

# REPAIR YOUR CREDIT



A free publication provided by  
Consolidated Credit Counseling Services of Canada, Inc.,  
a registered charitable credit counselling  
and debt management organization.

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# CONSOLIDATED

CREDIT COUNSELING SERVICES OF CANADA, INC.

When debt is the problem, we are the solution.

*Congratulations on taking this important step to a brighter financial future. Consolidated Credit Counseling Services of Canada, Inc. has been helping Canadians across the country solve their credit and debt problems for years.*

*Our Educational Team has created over twenty publications to help you improve your personal finances. By logging onto [www.consolidatedcredit.ca](http://www.consolidatedcredit.ca) you can access all of our publications free of charge. We have tools to help you become debt free, use your money wisely, plan for the future, and build wealth. The topics Consolidated Credit Counseling Services of Canada addresses range from identity theft to building a better credit rating; from how to buy a home to paying for university. On our website you will also find interactive tools that allow you to calculate your debt and see how much it is costing you.*

*We are dedicated to personal financial literacy and providing a debt-free life for Canadians. If you are overburdened by high interest rate credit card debt, then I invite you to speak with one of our trained counsellors free of charge by calling 1-800-656-4079 for free professional advice.*

*Sincerely,*

Jeffrey Schwartz  
Executive Director

Consolidated Credit Counseling Services of Canada, Inc.

# Repair Your Credit

## Rebuilding Good Credit

If you've had credit problems in the past, you probably feel frustrated and worried that your damaged credit history will stay with you forever, or at least for a very long time. In almost every case, however, there are strategies you can use to put your credit back on track. If you actively work on improving your credit, you will see results. It may not happen as quickly as you hope – or it may happen more quickly than you expected. Some consumers are able to buy a home in as little as a year after bankruptcy, for example. It all depends on your situation and whether you are willing to take the time and effort required. In this brochure, you'll find proven strategies for building better credit.

## Step I: Start where you are

Your first step is to get a copy of your credit report, preferably from all major credit bureaus. You'll find a good source for pulling those credit reports at the websites of all of the major credit reporting agencies in Canada. There you can get a copy of your report, along with credit scores, from Equifax, Experian and Trans Union. With this information, you'll be able to create a game plan for improving your score. We also recommend you read *Make the Most of Your Credit Score* (<http://www.consolidatedcredit.ca/debt-learning-centre/credit-score.asp>), a free publication from Consolidated Credit Counseling Services of Canada, Inc. On the next page you will see the contact information for both Equifax Canada, Experian Canada and TransUnion Canada. If you visit their websites, you will find additional information including educational material regarding your credit.

## **Equifax Canada**

Mail requests to:

Consumer Relations Dept

Box 190 Jean Talon Station

Montreal, Quebec

H1S 2Z2

Phone: 1-800-465-7166

Fax: 514-355-8502

[www.equifax.ca](http://www.equifax.ca)

## **TransUnion Canada**

Mail requests to:

TransUnion

Consumer Relations Dept

P.O. Box 338, LCD 1

Hamilton, ON

L8L 7W2

[www.transunion.ca](http://www.transunion.ca)

Phone 1-800-663-9980

Once you have a copy of your credit report, be sure to check the basics. As you review your credit report, look for the following potential problems and note them on the Credit Report Problems worksheet in this booklet.

- Mistakes in personal information, including name (and variations), social insurance numbers or addresses.
- Mistakes in account listings. Look for late payments that are not correct, outdated balances, duplicate listings of the same account or other mistakes.
- Negative items including bankruptcies, judgments, liens, collection accounts or late payments. We'll discuss how long these can be reported shortly.
- Inquiries from companies you don't recognize. When a company reviews your credit report, it creates an inquiry.

While they may be legitimate, inquiries into your report from companies you don't know can sometimes indicate fraud.

If you don't understand something, make sure you ask! Your credit reporting agency is required to provide a toll free customer service phone number along with customer service representatives available to assist you with questions about your credit report.

## **Step 2: Understanding Your Credit Picture - How long can information be reported?**

The first thing most people with bad credit want to know is, "How long can this information haunt me?"

