PROSPERITY PARTNERS'
Credit Manual

By Netiva Heard

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ABOUT YOUR MANUAL

Welcome to Credit Makes $ense: Prosperity Partners! I am super excited to present this informative manual so that you can further embark on your journey of Soaring Your Credit Scores 😊.

My Prosperity Team & I are committed to providing our Prosperity Partners with the most up-to-date, necessary, and proven resources to simplify their credit building process.

Our mission is to go further than just helping our members (aka YOU!) to resolve the problems that they have with credit; we also want to help them to gain or regain control over their overall finances as well so that they can CRUSH their financial goals!

Let's get started!

INTRODUCTION

Why Good Credit?

Credit is no longer an “option”; it’s a necessity. The way our American economy is set up, there’s no getting around it. Many will steer clear of credit cards, believing that it leads to debt, and I can see why that is a common perception. Over 90% of Americans' disposable incomes are spent paying back debts. THAT’S A LOT!

The truth is, creating debt is optional; credit just makes it easier for people with less than stellar money management skills to get into debt. I know from experience, so I’m not judging here. Access to somebody else’s money just gave me extra funds to ‘play’ with.

What I didn’t prepare for was the Great Recession, cervical cancer, and high-risk pregnancy. Spending money frivolously put me in a position where I was not prepared when ‘life happened’. I don’t want that for you.

I want you to be prepared no matter what!

Credit is A Tool. It Can Either Build or Destroy.

Credit has opened doors to immediate opportunities that we couldn’t dream of having. For this reason, I want you to think of and use credit as a tool to build wealth, not as an extension of your income or as an emergency fund.

Thinking of credit this way will help you to avoid getting into debt.

Remember: The creation of debt is totally optional and avoidable. So, avoid it! 😊

Our Credit System

Many have said our credit system is flawed. I agree. It was never designed to help consumers, but to assist large corporations in making business decisions faster so that they can make more money.

Since credit is such an integral part of our society, we should make it a point to immerse ourselves in the credit system, learn all of its minor details, work with it, fix it, and complement it.

Instead of letting the system manage us, let's learn how to manage the system in order to benefit from it. Learn the rules, play with them and win. But in order to do this, you must first: EDUCATE YOURSELF! This is what I help our students to do inside **Credit On Fire Academy.**

Where Do I Begin?

When you decide to take responsibility for something that no one has ever taught you about, it can be daunting. It's crazy that our society gives us so many 'opportunities' but doesn't provide a blueprint to take advantage of them; predisposing us to failure.

No one educates us on how to obtain and maintain good credit. What you can't measure, you can't manage. It's as simple as that.

This is why I always preach: EDUCATION, EDUCATION, EDUCATION!

Education is the foundation for obtaining and maintaining good credit and responsibly accessing the LIFE opportunities that you deserve for yourself and your loved ones.

Ready to get educated? You're my Partner so you know I got you 😊.

THE CREDIT REPORTING BUREAUS

History of the Credit Bureaus

Let's take a brief look at how credit bureaus were born.

I've read that Lewis Tappan, a businessman of the 19th century, was a highly religious and greedy individual, and the last person on earth who would be interested in creating the first system for the collection of credit data. Faced with a period of huge financial difficulties in the 1840s, he felt obligated to start offering credit in order to increase his sales. The first credit system was born. He was a perfectionist, so in order to minimize risk, he began to keep detailed records of how much credit his client's obtained and how they paid. His system turned out to be so good that other companies began to purchase the files of his clients so that they could decide if they would offer them credit as well. By the 1850s, Tappan had created a national network of credit reporting agencies, with 2,000 credit investigating employees.

The next era of credit reporting agencies was local. They only kept lists of clients who were considered to have the lowest credit risk. They were created by local retail businesses and personal financial companies to share the information of their clients.

After the First World War, the population of the United States grew and became more mobile, so these local agencies had to serve more people across wider territories. They stored, maintained, and shared consumer credit files with merchants in their select regions.

In 1906, the credit reporting agencies established a commercial association called the Associated Credit Bureaus (ACB), so that they could work together to exchange consumer credit information throughout the country. Credit reports were a clear success because the ACB received a considerable number of new members and with it a huge increase in the number of clients it covered.

In the 1960s, technological limitations restricted the coverage of the credit reporting agencies to only a few cities.

During that time, credit reporting agencies started to collect all the information they could on a consumer - forget just knowing how they pay their debts, they wanted to know their employment history, marital status, age, race, religion, recommendations to their name, and any other information that they could grab. **With all of that information in their hands, discrimination was quite common; and considering our American history, you can imagine who received the weight of this discrimination.**

Much has changed since then; specifically, with the passing of consumer and equal rights laws. On the flip side, however, instead of there being smaller, local credit agencies, there are now huge corporations that have bought up all of the local credit agencies and have monopolized the entire industry.

