

Guilty Until Proven Innocent

Restoring Corrupted Credit Files

***A Consumer's Manifesto For Declaring
War On The Credit Bureaus***

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Foreword

Living in the United States of America, it may be difficult for you to believe that when a mistake has been made in your credit file, as far as the credit bureaus are concerned, you are guilty until proven innocent. The credit bureaus do not have to verify that a negative item is accurate **before** it appears in your credit file. Rather, it is up to you to prove that a negative item appearing in your credit file is inaccurate, but only **after** your credit file has already been corrupted. It is not right and it's certainly not fair, but that's the way the credit bureau system works in the United States.

Mistakes made by companies reporting credit information to the credit bureaus, or by the bureaus themselves when entering the information, is not an uncommon occurrence. In fact, a survey conducted by the U.S. Public Interest Research Groups found that nearly 80% of all credit files maintained by the credit bureaus contained mistakes that the consumer had **absolutely nothing to do with**. That means that there are nearly **165 million Americans**, who through no fault of their own, have corrupted credit files. Nearly 25% of the mistakes made are significant enough for the consumer to be turned down when applying for credit. What you need to realize is that as you read these words, there's an 80% chance that one of those 165 million Americans who have false information in their credit reports is **you**.

There are a number of State and Federal laws that protect citizens from inaccurate, unfair, or malicious reporting of their credit histories by credit bureaus in the United States. However, these laws do not **prevent** false information from getting into your credit report. They only provide a remedy for removing false information from your credit report once your file has been corrupted. You have rights, but you will have to fight for them, and more importantly, you will need to know how to fight for them.

Have no doubt about it - a good, clean credit report is worth fighting for. It can determine whether or not you get your dream job or your dream home, the best auto insurance rates, the cost of future loans, whether or not a landlord will rent you an apartment, and much more. Your credit report has the potential to determine the **quality of your life**. It can potentially cost you thousands, if not hundreds of thousands of dollars, over the course of your lifetime. The purpose of this manifesto is to arm you with the knowledge that you'll need to make sure that your rights aren't violated by the credit bureaus. This is a fight **you can win** and I hope this information helps you.

David G. Clifton
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N-2 Focus Solutions

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How The Credit Bureau System Works

The roots of consumer credit go as far back as man can remember. It started with someone, or some business, having a product or service to sell. Either the price of the product was beyond the reach of the average person or payment for the product was not convenient at the time of sale. This gave birth to a consumer credit program. Take for example, a moderately priced automobile at \$13,500. The manufacturer, in order to make a profit, needs to sell several vehicles at this price. But how many of us can plop down \$13,500 in one lump sum? If the manufacturer only sold automobiles to people who could afford to pay in cash, he would sell very few cars. Consequently, the price would skyrocket from \$13,500 to, let's say, \$113,500 due to the manufacturer's need to make an equitable profit. On the other hand, the manufacturer couldn't make any money if he sold the same automobile for \$400. So the manufacturer needs to sell the automobile at a price consistent with perceived value and quality, but still make it available to people who do not have the ability to pay up front in cash. This is why the automobile loan business is so big.

Another example is rooted deep in our history. When the payment for products or services is inconvenient at the time of sale, a merchant (or creditor) typically offers payment terms, usually within 30 days. This type of consumer credit can be traced back to the General Store days when a patron would typically pick up a few things, charge them to an open account and agree to pay the entire account by the end of the month. Those days have been replaced by major credit cards and department store cards, but the principle is still the same. The only difference today is that theoretically, you never have to completely pay off a charge account. As long as you pay the interest on the account or the minimum payment, you can continue to charge to this account up to the credit limit without ever paying off the original debt. This is exactly how millions of people get into serious trouble and consequently damage their credit files almost irreparably.

As an evolution of this process, it was natural that some kind of credit reporting system would emerge. Creditors wanted to be sure that they were doing business with a consumer who would repay an account in a timely fashion, a consumer who had proven timely repayment with other creditors as well. Credit bureaus were born and began to track credit information on individuals and businesses, selling that information to subscribers (creditors) and receiving information from the subscribers as well. You should understand the relationship that exists between the credit bureaus and the subscribers and how it works. The subscriber, ***with your permission***, receives

information about your current credit status from the bureaus. In exchange for that information, the subscriber must provide your payment history and account information to the credit bureaus. This, however, transpires ***without your permission***. Only you can authorize access to your credit file, but once you have, your creditor has a free hand to report any and all credit information contained in your file to the credit bureaus, ***even if the information is incorrect***.

It's important to understand that credit bureaus are not a branch or department of the government like the Internal Revenue Service. They have ***no legislative authority*** over private citizens. The three largest bureaus (Equifax, Trans Union, and Experian) are listed on the New York Stock Exchange. These are simply private companies in business to make a profit just like any other company. Their business is to store credit information about private citizens of the United States of America. The more credit data that the bureaus store, the more information they can provide to subscribers, and the more value their service has to the subscribing companies. These bureaus have, in effect, been gathering some of the most sensitive information that exists about you. They've been doing it all of your adult life, and in most cases, they've been doing it behind your back and without your permission. Credit bureaus make money every time they sell that information to any company that has a legitimate right to buy it. The bureaus monitor the information in credit files for accuracy ***only after being notified by the consumer*** that incorrect information is being reported. Therefore, it is extremely important for you to know exactly ***what is in your credit file at all times***.

If you have ever seen a copy of your credit report, you were probably amazed at the amount of personal data that it contained. You probably asked yourself, "How did they get all of this information?". The companies that subscribe to the credit bureaus' services are required to send the credit histories of all their clients to the credit bureaus. Updates on each of their clients are sent by the creditor to the credit bureau periodically. It should be noted that since the creditors report at different times to each credit bureau, different amounts and dates can appear on each bureau's report. Many times this information is reported incorrectly and inaccurately. Creditors that report to the credit bureaus are most often banks, savings and loans, mortgage companies, large department stores, finance companies, VISA and Master Card banks, oil companies and companies that are members of the credit bureau. Isn't it ironic that the companies we patronize with our business are the same companies that report everything we do to the bureaus?