While positive or neutral information can be reported indefinitely, negative information can only be reported for a specific length of time. The following information is according to Equifax Canada:

**CREDIT INQUIRIES TO THE FILE:** An inquiry made by a Creditor will automatically purge three (3) years from the date of the inquiry. The system will keep a minimum of five (5) inquiries.

**CREDIT HISTORY AND BANKING INFORMATION:** A credit transaction will automatically purge from the system six (6) years from the date of the last activity. All banking information (chequing or savings account) will automatically purge from the system six (6) years from the date of registration.

**VOLUNTARY DEPOSIT - ORDERLY PAYMENT OF DEBTS, CREDIT COUNSELLING:** When voluntary deposit - OPD- credit counselling is paid, it will automatically purge from the system three (3) years from the date paid.

**REGISTERED CONSUMER PROPOSAL:** When a registered consumer proposal is paid, it will automatically purge three (3) years from the date paid.

**BANKRUPTCY:** A bankruptcy automatically purges six (6) years from the date of discharge in the case of a single bankruptcy. If the consumer declares several bankruptcies, the system will keep each bankruptcy for fourteen (14) years from the date of each discharge. All accounts included in a bankruptcy remain on file indicating “included in bankruptcy” and will purge six (6) years from the date of last activity.

**JUDGMENTS, SEIZURE OF MOVABLE/IMMOVABLE, GARNISHMENT OF WAGES:** The above will automatically purge from the system six (6) years from the date filed.

**COLLECTION ACCOUNTS:** A collection account under public records will automatically purge from the system six (6) years from the date of last activity.

**SECURED LOANS:** A secured loan will automatically purge from the system six (6) years from the date filed.  
(Exception: P.E.I. Public Records: seven (7) to ten (10) years.)

(Source: [www.equifax.com](http://www.equifax.com))

### **When does the 7-year period start?**

If you have collection or charged off accounts listed on your credit report, you'll want to read this section carefully. It may be confusing at first, but because mistakes are often made, you'll want to make sure you understand it.

For collection or charged-off accounts, the clock starts ticking 6 months from the date you first fell behind leading up to the collection or charge-off. It does not start when the account was placed for collection or to the date of last activity.

For example: Let's say your credit card payment was due on June 1, 2006. You lost your job and couldn't make your required payments. In November of 2006, the issuer charged off your account (wrote it off as a bad debt). In January 2007, it was placed with a collection

agency. By law, the original date of delinquency starts the 7-year clock. The collection agency is required to inform the credit bureau of the original date of delinquency (June 1, 2006).

*Warning:* Beware of collection agencies that tell you they have ways of reporting the collection account “forever” to the credit bureaus if you don’t pay. That’s simply not true.

Below is a worksheet to help you track negative information that appears on your credit report. This will ensure that negative information only remains on your report for as long as it has to.

<u>Creditor Name</u>	<u>Date Reported</u>	<u>Type of Negative Mark (ie late payment, etc)</u>

**What do I do now?**

Once you have your credit report and understand what is on it and how long information can be reported, you’re ready to create a strategy for building better credit.

**Step #3: Fix mistakes.**

It’s not unusual to find wrong or outdated accounts. You may want to check for the following items:

**Accounts that don’t belong to you.** Keep in mind, though, that if you cosigned for an account, it will likely be reported on your credit report and treated as your own. If you were only an authorized user on an account that fell behind, the creditor may be willing to remove it from your credit report since you weren’t legally responsible for the bills.

**Incorrect balances.** While you can expect it to take 30-60 days for information about your loan balances to be updated, you shouldn't see completely wrong information. For example, an account that was discharged in bankruptcy or settled through a collection agency should show a zero balance.

**Duplicate accounts.** If an account was turned over to multiple collection agencies, only the most recent collection agency account should appear. Otherwise, it can look as if you have more accounts in collections that you actually do.

**Old accounts.** You may find old accounts you don't use anymore still listed. Even if an account is paid off, it may remain for the legal time limit. Fair Isaac Company, creator of the popular FICO credit scores, recommends that you don't close old accounts because doing so may hurt your score and won't help improve it.

