report**

If you download copies of your credit report from the three CRAs, there are high chances that you are going to find inaccurate information in one or even the three of them. I have interacted with many people, and more than 70% of these people I have interviewed concerning the issue of wrong information

in their credit report admitted that they had found wrong information in their report at one time or the other.

Common errors you are likely to find in your report include inaccurate personal information, information that is too old to be reported, etc. The errors are often the fault of the creditors, the CRAs, or identity theft.

A single error or inaccurate data in your report can cause you many years of pain. For example, you could be denied a job, charged a higher interest rate on credit, or charged a higher insurance policy for wrong information in your report. And the most depressing aspect is that you will have to suffer the consequences of this wrong data for the next seven years or even ten years if you don't do something to correct it.

In the previous chapter, you saw what the FCRA says about wrong information in your credit report. According to the FCRA, you are entitled to dispute wrong information in your credit report, although the process often takes time and effort, you will learn how to go about it shortly.

## **Reviewing all three of your credit records for errors**

Ordering all the three copies of your credit report that you are entitled to is your first step towards identifying errors in your report. It is best you

download the three reports every six months as the report is constantly updated. If it is convenient for you, order the reports few months before you apply for anything important such as a job. Upon ordering the reports, go through all the information in it line by line. The importance of ordering the three reports each time cannot be overemphasized; one may contain incomplete information that you will not detect if you don't have the others.

## **Common errors you might find in your report**

The following are common errors you might likely find in your credit reports when you order them:

**1. Errors in your identification information** – basic identification information about you such as name, address, or SSN could be misspelled or outrightly wrong. Your name can be represented as “Jr.” when you are actually “Snr.”

**2. Account information is incorrect** – example, your report could be showing a wrong account balance, showing a wrong date that you paid an account, or show a wrong account number. Your credit report can also show a closed account as open. It is important that your closed accounts indicate that you were the one who closed the accounts instead of showing that it was

closed by your creditors. Otherwise, it will appear as if the creditors had to close the accounts due to your inability to pay your accounts promptly.

3. If you share your accounts with someone, your credit report may contain the person's information.

4. Debts not acquired by you can also be found in your credit report, for instance, it is possible for you to find debts acquired by spouse prior to your marriage in your credit report which shouldn't be there because the debts were acquired before you got married, and should be treated as your spouse's debts.

**5. Information too old to be reported** – this is another common error you could find in your credit report. Most negative information can only be reported for seven years, but sometimes, even after the seven years have elapsed, the information might still be there in your report.

**6. Double reportage of accounts** – if a creditor turns your account to a collection agency, the account might be reported under the creditor and the collection agency at the same time.

**7. Incomplete information** – example when your credit report doesn't show information that you paid off your mortgage.

**What happens when you find an error in your credit report?**

You have the right to ask the particular CRA reporting wrong information about you to investigate the information. You can also involve the creditor that supplied the information to the CRA in the investigation. If after the investigations, it is discovered that the information is truly wrong, you have the right to ask that the information be deleted, corrected or that additional data be added to make your credit history more complete.

If it is discovered after an investigation that your credit file contains no error, the CRA will continue to display the information it has.

## **How to initiate an investigation with a CRA**

If you have discovered an error in your credit report, you can initiate an investigation with the particular CRA that is showing the negative information. You can do that in the following ways.

1. Visit the website of the CRA and fill a dispute form. If you visit <https://www.equifax.com/personal/disputes>, for instance, you will be able to file a dispute if the credit report you got from Equifax is showing error. Follow the instructions on the page to file a dispute. You can also check the website of the other CRAs to see how to file a dispute.

When filing a dispute, be as clear as possible in describing what you want them to do for you. Don't use generic statements like, "*I don't agree with the*

*information you are showing in my credit file.” Instead, be more specific about what you want. For example, say something like, “My name is John Doe, Jr. whereas your records show that my name is John Doe, Snr. Please, review your records to reflect my correct identity. I have attached a copy of my ID to corroborate my claims.”*

Besides filling a dispute form on the websites of the CRAs, you can also call them to register a dispute. Generally, you are better off filing a dispute on their site because you have the chance to express yourself better.

