

Credit Cards for America.com

Credit Management Masters Course

Introduction

Credit Management Masters Course provides all the information you need for establishing and managing your personal credit. This course is designed for persons living in the United States and contains information supplied by the research staff at CreditCardsforAmerica.com. This is a free report. As such, you have the right to share it with your friends and family. It is, however, protected by copyright so you do not have the right to change any of the information or claim ownership to the material. **You may not sell this report.**

The Basics of Credit

If you have ever applied for a **credit card**, a personal loan or insurance, there is a file about you. It's called your **credit report**. This report contains quite a bit of information about you:

- Your name, address and social security number
- How you pay your bills
- Whether you've been sued
- Whether you've been arrested
- Whether you've filed bankruptcy

Consumer reporting companies such as **Equifax**, **Experian** and **TransUnion** sell the information in your report to creditors, insurers, employers and other businesses who have a legitimate need for it.

Your **credit report** is used to evaluate your creditworthiness when you apply for any type of credit or insurance, or employment or a lease.

Having a good credit report makes it easier for you to get credit. It also makes it easier for you to qualify for the lowest interest rates, and that usually means lower monthly payments.

Consumer Alert – You have seen the ads in newspapers, on television and the Internet, and even heard the claims on radio of companies promising to erase negative information on your credit report in exchange for a fee. The Federal Trade Commission states, *"The scam artists who run these ads not only don't deliver – they can't deliver. Only time, a deliberate effort, and a plan to repay your bills will improve your credit as it's detailed in your report."*

Credit Management Masters Course contains four sections: (You can use the links below to quickly jump to the report sections, but we advise you read the entire report first before going back for specific information.)

- Your rights under the **Fair Credit Reporting Act** and the **Fair and Accurate Credit Transactions Act**
- How you can legally improve your credit score
- How to deal with debt you already have
- Additional Credit Information Resources

Section One

The **Fair Credit Reporting Act** and the **Fair and Accurate Credit Transactions Act** were passed by Congress to serve as a Bill of Credit Rights for American consumers. The purpose is to insure the accuracy, fairness and privacy of information contained in the files by the consumer reporting companies.

You Have a Right to Know

Every American has the legal right to know what is contained in the files of the consumer reporting companies. You are entitled to one free credit report each year from Equifax, Experian and TransUnion, but you have to apply for them.

There is only one place to receive these free credit reports, regardless of what you have seen in the advertisements. Repeat, there is only one place where you can receive free copies of your credit reports.

<http://www.annualcreditreport.com>

You should understand that getting your free credit reports is not the easiest process in the world and that each of the consumer reporting companies will try to sell you more services when you apply for your **free credit report**. (More information about free credit reports can be found in the Resources Section.)

One individual we interviewed for this report told us that he was unable to get his free report from TransUnion but was able to obtain the other two. TransUnion kept redirecting him to a page where he could purchase his report.

Free Credit Report Does Not Equal Free Credit Score

Don't be disappointed to discover that your credit score is not included with your free annual credit report. The purpose of the free annual credit report is to allow you to see the information each consumer reporting company has on file about you. You can check to make certain the information is accurate.

If the information on your report is not accurate, you can then begin the process to get it changed. One person we interviewed told of applying for a department store credit card. The clerk made a mistake spelling his name during the application process, stopped typing, and started a second application. Yes, both names now appear on his credit report.

Imagine yourself as a creditor and examining that credit report. You see a person who has used two different names when applying for credit. Does that make you suspicious? You'll find more information later about how to begin the correction process.

In today's world, it is your credit score that is used in many computer models when creditors are determining whether or not to provide you with credit. You will not know your credit score after you have obtained your free annual credit report from the website mentioned above.

One consumer reporting company includes this information on their free credit report, *"You have the right to ask for a credit score. Credit scores are numerical summaries of your credit-worthiness based on information from credit bureaus. You may request a credit score from consumer reporting agencies that create scores or distribute scores used in residential real property loans, but you will have to pay for it."*

Also, please notice how the credit reporting companies refer to themselves as *"credit bureaus"* and *"consumer reporting agencies."* It sounds much more official, doesn't it? You see, we associate the term bureau with what? The Better Business Bureau, of course. A bureau is a good thing, isn't it? Agency gives the name of feel of officialdom. Neither name, of course, makes you think about a business who sells your information for a profit – which is exactly what they do.