Credit bureaus can also get their information from public records stored in such places as the local courthouse. This information may include judgments, bankruptcies, tax liens, wage attachments and notices of defaults on properties. It may be noted that the credit bureau may pick up information from the public records such as a notice of default, but will later fail to record the correct information if the default was taken care of.

In reviewing your credit report, you may notice that much of your credit information is missing or inaccurate. The reason for missing information is that not all creditors belong to the credit bureaus. For example, if you are paying off a bill with a small store, and they are not a member of the credit bureaus, your good payments will not be reported on your credit report. For a small fee, the bureaus will add the good credit listing to the trade lines of your credit report, but only if you demand it.

The “Big Three” Credit Bureaus

In the United States, there are three major credit bureaus: Trans Union, Experian & Equifax. The bureaus do not share information among themselves but rather obtain information from their individual subscribing members. Some companies do not subscribe to all three bureaus and therefore, don't report to all three. This is why the information in a consumer's credit file will sometimes differ from one bureau to the next. This is also the reason why the credit scores between the bureaus can differ, sometimes as much as 100 points. When you apply for credit, a creditor may check with one bureau only. However, in today's credit environment, the creditor is more likely to check with all three. That's why it's important to know what all three credit bureaus are saying about you to their subscribing members. If you are denied credit, the creditor is required by law to furnish you with the name of the credit bureau from which the negative information was received. You are then entitled to receive a free copy of your credit report from that bureau.

Consumers are also entitled to receive one free copy of their credit report per year from each of the major credit bureaus. These reports will not list the credit scores on file at each bureau but will be an up-to-date copy of the consumer's credit file. Credit scores must be purchased from each bureau individually for a nominal fee. The fees charged normally range from about \$5 - \$7. Consumers can find out what their credit scores are free of charge by going online and using one of the many credit monitoring companies found on the internet. In doing so, the consumer will have to open an account with one of these credit monitoring companies using a credit or debit card. Generally, the consumer will have one week's free access to his / her credit report and then, unless the account is cancelled, the credit card will be charged on an ongoing monthly basis. The monthly charges can range from \$10 - \$40 per month depending on the company chosen. If you decide to open an account with one of these companies, be sure to cancel the account before the trial period is up if you do not want the on-going monthly services. If you would like to receive a list of credible companies that we use when working with our clients, contact N-2 Focus Solutions™ via email and a list of recommended companies will be return-emailed to you.

There is a major effort underway by all three credit bureaus to encourage all consumers attempting to contact one of the bureaus, to do so via email. This effort extends to the filing of disputes with the bureaus as well. The bureaus will tell you how much easier and faster it is to dispute online. You can even log on 24/7 and check on the progress of your dispute. Be advised that the bureaus aren't doing this to make it easier for you,

but to make it easier for themselves. It is absolutely ***less than useless*** to file a dispute with any of the credit bureaus online. You're almost guaranteeing yourself no action on the part of the bureaus. If you are going to file a dispute with the bureaus, do it in the form of a letter sent via the United States Postal Service. Some situations may even warrant sending a Certified Letter.

The reason bureaus are trying to move consumers online is because of the additional personnel needed to process and review paper letters. It is much less expensive for the bureaus to process correspondence via email. Given the fact that more consumers are beginning to realize the importance of their credit reports and credit scores, the bureaus are being overwhelmed with disputes. It's a situation where the flies are overcoming the flypaper. According to Federal statute, once a dispute is received, the bureaus must investigate and respond back to the consumer in a reasonable amount of time which has been interpreted to mean 30 – 45 days. If they are unable to do so, then the disputed items must be removed from the credit report. Because of the pressure that they are under to investigate disputes in a timely manner, the bureaus are doing anything they can to lighten their workload and extend their timelines. Unfortunately for the bureaus, Federal law does not require consumers to use email in order to file disputes. Maybe the credit bureaus don't like having to send someone with a forklift to the P.O. box every morning, but the fact is that they can't do a thing about it. So a word to the wise – if you're going to dispute – use snail mail.

The three major credit bureaus for the United States of America are:

- Trans Union
P.O. Box 390
Springfield, PA 19064
(800) 851-2674

- Experian
P.O. Box 2104
Allen, TX 75013
(800) 392-1122

- Equifax
P.O. Box 105873
Atlanta, GA 30348
(800) 685-1111

Please be advised that Experian has the nasty habit of changing it's mailing address two to three times per year in order to frustrate consumers in the hope that they'll just go away and Experian won't have to do anything. If you're filing a dispute with Experian, you may need to verify their current mailing address. Feel free to verify these address by sending an email to N-2 Focus Solutions™ and requesting the current mailing addresses of the credit bureaus.

Laws That Protect Us From Credit Reporting Abuse

There are some very strong Federal laws that protect us all from the malicious reporting of our credit histories by the credit bureaus. However, these laws don't prevent the introduction of false information into our credit files. They only provide the legal basis for forcing the credit bureaus to remove false information from our credit files once the damage is done. Don't think for a minute that these credit bureaus don't knowingly violate these laws on a daily basis. Every year the bureaus are fined by the Federal Trade Commission for violations of the law, sometimes in the millions of dollars. Don't think for a minute that you do not have the right to sue a credit bureau. Consumers win monetary judgments against the bureaus all the time.

