

CBA Webinar: Shady Business – Understanding Predatory Credit Repair Practices (3/17/2022) Resources and Q&A

Resources

CBA's *Spotting Credit Repair Scams* webinar series

- Part 1: <https://cbatraininginstitute.org/spotting-credit-repair-scams-part-1-august-2021/>
- Part 2: <https://cbatraininginstitute.org/spotting-credit-repair-scams-part-2-september-2021/>

CFPB Report, *Disputes on Consumer Credit Reports* <https://www.consumerfinance.gov/about-us/newsroom/cfpb-finds-credit-report-disputes-far-more-common-in-majority-black-and-hispanic-neighborhoods/>

National Consumer Law Center (NCLC) brief, *What States Can Do About Credit Repair Abuses*
https://www.nclc.org/images/pdf/credit_reports/IB_State_Credit_Repair_Abuses.pdf

Submit a complaint with the CFPB: <https://www.consumerfinance.gov/complaint/>

Working Credit NFP flyer, *The Deception of Predatory Credit Repair Companies*
<https://financialinclusionforall.org/resource/the-deception-of-predatory-credit-repair-companies/>

Questions and Answer

Q1: Please explain how creditors can count a dispute as frivolous based on it presumably coming from a credit repair organization.

Here's an example from the perspective of a lender.

You get a dispute from Jerry on his account on January 2022. It includes a letter in legal jargon that says, *"This information is wrong. You're in violation of the Fair Credit Reporting Act (FCRA). Delete this wrong information now."* The problem is all the information reported is accurate. Jerry missed one payment before catching the loan up and paying it off. You respond to the dispute that information is correct.

In February – the same thing occurs. The only difference is the date. Nothing else has changed: There is no new evidence, nor any evidence or information to prove his claim. You confirm all is accurate.

Same story in March.

Noticing a pattern? This is a pretty clear sign of credit repair. If a creditor is directly getting the dispute, it's easy to make the claim this is frivolous: There's no new information, he's disputing clearly accurate information, and each dispute has the same generic claims.

Another item of note? It's clear the consumer did not write the letter because it comes from a letterhead from "Friendly Credit Repair Service." The FCRA says you can mark the account as frivolous if you know it's credit repair. You're still required to respond to disputes as they come in; however, the process is a bit simplified. You can find out more about this in our [Spotting Credit Repair Scams Part 2](#) webinar.

Q2: How does the original creditor/collector find out that an item has been removed?

It is possible they might not know. They're unlikely seeing a copy of the report, and/or the person who is responding to disputes might not be the same person who handles credit reporting. This could mean that the creditor/collector continues reporting the account, meaning it gets back on the report and the borrower in this case may not be notified within the five-day window.

The dispute rules are such that if something falls off a report, you're supposed to stop reporting it. But there's not a lot of enforcement there. Thus, this is a good reason for (legitimate) disputes because it can work to get something off the report that should not have been re-added due to furnisher error.

Additionally, if something is removed, the data furnisher does receive notice within the dispute response system of accounts that have been deleted or blocked; though it's their responsibility to check these reports – and it's likely some aren't.

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Q3: Let's say a non-profit credit organization helps someone to submit a dispute for something we feel is on the report in error, but the credit bureaus flag it as being from a for-profit credit repair organization. What are the implications of that and how do we continue to help our clients at that point?

This won't be an issue, and it won't be flagged. The bureaus tend to err on the consumer's side and send any dispute that meets basic criteria – it's clear who the consumer is, what account(s) is being disputed, and what the reason for dispute is – along to data furnishers for verification. Each credit bureau has its own internal policies, which they don't make public, about how they handle more suspicious disputes or those that may flag for being frivolous. For example, if a dispute comes in for a consumer but just says "Credit bureau, fix the wrong information on my report. Now." but with no information about accounts in dispute, they will likely respond to the consumer, asking for further information before they can investigate. But they ultimately send most disputes through the system.

