

CHAPTER 1 - Credit Overview

WHAT IS CREDIT?

The average American has a better understanding of General Motors than he or she does about their credit rating. Credit is used every day by millions of Americans, yet most do not have the faintest idea how our credit system really works. Most people only know that they can pull out a plastic credit card and buy something that they don't have the cash to pay for.

The dictionary defines credit as financial trustworthiness. Time given for payment for goods SOLD ON TRUST!

Actually, the credit system we now use is as old as the business world itself. The trend of today that we see advertised everywhere is: "BUY NOW AND PAY LATER." It is this philosophy that has caused millions of Americans to live from payday to payday, or from payment to payment!

What do you think would happen to the grocery store customer if when payday came around he DID NOT pay his bill as promised? Well, the grocer might give him more time, but chances are the grocer would no longer extend credit to such a customer. He would no longer be allowed to purchase his groceries "ON CREDIT!"

The same situation is true for the executive if he fails to pay his obligation for the \$5,000 cash advance. His credit rating would be damaged, and that would make it very difficult for him to obtain a new credit card from American Express™ if he did not first clear up the debt that he owed.

With these examples in mind, if the grocer were stuck with a large unpaid bill, he would go around the neighborhood and tell all the other merchants that Mr. X "burned" him, and is NOT good credit risk. From that point on, none of the other merchants in town will give Mr. X any credit!

American Express™ would be faced with the very same problem. How would they inform other corporations that Mr. Executive is a poor credit risk? And how would American Express™ be able to obtain information on other clients who are applying for them for the credit for the first time?

The following pages will explain in more detail how credit is established and how you can investigate and improve your PERSONAL CREDIT REPORT. Be sure to read each sentence CAREFULLY, as your credit is your FUTURE BUYING POWER. More important, your credit is your name!

Before you go on reading this report ask yourself one good question. How much is it worth to you to have GOOD CREDIT? The answer is simple. Good credit in our society is virtually "PRICELESS!" If your credit is not good, you will be severely handicapped in almost any financial endeavor you wish to accomplish.

Throughout this handbook we will show you a simple and legal way to develop a AAA credit reputation no matter what your past credit shows this very moment. Regardless of your present credit rating, whether it reflects no credit, slow credit, or simply bad credit, or EVEN if you filed bankruptcy... YOU CAN START AGAIN! You can be one of the more fortunate individuals in the United States who holds GOOD CREDIT! You need it! You deserve it! And NOW you can have it!

HOW CREDIT REPORTING AGENCIES WORK

As credit increased throughout the country, there arose a great need to issue reports concerning those who are NOT a good credit risk as well as those who are CREDIT WORTHY! Because of this great need, credit-reporting agencies were formed several years ago. These agencies, known as credit bureaus, receive information about consumers from banks, loan companies, credit card companies, department stores, as well as from other credit and lending sources. Credit bureaus earn their profits by giving a computer printout showing a financial and credit profile of any individual (such as you or I). These reports are requested by a lender or a credit-issuing firm from which you have requested credit.

Lenders will base their acceptance or rejection of your application for credit based on the information about you in your personal credit report. If your credit report shows that you have been reliable in the past, then in most cases credit will be granted. What if your report shows that you have NOT been reliable in the past? Perhaps you have been like others in this country who have encountered circumstances beyond your control which made it IMPOSSIBLE for you to meet your credit obligations. What if your credit report shows that you defaulted on a particular account or were constantly LATE making payments? This of course can be most embarrassing, and usually leads to CREDIT DENIAL!

There are over 2,500 credit reporting agencies in the United States. These agencies sell information about you to BANKS, DEPARTMENT STORES, CREDIT CARD COMPANIES, LOAN COMPANIES, etc.

These credit bureaus keep on file information concerning you and your credit, but they do not make any final judgments as to your credit worthiness. The decision is up to the lender that you have dealt with to decide and report to the credit bureau.

When you receive a copy of your credit profile, you may find some of the following information in your report. Your occupation, place of employment, income status, residence record, marital history, court and arrest records, and most important, details on payments of your past and present bills and loans.

You have the ABSOLUTE RIGHT to know what is in your consumer credit report! Because it is YOUR personal credit file, you should want to know what information the credit bureau is giving out concerning your good name and your credit!

Most people have thought, and still think, that if they have an unfavorable credit report or history that there is NO WAY to change it, and if they want to obtain NEW CREDIT that it's impossible! DON'T BELIEVE IT! You can change your credit report for the better. You can change and correct any and all OUTDATED or INCORRECT INFORMATION that YOU choose! Remember that it's up to you! No one will do it for you! The first step in correcting information on your report is to obtain a copy of your personal

HOW TO OBTAIN A COPY OF YOUR PERSONAL CREDIT REPORT

You have already learned how this credit information has been gathered, rated and placed on file for credit reporting. You can obtain a copy of this report just like a regular consumer would - after all, it's your report.

There are many different credit reporting agencies in business today, and there is one in every community. First, this discussion will be limited for simplification, to three of the largest NATIONAL companies, Experian (formerly known as TRW), Equifax, and Trans Union. Second, the discussion will include limited information concerning contacting the LOCAL credit reporting agency in YOUR area.