The main laws that consumers can use as a basis for restoring their credit files are:

The Fair Credit Reporting Act: This law was passed by Congress in 1970 and has been amended and updated several times since. This is the main law used in disputing incorrect information in a credit report with the credit bureaus. The main points are:

- You have the right to dispute information appearing in your credit file with the credit bureaus.
- The bureaus are required to investigate disputes filed by consumers in a timely manner, which has been interpreted to mean 30 days.
- The bureaus are required to notify consumers in writing of any actions taken on a credit file as the result of a dispute. These responses from the bureaus should be received by the consumer within 30 – 45 days from the date that the dispute was mailed.
- If the credit bureaus fail to investigate a dispute or cannot complete their investigation in a timely manner, the disputed items must be removed from the credit report.
- The information appearing in a credit report must be 100% accurate. It must be complete, it cannot be misleading or obsolete, and it must be verifiable.
- Negative tradelines may appear in a credit report no longer than 7 years, bankruptcies no longer than 10 years, and inquiries no longer than 2 years.

- Multiple inquiries which are the result of comparison shopping occurring within the same 45 day time period are to be treated as a single inquiry.
- When an application for credit has been denied, the consumer is entitled to receive a copy of his / her credit report from the reporting credit bureau free of charge.
- A consumer is entitled to receive one free copy of his / her credit report per year from all three bureaus.
- Credit Bureaus are required to verify disputed items with credit grantors for accuracy. If the credit grantor cannot verify the accuracy of a disputed item, that item must be removed from the credit report.
- Credit Bureaus are required to disclose to the consumer how an item was verified, the name and address of the company and the person verifying the information, and the phone number if readily available.
- Once an item has been legally removed from a credit report, it cannot be legally reinserted.

The Fair Debt Collection Practices Act: This law prohibits debt collectors from using unfair or deceptive practices to collect overdue bills that your creditor has forwarded for collection. Many times, a consumer must deal with debt collectors before the credit bureaus will respond as desired. Among some of the restrictions placed on Debt Collectors are:

- Debt collectors are allowed to contact a consumer by phone from 8am until 9pm.
- Debt collectors are not allowed to contact a consumer at his / her place of employment.
- Once a consumer has notified a debt collector in writing that he / she is refusing to pay a debt and to cease all communication, the debt collector may not contact the consumer again except to notify the consumer that legal proceedings will be taken.

- Once a consumer has been contacted by a debt collector, the debt collection company is required within 5 days to send a letter to the consumer which contains:
 1. The amount of the debt and the name of the creditor to whom the debt is owed.
 2. A statement that the consumer has 30 days after receipt of the letter to dispute the validity of the debt.
 3. A statement that the debt collector is required by law to verify the debt when asked by the consumer, and is also required to provide the consumer with the name and address of the original creditor.
 4. Once a debt collector has been asked by a consumer to verify a debt, the debt collector cannot continue to report the collection to the credit bureaus until the debt has been verified.
- When a debt collection company purchases a debt from a creditor, the debt may not be re-aged. Remember that a negative trade line may remain in a credit report for up to seven years. If a five year old debt is purchased by a debt collection company, it is illegal for the debt collection company to reset the seven year time clock on the debt.

The Equal Credit Opportunity Act: Prohibits the denial of credit because of your sex, race, marital status, religion, national origin, age, or because you receive public assistance.

The Truth in Lending Act: Requires lenders to give you written disclosures of the cost of credit and terms of repayment before you enter into a credit transaction.

The Fair Credit Billing Act: Establishes procedures for resolving billing errors on your credit card accounts.

The Fair Credit Reporting Act and the Fair Debt Collection Practices Act are the two main weapons in the consumer's arsenal. Although the FDCPA does not relate directly to the credit bureaus, it can be used when trying to remove collection accounts

appearing in a credit report. When restoring his / her credit report, a consumer does not dispute with the credit bureaus alone, but with creditors, and at times with debt collection companies as well. If you would like a complete copy of the Fair Credit Reporting Act or the Fair Debt Collection Practices Act, email N-2 Focus Solutions™ with your request and copies will be promptly return - emailed to you.

The Federal Trade Commission works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit the FTC online at <http://www.ftc.gov> or call the Federal Trade Commission toll-free at 1-877-382-4357.

Ten Myths That The Credit Bureaus Want You To Believe

- Credit Bureaus are empowered with some kind of governmental authority. **False.** Credit bureaus have no legislative authority at all but are simply private companies in the business of selling credit information.
- The credit bureaus are required by law to keep derogatory items in your credit report for 7 to 10 years. **False.** There is no law that requires the credit bureaus to report anything on you at all. Just the opposite is true! Credit bureaus are required by law to automatically remove all derogatory items older than 7 years, inquiries older than 2 years, and bankruptcies older than 10 years.
- It is impossible to have a bankruptcy or a repossession removed from a credit file. **False.** Bankruptcies and repossessions come off just like any other derogatory that is incorrectly reported, obsolete, erroneous, misleading, incomplete, or that cannot be verified. Remember that the nature of an item has nothing to do with its removal under the Fair Credit Reporting Act.
- The information on your credit report cannot be changed. **False.** The opposite is true under the Fair Credit Reporting Act. The federal and various state laws REQUIRE that items be removed if they are not 100% accurate or cannot be verified in a timely manner.
- It is illegal or dishonest to have the information on your credit report altered or removed. **False.** Not only is it not illegal or dishonest, but it is what the Fair Credit Reporting Act is all about. It was enacted by Congress for the very purpose of protecting consumers from the unwarranted intrusion of the credit bureaus into our lives.
- Paying a past due debt removes it from your credit report. **False.** Just because you pay an old debt does not change or erase the fact that at one time you were not paying on it as you agreed. Can this record be changed? Absolutely!
- Inquiries are not derogatory and will not affect your credit standing. **False.** Anything that erodes your financial credibility is damaging to your credit standing. In the case of inquiries, one or two is not too bad, but any more than that and the inquiries begin to tell a story of their own. Any prospective credit grantor will look at your credit report and think that you are desperate for credit.

