

## CREDIT REPAIR - Help Yourself

You see the advertisements in newspapers, on TV, and on the Internet. You hear them on the radio. You get fliers in the mail. You may even get calls from telemarketers offering credit repair services. They all make the same claims:

"Credit problems? No problem!"

"We can erase your bad credit -- 100% guaranteed."

"Create a new credit identity-- legally."

"We can remove bankruptcies, judgments, liens, and bad loans from your credit file forever!"

Do yourself a favor and save some money, too. Don't believe these statements. Only time, a conscious effort, and a personal debt repayment plan will improve your credit report.

The following explains how you can improve your credit worthiness and lists legitimate resources for low or no-cost help.

## CREDIT REPAIR COMPANIES

Everyday, companies nationwide appeal to consumers with poor credit histories. They promise, for a fee, to clean up your credit report so you can get a car loan, a home mortgage, insurance, or even a job. The truth is, they can't deliver. After you pay them hundreds or thousands of dollars in up-front fees, these companies do nothing to improve your credit report; many simply vanish with your money.

### The Warning Signs...

If you decide to respond to a credit repair offer, beware of companies that:

- ▶ Want you to pay for credit repair services before any services are provided;
- ▶ Do not tell you your legal rights and what you can do -- yourself -- for free;
- ▶ Recommend that you not contact a credit bureau directly; or
- ▶ Advise you to dispute all information in your credit report or take any action that seems illegal, such as creating a new credit identity. If you follow illegal advice and commit fraud, you may be subject to prosecution.

You could be charged and prosecuted for mail or wire fraud if you use the mail or telephone to apply for credit and provide false information. It's a federal crime to make false statements on a loan or credit application, to misrepresent your Social Security Number, and to obtain an Employer Identification Number from the Internal Revenue Service under false pretenses.

Thanks to the new Telemarketing Sales Rule, it's also a crime for telemarketers who offer credit repair services to require you to pay until six months after they've delivered the services.

## THE TRUTH

No one can legally remove accurate and timely negative information from a credit report. But the law does allow you to request a reinvestigation of

information in your file that you dispute as inaccurate or incomplete. There is no charge for this. Everything a credit repair clinic can do for you legally, you can do for yourself at little or no cost. According to the Fair Credit Reporting Act:

You are entitled to a free copy of your credit report if you've been denied credit within the last 30 days. If your application for credit, insurance, or employment is denied because of information supplied by a credit bureau, the company you applied to must provide you with that credit bureau's name and address.

You can dispute mistakes or outdated items for free. Ask the credit reporting agency for a dispute form or submit your dispute in writing, along with any supporting documentation.

Clearly identify each item in your report that you dispute, explain why you dispute the information, and request a reinvestigation. If the new investigation reveals an error, you may ask that a corrected version of the report be sent to anyone who received your report within the past six months. Job applicants can have corrected reports sent to anyone who received a report for employment purposes during the past two years.

If the reinvestigation does not resolve your dispute, have the credit bureau include your version of the dispute (up to 100 words) in your file and in future reports. Remember, there is no charge for a reinvestigation.

## FILE SEGREGATION SCAMS

If you have filed for bankruptcy, you may be told by a "credit repair" company that you won't be able to get any type of credit for ten years. This is not always true.

To help you "hide" your bankruptcy, the credit repair company may promise to tell you how, for a fee, to establish a new credit identity. The plan, however, is illegal.

If you use the plan, often called "file segregation," you could face fines or even prison.

If you have filed for bankruptcy, you may be the target of a new credit repair scheme, often called "file segregation." In this scheme, you are promised a chance to hide unfavorable credit information by establishing a new credit identity. That may sound perfect, especially if you fear that you will not be given any credit as long as bankruptcy appears on your credit record.

The problem is, "file segregation" is illegal. If you use it, you could face fines or even prison.

This fact sheet alerts you to some aspects of this new type of credit repair scam, describes the false claims that fraudulent companies sometimes use to sell you the service, and says why participation is illegal. It also lists other brochures that discuss your credit rights and responsibilities.

## THE PITCH: A NEW CREDIT IDENTITY

If you have filed for bankruptcy, you may receive a letter from a credit repair company that warns you about your inability to get credit cards, personal loans, or any other types of credit for ten years. For a fee, the company promises to help you hide your bankruptcy and establish a new credit identity you can use when applying for credit.

If you pay the fee and sign up for the service, you may be directed to apply for an Employer Identification Number (EIN) from the Internal Revenue Service (IRS). Typically, EINs -- which resemble social security numbers -- are used by businesses to report financial information to the IRS and the Social Security Administration.

After you receive your EIN, you are advised to use it in place of your social security number when you apply for credit. You also are advised to use a new mailing address and to include some credit references.

### The Catch: False Claims...

Listed here are reasons a credit repair service may give you for establishing a new credit identity. These false claims, along with the pitch for getting a new credit identity, should alert you to the possibility of fraud.

