

DIY Credit Repair Guide

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About this eBook

This eBook is the personal cheat code to accelerate financial literacy. We focus on getting our students accelerated results to their personal financial goals while preparing and developing them to grow their funding from personal credit.

Upon completion of this class you will:

- Know exactly how to clean a credit report and build a 750 credit score.
- How to acquire high limit credit cards and hide this utilization.
- Gain free travel and create a new stream of income.
- Know how to leverage credit to scale your business.

Introduction to Credit

Before we dive into the complexities of credit repair, it is wise we understand the basics of credit. Credit is the ability to obtain goods or services before making the full payment, based on the trust the payment will be made in the future. In this eBook, we will be going through the step-by- step process to understanding and improving your credit.

Credit scores are used to determine your risk factor for future loans. The three-digit score is a numerical representation which indicates how risky a borrower you are from a lender's perspective. A higher credit score can help improve the terms and conditions you qualify for. For example, your credit scores impact the deals and interest you will receive when you buy a home, finance a car, rent an apartment, apply for a job, buy insurance, purchase a cell phone, or open a new credit card. The first step to credit repair is understanding how credit reporting works.

How Credit Reporting Works

Three entities make up the credit reporting system: consumers, credit bureaus, and financial companies.

1. **Consumers:** A person or corporation who purchases goods and services for personal or business purposes.
2. **Credit Bureaus:** Information about your credit cards, loan accounts and credit inquiries is reported electronically through TransUnion, Equifax, and Experian by lenders and creditors about every 30 days.
 - These bureaus collect and store your credit information in your profile for future reference.
 - Your behaviors can be reviewed in the future by others to determine your risk level.
 - A personal credit score can range between 300 to 850. A credit score of 700 or above is generally considered as good.
 - A score of 800 or above on the same range is considered to be excellent. Most credit scores fall between 600 and 750.
 - Higher scores represent better credit decisions and can make creditors more confident that you will repay your future debts as agreed.
 - Businesses such as auto loan lenders, banks, credit card companies and insurance agencies use your credit data from the credit bureaus to determine your risk level.
 - Once they have an idea of how risky it is to lend you money, they can determine the rates you'll have to pay or other terms and conditions.
 - They may also use this information to send you pre-approved offers in the mail.
3. **Financial Companies:** A company concerned primarily with providing money, as for short-term loans.
 - Finance companies are commonly referred to as “lenders of last resort.”
 - Their rates and terms are not as favorable as those offered by banks and credit unions so higher risk consumers tend to depend on them for their credit needs.
 - Having a finance company account on your credit report could cost you points.
4. Credit Reporting works like this:
 - **Step 1:** Credit scores are used by lenders to make decisions about whether or not to offer you credit.

- **Step 2:** When creditors and lenders check your credit, they'll very likely do so with one of the major Credit Reporting Agencies, TransUnion, Equifax, and Experian.
 - These three agencies retain information on more than 200 million Americans.
 - The data the bureaus have in your credit files is used to calculate your credit scores. Your credit scores are determined by five major factors:
 - Payment History
 - Debt Usage
 - Age of Credit Accounts
 - Types of Accounts
 - Number of Inquiries

Payment History

1. Your payment history is a record of on-time, late and missed payments on past and current credit accounts. These accounts can include credit cards, lines of credit, personal loans and mortgages. Your payment history indicates to a potential lender the likelihood of you successfully repaying your debt — or going into default.
2. It also factors into a significant percentage of your credit score. Though exactly how much it contributes is not clear — scoring models like to keep their algorithms close to the vest. FICO®, however, claims that 35% of your FICO® Score comes from the behaviors revealed by your payment history.
3. Payments made far after their due dates ultimately weigh more heavily on your score. This is because negative scores tend to increase the longer it takes you to repay your obligations.
4. However, a payment history that is free of late payments does not guarantee a high score. Neither will a handful of late payments dramatically decrease your score if the rest of your financial history is stellar.
5. Credit bureaus consider several factors in computing your credit score, often using a proprietary algorithm.