- Credit bureaus go to great lengths to make sure that the information in a credit report is verified and accurate before it is reported. **False.** The credit bureaus accept whatever their subscribers report as true without verifying or documenting anything. In fact, the credit bureaus will not do a thing until you notify them of the mistake and then they demand that you prove your innocence before acting.
- If you get a derogatory item removed, it will just come back. **False.** Not if it is removed legally. When it is removed with cause under the Fair Credit reporting Act, it cannot legally be placed back into your credit file. The same law that required its removal prohibits it from being reinserted. The credit bureaus have cleverly spread this myth through the news media and government agencies. The truth is, credit bureaus will often temporarily delete a negative listing if they haven't heard from the credit grantor after approximately thirty days. If the credit grantor reports late, say after six weeks, and then verifies the negative listing, the credit bureau will often reinsert the negative listing on the credit report. This is commonly known as a "soft delete". Usually however, the creditor simply fails to respond and the negative listing is permanently deleted.
- The past equals the future. **False.** This is the biggest myth of all. The concept that once bad, always bad, or at least for 7 - 10 years, is totally false. Anybody can run into hard times or an emergency situation now and then, but that doesn't automatically mean that they are a poor credit risk for a magical 7 – 10 years. The simple truth is, no credit report can predict the future. Any credit report can be improved if the consumer is committed to doing so.

Why Your Credit Score Is So Important

Your credit score summarizes your credit risk based on a snapshot of your credit standing at a particular point in time. It isn't so much a grade, it's more like a grade point average. Think of it as an overall assessment of your financial responsibility, one that influences the amount of credit available to you and the conditions of the credit or loan.

People often confuse credit report with credit score. A credit report is an objective history of who you've been as a borrower. It passes no judgment. The credit score is a subjective evaluation of that history. Whether it's a credit card, car loan, or mortgage, lenders want to know your level of risk, and how likely it is they will get paid on time.

The terms "credit score," "credit rating," and "FICO score" are often used interchangeably. FICO simply refers to Fair Isaac Corporation, the company that originally developed a scoring method for rating consumers' credit histories. It compresses the entire borrowing and repayment history of your life into a single number that will be used by lenders to predict the likelihood of you repaying a loan.

Although lenders use different factors to rate your overall credit worthiness, it basically comes down to whether you pay -- and pay on time -- and whether creditors have reason to believe you might be over-extending yourself. The more responsible you are with credit, the higher your score will be. Factors not considered when calculating your credit score are income, whether or not you own a home or a vehicle, bank account balances, or employment. The scoring model only evaluates how you use the money that you have. The factors that do determine your credit score and the percentage of your score that they account for are:

- **Payment History = 35%.** Are you paying your bills as agreed? The most recent six months has the greatest impact on your score. The highest weight is placed on the highest payment. Usually, this is your mortgage, next would be a car payment, followed by student loan or credit card payments. Bankruptcies, judgments, liens, and collections/charge-offs will negatively impact your score, as will late payments. FYI: The severity of the delinquency is determined by the amount, how much time has passed, and the number of times you were late on an account. It could be 30, 60, or 90 days late.
- **Utilization = 30%.** This is the actual dollar amounts you owe on various accounts in relation to how much credit you have available. This is made up mainly of credit cards, gas cards, and department store charge cards. You want

to keep this ratio as low as possible. Keep in mind that mortgages and installment loans are not factored into your utilization percentage because they do not represent a line of credit. A good rule of thumb is to keep your ratio between credit card balances and credit card limits at below 50%. If you can keep your ratio at 28% or less that's great, while 19% or less is golden.

- **Credit History = 15%.** How long have you been credit worthy? If you have a long history of making payments as agreed, it will help your credit score. But this can also hurt older people. By closing old accounts, you are removing all those years of payment history from the credit-scoring model, which is why experts urge you keep accounts you've managed efficiently open. FYI: One thing lenders had done in the past with younger borrowers is to have the parents add the child as an "authorized user" on to a credit card account they have had for 20 years. This immediately upped the credit score of the child because he / she had "inherited" a long credit history. However, within the past year, credit bureaus began ignoring any "authorized user" accounts when calculating a consumer's credit score.
- **Mix of Accounts = 10%.** Ideally, potential lenders like to see that you have been extended different types of credit like a mortgage, an auto loan, and three to five credit cards. For a borrower, if you have a Home Equity Line of Credit (HELOC), it will be treated as a revolving account unless it is greater than \$40,000. If it is greater than \$40,000, it will be considered a mortgage.
- **Inquiries = 10%.** Each inquiry will take points off of your score. Multiple inquiries for a mortgage within the same 45 days will only count as one inquiry (the fact that you're "shopping around" is a given). Likewise, multiple inquiries for a car loan within 45 days will count as only one inquiry. Only the first 10 inquiries count each year. Inquiries for a job, insurance or utilities, an account review, a promotion (pre-approval offers in the mail), or your own personal review (when you check your own credit report) won't affect your credit score.

Two factors that will damage your credit score more than anything else are making late payments and carrying a high debt to available credit ratio. According to the Gallant Group, a diversified investment and finance firm who conducted a study on the subject:

- ***One 30 day late payment*** can damage your credit score by 50 points or more.

- **One 60 or 90 day late payment** or a **30-day late payment on multiple accounts** can drop your credit score by 100 points or more.
- **One 90 day late payment in the past 12 months** in a credit report is grounds for an automatic rejection on a mortgage application.
- **Balances more than 40% of your credit limit** affects your credit score by as much as 100 points.
- **Having multiple credit cards maxed out** or approaching maximum balances will lower your credit score by 80 points or more.