Many people just go ahead and pay for the information because they really want to know what their credit score is. Paying the few dollars enables you to obtain a copy of your credit report **and** your credit score.

What Information Do Credit Reporting Companies Collect and Sell

There are four basic types of information that is collected and sold. Some of the information appears in other public records as well such as tax liens, foreclosures, and bankruptcies. So anything in Public Records is one of those four types.

Another type would be your personal and employment information. You provided this information on your application for credit. The creditor uses the credit reporting company to verify what you put on the application and to discover what you may not have listed.

This type would include your name, date of birth, Social Security number, your listed employer and your spouse's name, if applicable. Creditors can also ask for additional personal information such as your employment history, previous address, income and whether or not you are a home owner.

The third type of information would be your credit history. How much credit has been given to you, how much of it have you used and how well have you paid your bills are included.

The last type of information lists inquiries from other credit companies who have requested information about you in the past year. Another type of inquiry would be those who have requested information for employment purposes.

Another Way to Obtain Your Free Credit Report

If you apply for credit and are turned down, the creditor must send you a letter stating why you were refused credit. If their refusal was based on something in your credit report, the letter will state which credit reporting company provided the information. You may then contact that company and request a free copy of your report.

Also, if a creditor closes your account, or takes some other negative action on your account based on your credit report, you are entitled to a free credit report from the company listed in the letter sent to you explaining the negative action taken against you.

You can get a free copy of your report if you are denied insurance or employment based on information in it. A free report is available to anyone who is unemployed and plans to seek employment within 60 days, or someone who is on welfare, or if your report is inaccurate because of fraud or identity theft. Otherwise the credit reporting companies may charge you up to \$10.50 (as of this writing) for a copy of your credit report. Remember, however, it will not include your credit score.

You can obtain your credit report and credit score for, possibly, less money than you would pay for the report only. Please keep that in mind.

Section Two - How You Can Legally Improve Your Credit Score

Your credit score is based on a mathematical formula (algorithm) that takes several factors into account. Let's stop for a moment. Remember, there are three credit reporting companies. They do not all have the same information about you because of who actually reports information to them. So, you very probably have three different credit scores.

All three companies **do not use** the same mathematical formula. The basic formula was invented by the Fair Isaacs Company (FICO). That formula adds weight to the different types of information reported about you. Since the three credit reporting companies sell this information various industries, some credit score reports have been geared to specific industries. In actuality, there are probably a dozen or more credit scores about you, most of which you will never know about. You see, one specific report might be used to calculate the probability of you paying your mortgage on time while another might predict your auto payment future.

The basic FICO formula looks like this:

- 35% of your score is based on your payment history
- 30% is based on the amount of credit you have

- 15% is based on how long you have had credit
- 10% is based on new credit you have
- 10% is based on the types of credit you have

Please note a couple of the items are time-related. Payment history means how you have paid your bills over a period of time. One of the factors is simply how long you have had any credit.

Consumer Alert – Closing, or cancelling, an old account can have an adverse affect on your credit score. Let's say you opened a department store account 10 or more years ago and no longer use it. Closing that account removes it from your credit record and, as a result, it is also removed from your credit history. It also affects the amount of credit you have by reducing the overall total credit extended to you, and it could affect the types of credit you have. There are, in general, four types of credit listed on your report: mortgage, revolving (which includes credit cards), installment and other.

The **actual purpose of the credit score** is to assign you a number that shows how likely you are to repay a loan. It is extremely possible that your actual credit score changes monthly. Why? Your debt ratio changes monthly as you make payments. Your credit history changes monthly as you make payments. The length of time you've had credit changes monthly because you have added another month.

How to Improve Your Credit Score

The **most important thing** you can do to improve your credit score is to pay your bills on time each month. Let's assume you already know that and have developed a budget to help you along that particular road.

