



CREDIT FIX AND DEBT ELIMINATION SCAMS

by Texas Attorney General Greg Abbott

TEXANS WITH MOUNTING CONSUMER DEBT OF bad credit ratings may be tempted by quick fixes during difficult economic times. Unfortunately, there are no easy ways to remedy bad credit. So, if a credit repair or debt relief offer sounds too good to be true – it usually is just that.

Rebuilding a good credit rating takes time and good financial management. Legitimate credit counseling services and debt repayment plans can offer long-term, practical solutions to debt management. It is critical, though, that debtors distinguish between lawful assistance programs and fraudulent schemes that attempt to take advantage of struggling debtors.

Unfortunately, many fraudulent “debt elimination” and “credit repair” scams charge customers hefty fees for “quick fixes” that never materialize. The Office of the Attorney General (OAG) has aggressively cracked down on these unlawful scams.

Last year, our Consumer Protection and Public Health Division stopped two Austin-based operations from falsely claiming they could remove “negative” items from clients’ credit reports. Only inaccurate or obsolete items can be legally removed from a debtor’s credit report, while items that reflect negatively on a person’s credit must remain on this report until they expire with the passing of a set amount of time. The companies, Austin Credit Doctor and America’s Credit Doctor,

charged customers several hundred dollars in advance fees for their unlawful “credit repair” services.

Texans with inaccurate or obsolete information on their credit reports can work directly with credit reporting companies to remove information that should not be included. They don’t need to pay a “credit repair” service to remove the items for them.

A related scheme, “debt elimination” scams, falsely promise to eliminate consumer debt within just a few short months.

Frequently, these scams charge large, up-front fees and then fail to deliver any valuable services to customers. For example, the OAG stopped a fraudulent “debt elimination” operation that falsely promised to quickly and completely eliminate customers’ debt.

To become enrolled in the program, customers were required to wire a one-time \$5,000 deposit to an unidentified “bank.” The scam’s operators claimed the bank would initiate a debt elimination process and use the deposit to defray the costs of that process. Once all the customers’ cumulative debt reached \$100 million, the bank promised to make loans that would pay off individual customers’ debts.

However, the \$5,000 fee was actually deposited to an account that our investigators traced to Panama. The operation’s owner never offered any evidence that a “bank” even existed. In truth, the scam was simply trying to cash in on the vulnerability of

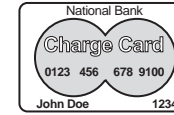
overwhelmed debtors. As a result, sadly, the already struggling customers lost their \$5,000 deposits.

Legitimate financial assistance for customers facing seemingly impossible debt is available. Texans with problems paying their debts should immediately contact their creditors and seek alternate payment arrangements. Creditors are generally willing to negotiate terms directly with customers, so a debt management company is frequently unnecessary. Debtors should ask whether alternate arrangements would affect their credit history. Even if creditors reduce the payments and give debtors more time to pay a debt, doing so may show up for several years on debtors’ credit reports.

Texans seeking debt management services should do their research before hiring one of these firms. It’s important to check with the Better Business Bureau – and even the OAG – to see whether other customers have filed complaints. It may also prove helpful to consult with an attorney about debt relief options. Ultimately, creditors must decide whether to accept a debtor’s restructuring offer. Even if the creditor accepts the offer, the debtor may face credit and tax-related implications.

There are seldom quick fixes to a consumer’s credit history if it reflects legitimate debts the consumer failed to repay. The key to rebuilding credit is to manage debt and to consistently pay bills on time.

POINTS TO REMEMBER



RESOLVING CREDIT PROBLEMS, COPING WITH MOUNTING DEBT

Be diligent in paying bills and debts today to ensure good credit in the future.

For assistance with credit problems, education and counseling:

NATIONAL FOUNDATION FOR CREDIT COUNSELING
(800) 388-2227 • www.nfcc.org

To obtain a free copy of your credit report:
ANNUAL CREDIT REPORT REQUEST SERVICE
(877) 322-8228
www.annualcreditreport.com

To contact the three major credit bureaus:
EXPERIAN
(888) 397-3742 • www.experian.com

EQUIFAX
(800) 685-1111 • www.equifax.com

TRANS UNION
(800) 916-8800 • www.tuc.com

Information on this and other topics is available on the Attorney General’s Web site at www.texasattorneygeneral.gov.



ATTORNEY GENERAL OF TEXAS
GREG ABBOTT