Another change is the use of computers. Storing all of that information in file folders in the rear of an office and having a human manually review each and every file to make a decision on loans became completely unmanageable. The arrival of computers allowed credit agencies to support the files of millions of people. Now, instead of having a person examine every file, the computer uses a mathematical model to immediately produce a number known as a credit score. The system of credit reports is automated now and lenders can make credit decisions in minutes, compared to what used to take them days or weeks.

The Three National Credit Bureaus

Today, there are three national credit reporting agencies, normally called credit bureaus. They are: **Equifax**, **Experian,** and **TransUnion**.

Equifax was founded in 1899 as the Retail Credit Company. It grew quickly and by 1920, it had offices all around the U.S. and Canada. By the 1960s, it was already one of the largest and most prestigious credit bureaus of the nation, with credit records of millions of Americans and Canadians. By 1979, it changed its name to Equifax, and it continued to grow until it reached Europe by the 1990s. It has worldwide subsidiaries and it counts on a very advanced and automated technological system.

Experian began as a unit of the automotive and electronic company named TRW (Thompson Ramo Wooldridge Inc.). During the 1960s, it began its expansion on a global scale when it acquired stations in Germany, Brazil, and the United Kingdom. By 1984, it was the largest credit reporting company in the United States. By the 1990s, TRW took part in multiple state litigations related to defective credit reporting. Because of this, in 1996, they changed their name to Experian, skyrocketing their national and international growth during the last decade.

In 1968, the third main credit bureau, **Transunion**, was created by the Union Tank Car Company, an operation of automotive leasing. By 1969, they decided to expand the business and acquired the Credit Bureau of Cook County (CBCC), which was supporting 3.6 million clients' files. Soon, they were the first credit reporting agency to implement an automated system of transferring information, which reduced the time and the cost of updating information of client files. They kept on expanding their facilities throughout the 1970s and 1980s. In 1988, they reached the total coverage of the U.S. market.

The three main credit bureaus operate under strict regulations of the law, which protect the consumer and ensure that we have the right to an accurate and up-to-date credit report. These regulations also give us the opportunity to be able to verify and correct inaccurate, incomplete, unverifiable, and untimely information.

The credit bureaus also provide free credit report(s) to all residents of the United States. Their automated and technologically updated system allows credit report information to be updated quickly and easily.

In addition to the credit reporting services, all 3 agencies have expanded their services to many other areas that help both consumers and corporations, including credit monitoring, identity theft, and more.

Grab Your Free Credit Report

The Federal Government of the U.S. decided, around the year 2003, that you, the consumer, have the right to receive a free annual credit report so that you can know what information is being stored and shared about you.

The FACT Act was passed so that all Americans could receive one free credit report each year and could keep watch over their credit history.

This was innovative, since now people could see what creditors saw, they could correct errors on their reports, and they could prevent any mishap from damaging their credit rating. Before the FACT Act was passed, the only ones who had access to this information were the creditors and the credit reporting agencies.

There are two ways in which you can receive your free annual report.

- You can go directly to any one of the credit bureau's websites: www.experian.com, www.equifax.com, www.transunion.com. You will have to answer some personal questions and provide evidence of your identity, based on part of the information that appears on your Credit report. After this, your report may appear directly on your computer screen so that you can see it, download it to your computer, and print it.

- You can go to www.annualcreditreport.com. Eventually, they will send you to the credit bureau's website, but they can easily guide you through the process of obtaining your free annual credit report.

It is very important that you take advantage of this opportunity to receive your free credit report once a year; I personally recommend pulling one credit report from one credit bureau every 3-4. You are monitoring for accuracy. Credit mistakes happen often. Some of these mistakes can impact a creditor's decisions when you apply for a new credit line or loan. One mistake could mean the difference between a Yes or a No from the lender. One mistake can also cost you thousands of dollars in interest payments.

You will also want to monitor your credit report on a monthly basis. You want to be alerted about any possible identity theft, new accounts, or negative information being added to your credit file.

I personally use the following credit monitoring companies:

- MyScore IQ (FICO Score)
- Identity IQ (VantageScore)
- FreeScoreNow (Vantage Score)

THE LAWS AND INSTITUTIONS THAT REGULATE US

Introduction to Credit Repair Laws

The most powerful credit repair methods are based on our civil rights. Now, you may be wondering, "What the heck does civil rights have to do with credit repair?"

Most people think "civil rights" exist to protect people's freedoms and equality, but those aren't the only civil rights we have. In reality, many laws exist to protect our civil rights. Several laws protect people from credit bureaus, creditors, and collection agencies. These laws will be used when challenging credit report items. What you are essentially doing is making sure your civil rights are being protected.

Many people think sending a dispute letter to the credit bureaus is where credit repair begins and ends. It is true that the Fair Credit Reporting Act (FCRA) provides consumers with the right to challenge any credit report item deemed to be questionable, but it also requires that the credit bureaus delete any account that is inaccurate, incomplete, cannot be verified, or past the federal reporting timeframe.

Credit repair does not begin or end with the credit bureaus or the FCRA. There are a host of other tactics and laws you can utilize, some of which don't even involve the credit bureaus. Learning the laws will give you a huge advantage over your competitors.

