



# BUILDING BETTER CREDIT IN THE NEW YEAR

by Texas Attorney General Greg Abbott

A NEW YEAR OFTEN BRINGS RESOLUTIONS – such as endeavoring to spend less, save more or repair bad credit. Maintaining a good credit report can translate into quicker loan approvals, competitive interest rates and a strong financial foundation. Whatever the motivation, Texans have an interest in obtaining and maintaining a good credit rating. A few simple steps can help borrowers repair bad credit.

Most importantly, borrowers should always do their best to pay their bills on time. Making timely payments ensures borrowers have a positive payment history, which creditors weigh heavily when they make lending decisions.

All Texans should periodically examine their credit reports and take quick action to address any disputed or incorrect information. It is particularly important to address any inaccurate information on a credit report. Federal law requires each of the nationwide credit reporting bureaus – Equifax, Experian and TransUnion – to provide one free credit report per year to borrowers who request a copy of their report. The credit reporting bureaus must provide the borrower with everything in his or her credit report and a list of everyone who has requested the report within the past year.

Under the federal Fair Credit Reporting Act, both the credit bureau and any organization responsible for reporting inaccurate information must correct errors or incomplete information on credit reports. Texans who discover errors on their credit reports should send a written dispute letter to both the credit reporting bureau and the creditor who filed the information.

Dispute letters seeking corrections should very specifically describe the facts and circumstances surrounding the mistake. In addition to providing their complete name and address, borrowers should include copies (not originals) of any supporting documentation, such as receipts, statements that verify payments and a copy of the inaccurate credit report. Each error on the report should be circled or highlighted and accompanied by a detailed explanation clarifying why the information is inaccurate. Borrowers should send their dispute letter by certified mail, return receipt requested, so they can document that the credit bureau and creditor received their correction request. Borrowers should keep copies of the dispute letter and any enclosures.

Once a credit bureau is notified of a dispute, it must investigate the items in question (unless it considers the dispute

to be frivolous). The credit bureau also must forward all relevant data the borrower provided about the inaccuracy to the appropriate creditor. Upon receiving the information, the creditor must review the dispute and report the results back to the credit bureau. If the reporting creditor discovers the disputed information is inaccurate, it must notify all three credit bureaus so corrections can be made to the information in the complainant's file.

Once its investigation is complete, the credit reporting bureau must notify the borrower of the results in writing. If the dispute led the credit reporting bureau to correct the mistake, the bureau must also provide the borrower a free copy of the corrected credit report. (Note: A corrected credit report does not count as the borrower's annual free report.) If an item is changed or deleted, the credit reporting bureau cannot put the disputed information back in the borrower's file unless the creditor verifies that the information is accurate and complete. The credit bureau also must send the borrower written notice that includes the creditor's name, address and phone number.

If the credit reporting bureau's investigation does not resolve a borrower's dispute, the borrower may

request that a statement of the dispute be included in his or her file and in future credit reports. Borrowers may also ask the credit bureau to provide the dispute statement to anyone who previously received a copy of the report. Credit bureaus may charge a fee for this service.

When negative information in a credit report is accurate and correctly includes a deficiency in the borrower's payment history, that negative information will remain on the books for seven years. Bankruptcies are included for 10 years, while information about unpaid judgments against the borrower can be reported for seven years – or until the statute of limitations expires, whichever is longer. Borrowers with negative items on their credit report should be wary of advertisements promising to wipe credit reports clean, because there is not a legal way to remove accurately reported negative information.

If a credit reporting agency or creditor refuses to correct inaccurate, incomplete or outdated information, Texans should file a complaint with the Texas Attorney General's Office or the Federal Trade Commission.

- January 2012