Transcript of Audio Interview of

Credit Attorney Reney DuBose

and Credit Literacy Advocate Marti DuBose

by

Idea Age Marketing Coach Degogo Erekesima

5 Most Not-So-Obvious Credit Mistakes People Make and How to Avoid Them...

GOGO: Hi, this is Gogo Erekosima, Small Business Digital Coach at SmallBusinessDigitalCoach.com. And I'm here today with Reney and Marti DuBose. They are with DuBose Credit Solution and really a good deal to have them here on the call because today we're going to be dealing with the top five, not so obvious credit mistakes that you might be making. Reney and Marti, glad to have you on the call tonight.

MARTI: Thank you Gogo. Good to be here.

RENEY: Yes, it's definitely good to be here, thank you.

GOGO: Now, we're going to jump right into this. I did a little bit a research for this call to really get a good sense of what folks we're dealing with. And one of the first things I noticed that, the biggest mistakes that people were making with trying to improve their credit. Based on advice they were getting from you know experts, loan officers, and various other people, real estate agents, was that they were closing their credit card accounts and finding out that that might be a problem. Can you guys talk about this?

MARTI: Well first of all, to tell you that's pretty typical. I have even gotten advice in the past to close accounts. And what happens, it's so counter intuitive. For example, you think that closing an account, well if I close an account I have less credit debit so therefore my credit score should go up. And a lot of our clients thought that too and they thought well I'm going to be wise about it. I'm going to and close my account and guess what, they got their score and their score went down. And they're like, I don't understand. And so what we found is that yes, a lot of people really don't realize that by closing credit card accounts, you're actually changing of the amount of credit you have to your total account. And you know I'll let Reney explain that it more detail.

RENEY: Part of the reason why it's a bad idea is because the, when you close an account it can have a negative impact for at least of the areas that affect your score. You know the most obvious is the lender credit history, which counts for about 15% of the calculation of your FICO score. When you close an account, you had an account open, let's say you had it open for five years, ten years. Well you're getting the benefit of that length of credit history that factors into the calculation of your score. So should you close

that account, you loose that whole length of credit history in that calculation and that will account for 15% of the score.

GOGO: Now, but, go ahead.

RENEY: Well the two other areas that get impacted when you close that account too and these have big impacts. One for example is the area of how much you owe. One of the things that FICO system takes into account is the amount of your balance for all of your revolving credit, the amount of balance that you owe compared to the credit availability of all of your cards.

GOGO: Okay Reney…

RENEY: For example,…go ahead.

GOGO: Let me just stop you there because some of our listeners might not know exactly what FICO or the FICO score represents. So just kind of break out on that before you go forward. What is the FICO score exactly?

RENEY: Well, Fair Isaac Company is a company that developed what they call the FICO credit scoring system. And what they do basically is they pull the information from your major or national credit reporting agencies, Transunion, Equifax, and Experian. They take all of the credit information that you have in the database of the three major credit reporting agencies, and they use that information to calculate a score, which is thus the credit risk.

GOGO: Okay, I think…

RENEY: For the people that will loan you money. So creditors will use that score to gauge to determine the probability of him getting his money back if he were to loan you money. And they basically, to calculate the score, they have five areas, payment history, how much you owe, length of credit history, any new credit that you might receive and inquiries, and a blend of the type of credit that you might have on your report. They use all of that and they developed an algorithm to calculate a score.

GOGO: Okay so now, and you were saying with closing the credit accounts, it affects the FICO score and two other areas.

RENEY: It affects the FICO score in three areas at least. The first area of calculating, like it affects the length of credit history. Because in calculating FICO score, FICO pulls information from each of your credit reports and it looks at your account in terms of how long you've had those accounts open, how long you've had the accounts open being better as it is in terms of impacting your score. Well if you had an aged account or an account that you've had for some time and you close it, you loose the benefit of FICO calculating the longevity of that account in your score. That's one area. Another area is in terms of the, what's called the, if you have a revolving account, it's called the balance to your credit availability ratio. And what that means is basically that FICO, when they calculate your score, they take a look at all of your revolving accounts, like credit card accounts or account with a line a credit, things that you can charge and then reuse. It takes the credit limit of those and it compares it to the balance that you have in terms of how much of that credit you used and it runs ratios. So let's say for example if you have a credit card that has a $10,000 limit and you've used $2,000 of that limit that you have a balance, well that's a 20% ratio. The lower that ratio, the better your credit score. So if you closed an account, once you close one of your accounts, that credit limit that you had is no longer factored in being able to calculate that ratio. Well let's say you had three credit cards. One for $10,000, one for $2,000, and one for $1,000. But the total of all of those is a $13,000 limit. If you close the $10,000 account, then now you only have a credit limit of $3,000 that's being considered in the calculation. And so your balance against that limit amount gets increased and you have a higher ratio and that negatively affects your score.

The third area is the type of credit, that also gets affected. So if you have like installment loans, like car loans, boat loans, student loans, things that have some specific term for it to be paid off, FICO takes into account a blend of those different types of accounts. It might be an installment. It may be a car note as well as a revolving credit, like a credit card. Well if you close that card and you change that mix, it hurts your score as well.

GOGO: Oh so they like to see a balance of both types of debt. Is that what you're saying?

RENEY: They like to see a mixture of different types of debt because they want to see how well you're handling installment loans, how well you're handling revolving accounts, and how well you're handling mortgages.

