



Brett Bruce's

The Free Credit Repair Kit

*How to Get Out From Under
Your Bad Debt
and Make Your Way Back to
Financial Health*

www.fixitcredit.com



*Brett Bruce's
The Free Credit Repair Kit*



The Free Credit Repair Kit v2.0

Written by
Brett C. Bruce

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Unlocking the Mysteries of Credit : What is it and How Does it Affect Your Life?

If you're in the market to purchase a new home or car, you've probably become keenly aware of the effect that credit can have on every aspect of your life. Your credit history can determine what your interest rate will be on a loan, whether or not you'll get a new credit card, and whether or not you'll even get a car loan.

While it can affect so many areas of life, few people truly understand how it works. What is credit? How do you know if yours is good or bad? What can you do to change a negative history?

What is Credit?

There are many legal definitions for credit, but the bottom line is that credit means borrowing money from a lender to pay for something. You may be borrowing from a bank, a retail merchant, or a mortgage company. The person you want to borrow money from extends credit to you.

This means that they are going to let you have a product now that you will pay for later. When you borrow money, you make an agreement with the lender on how you will repay the loan.

In addition, you will usually pay a loan back with interest. This is a percentage of the original money that you borrowed that is tacked on to the loan. Adding interest charges is how a lender makes money.

Credit can be both a blessing and a curse. Most people couldn't afford to pay up front for a home that costs \$150,000. However, many can budget monthly installments to pay a mortgage. The same is true for the purchase of an automobile. Credit can also help you in an emergency. For example, when your car breaks down and you need to put your car repairs on a credit card.

For many, though, credit seems like "free money." You want a new outfit or some new sports equipment, but you don't have the cash in your bank account. It's very easy to whip out a credit card and get what you want now – but pay for it later. Unfortunately, if you consistently spend more money than you earn, you can get in over your head in debt.

While a home is usually considered a good debt, if you borrow money for a house you can't really afford, you'll be in the same boat. You can end up falling behind on payments or even foreclosing.

If you're already in the position of having bad credit, then you know how easy it is to fall into the credit trap. You may feel overwhelmed and even feel like there's no way out. What's more, it's hard to know where to turn to for help.

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Talking about problems with your finances is usually not comfortable. In fact, many people who seem to be living high on the hog are really drowning in debt – but you'd never know it by looking at them.

The Cost of Bad Credit

Having poor credit can affect many areas of your life. There are many ways that you can develop an undesirable credit history. The most obvious is to borrow money and then not pay it back. However, there are other situations that aren't so obvious that can affect your credit.

Paying money back late can damage your credit. So can having too many lines of credit open and charged to the max. Once you have bad credit, it's easy to see how it can limit your life.

You may be unable to obtain loans for a car or a home. You may not be able to get any credit cards. You may be able to get a loan or credit card, but having bad credit means that you'll have a higher interest rate than someone with a better credit history.

Poor credit can also affect your life in areas that you wouldn't expect it to. For example, your car insurance premiums may be higher because you have poor credit. You may not be able to get cable TV.

When your credit is blemished, you may have to put down large deposits in order to get your utilities turned on or get a cell phone. Even worse, your employment may be dependent on your credit. Some companies run credit checks before they hire employees. They use your credit to measure your ability to be responsible for the corporation.

As you can see, credit affects more than just your ability to borrow money – it can also affect the very basic aspects of your life. Having poor credit will actually cost you more money.

The Credit Bureaus

So, how does someone check your credit? There are actually bureaus where credit information is reported. What's confusing is that there's more than one where the information may be reported.

There are three major credit bureaus. Each of these companies takes information from lenders and adds it to your personal credit report. These bureaus operate completely independently from one another. They exist as a kind of clearinghouse for your credit information.

These credit reporting agencies don't actually make decisions about whether a loan should be extended to you, they simply provide information for lenders. The lenders then use that information to make their own decision.

Because these credit bureaus operate independently and don't share information, your credit report may not look the same for each one. That's why it's important to obtain information from all three of them when you're determining your credit history.

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In chapter two, you'll learn all about how to order your credit report and interpret the information on it. For now, it's enough to know that there are three credit bureaus: Experian, Equifax, and TransUnion.

Preventing Problems

While it's possible to repair your credit, the best thing to do would be to prevent bad credit from happening. It's important to budget your family finances so that you're not spending more than you actually earn.

It's difficult to do that when you look around at all of the things there are to buy. In this day and age, keeping up with the Jones's is getting harder and harder. However, if you don't have a budget you can end up losing it all.

In order to have good credit, you may need to put off buying some of the things you really want if they're not necessities. By putting off the instant gratification of a purchase, you may be able to have more in the long run.

Get Real About Your Credit

Are you already in credit trouble? You probably know if you are. When your credit card bills come in are you only making minimum payments? Do you find yourself not even opening bills because you already know you can't pay them?

Do you have constant late fees and over-the-limit fees on your credit card accounts? Is your mortgage or car payment past due? If you're juggling bills and constantly feeling anxious about your finances, you're probably in trouble.

The first step is to get real about your credit. You need to take a hard look at how much money you bring in each month and how much money is going out. If you've been avoiding dealing with your financial problems, you're only making it worse.

If you want financial freedom, you have to be able to look at your whole financial picture and see where the problems lie. Once you have the truth about your credit, you can work on repairing it.

You need to be prepared to spend hours and even days gathering all of your financial information. Once you know all of the details, you'll be better prepared to make payment arrangements that will get you out of debt quickly and improve your credit the most.

In the next several chapters you'll learn everything you need to know to fix your credit once and for all. From obtaining your credit reports to dealing with bill collectors, you'll find out what it takes to get out from under your debt and live a life of financial freedom and responsibility.

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It's time to stop avoiding your finances and start taking responsibility for them. You'll be surprised at the sense of relief that comes from knowing where you stand and working to improve your situation.

It may be scary to admit to yourself that you have a credit problem, but once you do and you begin taking the steps to correct it, the sense of peace you have will outweigh your current fears.

Before you move on to the next chapter, go ahead and gather as much information as you can from around the house. Get all of your bills together. Create a chart that shows every payment that you make and the amount of money you're spending in every area. From your mortgage payment to the cost of groceries, make a detailed map of your money.

Once you've created the best picture you can make, it's time to find out what the three credit bureaus have to say about your credit history. This will be a huge step in uncovering your credit problems as well as the successes you've had in building your credit.

When you have the total picture, you can then formulate a plan for reducing your debt and improving your credit. Credit is a complicated matter. It has financial bearing on your life, but it can also be a very emotional subject.

No matter what your credit report looks like or how many bills you have stacking up on the kitchen counter, you need to keep your financial situation separate from your self-worth.

Having money problems or credit problems doesn't mean that you're not a good person. Many good people run into monetary trouble. However, facing your credit problems head on will do nothing but make you feel better about your finances - and yourself.

Collection Agencies

What You Need to Know Before You Answer the Phone

Before we dig too much further into your credit reports, it's time to address collection agencies. If you're in need of credit repair, you're probably all too familiar with the letters and phone calls from these guys.

