

How To Rebuild Your Credit

Having a poor credit rating can hurt your purchasing power and your ability to get a loan. But you can clear the slate.

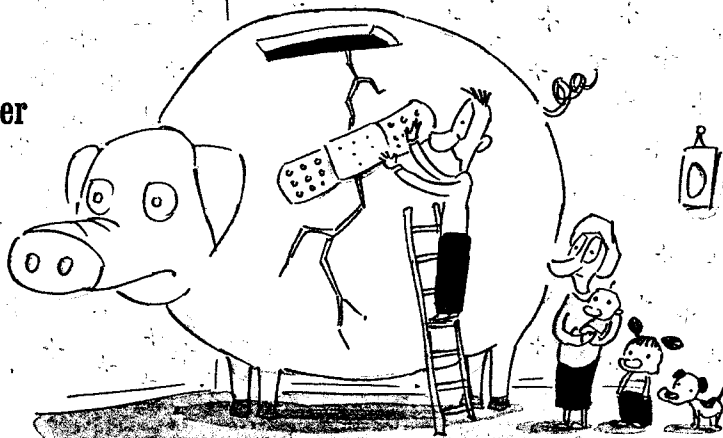


Illustration by Patrick McEwen

IF YOU ARE ONE OF THE millions of Americans who have seen your solid credit rating crumble in these hard economic times, do not despair. Even with negative notations in your credit file, such as late payments, repossessions, liens—or bankruptcy—there is something you can do.

Here are 10 steps to restore your good credit name:

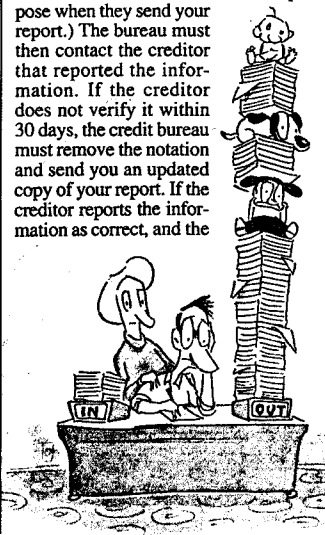
1. Devise a budget and live within it. Sit the family down and create two lists—one of monthly income and the other of monthly expenses. Compare the two. If you spend more than you bring in, cut back until your income at least equals (and preferably exceeds) your spending. Once you have a realistic budget, stick to it. Bring the family together every few months to check on your progress.

If you need help setting up a budget, contact the Consumer Credit Counseling Service. Check the telephone directory or call the CCCS referral line: 1-800-388-2227. (The counseling service also can negotiate with creditors and set up a debt-repayment plan for you.)

2. Make sure your credit file is accurate. Credit files are maintained by the "big three" credit bureaus—TRW, Trans Union and Equifax. Contact one of them and request a copy of your file (called a credit report). Then, note any incorrect entries, such as accounts that aren't yours or reports of missed payments when you

haven't been late. Also, look for outdated information—bankruptcies older than 10 years and other negative data older than seven years. If the report contains errors, request copies of your files from the other two credit bureaus.

To challenge incorrect or outdated information, write to each bureau and request that the data be removed. (Credit bureaus will enclose a form for this purpose when they send your report.) The bureau must then contact the creditor that reported the information. If the creditor does not verify it within 30 days, the credit bureau must remove the notation and send you an updated copy of your report. If the creditor reports the information as correct, and the



bureau keeps it in your file, you have the right to add a 100-word statement explaining your version of the dispute.

3. Negotiate with your creditors. Some creditors will remove debts from your file in exchange for full or partial payment. Also, some creditors will "re-age" your account. (Make the current month the first repayment month and show no late payments.) Contact the customer-service or collections department of the creditor and make an offer. If you're told "no," ask to speak to the supervisor.

4. Add positive histories to your file. If your credit file is missing data on accounts you pay on time, send the three credit bureaus a copy of your recent account statement and copies of canceled checks (never originals) showing your payment history. Ask the credit bureaus to add the information to your file. They aren't required to, but they often do.

5. Add stability information to your file. Send the bureaus documentation showing steady employment, long-term residence, checking and savings accounts.

6. Avoid being a victim of credit discrimination. Federal law prohibits a creditor from refusing credit on the grounds of race, color, religion, national origin, sex, marital status, age or because you receive public assistance. If you think you've been the victim of credit discrimination, contact the Federal Trade Commission, Correspondence Branch, Washington, D.C. 20580.

7. Get credit in your own name. If you

are married and your financial problems are due to your spouse, ask the credit bureaus for a credit file in your name alone.

8. Credit cards can be good for your financial health. If you've held on to a credit card despite your financial difficulties, use it and pay the balance on time—your credit history will improve quickly. If you don't have a card, apply for one. Many banks offer secured credit cards—where you deposit a sum of money and are given a card in exchange. Also, department stores and gasoline companies often provide credit cards despite negative marks in a credit file.

9. Work with local merchants. Approach a merchant, such as a jewelry shop or furniture store, and ask to purchase an item on credit. Many stores will work with you in setting up an account—but you may need a co-signer or a large down payment or be charged a high rate of interest.

10. Take out a passbook savings loan. Take some of the money you've saved up and open a passbook savings account, then ask the bank to give you a loan against the money. You give your passbook to the bank, so it's taking no risk. Make sure you understand the loan's terms and that the bank reports the loan to the credit bureaus.

Robin Leonard, an attorney, is the author of "Money Troubles: Legal Strategies To Cope With Your Debts," published by Nolo Press (Berkeley, Calif.).

How To Request Your Credit File

If you've been denied credit because of information in your credit report, you're entitled under the Fair Credit Reporting Act to a free copy of your report from the credit bureau that issued it, but you must contact the bureau within 30 days. (The other two bureaus also may be willing to provide a free copy.) If you have not been denied credit, you may have to pay for a copy of your report; additional copies are available at no charge.

You must give the credit bureau your full name (including Jr., Sr., etc.), current address, addresses for the previous five years, phone number, date of birth, Social Security number and spouse's name.

To contact the credit bureaus, write:

TRW Complimentary Credit Report, P.O. Box 2350, Chatsworth, Calif. 91313.

Trans Union Corporation, Customer Relations Dept., P.O. Box 7000, Dept. P, North Olmstead, Ohio 44070.

Equifax, P.O. Box 740241, Dept. P, Atlanta, Ga. 30374.

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