GOGO: And what are revolving accounts.

RENEY: Revolving accounts are accounts like credit cards, lines of credit, that it's a type of an account where you have a limit and then you can charge, get it, pay it down to zero, and then use it again.

GOGO: Okay. Marti, you with that, you were going to say something.

MARTI: Well the one thing that I wanted to say is that, you know again, a lot of times I talk to clients and again, they're wanting to be physically responsible with their credit card debt. And so you know they either ask to talk about closing it or they just say I won't use it. And the challenge of course with not using it is that the card becomes inactive. And once the card becomes inactive, you may not close it, but the credit card company actually can close it on you right.

GOGO: Oh, okay.

MARTI: So there is a strategy on that also. So for example, again, if your goal is get the highest score possible, what you can do is to take the credit card and to every month use it where you pay it off every month. So now the credit card company is seeing that you're actually using it, that you're actually using their money and not having any interest because you're paying it off before any interest is incurred. So again, you can still use the strategy where you keep the card but you have to use it because a lot of times they will close it on you if they see it's inactive. Because see their goal is make money. They're not having, wanting you to have a card and it just sit there. They're in business to make money off the finance charges. So if you've got a card and you're never using it, they're not making any money. So they'll either close it on you, you know, or reduce you balance. So you probably, if you get one to maximize your credit score, use it every month minimally and then pay it off.

RENEY: Now you can use it for things that are like essential that you are going to pay money for anyway right. Like maybe groceries or gasoline expenditures, things like that. And either pay it down to a real low balance or maybe 20% of the credit limit each month or pay it off completely. And while we're on that point, another factor I guess I want to bring out here is that if you close this account and it affects your score negatively, it can also have a ripple effect. So what I mean by that is it's other creditors that you

have a card with, will see the reduction in score and they can sometimes go and increase your interest rate simply because your score is reduced. Or lower your limit, credit limit on their card. Or cancel you all together. So it can set up a chain reaction.

GOGO: And regardless of how well you've been doing with paying them off on time and all of that.

RENEY: Exactly, you could be paying them perfectly on time, have a low balance with them and be very responsible of how you use that credit card, but because your score got reduced because you cancelled another card, they can do that. We've actually had a client that that happened to. She had scores in the 700s and she transferred the balance from one card to another card, and when she did that, she cancelled the old card. And it began a ripple effect of reducing her scores and another card, they lowered her credit limit. And when they lowered her credit limit, that affected her ratio and then that lowered her score some more and it just dominoed from there.

GOGO: Wow, so how did that situation get resolved?

RENEY: Well what we had to do with her was to help her to reestablish new accounts. We had to help her to open new accounts and taught, well what Marti just indicated about using some of the cards that she had to increase her payment history. So she began to use it for groceries and gasoline expenditures and things like that and kept, maintained some balance, like at least no more than 20% of the credit limit to start rebounding her score.

GOGO: Let's go onto the next question because it's really, it's one that comes up all the time and it's about settling a payment with a lender on past due accounts and apparently you're saying that there are certain times or certain types of past due accounts that we really should be careful about closing out or paying off and when we pay off.

MARTI: Well first of all, you know when we talk about settling, you know what we're referring to is accepting less than you owe on an account.

GOGO: Okay.

MARTI: So for example, if you owe a credit card, $5,000 but you can't pay the full amount, then you could work out some type of deal to pay less than the

full amount. And so a lot of times you think that oh, I was able to pay, let's say on a $5,000 debt, they allow me to pay $1,500. So that's really nice of them. And then what happens is that the lenders reports the amount that you have left to the credit bureau as a negative item. So instead of it being a good thing, it ends up affecting your score even that much more because it's really reported as a negative item. Is that what you say Reney?

RENEY: Yeah, and this area is just rippled with landlines. I can't tell you how many times we've had clients that the contour it, I just had one as a matter fact, just last week. She had been working with a debt settlement company and they began the process of negotiating some of her credit card debt for her to get them settled for less than the full balance. So what they neglected to tell her a couple of things. One is that, once they negotiate that settlement that Marti just mentioned, the negative items does not get deleted automatically from the credit report. Just because it's been paid and settled, does not remove it from the credit report. As a matter of fact, it can hurt it because often times it could have been an account that was paid significantly and was not really impacting a credit score that much. However, when they began to pay it or negotiate the settlement, it then gets reported as a recent event that gets calculated. It takes up the FICO and calculated into the score as a new negative account. That's one problem. They were not aware of that. It does not get deleted. It still stays on their account.

GOGO: And how long does it stay?

RENEY: It depends on the type of account. It can stay on there from anywhere from 7 – 10 years like if it's a collection account, it can stay on there 7 years from the date that they make the payment. So it started the seven-year timeframe from that point when you make that payment. Whereas you might have been, let's say six years, 6 ½ years into the seven year timeframe, which is a legal time limit in which they could have reported that account. And then the company can negotiate with you and do a debt settlement to convince you to make a payment. Once you make that payment, that seven years starts totally all over again. It can start all over again. So now, you've prolonged the amount of period that that negative item remains on your report. Another area, landline in that area is often times the collection companies won't tell you this, but there's a statute of limitations in each state which determines how long of a period of time a debtor has or creditor has to be able to legally collect the debt. So that statue of limitation is say three years or five years in your state, and it's past that

period of time, the collection company may still try to collect that debt even though it's not legally due. And they cannot report a debt that is uncollectable according to the Fair Credit Reporting Guide. If it's uncollectable debt, they are not legally able to report it on your report but they're not going to tell you that. They're going to try to bait you into making one payment, it may be $1, it may be $5, they're going to do anything they can to get you to make a payment. And once you make a payment, that starts the statute of limitations all over again and they know that. And a lot of our clients have experienced that.

