



Repairing Credit

These are the exact same strategies that "credit repair services" use, and charge up to \$3500 for. IntelliBiz provides it free, as a public service. We hope you prosper from its use, and let your family and friends know about this book - they will thank you for it.

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Credit Restoration

CREDIT REPAIR MADE EASY

The following is a step-by-step method to erase bad credit. Later you will learn how to replace bad credit (or no credit) with AAA credit in as little as 90 days. That will be followed by a thoughtful discussion on how to protect your credit, and use credit wisely and profitably.

This is the same method used by attorneys and credit consultants with three exceptions:

It isn't going to cost you between \$400-\$3500;
It covers more options; and
By doing it yourself you will learn a lot of valuable things.

To begin, you will need a current copy of your (3) credit reports. It is important to note that there is more than one credit reporting agency, so make sure you get a copy from each. Some creditors may report to one agency but not another. Just because something doesn't show up on a credit report from one bureau doesn't mean it isn't on report at another.

There are two ways to get copies of your credit report. One way is to pay the fee required by the reporting agency. The other is to apply for credit and get turned down. Within 30 days of being turned down for credit you are entitled to a free copy of your credit report. However, applying for credit and getting turned down shows up on your report as an inquiry that did not result in credit. It is a small black mark that stays on your report for one year. To avoid this, it may be better to pay the \$10-20 fee. The credit agency will require ALL of the following information: FULL NAME, ADDRESS, SOCIAL SECURITY NUMBER, DATE OF BIRTH, SEX and OCCUPATION/EMPLOYER.

The three major credit bureaus are:

Equifax
Order Credit Report: 800-685-1111
Report Fraud: 800-525-6285
<http://www.equifax.com/>
Experian
Order Credit Report: 888-397-3742

Report Fraud: 888-397-3742
<http://www.experian.com/>

Trans Union
Order Credit Report: 800-888-4213
Report Fraud: 800-680-7289
<http://www.tuc.com/>

Once you have copies of your credit profile, check all the personal information (name, address, etc.) to make sure it is accurate. Note any changes that need to be made. Understand that recent address changes or changes in employer may result in being turned down for credit, so every item on your credit report is important.

Before going further you may need to learn how to "read" a credit report. Credit bureaus use codes, and the following is a sample of these codes and what they mean:

Who is Responsible for the Account

J = Joint Account
I = Individual
T = Terminated
M = Maker(signer)
C = Co-Maker
U = Undesignated
A = Authorized User
B = On behalf of another
S = Shared

Type of Account

O = Open account (30 or 90 days)
R = Revolving or option account (open-end)
I = Installment Account (fixed number of payments)

Current Method of Payment

0 = Approved, but too new to rate

1 = Pays account as agreed

2 = Pays (or paid) after 30 days of due date but before 60 days, not more than one payment due at any given time.

3 = Pays in more than 60 days, but less than 90, or two payments past due.

4 = Pays in more than 90 days, less than 120, three payments past due

5 = Pays in more than 120 days.

7 = Making payments under wage-earner plan or similar arrangement.

8 = Repossession

9 = Bad debt, placed for collection; written off

These symbols are often combined, such as R2, which means it is a revolving account and has been at least one payment late less than 30 days. Often each payment is recorded, showing if it was late, how late, by how much. Your objective, then, is to get all R1's or I1's. Understand that credit bureaus are not responsible for what is on your report. Their only function is to provide the information to creditors that is provided to them. It is your responsibility to see that your report is accurate. Check it at least annually and make any necessary corrections. It has been estimated that at least 25% of all credit reports contain inaccurate information that can cause credit problems. It is not unusual for accounts to appear that you never had. So check your credit report thoroughly and often. If you do not, you will have no one to blame but yourself.

Now that you know what is on your report, the next step is to list the names and account numbers of every derogatory item on your report, even if it is valid and true. Write a letter using these guidelines: State that you have reviewed your profile and found certain items you believe to be in error. List all bad items by name and account number. Request they investigate these items as they are highly injurious to you. (Use the words HIGHLY INJURIOUS.) List discrepancies in the personal information first, and provide the correct information, then list the accounts. At the end of the letter state that these items do not agree with your records and you wish to have them removed immediately if not substantiated. Also state you want an up-dated copy of your report issued to you showing any changes made.

Note: at the beginning of the letter be sure to include all the personal information you provided when you requested your credit report.

Also, if possible, choose a busy season to send your letters. Many businesses will be too busy to respond to the credit bureau during busy holiday seasons.

When you mail the letter be sure to send it registered mail. Always register any mail to any credit bureau or creditor, and always keep a copy of your correspondence to them for your own records.