Normally when you get calls from creditors, what do you do? Do you check the caller ID and ignore it? Do you answer the phone and prepare for intimidation? Or do you know your rights and speak with confidence?

If you're like most people, you choose the first two options. However, you do have rights when it comes to collection agencies.

The Cans and Cant's of Collectors

Instead of allowing a collector to strike fear in your heart, it's better to be informed of how collectors operate and what your rights are when dealing with them. Many people feel threatened by these entities, but there's no reason to feel that way.

Many bill collectors work in such a way that you feel harassed. Fortunately, harassment by collection agencies is illegal in the United States. A law called the Fair Debt Collection Practices Act outlaws the use of harassment as a method for collecting on a bill.

There are several practices that are specifically laid out by this law and are illegal. If you have a collection agency using any of these tactics against you, you have the power to stop it.

Collectors are not allowed to contact anyone other than you to collect a debt while pretending to be a government official. If they do contact anyone to find out your location, they must identify themselves and if asked, he or she must tell the person whom they work for. He or she must not tell the person they speak with that you owe a debt.

They can't ask you to pay using post-dated checks that are dated for more than five days later – which cause you to break the law. If they do get a post-dated check that's more than five days later they must notify you in writing that they'll be depositing it.

Collection agencies love to ask for post-dated checks because they can use them against you later. They hope that your check will bounce and then they'll be able to use the threat of legal prosecution and arrest to get you to pay them.

Collectors are prohibited from sending "official" documents that threaten court actions if they aren't actually official. This means they can't send you any papers that look like official court or government documents to scare you into sending them some money.

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If a collection agency lies to you in any way, they're breaking the law. They must be completely truthful about the amount you owe. They also aren't allowed to threaten legal action such as arrest or seizing of property because they can't do these things. Unless you've given property as collateral for a loan, a credit collection agency can't threaten to seize it from you.

Finally, credit collection agencies can't use any type of obscene language, violence or the threat of violence, publish your name, or threaten to sell your debt to another party.

If you have a collection agent calling you, he or she can't use harassment by making repeated phone calls, anonymous calls, or hanging up on you.

The thing that you need to know, though, is that many collection agencies do all of these things. Why? Because few consumers know that they have rights or how to defend them.

What to Say and What Not to Say to a Collection Agency

The first thing you need to do to make sure that you can defend your rights is to know them. Now that you've completed that first step, it's time to learn how you should speak to a collection agent.

If you feel like a person from the collection agency is harassing you or otherwise doing anything illegal, you need to call them on it. Let them know that you know your rights under the Fair Debt Collection Practices Act and if they don't stop harassing you, you will prosecute.

That's often the only thing you have to do to get a collection agent to back off and start playing fair. Just make sure that you're firm, yet polite. The idea here is to keep the lines of communication open without the harassment. You want them to continue working with you to pay the debt.

If you feel like your rights are being violated even after you demand your rights, there are a few avenues you can take. You should get someone to witness the harassment by listening on the phone or recording the abuse. However, check your state's laws about recording and listening in on telephone conversations before you do this. You need to document every call that's made to you.

Once you've collected evidence about the collection agencies illegal practices, you can take that evidence and use it as ammunition. Some collection agencies will actually cancel your debt if you can prove that they're doing something illegal just to keep you quiet.

If your collection agency isn't doing anything to stop the harassment or make it up to you, you can always go back to the original creditor who sold the debt. The creditor may be embarrassed for having contracted with a collection agency that employs illegal practices and bring your debt back in-house. They'll also agree to remove negative information from your report.

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In Appendix C, you'll find a sample letter to an original creditor to complain about collection abuse. This should help you get started, but make sure you add your own personal evidence of illegal activity. Be specific so that you can get the results you want.

Finally, you can contact an attorney if you feel that you've not been able to get things handled on your own. Once you hire an attorney, the collection agency will have to deal with him or her directly and leave you alone.

Putting a Stop to Collection Agency Contacts

In some cases, you may want to stop all communication with a collection agency. You can actually write a letter asking them to cease and desist. The agency then must honor that letter under the Fair Debt Collection Practices Act.

A sample letter is provided in Appendix C. You can use it as a template to create your own personalized letter.

The Art of Negotiation

When you begin negotiating with a collection agency, there are things you need to know to come out ahead. Bill collectors want your money – they actually make commissions from what they collect.

There are some skills you need to make sure that you get the best out of your discussions with collection agency employees. These will help to ensure that you get the best deal.

Let go of guilt. You don't need to feel guilty about the current state of your finances. Be confident when you call and avoid allowing a collection agent to make you feel bad. You're not a bad person because you can't pay your bills.

Be honest. Don't promise a bill collector that you can pay an amount higher than you can afford. Only make arrangements that you're confident you can keep. It's better to be truthful up front than it is to renege on an agreement.

Document everything. If you make any kind of arrangement with a collection agency, it's imperative that you document it. You need to have plenty of evidence that you're putting effort into clearing up the situation. Take down the name of the person you're speaking with and keep careful records.

Settling Debt and Charge-Offs

Debts can sometimes be settled for less than the actual money you owe. By settling debts and charge-offs you can often have bad information removed from your credit report and have the collection agency off your back for cents on the dollar.

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For example, if you have a collection agency working to collect \$1,000 from you, you can get the debt down to as low as \$500 if you can pay the entire amount at once. This is because the collection agency has purchased the debt from the original creditor for even less than half of the original debt.

Collection agents work off of commissions for the amount they collect, so they're very willing to work with someone who is offering a large amount to settle the debt at once.

If you don't have the money up front to settle the entire amount, you can work to negotiate small payments that will actually improve your credit score until you can make the entire payment.

When you can pay the entire settlement for your debt, you need to use your ability to do so as a bargaining chip. Tell the collection agency that you'll be happy to send the entire payment overnight if they agree to delete any negative information from your credit report.

If they agree to do this, make sure to send a follow-up letter by fax confirming the agreement. Let them know that you'll send the payment as soon as they acknowledge receipt of the agreement in writing. Once they've mailed, emailed, or faxed the confirmation to you outlining their part of the bargain, you can release the payment.

Remember that collection agencies only want one thing – money. When you're offering to pay a large sum, they'll be more likely to give you what you want.

Judgments

Some creditors take legal action to sue you for the debt you owe. The amount that you're ordered to pay by a judge is called a "judgment."

Creditors tend to pursue judgments only in cases where it's worth their time. If you don't owe a large amount, it's not likely that you'll be taken to court over a debt. However, there are times when a creditor may choose to do so.

If you're required by a court to repay a debt, that debt will appear on your credit report as a judgment. Unlike other types of debt, a judgment won't be removed until you've completely paid the debt. It doesn't "fall off" like other types of credit.

Even if you've received a judgment, you may still be able to negotiate. A collection agency that's hired to collect the judgment from you may still be able to reduce the amount you have to pay. They're also willing to take very small payments if you send them in consistently and on time.

You can have a judgment removed from your credit report once it is paid. When dealing with this type of debt, the best thing to do is make an agreement about how to pay it and stick to your agreement in good faith.