To dispute wrong information, you can contact the credit reporting agency that is listing the wrong information, the credit grantor that is reporting it, or both. The advantage of going to the credit reporting agency is that they are better equipped to handle disputes. If they cannot promptly confirm the information on your report with the source, by law it must be removed. The disadvantage is that the major credit bureaus don't share information with each other, so you'll have to check all major credit reports and dispute mistakes through each one that has the wrong information.

The advantage of disputing mistakes directly with the credit grantor is that the lender must supply any correction to all the credit bureaus that have the wrong information. The disadvantage is that creditors aren't always set up to handle disputes and you may find it harder to get your problem resolved promptly.

Whichever approach you choose, put your dispute in writing, type it if your handwriting isn't clear, and make it brief yet describe the



problem clearly. If you have any documentation to prove your side of the story, include it. The credit bureau or credit grantor must generally get back to you within 30 days to tell you the results of their investigation. Keep copies of all the letters you send and get back.

Tips for writing an effective dispute letter:

1. Include your name, address, phone number, social insurance number, account number (if applicable) at the top of your letter so your file can easily be found.
2. Type your letter if you have access to a computer.
3. Keep your letter brief, to the point and professional.
4. Describe the problem exactly and suggest a solution.
5. Send your letter registered mail with a confirmation of receipt.
6. Include documentation if you have it and if it's applicable. Make copies of originals and send the copies.
7. Keep a copy of the letter you send.
8. Keep a copy of any correspondence you receive in response to your request.
9. Write down the name, dates, and times you speak with anyone from the creditor's office or the credit reporting agency regarding the matter.

Below you will find two worksheets to help you track problems and disputes with your credit report. The first worksheet is for you to list any problems or questions you find with your credit report. The second worksheet is to help you track the dispute process if that is the road to you take to resolve the issue or questions you may have.

### **Credit Bureau Problem/Question Worksheet**

<u>Creditor Name</u>	<u>Account Type</u>	<u>Problem/Question</u>	<u>Contacted?</u>	<u>Resolved?</u>

### **Credit Bureau Dispute Worksheet**

<u>Creditor Name</u>	<u>Disputed With</u>	<u>Contact Name</u>	<u>Contact Date</u>	<u>Resolved?</u>

### **Sample dispute letter**

Carla Consumer  
 123 Main Street  
 Anyprovince, Canada  
 A1B 2C3  
 Social Insurance Number  
 Date

I am writing to dispute two items on my credit bureau pulled on  
 DATE:

- Account # - 12345 - Bank Name - This account is not mine. I do not have any accounts with this lender

- Account # - 6789 - Bank Name - This account incorrectly shows a balance. I paid it off on DATE. Please update my file to show a zero balance

Thank you in advance for your efforts to resolve this matter.

Sincerely,

Carla Consumer

### **How Will Credit Counselling Affect My Credit Score?**

Many people worry that their credit will be damaged if they enter a debt management program through a credit counselling service. In fact, their credit score may stay the same or actually improve if they successfully stick to the repayment plan. There are several reasons for this:

- Many creditors will not report anything to the credit bureaus. The goal is to establish an up to date payment history. The fact that you are in a debt management program indicates that an account is being repaid through a counselling agency.

- A status of “R7” may be applied to accounts that are in the program as well. This is different from the account being up to date and in good standing. Keep in mind though, an “R7” rating is better than ignoring your responsibility altogether.

- By entering a credit counselling program you may avoid further late payments, credit problems and even bankruptcy - all of which can significantly hurt your credit.

- If you successfully pay down your debt through a counselling program, your credit score can improve since the amount of debt you carry is one of the major factors in calculating a credit score.

*Warning:* While you are paying your debts through a counselling agency, you still remain legally liable to the creditor for those payments. If the counselling agency pays creditors late, or doesn't pay them at all, your credit report will suffer. Choose a reputable counselling agency with a track record of paying creditors on time.

### **What if my dispute doesn't work?**

If after contacting the credit reporting agency and the creditor; you do not have success with your dispute, you have the option of placing a consumer statement onto your credit bureau. Most creditors will read your statement when making a credit decision. Depending on the situation it may or may not have an impact on that decision but it is worth the effort if you truly feel that you are in the right.