So – why is your credit score so important? Simply put, a good credit score opens doors while a bad credit score slams those same doors shut. Your credit score is a three-digit number that has a huge impact in the quality of your life. A bad credit score can cost you hundreds of thousands of dollars over the course of your lifetime. Two examples that will illustrate this involve a couple of major purchases that most Americans will make in their lifetimes – that of a vehicle and of a home.

On the purchase of a \$25,000 vehicle financed for 3 years:

Your Credit Score	Your Interest Rate	Monthly Payment
720 – 850	6.03%	\$761
690 – 719	7.59%	\$779
660 – 689	9.00%	\$795
620 – 659	11.74%	\$827
590 – 619	15.49%	\$873
500 – 589	16.16%	\$881

In this example, raising your credit score from 590 to 720 would save **\$4320** in interest payments on an automobile loan in **only 3 years**.

**On the purchase of a \$150,000 home
financed on a 30 year fixed note:**

Your Credit Score	Your Interest Rate	Monthly Payment
720 – 850	5.56%	\$858
690 – 719	5.69%	\$869
660 – 689	6.23%	\$921
620 – 659	7.38%	\$1036
590 – 619	8.53%	\$1157
500 – 589	9.29%	\$1238

In this example, raising your credit score from 619 to 689 would lower your monthly payments \$236 per month and save **\$84,960** in interest payments over the course of a thirty year home loan.

Think about this – if you were to take that \$236 a month, and put it into an investment account, in 30 years you'd own a home that would be worth somewhere in the neighborhood of \$500,000 (based on the historical performance of the real estate markets) and you'd have an investment account worth around \$250,000 (based on the historical performance of the investment markets). Now you can begin to see the impact that restoring your credit report and raising your credit score can have in the quality of your life.

Strategies To Avoid Point Loss With Inquiries

Each time you apply for credit, a credit inquiry is initiated, which in turn can lower your credit score by as much as 5 points. If you are then turned down for credit, you might even try another credit source, thus initiating still another credit inquiry. The problem is that now, you have an even lower credit score because the prior credit inquiry reduced your score before this current credit inquiry was even initiated. You can avoid this counterproductive effort of reducing your credit score through needless credit inquiries by following some simple steps before the credit inquiry is even a thought in the mind of the loan officer.

The challenge is that one of the criteria that can lower your credit score by as much as 5 points is a credit application made by the consumer, thus initiating a credit inquiry. The theory is a bit confusing but basically the thinking is that if you are asking for a loan, then you must need the money and ***you should be penalized for asking***, so that you don't ask multiple lenders. over and over again.

It should be noted however that inquiries made by junk mailers and such, do not affect your score since these are not consumer initiated applications. However, if you respond to one of these offers, then a credit file inquiry is made and your score will be lowered.

Many credit inquiries can be avoided by pre-planning and by following some very simple steps while asking some very basic questions. The key ingredient is to not be in a hurry. The greatest mistake people often make is believing that the first deal they run across is the only one that will be offered. Therefore they JUMP at the first opportunity that comes along.

Before you apply for any loan, get a copy of your credit report and determine if you have a credit problem such as collection accounts, bankruptcy, late payments, etc. If you have good credit with no negative comments, apply for the loan since there is no reason you will not qualify. However, if you find a problem, STOP! Take a breath. Decide what you are trying to do in concrete terms. How much do you need? What interest rate and payment schedule is acceptable? You can get a ballpark idea of what is available for price and interest rate on the Internet. But do all of this ***before*** looking for a new home, a new car, or applying for a new credit card.

Interview potential creditors before picking up a pen and never give out your social security number unless you are ready for a credit inquiry. For example, do not talk to a

car salesman. Tell the salesman you are there on another issue and then make a straight line to the credit office. Similarly, do not talk to a real estate broker until after you have been pre-qualified and have a letter to show a broker what you can and cannot do. Telephone interview credit card creditors if applying online. If there is no phone number listed online, then you probably shouldn't be dealing with them anyway.

Enter an office fully prepared to walk out. Use common sense. If you have a package established in your mind of what is acceptable to you and it is not offered, walk away from "the deal". They **must** want your business more than you want their business. This part of the process is a game which you must master. There are more car outlets, real estate brokers, and credit card offers out there and each of these companies wants your business.

Finally, if a potential lender states he needs to check your credit report, tell him that you are working to clear up some false, outdated, and incorrect information in your credit file. You have a current credit report and will be glad to email a copy to the lender directly, thus saving you an inquiry on your credit report. If you are a client working with N-2 Focus Solutions™, you can advise the lender to contact our office directly and we will handle all of this for you. Sometimes this will satisfy the lender and sometimes it won't, but it is something you should always try to do.

There's another strategy that can be used at times to protect your credit score by keeping inquiries from counting against you. We call this strategy "bumpage." To use it, you need to understand a bit more about the inquiries appearing in your credit report.

There are two types of inquiries that are show up in credit reports. When a company with a legitimate purpose checks on your credit, it's called a "hard hit". Too many hard hits showing up in your credit report will lower your credit score and give all lenders looking at your credit report the idea that you are desperate for a loan. When **you check on your own credit**, it's called a "soft hit" and soft hits have absolutely no effect on your score.

The credit bureaus only list a certain number of inquiries in a credit report. Each bureau has it's own magic number. That number is believed to be between 20 and 25. Let's say the magic number is 20 and you have 20 hard hits appearing in your credit report. If you were to pull your own credit report, one inquiry (your own) would be added to your list and an older inquiry (one of the 20 hard hits) would be bumped off. You'd be

replacing a hard hit (which counts against you) with a soft hit (which doesn't count against you). If you pulled your own credit report 20 times – well - you get the picture.