In addition to the money that you originally borrow, the process of receiving a judgment can add even more costs to your debt such as legal fees, interest, and court costs.

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All in all, it's better to deal with your debt before it gets to this point. Work to make arrangements with your creditors and collection agencies. Even if you're making very small payments, it's better than having to go to court to deal with your debt.

Wage Garnishment

In some cases, creditors can have your wages garnished to collect a debt. This means that money is taken directly from your wages by your employer and sent to a third party who sends the money to your creditor.

When you've got unsecured debt such as credit cards, the only way a creditor can have your wages garnished is to sue you first. That's why so few creditors actually go this far to collect money. However, if you owe a large sum this is more likely.

The creditor actually contacts your employer to make the arrangement. Up to 25% of your wages can go to your debts, leaving the rest for your paycheck. Before wages are garnished, you'll receive a notice from your employer letting you know about it. Once your collection gets to this point, there's not much you can do about it. It's best to prevent it by negotiating directly with your creditors. Sometimes you can negotiate to make payments before they actually start garnishing your wages.

Another thing you should know is that your employer can't fire you because of your garnishments. Federal law protects you from being let go because of this. While you may be embarrassed by your predicament, it shouldn't cause you to lose your job.

Cracking the Credit Code

How to Read Your Own Credit Report

The first step in really repairing your credit is to find out where you stand. The best way to do that is to obtain your credit report from all three credit bureaus. Once you have them, you need to know how to interpret them.

Obtaining Your Credit Reports

There are three ways that you can obtain a credit report. You can send for it by mail, you can telephone for it, or you can order it online. You're entitled to one free credit report each year from all three bureaus. In order to get this type of free reports, you need to use the centralized source on the internet.

You're also entitled to a free report if you've been denied credit based on information in the report. When you're denied credit, the creditor will provide you with the name of the credit bureau or bureaus that they used and the contact information for obtaining a free report.

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If you pay for your report, you can plan to pay around \$10 for each one. Check with the specific company to determine how much they charge. You may also go through a company that allows you to get all three credit reports at a lower cost than the individual reports.

The following are the contact numbers and addresses for the three major credit bureaus. If you want to order your report by mail you can either fill out the appropriate form on the credit report website or you can send a letter. In the appendix you'll find a sample request letter.

Experian
National Consumer Assistance Center
P.O. Box 2002
Allen, TX 75013
www.experian.com
888-397-3742

Equifax
Equifax Credit Information Services, Inc.
P.O. Box 740241
Atlanta, GA 30374
www.equifax.com
888-766-0008

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TransUnion
Consumer Disclosure Center
P.O. Box 1000
Chester, PA 19022
www.transunion.com
800-888-4213

Free Annual Credit Report
Annual Credit Report Request Service
P.O. Box 105281
Atlanta, GA 30348-5281
www.annualcreditreport.com
877-322-8228

While you can request your credit report in a number of ways, many people prefer to use the online method. When you order your credit report on the Internet, you'll be able to view it and print it out immediately. When requesting a report by mail or phone it may take up to 15 days to receive your report.

The Devil is in the Details

Once you have your report in your hands or on your computer screen, you need to take the information and use it. Credit reports may seem overwhelming at first glance, but with a little help you can read yours with ease. You need to be careful to pay attention to detail on your report.

Credit reports tend to have a lot of information in a small space. It's crucial that you take in every important piece of information. The actual format of your report may vary by company and between the online and paper versions. However, the actual information on the report will be the same.

Personal Information

The first section of your credit report will simply show your personal information such as name, address, and social security number.

Negative Information

After your personal identifying information, your credit report will list information that creditors may view as negative. This includes accounts that are in collections or are close to or above the limit.

Account Information

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You'll also find the details of each of the credit accounts you have open. The information for each account includes the date it was opened, the high limit, the name of the creditor, and the terms of the account – like monthly installment payments.

Inquiries

Your credit report will also list the companies who have requested information about your credit. For example, if you apply for a mortgage the mortgage company's name will appear as having checked your credit.

Consumer Statement

Finally, your credit report will have a section where you can add information. You may want to add a statement to explain negative information, such as a case of identity theft. (This is normally a last effort and under normal circumstances should be avoiding, since the returns are minimal.)

Once you're familiar with the basic sections, you can begin to go through each account and determine whether or not the information is correct. If you're confused about any of the codes on your report, the best thing to do is contact the credit bureau directly to get the most accurate information.

What Your Report Says About You

After reading your report, you need to know what the information actually says about you to your potential creditors. There are several key things that a credit report reveals about you.

First, your report will show how much credit you have versus how much credit you're using. For example, it will identify accounts where you have reached your maximum limit. If you have a lot of accounts at the max, your credit may be adversely affected.

Your report also tells creditors whether or not you tend to make your payments as agreed. This is really important to any entity who wants to lend money to you.

The report will also reveal what type of credit you're trying to get. The inquiry section tells creditors a great deal. In general, it looks bad to have a lot of credit inquiries. It's best to only apply for credit that you really need.

When you look at the big picture, your credit report is going to give a creditor information to decide whether or not you're a safe bet. Will you be the type of person who pays on time? Or will you be someone they'll have to hunt down to get paid?

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Inaccurate vs. Accurate Information

After you have your credit report from each of the three bureaus, you need to go through it with a fine toothed comb. Make sure that every piece of information is correct. You can do this by comparing your statements with what you see on the report.

When you find inaccuracies, make a note of them. In Chapter Six you'll learn how to dispute inaccurate information on your report.

Don't be surprised if your three credit reports have different information. Your creditors determine to whom they'll report the information. They may report it to only one of the bureaus or all three of them. That's why they don't all reflect the exact same accounts.

Where Is My Score?

Many people order their credit report and expect to find their all-important credit score. However, if you're looking for that number on your report, you won't find it. You actually have to order this score separately.

There are several credit scores that will apply to you. The most commonly used is the FICO score. This score was created by the Fair Isaac company which developed it. It's used by as many as 70% of financial institutions. However, each credit bureau also has its own credit score. It's a good idea to order your credit score when you order your credit report.

The purpose of the score is to provide possible creditors with a snapshot of your creditworthiness. It gives a quick picture of where you are based on a mathematical model. You can order your score at www.myfico.com.

Most scores range between 300-850. The median score for persons in the United States is 725. If your score is above 720, you're considered to have good credit. As you can see, there's a lot of room in there between 300 and 720 where bad credit falls.

FICO Score Components and Ratios

The FICO score is made up of several components that are weighted. Below is the makeup of the score:

35% - Based on the punctuality of your payments to your past creditors.

30% - Based on the ratio of your current revolving debt such as credit cards, and the total available credit you have. This term is also called capacity used. Managing this one component correctly can make a huge difference for just about anyone.

In fact, I worked with one couple that had NEVER missed a payment in over 17 years and their credit score was only 554 (This is extremely low). I taught them this one technique and made their credit score sky rocket into the 700s within 60 days!

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15% - Based on the length of your credit history. This number will be better if you've had credit for 20 years versus a college freshman.

