

Credit Repair Fraud

What is Credit Repair Fraud?

Credit repair fraud occurs when companies offer consumers with poor credit the service of cleaning up their credit report for a fee. They typically charge from \$50 and up, but often do little or nothing for you before vanishing.

Do promises like these sound familiar?

- "Credit problems? NO Problem..."
- "We can ease your bad credit! 100% guaranteed."
- "We can remove bankruptcies, judgments, liens, and bad loans from your credit file, FOREVER!"
- "Create new credit identity—legally!"

Can't My Credit Be Cleaned Up?

If a credit repair company tells you that it will be able to remove negative information from your credit report, the company is not telling the truth. Only incorrect information or items left after the seven year or 10 year reporting date can be changed. If you have a poor credit history, time is the only thing that can heal your credit report. Some credit repair schemes promise you that they can "hide" bad credit by helping you to establish a new credit identity. For a fee, some schemers may ask you to file for an employer Identification Number (EIN) to use in place of your social security number. This practice is called "segregation" and is illegal.

Questionable Practices

In determining whether a credit repair company is legitimate, study these tips to aid you in evaluating their authenticity. The questionable practices below represent companies that DO NOT have your best interest in mind. They just want your money.

- Ask you to pay before services are rendered
- Fail to tell you your legal rights
- Suggest a new credit identity
- Advise you to dispute everything on your credit report

Credit Laws

The Federal Trade Commission (FTC) and your attorney general both enforce the credit laws that protect your right receive, use and maintain credit. These laws, however, do not guarantee that everyone will receive credit. Instead, the credit laws protect your rights by requiring businesses to give all consumers a fair and equal opportunity to get credit and to resolve disputes over credit errors.

Those credit laws include:

- The Credit Repair Organizations Act—which require credit repair organizations to give you a copy of your rights as a consumer before you sign a contract. They must also give you a written contract that spells out your rights and obligations.
- The Federal Fair Credit Reporting Act (FCRA)—which promotes the accuracy and privacy of information in the files of the nation's consumer reporting companies.
- The Equal Credit Opportunity Act (ECOA)--which prohibits credit discrimination on the basis of sex, race, marital status, religion, national origin, age or receipt of public assistance.

- The Fair Credit Billing Act (FCBA) and Electronic Fund Transfer Act (EFTA) gives procedures for resolving mistakes on credit billing and electronic fund transfer account statements.

And,

- The Fair Debt Collection Practices Act (FDCPA) prohibits debt collectors from engaging in unfair, deceptive or abusive practices while collecting these debts.

Self Help

The truth is that you can help yourself rebuild a better credit record. If you need help working out a payment plan and a budget, contact your local credit counseling service. These non-profit groups offer credit guidance to consumers, and their services are available at little or no cost to you. Your credit union, housing authority or employer may offer these services too. You are entitled to a free credit report if you are denied credit, insurance or employment within 60 days of notice. You must be able to show that you are either unemployed (but will seek employment within 60 days), on welfare or your report is inaccurate because of fraud.

Credit Counseling

Are you living paycheck to paycheck? Are you worried about debt collectors? Maybe you can't seem to develop a workable budget, let alone save money for retirement. If any of this sounds familiar, you may want to consider the services of a credit counselor. Many credit counseling organizations are nonprofit and work with you to solve your financial problems. But beware—just because an organization says it is "nonprofit" doesn't mean that its services are free or affordable or legitimate.

An initial counseling session typically lasts one hour and includes an offer for follow-up sessions. If a firm doesn't send you free information about itself, consider it a red flag and go elsewhere for help.

How to Evaluate Counselors

Here are some criteria to look for to be sure that a counselor is best for you:

- Look for an organization that offers a range of services, including budget counseling, savings and debt management classes.
- Avoid organizations that charge for information.
- Get a specific price quote in writing.
- If they charge set-up or monthly fees, consider it a red flag and go elsewhere for help.
- Consider it a red flag if an organization won't help you because you can't afford to pay.
- Try to use an organization whose counselors are trained by a non-affiliated party.
- Don't sign anything without reading it first.
- Make sure all verbal promises are in writing.

The Bad Counselor

Steer clear of counselors who

- Guarantee to remove unsecured debt.
- Say using their system will let you avoid bankruptcy.
- Require substantial monthly service fees.
- Advise you to stop making payments to or communicating with your creditors.
- Ask you to pay them.

A Few Cases

There have been instances when the government has had to step in and halt illegal business practices. According to separate FTC complaints, Florida-based Sunshine Credit Repair, Inc. and Service Brokers Associates, Inc. use Spanish and English language advertising to induce consumers to pay up-front fees for the defendants' "credit repair" services. The FTC alleges that Sunshine Credit typically charges a \$198 fee for its services, while Service Brokers typically charges \$300 to \$400. Under the Credit Repair Organizations Act (CROA), it is illegal to charge consumers money before performing the promised credit repair services. The FTC also charges that Sunshine Credit deceptively claims it can permanently delete accurate, negative information from consumers' credit reports.

For more information on credit repair fraud visit www.myflroidalegal.com or call 1-866-966-7226.