### **After filing a dispute, what next?**

After you have filed a dispute with a CRA, the CRA contacts the creditor or company that supplied them with the information you are disputing to prove that the information they supplied about you is correct. The creditor or reporting company only has a few days, often 5 days to get back to the CRA with the correct information. If the creditor confirms from their record that they truly sent a wrong information, then the CRA reporting the information will stop reporting the information.

Furthermore, if a creditor or company fails to get back to a CRA after a 30-day period from the day they were asked to so, the creditor becomes

mandated to revise your account to what you are requesting for in your dispute. For example, if you insist that you have always paid your accounts on time while a CRA through the information provided to them by a creditor is reporting that you have been making late payments, you can have the creditor revise their records to reflect your claims if the creditor doesn't get back to the reporting CRA within 30 days to show that you have been paying late. Also, the CRA will stop reporting that you have been paying your accounts late. The information will later be added back into your credit file if the creditor comes up with evidence later showing that you have not been paying your accounts on time.

## **What are your rights after an error is corrected?**

A CRA must act once an information provider confirms an error in your credit report information. Below are the actions that the CRA is going to take:

1. Add more information to make your account complete
2. Delete inaccurate information

After effecting the changes, the affected CRA must notify the other CRAs and have them correct your information in their database. In addition, they would have to offer you a free copy of your new credit report together with

other important documents such as a statement of the results of their investigations, a notice of your right to have your credit report sent to employers and every other person who could have reviewed your credit history in the recent past. All this information must be provided to you by the CRA within five business days of concluding their investigations. They must also complete their investigation within 30 days of receiving your dispute or 45 days if they required more information from you for the investigation. If they are unable to complete their investigation within these timeframes, then you are entitled to have them replace the information in their database with the one you provided whether you have submitted the right information or not.

After two months in which an error in your credit history is fixed, order a copy of your credit report to be sure the error has not resurfaced again. If it has resurfaced as is often the case, write to the particular CRA showing the wrong information and have them carry out an investigation to correct the wrong information.

There are cases where a CRA could decide that the information you have reported as incorrect is correct after carrying out an investigation. What do you do if such happens? If you are very sure that the information in your credit file is wrong while the CRA is saying otherwise after investigations,

your best bet is to provide the CRA with more information to prove that the information they are reporting in your credit file is incorrect.

In this chapter, you have learned how to dispute an error in your credit report. In the next chapter, you will learn how to repair your credit after serious money troubles.

## **Chapter Five: Repairing your credit after serious money troubles**

Many times, we have money troubles, and we become unable to pay our accounts on time, and it affects our credit history negatively. Yes, it is something that many of us have experienced, and if you have been there, you need to start rebuilding your credit once your finances have stabilized. The preliminary steps you need to take to rebuild your credit as described in this chapter will help you to maintain a positive history in the future.

## **1. Review your credit reports**

The importance of reviewing your credit report cannot be overemphasized. Order your credit reports from the three bureaus, and look out for negative information in them. Knowing the negative information in your credit history will help you in your credit rebuilding process.

After getting your reports, use the methods you learned in the previous chapter to dispute any errors in the reports. If you don't do anything about the errors, they will definitely slow your credit rebuilding attempts.

## **2. Minimize the impact of negative information but true-information in your credit history**

Negative information found in your credit history is going to have a negative impact on your life. Some of the information will be in your credit history for seven years and others can even stay longer periods. And for these seven years or longer, you will feel the impact. Unfortunately, there is not much you can do to remove the information until the time is gone, but if you strive to make sure that the subsequent information being added to your credit history is positive, you can force creditors and any other person in a position to review your credit history to look favorably upon you.

One thing that should be clear to you is that there is no easy way out. Don't listen to credit repair scammers who offer to remove negative but accurate information in your credit history. I have had many people lose money to these scammers who do nothing but to add more salt to your injury. As stated earlier, you can either wait for the negative information to come off your report, or try negotiating with your creditors.