Once the bureau receives your request they are required by law to contact the creditor who listed each contested item and ask for substantiation. If the information is not true, the creditor will not be able to substantiate. The real beauty of this, however, is that many creditors will not bother to respond. Either they no longer have the record handy, or they are busy, or the letter got lost in some pile, or maybe they really just don't care. Whatever their reasons, if they do not provide documentation to the bureau within a reasonable time (usually 30 days) the credit bureau is required by law to remove the item from your report.

If you do not receive an up-dated copy of your record within 45 days, send a registered letter requesting the up-date, stating the date you had disputed some items. Again be sure to include all personal information, as this is how they locate your report. When you have the up-date check it against the original and note the differences. You should find that many, if not all derogatory items have been removed.

If any remain, do not despair - you have just begun. To remove any items that are still plaguing you, your next step should be a repeat of the prior one. Send another dispute letter stating you still believe these items are in error and to please investigate again. This time when the bureau contacts the creditor, the creditor may not respond this second time. Why not? Perhaps he thinks it is a duplicate request sent by mistake. Or perhaps he will just say to heck with it - he responded once and simply will not waste any more of his time. Or maybe the letter gets lost in the Incoming pile, or he is busy, or...

Whatever the reason, he may not send documentation a second time. If not, the item is removed from your report.

Again request an up-dated copy showing any changes. When it arrives, check it thoroughly. If any bad items still remain, you have other options at your disposal, including:

Offer the creditor a cash settlement provided he removes the item from your report, or has it marked "settled". Your first cash offer should be 50-60% of the amount claimed. Even if you settle at 80% you are still ahead of the game, and the creditor at least gets most of his money. All he loses, really, is the profit margin on the item you bought on credit.

Offer to pay the amount in full, in monthly payments you can afford. The written agreement should include that, after 3 on-time payments, the creditor will re-write your account and mark the old account "settled" on your report. Then, when you make the payments on time it shows up on your report as a GOOD reference.

If necessary, and if you can afford it, offer to pay the debt in full, provided the creditor immediately notifies the reporting agency that the account has been paid in full.

If you cannot get the creditor to work with you, you still have a powerful weapon left. This is where keeping copies of registered letters will pay off. You have a legal right to enter a 100 word statement showing proof that you made attempts to settle this account but the creditor refused. If the debt truly is not owed by you, the statement can be used to prove you do not owe this account. The statement is attached to your report and issued to every creditor who checks your credit. You may also request that a copy be sent to every creditor your report was sent to in the last 90 days. Often, your honest account, accompanied by documentation, will convince creditors that you are a good risk.

There you have it - credit repair made easy. Now on to restoration - improving your credit report.

"AAA" CREDIT IN 90 DAYS

You may have noticed that some credit accounts you have had in the last few years did not show up on your report, even though you paid them off on time. This is because some creditors do not bother to report, especially smaller businesses, because they have to be a member of the bureau and/or pay a filing fee. If you can document such accounts and the payment history you can have the credit bureau add them to your profile, giving you "better credit".

Now to create a small miracle - getting three banks to state that your credit is "AAA" and place this on your credit report. Make sure you choose three banks that have PASSBOOK accounts (you may substitute secured cards, or even CD's owned by a friend or relative, since fewer and fewer banks offer passbook accounts, thanks to computers). Go to bank #1 and ask for the smallest personal loan they allow - usually \$1000-\$1500. Tell the loan officer you do not want the money - you are simply trying to establish credit. You would like the money to remain in his bank, placed in a passbook account. They hold the passbook so the account is collateral for the loan. Your loan is 100% secured so there should be no problem. Do the same thing at bank #2 and #3. You now have three loans and three passbook accounts. Just make sure you try to get all three loans on about the same day so that your loan applications can honestly say you do not have any other loan obligations.

In three weeks, make the first payment on each loan. Three weeks later make the second payment on each. At this time your payments have freed up a proportionate amount of your passbook accounts which you can now withdraw. In three weeks use this money to pay the third payment on each. Withdraw the amount freed up and in three more weeks make payment 4. Continue doing this until the loans are paid in full. In about 90 days from the origination date of your loans you will have made four payments on all loans, all payments made early and you are even one payment ahead on each. Ask your banks to post your payment history on your credit report if they have not already done so. You will then have three banks listed on your report, all showing perfect credit with them. These references alone should be enough to get you nearly any credit card you want.

You now have excellent credit. Use it wisely, and guard it with your life, using the following information...

CREDIT - FOUNDATION FOR THE FUTURE

The importance of good credit cannot be over-emphasized. In today's society credit is no longer a luxury. It is essential for growth and prosperity.