Debt Usage

Credit cards provide the ability to build a credit record and receive a credit score. When you use credit cards responsibly, you have access to additional funds in an emergency, you can finance large purchases that might take a few months to pay off, you can earn points or cash- back rewards on your monthly spending, and in some cases, you have access to services such as roadside assistance, travel plan assistance, upscale airport lounges, and concierge help while traveling.

If you have a high credit utilization on your cards, you may find yourself with a lower FICO® score on your credit report, a more difficult time making larger monthly payments, and potentially higher interest rate on your cards if you make any payments late. Credit utilization has a big influence on your credit score, so you should know what it is and how you can manage in order to attain the best credit rating and all benefits which come with it. Credit utilization is the ratio of your outstanding credit card balances to your credit card limits. It measures the amount of credit limit you are using. For example, if your balance is \$300.00 and your credit limit is \$1,000.00, then your credit utilization for that credit card is 30%.

1. Age of Credit Accounts

"Length of credit history" category of FICO® makes up about 15% of your credit score: Average age of accounts equals the total months of all of the accounts on your credit report from the open dates to the present, divided by the number of accounts. While 15% of your score doesn't sound like much, especially when compared to the "payment history" and "amounts owed". A longer credit history could help your credit score.

2. Types of Accounts

Revolving Accounts

Revolving accounts are those that have a different payment each month depending on your current balance. These are accounts that you are not required to pay in full each month. You have the option to "revolve" some or all of the balance to the following month. Lenders charge you interest on the amount you revolve and this is how they make money. Some examples of revolving accounts are:

- **Credit Cards Issued by a Bank or a Credit Union:** These are accounts backed by a major payment network. These accounts are extremely common because almost all banks and credit unions are able to issue them to their customers.
- **Credit Cards Issued by a Retail Store:** These are accounts that are issued by the stores where you like to shop. Some examples are Macy's Credit Card, Target RedCard, Pep Boys Credit Card and a Dillard's Card. There are hundreds of other examples. Most of us have several of these types of cards, too.
- **Credit Cards Issued by an Oil Company:** These are accounts that are issued by a petroleum company. Some examples are Techron (Texaco and Chevron) Advantage Card, Exxon-Mobil Smart Card, Shell Card and BP Credit Card.
- **Home Equity Lines of Credit:** Also known as a HELOC, these are loans that allow you to tap into the equity of your home. These loans are generally easy to obtain from most reputable banks and credit unions. These accounts are very common in part because the interest is tax-deductible in most cases. Check with your tax adviser to see if your account qualifies for a tax deduction.

Installment Accounts

Installment accounts are those which have a fixed payment for a fixed period of time. As with revolving accounts, you are not required to pay them in full each month. You are allowed to make a payment which will be the same every month until the loan is paid in full. Lenders charge you an annual percentage rate (also known as an APR) and this is how they make money. Some examples of installment accounts include:

- **Auto Loans:** Auto loans are issued by either a bank, a credit union or by a company that specializes in automobile lending.
- **Mortgage Loans:** Mortgage loans are issued by either a bank, a credit union or a company that specializes in mortgage lending.
- **Student Loans:** These loans are used to pay for academic related expenses such as tuition, room and board.
- **Home Equity Loans:** A home equity loan is a fixed amount of money that you borrow. Once you take that loan out, your payment is fixed for the duration of the payback period. A home equity line of credit, conversely, gives you the flexibility of taking out some of or the entire approved amount.
- **Signature Loans:** Signature loans are just what they sound like. You walk into a bank or credit union and tell them you want to borrow some money and sign a guarantee to pay it back.
- **Credit Builder Loans:** Credit builder loans are offered by some financial institutions. You put some money down in a savings account, and pay yourself back. Once it's paid back, you gain access to the savings that you put in.

Open Accounts (10+)

Open accounts are probably the least common of the three account types we will profile. Also referred to as “open credit,” these are a hybrid of installment and revolving credit. The payment is not the same each month and it's usually due in full at the end of each billing cycle. The consumer satisfies financial responsibility for the account when the bill is paid in full each month. This cycle can go on as long as the consumer has an account with the service provider.