**Claim 1:** You will not be able to get credit for 10 years (the period of time bankruptcy information may stay on your credit record). Each creditor has its own criteria for granting credit. While one may reject your application because of a bankruptcy, another may grant you credit shortly after you filed for bankruptcy. And, given a new reliable payment record, your chances of obtaining credit will probably increase as time passes.

**Claim 2:** The company or "file segregation" program is affiliated with the federal government. The federal government does not support or work with companies offering such programs.

**Claim 3:** The "file segregation" program is legal. It is a federal crime to make any false statements on a loan or credit application, which the credit repair company may advise you to do. It is a federal crime to misrepresent your social security number. It also is a federal crime to obtain an EIN from the IRS under false pretenses. Further, you could be charged with mail or wire fraud if you use the mail or the telephone to apply for credit and provide false information. Also, file segregation would likely constitute civil fraud under many state laws.

## HAVE YOU BEEN VICTIMIZED?

If you've had a problem with a credit repair company, don't be embarrassed to report the company. Contact your local consumer affairs office or your state attorney general (AG). Many AGs have toll-free consumer hotlines. Check with your local directory assistance. Indiana's AG toll-free number is 1-800-382-5516.

If you receive a letter from a company making such claims, contact your state attorney general or consumer protection office. You also can file a complaint with the FTC. Write: Correspondence Branch, Federal Trade Commission, Washington, D.C. 20580. While the FTC does not handle individual cases, it can act against companies when it sees a pattern of possible law violations developing.

The National Fraud Information Center (NFIC) also accepts consumer complaints. You can reach NFIC at 1-800-876-7060, 9 a.m. - 5:30 p.m. EST, Monday - Friday, or at <http://www.fraud.org> on the Internet. NFIC is a private, nonprofit organization that operates a consumer assistance phone line to provide services and help in filing complaints. NFIC also forwards appropriate complaints to the FTC for entry on its telemarketing fraud database.

## NEED HELP? DON'T DESPAIR

Just because you have a poor credit report doesn't mean you won't be able to get credit. Creditors set their own credit-granting standards and not all of them look at your credit history the same way. Some may look only at more recent years to evaluate you for credit, and they may grant credit if your bill-paying history has improved. It may be worthwhile to contact creditors informally to discuss their credit standards.

If you can't resolve your credit problems yourself or you need additional help, you may want to contact a credit counseling service. There are non-profit organizations in every state that counsel consumers in debt. Counselors try to arrange repayment plans that are acceptable to you and your creditors. They also can help you set up a realistic budget. These counseling services are offered at little or no cost to consumers. You can find the office nearest you by checking the white pages of your telephone directory.

In addition, nonprofit counseling programs sometimes are operated by universities, military bases, credit unions, and housing authorities. They're also likely to charge little or nothing for their services. Or, you can check with your local bank or consumer protection office to see if it has a list of reputable, low-cost financial counseling services.

## DO-IT-YOURSELF CHECK-UP FOR FREE

Even if you don't have a poor credit history, it's a good idea to conduct your own credit check-up, especially if you're planning a major purchase, such as a home or car. Checking in advance on the accuracy of the information in your credit report could speed the credit-granting process.

Credit bureaus usually are listed in the yellow pages of your telephone book under "credit reporting agencies." Three large national credit bureaus supply most credit reports: Experian, Equifax, and Trans Union. You may want to contact each of them for a copy of your report.

Experian (Formerly TRW )  
P.O. Box 949  
Allen, TX 75013-0949  
(888) 397-3742  
www.experian.com  
Free

TransUnion Corporation  
Trans Union Consumer Relations  
760 West Sproul Road, P.O. Box 390  
Springfield, PA 19064-0390  
(800) 916-8800, www.tuc.com  
\$8 Fee

Equifax Credit Information Services, Inc.  
P.O. Box 740241  
Atlanta, GA 30374-0241  
(800) 685-1111  
www.equifax.com  
\$8 Fee

The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

Answers to Credit Problems  
Applying for Credit  
At Home Shopping Rights  
Bankruptcy Facts  
Buried in Debt  
Car Financing Scams  
Charge Card Fraud  
Choosing A Credit Card  
Co-Signing  
Credit and Divorce  
Credit and Older Consumers  
Deep in Debt?  
Equal Credit Opportunity  
Fair Credit Reporting  
Fair Debt Collection  
Gold Cards  
Hang up on Fraud  
High Rate Mortgages  
Home Equity Credit Lines  
How to Avoid Bankruptcy  
Indiana Uniform Consumer Credit Code  
Look Before you Lease  
Mortgage Loans  
Repossession  
Reverse Mortgage Loans  
Rule of 78s – What is it?  
Scoring for Credit  
Shopping for Credit  
Using Credit Cards  
Variable Rate Credit  
What is a Budget?  
What is the DFI?

Call our toll-free number or write to the address on the cover for a copy of any of the brochures listed or for further consumer credit information.

# CREDIT REPAIR SCAMS



## DEPARTMENT OF FINANCIAL INSTITUTIONS

Consumer Credit Division  
30 South Meridian Street, Suite 300  
Indianapolis, Indiana 46204  
317-232-3955



1-800-382-4880