Make certain your Credit Reports are accurate. The Fair Credit Reporting Act makes both the consumer reporting company and the information provider responsible for correcting inaccurate or incomplete information in your report.

Okay, you have a copy of your credit report from one of the consumer reporting companies. Look carefully at the items listed to insure the information is both accurate and complete. If you find an error:

- Make a photo copy of your report and circle the incorrect or incomplete information.
- Send a certified, return receipt requested letter to the consumer reporting company explaining what you believe to be inaccurate or incomplete. Don't do any name calling or any such negatives in your letter.
- Your letter should contain your complete name and address and a list of **what** you believe is wrong and **why** you believe it is wrong.
- Include photocopies of any documents you have that support your position.
- Attach a copy of your credit report with the items circled that you are disputing.
- Keep a copy of everything you send the consumer reporting company and attach to it the mail receipt you get back from the Post Office.

The company must investigate your claim unless they consider it to be totally frivolous. They must also forward all relevant information to the business that provided that information to them. The information provider must perform an investigation and report back to the consumer reporting company. If the provider discovers that you are correct, they must notify all three consumer reporting companies so corrections can be made.

Once the investigation is complete, the consumer reporting company must give you written results of the investigation and a free copy of your credit report if your dispute results in a change. That letter will also contain the name, address and phone number of the information provider.

The consumer reporting company cannot put the disputed information back in your file unless the information provider states that it is accurate.

Other Rights You Have

Upon your request, the consumer reporting company must send notices of the correction to anyone who obtained a

copy of your report in the past six months.

If the investigation did not resolve your dispute, you can request that a statement of dispute be included in your file at the credit reporting company. That statement of dispute will become a part of your credit report when it is requested in the future. For a fee, you can ask that your statement of dispute be sent to anyone who requested your report in the recent past.

Contact the Information Provider Direct

You may wish to contact your information provider first, if you have the necessary address information. One person reported purchasing home improvement from a company who sold the debt to another company who sold the debt to another company. That makes it pretty difficult to determine who to send the letter to since you are probably unaware of all the transactions that have happened with your account.

Just follow the steps for writing the consumer reporting company when you write the information provider.

Sample Letter

Date
Your Complete Name
Your Address
Your City, State and Zip Code

Complaint Department
Name of Company
Address
City, State and Zip Code

Dear Sir or Madam:

I am writing to dispute the following information in my credit file. The items I dispute are also circled on the attached copy of my credit report.

This item (identify the specific item) is disputed because information provided to you by (name of information provider from your credit report) is (inaccurate or incomplete) because (explain your reason for disputing). I request that you delete (or change) this item to make my credit file accurate.

Enclosed are copies of (use this sentence only if you are attaching supporting documents and name the documents) supporting my position. Please investigate this matter (these matters) and (delete or correct) the disputed item(s) as soon as possible.

Sincerely,
Your Signature
Your Printed Name

Enclosures: (list all items you are sending along with your letter)

Adding Information to Your File

Perhaps you were denied credit because of an insufficient credit file or no credit file. You may be in luck. In November

2007, PRBC and FICO joined forces to provide creditors with a new report called **PRBC Credit Report with FICO Expansion Score**. This report includes rental payments for those who do not own a home. It also includes bill payment information from utilities such as electric, gas and water.

At least one credit card issuer offers a prepaid card and allows you to enroll in the PRBC program free of charge. If you are interested in this type of program, please check out the **Palm Desert Account Now Visa Card**. You can click that link for more information.

Bank First has issued a prepaid card that reports to the major credit bureaus. **Click here to check out its Elite Card**. You will not be turned down for this card if you have a job.

While nothing will improve your credit score overnight, there are numerous legal ways for you to do it.

Section Three - How to Deal with Debt You Already Have

Let's face facts. Most people owe money to someone. It could be a mortgage on a house or rent for an apartment. It could be utility and phone bills. It could be credit cards, revolving loans, installment loans, student loans or whatever. Bills pile up.