The main strategy you can use to avoid too many inquiries is shop for your major purchases (those requiring a loan) carefully and ***do all your comparison shopping during the same 45 day time frame***. The law allows that all inquiries resulting from the same credit transaction which occur while comparison shopping, will be compressed into a single inquiry. If you follow this strategy, then no matter how many “hard hits” you take during the same 45 day period while you're shopping around for the best interest rate for that car or house, only one will count against you.

“Common Sense” Strategies For Raising Your Credit Score

- Balance your check book regularly to prevent bounced checks. Too many bounced checks can have a very negative impact on your credit report. The creditors will see you as someone who can't even spend your own money responsibly, and will less likely want to lend you theirs. Bounced checks also lead to poor interest rates on the debts you already have. You can help prevent overdrafts with U.S. Bank Overdraft Protection. Ask your banker for details.
- If you own a home, consider taking out a home equity loan to pay off the balances on your credit cards. The interest is usually tax-deductible, and you'll be able to remove the credit card companies' hands from your pocket. Consult your tax advisor and bank officer regarding interest deductions.
- Do you have debt piling up in more places than you can handle? Consider transferring the balances from multiple credit cards to one new, low-interest credit card. This can help to simplify matters as well as get you a better overall rate when paying down your debt. Also, don't close your old accounts – keeping them open with little or no outstanding debt will serve to increase your utilization ratios, thus further lowering your interest rates.
- Start a savings account and commit to funding it regularly. One reason people run into credit problems is that they don't have cash on hand for everyday purchases. If you allocate 5 - 10% of each pay check to a savings account that you don't see or touch, when emergency strikes, you'll be thanking yourself for creating your own “insurance policy” in the form of a savings account. Since it is money you don't see or touch until you absolutely need it, it will be like “found money” – similar to when you found that \$20 bill in your old winter coat pocket.
- Create a budget so that you know exactly where all of your money is going. Keep daily records of everything you spend for a month and decide where you can cut. Most Americans have every good intention of being “smart with their money”, but all too many of them give in to that designer scarf or pack of AAA-grade steaks for the big game. Track your spending for a month. Be strict about where money doesn't need to be going. Do this for a month and you'll start to realize very quickly that you're much better off than you believed yourself to be.

- Have credit cards - but manage them responsibly. In general, having credit cards and instalment loans, and making timely payments will raise your credit score. Someone with no credit cards, for example, tends to be a higher risk than someone who has managed credit cards responsibly.
- Apply for, and open, new credit accounts only as needed (and if you're a client with N-2 Focus Solutions™ **only, repeat only** after checking with us first.)
- Do your rate shopping for a loan you need within a focused period of time. FICO scores distinguish between a search for a single loan and a search for many new credit lines, in part, by the length of time over which inquiries occur.
- Keep balances low on credit cards and other "revolving credit". High outstanding debt can affect a credit score.
- Pay your bills on time. Delinquent payments and collections can have a major negative impact on your FICO score.
- If you have missed payments, get current and stay current. The longer you pay your bills on time, the better your credit score will be. Once the account is current, send the creditor a "Good Will" letter in hopes that the creditor will remove the "Late Payment" notation from your credit report. If you'd to see what a "Good Will" letter looks like, simply send N-2 Focus Solutions™ an email mentioning "Good Will" letter and one will be promptly emailed back to you.
- Be aware that paying off a collection account will not remove it from your credit report. It can stay on your report for up to seven years.
- If you are having trouble making ends meet, contact your creditors or see a legitimate credit advisor. This won't improve your credit score immediately, but if you can begin to manage your credit and pay on time, your score will get better over time. Remember, if you're in a hole – stop digging.
- If you have been managing credit for a short time, don't open a lot of new accounts too rapidly. New accounts will lower your average account age, which will have a larger effect on your score if you don't have a lot of other credit information. Also, rapid account build-up can look risky if you are a new credit user.

Understanding The Dispute Process

Okay, so you've gotten a copy of your current credit report. You've studied it at length. You've made note of several incorrect items that appears in your report. Now – what do you do?

You initiate the dispute process. The first thing to understand is that you are making a serious mistake if you allow yourself to be intimidated by the credit bureaus. Not everything they do is correct or even legal. You have the right to aggressively disagree with the bureaus. In most cases, you will need to be a bit aggressive with them. The bureaus have a track record for not doing the right thing politely.

The dispute process involves you writing a dispute letter to all three credit bureaus in which you state that there are mistakes appearing in your credit file. Then you demand that these mistakes be corrected. List the specific mistakes that you've found and explain why the bureaus should correct the mistakes you've identified. Request to be notified, in writing, of the credit bureau's actions and also request that an updated copy of your credit report be sent to you. When sending dispute correspondence to the bureaus, be absolutely sure to include clear, crisp copies of your driver's license, social security card, and a copy of a current month's utility bill (gas, water, electric, or telephone) showing the same address as that appearing on your driver's license. It's critical that all of these identity documents show the same home address for you. Without the identification documentation, the bureaus will not act.

Send the letters to the bureaus via USPS and wait. The bureaus are required by law to investigate consumer disputes within 30 days of receiving the dispute correspondence. By the time your letters reach the bureaus, they complete their investigations, and get their responses back to you, the time frame for a round of disputes is about 45 days.

Remember, the FCRA states that everything contained in your credit report must be 100% accurate. You may notice items that are almost right or somewhat right but not quite right. The laws says they've got to go. Information in the report can't be obsolete or misleading. Most importantly, all information in your credit report must be **verifiable**. That is a very important word when restoring your credit file. The original creditor on a debt, must be able to document and verify that the debt is valid. It is a violation of the

law for a company to report unverifiable information to a credit bureau. Both the credit bureau and the original creditor of the debt, must be able to prove to the consumer that the debt is valid. There is nothing dishonest with demanding that the bureaus or a creditor verify a debt. In requesting verification, an individual is not denying that a debt is valid but is only demanding that the original creditor prove it.