10% - Based on your credit inquiries and the amount of credit you've acquired recently. For example, if you just opened a new credit card account or purchased a new car, this part of your score would be affected.

This is a pretty simplistic model for your score. In fact, your FICO score is very complicated to calculate.

Reason Statements

You can also order an expanded FICO score that includes information about why you received the number you have. It provides you with reason statements that give you insight into what is causing your number to be lowered and that gives you a place to start working to bump the number up.

Because the FICO score sometimes seems arbitrary to a lay person, you may find reason statements to be a crucial addition. These will give you more of an idea of what creditors are seeing when they get your credit information.

Vantage Score

Until recently, FICO has been the only score that mattered. However, the addition of Vantage Score is taking credit scores one step further. This score is in use now for lenders, but consumers don't have access to it.

The three major credit bureaus have claimed that it will be available for consumers sometime during 2006. The new score has a range from 501 to 990. It, too, is measured using a complex formula that may be difficult for consumers to understand.

In addition to the numerical value, you'll be given a letter grade A-F. The makers of the Vantage Score claim that it will alleviate the confusion of having so many scores to choose from. However, to most consumers it probably seems like just one more thing to confuse an already confusing situation.

What this means for you is that the ability to keep your credit score high will be even tougher than it has been in the past. Until the details of how the score is calculated are released, it's hard to know exactly how Vantage score is different. One thing you can count on, though, it will make it even tougher to qualify for credit.

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Check Verification Registries

Another type of bureau that collects information about you is a check verification registry. This keeps track of your banking and checking information. Negative activities such as bounced checks and insufficient funds with your bank may be recorded by them.

There are several check registries used nationwide. However, the most commonly used are Chexsystems and Telecheck. As long as you don't have bounced checks and negative balances in your account, you'll be okay with these companies.

However, if you do have a negative balance that closes your account or you have checks that bounce, you can have a negative report placed on your report. These will stay on for five years.

The consequence of this type of bad report is the inability to get a bank account or write checks to merchants who verify them through check registries.

One of the biggest problems that people face when it comes to check registries is the incident of identity fraud. If someone else is using your checks or debit card to make purchase, your bank account may be cleaned out before you even know it.

Ask anyone who has been through this, and you'll find out that it can be a nightmare to straighten out the situation. There are steps that you can take, though. In Chapter Nine, you'll learn about what to do if your identity is stolen.

You're entitled to receive a free copy of your report from check registries annually or any time you're denied a bank account from the information on the report. It's a good idea to check your report occasionally to make sure that the information on it is accurate.

Chexsystems reports can be ordered online at www.consumerdebit.com or by calling 800-428-9623. Telecheck reports can be ordered at www.telecheck.com or by phoning 800-TELECHECK.

Your banking information is as important as your credit information when it comes to your life. Bounced checks and problem with identity theft in this area are likely to lead to legal problems that you don't have with credit card companies. Check to make sure your check report is correct at least once a year – even if you don't suspect a problem. It's free and it will save you a lot of heartache down the road.

The Ins and Outs of Consumer Credit Counseling Getting Help With Credit Repair

When you're in need of credit repair, you come across a lot of information about consumer credit counseling. However, you may not know what it actually is. In this chapter, we'll explore the purpose of this organization and how to use it.

The ABCs of CCC

Credit counseling has become a part of our culture. You can't turn on a television or radio program without finding an ad for this service. However, it may not be the best choice for you.

Here's how it works. You arrange an appointment with a credit counselor – either in person or on the telephone. The credit counselor works with you to create a payment arrangement. You give your payments for your credit cards directly to the counseling service and they distribute the money to your creditors. This service usually has a minimal cost, such as \$25 to set up your account and a monthly service charge that's even smaller.

What they tend not to tell you is that when you use consumer credit counseling services, that information will go on your credit report. You're also lose your ability to put more charges on the accounts that you include in your counseling program.

Your credit report will reflect that you received services from a debt counseling program for as many as seven years – similar to a bankruptcy. This can be a red flag to possible creditors in the future.

These services are nonprofit, but that doesn't mean they don't make any money. In fact, they almost always receive a percentage of the fees they collect from the creditors themselves.

While there are some definite disadvantages, there are some good aspects about it. For example, credit counselors can often arrange for creditors to stop adding interest and other service charges as long as you're making payments on time. They can also help you to get your debt completely paid within a three year time period for most people.

Other than debt management programs, consumer credit counseling offers some other valuable services. Whether or not you go for credit counseling, you can take advantage of their educational services.

You can often attend free workshops on budgeting, credit management, and other topics such as preparing to purchase a home. They even offer courses for kids on how to manage money.

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When to Ask for Help

There are times when it's a good idea to use a consumer credit counseling service. For example, if you feel like you're one step away from bankruptcy, this might be an option that will keep you from having to file.

If you're buried in over the limit fees and high interest, you may want to consider a service that can help to reduce those costs so you can pay your debt down faster. Chances are that the blemishes on your credit report from late payments and poor credit ratios will be no better than the mark of consumer credit counseling.

One way to determine how comfortable you feel about a counseling service is to just make an informational appointment. You can go over your debt and discuss payment options. During that initial meeting, you don't have any obligation to sign up for the service.

While people often run from the idea of filing for bankruptcy, consumer credit isn't always a better choice. Sure, you'll actually pay all of your debt which can help you to fulfill any moral obligations you may have. However, you won't be offered the same type of protection that you receive from a bankruptcy.

For example, if you miss only one payment a creditor may cancel your debt management plan and go right back to overcharging you.

You also lose your bargaining power with your creditors. When your accounts are suspended in the process of a debt management plan you don't have the power of being a consumer. On your own you can use your negotiating power without putting a dark mark on your credit report.

In most cases it's actually better to try to repair your own credit, but if you feel like you can't go it alone consumer credit counseling may be a better choice for you. Regardless of your reasons for choosing this method, realize that it can negatively impact your credit and isn't a decision to be made lightly.

Finding a Good CCC in Your Area

If you decide that you want to contact a consumer credit counseling service in your area, you need to make sure you find a reputable one. Some companies that advertise as nonprofit counseling services are less than honest.

You need to make sure that before you do anything to put your finances in control of someone else that you check out their reputation. Check with your local Better Business Bureau to find out if the service you're interested in has any reports filed. Avoid any company that has poor reviews.

Referrals from friends are often a good place to start. If you don't have a referral from someone else, you may want to start by checking on companies that are part of the national network.

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You can check the website for the National Foundation for Credit Counseling to find a center near you. You can search by zip code at www.debtadvice.org. The NFCS is a member organization that works to create standards for credit counseling services.

Once you choose a location, make sure to check the Better Business Bureau report for their track record. It never hurts to be as safe as possible.

Bankruptcy 101

What Is It, and When Is It Time?

The word bankruptcy brings to mind all kinds of negative feelings and understandings. You may have an idea of what it means, but not understand the reality of it. In this chapter we'll explore what it actually means to declare bankruptcy, the types of bankruptcy, how to know if it's time to declare it, and what to do after you've gone through the process.