With gasoline prices and food prices hitting all-time highs, more and more people are finding themselves Dealing with Debt. In June of 2003, I paid \$1.309 for a gallon of gas; by June 2004, it had risen to \$1.759. June 2005 found me paying \$2.099, then \$2.659 a year later and by June 2007, I was paying \$2.97.9. Then came June 2008 and \$3.919 per gallon. That's a 300% rise in 5 years. Did my salary increase by 300%? Yeah, right!?!?

Rising prices are not the only thing happening in America today that affect your debt. Corporate layoffs continue to rise and, in many markets, wages are decreasing. Increasing outgo and decreasing or stagnant income mean more and more people are dealing with debt.

What to do First

The very first thing you should do is make a list that contains all your income and all your bills. At the top of your "bills" should be those expenses that are necessary like housing, utilities, insurance, car payments education expenses, child care and groceries.

Then you should list other loans you have, including credit card debt. Your list should contain the balance you owe, the interest percentage you're paying, the minimum payment due and the amount you actually pay each month. (While the minimum due might be \$25, you might be paying \$75.) So list both amounts.

You should also list those expenses that are not essential: dining out, recreation, etc. The sample below is based on a \$3000.00 salary take home. Several items were lumped in Miscellaneous such as cable TV, cell phone, gasoline for car, recreation. Yes, that truly is expecting a lot for \$500.00. Savings is real-life. Whatever is left after all other expenses! It's not the right way to do it, but it probably applies to a lot more people than the "right way" does.

Owed to	Balance	Minimum Payment	Payment Amount	Interest Rate	Date Due	Total Expense	Take Home Balance
ZYX Mortgage	\$45000.00	\$568.00	\$568.00	7.4%	1st	\$568.00	\$2432.00
Electricity	N/A	N/A	\$160.00	N/A	5th	\$728.00	\$2272.00
Gas	N/A	N/A	\$25.00	N/A	15th	\$25.00	\$2247.00
Water	N/A	N/A	\$25.00	N/A	15th	\$25.00	\$2222.00

Phone	N/A	N/A	\$85.00	N/A	15th	\$85.00	\$2137.00
Child Care	N/A	N/A	\$400.00	N/A		\$400.00	\$1737.00
Groceries/Household	N/A	N/A	\$700.00	N/A		\$700.00	\$1037.00
Credit Card 1	\$4000.00	\$75.00	\$100.00	19.9%	8th	\$100.00	\$937.00
Credit Card 2	\$3500.00	\$65.00	\$100.00	16.9%	14th	\$100.00	\$837.00
Credit Card 3	\$2500.00	\$55.00	\$100.00	21.9%	16th	\$100.00	\$737.00
Credit Card 4	\$1500.00	\$40.00	\$100.00	14.9%	24th	\$100.00	\$637.00
Miscellaneous	N/A	N/A	\$500.00	N/A		\$500.00	\$137.00
Savings	N/A	N/A	\$137.00	N/A		\$137.00	\$0.00

Let's develop a plan for paying off your credit cards. We'll begin with the smallest balance: \$1500.00, and we'll use what you are already paying for credit card debt each month: \$400.00. For credit cards 1, 2, and 3, we'll drop back to the minimum payment. That will make \$105.00 available to add to the \$100 currently being paid each month on Credit Card 4.

You begin paying \$205.00 each month to Credit Card 4. At the current interest rate of 14.9%, you will make 7 payments of \$205.00 and a final payment of \$148.00. Credit Card 4 is paid off in 8 months.

In month nine, take the \$205.00 you were paying Credit Card 4 and add it to the \$55.00 minimum payment you're paying Credit Card 3. So, beginning in month 9, you are paying Credit Card 3 \$260.00. Your balance on this card dropped during the past 8 months from \$2500.00 to \$2420.00. Not much, huh?

With a monthly payment of \$260.00 and the interest rate of 21.9%, you will make 10 payments and then a final payment in month 11 of \$77.00.

Not using any "extra" money, two credit cards have been paid off in only 20 months - less than two years. Next, you would add the \$260.00 to the \$65.00 minimum being paid to Credit Card 2. In other words, you would be making new monthly payments of \$325.00. Over the past 20 months your balance has dropped from \$3500.00 to \$3140.00 and you have paid \$940.00 in interest charges.

