



Recognizing Credit Repair Scams

Because credit scores have become so important and used today for everything from mortgage loans to car financing to employment background checks, having a good score is a very valuable commodity. This comes with consistent, timely bill payments and a conscious effort to limit debts. Yet, according to the Federal Trade Commission, “newspapers, radio, TV, and the Internet are filled with ads for companies and services that promise to erase accurate negative information in your credit report in exchange for a fee. The scam artists who run these ads not only don't deliver — they can't deliver.” In its booklet “Building a Better Credit Report,” the FTC stresses that “only time, a deliberate effort, and a plan to repay your bills will improve your credit as it's detailed in your credit report.” It is important to recognize such ‘credit repair’ scam organizations and to stay away from.

First, look for the key catch phrases to clue you in to scams. They usually sound too good to be true – and they are. According to the FTC booklet, the following phrases are very popular in credit repair ads: “Credit problems? No problem!” “We can erase your bad credit-100% guaranteed.” “Create a new credit identity-legally.” “We can remove bankruptcies, judgments, liens, and bad loans from your credit file forever!” Be ware of such promises. The truth is that you can repair your credit just as fast as any company can. It comes from hard work and patience. You simply have to pay your bills on time, and manage your debt.

If you do decide to try working with one of these companies, you should look for danger signals when you are checking them out. First, do not do business with a company that requires you to pay them before they even provide any service for you. Bad idea! They may simply take your money without upholding their promises. Also you should be wary of any company that discourages you from contacting the credit bureaus yourself. This is your right and you can do it just as well as your ‘credit repair specialist.’ You should also be worried if the company tries to get you to create a new credit report by applying for and using an Employer Identification Number instead of your social security number. As the FTC says, “It's a federal crime to make false statements on a loan or credit application, to misrepresent your Social Security number, and to obtain an Employer Identification Number from the Internal Revenue Service under false pretenses.”

A common associated problem with bad credit is having a lot of debt. Just as there are many credit repair scams out there, you will also find plenty of debt relief schemes. Beware of these organizations as they may encourage you to do something that may actually further damage your credit. The FTC gives the following examples of debt relief pitches: “Consolidate your bills into one monthly payment without borrowing.” “Stop credit harassment, foreclosures, repossessions, tax levies and garnishments.” “Keep Your Property.” “Wipe out your debts! Consolidate your bills! How? By using the protection and assistance provided by federal law. For once, let the law work for you!”

All these sound very enticing, especially if you have a lot of debt and are badly in need of help. You should realize though, that many of these organizations will simply try to resolve your debt or credit problems by steering you into filing for bankruptcy. This will certainly not help your credit. Creditors and potential lenders will be able to see a bankruptcy on your credit report for the next 10 years. Bankruptcy scares away many companies from lending to you or from letting you rent an apartment or offering you a job. This is because they perceive a bankruptcy



to mean that you have been careless and irresponsible with creditors' money in the past and they fear you may be likely to brush off your debts in the same way in the future. Let bankruptcy be your last option!

The key is to keep your eyes wide open to possible scams and to realize that there really are no short cuts for repairing your credit or eliminating debt!