

# DALLAS COUNTY HOME LOAN COUNSELING CENTER

## FREE CREDIT REPAIR SEMINAR

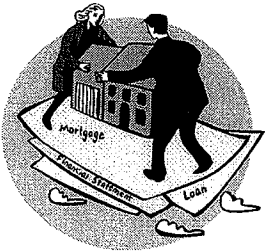
Presented by: M. Joyce Brown, Housing Officer  
Home Loan Counseling Center

**DO IT YOURSELF CREDIT REPAIR  
FOR MORTGAGE LOAN APPROVAL**



### YOU WILL LEARN:

1. How to order your credit report and dispute incorrect information
2. How a mortgage lender reviews your credit report
3. How to rebuild your credit to get approved for a home loan



**CALL**

**214-819-6060**

**For Date/Time and to Reserve a Seat  
(Seating is Limited)**

Seminar to be held at  
Dallas County Health & Human Services Building at  
2377 N. Stemmons Freeway, 7th Floor, Suite 751  
Dallas, Texas 75207  
(On the service road between Motor & Wycliff)



# CREDIT



**A means of buying something you don't need at a price you can't afford with money you don't have.**

## **FEDERAL LAWS AFFECTING CONSUMER CREDIT**

- **Fair Credit Reporting Act (FCRA)**
- **Fair and Accurate Credit Transactions Act (FACT)**
- **Fair Debt Collection Practices Act (FDCPA)**
- Fair Credit Billing Act
- Credit Repair Organizations Act
- Truth in Lending Act
- Equal Credit Opportunity Act

## **CONSUMER REPORTING AGENCIES (CRA)**

- Maintains your payment history for creditors
- Operations are mandated by federal laws
- Do not grant credit
- Not all creditors report to all 3 CRAs

## **ORDERING CREDIT REPORT**

- Order Credit Report from all three CRA's
- Free copy of credit report if denied credit, unemployed or on public assistance or a victim of identity theft.
- Husband and wife have separate credit files

**Free Annual Credit Report – 1-877-322-8228 or [www.annualcreditreport.com](http://www.annualcreditreport.com)  
(must use this phone # or website to get free credit report)**

## **CONSUMER REPORTING AGENCIES (CRA)**

Experian - 1-888-397-3742 [www.experian.com](http://www.experian.com)

Equifax (CSC) - 1-800-685-1111 [www.equifax.com](http://www.equifax.com)

**For disputes contact: CSC Credit Services 1-800-392-7816  
[www.csccredit.com](http://www.csccredit.com)**

Trans Union - 1-800-888-4213 [www.transunion.com](http://www.transunion.com)

## **CREDIT REPORT INCLUDES**

- Personal Identification Information
- Public Record Information
- Credit Account Information
- Collection Agency Account Information
- Inquiries

## **DOES NOT INCLUDE CREDIT SCORE**

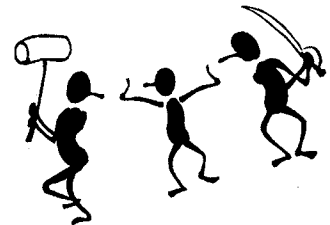
## **OUT OF DATE REPORTING PERIODS**

- 7 YEARS - Late payments, charge-offs, collections, paid tax liens, foreclosures, and repossessions
- 15 YEARS - Unpaid tax liens
- 10 YEARS - Chapter 7, 11 & 12 Bankruptcy (from date of filing)
- 7 YEARS - Chapter 13 Bankruptcy
- 2 YEARS - Credit inquiries

# **CREDIT REPAIR - DISPUTING INFORMATION**

## **WHAT ARE YOU DISPUTING?**

- Inaccurate information
- Incorrect information
- Outdated information



## **DATE OF FIRST DELINQUENCY**

Fair Credit Reporting Act amended in 1997 - Creditors are required to report the date of first delinquency to the national credit repositories

## **DISPUTE PROCESS**

### **Phase 1 – Review your budget**

- Money to settle or pay off judgments, collection accounts, tax liens
- Reduce debt levels
- Establish emergency fund

- Money to catch up delinquent accounts
- Save for down payment & closing costs
- You know that you can afford your new mortgage payment

## **Phase 2 – Dispute with credit reporting agency**

- Consumer disputes inaccurate, incomplete, or outdated credit with CRA. Dispute by using dispute form included with credit report from CRA , dispute on line, or call CRA using phone number included with credit report.
- CRA deletes or corrects information or will request credit grantor to investigate credit account. Information which can no longer be verified is deleted.
- Credit grantor has 30 days to respond to CRA. If credit grantor does not respond in 30 days, the information must be removed from credit report.
- When credit grantor responds, credit report will be updated to reflect new information (deleted or corrected).
- A new credit report is mailed/emailed to the consumer by CRA.

