CREDIT BUREAUS AND CREDIT REPORTS

Article 9 of 9 - In the last article, we discussed professional credit repair services. In this, our final article in the series, we'll conclude with a few facts and myths about credit repair.

There are a number of prevailing myths perpetuated by the credit bureaus? Maybe, but regardless of where these myths came from, they persist. Let's take a look at a few.

Myth #1: There are three official credit bureaus, and these vital American institutions maintain accurate records regarding the financial lives of every adult citizen.

First, the so-called "big three" consumer reporting agencies with which most Americans are familiar - Equifax, Experian, and TransUnion - are not government sanctioned franchises. These three now dominate as credit bureaus because their progenitors acquired competitors consolidating the market over a period of decades.

Indeed other credit bureaus exist such as Innovis, Lakeside, and NCTDE which hope to eventually eclipse today's major players. Actually, anybody who so desired could start their own credit reporting agency, collect personal information about anyone, and then attempt to sell that data to whoever would care to purchase it. Federal law puts limits upon what can be reported and to whom, but nothing bars any one of us from entering the field outright regardless. A scary thought.

So, contrary to the prevailing perceptual reality, there are no official bureaus. And while most Americans perceive their credit reports to have at least the same legal standing as their driving records, the truth is that the government had no role in establishing these bureaus. No law mandates a credit report's existence.

Myth #2: Potential creditors, insurers, and employers carefully review consumer files to help them qualify applicants.

That used to be true.

Once, if you applied for a credit account anywhere, a human requested a credit report from your *local* bureau. Then every line of your file would be assessed, and if there was a problem, you might be asked for an explanation. Then a decision would be rendered by a person so mitigating circumstances were taken into consideration.

Scouring an individual's credit report takes time, and it also takes skilled human beings to render judgments. Unfortunately for fair decision-making, that's just not manageable if you want to extend credit to hundreds of thousands or even millions of people. The process has been automated and technology hasn't yet allowed that to include an individualized reading and analysis of everybody's credit reports.

That's where the credit score comes into play. A seemingly wonderful solution, credit scores actually introduce a boatload of other new problems .

Myth #3: If a consumer disagrees with an item on a credit report, she can request that a 100-word statement be inserted which will explain the circumstances causing the erroneous listing.

In the early 1970s when the Fair Credit Reporting Act first gave Americans the right to include such statements on their reports, life was different. Prospective creditors had people to peruse files. So a comment placed in the report by the consumer might have made a difference at mortgage time.

Nowadays the 100-word statements can only harm the consumer. First, as we've discussed, such personal statements are never read by potential creditors since the credit score is the usual qualifying determinant. Second, those statements only make it more difficult to embark upon a credit repair effort later because they serve to confirm what's already there. For example, let's say a consumer attaches a statement that reads something like this: "These late payments were made only because I was suddenly laid off (or sick), but that unfortunate situation changed very quickly, and we have never been late with this or any other account since." That may sound responsible, but unfortunately it says only this in reality: "NOTE: yes I really was late paying these accounts. I didn't have an emergency fund to cover basic minimum payments if something went wrong financially. Therefore, I am a bad credit risk."

Even worse, let's say a consumer subsequently learns something about credit reporting and decides to engage a law firm to help confront things legally and technically. The credit bureau is going to dismiss any new challenge even faster than it would have before because there's no need to even take another look: After all, it's right there in the consumer's statement which admits fault. Remember that extenuating health or employment circumstances is not a valid reason for adjustment.

Myth #4: Negative items must remain on reports for seven years (or ten years for bankruptcy tradelines).

That's not true. Even so, consumers hear it every day when they speak to creditors directly. Most creditors will state that but in reality, they can remove a negative item at any time they wish.

The bureaus want consumers to believe that negative items must remain because they have based their business plans upon reporting risk to their subscribers. The truth, though, is that nobody is required to report anything about any of us for any minimum length of time to anybody else. The Fair Credit Reporting Act only serves to place LIMITS upon how consumer reporting agencies can and cannot behave.

Myth #5: By definition, helping someone else to straighten out their erroneous credit reports violates the law.

The facts cut straight to our constitutional citizenship: All of us have a fundamental right to legal representation. Whenever we are accused of anything, whether that accusation appears in the newspaper, on a rap sheet, on a credit report, or anywhere else, we are guaranteed the right to request assistance with both understanding and defending against such allegations.

Credit bureaus have been known to occasionally (and vaguely) suggest that using a third-party violates some law. Sometimes, they'll send a letter to consumers who have challenged one or more items on their reports that basically accuses them of having sought outside assistance with the problem. Note that they never actually come out and say plainly, "Using outside counsel is against the law," because it isn't. Instead they simply invite the consumer to write back and deny the charge or to implicate the third-party somehow in some unnamed wrongdoing. The specific wrongdoing is never spelled out, of course, but the effect is the same: The credit bureaus, by donning the cloak of artificial officialdom, hope to intimidate consumers into backing down and getting right back into line with all the other quiet people who are afraid to challenge their faux authority. Your best bet is to simply ignore such provocations.

So long as consumers can be managed through skilled deception, credit bureaus will continue to unfairly profit at our expense. Credit scores will continue to define our suitability for home ownership. Credit acquisition, insurance, and employment will continue to be lost as a result of sloppy data maintenance. Fundamental changes will only occur when consumers reject these untruths which are propagated so successfully within our culture.

This concludes our article series on repair your credit report. We hope you have found value in the information.