Why Learn Credit Repair Laws?

If you are like most people the whole concept of learning law is uninteresting and maybe even dreadful. In fact, I often have people approach me and say things like, "I can just find and download the credit repair letters I need off the internet?" While this is true, what happens when 20,000 people use the same letter? It gets flagged by the credit bureaus. If you want to be a successful credit repairer, it is worth putting the effort into learning the various credit repair laws so you can create your own CUSTOMIZED credit repair strategy. Think of the laws as the foundation of the credit repair letter.

Now let's take a look at each law a bit more closely. This is just a very brief overview of what each of these laws covers. If you are a student in Credit on Fire Academy, you'll find Masterclasses that will not only dive deeper into your consumer rights under each of these laws but will also simplify and walk you through how to use each law for credit repair purposes.

FCRA: Fair Credit Reporting Act

The FCRA rules the credit repair industry. It was passed to create guidelines and processes around how credit bureaus operate. It enforces that the credit bureaus keep our information secure and that anything that is reported is accurate, relevant, and properly utilized.

It's been amended a LOT in the past two decades, primarily because the credit bureaus keep trying to place profits before ethics. Its main purpose is to protect consumers from abusive practices of the credit bureaus while also protecting its clients – creditors, employers, insurance companies, etc. - to be able to use credit reports to determine the risk of doing business with us (will we pay back on time). Congress realized how important the credit reporting system was to our economy, but they also recognized that consumers were being treated unfairly.

The FCRA helped clean up many of the abusive practices of the credit reporting system:

- It stops the credit bureaus from being able to distribute false or harmful credit information about us.
- It gives us the right to dispute any information that we find on our credit reports that is inaccurate, incomplete, unverifiable, and untimely.
- It protects the privacy of our credit information by limiting who accesses our files, requiring many entities to obtain our written permission first.
- If the credit bureaus or any company that furnishes data to the credit bureaus violates any of the guidelines found in the FCRA, it gives us the right to sue them for damages.

FACTA: Fair and Accurate Credit Transactions Act

The FACT Act was passed in 2003 as an amendment to the FCRA. Its passing gave us the right to:

- Free Annual Credit Reports
- Increased Protections Against Identity Theft, Protections Include:
  - Our credit and debit card numbers can only show up to 5 digits for your protection,
  - Being able to place Fraud Alerts on our credit for up to 1 year.
  - Financial Institutions must have written policies in place to help assess whether one of their customers is a victim of identity theft.
- Enhanced Medical Privacy: Medical company names and addresses cannot be included in reports sent to third parties unless they are coded. This way, the details of your medical history won't be inadvertently revealed.
- You have the right to restrict businesses from sharing your information with affiliates for marketing purposes. Once you opt-out, that restriction is good for five years.
- Your Right to Dispute Inaccuracies in Your Credit Report with Creditors and NOT just the credit bureaus.

FDCPA: Fair Debt Collection Practices Act

The FDCPA regulates debt collection agencies and provides acceptable behavioral standards. A collection agency is a business that pursues payments on debts owed by individuals or businesses. Most collection agencies operate as agents of creditors and collect debts for a fee or percentage of the total amount owed.

Some collection agencies are referred to as "junk debt buyers" because they will purchase debts from creditors for pennies on the dollar and aggressively pursue the debtor for the full balance. Creditors typically send debts to a collection agency in order to remove them from their accounts receivable records.

Debt collection agencies have a foul reputation for engaging in threatening, harassing, and coercing collection activities. They deploy all kinds of tricks in hopes of getting the debtor to pay up.

Collectors would call acting like an old friend, or take even more aggressive approaches, such as telling people they would go to jail if they didn't pay. Good thing there is no such thing as debtors' jail. Their bad behavior resulted in Congress passing the FDCPA to protect consumers from the unscrupulous behavior of debt collectors.

The Fair Debt Collection Practices Act (FDCPA), is a United States statute added in 1978 as Title VIII of the Consumer Credit Protection Act. Its purposes are to eliminate abusive practices in the collection of consumer debts, to promote fair debt collection, and to provide consumers with an avenue for disputing and obtaining validation of debt information in order to ensure the information's accuracy.

The Act creates guidelines under which debt collectors may conduct business, defines the rights of consumers involved with debt collectors, and prescribes penalties and remedies for violations of the Act. It is sometimes used in conjunction with the Fair Credit Reporting Act. The Fair Debt Collection Practices Act was passed in 1977 to protect consumers from abusive debt collectors.

FDCPA and Credit Repair

The FDCPA allows consumers to request information to prove that the debt actually belongs to them. This credit repair intervention is called debt validation. With debt validation, a collection agency must also prove they have the legal right to collect the debt. Otherwise, they must stop collection efforts and remove the item from the credit reports. Although no time limit is specified for them to validate, they cannot continue collection activities until they provide proof. Sometimes, collection agencies will stop collection activities and return the account to the original creditor rather than validate it (this is perfectly legal).