An account with a utility company is one example of open credit. A customer with an account for gas or electric service. Doesn't know what their payment will be each month. As you can imagine, electric bills can vary a lot from month to month depending upon the seasons and air conditioner / heater usage, and the customer is responsible for making this varying payment each month.

Most utilities, cellular service, and some gas station cards are other examples of open credit. But perhaps the most widely known example of an open account is a charge card. Charge cards look and act like credit cards, but with one key difference: You're expected to pay that balance off in full by the end of the month.

3. Number of Inquiries (2 to 3)

Credit inquiries are requests by a "legitimate business" to check your credit. As far as your FICO® score is concerned, credit inquiries are classified as either "hard inquiries" or "soft inquiries" - only hard inquiries have an effect on your FICO® score. Soft inquiries are all credit inquiries where your credit is NOT being reviewed by a prospective lender. These include inquiries where you are checking your own credit (such as checking your score in myFICO), credit checks made by businesses to offer you goods or services (such as promotional offers by credit card companies), or inquiries made by businesses with whom you already have a credit account.

Hard inquiries are credit inquiries where a potential lender is reviewing your credit because you've applied for credit with them. These include credit checks when you've applied for an auto loan, mortgage or credit card. Each of these types of credit checks count as a single credit inquiry. One exception occurs when you are "rate shopping". That's a smart thing to do, and your FICO® score considers all inquiries within a 45-day period for a mortgage, an auto loan or a student loan as a single credit inquiry. This same guideline also applies to a search for a rental property such as an apartment. These inquiries are usually recorded by the credit bureau as a type of real estate-related inquiry, so the FICO® score will treat them the same way. You can avoid lowering your FICO® score by doing your apartment hunting within a short period.

Inquiries may or may not affect your FICO® score. A FICO® score takes into account only voluntary inquiries that result from your application for credit. The information about inquiries that can be factored into your FICO® score includes: Number of recently opened accounts, and proportion of accounts that are recently opened, by type of account.