## **Phase 3 – Dispute 2<sup>nd</sup> time providing documentation**

**Creditor verifies that information is correct.**

- Dispute a 2nd time by writing a letter to Creditor or Collection Agency and **provide documentation.**
- Creditor has 30 days to respond to new dispute. Collection agency does not have a timeframe in which to respond but must cease collection efforts.
- Avoid including 100 word statement explaining the nature of the dispute.
- Avoid frivolous disputes.

## **Is Debt Owned by Collection Agency?**

- Send certified letter requesting collection agency to provide documentation account is yours.
- Fair Debt Collection Practices Act (FDCPA) and Texas Fair Debt Collections Act requires collection agencies to provide proof that the debt belongs to you. Must request validation within 30 days of receipt of statement from Collection Agency.
- Under FDCPA, collector has no time frame to respond. Under FCRA, collector must respond in 30 days.
- If account cannot be verified, collection agency must remove the account from your credit report.
- If account is verified, try to settle the account.

## Negative but Accurate Credit Accounts

- Pay the account in full
- Make payment arrangements
- Settle for less than full balance
- Negotiate with creditor to delete derogatory information from credit report
- Negotiate with creditor to report a neutral statement to CRA, i.e., Paid as agreed instead of paid collection.
- Be sure to get negotiations in writing before any payment is made
- Wait until account is out of date and deleted from credit report

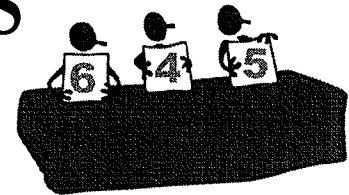
## Phase 4 – Decide if you should continue dispute process

### **Cannot resolve dispute with creditor.**

- Pay the collection and continue dispute with creditor.
- File a complaint with Texas Attorney General or Federal Trade Commission
- Hire an attorney.
- Leave it alone if it does not affect loan approval.

**CLOSED CREDIT HISTORY REMAINS ON CREDIT REPORT FOR 10 YEARS**

# CREDIT SCORES



Credit Score is a three digit number that represents your payment history on the day the score was calculated when you order your report. A score is generated from each of the CRA's - Experian, Equifax and TransUnion.

Mortgage lenders use **FICO** scores developed by Fair Isaac Corp. The middle score of three scores is used to rate your payment history

## CREDIT SCORING

### **FICO Scoring Method (Lenders)**

Over 680 - Excellent Credit  
621 to 680 - Good Credit  
620 or less - Fair Credit  
Repair credit below 585

### **VantageScore (Experian & TU)**

901-990: A  
801-900: B  
701-800: C  
601-700: D  
501-600: F

## **WHAT'S IN YOUR FICO SCORE**

1. Payment History - 35% (Payments made on time)
2. Amounts Owed - 30% (Amount of credit used compared to credit limit)
3. Length of Credit History - 15% (How long have you had credit)
4. New Credit - 10% (Number of recently opened credit & inquires)
5. Types of credit used - 10% (A mix of credit cards and installment loans)

## **IMPROVING PAYMENT HISTORY**

1. Bring current delinquent or slow pay accounts
2. Avoid new delinquencies from old charge offs and medical collections
3. Open secured bank credit card:
  - a. Creditor should report to all three CRA's
  - b. Pay as soon as statement is received
  - c. Never maintain a balance
  - d. Obtain minimum credit limit

## **CREDIT UTILIZATION RATIO**

1. Credit card balance divided by available credit limit. (Balance = \$3,000 & Credit Limit = \$4,000; Ratio:  $\$3,000 \div \$4,000 = 75\%$ )
2. Balances close to available limit indicate high credit risk (Keep ratio at 35% or lower)
3. Be careful about closing accounts.

## **REASON/FACTOR CODES**

- Included with credit score
- Top reasons why score was not higher
- Listed in order of importance showing strongest negative impact on your score
- Have little meaning if credit score is above 700.