Check out our [Spotting Credit Repair Scams Part 1](#) and [Part 2](#) for more information about best practices for disputing and about signs that a dispute may be coming from a credit repair company, for clear tactics to avoid.

Q4: Am I hearing that Lexington Law is a predatory credit repair agency?

Yes, Lexington Law offers credit repair services that are [predatory](#). Any company charging up-front for services should be reviewed carefully. Their business practice involves disputing both accurate and inaccurately reporting information. The concern is with the information that is accurately reported; this should not be disputed. You can find out more about how these companies operate in our [Spotting Credit Repair Scams Part 1](#) webinar.

Q5: Should non-profits stop disputing or what should we change?

Nonprofits that support clients in writing dispute letters can continue to do so. The key is determining whether an item in question is accurately reporting or not. If a client is attempting to dispute an item that is in fact reporting correctly, it would be prudent to educate the client on what should report on the credit report. If a client has items that should not be reporting or reporting with a different status, these are fair game for disputes and should be updated accordingly. Best practices may include supplying any documentation available demonstrating inaccuracies or letters from the lender that back up a claim (such as if an account is still showing open but the client has a settlement confirmation letter from the lender).

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Q6: If we receive a 'frivolous and irrelevant' repeat dispute from someone we believe that has hired one of these types of companies, what is the best way to handle it?

The FCRA says you must respond to any dispute that you directly receive, so long as it meets parameters for investigation. We break down these parameters and requirements for responding to frivolous disputes in our [Spotting Credit Repair Scams Part 2](#) webinar.

Q7: As I understand, it is a felony to apply for credit with a second social security number yet many credit repair folks are offering secondary id# for a fee.... is it a similar felony to sell these IDs?

It may be, though different states or jurisdictions may consider it a misdemeanor or a felony, depending on the specific case. In any event, if someone sees an offer to fix their credit by using a new SSN, they should automatically avoid that company and consider reporting them to the FTC or CFPB to help keep others from falling victim.

Q8: What are the legal ramifications for the consumer to have accurate things disputed by saying they are either "not mine" or "the information being reported is not accurate"? This does happen in this "dispute everything" approach.

Legal ramifications may vary via state or jurisdiction and largely depend on a lender pursuing action against a specific client. A lender would likely have more of a case if an account is listed as “not mine” or “opened via ID theft or fraud,” and they have proof it is legitimate. In particular, if the “client” has submitted an FTC affidavit, there is a specific line that indicates that “knowingly making any false or fraudulent statement or representation to the government may violate federal, state, or local criminal statutes, and may result in a fine, imprisonment, or both.”

If action is pursued, it's going to be against the client – even if they had no idea that “they” filed an ID theft affidavit. Why? It's their name, signature, and information on the report, not the credit repair company's. If someone is using a credit repair company's services, this is a clear argument for why they need to be able to review all documents before they are sent onto the bureaus....but an even clearer one for why/how these services might not be offering the services they say they are and should be avoided.

Q9: It has been difficult disputing items on my ITIN recipient clients credit reports. Is there any advice you can share?

ITINs do not prove identity and are not used for credit reporting purposes. While someone can still build credit without a SSN or without providing one, it can potentially cause more problems for ID verification within the bureaus' computers, especially if the person has a fairly common name.

If you're working with someone who appears to have information on their credit report that clearly isn't theirs or has ID information that's not theirs, the best step is to reach out directly to (usually by calling)

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the credit bureaus to inquire if the borrower has a mixed (their information is mixed up with another person's, usually someone with the same or similar name) or split file (their information is on someone else's report). Reaching out to the bureaus is the only way to correct ID information; this cannot be done via a traditional dispute, as lenders can only **confirm** or **verify** ID information – they cannot **update** or **change** someone's (for good reasons!!). Likewise, clients should be consistent in how they provide all other ID information to make sure that their reports contain only their information and help cut down on the risk of a mixed or split file.

Additionally, you may find our past webinar on [*Building Credit Without a Social Security Number*](#) to be a useful overview for supporting individuals with ITINs.