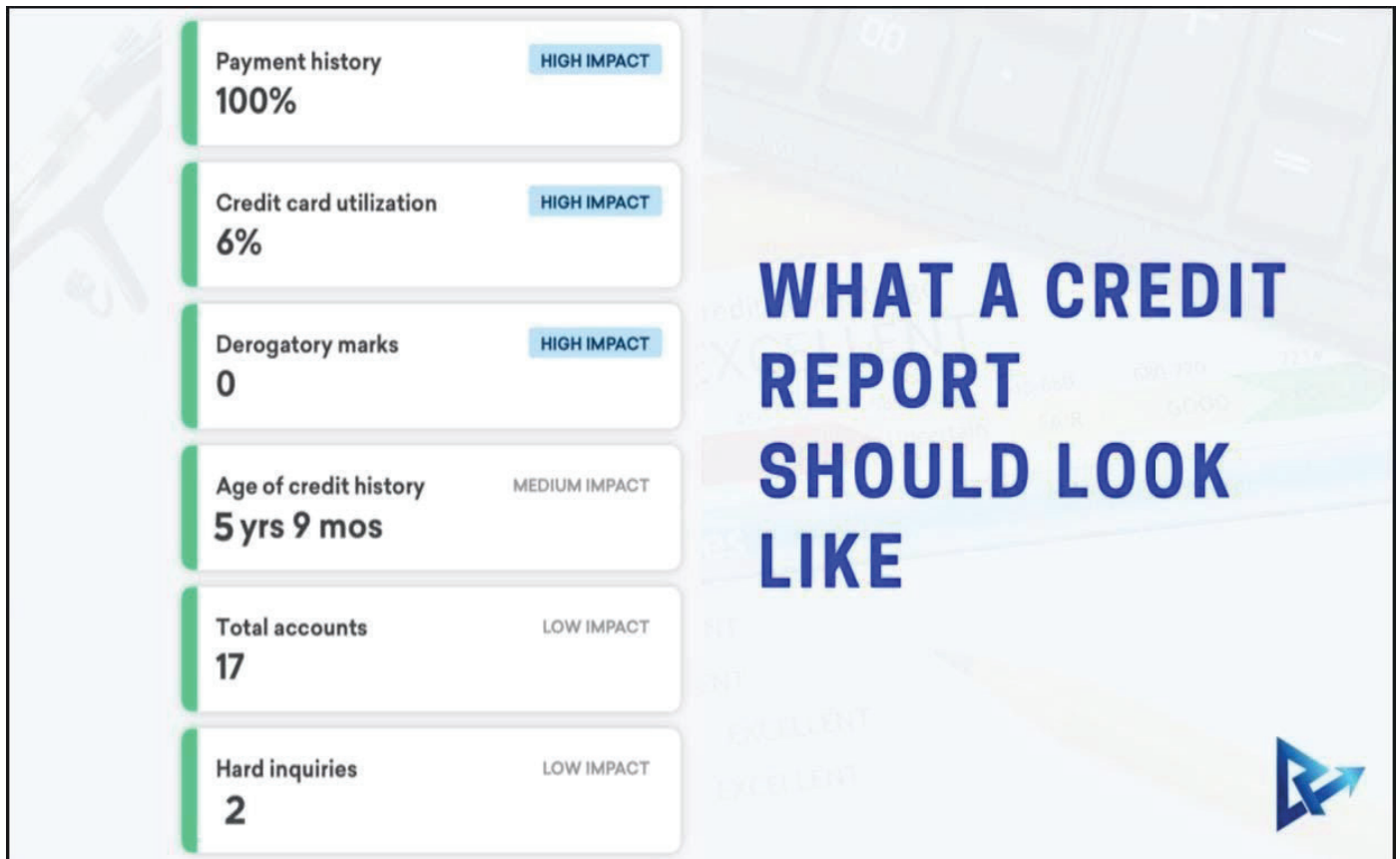
Time Since Credit Inquiries

A FICO® score does not take into account any involuntary inquiries made by businesses with whom you did not apply for credit, inquiries from employers, or your own requests to see your credit report. For many people, one additional credit inquiry (voluntary and initiated by an application for credit) may not affect their FICO® score at all. For others, one additional credit inquiry could take less than five points off their FICO® score. Inquiries can have a greater impact, however, if you have few accounts or a short credit history. Large numbers of inquiries also mean greater risk: people with six inquiries or more on their credit reports are eight times more likely to declare bankruptcy than people with no inquiries on their reports. The best way to have healthy credit is to remain responsible about the credit cards or loans you have. Making your loan payments on time each month and maintaining a good credit utilization ratio (the amount of debt you have in relation to your overall credit limit) can help you get those good sought-after scores. Using credit irresponsibly by making late payments and maxing out credit limits can have damaging effects on your credit.

The Truth

One in five people find errors in their credit report. Credit report mistakes can lead to disqualification for mortgages and car loans, as well as increased insurance premiums and interest rates. In some cases, those mistakes can even prevent you from getting a job. 78% of consumers who disputed credit report errors were successful in removing them. Now let's dive into the process of how to improve your credit score.

What a Group Credit Report Should Look Like



Chapter 1: Understanding Your Credit Report

Getting Started

1. Prep Your Credit Reports - The Staging Process
2. Remove Any Misspelled Names or Extra Names.
3. Remove Any Old Addresses.
4. Always Call Credit Bureaus to Have Personal Items Removed:
 - **Equifax:** 1-888-548-7878
 - **Experian:** 1-855-414-6048
 - **TransUnion:** 1-800-916-8800
5. Do Not Waste up to 30 Days to Prep a Report Before Filing a Dispute

The Dispute Process

1. Opt out of Secondary Credit Reporting Companies to remove their services and suppress their report so they will not report to companies on your behalf:
 - You do not want them reporting behind the scenes information while you are disputing negative accounts.
 - You do not want TransUnion, Equifax, and Experian to have information to verify your accounts.
2. When it comes to opting out of the Secondary Reporting Companies, you can use the following agencies:
 - **LexisNexis:** Use the online opt out choice:
 - *LexisNexis is the main reporting agency that holds information for bankruptcies, judgments, and tax liens.
 - **Web:** <https://optout.lexisnexis.com/>
 - **Address:** P.O. Box 933, Dayton, OH, 45401
 - **Email:** Privacy.information.mgr@lexisnexis.com
 - **Phone:** 866-490-1920
 - **Innovis:** Use the online opt out choice:
 - **Web:** <https://www.innovis.com/securityFreeze/index>
 - **Address:** P.O. Box 26, Pittsburgh, PA 15230
 - **Phone:** 800-540-2505