Bankruptcy Basics

Without getting too specific, bankruptcy is a legal declaration that says you aren't solvent and your assets will be distributed among your creditors. However, bankruptcy is a lot more complicated than that basic definition.

Bankruptcy is controlled by Federal law in the United States. However, State law does affect the way it's carried out locally. For example, the determination of whether or not you're eligible to declare is found at the State level.

If you're completely overwhelmed by the amount of debt you have, bankruptcy can help to wipe the slate clean for you to start over. However, it'll stay on your credit report for as many as 10 years and will affect your ability to receive credit until that time. You need to take this decision very seriously.

When you decide that bankruptcy might be right for you, the best thing you can do is hire an attorney to assist you with the process. While you can represent yourself in bankruptcy court, it helps to have someone in your corner who knows the ropes.

Assistance from an attorney does have a price. You can spend anywhere from \$500-1000 to get legal representation, but that amount is probably much smaller than the amount of debt you actually deal with on a monthly basis.

Most bankruptcy attorneys will give you a free consultation so that you can go over your situation. He or she will then recommend which type of bankruptcy for which you're eligible and go over the process of filing paperwork and going to court.

Common Bankruptcy Chapters

Chapter 7 and Chapter 13 are the most common forms of bankruptcy for personal debt that isn't associated with a business. These two chapters have big differences in the way they're carried out.

Chapter 7

This is most often what people think of when bankruptcy comes to mind. It's also known as straight bankruptcy. In this form, the assets of the person who files are sold and the money from their sale goes to pay creditors.

However, there are many assets that are exempt – including your home and your automobile. These secured debts are protected in the bankruptcy and as long as you continue to pay the mortgage or note on them, you can keep your property.

In fact, most people who file this type of bankruptcy don't have any property that isn't exempt and as a result, they don't really lose much of anything.

At the same time, under Chapter 7 bankruptcy your unsecured debts are discharged. That means that your credit card debt is wiped out. It takes about 90 days for your debts to be discharged from the date that you file.

Chapter 13

This type of bankruptcy is very different from Chapter 7. When you file for this type of protection, you will still be responsible for making payments on your debt. Your finances are reorganized and you make payments to a trustee who distributes them to your creditors.

There are specific eligibility requirements for this form of bankruptcy. For example, you have to have a specific ratio of secured and unsecured debt and it has to fall below a specific total amount.

Once you begin making payments, your plan will last from three to five years, after which the remaining eligible debt is discharged.

Debt that Doesn't Go Away

Some types of debt won't be discharged in a bankruptcy regardless of which type you file. So, if you're thinking that bankruptcy will help you to get out from under your \$50,000 student loans, think again.

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The following is a list of debt that won't be discharged under bankruptcy laws in most cases:

- ✓ Money owed to the IRS for tax liens
- ✓ Local and state taxes
- ✓ Student loans
- ✓ Alimony payments
- ✓ Child support
- ✓ Court fees
- ✓ Condominium or co-op fees
- ✓ Any debt related to criminal court proceedings

What's New in Bankruptcy?

Because of the large numbers of people who were declaring bankruptcy, the US Congress enacted bankruptcy reform laws in 2005 making it much tougher. While most people would prefer to declare Chapter 7, it's getting more difficult to do.

People are now subject to a means test that measures their income against their expenses. If they don't fall within the appropriate range, they have to file Chapter 13 instead of Chapter 7.

Even Chapter 13 bankruptcy has gotten more difficult to file. The types of debt that can be discharged were limited forcing people to be responsible for more of their debt than previous law required.

To get the specifics of how bankruptcy law was reformed, you can go to the US Government's website at www.uscourts.gov/bankruptcycourts/resources.html. Here you can get answers to any more questions you have about the process as well.

Pros and Cons

As with anything, bankruptcy has its good points and its bad. There are many reasons why it can be helpful and other things about it that aren't desirable.

Pros

While there is some cost up front with the legal fees, bankruptcy can allow you to wipe the slate clean without having to pay all the money that you owe. It can give you a fresh start.

The stress relief alone from having your debts discharged may be worth going through the process. Instead of dealing with collection agency calls and letters, you can begin referring creditors to your attorney's office and say goodbye to screening your calls.

Bankruptcy is often the right choice for someone who's just in over their head with debt. In other words, there's no conceivable way that you could pay your debts with your current financial situation – and your situation doesn't look to be improving in the near future.

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Cons

There are a lot of cons to bankruptcy. However, you shouldn't let them discourage you too much if you really can't find another way out of your situation.

You can lose your financial freedom if you're forced to take a Chapter 13 bankruptcy. The courts will decide how much money you need to live on and your spending will be limited for the duration of the three to five years that it takes before the excess debts are discharged.

Your credit rating will definitely be affected by a bankruptcy. New laws allow this to stay on your credit report for 10 years from the time you filed. That may mean 10 years before you can qualify for low-interest loans or credit cards.

Depending on your state's laws about what is exempt, you could lose valuable property. This doesn't just mean monetary value – you could lose sentimental items.

Bankruptcy can also do a number on your self-esteem and confidence. You may feel like failure, but you need to try to separate your finances from your value as a person. Many people fall upon tough financial times – you're not alone.

Life After Bankruptcy

While a bankruptcy will be on your credit report for 10 years, you don't have to wait that long to begin rebuilding your credit.

In fact, you can begin anywhere from six to nine months after your bankruptcy becomes final. There are even steps you can take immediately to assist you with the rebuilding process.

Take the money that you were putting toward all those minimum credit card payments and put it in a savings account. The less you need to depend on borrowed money, the better.

Take this time to learn some money management skills. Most people who declare bankruptcy once end up declaring it a second time. This is because the same bad habits that led them to bankruptcy court in the first place don't automatically go away.

Go to your local community college, consumer credit counseling service, or count extension service to take free and low-cost courses on money management. The best way to ensure that you'll have good credit in the future is to get control over your spending habits.

Secured credit offers an option for people who've declared bankruptcy and aren't eligible for unsecured credit. This is a card for which you must put down a deposit as collateral against your use.

When you make payments and don't keep a balance on this type of card, you'll begin to put positive information on your credit report. Eventually, you'll become eligible for an unsecured line of credit.

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The steps you take for bankruptcy rehabilitation aren't totally unlike anyone with less than favorable credit. You'll find more information on how to earn good credit again in Chapter Eight.

Time is Your Friend

When it comes to bankruptcy, time is really your best friend. Eventually, you'll be able to rebuild your credit and the bankruptcy mark on your credit will fall off for good.

Even before the bankruptcy is removed from your credit report, you can reestablish enough credit to be able to have life's conveniences. Within two or three years, you'll begin to feel less restricted by your course of action.

The best thing you can do while you're waiting is to learn the money management skills you need to prevent having this happen again. You can learn to save money, invest money, and create a realistic budget for your household.

Instead of viewing bankruptcy as a time of failure, you can look at it as an opportunity to grow. It's vital that you separate your feelings of self-worth from your ability to pay your creditors.