Understand this very important fact - only 5% of the entire wealth of the world is ever printed as currency. The remaining 95% exists only on computer chips, in the form of credit. So, if your credit is not good you do not have access to 95% of the world's wealth. This limits your plans for financial security drastically.

America is rapidly becoming a two-class society in which persons without good credit (nearly 60% of the population) are treated as second-class citizens. You need not suffer as a second-class citizen, however. By following the strategies in this manual you can erase bad credit and (re)establish AAA credit, quickly and easily.

Understand, however, that this is only the beginning. Once you have good credit the real work begins. You will have to act responsibly and with self-discipline to maintain good credit. It can be a formidable battle unless you know more about what credit is, how to use it properly and how to avoid credit traps. For this reason we will first discuss these important topics before delving into the actual methods of restoring or establishing credit.

AVOID IMPROPER USE OF CREDIT

When I was a boy my parents did not believe in using credit - everything was "cash on the barrelhead." Needless to say our family did not have access to many of those nice little pleasures that make living more enjoyable. When I left home, I was determined to "have it all", and enjoy all those things I had missed out on. This, of course, required good credit, but because of my early home life I knew little about credit. In a very short time I owed everyone except you. I had dug myself in so deeply that bankruptcy looked like the only way out. But I still yearned for the "good life" and was smart enough to know that a bankruptcy could short circuit my attempts to attain that lifestyle I so desired. That is when I decided to take more positive action. I set out to learn all that I could about credit, finance, laws that protect the consumer and all

the little "secrets" of finance. And much of what I learned was surprising - most of what the average person "knows" about finance is absolutely misleading. I soon discovered that the reason only 4% of the population ever achieves financial security is because 96% of the population have false conceptions about finance.

Once I had learned as much as I could, I had myself out of trouble in a few short weeks, then spent the rest of my life learning even more. Later, in teaching others to do what I had done I soon learned it was a waste of time to teach someone how to get out of financial trouble without also showing them how to *stay* out. On that note, let us proceed to learn a few basics.

First, you should learn what money really is. Frankly, it is only a tool; a convenient medium of exchange. Of itself, it has no value - the value is perceived by those who covet it, and its value constantly changes. Money is forever moving, never staying in one place. Even when you put it in the bank it continues to move, being used to supply loans and feed investments. Therefore, the trick to amassing wealth is not to see how many dollars you can get and keep. Rather, you must learn where the money is going, and position yourself to be there to let it pass through you on its way around the world. The better you position yourself, the more money flows through you. A wealthy person is simply a conduit for money - a lot comes to him, and a lot goes from him. In the process, large amounts are constantly in his possession.

If you can understand that concept it is time to learn the "Guns & Butter" theory. Years ago, before the advent of commercial credit life was much simpler. With a little luck you earned a living, then made purchases with those earnings, according to your needs. As is still true today, about 96% of the people would spend most or all of their earnings to get the things they needed, and the rest on little luxuries. (The big difference today is that now we spend it before we earn it.)

These expenditures on the little "extras" would serve to keep these people living on a day-to-day basis, with little saved for the future. Since these "extras" were used to add a little flavor to life they were referred to as "butter" items. Unfortunately, butter gets used up and needs to be replenished regularly, which keeps draining the persons' resources. One day, when these people grew old, they would have nothing - nothing was saved to make up for income lost through old age or poor health, and the "butter" items had been used up. The other 4% of the people were a little different. They did not spend their "extra" cash on butter. Instead, they went without these little

pleasures and bought guns and powder. They believed that, if worst came to worst, they could always hunt for food. The guns gave them power and security.

Now I ask you: if you buy butter, can that butter sustain you for the rest of your life? However, if you have enough guns you can get all the butter you want.

The point is: the only difference between the "haves" and the "have-nots" is that the "haves" use their cash sparingly, using their extra cash to invest in their future security. Before long, with steady investing, the "haves" can earn a comfortable living just from their investment income, and no longer worry about financial matters, thanks to the magic of compounding interest. Now, these people not only can get all the butter they want, they can get all the butter that ordinary folks could never have. They know that if a person is willing to do for a few years what most people are unwilling to do, they can spend the rest of their lives enjoying the things others never can. In short, they give up the weekly pizza. Instead, they invest the money until, eventually, they can afford to own the pizza parlor and get all the pizza they want, whenever they want.

Now that you have a better understanding of the basics involved, it is time to discover how credit fits in. First understand that you cannot provide for tomorrow's security by spending tomorrow's income today, unless that income is invested, rather than spent. In short, a wise person uses credit only when there is a profit to be made in using it. After all, if you are going to pay 18% interest on the money, you really should be making more than 18% from it. If not, you are losing money - your money, your future income, your future security. When you use credit you are selling your future income at a discount (because you pay interest for having the money now.) This is no way to generate wealth for yourself.