To be truthful, negotiating with creditors takes work, but you can be able to persuade a creditor to remove negative information if you can be able to settle the debt or pay off the debt. What you have to do is to write the creditor and explain yourself.

### **3. Pay down your debt**

When managing negative but true information in your credit history, your primary interest should be on paying off old debts and reducing balances. Develop a monthly budget and stick to it, and make sure that the extra funds you realize every month is used to settle off your debts. I personally recommend that you give priority to debts that have high interests rates, meaning you should pay them off first. Employing the strategy of paying off debts with high-interest rates will help you pay off what you owe faster.

### **4. Budgeting once your history is in good shape**

Having a family budget is a good way to manage your finances. Unfortunately, not many people consider budgets as an excellent money management tool. In fact, many people even dread to hear the word “*budget*.” But a budget is nothing more than a record stating how you intend to spend the money you earn. Whether you are a big or lean earner, you need to have a budget that helps you make sound financial decisions.

Have you ever wondered why many people spend a lot in the first few days of the month and then depend on credit to live through the remaining days of the month? The answer is simple; they don’t have a budget. Having a budget is very important if you are trying to rebuild your bad credit. The emergency fund you create through your budget can provide you with the cash to live through emergency situations without having any need for credit.

### **Below are steps to building a budget**

If you are keen on repairing your bad credit and you don’t have a budget, this section of the book will teach you how to create a budget for yourself. You can build a budget in seven easy steps as shown below:

#### **Step 1: establish your financial goals**

Your financial goals can be long term, short term or midterm. Your short terms financial goals are those you can achieve within a year or less. Your

short-term financial goals may include having enough money to get a secured MasterCard or loan as part of your rebuilding process, or it could consist of having enough money to pay your kids' school items when they want to start school.

Your midterm goals are those you expect to achieve in less than five years. Example, paying off a credit card or paying off your car loan.

Long-term goals are those you believe will take you more than five years to achieve. Example, having enough money to pay for your child's college education, having enough money to retire, having enough to make a down payment for a home.

Once you have categorized your financial goals, next, you need to figure how much on average you will need to save to meet each of the goals. After figuring out how much you need to save to achieve the goals, next is to figure out the amount you can realistically put towards the realization of the goals. At first, you may not have enough to put down towards the attainment of all your goals, but as time goes on, you will have enough to start saving towards achieving your other goals.

## **Step 2: Figure out your expenses**

Create a spreadsheet where you list all your expenses and their individual amounts. This can be tedious, but if you have your account statements, receipts, or checkbook registers handy, you can make the process less stressful for yourself. Be thorough when listing your expenses, because if you fail in this step, you may find it difficult managing your finances. Don't underestimate the amount you spend on miscellaneous items like snacks, lattes, money for kids, and other everyday minor expenses.

A good way to track your miscellaneous expenses is to always use your phone's notepad to record all your daily expenses. You may have to do this for a month to get a clearer idea of the amount you spend on miscellaneous.

### **Step 3: Record the amount you want to spend daily**

The third step in building a budget is to record the amount you will save every day. Many times, you could be discouraged to save because you don't have enough, but it is always better to save a little than not to save at all. There are also days you may find it difficult to save, but that should not discourage you, but should rather encourage you to strive to save the next day.

A good way to save is to ask your employer to automatically deduct a certain amount of money from your paycheck and deposit the deducted amount into your savings account. If you are self-employed, you can easily ask your bank

to make a certain amount inaccessible to you every month. Time without number, I have discovered that you rarely miss what you don't have. If money is not accessible to you, you rarely want to spend.

#### **Step 4: add up the regular income that comes into your home each month**

Think of all the different ways through which money is coming into your home, example, your earning as an employee, or your income as a self-employed person, etc., and add up all the money.

#### **Step 5: Subtract your total expenses and savings from your total income**

After you have added all your income sources. Add your agreed savings and expenses for a month together. Then subtract your total expenses and your agreed savings from your total income.

If the difference you get is negative, it means you need to adjust your expenses. But if the difference you get is a positive number, it means you will have extra money each month after your expenses and savings.

