

FTC Consumer Alert

Federal Trade Commission ■ Bureau of Consumer Protection ■ Division of Consumer & Business Education

Credit Repair: How to DIY and Avoid a Scam

You see the advertisements in newspapers, on TV, and on the Internet. You hear them on the radio. You get fliers in the mail, and maybe even calls offering credit repair services. They all make the same claims:

“Credit problems? No problem!”

“We can remove bankruptcies, judgments, liens, and bad loans from your credit file forever!”

“We can erase your bad credit — 100% guaranteed.”

“Create a new credit identity — legally.”

The Federal Trade Commission (FTC) says do yourself a favor and save some money, too. Don't believe these claims: they're very likely signs of a scam. Indeed, attorneys at the nation's consumer protection agency say they've never seen a legitimate credit repair operation making those claims. The fact is there's no quick fix for creditworthiness. You can improve your credit report legitimately, but it takes time, a conscious effort, and sticking to a personal debt repayment plan.

Recognizing a Credit Repair Scam

Everyday, companies target consumers who have poor credit histories with promises to clean up their credit report so they can get a car loan, a home mortgage, insurance, or even a job once they pay them a fee for the service. The truth is, these companies can't deliver an improved credit report for you using the tactics they promote. It's illegal: No one can remove accurate negative information from your credit report. So after you pay them hundreds or thousands of dollars in fees, you're left with the same credit report — and someone else has your money.

If you see a credit repair offer, here's how to tell if the company behind it is up to no good:

- The company wants you to pay for credit repair services before they provide any services. Under the Credit Repair Organizations Act, credit repair companies cannot require you to pay until they have completed the services they have promised.
- The company doesn't tell you your rights and what you can do for yourself for free.
- The company recommends that you do not contact any of the three major national credit reporting companies directly.
- The company tells you they can get rid of most or all the negative credit information in your credit report, even if that information is accurate and current.

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- The company suggests that you try to invent a “new” credit identity — and then, a new credit report — by applying for an Employer Identification Number to use instead of your Social Security number.
 - The company advises you to dispute all the information in your credit report, regardless of its accuracy or timeliness.

If you follow illegal advice and commit fraud, you may find yourself in legal hot water, too: It’s a federal crime to lie on a loan or credit application, to misrepresent your Social Security number, and to obtain an Employer Identification Number from the Internal Revenue Service under false pretenses. You could be charged and prosecuted for mail or wire fraud if you use the mail, telephone, or Internet to apply for credit and provide false information.

For More Information

To learn how to improve your creditworthiness and find legitimate resources for low or no-cost help, please see *Credit Repair: How To Help Yourself* at ftc.gov/credit.

The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters consumer complaints into the Consumer Sentinel Network, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

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