One of the most important aspects of the FDCPA is the right for a consumer to have a debt validated. "Debt validation" refers to a consumer's right to challenge a debt and/or receive written verification of a debt from a debt collector. Basically, you are requesting that the collector proves that they have the legal right to collect the debt. Debt validation allows every consumer the right to dispute the validity of the debt.

For a detailed discussion on debt validation, grab my **Destroy Your Collection Guide**, inside of our online financial resource center, Credit Makes $ense.

FCBA: Fair Credit Billing Act

The Fair Credit Billing Act (FCBA) is a United States federal law enacted as an amendment to the Truth in Lending Act (codified at 15 U.S.C. § 1601 et seq.). Its purpose is to protect consumers from unfair billing practices and to provide a mechanism for addressing billing errors in "open-end" credit accounts, such as credit card or charge card accounts.

FCBA and Credit repair: The FCBA can be utilized for excessive information requests. An “information request” is a credit repair tactic in which you ask the credit bureaus or the creditor for broad amounts of information. Rather than take the time and resources to locate all of the requested information, they may remove the item because they do not want to take the time to provide the requested documentation. (Works best on debts that are over 2-3yrs old)

The FCBA requires creditors to bill correctly and completely. While it is the government’s job to make sure that the statute is universally applied, it is your job to ask your creditor if they complied.

Even though the FCBA is for “open” accounts it can still be utilized for closed accounts as well. Creditors do not want to think they may have broken the law in the past and risk being sued.

In regards to the FCBA dispute, you will want to ensure the following before any negative credit information is reported:

- The account was created with proper authority.
- Every item billed to an account was billed correctly.
- Every statement was created in a timely manner.
- Every statement was sent to the correct address.
- The creditor never ignored your change of address requests.
- The creditor never ignored disputed charges.
- Ignored change of address requests, or disputed charges which weren't facilitated correctly and in accordance with your rights as stipulated by the statute, didn't contribute to negative credit bureau reporting.

- Interest and late fees were computed in accordance with federal law and with any laws specific to your home state.
- The creditor didn't break their contract with their customers in any way.

The FCBA's main credit repair use is to allow you to request broad amounts of information from the creditor on your client's account history. It is not asking for verification of the account or making a claim—it is asking for a boat-load of information. In a dispute letter, you could request every single one of the above items be provided. If the creditor is unable to provide documentation, then request that they delete the derogatory listing for all credit bureaus they reported it to.

GLBA: Gramm Leach Bliley Act

The Gramm-Leach-Bliley, also known as the Gramm-Leach-Bliley Financial Services Modernization Act, was enacted in 1999. One of the main goals of the Act is to protect consumers' information held by financial institutions (banks, creditors, lenders, etc.).

Protecting the privacy of consumer information held by "financial institutions" is at the heart of the financial privacy provisions of the Gramm-Leach-Bliley Financial Modernization Act of 1999 (GLB Act). The GLB Act requires companies to give consumers privacy notices that explain the institutions' information-sharing practices. In turn, consumers have the right to limit some - but not all - sharing of their information.

- **GLB and Credit Repair:**
    - The GLB Act contains specific provisions for protecting client confidentiality and restricting the sharing of information. Lenders, collection agencies, and credit reporting agencies will sometimes violate this Act by sharing information about a consumer without the proper permission. If a lender, collection agency, or credit reporting agency has violated the GLB Act, this can be used as leverage for the deletion of items from their credit report. A simple letter to the appropriate party detailing their violation, along with a settlement offer will often be successful for item removal. The settlement offer should request permanent deletion from "any and all third-party credit reporting" in exchange for the consumer not pursuing litigation for their violations.

Here's a brief look at the basic financial privacy requirements of the law.

- **Financial Institutions:**
  - The GLB Act applies to "financial institutions" - companies that offer financial products or services to individuals, like loans, financial or investment advice, or insurance. The Federal Trade Commission (FTC) has the authority to enforce the law with respect to "financial institutions" that are not covered by the federal banking agencies, the Securities and Exchange Commission, the Commodity Futures Trading Commission, and state insurance authorities. Among the institutions that fall under FTC jurisdiction for purposes of the GLB Act are non-bank mortgage lenders, loan brokers, some financial or investment advisers, tax preparers, providers of real estate settlement services, and debt collectors. At the same time, the FTC's regulation applies only to companies that are "significantly engaged" in such financial activities.

    The law requires that financial institutions protect information collected about individuals; it does not apply to information collected in business or commercial activities.

- **Consumers and Customers:**
  - A company's obligations under the GLB Act depend on whether the company has “consumers” or “customers” who obtain its services. A “consumer” is an individual who obtains or has obtained a financial product or service from a financial institution for personal, family, or household reasons. A “customer” is a consumer with a continuing relationship with a financial institution. Generally, if the relationship between the financial institution and the individual is significant and/or long-term, the individual is a customer of the institution. For example, a person who gets a mortgage from a lender or hires a broker to get a personal loan is considered a customer of the lender or the broker, while a person who uses a check-cashing service is a consumer of that service.