Do not put statements on your credit bureau that have personal feelings or opinions included. Keep your statement professional and facts only.

### **Warning!**

There are companies that prey on people with damaged credit ratings.

Be very careful before falling for one of these scams:

*Guaranteed Credit Cards:* If you see offers for “guaranteed credit cards regardless of your credit.” Beware. There are two variations on this scam. In one, the issuer makes it sound like you'll get a major credit card but instead you get a plastic card that only allows you to purchase merchandise from their catalog. In the second, you may get a \$300 credit line, but the company will charge about \$275 in various fees. You'll start out with a big balance when you haven't purchased anything! Unlike a secured card, those \$275

in fees will never be refunded to you. If you need a major credit card, shop for a secured card at your local bank or a major credit lender in Canada.

*Advance Fee Loan Scams:* Some lenders will advertise that they can guarantee you'll get a loan for an upfront fee that can range from as little as \$19 to several hundred dollars. Don't be fooled. Don't pay a fee upfront to get a loan before you have been approved. This is fraud and it's against the law.

*Credit Repair Firms:* Think twice before spending your money on a "credit repair program". Many times these programs cost hundreds of dollars and their techniques may actually be illegal! For example, some companies will tell consumers to get an Employer Identification Number (EIN), which is the same number of digits as a Social Insurance Number. They'll then tell consumers to try to get new credit using that number. The goal is to establish a brand new credit file. Obtaining an EIN for that reason, however, is not legal. The government provides a very helpful website through the Financial Consumer Agency of Canada. Here you will find useful information regarding your rights and responsibilities as a consumer along with alerts for your safety. You can also access information regarding credit and debt as well. Visit the website at [www.fcac-acfc.gc.ca](http://www.fcac-acfc.gc.ca) for more information.

## **Help Is Available**

If your debt is growing, or if you have fallen behind on your bills, Consolidated Credit Counseling Services of Canada, Inc. may be able to help. Call us today for a free debt analysis and a chance to start the journey to a debt free life! 1-800-656-4079.

## About Consolidated Credit Counseling Services of Canada, Inc.

Consolidated Credit Counseling Services of Canada is a consumer oriented, nonprofit, registered charity. We are an industry leader in providing credit counselling and debt management services. Our mission is to assist individuals and families in ending financial crises and to help them solve money management problems through education, motivation, and professional counselling. Our organization is funded primarily through voluntary contributions from participating creditors. Our programs are designed to save our clients money and liquidate debts at an excellent rate.

We are dedicated to empowering consumers through educational programs that will influence them to refrain from overspending and abusing credit cards, as well as to encourage them to save and invest. Regardless of whether your financial problems are due to the purchase of a new home, birth of a child, major illness, or any other circumstance, we can help.

\* If you are headed for a debt disaster visit [www.ConsolidatedCredit.ca](http://www.ConsolidatedCredit.ca) or call 1-800-656-4079 for free professional advice by a trained counsellor.



# Now you can find **FREEDOM FROM DEBT!**

Consolidated Credit Counseling Services of Canada, a registered charitable non-profit organization, will provide you with professional financial education, counselling and resources.

In addition, you can benefit from customized Debt Management Programs, which incorporate a bill consolidation plan to help you regain your financial freedom.

**Our professionally trained  
Counsellors will negotiate  
directly with your creditors  
to:**

- Reduce or even eliminate interest rates!
- Lower monthly payments.
- Eliminate over-limit fees.
- Consolidate debts into one lower payment.
- Help you pay off debt faster.
- Save you thousands of dollars.
- Get you on a plan to be debt free!



Call today, and take  
your first step  
toward financial freedom!

**1-800-656-4079**

or visit [www.ConsolidatedCredit.ca](http://www.ConsolidatedCredit.ca)

# You can be debt free



**There is help waiting for you now.**

- Reduce or eliminate interest charges.
- Consolidate credit card bills into one lower monthly payment.
- Pay off your debt in half the time.
- Save thousands of dollars.



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