#### **Step 6: Try to adjust your expenses**

If your result is step 5 above is negative, then you should work towards adjusting your expenses. Look through your list of expenses and determine

the ones to cut. Usually, your variable expenses are the ones you should focus on, as those are the ones you can mostly control.

If you can't significantly reduce your expenses, then consider reducing the amount you are mapping out for savings a little bit.

### **Step 7: Monitor your budget**

Many times, it is easy to forget that you have a budget and continue to spend money carelessly. To always remind yourself of your budget, make a copy of it and paste in a visible place in your home where everyone in the household including your children and spouse will always see it.

At the end of each month, check if you have been able to follow your budget in your spending and savings. If yes, then continue the things that helped you follow your budget. However, if you have not followed your budget for a month, go back to the drawing board and check where things went wrong. It could be that you spent a lot of money on irrelevancies or that the amount you budgeted to save was unrealistic. Find and fix what made you not to follow your budget.

### **Facts about why your credit history got damaged**

In trying to rebuild your credit, finding out why it got damaged in the first place is very important. Why? If you know the cause of your problem, you

will be in a better position to fix it. Hence, if you know what caused your credit history to go bad, you won't allow history to repeat itself.

Below are possible reasons why your credit history got damaged:

### **1. Poor money management skills**

Many of us don't have excellent management skills, and it affects our credit history. If you are a person who loves spending without saving, then it is possible that your poor money management skills affected your credit history. Our culture's overemphasis on money and material things could have also made you to be bent on always spending rather than saving.

### **2. You have spending problems**

Example, you are an impulsive spender, or you spend for emotional reasons. Those who spend for emotional reasons do feel good and better after spending hence are often inclined to spend more. It is a kind of addiction. If you spend for emotional reasons, you can easily find resources on the internet to help you overcome the problem.

### **3. You were involved in a messy divorce that devastated your money**

Besides divorce, there are also some other challenges that could have destroyed your finances.

If you are not really sure what caused your financial troubles, it is good that you meet with a credit counselor to help you. You can also meet with a psychologist to talk about your problems if you think your money troubles is due to some psychological or emotional reasons.

# **Chapter Six: Step by step credit building process**

Everything you have learned from the beginning of this book to this point will only help you to repair your bad credit if you take the required actions. In the previous chapters, you learned about the preliminary things you need to do to fix your bad credit. In this chapter, you will learn the proactive steps you need to take to rebuild or repair your bad credit. The process is not as complicated as many people often make it seem. It worked for me, and I am sure it will definitely work for you if you follow them religiously.

## **When should you start rebuilding your bad credit?**

If you have been through a lot of money troubles that made your credit history to suffer, you need to start working towards rebuilding your credit once your financial situation improves and you can pay all your bills on time. At the beginning of the rebuilding process, you may find it difficult getting credit approval, but with your conscious efforts, everything will pan out well over time.

## **The credit rebuilding process**

### **1. Add positive missing information to your credit files**

The same way it is essential that you remove negative information from your credit file, that's how it is crucial that you try as much as possible to add more positive information to the file. When you reviewed your credit history, you might have noticed that there were some positive information that were missing in your credit history. Yes, it happens all the time, many times, your accounts with local retailers or local independent banks might be missing in your credit history. Often, these types of creditors don't report positive information to CRAs; they only report your account if you have defaulted.

If you discover that these local creditors are not reporting your accounts, especially if you have a good payment history, get in touch with the CRAs and ask them to add the positive information. You will have to show them evidence that you have been paying your accounts promptly with the said creditor.

To be honest, the CRAs may not readily add the information, but if you insist, they may initiate an investigation and add the information after confirming from the creditor that you have been paying your accounts with them.

Although having positive information in your credit history regarding your payment history with small creditors may not have much impact as would have been the case if the positive information was regarding your payment history with a major bank; you still have to give it a try because it is better to

have some positive information in your credit history no matter the source than to not have at all.