To evaluate your personal credit profile, you must obtain a copy of it. You may obtain a copy of your personal credit report by writing to: Experian, Trans Union, and Equifax. Include the following information with your request:

1. Full Name
2. If married, include spouse's name
3. Your Social Security Number
4. Your present address/previous addresses within the past
5. Your date of birth
6. A check for \$8 plus your SIGNATURE on the letter

You may wish to call your LOCAL credit bureau as well. Look in your local yellow pages under Credit Reporting Agencies. Call up to find out mailing addresses and fees to obtain your report.

By the way, if you have been refused credit within the past 30 days and one of the reasons for the rejection was an "unfavorable" credit report, you have certain rights under the law.

You first have the right to know which credit reporting agency was used to obtain the report. You also have the right to CONTACT the agency and find out exactly what criteria on your report has caused the rejection You also have the right to obtain this

information FREE OF CHARGE if you have been denied credit WITHIN THE PAST 30 DAYS!

Because with almost every important financial move that you make a credit report is involved, it is very important that you be concerned with what your credit report says regarding YOU AND YOUR CREDIT!

(For more information and help please see our Credit Bureaus and pre-made Letters sections)

HOW TO CORRECT ERRORS IN YOUR PERSONAL REPORT

After you have received your personal reports, determine the status of your credit file. You should attempt to remove ALL unfavorable information using the methods outlined herein.

- **These methods are correcting incorrect information.**

Not all of your credit history is contained in either of the three firm's files. Some information may be duplicated, or not included in the other file. Your name and Social Security number are used for identification. Current and previous addresses, spouse's name, and date of birth are used for further identification. The credit information includes the merchants names, the subscriber number, credit account number, date opened, date closed, highest credit limit, highest amount of credit used, and repayment history. The last item is encoded into numbers, with a series of ones indicating perfect repayment.

The following descriptions are used to indicate payment history:

- Current Account - account open or closed in GOOD STANDING
- Inquiry - your credit information was requested by this firm or store
- Closed Account - credit account closed
- Paid Account - closed account or zero balance
- Credit Account Reinstated - previously closed account NOW Available for use
- Foreclosure - collateral sold to collect defaulted mortgage
- Collection Account - credit account assigned to collection agency

When you receive your report examine it VERY CAREFULLY. Make certain that all information is current and accurate. If you find any error (for example, a loan that you have PAID OFF is still listed as outstanding), you can take immediate action to correct the error. You must write out EXACTLY what the mistake is, and explain the way that the information SHOULD be listed. For example, "Loan XYZ is NOT outstanding. It was paid in full on 10/31/81." Send photocopies along with all pertinent information to substantiate your claim.

If you receive a computer printout of your credit file, there should be a space (Usually on the right-hand side of the report) in which you may PROTEST any item in your report that you feel is INCORRECT. After you have done this, make a photocopy, sending one copy back to the bureau by "CERTIFIED MAIL." When the credit bureau receives your report and the information in question, they are required to investigate and ADVISE YOU of the results of their investigation. There is NO CHARGE for this investigation! YOU HAVE CREDIT RIGHTS! Due to the Fair Credit Reporting Act passed in 1971!

Anytime that you are denied credit, you now have the right to know why you were turned down! If, for instance, you are turned down for a charge account at a store, you will receive a statement from the store stating that you were denied credit and their reason for the denial. If their reason has anything to do with the fact that the store used a credit-reporting agency, they must provide you with the name and address of the agency that supplied them with the report. If this should happen to you, you should make an appointment within 30 days to visit the credit agency, so that you can review your report and find out what information in it is causing you to be DENIED CREDIT. I suggest that you always VISIT the credit bureau. Men should always wear a tie and jacket, and women should dress conservatively as well. It is very important to look professional and businesslike. It is also good to bring a friend along so that they can be witness whatever is said. Do not let the representative of the credit bureau confuse, or upset you in any way. If there is ANYTHING that you do not understand, ask to have it explained again.

If there is any information in that report that is not true, or if you want to dispute any information on it, don't be afraid to do so. If the agency is wrong on any item on your credit report or file, DEMAND a correction. By law, the company MUST investigate... many bureaus will even try to make the correction "on the spot!"

If for some reason you cannot PROVE that the item is in error or if you are having a disagreement with a certain creditor, you have the RIGHT to tell your side of the story in 100 words or less! This will be ADDED to your report. Often, creditors who see that you have taken the time and effort to dispute an item in your credit file will NOT include it in credit worthiness. This can be VERY HELPFUL to you. With our new methods, this type of struggle to add validity to your credit report is almost obsolete.

Many bureau representatives will even help you word your statement. Be sure to use this rule to your ADVANTAGE!

After making any corrections on your report, you have the RIGHT to DEMAND that the credit bureau send corrected copies of your report to ALL CREDITORS who have received the incorrect reports for the LAST 6 MONTHS!

- PLEASE NOTE: The credit bureaus WILL NOT do this automatically! - ONLY WHEN ASKED! - So make sure it gets done PRONTO!

If, when looking over your report, you notice that it is missing a few POSITIVE items that you recall, you may want to invest some money to upgrade your report. Some credit bureaus will call creditors you name as FAVORABLE to you. If the information that you give turns out to be TRUE, the item will be ADDED to your report. There are small fees of \$2 to \$5 per item, but this small fee could be well worth it to you.