

KNOWING THE SCORE

A bad credit rating is dragging him down. Can he fix it in time to snag a good refinancing deal?

WHEN CHARLIE LANGE, 62 of Colorado Springs decided to refinance his mortgage he got a nasty surprise: his mortgage lender said he didn't qualify for a lower interest rate because of "credit problems." Charlie prides himself on paying his bills on time and has never had trouble qualifying for credit or loans in the past. So he did the smart thing. He got a copy of his credit report, which lists the status of accounts in his name. (Thanks to a new law that becomes effective nationwide this year, he can get a free copy of his report by visiting www.annualcreditreport.com or calling 877-322-8228.) And there he found the cause of the problem: the report showed he had a judgment against him for failing to pay off a student loan.

THE PROBLEM

Charlie knew instantly there'd been a mistake. It's been four decades since he graduated from college, and he never even had a student loan. He explained that to his mortgage lender in hopes of convincing them that he was creditworthy, but had no luck. Now, as interest rates threaten to creep upward, Charlie isn't sure how to scrub his credit report clean in time to snag a good refinancing deal.

THE PLAN

I hate to break it to you, Charlie, but even though your trouble is due to someone else's error, it's up to you to fix it. If it's any comfort, you're not alone. According to a 2004 study by the U.S. Public Interest Research Group (PIRG), 79 percent of credit reports contain errors and 25 percent have mistakes serious enough to cause consumers to be denied credit, loans, or even jobs.

But there are steps you can take to clear your name. First, you should contact each of the three national credit-reporting agencies—Equifax at 800-685-1111, www.equifax.com; TransUnion at 800-916-8800, www.transunion.com; and Experian at 888-397-3742, www.experian.com—and follow their procedures for disputing the error.

If the error was caused by a creditor supplying the wrong information, you should also appeal to the creditor to write a letter clearing your name. If that doesn't work, you should send each credit-reporting agency a statement of 100 words or less explaining the dispute and request that it be attached to your creditor report. That way, any creditor who looks at your report will also see the statement.

Under the Fair Credit Reporting Act, the credit bureaus must correct erroneous reports within a reasonable amount of time—generally within 30 days. If your ordeal drags on, you should contact the Federal Trade Commission (877-382-4357) to file a complaint. As a last resort, you might also hire an attorney who specializes in consumer-protection issues

(to find one, contact the National Association of Consumer Advocates at www.naca.net).
“ Sometimes a couple of lawyer letters will get the bureaus to spring into action,” says Ed Mierzwinski, consumer program director for PIRG.

A word of caution: no matter how frustrated you get, don't hire a credit-repair agency to cleanse your report for you. These businesses are notorious for charging consumers hundreds of dollar and not delivering results. Better to make every effort to fix the report quickly, so that you can try again to refinance while interest rates are still low.

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