

## Credit Repair Tips and Scams

### Program Links

[HomeStarts](#)  
[Development](#)  
[Services](#)  
[SHOP](#)

### Our Mission:

“To support & develop affordable housing as a foundation upon which individuals, families and neighborhoods can build vital communities.”

### Events:

#### Save the Date!

March 17, 2010  
 “Passport to Ireland”  
 Fundraising Event at  
 Northern Quest Resort  
 and Casino

### Helpful Links:

[Consumer Credit Counseling Services](#)

[SNAP Financial Access](#)

### Our Locations:

Spokane Office:  
 315 W Mission Ave  
 Suite 100  
 509-484-6733

Bremerton Office:  
 409 Pacific Avenue  
 Suite 303  
 360-377-7738

Welcome to 2010. A new year often gets us in the frame of mind to improve something or start fresh. One of those resolutions on your list this year may be to improve your credit. It can be overwhelming when you are pulling yourself up and out of your credit troubles and the biggest obstacles are not knowing where to start and how to get there.

To provide a little guidance, I have compiled the following short list of tips, scams to avoid, and credit don'ts when repairing your credit;

**Step 1:** Know what you are dealing with. This means accessing your credit report and verifying which debts are yours and which aren't. Accessing your free annual credit report from all three credit bureaus is the best way to accomplish this.

You are entitled to one free credit report every 12 months from each credit bureau. These reports will not provide you with a score, but you won't need that if you are working on repairing your credit. The web address that allows you access to all three bureau's reports is [www.annualcreditreport.com](http://www.annualcreditreport.com).

If you are unable to view all of the reports online you will have to submit through the mail or by phone and the report will be returned by mail, which can take 2- 3 weeks.

**Step 2:** Review each report and compare them. Make a note of all open and active accounts, all closed/paid in full and any collections or judgments. Not all creditors report to all three bureaus. If an item shows up on only one bureau's report, do not assume that it is inaccurate.

**Step 3:** Request validation on debts that you do not recognize or do not seem accurate in some way. This is not the same as disputing an item. *Do not automatically dispute items as a tool for credit repair.* Some credit repair companies/sites may provide the advice to automatically dispute the derogatory items on your credit report as a means to increase your credit score. The following explains why this is poor advice:

- ◆ Although it may temporarily raise your credit score, as these items must be pulled from your report to be reviewed, this is temporary. Credit bureaus may legally send a letter dismissing the request to dispute as frivolous, particularly if you are disputing without evidence and a large number of accounts.

- ◆ Disputed items removed for the purpose of raising your score to obtain financing have two negative consequences. First, it is fraudulent and an inaccurate disclosure of your credit picture to the lender you are attempting to obtain financing from. Second, once the disputed items have been verified as valid they return to your credit report and will show up the next time you attempt to obtain financing.

**Step 4:** Regardless of whether you are disputing the debt, asking them to remove or correct it, or making arrangements to pay the debt off; once you contact the valid creditors, it is very important to keep accurate records of all communication. Create a log of phone calls that includes who, when and what was discussed. Keep copies of all items sent to creditors and request copies of items to be corrected to be sent to the bureau and to you.

Not all debts are created equally and neither are credit counseling agencies. Deciding what to pay first, where to apply your extra cash, and how much impact removing a debt can make to your credit report is a complicated matter, and a credit counselor can help you to make informed decisions.

A credit counseling agency who charges a fee is not necessarily a bad thing; however, if they offer advice such as disputing everything, providing a new identity, managing your debt load and payments for a fee, or assurances that they can raise your score significantly in a very short time, proceed with caution. Debt management programs charge a fee and report on your credit report. Many lenders view debt management the same as a bankruptcy and you need to be aware of that impact.

Community Frameworks provides free one-on-one credit and debt management counseling services to the public. We are able to do this with our own funds and with support from our sponsors and partners - State Farm, Banner Bank, Wells Fargo, Washington Trust, US Bank, Sterling Savings Bank, Guardian Insurance, and Bank of America. For more information on our current courses and counseling services, contact our offices at 484-6733, ext. 116 or 117.

Bad credit can occur in a relatively short time, credit repair takes a while and is not easy. With diligence, a clear goal, and access to professional assistance the journey can be a lot easier. Links to credit repair counseling agencies can be found in the sidebar of this newsletter.