## **2. Apply for a bank loan**

Once you have fixed your money problems and have also been able to save up some thousand dollars, apply for a small bank loan. The amount you will be able to borrow will depend on how bad your credit is. If your credit is really bad, you will be able to borrow an amount that is in the neighborhood of \$1,000. The amount you can borrow shouldn't be a significant concern to you. After all, you are only using it to rebuild your credit.

To start the process, go to the loan officer in the bank where you have a savings account and explain yourself to the officer. Let the officer know that you are in the process of rebuilding your credit after having money trouble. They are going to know anyway after reviewing your credit files. Let the loan officer know that you have been able to fix your money troubles and already established some savings. Some people may not like the idea of working with a loan officer, but they are humans like you and will understand you if you explain yourself to them. It is better that you meet face-to-face with a loan officer to stand a better chance.

## **The loan officer may turn you down...**

There is a high possibility that the loan officer might reject your application citing reasons like:

- You don't have enough savings yet
- It has not been long you solved your money problems
- Your income is not much

If that happens, continue to manage your finances until there are more improvements. Alternatively, you can see a loan officer in another bank. Just strive until you get your loan application approved. When you are finally approved, it is probably going to be a secured loan. A secured loan is one that has an asset as collateral for the loan. The bank may require you to open a savings account with them with a certain amount that will serve as collateral. While you are paying off your loan, you won't have access to the collateral.

## **After paying your loan...**

After you have paid off your first loan, order copies of your credit report. Make sure you get a copy each from the three CRAs. Review your credit files to be sure that there is no missing information and make sure that every information is correct. If you find wrong information in your credit file, use the method described in chapter four to dispute the error.

Next, apply for a second loan with the same bank, but make it clear that you want an unsecured loan. If the lender turns down your application, opt for another secured loan that is higher than your first one. You can also look to other banks to try your chances. After paying off your second loan, order your credit reports again and make sure that the information is reflecting in your report. Apply for more loans to enable you to add as much positive information as possible to your credit file.

## **2. Apply for a credit card**

Besides applying for a bank loan, applying for a credit card is another good way to rebuild your credit. You need to do this the same period you are applying for your first bank loan. Just like your first bank loan, you may not be able to get an unsecured credit card especially if your credit is really bad. If you are not able to get an unsecured credit card, proceed to get the secured card.

A secured credit card is similar to a secured loan; you need to have an asset as collateral to have the card.

Using your credit card to rebuild your credit is quite simple, and you can do it in the following ways:

- Use the card to buy things you need each month and make sure you pay off the card balance the moment you receive your statement. You could use the card to buy things like groceries, gasoline for your car, etc.
- Buy things you can't afford to pay for in full when your account is due and stretch the payment over a period of time. Be careful not to let the payment stretch for so long, so you don't pay a lot in interest on the outstanding balance.

Continue to repeat the steps as many times as possible.

### **3. Apply for a credit card with a major retailer or an oil company**

Apart from getting a Visa or MasterCard, you can also get a credit card from major retailers and use it to rebuild your credit. Qualifying for a card with these retailers or companies is often easier, although they usually have high interest rates. So, if you are using their cards to rebuild your credit, try not to charge an amount that you won't be able to repay at once at the end of the month.

### **Beware of credit scams**

As someone who is really keen on rebuilding their credit, you may appear desperate, and your desperation may expose to credit card scams. If you

check the internet, read the newspapers, and watch TV, you will see a lot of people advertising to help you get credit cards. These people make it look so easy that you will be tempted to check out their offers. One problem with this kind of people is that they promise to get you a credit card no matter how bad your credit history is. In the end, it turns out to be a scam.

You have to know that getting a credit card when you have bad credit is hard everywhere. And anybody promising to get you a credit card when from a legitimate creditor is probably a scammer, especially when you have bad credit. If they eventually help you to get a credit card, it will come with a very high-interest rate. So, it is best that you do things on your own to avoid being scammed.

If you follow the above steps together with the other techniques we described in the previous chapters, you will be able to easily fix your bad credit.

