SCOTSMAN GUIDE
scotsmanguide.com

Where to Find Scam-Free Credit Repair

Brokers should know how to discern which outfits actually will help their clients

By **Douglas Muir,** founder and CEO, Credit Justice Services

TODAY'S HOUSING MARKET SCARES many consumers and mortgage brokers. Homeowners face dramatically increased monthly payments because of adjustable-rate mortgages, and market saturation makes it almost impossible to sell a home. Mortgage professionals must also cope with a tight loan market while having to deal with clients with less-than-perfect credit scores.

One way for brokers to get through the hard times and to help consumers is to make sure that their clients' credit scores are accurate.

Often, credit scores are affected negatively by inaccurate information. In fact, a 2004 study of the three major credit bureaus found that 79 percent of credit reports contain incorrect information. The same study reported that 25 percent of people had a credit report that was so inaccurate that it kept them from receiving financing.

Inaccuracies can have a major impact on the interest rate that mortgage borrowers receive. For this reason, some brokers have turned to credit-repair companies to help their clients.

In theory, the idea is perfect: Improve a client's score before the borrowing process begins. Saving clients money can lead to more completed deals and to enhanced customer loyalty.

In reality, however, many brokers don't know what to look for in a credit-repair company. Often, they find themselves searching for information and fighting against a lack of communication from unethical repair companies.

Some credit-repair companies charge exorbitant fees and deliver few results. These events jeopardize loan closings and a broker's reputation.

Here's a look at what to avoid and what to embrace.

What to avoid

To avoid problems, consider the following tips when searching for an ethical credit-repair company to help your clients:

1. Don't pay by month: Many credit-repair companies charge monthly rates without a specified timeline. Because they get paid monthly, there is no incentive for these companies to expedite the repair process. Clients often never see the dispute letters, and the repair companies only send out a few each month. In reality, the dispute process usually requires three rounds of letters per unwarranted trade line. With three credit bureaus, it could require nine letters for each discrepancy.

2. Don't pay upfront: Some credit-repair companies try to collect large payments upfront. This is illegal under the Credit Repair Organizations Act. Brokers should beware of companies that require any investments before the work is completed.

3. Don't allow "piggybacking": This illegal practice involves overriding password-protected documents and issuing fake credit accounts to customers. Piggybacking occurs when an individual becomes an authorized user on the credit card account of another person with excellent credit. Within a few months, the unknowing consumers have their scores used to increase the piggybacker's rating.

4. Don't allow password hacking: Another illegal tactic is to buy software that breaks into password-protected documents. This allows hackers to change credit reports.

What to embrace

Credit-repair companies that use unethical methods are largely responsible for the common belief among consumers that credit repair is a scam. Consumers and mortgage brokers, however, shouldn't dismiss the industry altogether. There are several companies that truly act as consumer advocates. These businesses practice under the rules of the Fair Credit Reporting Act (FCRA) and aim to provide clients with legitimate and legal assistance.

The FCRA statutes are designed to provide consumers with quick, simple and effective methods to ensure that their credit reports are accurate and to allow them to correct errors. The average consumer, however, is hard-pressed to navigate through the procedural morass of FCRA successfully; it can require many steps to remove an inaccurate item from a credit report. Several of these steps have multiple parts, and others require some expertise in the fields of credit analysis and reporting.

For these reasons, ethical credit-repair professionals are needed.

Trustworthy credit-repair companies use consumer-protection laws to force creditors and credit bureaus to verify debt and negative trade lines. Specifically, the bureaus must prove that everything is 100-percent accurate. If they don't have the documentation or if something is reported incorrectly, then that information must be removed by law.

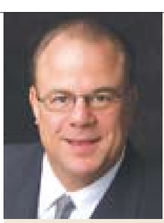
■ ■ ■

Good credit-repair companies offer clients a transparent process and work within a specified time limit, such as 60 to 90 days. They use legal procedures to identify negative and unwarranted information and to remove inaccuracies systematically. As negative trade lines disappear, credit scores improve.

Such companies provide more than just dispute letters. They educate clients on how to use credit to their advantage, offering such lessons as paying off small balances on high-limit credit cards and closing cards that aren't used.

Ethical credit-repair organizations also may offer legal advice and debt negotiation. Mortgage

Continued …



Douglas Muir is the founder and CEO of Credit Justice Services, which has helped 18,000 consumers improve their credit since 2004. Muir speaks nationally to mortgage, real estate and finance professionals about how to help their clients achieve the credit scores they legally deserve. The response has propelled CJS into 42 states, Puerto Rico, St. Croix and St. Thomas. Visit www.creditjusticeservices.com, e-mail info@creditjusticeservices.com or call (866) 380-0067 to learn more about CJS.

brokers should look for companies with an on-site legal staff; this is a good indicator that they abide by laws and regulations. Attorneys also can be beneficial when it comes to debt negotiation and can help clients reduce monthly payments while working to remove existing debt.

By helping clients find ethical ways to improve their credit scores, mortgage brokers can gain ground in a difficult market.