

Keys to Your Financial Future Step 2.4: Disputing Errors on Your Credit Report

If you have errors on your credit report, use this checklist and the example letter to dispute them. Correcting mistakes can make your credit history look better and improve your credit scores.

Status	Task
	Write a letter to the credit bureau that sent you the report.
	Provide the account number for the item you feel is not accurate.
	For each item, explain concisely why you believe it is not accurate.
	If you can, include copies of bills or statements that show you have paid them on time. Send copies only. NEVER SEND ORIGINAL DOCUMENTS.
	Provide your address and telephone number at the end of the letter so the credit bureau can contact you for more information if necessary.
	Make a copy of your letter before you send it to the credit bureau.
	Send a letter to the creditor or information provider who has misreported the information to the credit reporting agency.
	If you can, include copies of bills or statements that show you have paid them on time. Send copies only. NEVER SEND ORIGINAL DOCUMENTS.
	Attach all correspondence related to this dispute to this checklist and keep it in a safe place.

Repairing Credit

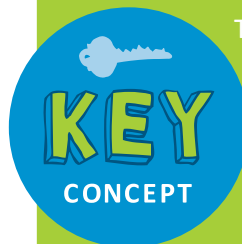
If you have problems on your credit reports, you may decide you want to fix them. Most financial experts would recommend that you do. Young people may face many obstacles as they transition from foster care to independent living. Removing poor credit as an obstacle can be a really important step.

If you do not fix problems on your credit reports, you may not be able to get credit—or the credit you can get will be very expensive. Poor credit may also keep you from getting an apartment, a job, insurance, a cell phone plan or you may have to pay a large deposit to get your utilities turned on.

Remember, a good credit history is a **productive asset**. Here are some steps to take in **repairing your credit**:

1. **Order and review your credit report.**
Get help in reviewing your credit report if you have never done it before.
2. **Identify any mistakes.** Take immediate action to correct those mistakes.
3. **If you have any payments that are late, get current.** And make sure you stay current.
4. **If you have any outstanding judgments or collection accounts you want to pay, use your budget to find ways to pay those off.**
 - ✓ Be aware of your rights when collectors are trying to collect money from you. Also understand the length of time creditors have to sue you for the money you owe. Sometimes your actions can extend the amount of time they legally have to sue you.
 - ✓ Contact creditors that you did not pay in the past using the information on your credit reports. Sometimes this means contacting a collection agency.
 - ✓ See if the company will work with you. They may be able to help you get back on track.
 - ✓ Once you have paid off an old debt or something in collection, order a credit reports. Check to make sure the payments you made are on the reports.

Statute of Limitations



There is a certain amount of time creditors have to sue you for payment on something you owe. This is called the statute of limitations. This varies from state to state because it is state law.

While there are circumstances where this may not apply, the statute of limitations in your state is listed here:

- ➔ Arizona—6 years
- ➔ California—4 years
- ➔ Colorado—6 years
- ➔ Connecticut—6 years
- ➔ Delaware—3 years
- ➔ Florida—5 years
- ➔ Georgia—6 years
- ➔ Indiana—10 years for installment loans; 6 years for open-ended accounts like credit cards
- ➔ Iowa—5 years for installment loans; 10 years for open-ended accounts like credit cards
- ➔ Maine—6 years
- ➔ Michigan—6 years
- ➔ Hawaii—6 years
- ➔ Missouri—5 years
- ➔ Nebraska—4 years
- ➔ New Mexico—4 years
- ➔ North Carolina—5 years for installment loans; 3 years for open-ended accounts like credit cards
- ➔ Rhode Island—10 years
- ➔ Tennessee—6 years
- ➔ Texas—4 years

Statute of limitations is not related to how long information can be reported on your credit reports. But be aware that your acknowledgement of a debt or even sending in payment can “restart the clock” on the statute of limitations.

www.creditinfocenter.com/rebuild/statuteLimitations

5. ***If you have balances on credit cards, use the following list to help prioritize those to pay down first.***
 - ✓ Highest rates of interest—these are costing you more.
 - ✓ Call your creditors to try to negotiate a lower rate if:
 - ✓ You have paid them regularly.
 - ✓ You have seen a lower rate advertised by them for new customers.
 - ✓ Where you have used 30% or more of your available credit.

6. ***Go over credit cards you have with no balances (charge cards, credit cards, etc.).*** If you have many and are not using them consider getting rid of some of them to avoid future problems with credit. ***If you are concerned about your credit scores, get some individual assistance reviewing your credit before closing accounts.*** Closing accounts, while good for financial management may actually make your credit scores go down. Be sure to close those accounts that you have had the shortest period of time.

7. ***Send a letter to the card issuer asking them to close those accounts you identify in the above step.*** Make sure you say ***“effective immediately”*** and cut up the card. Inactive credit accounts run the risk of being closed *by the credit card issuer*—it looks better on your credit history if the account is closed by your request rather than vice versa.

Avoid any business or any person claiming they can fix your credit. It is not true. No one can remove negative information from your credit report if the information is true. Only you can improve your credit history and your reputation with creditors through building credit and making regular monthly payments.

Who Can Repair or Build our Credit History?



Only you! But you can get guidance and support from others.

In general, avoid businesses that claim they can fix your credit for you. They will charge you money up front and then temporarily “repair” your credit by disputing everything on it. After the credit bureau investigates these disputes, all of the correct negative information will be back on your credit reports. They use other techniques, too. But none of them permanently repairs or builds your credit.

The only way to really repair your credit is to make on time payments, pay down your debt balances and pay off judgments.