# **Chapter Seven: Protecting your credit after you have fixed it**

No one wants to watch their credit go bad again after spending enough time and efforts trying to rebuild it. Though life is unpredictable and we can always encounter challenges, you can make conscious efforts to make sure your credit history continues to be good. You can review the way you view money, make necessary adjustments and improve your money management skills. You can also learn about the many consumer laws that protect you and know when either a collection agency or a creditor is doing something that will have a negative impact on your credit history. (See chapter three where we talked about the many consumer laws that protect you.)

It is possible to continue to maintain a good credit history after a period of dealing with bad credit. Many of us have done it before, and you too can do it. In this chapter, you will learn how to protect the credit you have worked hard to rebuild.

## **What role does money play in your life?**

Was it not because of your poor management skills or your lack of understanding of the roles that money play in your life that made you have bad credit in the first place? This is not saying that poor money management

is the only reason why people have bad credit, but it contributes a lot. Negative information wrongly reported in your credit history can also affect your credit negatively. In the previous chapters, you learned how to remove negative information from your credit history. So, we are going to focus on learning excellent money management skills as way of protecting your credit in this chapter.

The society doesn't help us to spend money wisely; there is often an ad trying to force us to buy the things we don't really need. As a result, we find it easy to develop the "*spend it and spend it now*" mindset. Because the media is always selling us the idea that we are unhappy unless we buy a certain product, we often tend to buy even the things we don't really need.

Following all the dictates of the society and the media when it comes to spending money is very dangerous. It can make you have little or even nothing in savings and end up running up your credit cards. Furthermore, having a "*spend it now*" mindset can leave you with no savings to fall back on in the event of an emergency. Sometimes, you even lose sight of reality, because you have been made to believe that you need to buy the trending stuff to feel happy.

When rebuilding your credit, it is important that you step aside and look at the way you have been managing your finances. Ask yourself, "*have I been*

*setting my priorities right?”* Also ask yourself, “*What have I been doing with my money?”* If you can truthfully answer the questions, you will be able to chart a better financial path for yourself.

### **Other money-related mindsets that get you into financial troubles**

Apart from the “*get it or miss it*” mindset that the media feeds us, there are other money-related mindsets that get you into money-troubles. I have talked about some of them below:

#### **You live for today**

Many of us have this particular mindset, we live for the moment and forget about the future. To some of us, as long as we have enough to eat today, we leave tomorrow to take care of itself. If you have this kind of mindset, you believe that you only live once and hence spend all your money trying to get immediate gratification instead of saving up for the future. Instead of starting to save today, you keep postponing it, and when you land in an emergency situation, you have no other option than to burn up your credit.

#### **You have a “get it now” attitude**

Many of us think we will miss out if we don’t get something when we need it. If you have this kind of mindset, you will rather use your credit to purchase the things you need instead of saving up over several months to get the same

thing. You can always buy the dress later; nothing will happen to you if you don't wear the one that is currently fashionable. So, instead of burning your credit to buy the latest dress, save up for some months and buy the dress if you really need it.

### **You believe that money really can buy happiness**

Many people think that money can buy them happiness and that's why they spend scarce resources in a vain bid to be happy. Over and over again, history has shown us that money cannot buy happiness. People only chose to be happy with or without money. If you think money can buy happiness, then why do many Hollywood stars, celebrities, sports heroes live on drugs, have anger management issues, etc.? You see, even with all their money, some of these people live miserable lives, a clear sign that money cannot buy you happiness. So stop trying to buy things you don't really need in a bid to be happy.

### **What to do...**

If you have any of the money-related mindsets above, then it is time to work on yourself and change some things. If you really want to maintain only positive information in your credit history, then be ready to work on yourself. You can't have the wrong mindset about money and expect to live a positive

life. You have learned that money cannot buy happiness, so, don't spend your mean resources trying to buy things you don't need and expecting happiness in return. In addition, don't let the society define the things you want. You are not going to miss anything if you don't buy that gadget today, you can always get it tomorrow when you have saved up enough money for it. Happiness is from within, not without, so, consider yourself happy and wealthy if the following applies to you:

- You have a cordial relationship with those around you, including your spouse, kids, colleagues, parents, etc.
- You enjoy the work you do
- You have a reliable support system
- You help those around you who are in genuine need

For you to keep maintaining your good credit, you need to change your mindset. Don't allow the society define what true happiness means. Don't think that your happiness is tied to the more things you buy. This way you can set your priorities right and avoid getting into financial troubles.