Bankruptcy can give you the opportunity to start fresh and create a future of financial freedom. For many people, all it takes is learning the skills that can liberate you from the grips of the credit industry which thrives on encouraging you to live beyond your means.

Going It Alone

Solutions for Do-It-Yourself Credit Repair

So far we've gone over options such as consumer credit counseling or bankruptcy to handle your debts. However, for most people the best way to deal with debt is to do it yourself.

The FACT Act

The Fair and Accurate Credit Transactions Act is a US law that governs the way information is reported on your credit report. The goal of this act is for consumers to be treated fairly when they're applying for credit. It also allows every individual to receive a free credit report each year.

As you already know, getting a copy of your credit report is really the first step in working on the road to credit recovery. The FACT Act allows you to look at your own report and then determine where inaccuracies lie. You then have the power to dispute what's on your report.

Having your report will also give you a true picture of where your credit stands. You may have been living in denial about exactly how much debt you have, but when it's written right under your nose, it's harder to live in a dream world.

If you'd like to read the FACT Act, you can find a link to the original document in the Appendix.

Stop Spending

Before you can really delve into repairing your past credit problems, it's important to take a hard look at your current situation. You can begin to get control over your problems by looking at your spending.

Most people are spending more than they earn in the United States. That's why there are so many problems with credit. You can begin to get some control by tracking the amount you spend each month in specific areas and shaving those amounts down as much as possible.

You need to create a household budget that has categories for the things you normally buy – everything from groceries to your American Express bill. Write down every penny you spend so that you can be mindful of where your money is going.

With the money that is left over from shaving down your spending, you can put extra money towards paying down your debt. You can also put more money in your savings account to protect you from future financial emergencies and improve your ability to get bank loans.

Getting Started With Your Credit Report

The first thing you need to do when you get your credit report is go through it very carefully. Compare the information in it with your own statements. If you find any information that doesn't appear accurate, make a note of it.

Also, if you find information that is outdated, you should also make a note. Also make sure that any information about cosigners and spouses is correct. You may need to add or delete someone from specific accounts on your report. Also make sure that your personal information such as name spelling, address, and social security number are correct.

Disputing Inaccurate Information

Now that you've gone through your credit report, it's time to take action on matters that are inaccurate. There are two pathways you can choose to get the information on your report corrected.

You may want to contact the credit bureau directly. You may opt to contact your creditor instead because they're the ones who actually provide the information.

To contact your credit bureau, there are two ways you can submit an investigation request. The first is through the form provided by the credit bureau. This form usually comes with your copy of your credit report. It's also available for download on the bureau website.

You can also dispute the incorrect information directly online. This is a convenient way to do it, but it's not always the best way. It's better to have your request in writing for your own documentation purposes.

After your request is submitted, the credit bureau will have 30 days to respond to your request. This is the amount of time that a creditor has to respond to the credit bureau about your investigation as well. If the creditor doesn't respond in the appropriate amount of time, then the incorrect information must be removed. If 30 days go by without any contact from the bureau, make sure and follow up yourself.

When the bureau's investigation is over, they must provide you with a written statement of their findings. If the information is confirmed to be incorrect, it must be corrected or deleted.

You can also dispute information with your actual creditor. The best way to do this is by sending a letter. You'll find a sample letter in the appendix for this purpose.

If the credit bureau doesn't respond to your request or finds that the information is accurate, the may not correct your report. In this case, you need to file a complaint with the Federal Trade Commission. You should explain the situation and what you've done to try to resolve it.

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The FTC may not take any immediate action, but it will help them to determine if there's a problem with more than one person. At that point, they may take legal action against the credit bureau.

Below is the contact information for the FTC:

Federal Trade Commission
Credit Practices Division
Washington, DC 20580
877-382-4357
www.ftc.gov

A sample letter of complaint can also be found in the Appendix to help you get started with your own.

If you continue to be unable to get your credit report corrected, you're entitled to pursue legal action. For this you'll need to hire legal representation. This can also be a costly pursuit, so you should make sure it's worth your energy and your money before you actually file a lawsuit.

You'll need to look for a Consumer Law Attorney to handle your case. You can get some referrals from the National Association of Consumer Advocates. Their website is www.naca.net.

Adding a Personal Statement

If you have negative information on your credit report, but it's accurate, you can't have it removed legally. Instead, you can add a personal statement of 100 words or less that explains the reason for your problems.

This is a place to explain information about health problems or injuries that may have prevented you from working. You could also mention an unexpected lay off from your job.

More importantly, you need to explain what you've done to improve your finances. This is information that a potential creditor could use to make a decision. However, don't assume that this statement will help you. It may help you, but it may not. Fewer and fewer creditors are taking this information into consideration.

In the Appendix, you'll find a letter requesting the addition of a personal statement to your credit report.

Requesting Deletion of Negative Information

Occasionally, a creditor will agree to delete negative credit information in exchange for a settlement agreement. Once the debt is paid, they're willing to remove anything negative from your report and will sometimes report it as positive information.

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It's easier to ask for this if you haven't paid the debt yet, but are willing to settle in full. You can offer to settle in full as long as the creditor agrees to delete the negative information. Make sure you get confirmation in writing before you actually send a check or money order.

In the Appendix, you'll find a letter that requests deletion of information from your credit report.

Adding Positive Credit Information

While most folks tend to focus on getting negative information removed from their credit report, there may be positive information that's missing. It's just as important that you get that added on to raise your credit score.

There are several things you should think about when you're deciding what needs to be added. If you have any loans that had positive payment history, then you should get them added. Also you may want to make sure all of your current accounts are listed that have a solid history of payments made on time.

It's also a good idea to check and see if your spouse is correctly listed with an account. In some cases a joint purchase will only reflect one of your names as the buyer. You'll need to have that information corrected if necessary.

You may also want to add information about disputes you have with any debts on your credit report. In the Appendix, you'll find a letter format that you can use to have information added to your report.

Cleaning Up Your Check Registry

Just as you can dispute information on your credit report, you can dispute information with check registries. The most common bureau for check reporting is ChexSystems. This company has an address and phone number you can contact to report inaccuracies.

They, like credit bureaus, will investigate and get back with you in 30 days. The contact information for ChexSystems is:

Chex Systems, Inc.
7805 Hudson Road, Suite 100
Woodbury, MN 55125
800-428-9623

If the investigation by the credit bureau doesn't find your claim to be true, you can also add a personal statement to your report.

In the Appendix you'll find a letter requesting an investigation for your check registry.

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You can also write to the banking institution or the collector for the bounced check to request that they remove the information from your report. You'll also find a sample letter to help you with that request in the Appendix.

Credit Repair Agencies Another Way to Deal With Debts

Credit repair agencies are all over the place. They make promises to take your undesirable credit and turn it into gold. However, if something seems too good to be true, it probably is.

Credit Repair or Empty Promises

Many credit repair agencies capitalize on your desperate desire to improve your credit. They promise that they can give you a new credit identity or remove all negative information from your report. In most cases they're offering you empty promises or they're operating illegally.

Agencies that are reputable can help you to remove credit information that's incorrect or outdated. However, that's something you can do for yourself for free using the information here.