## **Examples of Reason/Factor Codes**

- Serious delinquency and public record or collection filed
- Number of accounts with delinquency
- Months since most recent delinquency is too short
- Proportion of balances to credit limits on revolving accounts is too high
- Length of time accounts have been established
- Too many inquiries in the last 12 months

- Not enough revolving debt experience

**For more information about credit scores, go to [www.myfico.com](http://www.myfico.com)**

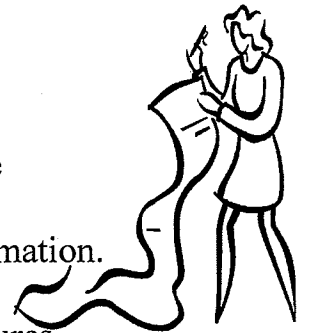
## **MORTGAGE APPROVAL**

- Acceptable Credit – Good payment history
- Stable income – 2 years same job or in same line of work
- Adequate income – Enough income to support house payment and other debts
- Adequate funds – Money saved for down payment and closing costs.

**If delinquent credit is not caused by a circumstance beyond your control, you may have to show good payment history for 2 years before you are approved on a mortgage loan.**

## **STEPS TO MORTGAGE LOAN APPROVAL**

1. Order personal credit report from all three CRA's with credit score
2. Prepare a budget and save for an emergency fund.
3. Review credit report for inaccurate, incomplete and outdated information.  
Dispute with CRA, creditor or collection agency.
4. Determine the end of waiting period for bankruptcies and foreclosures.
5. Make arrangements to settle unpaid judgments or tax liens.
6. Review for unpaid derogatory items and make arrangements to pay accounts.
7. Bring current accounts with recent late payments and pay on time for one year.
8. Pay most recent collection accounts occurring two years prior to loan application.
9. Obtain credit letters to develop alternative credit history
10. Review Credit Score factors/reasons to determine what is needed to raise credit score.



# CREDIT REPAIR RESOURCES



## Websites:

[www.experian.com](http://www.experian.com) - [www.transunion.com](http://www.transunion.com) - [www.equifax.com](http://www.equifax.com) – All three credit bureaus have credit learning/education centers which discuss topics like credit report basics, managing credit score, identity theft, and glossary of credit-related terms.

[www.myfico.com](http://www.myfico.com) – Fair Isaac Corporation is the developer of the FICO credit scores. Good tips for increasing credit score. FICO Score Simulator provides best simulation to raise credit score.

[www.bankrate.com](http://www.bankrate.com) – Information about credit cards, credit debt. A Fico Score Estimator to help you determine fico score. To access Fico Score Estimator click on calculators, listed under Credit Cards Calculators, click on "See Your Fico Score Range".

[www.ftc.com](http://www.ftc.com) – Website for Federal Trade Commission which is responsible for the Fair Credit Reporting Act (FCRA), Fair and Accurate Credit Reporting Act (FACT), and Fair Debt Practices Collection Act (FDCPA). To file a complaint or have questions answered, call 1-877-FTC-HELP or 1-877-382-4357.

[www.idtheftcenter.org](http://www.idtheftcenter.org) - Identity Theft

[www.ftc.gov/bcp/online/pubs/credit/fdc.htm](http://www.ftc.gov/bcp/online/pubs/credit/fdc.htm) - Fair Debt Collection brochure.

[www.ed.gov](http://www.ed.gov) or [www.ed.gov/offices/OSFAP/DCS/index.html](http://www.ed.gov/offices/OSFAP/DCS/index.html) – Information about bringing defaulted student loans current.

[www.ed.gov/offices/OSFAP/DCS/rehabilitation.html](http://www.ed.gov/offices/OSFAP/DCS/rehabilitation.html) - school loan rehabilitation

[www.ed.gov/offices/OSFAP/DCS/consolidation.html](http://www.ed.gov/offices/OSFAP/DCS/consolidation.html) - school loan consolidation

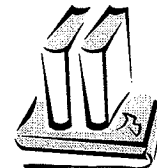
[www.efanniemae.com](http://www.efanniemae.com) and [www.freddiemac.com](http://www.freddiemac.com) – Information on qualifying for mortgage loan.

[www.lowcards.com/poorcredit.asp](http://www.lowcards.com/poorcredit.asp) - Cards for consumers with poor credit researched by BankRate.com.