MARTI: As a matter of fact, you know there's such a scrupulous types of practices out there. Collection companies understand that there's such a direct correlation between your bills and your finances and your emotional ****. So for example, they understand that people are so frustrated with dealing with their stuff that when they call you, they will really just wear you down. And by the time they wear you down, and they get you into thinking that there is a direct correlation between your character and your credit. So most people really do want to pay their bills. They really do. And for whatever reasons they fall into a situation where they cannot, and the collection companies know this. So what they do is they work on you and they work on your and they get you to feel so ashamed that by the time the call is in there, they say okay, just pay a dollar. And you sitting there saying well I got a dollar. So I'll just pay a dollar. And once you pay that dollar, then that whole thing just, the cycle starts all over again, the seven year is started. You could be at six years and you know 364 days and all of a sudden you pay that dollar and guess what, it starts all over again. And then also they may ask for, you know some type of post dated check. Right.

GOGO: Sure.

MARTI: And the other type is a lot. They say, well just can you give me a post dated check. I won't cash it for 30 days. And so you're sitting there again because you do want to pay your bills and you say okay, well maybe I'll post date it. And they say just $10 on the post-dated check. So you give them a post dated check and guess what. There have been instances where they have gone right away and cashed that check. But what they actually have now is all your information. They've got the bank information. They've got the routing number, the account number, and now they can actually pull money out of your account. And you may say well that's not legal. Well maybe it's not, but they are betting statistically on the fact that

you, because of the situation you're in, are either not going to take the time or not going to be able to financially to hire a lawyer to get your money back. And guess what, they've got your money. So these are the kinds of games that are being played. And that's why you know, we talked about the understanding of the game of credit. Because if you don't understand it, they're understanding it and they're actually working the game of credit on you. So that's something that we don't think will happen because we think it's illegal.

RENEY: I just want to say that if you are going to negotiate some type of settlement with them, on any type of account. You want to make sure that you get it in writing before you pay them any money. And you don't want to give them your check. You don't want to write a check Marti.

GOGO: What should you do?

RENEY: Well you should get some type of a money order.

GOGO: Okay.

RENEY: You know send a money or certified funds, but make sure you get an agreement in writing that they're going to settle the debt for the specific amount that you agreed too. But also before paying them, you have the leverage to negotiate that they, how they're going to report the account on your credit report. A lot of times they'll tell you oh no, the law requires us to report this information so we can't delete it. That's not true. Fair Credit Reporting Act does not require them to report anything. They don't have to report anything. They can agree not to trade, not to report the trade line. Often times they don't want to do that but we have settled hundreds of accounts and asked them to agree to delete them.

GOGO: Okay, now I brought up the question about settling on the past due accounts. Can you talk a little bit about how this affects you if you're doing a partial payment on the past due account. So is it the same exact type of thing, so it's not a full settlement but if you're saying okay, here's $20, just like Marti's example, are there times when you should just avoid paying those little payments. Are there predictable scenarios where you should just do some **** first or what.

RENEY: No, there's nothing wrong with negotiating a settlement over time. Most of the credit card companies want their money. When you call them up, they want a reduction in the balance. They want their money within the 30 days. They want it within 30 days.

GOGO: Okay.

RENEY: And sometimes it's a good tactic to get down to the end of the month to cause them to negotiate where you have like maybe three or four days left in a month. Because they've got quotas, they've got goals. And they're a little bit more aggressive in terms of what they are willing to accept near the end of the month than at the beginning of the month. And often times it's even better to wait until it's been transferred to a second or even third collection company before you even try to negotiate with them because the older the debt is, the more likely they are to work something out with you. But there's nothing wrong with doing like a payment plan. But make sure you get it in writing in advance and you negotiate what's going to happen in the debt of that time period. For example, student loans is a good example. A lot of the lenders of student loans have what's called a rehabilitation plan. And these rehabilitation plans that allow you to make nine consecutive monthly payments. As long as you make those nine consecutive monthly payments on time, they will agree in advance, in writing, to completely wipe out any negative reporting at all. And it reports your whole account history. I mean you could have been delinquent on that account for five years. And they will agree to report it as if it had never been delinquent at all. So there are times when you do want to go ahead and negotiate a payment plan with them. But whatever you do, make sure you get it in writing in advance and don't send them checks. Send them money orders.

GOGO: Okay and so I'm, and that applies to the student rehabilitation plan also. You just, you make sure you get it in writing first.

RENEY: Make sure you get it in writing first. And they will put it in writing.

GOGO: Okay, well I'm going to do that. Okay, now let's…go ahead Marti.

MARTI: I was just kind of thinking through the whole, the debt settlement. And just thinking through in terms of the, your credit, you know a lot of times, I've been asked this question. You know if I am current only my bills but I'm at a point where I can see things are getting worse. Do I just

continue to pay the minimum right now? I know there is eventually going to become a time when I cannot or do I go to a debt settlement, you know do I settle the debt? And thinking that through, you know a lot of times when you go through and you actually settle the debt. Let's say you were not late prior, once you start settling the debt for less, your credit will take a hit. So in other words, there are different strategies to use. So it's not one of those one-size fits all. So if I'm current on my payments right now, and then I want to settle my debt, you'll find because you're settling for less than you owe, that your credit is going to take a hit. So there may be a different way to go about it.