    Why is the difference between consumers and customers so important? Because only customers are entitled to receive a financial institution's privacy notice automatically. Consumers are entitled to receive a privacy notice from a financial institution only if the company shares the consumers' information with companies not affiliated with it, with some exceptions. Customers must receive a notice every year for as long as the customer relationship lasts. The privacy notice must be given to individual customers or consumers by mail or delivered in person; for instance, it may not be posted on a wall.

Reasonable ways to deliver a notice may depend on the type of business the institution is in: for example, an online lender may post its notice on its website and require online consumers to acknowledge receipt as a necessary part of a loan application.

- **The Privacy Notice:**
  - The privacy notice must be a clear, conspicuous, and accurate statement of the company's privacy practices; it should include what information the company collects about its consumers and customers, with whom it shares the information, and how it protects or safeguards the information. The notice applies to the "nonpublic personal information" the company gathers and discloses about its consumers and customers.

  In practice, that may be most - or all - of the information a company has about them. For example, nonpublic personal information could be information that a consumer or customer puts on an application; information about the individual from another source, such as a credit bureau; or information about transactions between the individual and the company, such as an account balance. Indeed, even the fact that an individual is a consumer or customer of a particular financial institution is considered nonpublic personal information. But the information that the company has reason to believe is lawfully public - such as mortgage loan information in a jurisdiction where that information is publicly recorded - is not restricted by the GLB Act.

- **Opt-Out Rights:**
  - Consumers and customers have the right to opt-out of, or say no to, having their information shared with certain third parties. The privacy notice must explain how, and offer a reasonable way, they can do that. For example, providing a toll-free telephone number or a detachable form with a pre-printed address is a reasonable way for consumers or customers to opt-out. However, requiring someone to write a letter is the only way to opt out is not.

The privacy notice also must explain that consumers have a right to say no to the sharing of certain information (credit report or application information) with the financial institution's affiliates. An affiliate is an entity that controls another company, is controlled by that company, or is under common control with that company. Consumers have this right under a different law, the Fair Credit Reporting Act. The GLB Act does not give consumers the right to opt-out when the financial institution shares other information with its affiliates.

The GLB Act provides no opt-out right in several other situations: For example, an individual cannot opt-out if:

- a financial institution shares information with outside companies that provide essential services like data processing or servicing accounts;
- the disclosure is legally required;
- a financial institution shares customer data with outside service providers that market the financial company's products or services.

- **Receiving Nonpublic Personal Information:**
  - The GLB Act puts some limits on how anyone that receives nonpublic personal information from a financial institution can use or re-disclose the information. Take the case of a lender that discloses customer information to a service provider responsible for mailing account statements, where the consumer has no right to opt-out: The service provider may use the information for limited purposes - that is, for mailing account statements. It may not sell the information to other organizations or use it for marketing.

    However, it's a different scenario when a company receives nonpublic personal information from a financial institution that provided an opt-out notice -- and the consumer didn't opt out. In this case, the recipient steps into the shoes of the disclosing financial institution, and may use the information for its own purposes or re-disclose it to a third party, consistent with the financial institution's privacy notice. That is, if the privacy notice of the financial institution allows for disclosure to other unaffiliated financial institutions, like insurance providers, the recipient may re-disclose the information to an unaffiliated insurance provider.

- **Other Provisions:**
  - Other important provisions of the GLB Act also impact how a company conducts business. For example, financial institutions are prohibited from disclosing their customers' account numbers to non-affiliated companies when it comes to telemarketing, direct mail marketing, or other marketing through email, even if the individuals have not opted out of sharing the information for marketing purposes.

    Another provision prohibits "pretexting" - the practice of obtaining customer information from financial institutions under false pretenses. The FTC has brought several cases against information brokers who engage in pretexting.

For More Information:
The FTC is one of eight federal regulatory agencies that have the authority to enforce the financial privacy law, along with the state insurance authorities. The federal banking agencies, the Securities and Exchange Commission, and the Commodity Futures Trading Commission have jurisdiction over banks, thrifts, credit unions, brokerage firms and commodity traders.

HOW CAN I FIX MY CREDIT?

Get Educated.

The true path to credit value is through Credit Education and Compliance. My Credit on Fire Academy has a wealth of information to help you soar your scores!

I truly want to provide you with all of the tools you need to soar your credit scores.

Learn to Understand Your Credit Reports.

Your credit report is a snapshot of everything you have ever done in your life that has involved your use of credit. It is very important that you monitor your credit report regularly to ensure there aren't any inconsistencies or mistakes that could adversely affect your future applications for credit.

As discussed, there are three credit-reporting agencies that compile your credit information into one easy-to-read report. Not all companies report to all three bureaus and they are not required to report to any of them. However, you will find that many companies will go ahead and report credit transactions to at least one of the three companies.