Cancellation of Debt - <http://www.irs.gov/newsroom/article/0,,id=174034,00.html>

[www.occ.state.tx.us](http://www.occ.state.tx.us) - Office of Consumer Credit Commissioner

## Books:



Credit Repair by Attorneys Robin Leonard & Deanne Loonin

Publisher: Nolo

[www.nolo.com](http://www.nolo.com)

Debt-Proof Living by Mary Hunt

[www.debtproofliving.com](http://www.debtproofliving.com)



**DALLAS COUNTY HOME LOAN COUNSELING CENTER  
MONTHLY BUDGET WORKSHEET**

**Name** \_\_\_\_\_

**Date** \_\_\_\_\_

**NET MONTHLY INCOME** (From All Sources) \$ \_\_\_\_\_

(Income #1 \_\_\_\_\_ / Income #2 \_\_\_\_\_ / Other \_\_\_\_\_)

**Monthly Expenses**

Mortgage/Rent/Homeowner Assoc Fees \$ \_\_\_\_\_

Utilities(Electric \_\_\_\_\_, Gas \_\_\_\_\_, Water \_\_\_\_\_) \$ \_\_\_\_\_

Day Care/School Tuition \$ \_\_\_\_\_

Automobile Loan \$ \_\_\_\_\_

Transportation (DART/Auto gas, etc.) \$ \_\_\_\_\_

Child Support/Alimony Paid \$ \_\_\_\_\_

Retail Bills/Credit Cards/Installment loans \$ \_\_\_\_\_

Telephone/Cell Phone \$ \_\_\_\_\_

Food (Groceries/Eating Out) \$ \_\_\_\_\_

Savings (Self/Household/Personal goals) \$ \_\_\_\_\_

Emergency savings for home maintenance \$ \_\_\_\_\_

Recreation/Entertainment (Including cable/dish television) \$ \_\_\_\_\_

Prescription/Health Care/Co-Pays (Not covered by insurance) \$ \_\_\_\_\_

Children's Needs (Lunch/Clothing/School Supplies/Allowances) \$ \_\_\_\_\_

Insurance other than car \$ \_\_\_\_\_

Car Insurance \$ \_\_\_\_\_

Church/charitable donations \$ \_\_\_\_\_

\*Periodic Expenses \$ \_\_\_\_\_

Other Monthly Expenses \_\_\_\_\_ \$ \_\_\_\_\_

Other Monthly Expenses \_\_\_\_\_ \$ \_\_\_\_\_

Other Monthly Expenses \_\_\_\_\_ \$ \_\_\_\_\_

**TOTAL MONTHLY EXPENSES** \$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

**Net Income**

**- Total Expenses**

**= + Surplus Income**

**-(Not enough Income)**

\*Complete "Periodic Expenses" worksheet and include amount on this line.

# Periodic Expenses

Example: Auto - oil changes, inspection stickers, factory required maintenance, tires, license renewal. Quarterly & semi-annual insurance payments. Property taxes and homeowners insurance not included in monthly mortgage payment. Expenses for birthdays, holidays, vacations, education, barber/beauty shop, pet supplies, lawn maintenance, hobbies, family assistance, and dry cleaning. Membership fees and dues. Annual medical/dental/vision exams.

	Expense	Amount		Expense	Amount
Jan:	_____	_____	Feb:	_____	_____
	_____	_____		_____	_____
	_____	_____		_____	_____
	_____	_____		_____	_____
Mar:	_____	_____	Apr:	_____	_____
	_____	_____		_____	_____
	_____	_____		_____	_____
	_____	_____		_____	_____
May:	_____	_____	Jun:	_____	_____
	_____	_____		_____	_____
	_____	_____		_____	_____
	_____	_____		_____	_____
Jul:	_____	_____	Aug:	_____	_____
	_____	_____		_____	_____
	_____	_____		_____	_____
	_____	_____		_____	_____
Sep:	_____	_____	Oct:	_____	_____
	_____	_____		_____	_____
	_____	_____		_____	_____
	_____	_____		_____	_____
Nov:	_____	_____	Dec:	_____	_____
	_____	_____		_____	_____
	_____	_____		_____	_____
	_____	_____		_____	_____

**\*Subtotal \$ \_\_\_\_\_ /12 = \_\_\_\_\_ (monthly average)**

\*To determine how much you need to save for each pay period, divide subtotal by number of pay periods. If you get paid weekly, divide subtotal by 52. If you get paid every other week, divide subtotal by 26. If you get paid twice a month, divide subtotal by 24.

Date: \_\_\_\_\_

Name(s) on account: \_\_\_\_\_

Account Number: \_\_\_\_\_

Creditor: \_\_\_\_\_

To: \_\_\_\_\_

Since approximately \_\_\_\_\_, 20\_\_\_\_\_, I have received several phone calls and letters from you concerning my overdue account with the above-named creditor.

Accordingly, under 15 U.S.C. § 1692c, this is my formal notice to you to cease all further communications with me except for the reasons specifically set forth in the federal law.

Sincerely,

\_\_\_\_\_  
(your signature)

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Home phone: \_\_\_\_\_

