



1700 G Street NW, Washington, DC 20552

CONSUMER ADVISORY

Don't Be Misled by Companies Offering Paid Credit Repair Services

Protect yourself from companies promising a quick solution to repair your credit.

If you have experienced a setback with your credit, taking steps to improve your credit record can seem like a hard task.

Some credit repair companies recognize this fact and have developed creative marketing tactics to target you. Sometimes this marketing includes confusing and misleading messaging aimed at taking advantage when you're just trying to get your financial life back on track. Credit repair companies often promise to improve your credit report by contacting credit reporting agencies on your behalf and challenging items on the reports. The fees these types of companies may charge are often high. You also can't remove negative information if it's accurate, and you might end up paying for no results.

Over the past several months, more than half of people who submitted complaints with the CFPB about credit repair chose the issue "fraud or scam" to describe their complaints.

Too often, vulnerable consumers do not know the full set of protections you have or understand the laws that govern credit repair companies. These companies must follow numerous federal laws, including the Credit Repair Organizations Act and often the Telemarketing Sales Rule, both of which forbid credit repair organizations from using deceptive practices and from accepting up-front fees.

You have rights. If you are considering using a credit repair company, be on the lookout and aware of these five examples of red flags:

- **Demands payment upfront:** The company wants you to pay before it provides any services. Under the Credit Repair Organizations Act, credit repair companies can't request or receive payment until they've completed the services they've promised. Some companies

will structure monthly payment plans to avoid this requirement, and you should know that no form of upfront payment is legal. A simple rule to follow is “Don’t pay upfront.” If the company uses telemarketing such that the Telemarketing Sales Rule applies, the company may not request or receive fees until it has provided you with a credit report generated more than six months after the promised results that shows the results.

- **Sounds too good to be true:** The company tells you it can get rid of the [negative credit information](#) in your credit report in a short period (even if that information is accurate and up-to-date), promises a specific increase in credit score, or guarantees results. No one can do this. It simply takes time to repair your credit file.
- **Can’t answer questions:** The company representative cannot explain the specifics of the services they are offering you or the total cost for those services. [Asking a few simple questions](#) can help you determine if you are dealing with a reputable organization.
- **Holding back or providing misinformation:** The company doesn’t inform you of your rights, including your right to obtain a written contract outlining the details of your arrangement, as well as having the ability to cancel your contract with the company within three business days. The company does not disclose the full cost of its services, and/or the company suggests that you should not (or cannot) contact any of the [nationwide credit reporting companies](#) directly (you can).
- **Asks you to misrepresent information:** The company suggests that you try to invent a “new” credit identity – resulting in a new credit report – by applying for an Employer Identification Number instead of your Social Security number.

Know your rights:

According to the Telemarketing Sales Rule, it’s illegal for a company to charge you for credit repair unless it has been six months since the company achieved the promised results. Therefore, your credit report has to show that the promised results were achieved six months earlier than you can be billed.*

Under the Fair Credit Reporting Act, you have a legal right to dispute credit history errors yourself for free. You don’t have to pay a credit repair company to do it for you. The first step is to get your [free annual credit report](#) from one or more of the three nationwide credit-reporting companies to identify any errors. Check out our information on how to correct inaccuracies on your credit reports, including sample dispute letters and contact information for each of the three [nationwide credit-reporting companies](#).

You can go also [online to any of the credit reporting companies' websites](#) and dispute errors.

Questions to think about:

Think about these questions before you decide whether to use a credit repair company:

- What specific services will be provided?
- How much will I have to pay for these services?
- Which of these things could I do for myself?
- Is the company being upfront and forthcoming about the services and the fees?
- Could my issues be resolved with a dispute letter that I write to one of the credit reporting companies?
- Could my issues be resolved with help from a nonprofit, community or legal services organization?

Steps you can take to improve your credit without using credit repair:

Your credit report shows information about how you have used credit, such as how much credit you have, how much of your available credit you are using, whether you have made your payments on time, and whether anyone has sent a loan you owe to a debt collector. You can take steps on your own to repair your credit record.

1. Understand how to read your credit report. To learn more about credit reporting in general please visit the CFPB's [website](#).
2. Get a copy of your free credit report from [annualcreditreport.com](#) from each of the big nationwide credit reporting companies and [review it every year](#).
3. Address your errors. If you find incorrect information on your credit file, use this [sample letter](#) and [template](#) to dispute with the three credit report companies, and this [sample letter](#) to dispute and [template](#) with a furnishing company, such as a bank.
4. Know what matters. A credit score is a number that is used to predict how likely you are to pay back a loan. To get and keep a good credit score:
 - a. Pay all your loans and bills on time.

- b. Make sure information in your credit report is correct.
 - c. Don't use too much of the credit that is available to you.
5. Consider products that help you rebuild your credit. Products like secured credit cards and credit builder loans are specifically designed to help you build a positive credit history.

If you think you might be the victim of a credit repair scam, or if you've had other issues with a credit repair company, you can [submit a complaint to the CFPB](#).

How to Get and Keep a Good Credit Score:

There are no secrets to building a strong [credit score](#), but following these guidelines should help:

- **Pay your bills on time, every time.** One way to make sure your payments are on time is to set up automatic payments, or set up electronic reminders. If you've missed payments, get current and stay current.
- **Don't get close to your credit limit.** Credit scoring models look at how close you are to being "maxed out," so try to keep your balances low in proportion to your overall credit limit. Experts advise keeping your use of credit at no more than 30 percent of your full balance.
Note: You don't need to carry a balance on your credit card to get a good score. Paying off the balance each month helps get you the best scores.
- **A long credit history will help your score.** Credit scores are based on experience over time. The more experience you have using credit responsibly and paying your bills on time, the more information there is to determine whether you are a good credit risk.
- **Only apply for credit that you need.** Credit scores look at your recent credit activity as an indicator of your need for credit. If you apply for a lot of credit over a short period of time, it may appear to lenders that your economic circumstances have changed negatively.
- **Review and fact-check your credit report.** If you find an error, dispute it with the credit reporting company or the business that furnished the information to the credit reporting company. You can also reach out directly to the credit reporting companies to dispute errors or [submit a complaint to the Bureau](#).

If you have more questions about credit reports and scores, check out [Ask CFPB](#), our online database of frequently asked financial questions and answers.

*Updated December 3, 2019. An earlier version of this material contained additional information applicable only to debt relief services.