GOGO: Okay.

MARTI: But I just wanted to kind of throw that out there. Because it's not necessarily the best way to go if you want to really protect your credit.

GOGO: And how about the time interval between when you start working, either start working with the debt settlement company and when they move on, actually getting some commitment from the collection. Talk about that interval. What happens, is there a way to manage that timeframe or to think about it before you go ahead and commit to it, to a debt settlement company for instance? What kind of mistakes might be made there?

RENEY: A couple of areas. There are a few areas with debt that settlement companies, let me say this first of all. When settlement debt, settlement companies, they will a lot of times, more often than not, they don't explain to you how they get paid. They'll negotiate something with you as far as some type of an agreement. And not all debt settlement companies are bad, but you need to understand, you know how it works. But what they'll do is they'll negotiate an agreement with you to settle X number of debts for you. That's what those debts are. Some of them will work where they will require you to pay money to them on a regular basis that they will put in an escrow account until you've accumulated so much in this escrow account. And then they'll go to all of your companies and they'll negotiate a settlement. Other companies will negotiate the settlements company by company and have you pay the money to the creditors or the lender one at a time as they negotiate the settlement. So here's something that you may not know. Most of these debt settlement companies have agreements with the creditors. So if they're able to reduce your debt, let's say they take your $10,000 debt and they're going to negotiate it down to $2,000, $3,000 to get

it settled. They have an agreement that some, a sharing ratio where they take some percentage of that cost savings, that $7,000 that they saved. And they get some percentage of that as their compensation. And it's paid to them by the lender or the creditor. So the reason it's important to understand this is because the debt settlement company is working for you. But at the same time, they get a percentage of what they're able to negotiate from the lender. So they're in some ways, they have an incentive to have a balance higher with the creditor than they will with you, if that makes sense. They can do a deal with you where they get a percentage of the savings from you. Or they can go deal with the lender/creditor where they get a percentage of the balance actually, that's paid from the lender. And sometimes they get a percentage from both sides. So you need to understand how they operate or they can operate.

GOGO: The potential for conflict of interest there depending on what company you're dealing with.

RENEY: Exactly, and also they very rarely explain to you that as Marti indicated that your credit is going to take a hit whenever, however you do it. And we have clients right now, I can't tell you how many where they have basically have 760, 770 credit scores. But the problem is they are headed for disaster because they've got negative cash flow. In other words, the amount of money that they're making, one client in particular is paying out over $760 a month more than she's earning each month. So eventually she is going to have to do some type of debt solution, she has to. And if she doesn't do one proactively, one will be incorporated for her.

GOGO: I see. And I guess yeah, that had never really occurred to me is that it's possible that people with really good credit histories, really good credit scores right now, should probably be planning proactively what they're going to do. You know and maybe dealing with people like you before the disaster, before something bad, you know before engaging with the companies and saying hey, I can't pay this month.

RENEY: Exactly, and that's what Marti was eluding too because sometimes a strategy that we do with two clients actually was what to go ahead and understand that you're going to have to take a hit. But it's temporary. Okay. So let's identify which accounts we're going to settle, which accounts we're going to keep, and how much we're going to negotiate and how much money you need to set aside to negotiate some of these

settlements. And then after we've worked through that then on the back end, we go back and we do a credit repair stretch to get some of these accounts removed or deleted or part of the settlement practice negotiate how it's going to be reported or not reported on your credit report. But you could be proactive with it. And part of the challenge again as Marti indicated earlier was that you've been paying your bills on time, every month, and you've got 757, 60 credit score. And it's real hard to accept the fact that you know you're going to have to go for a period of time where your credit takes a hit until you can get it turned around. But you know just understand, you're in a tight situation and you need a strategy to turn it around. Because otherwise it's going to, either way it's going to result in a negative situation. It's just that you, it's a question whether you control or whether it controls you.

GOGO: Wow.

MARTI: Yeah, and I always like people to always try to get individuals to see it as a business deal and to take their emotions out of it. Which is very difficult to do. But if we can take our emotions out it, if we can understand that we're not bad people. That it's just a difficult situation and then we can look at it almost from a business situation. Then we can say okay, based on this, what makes the most sense. Because if we don't do anything, you know, like they say, you're even moving forward or you're moving backwards. You know and if you don't do anything, you're going to be moving backwards. It's just that someone else is going to pulling you back. So what we want to do is work with people to take matters in their own hands, to look at the situation, to lay it out. Because the numbers don't lie. If you really look at your expenses, you look at your income, you look at all your debt, and you lay it out. We have tools and resources that we use to help people to lay it all out. Then you're able to see when things are going to go downhill. So for example, if you're paying things on time today but you don't have enough money coming in to really cover your debt, if you lay it all out and put it in a spreadsheet or in a tool that we have, maybe in month three you see where you won't have enough coming in. Then you have enough time to plan. But let's say even now you don't have enough coming and you're basically you're working a negative. Then what we can do is look at the next few months and work out a plan that works best for you. And I think once people see that there is hope and there is a light at the end of the tunnel, then there's energy behind that. Then all of a sudden, they get energized. And I think that's where we come into play. I always tell people that it's not that people aren't smart enough to handle it, again what we've

done with our own stuff and our own financial stuff, it's very difficult. You know because we've got lights coming at us everyday. So what we try to do is work with people and take some of the stuff off their plates and then put together a plan where they can see light at the end of the tunnel, you know they can see the light at the end. And once they do that, then they make decisions because they know where they want to go. And we're just there offering kind of a hand to help them get there. But you have to lay it out and you have to see it and you have to put the numbers to paper. You have to take a pen and put the numbers. And that's what we actually work with our clients and help them work out a plan based on what they have coming in and what they have going out and what they're life's goal are.