The agencies that aren't operating on the up and up use illegal tactics to remove accurate information from your report. They also work to give you a clean credit history.

One tactic that's often used is to have you apply for an Employers Identity Number. Then they'll tell you to use it instead of your Social Security number to apply for credit as well as have you use a new address. This allows you to apply for credit for a business rather than your personal credit. However, this technique is also illegal.

The same process that's used to remove inaccurate information can be used to remove accurate information by credit repair agencies. As you already know, if you dispute information on your credit report, a credit bureau will have to verify the accuracy of the information on the report within 30 days, or delete the item.

Credit repair agencies work to overwhelm the credit bureau with multiple requests. This makes it difficult for them to verify the information and causes many accurate but negative entries on your credit report to be deleted. While some things may be removed from your credit, it's a Federal crime to misrepresent information and has very grave consequences.

The basic thing that you need to remember is that if a company is promising to do something that seems to be a quick-fix, then they're probably doing something illegal or that doesn't always work.

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The Law and Credit Repair Agencies

Credit repair agencies are bound by law to provide you as the consumer with specific information. The following are your rights when dealing with the credit repair agencies:

- ✓Credit repair agencies must give you a written contract that explicitly outlines the services they'll provide as well as how much they'll charge.
- ✓Like many contracts, you have three business days to change your mind and opt out of the contract.
- ✓During the opt out period, the credit repair agency must wait to provide any services.
- ✓Before you sign any contract, or are even given one, the credit repair agency must give you a copy of the Consumer Credit File Rights under State and Federal Law. This tells you exactly what activities are legal and illegal when it comes to credit repair.
- ✓Credit repair agencies can only accept money from you when they've completed all of the services outlined on your contract.
- ✓Finally, credit repair agencies are not allowed to coerce you into changing your accurate information or provide you with a new type of credit identity.

Finding a Legitimate Credit Repair Agency

Some credit repair agencies are legitimate. These agencies do the same things you'll be instructed to do here, but they offer you some support through the process if you're nervous about doing it on your own.

Before you sign a contract with a firm and give them access to your personal information, you need to do everything possible to protect yourself.

Make sure to investigate any repair agency with your local Better Business Bureau. A simple phone call can save you from a world of problems. You should also call your state attorney general's office. When you call, you can ask if there have been any complaints filed with their office against the credit repair agency.

Beware of any firm that pressures you into doing something that you don't feel good about it. If you're encouraged to create a new credit identity or claim that accurate information is false, walk out the door.

Finally, if the credit repair agency that you meet with doesn't inform you of your legal rights or their policies, you need to find another place to go.

If you feel you've already been duped by a credit repair agency, you should contact your local state attorney general's office and file a complaint. You should also contact the Better Business Bureau to make a report.

You can also hire an attorney to take legal action against the credit repair agency. If you've paid any money to the agency to assist you, but you haven't gotten the results you expected, you may be able to sue for the money you paid.

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Filing a complaint with the Federal Trade Commission is also a good idea. They may be able to take action to stop the practices of the agency.

I have compiled some reviews of some of the credit repair companies we have used in the past and some that we recommend. You can find our current reviews here <http://www.fixitcredit.com/creditrepair>.

Your Common Sense is Your Best Defense

When it comes to working with a credit repair agency, you need to use your best judgment. Don't sign on to anything that seems too good to be true. If you feel like the company is offering you promises that will be difficult to deliver, then you're probably right.

Don't sign any contracts unless you've read them thoroughly and understand the terms. Many of the companies I recommend have no contracts. Make sure that the credit repair agency isn't going to do anything illegal on your behalf.

Any scheme that has you creating a new identification number or falsifying accurate information is illegal – and if you participate you could suffer the penalties as well.

In the end, use a credit repair agency only if you don't want to spend the time doing it on your own or you don't feel confident going it alone. A legitimate credit repair agency can't do anything for you that you can't do for yourself.

When you use common sense, you can save yourself the trouble of wasting money on a company that can't really help you. You can also read our reviews at <http://www.fixitcredit.com/creditrepair>.

Life After Bad Credit

How to Make Your Way Back to Good Standing

Once you've done everything you can to remove inaccurate information, you may be left with some negative information that's legitimate. At this point what you really need to do is work to improve the credit that you have.

There are several things you can do to slowly work to return to a good credit rating. In this chapter you'll learn how to maneuver your way back into good standing.

A Strategy for Success

You may feel like you're stuck without any kind of credit. It may be difficult for you to reserve a hotel room or rental car without it. It may also put you further away from your dream of owning a home or a new car.

However, if you have some patience, you can rebuild your credit gradually and get into position for the types of credit you need.

In the early stages of rebuilding, you shouldn't apply for too much credit. This puts negative marks on your credit.

Initially, start putting money in a savings account. When you have a nest egg of somewhere near \$1000, you'll be in a better position to apply for a loan. You'll also have a back up for emergencies.

Whatever credit accounts you do have, make sure you're able to manage them. Make your payments on time and do your best to keep the balances low. Remember that when your credit is maxed out, you lower your credit score.

If you're unable to get a traditional credit card for emergencies and reservations, you should try to get a secured credit card. By making a deposit of collateral, the bank is safe in extending you some credit.

After you've continued to make payments on time with your secured credit, you'll be able to move to an unsecured card. This will continue to increase your credit score.

The most important thing to remember is that it takes time to rebuild credit. It's much easier to ruin it than it is to build it. Have patience and be diligent and you can come back from your problems. Realize, though, that it can take up to two or three years to get into the position you desire.

Qualifying for Subprime Loans

At one time in history, bad credit meant that you couldn't get any type of loan. Now there's another option for those with blemished credit – the subprime loan. This loan is specially designed for people with less than perfect credit history.

If your FICO score is lower than 660, you'll be considered a subprime borrower. That means you won't qualify for the super low interest rates that people with a higher score will get.

There's a loan out there for just about any type of borrower. The difference between the loan you get and the loan a prime borrower gets, though, is that of cost. You'll pay a higher interest rate and end up paying more money back than someone with better credit.

Still, if you're in need of credit to purchase a home or car, this type of loan may be a good option – and could be the only alternative you have.

Think of this loan as an opportunity to improve your credit. While you're paying back the subprime loan as agreed – or even ahead of time if possible – you'll be steadily improving your credit score.

At some point, when your credit has improved a great deal, you'll be able to refinance that loan at a lower rate. So when it comes to dealing with the extra cost of a subprime loan, you may want to suffer the up front cost in order to improve your credit overall.

Loans for secured credit will be easier for you to obtain because there's less financial risk for the lender. They can always foreclose on your home or repossess your car to get some of their money.

Buying Necessities with Bad Credit

When you have poor credit, you generally have three options for big-ticket items such as furniture or computers. Paying cash, renting, or high interest loans are the most likely choices

Renting items can be expensive, but it will allow you to have things you feel you need even if you can't pay for the whole amount up front. In some cases you can get high interest loans to actually purchase items. In this case, though, you need to make sure you understand the terms of your agreement. You may have to pay a large down payment or high interest rate, which ends up costing you a lot more in the end.

