

Beware of Promises to Erase Bad Credit

“Don’t worry about bad credit. For only \$29.99, we’ll erase your bad credit history and provide you with a fresh start!” Heard that one before? Don’t believe it or you may be throwing much more than \$29.99 down the drain. Some of these so-called “credit repair” companies have charged their customers thousands of dollars to do what you can do for yourself.

Basically, anything that a credit repair service can provide, you can accomplish on your own. You may decide that you would rather a reputable company do the “leg-work” for you, but make sure you understand what they can and cannot legally do and make sure they are legitimate.

First, understand that if accurate negative information appears on your credit report, nothing but time and slowly rebuilding your credit history will solve the problem. The negative information will remain on your credit report for seven to 10 years.

Sometimes a fraudulent credit repair scam will offer to provide customers with a new social security number so they can create a new credit file. This practice is called “file segregation” and it is illegal. If you file fraudulent information over the phone, through the mail or over the Internet, you could be charged with a federal crime and chances are the credit repair scam artist will be long gone.

If, in fact, the credit repair company is able to provide you with a new credit card, it will probably be a “secured” credit card, which you have to “secure” with a cash deposit in order to draw on the credit line. Additionally, you are probably looking at a high application fee and high interest charges.



*Tips from your
Community Banker*

It is also a federal crime for a credit repair company to make false claims about their services. Be aware that the company cannot charge you until they have performed the promised services. These companies also need to provide you with a written contract that details what services they will provide, the total cost, and the length of time it will take to achieve results. The company

must also inform customers that they have three days to cancel their contract at no charge.

If you feel you have been defrauded by a credit repair scam artist, contact the Consumer Affairs Division of the state’s Attorney General’s Office

If you find yourself with a bad credit history, you should obtain a copy of your credit report from one of the three major credit reporting bureaus. If you find erroneous information on your report, you should write to each of the three bureaus and provide corrected information. If you’ve been denied credit in the past 60 days, you are entitled to a free copy of your credit report. Phased in over the next year, credit bureaus will be required to provide a *free* credit report upon request in all 50 states.

Remember, bad credit can be repaired only if you approach it with disciplined and sensible financial management. Once you establish a new reliable payment history, your chances of receiving the credit you need will improve.

*Provided as a public service by the Pennsylvania
Association of Community Bankers.*

Contact: Pennsylvania Association of Community Bankers, (717) 231-7447