RENEY: And you have to take your emotions out of it.

MARTI: Yes, exactly. It helps you know and it's do difficult to do.

RENEY: It is very difficult.

MARTI: Yeah, it is. And that why third party sometimes really help to kind of take the emotions out of it and then look at it with more crystallized and then once we're able to do that and they're able to do that, and it's amazing the decisions that they can make based on being able to see it clearly without all of the emotions applied into it and then I'm that person. I made bad choices and things like that.

GOGO: Okay now, a question that comes up very often, I'm sure for you is, with a credit report and the errors that show up on credit reports, would you guys talk about that a little bit.

RENEY: Believe or not there have been studies that have been done in checking just hundreds of thousands reports actually. And in doing that, it's been discovered that over 70% of all of the credit reports have some type of error. And as many as 39% of those are errors severe enough to actually upset your ability to get approved for credit or it can actually affect the interest rate that you pay for credit. So it's a large percentage of these reports have errors. And there are so many things that happen that can result in errors that take place. I'll give a couple of examples. The reason we've been able to help people to get certain foreclosures or late payments on their mortgages removed is because there's a law called the Real Estate Procedures Act. And it protects consumers as it relates to real estate

transactions. What you may not know is that when you get a mortgage with a lender for a real estate, that mortgage is often times sold from one lender to another to another to another. Clients will receive letters in the mail that say instead of paying company A, as of this day start paying company B. Well what happened is that mortgage was sold from one to another lender. Well when that transaction takes place, when it's sold, the calculation of the escrow account could be long. There could be an overlap of the dates from when company A was to have collected the money versus company B. Miscalculations of those time periods, **** don't get transferred properly. The timeframe in which they were to, or collect or calculate penalties or late payments was not done properly. So this Real Estate Settlement Procedures Act, RESPA it's called, gives you the right as a consumer to acquire each and every documents, procedures, processes, information, copies of statements from day one of when you actually closed on that account all the way to present. And often times it's very difficult for the mortgage companies to accumulate and pull together all of that information. That's one of the tactics they use sometimes in credit report to help to clean up errors and to get negative information removed from your credit report. It's very important to check at least if not twice a year, at least once a year. You're able to get a free report from you know going directly to annualcreditreport.com, at least every 12 months. But it's very important to check because there are errors that occur, missed names, someone else's identification. And the other thing is they're required to make sure that 100% of the information that they report is correct, not part of it, but 100% of it. So if there's any item that is not correct, they have to delete it.

MARTI: And I tell you just from a safety standpoint, there are issues with identify theft. If you, you know look at your credit report you can sometimes find out that someone is using your credit by pulling your report. So there some other you know reasons to really know what's on your report because if you're not looking at, someone else is. And if it's not accurate, then it can really hurt you.

GOGO: Okay, now are there some types of errors that have I guess a worse effect on your credit score than others? Or is it pretty much just a general issue all around?

MARTI: What the, what Reney even talked about earlier, again, let's say for example if your payment history effects your credit more than something else, let's say inquiries. Well if someone, if there's an error, saying that you

were late on something as recent as this month and you were not, then because of the payment history as well as the recent history of that particular payment. Let's say with Capital One, they're reporting that you were late this month and you were not. Well it's because it's recent, which is this month you know, it impacts your credit score much more so than if it's not there. So it goes back to, depending on what it is, you know and you know depending on the type it is, or how much it is, it all would definitely impact your credit.

RENEY: Well I'll tell you an area like the limit of, the credit limit versus the balance. If that's inaccurate, that you know will be, you know that ratio represents 30% of the calculation of your score. That could be pretty significant. And I want to point on in terms of errors for example that you need to watch out for. We see this a lot. If let's say you're paying your car note and it's due by the first of the month. And let's say you send in a check on the 27th of the month. Well a lot of times your lender will take more time to post that, it may take three or four days even to post that payment that you've made to your account. Well they're reporting it as more than 30 days late on your credit report. Well it was not 30 days late, it was 27 days late. And remember the Fair Credit Reporting Act requires that that information be 100% accurate, not 99.9% accurate. So often times they'll report it as late and you'll have documentation that shows that it was paid within 27 days, not 30 days. So that's inaccurate information that's going to be forwarded. So there are often times where you might think that something is not an error simply because you're thinking well you know I paid it late, I paid it on the 27th. Well that's not what's being reported. The information I being reported inaccurately because it says your 30 days late and you were not 30 days late.

GOGO: Okay.

MARTI: Well obviously good documentation is important you know. The more organized we are, the more we are able to go back and say look, let me pull my bank statements and show you when I paid it. You know the easier it is to dispute what's being reported as inaccurate.

