

# Using Section 609(c)(2)(E) of the FCRA to Restore -- NOT "Repair" -- Credit:

*A Unique, Little-Known but Simple and  
Proven Legal Strategy to Raise FICO  
Scores 60 to 120 Points*

A Free Guide for Credit-Related Professionals  
Presented by The Fulfillment Center

## **The Current Credit Crisis**

Until early 2008, almost anybody who had some household income could get a home loan no matter what their credit report looked like. Because of the subprime mortgage crisis that began in the summer of 2008, those financial institutions with cash are holding on to it with a tight grip. The consequences are severe for anybody seeking to borrow money:

\* Average FICO scores are down from March 2008 to December 2010 (according to Experian and Trans Union).

\* Banks are applying AND enforcing much stricter underwriting standards -- which means that borrowers need higher FICO scores to be approved for a loan than they did before.

\* Loan modifications, such as those happening under President Barack Obama's Affordable Home Modification Program, can also reduce FICO scores.

\* Increases in both personal and business bankruptcies and foreclosures.

\* Massive numbers of home foreclosures (1.5 million filings from January through June 2010 -- a 15% rise over 2009, according to RealtyTrac).

\* Up to three out of four people who want to buy a car are denied a loan due to low credit scores .

\* Credit card companies are closing accounts, raising minimum payments and cutting credit limits even on customers with good payment histories. (According to former Oppenheimer & CO analyst Meredith Whitney, in the first quarter of 2010 JPMorgan, Citigroup and Bank of America cut a combined total of \$320 billion from established credit lines.) As in any economic slowdown, "Cash is King" -- and financial institutions that still have some don't want to let loose of it.

## **Credit-Related Professionals Want to Approve Loans to Responsible Debtors**

The reverse side of the current credit crunch is the drop in house prices across the country --as much as 50% in some markets. Plus, car dealers are desperate to raise cash and so are slashing prices. Home sellers, Realtors, mortgage brokers, loan officers and car dealers, all want loans approved. It'll be impossible for house prices to rise until there are more house buyers. Yet the credit crunch is causing a major increase in credit turndowns. The difficulty in obtaining credit is now the major factor keeping the U.S. economy in a recession.

## **Credit Reports are Even More Important Than Most People Realize**

The credit bureaus are obligated to correct inaccuracies when these are proven to them, but they're not held responsible for the financial damage these inaccuracies can cause people before they're corrected.

Even people who don't want to borrow money can be damaged by inaccuracies in their credit reports.

This is because insurance companies use credit reports to approve applications and renewals. They may deny or raise premium rates based on what's in a credit report -- which many people don't know.

Many employers pull credit reports on employees they're considering for promotions, especially highly responsible positions involving money. Negative events on a credit report may cause a person to be turned down for a job, lose a promotion or even terminated.

Yet, if these problems are caused by an inaccurate entry in a person's credit report, all they can do is have the bureaus correct it.

# The Inadequacy of the Well-Known "Solutions"

## Credit "Repair" Companies

These companies could potentially perform a useful service, but in practice they stretch the law (encouraging debtors to perjure themselves) and prey on those with bad credit by claiming to clean up credit records.

Many even "guarantee" their work, even though it's illegal for them to do so. At their best, they overcharge debtors for performing a service the debtors could do themselves. Basically, they take a debtor's credit report and challenge the accuracy of every negative item on the report -- even when the debtor knows it's accurate. It's acceptable, and a good practice, to challenge inaccurate negative reports. Allowing a mechanism for debtors to do that is the intent of the law.

However, credit repair companies try to force the credit bureaus to remove even accurate items, which is where the debtor using their service is committing perjury. After they challenge an item, the credit bureau is required to put it on "In Dispute" status and launch an investigation, which means asking the creditor to verify that item. The creditor has 30 days to respond. If they don't, the credit bureau removes it.

Credit repair companies are counting on these companies to be inefficient. Sometimes they're successful, but the negative is re-reported next reporting cycle, so the debtor is back where they started. Some companies, such as Capital One and American Express, are notorious for insisting on the accuracy of their reports. Also, an item may be deleted from one credit bureau's report, but remain on the other two. Also, the credit bureaus hate the credit repair companies, and stall and misdirect challenges they know come from these companies and not from the debtors themselves. Using credit repair companies to protest every negative item can get someone's credit report flagged for "review and security." Therefore, when they apply for future loans they'll have to provide additional information and verification, so that creditor is protected against future claims of identity theft.

## **Credit Counseling Services and Debt Management Companies**

Many debtors who finally admit that they're in debt over their heads wind up going to credit counseling agencies or debt management companies. Originally, the Consumer Credit Counseling Services connected with the National Foundation for Credit Counseling offered both real credit counseling and negotiated with their creditors to get their payments down within their budgets. These debt management plans were effective with unsecured credit cards, and helped many debtors dig their way out from under without declaring bankruptcy.

However, although the credit card companies accepted reduced monthly payments, these still showed up on credit reports as late payments. And going on such a debt management plan was still a negative event that could be considered as serious as a bankruptcy. Therefore, some debtors can be discouraged from going on such a debt management plan, despite their clear need for it. Also, these services have gone from being clearly nonprofit agencies that accepted money from the credit card companies to keep their doors open but were oriented toward helping debtors, to big businesses that charge large upfront fees.

Many debtors have paid these debt management companies \$500 upfront on the promise it would be distributed to these creditors, only to learn that the credit counseling company kept the entire first month's payment. Sometimes payments to creditors are late only because the credit counseling service delays sending the money. The debtor would have placed an "on time" payment on the credit record by sending the check directly to the creditor rather than to the agency. In 2004, the Federal Trade Commission shut down one of the worst of these, AmeriDebt, Inc.

