

When is a Credit Repair Offer a Scam?

By the end of 2007, Americans owed more than \$915 billion in credit card debt, and the credit crunch is clearly impacting consumers as lenders are becoming more choosy about who gets loans and who doesn't. Given, stricter loan and credit requirements, Better Business Bureau (BBB) is warning that some companies are using the credit crunch to take advantage of consumers by promising bogus credit repair services that can be costly and in some cases illegal.

Complaints to BBB about credit repair companies have risen for three straight years, topping more than 1,400 in 2006 – a 38 percent increase since 2004. More than 400 of those complaints were not resolved, meaning BBB was not able to track down the company or the company refused to take steps to resolve the issue with the consumer.

"With the economy slowing and lenders becoming increasingly picky, many people are looking for fast, easy ways to fix or even erase damage to their credit history" said Steve Cox, spokesperson for the BBB. "People need to be very careful when searching for or using a credit repair agency. In some cases consumers are being charged for work they could have done on their own for free, and in the worst case scenarios, consumers are unwittingly encouraged to engage in illegal activities."

Offers for miraculous credit repair are common in radio, television, newspaper and direct mail advertising. The Internet is home to countless credit repair sharks, some requiring consumers pay large fees upfront – upwards of \$1,500 – and in return may promise to erase any blemishes on credit records, get new Social Security numbers for clients, or allow consumers to piggyback on someone else's credit record.

BBB is counseling consumers that the truth is, no one can legally remove accurate and timely negative information from a credit report, that it's nearly impossible to get a new Social Security number, and that piggybacking on someone else's credit can be construed as loan fraud.

Consumer Reports notes that Americans find nearly 13 million inaccuracies on their credit reports each year. With millions of inaccuracies in credit reports, BBB encourages all consumers to check their reports. Everyone is entitled to a free copy of their report from all three credit reporting bureaus every year or if they have been denied credit within the last 30 days (go to: www.AnnualCreditReport.com).

The law does allow an individual to request reinvestigation of information in their file that they feel is inaccurate or incomplete, and there is no charge for this process. BBB is reminding people that everything a credit repair company can do for them legally, people can do for themselves at little or no cost.

If consumers seek or respond to a credit repair offer they need to be aware that, by law, credit repair organizations must provide a copy of the "Consumer Credit File Rights Under State and Federal Law." This one-page document outlines the consumer's rights in disputing inaccurate information on their credit report, and also addresses consumers' rights in dealing with credit repair companies. A key point is that consumers have the right to cancel a contract with any credit repair organization for any reason within three business days from the date the contract was signed by the consumer.

Companies must also provide a written contract that spells out the consumer's rights and obligations. BBB advises anyone using a credit repair service to read these documents carefully before signing anything. BBB also suggests consumers beware of companies that:

- Do not tell you your legal rights and what you can do – legally – for free;
- Recommend that you not contact a credit bureau directly;
- Want you to pay for credit repair services before any services are provided;
- Advise you to dispute all information in your credit report;
- Take any action that seems illegal, such as creating a new credit identity by obtaining a federal employer identification number to use instead of a social security number;
- Offer to let you “piggyback” on other consumer’s good credit.

Before contacting a credit repair service, consumers can check them out first with BBB by easily accessing BBB Reliability Reports free of charge at www.bbb.org.

For consumers with serious credit problems, Consumer Credit Counseling Services (CCCS) are available for a low fee or, in some cases, for free. Some of the services provided may include working out a payment plan with lenders, as well as guidance and advice to help consumers make more financially sound decisions in the future. To find the nearest CCCS office, call toll-free, 800-388-2227, or go to: www.nfcc.org.

For additional advice and information you can trust on credit repair and personal finance, visit BBB on the Web at: www.bbb.org.

How Small Businesses can Weather a Recession

It’s been seven years since the nation’s last recession, and some analysts fear the U.S. is again entering an economic slump. Recession is a worrisome subject for small business

owners, but Better Business Bureau (BBB) has some time-tested advice to help small businesses stay afloat and weather the storm.

Considering the downturn in the real estate market with foreclosure filings rising 75 percent from the previous year to 2.2 million, a financial services sector that lost 13 percent of its market value in 2007, and some regional unemployment rates well above the five percent national average, some areas of the country are already experiencing their own recession.

“For small businesses, indicators of an economic downshift will include lower sales, but could also be potential customers and partners taking longer to negotiate and sign contracts or taking more time to pay,” said Steve Cox, spokesperson for BBB. “Maintaining cash flow is critically important, and small businesses will need to find ways to control expenses, find lower interest rates on existing loans, liquidate inventory and provide solutions for customers who are also feeling the pinch.”

Regardless of when a recession hits or how long it lasts, BBB is offering advice to help small businesses best position themselves during a recessionary period.

Cash Flow is King

Cash flow is the key to surviving a recession, and small businesses must look at all of their margins, including payroll, marketing, rent and supplies, and must be active in pursuing accounts receivable. Also, with interest rates dropping in recent months, BBB suggests that small business owners may want to consider refinancing on existing loans as a means of generating or maintaining cash flow.

Marketing Budget

For many small businesses, marketing is among the first items to be cut back or eliminated when a recession hits. However, BBB recommends thinking hard before trimming the marketing budget at a time when a small business may need to be prospecting for new customers.

Sales Strategy

Whether a small business adjusts its marketing budget or not, many owners may find that their best prospects for new revenue are existing customers and clients. BBB advises owners to tap into established relationships and knowledge of a client's needs, with a goal of finding solutions to keep current customers satisfied.

Pricing Strategy

Products and inventory must move to generate cash flow. BBB is counseling small business owners to consider their pricing strategies in order to liquidate old inventory. Cutting prices, bundling products and providing deals may be necessary to attract customers and sell old or slow-moving merchandise.

Customer Feedback

Customer feedback is critical during economic slowdowns and customer satisfaction should be a top priority in a recession. Owners need to find out how customers might respond when things slow down, what will they want and need, and then be prepared take action to provide those products and services.

Keep an Eye on the Competition

The small business landscape is extremely competitive, and BBB is recommending that owners keep an eye on, learn from, and be prepared to respond to what competitors do during periods of recession.

For more sound advice from BBB on helping small businesses survive and even thrive during hard times, visit, www.bbb.org.

BBB is also proud to be a partner with IBM on the Small Business Toolkit – offering software, forms, training, and more to help small businesses grow and succeed. To access the toolkit on the Web go to: www.us.bbb.org\ibmtoolkit.