

## Fix Your Credit Score

By: Michael G. Shinn, CFP

An individual can have damaged credit for two reasons. The most obvious reason is a poor payment and credit history. However, according to a 1998 study by the Public Interest Research Group, 29

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percent of the credit reports surveyed had serious errors that could result in credit denial, 71 percent contained other mistakes and errors and 20 percent were missing existing credit and loan accounts.

The Fair Credit Reporting Act sets the standards that credit reporting bureaus and creditors must follow in reporting credit files. The act also gives individuals the right to challenge the accuracy of their credit report, request a reinvestigation within a reasonable amount of time and have errors corrected or deleted.

Get a copy of your credit reports. There are three major credit-reporting bureaus. You can write to each individually and purchase a copy of your report for \$8.50 or use an online source, such as [www.qspace.com](http://www.qspace.com). This website provides all three of the major credit reports, in an easily comprehensible format, for a small fee. If you have recently been denied credit, you can write to the credit bureau and request a free copy of your report.

Review your credit reports and look for errors, inaccuracies and negative credit items.

Write dispute letters to the credit bureaus on the items you believe are errors or inaccuracies. Send your letters by certified mail with a return receipt requested. Keep copies of your letters and mail receipts. The Federal Trade Commission has sample dispute letters and more detailed information on the website [www.ftc.gov](http://www.ftc.gov).

The credit bureaus must reinvestigate the disputed items by contacting the information provider and requesting an investigation of their file and a follow-up report. The credit bureau is required to report the results of the reinvestigation to the individual. If there is an error or inaccuracy it must be corrected. However, if the information provider confirms the original information, the individual has the right to appeal. If there is no response from the information provider in a reasonable amount of time, the disputed item must be corrected or deleted.

After the reinvestigation is completed, the credit bureau is required to provide the individual with written results and a free updated copy of their credit report.

### Dealing With Real Debt

If an individual has damaged credit because of a poor payment or credit history, there are two primary options. The self-help option works for most people. The first step of this option is to create a realistic budget. Then, develop a twelve-month plan to either eliminate or substantially reduce high interest rate debt. The overall objectives should be to reduce the total debt level, lower interest rates and reduce the number of creditors.

If self-help is not enough, contact a legitimate non-profit credit or debt counseling service. The counseling service can set up a payment plan, in which the individual makes one monthly payment to the counseling agency, which then pays each of their

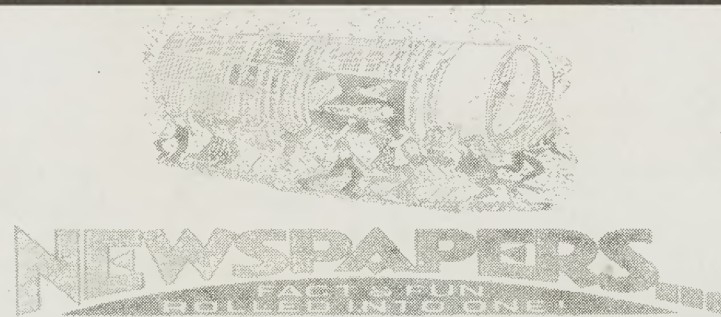
creditors. The service can save money by negotiating lower payments and possibly lower interest rates. Most people can pay off their unsecured debt in three to five years by following these plans. The National Foundation for Credit Counseling ([www.nfcc.org](http://www.nfcc.org)) has a referral line that automatically directs calls to the individual's local area. (1-800-388-2227).

### No Quick Fix!

There is no quick fix for a low credit score. It takes patience, hard work and follow-up, but it can be done. Avoid the scams advertised on TV and the Web. Either do-it-yourself or seek help from a legitimate credit counseling service.

(Michael G. Shinn is a registered representative and advisory associate of Financial Network Investment Corporation. Visit [www.shinnfinancial.com](http://www.shinnfinancial.com) for more information or to send your comments or questions.

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