Again, the three national credit reporting agencies are: Experian, Equifax, and TransUnion. No one company is "better" than the other. They all have different ways of making credit reports, but they all generally operate in the same way.

Since the decision to offer you credit, whether it be for a credit card, a home loan, or a car loan is made primarily on the information contained in your credit report, you should strive to keep your credit record clean and free from errors.

Your credit score is determined by the information on your credit report as well; you want your credit score to be as high as possible – more on this later!

FICO Score

FICO scores are used by 90% of corporations to date. They are THE score that you want to monitor when making a financial decision (i.e. home, car, etc.).
Their scores typically range from 300 to 850 points. This scale measures the probability of a person falling 90-days or more past due on a credit account/tradeline within a 24-month period.

The credit score was not created to 'predict the future', but to allow a financial institution to proactively measure the risk that a person represents as a possible client. A person's credit score can make the difference between paying thousands of dollars in interest or simply paying zero interest.

Each of the three major credit reporting agencies use a specific form of terminology when referring to a credit score.

- TransUnion calls it "Fico Classic Score",
- Equifax calls it "Beacon", and
- Experian calls it "Fair Isaac Risk Model".

But the two most popular models of calculating scores in the market are:

1. **The Vantage Score Model** – created by the credit bureaus for the consumers and used by a small, but growing segment of the financial market (credit card companies, auto lenders, utility providers, and a few mortgage companies).
2. **The Fico Score Model** – is used by most companies in the financial market.

When you request to verify your credit report directly from one of the three bureaus, you will obtain a "**Vantage Score Model**" report. The difference between this Score Model and the Fico Score Model can vary up to 50 points, especially if your credit scores are below 720. In the banking industry, this represents, in an adverse manner, a lot of money for the consumer. Understand that both scores are important, but the **Fico Score Model** is still KING.

Financial institutions can further personalize their FICO Scoring Software to include their own approval parameters; not to mention that there are currently over 75 different FICO scoring models available today! These models are used by various industries (mortgage, auto, bank cards, etc) and the corporations decide which model they will use for their business.

Score	Interest	Classification
720 or higher	5.5%	A
719-680	5.95%	B
679-650	6.25%	C
649-600	7%	D

We can appreciate that the higher our scores are, the more money we can save, thus guaranteeing the possibility of obtaining better offers in the market. It would be worthwhile to clarify that there are various additional factors that determine your approval and the interest rate of a loan. Nevertheless, your credit score is one of the most important factors that the financial market uses when making approval decisions.

What is your credit score composed of?

Your credit score is composed of the following:

- 35% Your Payment history.
- 30% Revolving account utilization in your history.
- 15% Average time that credit is maintained in your history.
- 10% Mix of different types of credit in your history.
- 10% Inquiries on your history.

Disputing

Some advice for sending a dispute to a credit bureau are:

- Request an investigation in writing, preferably sent by mail, with receipts and copies as evidence in case you will need it for a legal claim.
- Do not use the bureau's dispute forms.
- Keep a file with all the communications you have made.
- Notify the creditor about the dispute, if necessary.
- Make sure to attach documentation proving your identity (ID, driver's license, utility bill, etc.
- Include the account name, account numbers, and what exactly you are disputing.
- State what you want to happen - deletion, update, etc.

Establishing Good Credit

So, you don't have any credit to speak of, but you have big plans for the future? Maybe you're a fresh college graduate or a young person eager to buy your first new car.

If you have never had to use credit before, first of all, BRAVO! Of course, it's best to pay cash for the things you need so that you don't have to worry about credit card payments, loan payments, or interest rates. But if you're young, the chances of you needing credit in the future are very real. Someday you might want to buy a house. Perhaps you'll want to buy a new car. Chances are pretty good that you won't have the cash outright to buy these high-ticket items, which means you'll need credit. Plus, it's always good to have a little credit since many utility, cell phone, and insurance companies will look at your credit as well.

When you're starting fresh with no credit history at all, here are a few ways to get a good start on establishing good credit:

- Pay your bills on time, especially if they report to your credit reports each month. Apart from extreme circumstances like bankruptcy or tax liens, nothing has as big of an impact on your credit history as recent late payments.
- Establish credit early. Having clean, active credit accounts established for many years will boost your scores. If you aren't too keen on having credit, consider setting up automatic monthly payments for your utilities and cell phone using your credit card and locking the card away so that you're not tempted to use it for anything else.
- Don't max out available credit on credit card accounts. Lenders will assume that you are having trouble managing your finances and may increase your interest rates, decrease your credit card limit, or even close your account.
- Don't apply for too much credit in a short amount of time. Multiple requests for your credit history from lenders (not you) can decrease your scores. If you are hunting around for good loan rates, assume that every time you give your Social Security number to a lender or credit card company, they will pull a copy of your credit report (Exception – Mortgage, Auto & Student Loan inquiries, you can shop around as much as you like, as long as it's within a 45-day period. It'll only count as one hard inquiry).
- Monitor your credit often, checking for accuracy, especially if you will be making a major purchase in 6mths or less.