GOGO: Okay, so let's move onto this last point I have here and that's, it's sort of a big question. But people have rights under the Fair Credit Act. What are those rights? I mean what are the biggest things that we might be

missing or not realizing about the rights that we have in dealing with the credit and collection agencies?

MARTI: Well one of the things the fact that we actually have a right to dispute what's on the credit report. You know period. I think that the, there's a lot of people that, you know a lot of consumers I believe don't really understand the fact that the honest, the responsibility falls on the creditor and you know the collection agency to prove that your file is accurate. And we have a right for them to verify every single thing that's in our file. You know I think that's an important part. You think it's obvious, you know a lot of us really don't understand that. What else can you think of?

RENEY: Yeah, and I think Marti, that's absolutely right. And here's the reason why. There are three, as we all know; there are three large national credit reporting agencies. They're sometimes called Credit Reporting Bureaus. And it's a little known fact that these are not government entities. And that's an important distinction. These are private companies that are in business earning billions of dollars a year by selling your credit information. So with that being the case, if they're earning billions of dollars a year by selling your credit information, you know it only seems right that they be held responsible for making sure that the information that they're selling is accurate. So what the government has done is basically as it's instituted the houses, literally thousands of consumer protection laws and statutes and ordinances and procedures and practices and policies to protect the consumer in terms of your credit information. And what the credit reporting agencies don't want you to know is that they have the legal responsibility and the burden is them to prove to you that the information that they're reporting, that they're earning billions of dollars on, is accurate. And therefore, you have certain rights to make sure that that information is accurate. But it's important to understand that the burden is up on them. There are different tactics that they will do that help to reduce their costs. Let's face again, they're a private company. They're in business to earn a profit. So for example, a lot of clients will say well you know we can go ahead, you know we've been trying to fix our credit ourselves. We've gone online to credit reporting agency's websites and we've disputed them online. Well yeah, and you probably got a response that was a form letter that said well we verified everything. And that's because the, because reporting agencies have an electronic system called E-Oscar. And this E-Oscar system is basically an electronic connection between the creditors that's required to report information to the credit reporting agencies and the credit

reporting agencies. The credit reporting agencies have been successful in getting a part of the legislation included that allows them to process your dispute electronically. And when they do so, it voids some of the rights that you might otherwise have.

GOGO: How so?

RENEY: Well for example, an example that we gave earlier where you want to provide documentation that shows that you paid your car note on the 27th, not 30 days late but on the 27th. Well, the Fair Credit Reporting Act gives you the right to submit documentation and requires the credit reporting agencies to take any relevant information that the consumer provides and forward that to the creditor when they dispute it. However, E-Oscar is an electronic system. It doesn't have a means of transmitting the attached document that you might have submitted to the credit reporting agencies with your dispute. So what they do instead, is they check certain boxes to have certain codes that they feel best what is your dispute. And they send that to the credit, to the creditors instead of the actual dispute and the actual documentation that you may want to forward to them. But if you do it electronically by going to their website, first of all, you're not forwarding any documentation. And secondly, what happens is that they have the right to send that box that you checked as a representation of what your dispute is as opposed to sending your actual dispute and any documentation that you may submit.

GOGO: Okay, so let's go over this again just to make it really, really simple. You're owing, so I owe Bank of America, that's the creditor, right.

RENEY: Correct.

GOGO: Okay, and then the credit reporting agency is whichever one of those you just named, let's say Experian, Equifax, or Transunion. Okay, so say Equifax is the agency. So you're saying that they have this electronic system. And if I put my information through, they're required to retransmit that information to Bank of America along with whatever attachment, whatever other documents I was using to prove my case.

RENEY: Correct, according to the Fair Credit Reporting Act, they are required to do that, they're obligated to do that.

GOGO: Okay. Now and they would done if I sent it by mail or…

RENEY: Well here's the thing. If they do it by mail, you have certain rights that you say, 'hey wait a minute, you didn't properly dispute this and you violated the act, because on XYZ date I sent you a copy of my bank statement and I disputed this by, I stated specifically I paid this on the 27th of the month. That it was not paid on the 30th of the month. You didn't transfer that information specifically to Bank of America, Equifax.' However, if you go online, when you go online to dispute there's a box, they have certain boxes that you have to check in terms of being able to dispute. There's not a box that says, I paid Bank of America on the 27th of the month, not on the 30th of the month. So you no basis of stating that they didn't properly transmit your dispute. They transmitted the dispute that you gave them, you checked the box. Now the interesting thing is that when you actually mailed the dispute and your documentation, they still don't transmit it. But you have the rights; you have recourse in that case because you can prove that they violated the act.

GOGO: This is what I hear, this is definitely a game breaker as far as being able to come back later and say okay, you didn't keep to your end of what you're supposed to do. And so we have recourse to pretty much I guess walk away or it's better than just not having any recourse at all, right.

RENEY: Oh, correct. And I mean there are things you can do. You can file a small claims action. You've documented the fact that you've sent the information and you're referenced the act that they violated. And the fact that they've used the E-Oscar system, they will have no way of proving that they actually forwarded your information to the creditor. As a matter of fact, I've had them actually tell us specifically point blank that they don't do it, they don't forward. If you think about it from a financial standpoint, they get tens of thousands of disputes a day. There's no way they will possibly be able to take every single one of the letters that they receive, open it up and forward that by mail with attachments to the creditors. They have to use an electronic system just to handle the shear volume. But they are violating the act every time they do that because they're not taking your actual dispute. What they're doing is sending an electronic representation of what they feel best represents your dispute.