## **Traditional Financial Advice**

Until recently, responsible credit-management advice to debtors was limited to improving their future credit scores. Always pay on time. Pay more than the minimum if possible but never any less. Pay balances down to low levels. And so on. And what about past mistakes? What if the debtor has a bankruptcy, foreclosure, repossession, tax lien, judgment or other highly negative event on their record? Wait, they are told. Just . . . "wait." It will drop off in seven years (ten years if a Chapter 7 bankruptcy).

Even simple late payments hurt credit scores for seven years.

This is all good advice, as far as it goes. However, it does not address the need of the debtor for cash now. Especially when now is such a good time to buy a house or car. What if there were a responsible and effective way for debtors to avoid waiting 10% of their lifespan before the world stops holding their past credit sins against them?

## Credit Restoration, The Solution

In 1999, H. Bruce McInnis Jr. in Maine looked at Section 609 of the Fair Credit Reporting Act (FCRA) and noticed something that, to his knowledge, nobody had ever noticed before (or since) -- 609(c)(2)(E):

"a consumer reporting agency is not required to remove accurate derogatory information from a consumer's file, unless the information is outdated under section 605 or cannot be verified."

<http://www.ftc.gov/os/statutes/031224fcra.pdf>

If accurate derogatory information in the consumer's file cannot be verified, the reporting agency is required to remove it. This law requires every company that reports credit events -- not just the original creditor companies -- to be able to produce verifiable proof of the negative event. It holds the credit reporting agencies accountable for the negative information they pass on. This is obviously related to the right of debtors to challenge the accuracy of negative events reported on them. The intent of the government was to protect debtors from having inaccurate information used against them.

But the burden of proof is not entirely on the original creditors. All parties reporting this data are responsible for its accuracy. The companies that report credit events, besides the original creditors, are the credit bureaus -- principally Experian, Equifax and TransUnion.

Did they maintain verifiable records of people's debts? Only one way to find out. Mr. McInnis started challenging the credit bureaus to verify the negative credit events in the credit reports of his clients by producing a copy of the Original Creditor's Documentation.

He did not challenge the veracity of these events -- just used a legal strategy to challenge the credit bureaus ability to verify their veracity. In effect, he used Section 609 of the law to demand the credit bureaus "put up or shut up." If they couldn't verify the data, they had no right to continue to maintain it on their credit reports. And the credit bureaus began to comply. They took the negative events off the credit records.

## **The Credit Reporting Agencies (CRAs) Don't Maintain Original Document Records of Credit Applications and Events**

They don't have a signature on a Visa card application. They don't have a signature on a car loan application. They don't have a signature on a bankruptcy filing. All they have are electronic blips in their databases. They simply accept what Citibank, GMAC Finance Corporation and Cook County Illinois have reported to them about debtors. Even though the debtor knows it's accurate, the credit bureaus don't. They can't verify the accuracy of a single piece of data in their database. Sure, if somebody applies for a car loan with a local bank and that credit union asks Citibank about them, Citibank can tell them about the late payments. GMAC Finance Corporation can verify when they repossessed the applicant's Buick Regal. Cook County Illinois can verify when the bankruptcy was filed. But that bank won't ask every potential creditor in the country about a loan applicant -- they'll simply send for their credit report from one or more of the three credit bureaus. If a negative credit event doesn't show up there, it isn't counted in their FICO score and the bank will never know about it.

### **Section 609 Credit Restoration Fully Applies the Law**

The credit bureaus are regulated by the government due to the nature of their business, but it's important to understand they are private companies. They are NOT legally or morally obligated to report anything on anybody. For example, most people know that most negative events remain on a credit report for seven years (ten years for Chapter 7 bankruptcies). Isn't this a legal requirement? No. They could take all bankruptcies off all records tomorrow, if they chose to. They are simply not allowed by law to report these events for MORE than seven years (or ten). They're not forced to report them at all.

Of course, it's their business. That's why they do it. But they have a choice and, when forced to verify the data they report, they will choose to take negative events off. To boil it down, credit restoration doesn't eliminate negative credit events. It does make them in effect "invisible" to anyone looking at a credit report. Now Mr. McInnis has copyrighted his FREE Section 609 credit disputing process for The Fulfillment Center LLC, his educational consulting company.

They are the only company using this strategy to help debtors restore their credit.

## **Successful Results of Ten Years of Practicing Credit Restoration**

It takes some time for the bureaus to process these requests, and the law allows only 22 challenges per credit bureau at one time, but Mr. H. Bruce McInnis has found that FICO scores can start to go up in one month, but with the eBook purchase....TFC allows you one full year of protection FREE! (The free process can be longer if the debtor has an extremely large number of negative items.....if this is the case...there are no fees!) Eventually, FICO scores improve an average of 60 to 120+ points. (Everybody is different, because everybody has different credit profiles.)

### **What Kinds of Negative Events Can Be Removed From Credit Reports?**

**All of them:**

Repossessions  
Bankruptcies  
Late payments  
Tax Liens  
Judgments  
Foreclosures  
Charge-offs  
Inaccurate entries  
Child Support Delinquencies

If the credit reporting agencies can't produce verifiable proof of these events, they're required to remove them. If they violate the law, they can be fined \$1,000 per item. Although everybody with a FICO score under 850 can use this service, Mr. McInnis found the most success in helping individuals has come from clients of Referral Partners. To date, he's worked with 3500 law firms and attorneys, over 2000 mortgage companies and 22,000+ loan officers starting in Maine and expanding throughout the entire United States. Mr. McInnis decided the entire country desperately needed real credit education and true credit restoration. He authorized 1st Choice Family, LLC to make the educational eBook and Free dispute process available nationwide. Available through a 1st Choice agent or at [www.1stchoicefamily.com](http://www.1stchoicefamily.com)