## **Seek help**

There are times you may find it difficult to get your finances in order all by yourself. You may also find it difficult to change the wrong mindsets you have about money all by yourself. So, what should you do? Seek help!

If you feel you can't do it on your own, then talk to a therapist. It is better to spend money on meeting with a therapist than to fall into financial troubles due to your wrong money related mindsets. A therapist is the right person to help you put your spending habits in order and to also give you the necessary support you need to change your wrong mindset about money and spending. If you can't find a therapist to help you; you can also rely on a family member or friend who has more money management skills.

Naturally, you might want to hide your financial woes from your family and friends, but then, you have to know that the first step towards getting a solution to a problem is to open up. Open up to a family who has more money management skills and let them help you fix your bad spending habits. If they can't help you, they could refer you to someone else who will help you.

## **Wrap up**

Although there are many people out there who survive with bad credit, it is definitely not cheap and not always easy. I am sure that's not what you want for yourself. In fact, it is not worth it; having a good credit score just makes your life easier and helps you to save as well. At least, it helps you get better rates on insurance premiums, and it can also help you get better rates on loans, etc.

For some time now, I have been in the service of coaching people who want to develop better financial plans for their future, people who want to experience personal growth, and believe me when I tell you that people have through these series of education developed better plans for their future.

The methods I have shared with you in this book on repairing bad credit are those that I have personally practiced and found to work. Many others have also practiced them and it worked for them, it will also work for you if you take the necessary steps. If you know the importance of having a high credit score, then you should take every necessary action to fix your bad credit.

To refresh your memory, I have summarized the steps you need to build your credit below:

## **1. Order a copy of your credit report or have access to your credit profile**

This may seem basic, but most consumers don't know what's on their credit report and if you haven't seen it, you don't know what needs to be corrected.

## **2. Correct any mistakes on you file**

Common mistakes that can affect your score are misspelling of your name or incorrect address on file, lower credit limit than you currently have, negative items over seven years old, a bankruptcy over 10 years old, etc.

## **3. Dispute older negative items**

You may have older inaccuracies on your credit file. They could be items you have paid but have not been updated, items in collections status from smaller companies, make sure that you always dispute these negative items.

## **4. Ask Credit Company or lender to remove a late payment**

Things like late payments do affect your credit score, however, if you have a long history of paying on time with a lender, they may be willing to give you a pass on a late payment and authorize the credit agencies to remove the late payment. This is something that many consumers do all the time.

## **5. Pay down balances**

Utilization is 35% of your credit score, just paying down your balances will increase your credit score once you are below 35% usage of credit limit.

## **6. Distribute the balance amount different cards**

It's better to have a lower balance on a few cards than a higher balance on one card and no balances on the others.

## **7. Use older cards if you haven't been using them**

Older credit history is better and using your oldest account can help increase your credit score.

## **8. Make sure you have at least 3 credit lines and are using them**

## **9. Don't overcharge**

Going over your limit will bring your score down and may cause your creditor to lower your limit a double negative if you want to improve your credit score.

## **10. Pay Your Bills on time**

This is another basic secret but is usually missed by many. Setting up automatic payments for at least the minimum amount due will keep you in good standing.

## **11. Identity protection**

Identity theft is an ever-increasing crime, Improving your credit will make you a prime target for these thieves, Protecting your identity from theft will protect your credit score also.

## **12. Have savings for emergencies**

Having savings for emergencies can protect your credit by allowing you another option besides your credit lines for emergencies or if you're out of work for a period of time a few missed payments or overextending yourself can bring your credit score tumbling down.

I hope you learned some practical and useful tips on how to repair your credit. If you have, you can sign up for individual training at [www.strategicsinternational.us](http://www.strategicsinternational.us)

***Cheers!***