

Improving Your Credit Profile: What's Possible and What's Not

TransUnion's Tips for Consumers

Two of the questions that consumers most frequently ask regarding their credit report are: “How do I improve my credit profile?” and “How do I dispute an item in my credit report?”

It is important to point out that consumers can complete both of these tasks on their own for little or no charge. Unfortunately, a growing number of consumers are falling prey to so-called “credit-repair” companies that fraudulently charge fees to “repair” their credit.

What are Credit-Repair Scams?

TransUnion has found that credit-repair companies or clinics often cannot perform the services they advertise. They promise to clean up negative information on a person's credit report so he/she can get a home mortgage, auto loan or credit card – and charge fees for services that consumers can get on their own for little or no charge.

Common scams:

One of the most common things that these credit-repair companies do is to bombard the credit reporting companies with disputes about items on an individual's credit report with the hope that credit reporting companies will be too overwhelmed to confirm all items within 30 days, and will therefore temporarily remove negative items from the consumer's credit report.

Credit reporting companies, such as TransUnion, have 30 days to investigate and respond to your dispute. If they haven't received confirmation of the disputed item from a data furnisher within 30 days, the item is removed from the individual consumer's credit report. If, however, TransUnion receives confirmation that the item is correct at a later date, it will be reinserted in that person's report.

Another scam employed by credit-repair companies is to encourage the consumer to create a “new” credit report or identity by applying for an Employer Identification Number (EIN) to use instead of their Social Security Number. Obtaining an EIN, which is used primarily by businesses, under false pretenses is a crime. Remember, if a consumer does follow illegal advice and commits fraud, that person may be subject to prosecution.

What Consumers Should Know About the Dispute Resolution Process

Consumers should consider filing a dispute if they find an item in their credit report that they suspect is false. For consumers, disputing an item in the report on their own is a safer and a much more effective option than working with so-called credit-repair companies.

When filing a dispute with a credit reporting company...

- The credit reporting company will first contact the credit grantor who provided the information under dispute within five business days.
- The credit grantor is required to consider every piece of relevant information that was submitted along with the dispute.
- At this point, the credit grantor makes a determination of whether the information is accurate or inaccurate.
- If the data is accurate, they notify the credit reporting company, and that information will remain in the consumer's file.
- If the data is not confirmed, however, the credit reporting company will then quickly delete or update the information; and, the consumer will be given a copy of his/her revised credit report.

Improving Your Credit Profile – and Reputation

Negative information that is accurate must legally remain in a consumer's credit report file for a specific length of time, whether or not it reflects poorly on their creditworthiness. Records of bankruptcy, for example, remain on a consumer's credit report for 10 years and foreclosures are reported for seven years.

To legally improve creditworthiness, consumers should:

- Remember to pay all of your bills on time. When you are delayed or delinquent in a payment, late fees are charged, more interest accrues and your credit health is negatively affected.
- Apply for a department store card or gasoline credit card, which are often easier to qualify for, and pay those bills on time.
- Contact your card issuer immediately if you were unable to pay your bills on time, or if you found an error in a bill. Be sure to make any complaints, and get corrections, in writing.
- Maintain a small number of credit cards and close unused accounts. Creditors look at your potential for going on a spending spree and falling too deeply into debt. The more credit cards you have, the larger your debt potential.
- Keep your debts reasonable. Financial experts say that, as a rule of thumb, non-mortgage debt payments should not exceed 10 to 15 percent of your take-home pay each month. If your debts are higher than that, try to reduce them before applying for another loan.
- Avoid unnecessary inquiries. Any time you authorize a creditor or other business to check your credit report, an inquiry is added to your report. If you have a large number of inquiries in a short amount of time, creditors may infer that you are either applying for too much credit because of financial difficulties or taking on more debt than you can repay.

In the absence of these behaviors, nothing else can make you appear more creditworthy. In a number of cases, time is the only thing that will heal a record of past credit problems.

Credit Counseling Organizations

Consumers needing further assistance managing their credit should consider using a non-profit credit counseling service. These organizations will work with you to arrange repayment plans for debt, help you budget your income and teach you how to manage your credit. Unlike scams run by credit-repair companies, credit counseling services allow financially overextended consumers to successfully rebuild their credit reputation.

Contact the National Foundation for Credit Counseling at 1-800-388-2227, or go online at www.nfcc.org to locate a credit counseling service in your area.

If You Become a Victim of a Credit-Repair Scam...

If you have been victimized by a credit-repair company, contact your local consumer affairs office or your state Attorney General. States may be able to help you recover the money lost through a credit-repair scam. The Federal Trade Commission (FTC) also offers a consumer hotline for fraud complaints at 1-877-FTC-HELP or online at <http://www.consumer.gov/sentinel/>. The FTC enters the fraud-related complaints into a secure, online database available to law enforcement agencies in the U.S. and abroad.

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