- **CoreLogic:** Use the online opt out choice:
 - **Web:** <https://credcofreeze.corelogic.com/>
 - **Address:** P.O. Box 105281, Atlanta, GA 30348-5281
 - **Phone:** 1-877-532-8778
- **SageStream:** Call or fax to opt out:
 - **Web:** <https://www.sagestreamllc.com/security-freeze/>
 - **Address:** SageStream, LLC Consumer Office, P.O. Box 503793, San Diego, CA 92150
 - **Fax:** 858-451-2847
 - **Phone:** 1-888-395-0277
- **ARS:** Call or mail:
 - **Web:** <https://www.ars-consumeroffice.com/securityfreeze.faces>
 - **Address:** Advanced Resolution Services, Inc. 5005 Rockside Road Suite 600, Independence, OH 44131
 - **Fax:** 216-615-7642
 - **Phone:** 1-800-392-8911
- You can use a basic dispute to challenge negative items on your credit report using the DIY credit repair template form.
 - It allows you to challenge the validity of the accounts on your credit repair.
 - You are asking the companies to verify all of the accounts on your account are valid.
- Use the custom 609 letter that we have provided to dispute negative items on your credit report.
 - I added more language from different laws which causes companies to remove more negative items from your credit report.

Disputing Information on Your Credit Report

1. STEP 1: Basic Dispute

- You include inquiries, collection accounts, closed accounts.
- You'll receive letters back notifying you if the items were removed or verified.
- Then you proceed to step 2

2. **STEP 2: The 609 Letter (The Prove It Letter)**

- The 609 letter is based on rights granted under Section 609 of the Fair Credit Reporting Act.
- Under Section 609, credit reporting agencies are required to disclose certain information to consumers who request it.
 - In addition to the required disclosure of information in your credit file, Section 609 of the FCRA requires credit bureaus to provide a summary of your rights under the FCRA, a list of the federal agencies who enforce the FCRA, and a statement that the credit bureau is not required to remove accurate, negative information unless it is outdated or cannot be verified.

3. **STEP 3: Validation of Debt to Creditor**

- Immediately after you receive your results, whichever accounts were verified you put them in the validation of investigations letter. Send this to the creditor not credit bureaus.
- You have the right to request disclosure of information from the credit bureaus.
 - You do not have to state anything special or use certain language to exercise your right.
 - Simply write to the credit bureau and request disclosure of information under section 609 of the Fair Credit Reporting Act.
- You should always draft your own letters to the credit bureaus based on your specific credit report information.
 - As with all correspondence with credit bureaus, send your letter via certified mail so you can track the receipt of the letter and time a response from the credit bureaus.
 - The FCRA does not dictate a specific time frame for a credit bureau to respond to a disclosure request made under Section 609; 30 to 45 days is a reasonable amount of time to wait for a response.

Credit Report Dispute Companies

1. **Consumer Financial Protection Bureau (CFPB):** An agency of the United States government responsible for consumer protection in the financial sector that works for American consumers, responsible providers, and the economy as a whole.
 - To remove negative items, you can also use CFPB.gov.
 - It is more time consuming but it is very effective.

2. **Federal Trade Commission (FTC) [If there was identity theft]:** An independent agency of the United States government whose principal mission is the enforcement of civil U.S. antitrust law and the promotion of consumer protection.
 - **(Use FTC identity theft AFFIDAVIT (attached)).** You will need to file a police report and say you lost your wallet, purse etc. a few years ago (before your negative accounts were opened).
 - Then you will need to get it notarized, attach an identity theft dispute letter, attach 502 law, copy of ID, copy of a utility bill.
3. **Better Business Bureau (BBB):** A private non-profit organization with the mission to advance marketplace trust. Most creditors have an established history and rating with the BBB.
 - Contact the BBB when dealing with a company making the dispute process difficult.
 - The business will have a better chance of complying with your dispute if their rating and reputation is at stake.
 - You have a better chance of your collection being removed when coupled with a CFPB complaint.
4. **Attorney General in Collector's State:** The Fair Debt Collection Practices Act (FDCPA) makes certain behaviors unlawful for third party creditors
 - Contact the Attorney General's office in your state, to file a complaint against a creditor
 - The state Attorney General has the ability to take action against a creditor, based on the details of the complaint filed.
 - This action promotes an opportunity to invalidate your creditors during the dispute process.