## What is a GOOD credit score these days?

A minimum 620 credit score used to be the benchmark to qualify for Fannie Mae conventional loans. Anything below that meant not qualifying or rate adjustments were made based on your score and product you were looking at. If you were in the high 600's you were almost assured of qualifying for a mortgage and your broker/banker could find you a pretty good deal.

According to a Bankrate.com article published in December of 2009, that minimum score was raised to 680 in early 2008. It jumped to 720 in April 2009 and 740 in August. Now the rate adjustments begin if you are below a 740. That is a 120 point difference in two short years.

Improving your credit score by 120 points is sometimes a long and often difficult process. Frequently simple changes, such as paying down a credit card balance, can make a significant change to the score since the balance to credit limit ratio accounts for 30% of the credit score. The largest impact to credit scores is payment history, which is 35% of your score.

Improving your payment history is a simple matter of time, and for some this could mean a really long time. The farther you get away from the last late on your account the better. Your score does improve incrementally as time passes but the biggest improvement will occur at the 12 month and 24 month mark, provided there have been no additional dings to your credit.

FHA and USDA Rural Development loans do provide

some relief from the stringent credit score demands of conventional financing. These loans have limitations as well, that include upfront mortgage insurance or guarantee fees as much as 2% of the loan amount, restrictions on where the financing can be used, stricter guidelines on the condition of the property, and tighter debt-to-income ratios.

When making a decision on financing you need to know how you appear to a lender. What is your credit score from all three bureaus? The middle score is the important one.

Do not think that tossing out that high and low score means they will only be using one credit bureau's information. Not all creditors report to all three bureaus and a compiled report gives a total credit picture to your lender. You should know what each bureau says about you and make sure it is accurate.

Should you find incorrect information on your credit report, start to work on it immediately. Sometimes this process, assuming you have all the necessary documentation to refute the errors, can take up to 60 days. Then you must wait to have your credit repulled to make sure the corrections have the time to positively impact your score.

It isn't easy obtaining financing, but it is a whole lot less stressful if you know what your credit looks like and what you need to do to meet your goals.

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### Our Mission:

"To support & develop affordable housing as a foundation upon which individuals, families and neighborhoods can build vital communities."

### Events:

**CF's 3<sup>rd</sup> Annual Homeownership Resource Fair**

**March 27th,**

**10 am—3 pm at the Champions room at the Spokane Arena**

### Helpful Links:

[Bankrate.com article](#)

### Our Locations:

Spokane Office:  
315 W Mission Ave  
Suite 100  
509-484-6733

### Bremerton Office:

409 Pacific Avenue  
Suite 303  
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## Upcoming Events

### Homebuyer Education Classes

- **Understanding Credit,**  
January 6<sup>th</sup>, 6 - 7 pm
- **Managing Your Finances,**  
January 13<sup>th</sup>, 6 - 7 pm
- **Mortgage Basics,**  
January 20<sup>th</sup>, 6 - 7 pm
- **HomeStarts Informational Meeting at CF**  
25<sup>th</sup>, 6 - 7 pm

### Community Events

- ◆ **Homeownership Informational Meeting - Cheney Library**  
January 12<sup>th</sup>, 6 - 7 pm

### ◆ **Homeownership Informational Meeting - Spokane Valley Library**

January 13<sup>th</sup>, 6 - 7 pm

### ◆ **Homeownership Informational Meeting - Shadle Library**

January 19<sup>th</sup>, 6 - 7 pm

### ◆ **Homeownership Informational Meeting - Hawthorne Library**

January 27<sup>th</sup>, 6 - 7 pm

Classes are free of charge and require registration. To reserve your spot contact us at (509) 484-6733, ext. 117.

Check out our website for additional events and project information.  
[www.communityframeworks.org/homestarts](http://www.communityframeworks.org/homestarts)

## CF Happenings

Community Framework's first annual sponsorship of Tom's Turkey drive was successful. It was a growing year and we hope to surpass our efforts next year with our partners, staff and homeowner's help.

We raised \$125 cash and three grocery carts full of groceries for Tom's Turkey Drive. CF's contributions were handed over to 2nd Harvest Food Bank, in an on air donation at Rosauer's at the Y this season.

CF had a Tree of Sharing in it's lobby this year and was able to provide gifts and toys for 10 Spokane area individuals in need. We look forward to your support in the coming year of our efforts. Thank You!