Finally, paying cash up front is always an option. It's hard to get into the mindset that you can't have everything you want until you can actually pay for it, but when you have poor credit that's often the case.

Remember that you don't want to get strapped down with a payment you really can't afford – that's probably how you got into credit trouble in the first place.

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Many places have layaway programs for furniture or computers that allow you to make payments over a 90-day period. They keep the items until you've paid in full, but you don't have to come up with the money all at once.

This is a viable option for having the things you need without having the ability to get an interest free or low interest loan.

If you're sure that you'll be able to handle the monthly payment associated with buying something new, you may also want to consider asking someone to cosign for a loan. This allows you to borrow against that person's credit. In turn, they agree to pay for the loan if you don't make the payments.

This is a good option if you're very sure you can handle the payments and if you have a good relationship with someone. Remember that if you default on the loan, they'll be on the hook. Your late payments or missed payments will not only show up on your credit, it'll show up on theirs, too.

Keeping Good Credit

One thing you have to remember about rebuilding your credit is that it takes time. It will get better if you continue to do the things that keep your accounts in good standing. Eventually the accurate information that's negative will rotate off of your credit report and you'll be left with open accounts in good standing.

Unlike the promises of some credit repair agencies, there's no quick fix to your credit problems. It takes discipline, patience, and a little hard work to improve your credit. But most importantly, it takes time.

Once you've worked so hard to remove false information and to build up your score little by little, you need to focus on keeping your credit good. It may be tempting to start charging up your cards as soon as you have lower interest rates and higher limits.

However, it's important to remember the bad habits that cause you to have credit problems. Make sure that you don't apply for excess cards and that you keep the amount you charge far from the card limit.

It's always best to pay the entire card's balance each month so that you don't have interest and fees. This will also improve your credit score.

Keep using the budget that you've developed. Ask yourself, "Can I afford this?" before you buy something on a credit card. Make sure you have enough to cover necessities before you decide to purchase that big screen TV.

When It's Not Your Fault : Managing the Aftermath of Identity Theft

In this day and age of technology, identity theft is rampant. It's incredibly easy for someone to get your personal information and abuse your good credit for their own illicit purposes.

This chapter will discuss how you can prevent identity theft with some simple strategies. You'll also find out where to turn when you find yourself a victim to someone's illegal activities.

Tips for Protecting Yourself

You can't assume that your identity is safe in the age of technology. Instead, you need to implement some simple strategies that will help to prevent problems with identity theft. Thieves can use your personal information such as your social security number, driver's license, or bank account information to harm your good name. Try some of these tips to keep your identity safe.

- ✓ Always keep your credit card receipts – don't leave them behind at a store or restaurant. These often contain valuable information such as your credit card number and expiration date that can be used by someone else.
- ✓ Sign the back of your credit card. Don't wait to do this – someone else could get to it first and sign it. This makes it look like it's really their card.
- ✓ Check your credit reports from all of the bureaus every six months. This will give you a heads up if there's any unusual activity.
- ✓ Shred your documents with a cross cut shredder. This will make it difficult for anyone to put the document back together to glean your personal information.
- ✓ Don't give out personal information unless it's absolutely necessary. Never give personal information to a telemarketer or in response to a suspicious email. The newest trend in email is to send you an email that looks legitimate. Always work to verify it is legitimate and report it if it's not. If you can't tell, call the company directly and find out if they're the ones who sent it to you.
- ✓ When you order checks, don't add your driver's license or social security number printed on them. This is asking someone to steal your information.
- ✓ Don't put your home phone number on your checks. Instead, opt for your work phone number.
- ✓ Put a password on your accounts – such as your bank account and credit cards – so that no one else will be able to use them who doesn't have the password.
- ✓ Make sure that personal information is protected even inside your home. It should be kept somewhere that is locked. This way visitors or intruders to your home won't have access to it.

In general, you just need to use your common sense. Don't leave personal information where anyone can find it. Do everything in your power to protect this asset. Once your identity is stolen, it's very difficult to straighten it out.

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If It Happens to You

Despite your best efforts, you can still fall victim to identity theft and fraud. If it does happen, you need to be prepared to know what to do.

If you find, for example, that you've lost your wallet or it's been stolen, you need to take action immediately to keep the damage to a minimum. You should also contact the local authorities and file a police report.

Immediately call your credit card companies and have your cards cancelled. This will stop the immediate use of your cards. Then you need to contact each of the three credit bureaus to file a fraud alert.

By calling these companies, you can make sure that only authorized people can look at your information. You can also provide a statement for creditors that will cause them to check with you personally before extending a line of credit in your name.

A fraud alert will be kept on your file for 60-90 days. After that time you can extend it if you put your request in writing.

Continue to monitor your credit report regularly. You're always entitled to free reports if you suspect that someone has fraudulently used your identity information. Below are the phone numbers for the major bureaus where you can report fraud:

- ✓Equifax 800-525-6285
- ✓Experian 800-397-3742
- ✓TransUnion 800-680-7289

You can also have fraudulent information blocked from your credit report so that it doesn't affect your future creditor's evaluation of you. In order to have a block placed on your report, you need to provide the bureau with proof of identity and a copy of your identity theft report, such as a police report.

You must also provide them with the information that you believe is fraudulent as well as a statement that you did not initiate the fraudulent transaction. The bureau, in turn, must block the information from your credit report within four business days. If the block is rescinded or refused, the bureau must notify you in writing.

You also need to try to obtain copies of any paperwork that the thief filled out. This will help to narrow down his or her identity for the purpose of prosecution.

Finally, you need to notify any creditors of the fraudulent accounts about what has happened. Tell them that you didn't authorize the charges and that you're asking them to close the accounts and stop reporting the fraudulent information.

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Again, continue to monitor your credit reports to make sure that you don't have any fraudulent information remaining on them.

Checking Accounts

The process for checking accounts is similar to credit cards. You must immediately notify your bank that you've been a victim of identity theft. They can compare the signatures on any checks or credit slips to verify that the signature isn't yours.

Your account will need to be closed and another opened. You'll also need to file a police report as proof that there was fraud.

Your bank will have to verify that each of the checks is fraudulent and then they'll credit the money back to your account. Unfortunately, this is a process that may take several days.

One of the major problems with this type of fraud is that you have bounced checks all over town and you'll probably begin to get letters and calls from check registries. You'll need to provide them with an affidavit from your bank as well as your police report to get the fraudulent checks cleared from those registries.

In the Appendix, you'll find a sample letter for check registries indicating you've been the victim of identity theft.

There's nothing pretty about identity theft. It causes a lot of problems for you and it will be a hassle to get everything straightened out. You must be very organized with your documentation and be patient. Eventually, you'll be able to get the negative and incorrect information off of your report, but it won't happen overnight.

It's much easier to prevent thieves from stealing your identity than it is to correct the problems they create. Make sure that you do everything in your power to keep your personal information private.

Don't give any information out unless it's absolutely vital. Keep your important documents in safe place and even locked up in your home.