In a court trial, the most important factor in the proceedings is not the guilt or innocence of the accused. The most important factor is ***what the prosecution can prove***. That same principle was written into the laws that protect consumers from malicious reporting of their credit histories by the credit bureaus.

With that in mind, consider this:

- Some companies only keep records for a certain amount of time and then the records are destroyed or deleted. The amount of time differs from company to company. If a consumer demands that the bureaus verify an item with the original creditor, and that original creditor has destroyed the records and can't verify that the item is valid, then that item must be deleted from the consumer's credit report. It doesn't matter whether or not the item is valid – if it can't be verified, it must be deleted.
- A collection debt, even when paid, will remain in a credit report for 7 years. Many people believe that ***paying off a collection debt will remove it from the credit report but it will not***. In fact, sometimes a collection company will re-age a debt when the debt is purchased from the original creditor. For example, you may have an old collection account from 6 years ago in your report. Sometimes a debt collection company will buy an old debt like that and re-set the 7 year time clock in order to give them that much more time to collect the debt. It also gives them leverage to use against the consumer. In this example, the negative tradeline wouldn't appear in your credit report for 7 years but would appear for 13 years unless you did something about it. Don't think this doesn't happen – it happens all the time. Let's say that you have a 2 year old collection debt that you've paid. It can remain in your report for another 5 years. It is often the case with collection companies, that once an account is settled, and the company is not going to make another penny from the account, those records will be destroyed. At that point the collection debt becomes unverifiable and must be removed. In this example it would be removed 5 years early.

- Many times, companies, when asked by the bureaus to verify older tradelines, will consider it more trouble than it's worth, particularly if the account has been closed. About 70% of the time, they won't even return the bureau's phone call or correspondence. In this example, the negative item would be deleted from the credit report.

Restoring a credit report is a lot like baseball. In baseball, every decision, every pitch, and every swing is based on percentages. They keep percentages on everything. You may have been watching a game and hear the announcer say that this batter hits 290 with runners in scoring position – or this pitcher will throw a fast ball with a 3/2 count 72% of the time – or this runner will steal safely 62% of the time. It's unbelievably precise. You need to realize when restoring your credit report that the percentages are in your favor. If you will use some of the strategies contained in this manifesto, the odds are better than even that you'll see significant improvement in your credit standing.

You've now mailed your dispute letters to the bureaus and are waiting for the responses to come in. The first round of disputes is normally the slowest, usually taking 35 – 45 days to arrive. Subsequent disputes are must faster, sometimes arriving in as little as 2-3 weeks. When the responses begin to arrive, the bureaus will respond to your demands to remove incorrect items with either a "Verified", "Updated", or "Deleted".

- "Verified" means that the bureaus claim to have contacted the original creditor who then verified that the information in the credit report is accurate.
- "Updated" means that new information was added to the file. If you were disputing a late payment appearing in your file, the bureaus may have removed the reference to the late payment and replaced it with "Paid As Agreed". Therefore your file was updated.
- "Deleted" means that a negative item was removed.

Sometimes the bureaus will respond with a request for you to re-verify your identity. Experian is bad about responding that they have determined that your letter represented a "Suspicious Request". Trans Union is bad about responding that one or more of the identity documents you supplied were illegible. These are all stall tactics. The bureaus are hoping that you will just go away and they won't have to do a thing.

You may have to file seven or eight rounds of disputes with the bureaus in order to get them to act. They may not respond at all, in which case you have grounds to send them a "Demand To Remove" letter which demands that the items identified in your initial letter be immediately deleted. If you would like to see a copy of a "Demand To Remove" letter that N-2 Focus Solutions™ uses when working with clients, please email your request to us and one will be promptly return-emailed to you. The bureaus are going to do everything they can to frustrate you and drag out the restoration process in the hopes that they will not have to change anything appearing in your file. Remember, when people have clean credit files, the bureaus lose money.

The “100 Word Statement” and Why Not To Use It

When an item is disputed with a credit bureau, the bureau, if they respond, will either decide in your favor or against you. If the bureau decides against you, you will be informed that you can contest the bureau’s findings by writing a statement of disagreement, limited to 100 words. The bureau will then enter this statement next to the item that you are disputing. The statement basically gives your side of the story and explains why you believe the item shouldn’t appear in your credit report. ***However, the 100-Word Statement is, in reality, worse than useless.***

No known creditor ***even considers*** information given in a 100-word statement. The statement ***only serves to verify some of the negative listings*** in the credit report. 100-word statements should be the first things deleted from your credit file. This is just a ploy that the bureaus use to allow the consumer to let off steam. The consumer thinks he / she is telling the world how unfair the bureau or a particular creditor is but in reality, the 100-Word Statement accomplishes absolutely nothing positive for the consumer. It’s almost like when you were a kid and a classmate would, without your knowledge, tape a sheet of paper to your back that said “Kick Me”.

Does Bankruptcy Wipe The Slate Clean?

Many bankruptcy attorneys do not adequately understand or explain the effects of bankruptcy to their clients. Stated simply, bankruptcy is to the credit rating what the nuclear bomb is to war. When you file for bankruptcy, every credit account that you decide to include in bankruptcy will become an "included in bankruptcy" account. Additionally, a bankruptcy filing and bankruptcy discharge listing will appear in the court records section of your credit report. Because so many negative items are attached to the bankruptcy, it becomes very difficult to remove all trace of the bad credit. If at all possible, you should avoid bankruptcy.

Should You Use A Credit Monitoring Service?