Credit is the most valuable tool in the world today. Cash doesn't even come in a close second - but knowledge does. With credit you can obtain just about anything, including investments that will create even greater wealth. Knowledge allows you to make the right choices. For example, for just a few thousand dollars down you can take advantage of the appreciation and tax advantages of owning a house. You control \$100,000 worth of real estate (and profit from the entire \$100,000) while only investing a few thousand.

Without the right knowledge, however, you can never hope to make the financial system work for you. When 96% of the population fails to achieve financial security it is not due to a lack of money - again, money is only a tool. Rather, they suffer from a shortage of knowledge that could have helped them to amass wealth. Understand this important concept:

Achieving wealth has nothing to do with collecting dollars, nor is it connected to how much you earn. All that matters is how you use what you have.

I know people who earn over \$100,000 a year and still live from paycheck to paycheck. I also know people who earn less than \$12,000 a year who are regularly investing in their future and will someday have financial security. So do not use the excuse that you just don't make enough money. Fortunes can be built on very little seed money, and if you really have what it takes to achieve wealth, you will find a way.

RULES OF WISE CREDIT USE

In using credit, a few simple guidelines will give you a definite edge. These rules are not cast in stone, but staying close to them will increase your ability to prosper from credit rather than being eaten alive by it.

1. Credit should never be used for purchasing perishables such as gas, food, airline tickets or meals out unless you are certain you will pay it off with your first statement, to avoid interest charges. A good idea is to deduct the money from your checking account at the time of purchase, as though you had already spent the money, because you have! Then, when the statement comes due you should already have the cash in your account to pay it. There are few things worse than having to pay for something you do not still have, so avoid using credit for perishables.

2. Credit should be used sparingly for depreciables such as cars, boats, furniture, etc. Always make the largest down payment possible and finance the balance for the shortest period of time that you can to reduce excessive interest and a long-term drain on finances. Realize that you are banking on future income - income that is never guaranteed, because no one can predict the future.

3. Credit should be used as often as possible for the purchase of appreciables that increase in value, provided the investment is a wise one. Real estate, discounted

mortgages, silver or gold coin are examples. This is called "constructive debt". For example, borrow \$2000 for one year at 12% interest and use the money to invest in a tax-deferred IRA. If you are in the 28% tax bracket you immediately save a few hundred dollars on taxes - \$560 to be exact. Invest your IRA in a no-load mutual fund that earns about 15% and you make an additional 3% for the term of your loan. Your interest from your fund pays the interest on your loan, with cash to spare. The \$560 tax savings gets you an IRA worth \$2000 for just \$1440. Each additional year you hold the IRA you make the 15% interest, tax-deferred. This creates wealth, particularly if you do it every year.

4. Credit card debt is the most expensive kind of debt due to high interest rates and annual fees. It is also the easiest to be victimized by. Use great caution, pay the bill in full when you receive the statement and use cards that have the lowest interest rate.

5. At no time should your consumer debt (excluding mortgage) exceed 20% of your income. If it does, you are in trouble, financially. If you cannot get or keep your consumer debt to within 20% of your income, get a copy of the Winfonet manual "REDUCE DEBT PAYMENTS IN 21 DAYS". This manual, among other things will show you how to get your debt payments down within 20%, painlessly.

To help you keep your perspective on credit, consider: \$10,000 cash can leverage \$100,000 worth of investment, such as a house. If the investment earns 15%, that is \$15,000 a year. But only \$1,500 of that is being earned by your \$10,000 cash (10%). The rest, \$13,500 is being earned by your \$90,000 worth of credit - money that wasn't even yours!

It may help you to refer to consumer debt as "DIG" debt. DIG stands for "Debt for Instant Gratification". It means you want to collect now on income to be earned later (or so you expect). This means that you can be caught short by anything that may cut future income - lay-offs, disability, illness, etc. DIG debt, true to its name will dig a hole for you from which there is no escape unless you are careful, and use it wisely.

One more thing: credit can be used to save money, too. Let's say you plan to buy a \$400 stereo with next month's income tax refund. However, Bob's T.V. shop has that same stereo on sale, this week only, for just \$320. Buy it on credit and save \$80, provided you keep your promise to yourself to pay it off in full with your tax check, to

avoid interest charges. The \$80 you save could then be invested at 15%, building even greater wealth for your future. Remember - all large fortunes began as small fortunes, and every small fortune begins with pennies. Save your pennies, invest them wisely and wealth will grow, slowly, at first, but surely.

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