Late Payments

1. If you have late payments, call the creditors first to see if they have a forgiveness program so they can remove those items from your report.
 - You have to consider that the person who answers the phone may not be the individual who can help you.
 - Make sure that you speak to at least three people at the company and request forgiveness assistance.
 - If no one is willing to assist you with your request, you should send a forgiveness letter that details the steps that you took and your financial situation.
2. The forgiveness letter may give you additional traction in your process.
 - If that does not work, use the dispute process to state that they are reporting inaccurate information on your account about missed payments.

3. You can use the dispute letters in the typical method or the two week method or the CFPB.

Special Circumstances

1. **Collection Accounts:** Make sure you freeze everything for your big accounts including any collections, repossessions, closed accounts, foreclosures.
2. **Bankruptcies, Judgments, and Tax Liens:** Freeze everything, and submit a direct 609 letter to repair your accounts.
 - The two week method has been very successful recently.
3. When people file identity theft claims, credit bureaus are notorious for wiping out all their credit inquiries.
 - Look and analyze your credit report.
4. Pull your credit from Identity IQ or go to Experian.com to pull all three credit reports.

Deletion Process

After we stage our credit report, we use the CFPB to overwrite the three credit bureaus. Here are the steps in the deletion process.

1. **Step 1:** File a basic dispute letter via certified mail.
2. **Step 2:** Provide companies with a 609 letter via certified mail.
3. **Step 3:** Provide companies with a validation to debt letter via certified mail.
 - When you go through the deletion process, always keep your letters.
 - It is illegal for credit bureaus to put negative items back on your report once it has been deemed unverified or inaccurate.
 - If they ever add it back to your credit report, file a report with CFPB to make sure that companies do not try to add those items back on your report.

Credit Bureaus Are Privately Owned Companies.

1. They are not government-owned companies, but they are government-regulated companies.
2. The Consumer Financial Protection Bureau (CFPB) regulates government companies like the credit companies.
3. You can file a dispute with the CFPB, and they remove items within 14 days with companies except Equifax which takes longer.

Two Week Method: 14-Day Deletion Method

1. Stage your credit report and then send a direct 609 letter first.
 - We do not do a challenge before sending the letter.

2. Send in a basic 609 letter backdated two weeks as the date of the dispute and do not send it certified mail so that the actual received date of the letter is not time stamped.
 - For example, if you are sending a dispute letter on the 28th to remove inquiries and negative accounts, put the 14th as the date on the letter.
3. Make sure you do not put more than ten items on your dispute letter.
 - The system sees the date that the letter was dated and registers that as the date it was received.
 - In 14 days, you send a Demand to Comply letter, which means if the collection company of the creditor has not responded, the company has to remove the item from your account.
4. Go to CFPB and file a complaint against Equifax, TransUnion, and Experian and state that the credit companies are not complying with their own policies in a timely manner.
 - You should file the complaint with the CFPB 14 days after you mail your complaint letter regular mail so that it does not allow the credit bureaus time to investigate your claims.
 - Instead of having 30 days to respond to your letter, their system will register it as having been received 14 days earlier than it actually arrived.
 - The complaint with CFPB will allow them to contact the credit bureaus to inquire why your letter is unaddressed within 30 days even though it only has been 14 days.
 - CFPB contacts those credit bureaus to show the investigation that shows that the process was not completed within 30 days.
 - CFPB requires that the credit bureaus remove the negative items from your credit report.
5. You can get about 60% to 70% of the negative items removed from the credit report with this process.

