

How To Spot A Credit Repair Scam

Repairing your credit can be an uphill battle. You're looking at months of hard work, negotiating with creditors, reworking your budget and identifying the factors that are making your credit score lag. In short, it's a hassle and it takes lots of time.

Those two aspects are what makes credit repair scams so successful. They know you're looking for a quick way out, and they're offering it to you on a silver platter.

Unfortunately, when they're done with you, not only will your credit score be just as low as when you started, but you'll also be out hundreds or thousands of dollars, and may even be facing criminal charges.



There are legitimate credit repair companies, but without educating yourself, finding them instead of the scammers who only want your money can be tricky.

Here are the most common warning signs of a credit repair scam:

1.) Demands upfront payment

Know your rights. Under the federal Credit Repair Organizations Act, credit repair companies are forbidden to request or receive payment until they've completed the services they've promised. If a company is demanding upfront payment, it's surely a scam.

2.) Makes big promises

To lure you into their trap, many scammers make wild promises about your credit score. They may assure you that they can remove negative information from your credit report, even if that information is accurate and current. Don't believe them; no one can do this.

They might also promise to boost your score a huge amount in just a few weeks or less. This, too, is absolute hogwash. You will never see an improvement on your score until at least 30 days has passed since you've taken action.

3.) Promises to help you create a "new credit identity"

This red flag should alert you to one of the most devastating credit repair scams possible. In these scams, companies promise to create a new credit identity for you in exchange for a fee. After you cough up the money, the company will provide you with a nine-digit number that's similar to a Social Security Number. They may refer to this number as a CPN – a credit profile number or a credit privacy number. Alternatively, they may direct you to apply for an EIN – an Employer Identification Number – from the IRS.

Once you have your new number, the company will instruct you to use this form of ID to apply for credit. They assure you that the process is legal. In reality, though, it's not – and you've just been scammed.

These companies are actually selling you a stolen SSN, often one belonging to a child. They walk away with the money you paid them, while you are stuck in a far deeper hole than when you first contacted them. It is a

federal crime to misrepresent your Social Security number, to obtain an EIN from the IRS under false pretenses and to lie on a credit application.

Falling for a credit identity scam could mean facing fines or prison time. If you come across a credit repair company offering you a new identity, run the other way and don't look back (and report them to the authorities)!

4.) Tells you not to contact the credit reporting agencies

Every U.S. citizen has the right to a complimentary report from the three major credit reporting agencies every year. If a company advises you not to contact these agencies directly, they will probably charge you for obtaining the report on their own. In other words, you will be paying for a free service.

5.) Tells you to dispute accurate information on your credit report

Disputing accurate information on your credit report is dishonest and illegal.

6.) Is evasive about your legal rights and their services

The Credit Repair Organization Act made it illegal for credit repair companies to lie about your legal rights and about their services. This law is enforced by the Federal Trade Commission (FTC). To comply with this law, credit repair companies are required to explain:

- Your legal rights and clear details in a written contract of the services they'll perform
- Your three-day right to cancel the contract without charge
- The anticipated amount of time it will take until results are evident
- The total cost you will need to pay for their services
- Their guarantee

If you've already hired a credit repair company and they haven't lived up to their promise, you still have options.

You can choose to sue the company for your losses in federal court or seek punitive damages – money to punish the company for violating the law. You can also find other victims so you can band together and file a class action lawsuit against the company.

To protect others from falling prey to the same scam, it's best to report it to your local consumer affairs office or to your state Attorney General.

It's also advisable to file a complaint with the Federal Trade Commission. The FTC cannot resolve individual credit disputes, but it can take action against a company for multiple law violations. You can file your complaint online at [ftc.gov/complaint](https://www.ftc.gov/complaint) or call 1-877-FTC-HELP.

Finally, if you're in financial trouble of any kind, we can help! Stop by today to ask about our credit counseling services and assistance with creating and sticking to a budget. [We even offer debt consolidation loans, providing you with the opportunity to transfer your debt to one low-interest loan, making the prospect of paying down your debt a lot more manageable.]

SOURCES*:

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