The only way to build credit is to use credit responsibly. Using credit responsibly means using credit as agreed. If you are trying to build credit, it also means only using credit (loans and secured credit cards) from financial institutions that are FDIC or NCUA insured and *regularly report your payments to the credit reporting agencies.*

“Credit-repair companies can't repair credit.”

— DALE MILLER

Debt Validation

KEY CONCEPT

If you do not pay your debts, it may go to a debt collector. The original creditor will sell or assign the debt to the debt collector. Assign means the original creditor still owns the debt, but has hired a debt collector to try to get payment.

Debt collectors work in debt collection agencies or can be attorneys.

You do have rights when a debt goes to a debt collector. These rights are detailed in the Fair Debt Collections Practice Act.

One key right you have is to validate the debt. Validate means you can get proof from the debt collector that the debt is really yours.

The challenge is that you only have 30 days from when the debt collector sends you (in writing) notice of your debt. At that point, you have the right to request validation. You must make this request in writing. You can request proof that the collection agency owns or has been assigned the debt.

You can also request:

- the name and address of the original creditor,
- account statements or payment history from the original creditor as well as how they came to the balance you now owe, *and*
- copy of the original signed agreement between you and the original creditor.

Send the letter through **Certified Mail with Return Receipt**. This will give you proof you sent the letter. The return receipt will give you proof they received the letter. Be sure to hold onto this information.

They have 30 days to respond.

If they do not respond within the time frame, they cannot:

- Try to collect the debt.
- Contact you about it.
- Report it to TransUnion, Equifax or Experian.

For more information about debt collection, see www.ftc.gov or www.consumerfinance.gov.

Credit Utilization Rate

KEY CONCEPT

One thing that can make your credit scores drop is using too much of the credit you have available. This is especially true with credit cards.

If you have a credit card, you should never use more than 30% of the credit limit at any time during the billing cycle.

Figuring out your credit utilization rate is easy. Take the amount you have charged and divide it by your credit limit. As long as it is below .30 or 30%, your credit scores should not be negatively affected.

Building Credit

As a young person in foster care or just leaving foster care, you may not have a credit history. Or you may be trying to repair your credit. In either situation, you may want to consider building your credit. Building your credit is different from repairing your credit. Building your credit is about using specific products to create a positive credit history and scores.

Having good credit scores and a positive credit history is a productive asset.

Following are some strategies that can help you build credit:

Step 1: Get your credit report.

This is the same first step if you are repairing your credit, too. You may not have a credit report especially if you are not yet 18. And, even if you haven't used credit, you could have credit reports or scores—for example, if you missed cell phone plan payments, not paid medical bills, or missed rental payments for example.

Also, if you have been the victim of identity theft, you will need to address this.

Review your credit report as discussed.

Step 2: Create an alternative credit history.

Create an alternative credit history that documents your history of payment on utilities and phone bills. This can serve as alternative proof of your payment behavior and help you qualify for some credit products or other services.

Step 3: Get a secured credit card.

This is a credit card that is secured with money. Your money! The money is put in an account that is dedicated to pay the debts on the card if you do not. There is little risk for the creditor here. They have your money as security to cover the debt. And you get the chance to show that you can pay on time.

Usually, these credit cards have low credit limits so **you must be very careful to only use 30% of the available credit limit to prevent your credit scores from dropping**. If you use more than 30% of your credit limit, you run the risk of lowering your credit scores.

Therefore, if your credit limit is \$500, do not charge more than \$150 on it **at any time during a billing cycle**. Even if you pay your credit card bill in full each month (which you should try to do to avoid paying interest) try to avoid charging more than 30%.

“The surest way to establish your credit is to work yourself into the position of not needing any.”

— MAURICE SWITZER

KEY ACTIVITY

Know the 30% Limit

Calculate the maximum you should ever charge on these credit cards given their credit limits.

Credit Limit	Maximum Amount to Charge to Credit Card
\$250	
\$500	
\$600	
\$750	
\$1000	

Step 4: Get a credit builder loan.

Many banks and credit unions offer credit builder loans. These are for people without a credit file (no information on their credit reports). They are designed to help you build credit.

You will usually need to deposit the amount of money you want to borrow in an account to get this kind of loan. This deposit is security for the bank. Sometimes, banks or credit unions will allow you to deposit the loan into an account and actually use the deposit to pay back the loan. **BE SURE THE BANK OR CREDIT UNION REPORTS TO A CREDIT BUREAU.** If the bank or credit union does not report to a credit bureau, your efforts will not factor into your credit report or credit scores.

Step 5: Follow the steps to maintaining good credit.**Maintaining Good Credit**

There are no secrets to maintaining a positive credit history or good credit scores. Here is a check list:

- **Review your credit reports every year.** Be sure to print out or order your reports from all three credit reporting agencies—Equifax, TransUnion and Experian. Use the tools provided in this module to review your credit reports.
- **Correct any errors.** You are the only one who can do this for yourself once you are 18. It is your responsibility to make sure the information in your credit reports—all three of them—is accurate.
- **Pay all of your bills on time and in full every month.**
- **Never use more than 30% of your credit limit.**
- **If possible, diversify your credit.** Have a credit card and a credit building loan. This shows you can handle both kinds of credit—revolving credit and installment credit.
- **Avoid applying for too many credit cards at one time.** Every inquiry is reported on your credit report. And applying for multiple credit cards can make it look like you are looking for quick money.
- **If you are going to be late with any bill, contact your creditor immediately.** They may be willing to work with you—letting you make two small payments within a billing cycle or letting you pay interest only for one month.