MARTI: Well the interesting thing is Reney; you remember we were talking recently with a mortgage lender. And they were sounding pretty excited

because they were being able to dispute, you know they had people come into them to get mortgages. And they were acting as kind of a credit restoration company and they were able to take the clients that they were getting and they said they were excited because they were able to use the online system that the credit bureaus had. And in some ways it almost like the credit bureaus were their friends. They were able to use them, partner with them, and get their client's credit straight. Not really realizing, they didn't realize that, first of all, they're not partners with the credit bureaus. The credit bureaus have no invested interest in making sure that their client's credit is straight. Because quite frankly they make money off of bad credit clients. They do. I mean you know Reney you've made a point the other day and talked about that. Why don't you share that with us?

RENEY: Yeah, they actually, the interesting thing is that the credit reporting agencies again, they make money by selling credit information. Well not only do they sell credit reports but they sell the information literally. There are businesses that want to market to consumers that have poor credit scores. Because they can charge higher interest rates to those consumers. So the credit reporting agencies will actually charge, they will sell that information. They'll say okay, XYZ business, here's a list of clients or customers or consumers that have credit scores 600 and below. And they'll charge for that information. They'll give your name and your address and email if they have that information, the telephone number. And those businesses will solicit you. They'll pull your credit report and they will solicit you for credit. They want to sell services to you. The credit reporting agencies actually charge more for the information for clients and customers and consumers who have lower scores than those who have higher scores. Because the businesses can make more money from consumers who have lower scores. So given that that's what's going on, the credit reporting agencies actually have no incentive to help to improve the credit scores of the consumers. It's not in their financial interest to do so.

GOGO: That reminds me of the subprime, the whole subprime industry. In fact, kind of what it brings to mind. Now you know what, you guys have touched on so much in this brief call. And before we go into why we chose you to be on this call and the fact that you, you know that you deal, that you have a unique way of dealing with some of these issues that you've brought up. You've used the words removed, deleted, changed, when it comes to talking about records on credit reports. Now, I have, I used to hear hey this is, you know certain things with credit reports are legal and you know any

company that tells you that they can repair your credit is basically illegal or a scam. Talk about some of those things and why what you're saying makes sense and why it's as legal and why it's ethical or whatever.

RENEY: Yeah, well first of all, there's a federal act that actually governs the business of credit repair. It's called the Credit Repair Organization Act. That's a federal law. The Federal Trade Commission has the responsibility and the authority to regulate credit repair organization. So now if credit repair is illegal, why would there be a federal law that governs and regulates how credit repair organizations are **** to conduct credit repair. So it's very legal to do and provide credit repair services. The second thing is that the way that this, the way that credit repair is done and performed is all you're really doing is exercising your loss. A key to understanding again is this that, the laws exist to protect you as a consumer. The information that the credit repair, reporting agency, the Equifax, Experian, Transunion and some of the others, the information that they report, the Fair Credit Reporting Act and the other consumer protection laws, govern and regulate what information they can report under what circumstances, conditions they can report this information while they're in the process of making billions of dollars a year off your credit information. All you're doing is making sure that they comply with those laws. If they comply with laws, then they can legitimately afford it and the information is safe. If they don't comply and if you're able to require them to comply and they're not able to, then the information has to be deleted. So all you're really doing when we talk about the moving, deleting, changing, as we're talking about exercising your rights that you have under the consumer protection laws to make sure that information is accurate.

MARTI: And the other thing is this though. There are unfortunately, there are businesses as with any industry that has not operated in a very scrupulous way. The minority that does that, they end up being the ones that are the, you know the most heard. I think that and what's happened is that there are lobbyists in government where it has not been in their best interest. Let's say for example, there's someone that represents the credit card company or there is someone that represents businesses. Well they are the ones that are the most vocal and the most prominent in government. So they're actually, as a matter of fact, you know because there will be a credit card company that's out there righting the laws on what can and cannot be done. So they're the most vocal and their voices have been heard. And so therefore when you start looking at the negative information that's been put out there,

and you start looking at who's writing it, a lot of times it's competitors to the credit restoration company. And they just have a much bigger force and a much bigger voice in government. And of course, there's always people out there, business that just don't operate in the right way. And what they do is they take, you could have a thousand credit repair companies out there and two that don't operate in a very fair manor. And what happens is they'll showcase those too. But in any industry, whether it's attorneys, whether it's accountants, you know whether it's an restaurant business, whether it's an electronics business. You always have businesses that just don't operate in the best manor you know what's right for the customer. Unfortunately in this, you know the minority has been showcased a lot more than the majority. Go ahead I'm sorry.

GOGO: Well let me ask you this question then. Given what you've just said, how, are there some ways that somebody listening to this call can recognize a credit repair company or organization that is probably not legitimate or is probably not to be trusted, either in the claims that they make. Are they **** for us.

RENEY: Well, that's a really good question. You know and here's a few tips. One is first of all, any credit repair company that tells you to just arbitrally dispute everything is not a good company to deal with because it's not a good practice. Any credit repair company that tells you to lie or falsify documents or create a false identity is not a good company to deal with. The companies that are a good company to deal with are companies that do just what we just talked about as far as basically doing what we call a compliance audit. Pulling the information in your credit reports and basically identifying areas where the creditors are in violation of the consumer protection laws in reporting your information and requiring them to do what the law requires them to do. To report it accurately or delete it. It's as simple as that.