One great way to start establishing credit is to ask a loved one if they can add you to their credit card as an **authorized user.** This is often called 'piggybacking'. You are getting all of their positive credit history and age, and your credit does not impact them in any way; you don't even need a credit card in your name; tell them to keep it. You just want that established history! Key things to remember, I said 'positive'. Do not become an authorized user on someone's card who has late payments, high balances, etc. This will tarnish your credit history too. Get someone who has stellar payment history, credit limits over $5000, and a card that's at least 8 years old, preferably (5yrs at the earliest; the older the better).

You can also apply for a **secured credit card**. These cards ask that you place a certain amount of money in your account for which you will receive a charge card. Then you can make purchases up to the amount of money that is in your account. Credit reporting agencies treat these cards just like regular credit cards and look to them as a responsible way for you to establish a good credit history.

You will have to have a checking account to establish credit. This lends to your credibility with lenders and shows that you are able to manage your money effectively.

My favorite places to obtain a secured card is with a local credit union and Capital One Bank. If you hit a brick wall there, I have a list of no-credit-check cards here.

When applying for a credit card of any type, be sure to ask if they report to any of the credit reporting agencies. As we've said before, they are not required to do so, and if they don't, having one of these cards or loans won't do you a lick of good even if you do make your payments on time.

Credit unions also have great Credit Builder loans. These are loans, designed specifically for those with little to no positive credit history reporting. Again, make sure they report to all 3 credit bureaus.

As an alternative, **Self-Lender** offers a great Credit Builder Loan as well.

If You're Repairing Your Credit

So, what if you've already had credit, but you've made some mistakes over the years? Is all hope lost? The good news is – NO!

Don't despair if you find yourself with a less than desirable credit score and credit history. You are human and can make mistakes. The key is to pinpoint the root of the issue –

- 'my spending habits are out of control',
- 'I'm not saving enough, and have to use my cards when emergencies arise',
- etc.

Then begin working on your rebuild 😊.

I start all of my coaching clients out with a budget. Before I send off one dispute letter, I need to see your budget. I advise you to do the same.

Then, grab those credit reports from one of the companies that I recommended

1. **MyScore IQ** (FICO Score)
2. **Identity IQ** (VantageScore)
3. **FreeScoreNow** (Vantage Score)

Start breaking down your credit reports by going over each item - carefully - reviewing both negative and positive information to ensure everything is reporting accurately. If you are a **Credit on Fire Academy** student, take the Credit Report Mastery Challenge included on your student dashboard. I walk you through it from beginning to end.

Remember, people who work for the credit bureaus and the companies you have credit accounts with are human too, and make mistakes just like you! If you don't call attention to these mistakes, no one else will. We'll cover correcting those mistakes a little bit later.

The next part involves pulling out those accounts that are OPEN, but PAST DUE and making a repayment plan. See why that budget is key? I call this step "Preventing the Next Negative". You do not want this account being charged off and sold to collections. That's going to tank your scores even more. If you can make arrangements that fit into your budget, without causing financial strain, DO SO.

If you need assistance creating a budget and a debt payoff plan, log into our online financial resource center, **CreditMakesSense.me**, to grab your Budget Worksheet & check out our **Boss Up Your Budget Challenge**.

If all the bills are too overwhelming for you to consider paying back at once, just concentrate on one at a time. Break them into pieces, contact the company and let them know you are trying to come up with a repayment plan and if there's anything they can do to help you out.

These companies really just want their money in the long run, so they are going to be willing to help you. Once that company is paid off, move on to the next one until everyone is paid off.

Creditors look for a pattern of payment rather than focusing on one-time late payments or rare occurrences of delinquencies. That's why consistent on-time bill payments will improve those blemishes.

As soon as you have paid off your creditors, then you can start all over again. Follow the steps given above in the section about establishing credit. Nothing can compare to consistent, on-time bill payments and responsible credit practices when it comes to repairing your credit.

Experts say the average time required to rebuild one's credit to the point at which you can be accepted for a major credit card or small loan is approximately two years. I've helped clients do so in months. It's all about establishing and working a strategic plan.

Here are some other things to consider when trying to repair your credit:

- **Pay down your credit cards.** Paying off your installment loans (mortgage, auto, student, etc.) can help your scores, but typically not as dramatically as paying down -- or paying off -- revolving accounts like credit cards.

  The credit-scoring formulas like to see a nice, big gap between the amount of credit you're using and your available credit limits. Getting your balances below 10% of the credit limit on each card can really help.

  While most debt gurus recommend paying off the highest-rate card first, a better strategy here is to pay down the cards that are closest to their limits.

- **Use your cards lightly.** Racking up big balances can hurt your score, regardless of whether you pay your bill in full each month.

What's typically reported to the credit bureaus, and thus calculated into your score, is the balance reported on your last statement. That doesn't mean paying off your balances each month isn't financially smart -- it is -- just that the credit score doesn't care (**here's a video** I created on the best way to pay your credit card).

