

Do You Need Credit Repair?

By ANNA CHANG-YEN | Green Shoot Media

A higher credit score in a short period of time. It all sounds too good to be true, and of course, it probably is.

Credit challenges can be a major hurdle to homeownership, and the promise of achieving a higher score quickly can be appealing. The truth, however, is that there are no quick fixes for bad credit.

Credit repair agencies can turn out to be scams that deliver far less than they've promised. If you're tempted to pay for the services of a credit repair company, educate yourself about protections available to you under federal law.

AVOIDING SCAMS

The Internal Revenue Service warns that it takes a long time to restore one's credit with responsible borrowing and payment practices, "and claims to do it quickly may involve identity theft and other illegal practices."

In fact, the FTC claims that credit repair services that promise to remove late payments, bankruptcies and other negative reporting are almost always scams.

In 1997, the Credit Repair Organizations Act was passed to help protect consumers from such scams. The law lays out disclosures that credit repair companies must make to their customers and

requires written contracts that provide basic consumer protections. You can't be asked to pay for credit repair services in advance, and you can cancel a contract within three days of signing. It's also against the law for companies to make or ask you to make untrue or misleading statements either to credit bureaus or creditors.

Among the disclosures required by the Act is this one: "There is no right to have accurate, current and verifiable information removed from a credit report unless it is over seven years old." That means that if your report contains

accurate adverse information, the creditor can continue to report the information for seven years, and the credit bureau has no obligation to delete the entry.

In fact, many of the services provided by credit repair companies can be performed by consumers themselves at no charge.

DO IT YOURSELF

If you decide to go about repairing your credit on your own, your best bet is petitioning the credit bureaus to remove inaccurate or outdated information. Get copies of your

reports from all three major credit bureaus and scour them for anything that doesn't seem right. An account that you never opened could be listed by mistake, or a late payment from 10 years ago may still be hanging around. Those errors should be relatively easy to resolve by submitting online requests to the credit bureaus. You will be required to include proof of your claim.

THE REAL FIX

It's probably a better idea to seek the services of a reputable credit counseling service, to get help with responsible budget-

REAL ESTATE 101

Spot a Scam

The Consumer Financial Protection Bureau offers the following warning signs that a credit repair service is a scam:

- The company wants you to pay before it provides any services.
- The company recommends that you don't contact any of the nationwide credit reporting companies directly.
- The company tells you it can get rid of the negative credit information in your credit report, even if that information is accurate and current.
- The company advises you to dispute all the information in your credit report, regardless of its accuracy or timeliness.

ing and spending. Even then, the FTC warns consumers to be on the lookout for hidden fees, even with nonprofit organizations.

In the end, only good choices and discipline in financial matters can lead you down the path to better credit. "You can improve your credit report legitimately," says the FTC, "but it takes time, a conscious effort, and sticking to a personal debt repayment plan."





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THE REAL FIX

It’s probably a better idea to seek the services of a reputable credit counseling service, to get help with responsible budgeting and spending. Even then, the FTC warns consumers to be on the lookout for hidden fees, even with non-profit organizations.

In the end, only good choices and discipline in financial matters can lead you down the path to better credit. “You can improve your credit report legitimately,” says the FTC, “but it takes time, a conscious effort, and sticking to a personal debt repayment plan.”

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HOMEWISE GLOSSARY

Equal Credit Opportunity Act: A federal law that requires lenders to make credit equally available without regard to the applicant’s race, color, religion, national origin, age, sex or marital status; the fact that all or part of the applicant’s income is derived from a public assistance program; or the fact that the applicant has in good faith exercised any right under the Consumer Credit Protection Act.

SOURCE: Federal Trade Commission

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