



**CREDIT
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CWF Financial Coach Peer Gathering

LISC Chicago – 10/01/2010

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What's New?

FCRA and FACT Act

1996: First Time Furnisher Duties Imposed

- Accuracy
- Correct and update
- Report certain information
- Investigate disputes received from credit bureaus



What's New?

New FACTA Data Furnisher Rules (2003 changes in effect July 2010)

Accuracy and Integrity Rule

Direct Dispute Rule



What's New?

Accuracy and Integrity Rule

Providers must provide all relevant information on reported accounts

Specifically:

- Providers must have written policies & procedures
- Provide appropriate identifying info so right consumer, terms and liability and consumer performance
- Data substantiated by records



What's New?

FACTA Direct Dispute Rule

**Consumers can dispute directly to data furnisher!
(i.e. creditor, collection agency)**

New Furnisher Requirements:

- Provide credit bureaus and consumers address to submit disputes
- Investigate and respond to Consumer within 30 days
- Promptly notify ALL the bureaus to which it reports of any changes
- Notify Consumer if dispute is Irrelevant to provider within 5 days



What's New?

FACTA Direct Dispute Rule

When will Data Provider investigate dispute?

- Relevant to information they provided

What information will Data Provider Investigate?

- Liability for debt on account
- Terms of debt
- Consumer's performance on account
- Other information regarding account
(7 characteristics in definition of "consumer report")



What's New?

FACTA Direct Dispute Rule

When will Data Provider NOT investigate dispute?

- Dispute is irrelevant to data provider account information
 - Identity information
 - Employers information
 - Inquires of credit report
 - Public records
 - Fraud alerts
 - Data provided by other furnishers
- Dispute submitted by a credit repair organization
- Information already investigated



Dealing with Debt

When possible –

Deal with debt in a way that keeps or gets
GOOD STUFF GOING

Build Credit as an Asset



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Dealing with Debt

Consumer Education Reports

- 100% match (no other “John Smith” gets his data)
- No SSN, no online report - EIN not accepted
- **Original Creditor Info to connect collections**
- List of Soft Inquiries
- **Lists Date of First Delinquency**
- **Steps on how to dispute/correct errors**



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Consumer Education Reports

www.annualcreditreport.com

Free consumer report from each of the three bureaus (Federal)

www.transunion.com

www.experian.com

www.equifax.com



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Dealing with Debt

Consumer Education Reports

How are the B2B reports complementary?

- May pull without SSN
- May include accounts missing some relevant info
- Original Creditor often Masked for Privacy



Dealing with Debt

Collections and Reports

How long can a collection stay on report?

SEVEN YEARS from DATE OF FIRST DELINQUENCY with ORIGINAL CREDITOR

Collection Accounts do NOT update the Date of First Delinquency!
Payments on collections can update the Date of Last Activity.

www.collect.org/Help/collectionagencyanddebtcollectorreporting.html



Dealing with Debt

Collections and Reports

Is a collection deleted after its been paid or settled?

Paid collections stay on report until they age off.

Can a collection stay on a report for longer than 7 years?

If creditor or collector goes to court, a judgment is treated as a separate new report and remains for 7 years separate from collection aging off



Dealing with Debt

Collections and Scores

Do all collections have the same impact on a score?

Collections have the most significant negative impact on a score when first reported.

As collections (and other data) ages, it has less impact on the score.
(Remember -- If there is no recent good data, this hurts a score!)

Payments on Collections (i.e. monthly payments) can update the Date of Last Activity. For some scores, this can have **NEGATIVE** impact.

Removing a negative account (i.e. medical collection) will improve the score! If it's not theirs – dispute it!



Dealing with Debt

Prioritizing Debt

Priority 1: Active Accounts with original creditor

Priority 2: Dispute incorrect accounts

Priority 3: Identify accounts likely to go to judgment

Priority 4: Save money & settle accounts in lump sum



Dealing with Debt

Priority 1:

Active and Open: Get it Good and Keep it Going

- Credit Cards
- Lines of Credit (i.e. HELOC)
- Auto Loans
- Mortgage
- Student Loans (unless deferred)



Dealing with Debt

Priority 2: Dispute Incorrect Information

Send a dispute to request removal of:

- Information not belonging to client (i.e. fraud)
- Accounts with Date of First Delinquency (DOFD) greater than 7 years
- Accounts that were part of a bankruptcy filing



Dealing with Debt

Priority 3: Identify accounts likely to go to judgment

- Larger aging accounts
- Child Support
- **Medical Debt**

If none ... go to Priority 4



Dealing with Debt

Priority 3: Identify accounts likely to go to judgment

- Larger aging accounts
- Child Support
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If none ... go to Priority 4



Dealing with Debt

Priority 4: Get them Settled

- Create Savings and Pay in Lump Sums
- Open Low-Interest Credit and pay off in Lump Sums
- Smaller Accounts – utilities, medical
- More Recent Accounts



Dealing with Debt

Priority 4: Get them Settled

Settling Debt and Taxes

1099 Forms

Foreclosure v. Small collections



Dealing with Debt

Does it make sense for someone about to go into foreclosure for \$200,000 to:

1. Open Twin Accounts loan
2. Pay past due \$3,000 on AMEX card
3. Pay off collection account(s)
4. Save money