You typically can increase your score by limiting your charges to 10% or less of a card's limit (25% max). If you're having trouble keeping track, consider using a check register to track your spending, logging into your account frequently at the issuer's Website, or using personal finance software like Microsoft Money or Quicken, which can download your transactions and balances automatically.

- **Dust off an old card.** The older your credit history, the better. But if you stop using your oldest cards, the issuers may stop updating those accounts with the credit bureaus. The accounts will still appear, but they won't be given as much weight in the credit-scoring formula as your active accounts. That's why many financial companies recommend to their clients that they use their oldest cards every few months to charge a small amount, paying it off in full when the statement arrives.

- **Get some goodwill.** If you've been a good customer, a lender might agree to simply erase that one late payment from your credit history. You usually have to make the request in writing, and your chances for a "goodwill adjustment" will improve your record with the company (and your credit in general). But it can't hurt to ask.

A longer-term solution for more-troubled accounts is to ask that they be "re-aged." If the account is still open, the lender might erase previous delinquencies if you make a series of 12 or so on-time payments. **More on goodwill letters here.**

When trying to improve your credit score or credit history, avoid any of the following:

- **Asking a creditor to lower your credit limits.** This will reduce that all-important gap between your balances and your available credit, which could hurt your score. If a lender asks you to close an account or get a limit lowered as a condition for getting a loan, you might have to do it -- but don't do so without being asked, AND without informing them of the repercussions as well; some lenders are not aware.

- **Making a late payment.** The irony here is that a late or missed payment will hurt a good score more than a bad one, dropping a 700-plus score by 100 points or more. If you've already got a string of negative items on your credit report, one more won't have a big impact, but it's still something you want to avoid if you're trying to improve your score.

- **Consolidating your accounts.** Applying for a new account can ding your score. So, too, can transferring balances from a high-limit card to a lower-limit one, or concentrating all or most of your credit-card balances onto a single card (unless it's a 0% balance transfer card). In general, it's better to have smaller balances on a few cards than a big balance on one.

- **Applying for new credit if you've already got plenty.** I see this all the time, people get so giddy that they can finally get approved for something! Don't. Do. It.

All of these suggestions work best if you have scores under the 700s. Once you've hit the 700 mark, any tweaking you do will tend to have less of a positive impact. From there, it's simply a positive age.

And if your scores are in the "excellent" category, 760 or above, you'll probably be able to eke out only a few extra points despite your best efforts, because the length of your credit age (how long you have been practicing good credit habits) plays a larger role in increasing your credit scores. There's really no point, anyway, since you're already qualified for the best rates and terms.

Here's one area where it's really OK to rest on your hands and worry about something else.

If you are in serious, serious credit problems, sometimes the only solution is to file for bankruptcy. This is a last-ditch thing, though, and should only be done if you've dug yourself in so deep that the odds of getting out of debt are little to none.

CONCLUSION

Like we said at the beginning of this book, we are a country in debt. One person I know once told me that it was "The American Way" to buy things on credit and then owe people money. While that might not be the best way to think about it, when the price of things like vehicles and homes is well beyond what we would be able to pay cash for, we have to face the reality that credit is necessary.

In all actuality, the concept of credit has been around for a very long time. Back in the day, credit reports and credit scores weren't necessary. It was an unwritten rule that any credit accounts would eventually be paid. A wo/man's word was his/her name and their name meant everything back then. Collection agencies weren't necessary and accounts always got paid even if it took some time. The shop owners didn't worry and were willing to wait.

Then we continued to want more and more in our lives and "stuff" became almost necessary in our minds. As time passed, accounts weren't being paid and businesses were asked to take hits from people who reneged on their agreements.

This brings us to where we are today: a nation in debt. Even the Federal Government is in debt. It only goes to follow that citizens would be in debt too.

That said, we know we need credit to obtain the things we need – and want. That's why it's so important to know about credit and when it should and shouldn't be used. Practice smart credit habits and don't overextend yourself. You can easily find yourself in trouble before you even know it.

This is easy when you change your spending habits, which will help you to make smart credit decisions and take steps to raise your credit score. No matter what situation you might find yourself in regarding your credit, you can not only get out of debt, but you can also restore your credit and enjoy a high credit score.

It takes time and a little bit of effort, but it certainly can be done. You just need to be diligent about your spending habits and then monitor your credit reports so you know where you stand at any particular time.

Credit is an important part of our society, so cherish your credit history and your credit score. Make it just as important to you as your good name and keep it clean and pristine. It can mean so much to your future and your future is just as important as the present.

You know what they say: The past is the past, the future is the future, but today is a gift – that's why they call it the present!

How We Can Help:

We specialize in Credit Transformations!
We provide:

- **Credit on Fire Academy** - Our Online Credit & Wealth Building School is filled with step-by-step Credit-Building Masterclasses and Ongoing Live Support,
- **DIY Courses,**
- **Freebies,**
- And MORE!

I hope you enjoyed this Credit Manual, and thank you again for being my Partner in Prosperity!!!