Chapter 2: Structuring Your Credit

First Steps to Structure Your Credit

1. Your payment history needs to be 100%.
2. Your credit accounts should be at least four years old.
3. Your derogatory marks should be 0.
4. The system credit bureaus use is automated. It processes dispute letters when they are scanned.
5. How do they verify the information in the dispute letters about negative collection accounts?
 - There is a computer system and database which houses the information.
6. Credit bureaus use secondary reporting agencies such as LexisNexis, SageStream, CoreLogic, and Innovis on the backend.
 - These companies house our information on the back end which verify the information the creditors send to credit bureaus.
7. You can only remove items from your credit report if they are unverified or inaccurate.

Cleaning Up Your Credit Report

1. How can we make items on our credit report unverified or inaccurate?
 - We want to look at how many names we have on our credit report.
 - If you have three misspelled names on your credit report, this means the name is misspelled by the credit bureau.
 - Make sure you call the credit bureaus to use an over-the-phone dispute about the basic spelling of your name so they will remove it.
 - You are telling the credit bureau the person on the account is not you.
 - Remove the old addresses off your old credit report unless this is the place where most of your current accounts have been opened.
 - You may need to use a different address for your credit report like a relative's address so that it does not raise red flags with the credit bureaus.
 - Only have one job on your credit report.
 - When we do apply for funding, we show that we only have one job to show stability in our work history.

Obtaining Secure Loans

1. What accounts can we add to our credit report?
 - Use smaller local banks like PNC, SunTrust, and Regions Bank and credit unions for secured loans such as auto loans.

Adding Primary Accounts

1. What other primary accounts can we put on our credit report?
 - A primary account is connected strictly to your social security number and your ability to pay the bill.
 - If you are a renter, use companies like Rent Reporters and Rental Karma to help you establish a positive rental history.
 - They backdate your rent by two years if your landlord says you have paid on time for this period of time.
 - They will open your account by five years, however, only report two years of payment history.
 - You can use two of these on your report.
 - If you have a family member who owns a home, they can report you as paying rent for two years to help you establish your good payment history using Rent Reporters and Rental Karma.

Monetizing Primary Accounts

1. You can use tradelines to help people build their credit.
 - Tradelines are lines of credit the borrower has had in good standing for at least 2 years.
 - Tradelines add you as an authorized user to help you establish your credit and boost your credit score.
 - Authorized User: A person added to an account and has rights to use the account which is not in their name.
 - Tradelines help you establish new credit, build business credit, purchase new homes, rent apartments, and lease or purchase cars.
2. This cycle can last for about three months, and you can renew it for an additional cycle which will give a person six months of positive payment history.
3. If you are a homeowner, and you have people who are looking to build their credit, you can charge them a fee to report them as having a positive payment history.
 - Charge them \$1,000.00 to tell companies like Rent Reporters and Rental Karma that they have paid their rent on time so they can establish a positive payment history.

4. Many people need this service when they are rebuilding their credit because they do not have a positive rental history.
 - They may have been late on their rental payments in the past. They do not want their landlord to report their late payments which will lower their credit score.
5. If you have a three bedroom rental property, you can use this process for three people who are renting a room for you.
 - You can collect \$1,000.00 to \$1,500.00 from each person so they can buy a primary and report their payment history to these rental verification companies even though they do not live at the address physically.
6. The credit score of the homeowner is not important to the companies. They only want to verify the individual made on-time payments to you to live at the address they provided.
7. Everything we do to build our credit turns into something we can use to make money and become a service.

Self-Lenders

1. Self-lender reports payments like you have a loan from them. They are like a savings account program which helps you build your credit history.
2. You are making payments each month in which they give you back at the end of your agreement. You pay \$50.00 to \$70.00 per month for them to report to your credit report that you pay on time each month.
3. It takes 14-days for Rent Reporters or Rental Karma to report your payment history to your credit report.

Age of Tradelines

1. You can purchase tradelines which have balances under 5% utilization and over five years old. The age of your tradelines shows a longer payment history and makes you appear as a lower risk to credit agencies.
2. Tradeline accounts should have low balances as to not increase your debt-to-income ratio on your credit report.