Here's what your new payment of \$325.00 each month will do. Ten payments of \$325.00 and a final payment of \$149.00 and it's paid off. Total interest you have paid during this 11 months is \$259.00. You have now paid off 3 credit cards in 31 months. Keep the plan going, and you'll be amazed at how quickly you will become totally debt free.

Or, imagine this. You have paid off those four credit cards and you're no longer paying those high interest charges. What if you began putting that \$400.00 monthly into a savings account that **pays you interest**?

There are many helpful books on the market should you desire more information about how credit affects your life and how you can master its use. The best prices we have discovered are at [Amazon](#).

Don't Let Your Creditors Give Up on You

If you find yourself falling further and further behind, don't wait! Contact your creditors immediately and explain your situation. Explain that you want to pay them but your current payment levels are too high. Ask them for a modified plan that reduces your payments to a manageable level...and then make sure you pay the proper amount on time. Should you fail to honor your modified agreement, your account may be turned over to a debt collection agency.

The debt collection agency is **NOT** bound by the terms of your modified agreement.

Do not get that far behind. Contact **Consolidated Credit Counseling Services, Inc.** for help. You can get a free Budget and Debt analysis, and they can help with your unsecured credit card debt by getting it consolidated into one payment. This will help you avoid bankruptcy.

Dealing with Debt Collectors

When a creditor gives up on you, they will turn your account over to a collection agency. The Fair Debt Collection Practices Act dictates how and when a debt collector can contact you. A collector cannot call you before 8:00 a.m. or after 9:00 p.m. If the collector calls you at work, you should explain that your employer does not approve of you accepting such calls. The collector, then, can no longer call you at work.

Collectors may not lie to you, nor may they harass you. They cannot use unfair practices when trying to collect a debt. You can write to them and request that they no longer contact you, and **they must abide by your written request.**

Should you feel that a collector is violating the FDCPA, you may file a complaint with the Federal Trade Commission by calling 1-877-FTC-HELP or by completing a complaint form online at www.ftc.gov or by sending a physical letter. The FTC receives more complaints about debt collection agencies than it does anything else. In 2007, the commission received 70,951 complaints about debt collection agencies and another 20,068 complaints about in-house collection practices.

The debt collection agency can demand you make your payments on a faster schedule. They can demand that you make larger payments. They can sue you in civil court. None of these are violations of the FDCPA.

However, they cannot threaten to sue you if they do not fully intend on doing so. Section 807 (5) prohibits collectors from using false threats.

Again, if you find yourself in this situation, contact Consolidated Credit Counseling Services, Inc. and get help. You can find them on the Internet at <http://www.consolidatedcredit.org>.

Section Four - Additional Credit Information Resources

The best way to begin a **Credit Management Program** is to know where you are NOW! Look at it this way. Let's say you're in a strange town looking for a particular restaurant. Your vehicle has a GPS device so you enter the information for your desired destination, and the GPS unit shows you how to get there. Fortunately, the GPS device already knows where you are.

What if you had a GPS device for your **Credit Management Program**? Actually, there is such a thing! This credit GPS is provided by one of the major credit reporting companies and, as of this writing, it's available for less than \$10.00. It doesn't matter how you look at it: ten bucks for a load of information about your personal credit situation is a bargain.

For less than \$10, here's what you get:

- A copy of your Equifax Credit Report
- Your Equifax Credit Score
- One month of credit monitoring with the option to extend to a longer period of time
- Debt to Credit Ratio by Credit Type
- Interactive Credit Score Simulator that helps you see how certain actions will affect your credit score. Learn what positively and negatively affects your credit score and how you can put that knowledge into your personal Credit Management Program.

FICO® Simulator

 [Print Report & Score](#)

These Actions Usually Help
Your Score

These Actions May Help
Your Score

These Actions Usually
Hurt Your Score

Best Action

Click this link to get more information or to sign up for this program. [Get Equifax Score Watch Now!](#)

Credit Articles of Interest

- [Credit Report Score Chart](#)
- [Credit Report Services](#)
- [What are Prepaid Credit Cards?](#)
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