MARTI: Yeah, and the other thing is a company that guarantees that your score will increase by this amount over 30 days or some specific time period.

GOGO: Right okay.

MARTI: You know because you really can't guarantee that. I don't think there's are necessarily companies that operate now through those leases and things but I think that they're telling you the truth. You know in the sense of

being able to guarantee it. You know you can look, what we can do is look at history. We can say that 70% you know of this type, you know type of situation ended up being deleted. I mean we could use based on a historical but we can't tell you from the future this is what will happen.

RENEY: Exactly, and also any company that charges upfront, because the Credit Repair Organization Act prohibits you being charged upfront for performing the services you performed and services that you get paid for the services that you go over or perform.

GOGO: That's used, because I think knowing that, that probably eliminates a huge percentage of those of who might be in it to just rip people off and just pull off a scam on people.

RENEY: Exactly. Now there are some space, like Florida for example, which can allow you to pay the money upfront and put it in escrow.

GOGO: Okay.

RENEY: Hold in a trust account until the searches are performed. And then the company can pull the money out of the trust account to pay for the services. But you cannot pay for services in advance.

GOGO: Okay. Now then, and you know and I'm going to get into just one more question and then we're going to wrap up. I know our time is far spent. I want to talk a little bit about a personal side. Now Reney you are an attorney and this company was built on the framework that you came up with as you were dealing with this issue. Why are you guys in this business? And you know, from a personal standpoint.

RENEY: Well I can tell you this and since 1995, I have been helping people, I started off helping friends and relatives to improve their credit just because I had the ability to help them. And what happened is from that point, different friends and relatives started referring other friends and relatives for me to help and I continued to help them out for awhile. And then eventually what happened is just recent as 2005, we began to see an influx of requests. And you know being licensed as an attorney in the State of Michigan; I was only able to do it as an attorney in Michigan. And I began to get requests even out of state. And then around 2007, we began to see a huge increase in the use of credit scores for things that had nothing to even do with credit. You

know like credit scores began to be used auto insurance premiums, determining the life insurance premiums, homeowners insurance premiums, people apply for jobs. Credit scores were being used to deny employment.

GOGO: Promotions even.

RENEY: Exactly, even if you're up for a promotion. They were still pulling your credit and checking the scores for determining whether or not you can get a promotion on a job. So it began to be used increasingly. So we began to get overwhelmed with requests to help people. So what we did is went ahead and formed a business and set it up. And I took the practice and the things that I learned as an attorney and the understanding of the consumer protection laws and proceduralized it and trained others, others employees in how to use those procedures in helping our clients. You know to improve their credit. And Marti just has a passion for people.

MARTI: Well I think that when I see people go from hopelessness to seeing how they can get out of this situation, seeing where life can be better. Because what I'm finding is that when we're so burdened with that, when we're so burdened with everything that we do is based on our credit score. We can't get the house that we want. Or we can't get the job that we want. When someone is telling us what we can and cannot do, where we can and cannot live you know. Then we feel a bit of a sense of helplessness. And to be able to work with people and to help them turn things around, where the chains of bondage comes off and you see people now being able to grab hold of their purpose and their destiny. You know, that is exciting. So being able to be in position to really help and to help people help themselves when people are ready. It's a sense, it's a feeling, it's a feeling that hard to explain. It's a feeling that we've given someone a lease, a new lease on life you know. And so yeah, that's really what drives us is the impact that we can have on people's lives and being able to take our knowledge, our resources and now doing something with it. Because I'll tell you what, people are busy with life. And life happens to us everyday. And if we can have something, some information, because it's out there. The good thing is that this is out there. People can actually go to FTC.gov, right and find the Fair Credit Reporting Acts. It's there. And a lot of times though people just don't have the time to go through thousands and thousands and thousands of pages of statutes and laws. So the good thing is that they can always go and they can always check. They can always go and do their fact findings and it's there right out in front. The only problem is it's so mixed in with life.

So we just don't have the time. So being that we focused on it, we've got the time to now go through and understand it and use the law to their advantage. And that's gives us a great sense of purpose.

RENEY: And I can tell you also that we, we can relate personally.

MARTI: Absolutely.

RENEY: You know, I mean life happens. You know things happen. You know I personally have gone through a divorce and I had a significant impact on my scores. Well fortunately, now I've been able to with my understanding of the credit laws and consumer laws, been able to take that and turn it around and use it to my advantage. But a lot of people have not had that opportunity. They have gone through circumstances, situations in life and they just haven't been able to have the resources and with all the things necessary to be able to turn it around. So given the pervasiveness of credit, the credit scores, how they're being used in life today. We really believe you can change your credit. You can change your life.

GOGO: Well said. Now with that, I know that you guys will have, how can the people on the call reach you. How can they contact you? What's the best way to maybe access some more resources?

RENEY: Well they can either call us toll free 888-772-9673 or they can contact us online at www.DuBoseCreditSolutions.com. That's D U B O S E, DuboseCreditSolutions.com.

GOGO: Wonderful. Well I'd like to just thank you all for listening. I'd like to thank you for being such gracious guests and sharing such information with us. It's really valuable information and I just want to thank you for agreeing to be on this call. I appreciate your time.

RENEY: Okay thank you Gogo. We really appreciate it also.

MARTI: Yeah we definitely appreciate the opportunity.