In today’s credit environment, it is very important to know what is in your credit file at all times. For this reason, we recommend that all of our clients use a credit monitoring service. It’s even more important when you are actively engaged in the dispute process with the bureaus. You have access to your credit file and can check on your credit scores 24/7/365. You are notified you via email when any change to your credit file or credit scores occur. Your file is also constantly monitored for any signs of identity theft which is the fastest growing crime in the United States. You can email N-2 Focus Solutions™ and we will email you a list of companies that we recommend to our clients.

Does The CCCS Help Consumers Restore Credit Files?

Consumer Credit Counseling Service or CCCS is a nonprofit debt counseling service that assists consumers who are over their heads in debt. CCCS is funded and controlled by the credit grantors and the credit bureaus. Often, CCCS provides a beneficial service to the consumer. However, because of the obvious allegiance between CCCS and the credit bureaus, you cannot reasonably expect CCCS to do anything that the credit bureaus would frown upon, such as help you restore your credit. In fact, if you decide to leave CCCS before you have finished their program, they can list your failure to complete the process as a negative listing on your credit report. When you participate in the CCCS program, your creditors will sometimes (though rarely) note it on your credit report. The fact that you resorted to a debt counseling program is a huge red flag for prospective credit grantors. Remember, paying off your debts is a step in the right direction, but it does not restore your credit.

Does Enough Good Credit Offset Bad Credit In My Credit File?

Any amount of bad credit is devastating to your chances of being approved by a credit grantor. Most credit grantors never actually look at your credit report. A computer pulls your credit report, rates your credit standing, income, indebtedness, and stability, then spits out an acceptance or denial. Even one or two slow pays will usually trigger a credit card or personal loan denial. The slightest amount of negative credit will cause the interest on an auto loan to skyrocket. You will probably find that even a little bad credit, regardless of how much good credit you have, is an unacceptable barrier to credit approval.

Why Credit Bureaus Hate Credit Restoration Companies

Simply stated - because they lose money! A person with "bad credit" has 70% more inquiries on their file than a person with "good credit". Think about that for a minute. Every time a credit file is pulled, the credit bureaus make money (somewhere between three and five dollars per report). So do they want you to fix your credit - absolutely not! Thankfully we live in a democracy where everyone is entitled to a fair defense. A courtroom would never stand for a prosecuting attorney pointing his finger at you and yelling "guilty" and then not proving his case. So why should we stand for it when credit reporting agencies do it? We agree with the lawmakers and Congress - the credit reporting agencies must back up what they report about you. The real issue here is not whether the information is accurate, but rather whether or not the reporting agency is able and willing to prove it. If your defense is properly presented, it is usually more trouble for the credit reporting agencies to verify the information on your report than it is for them to simply delete it.

Why N-2 Focus Solutions Is The Right Company For You

You're going to find that credit restoration is a lot like twirling a baton or eating with chop sticks – it looks easy until you try to do it. You can take on the job of restoring your credit report yourself if you choose to do so. In fact, the Federal Trade Commission has published a document entitled, "Credit File Rights Under State and Federal Law" that informs consumers of that very fact. If you would like to receive a copy of the document, email N-2 Focus Solutions™ and one will promptly be returned – emailed to you. So if credit restoration is something you could do yourself, why would you choose N-2 Focus Solutions™ to do it for you?

Simply put, because we have the experience, the information, the knowledge, the correspondence, the staff, the determination, the patience, and the system in place to make sure that the job gets done as quickly and as efficiently as possible.

Nine out of ten people who take on the bureaus themselves get frustrated, throw their hands up in the air, and give up before the job is completed. They run out of patience and just quit. The credit bureaus are very good at frustrating consumers to the point where the consumer just walks away. The bureaus will stall and drag out the restoration process as long as they possibly can hoping that the consumer will just go away. And when the consumer quits, the bureaus win. We've seen many cases where consumers who are unaware of how the bureaus operate, can actually cause their credit scores to go down.

For most people, it is easier, quicker, hassle-free, and, if your time is worth anything, **less expensive** to hire a professional to do the job right the first time, than it is to do it themselves. Let's say that the brakes went out on your vehicle. Even if you're not a brake specialist, given enough time, you could probably figure out how to change the brake pads. But for the vast majority of folks, it would be easier, quicker, and less expensive to hire a professional to do the job. N-2 Focus Solutions™ covers all of its' clients with **a performance based, money-back warranty**. A complete explanation of our warranty is available on our website.

If you need help restoring your credit worthiness, we believe that N-2 Focus Solutions™ is absolutely the best company you could turn to for help. We say that because we are registered with the office of the Secretary of the State of Texas as a Credit Services Organization. We're also bonded with the office of the Secretary of the State of Texas. The surety bond that we have on file, demonstrates our commitment to compliance with all State and Federal consumer protection laws that govern our business activity. It's our guarantee that we'll do everything possible to protect the rights of some of the most **important people in the world - our clients**. Copies of our Certificate of Registration and our Bond Certificate are available for viewing on our website.

The other reason to choose N-2 Focus Solutions™ is that we get results. We have the patience and persistence to see the job through to a successful conclusion. If you'll go to our website and click on the link, "Our Presentation" you can see copies of some actual credit bureau responses our clients have received.

N-2 Focus Solutions™ is committed to improving the overall credit worthiness and financial well-being of our clients by raising their credit scores and by the restoration of their credit reports.

We will locate and attempt to permanently remove every item in a Client's credit report that is deemed to be incorrect, incomplete, obsolete, misleading, or that cannot be verified.

If you have credit challenges in your life, then please log in to our website and investigate our business model, view our brief video presentation, examine our terms of service, learn about our warranty, look over our list of the most frequently asked questions, and then contact us immediately.

Left unattended, a credit report can take between two and ten years to heal itself. We can normally accomplish the same thing in 2 – 5 months. We hope to hear from you today.

David G. Clifton

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