Greenway Capital Management

All About Credit

A study conducted by US Public Interest Research Group (US PIRG) showed the following results: "79%" of the credit reports surveyed contained either serious errors or other mistakes of some kind.

Understanding Credit and Credit Scoring

What Is Credit Scoring

Credit scoring is a system creditors use to help determine whether to give you credit.

Information about consumers and consumers' credit experiences, such as their bill-paying history, the number and type of accounts they have, late payments, collection actions, outstanding debt, and the age of their accounts, is collected from your credit application and your credit report(s). Using a statistical program, creditors compare this information to the credit performance of consumers with similar profiles. A credit scoring system awards points for each factor that helps predict who is most likely to repay a debt. A credit score — helps predict how credit worthy you are, that is, how likely it is that you will repay a debt and make the payments when due.

Because your credit report(s) is an important part of many credit scoring systems, it is very important to make sure it's accurate before you submit a credit application. An amendment to the federal Fair Credit Reporting Act (FAIR CREDIT REPORTING ACT) requires each of the major nationwide consumer reporting companies to provide you with a ***free copy*** of your credit report(s), at your request, once every 12 months.

To order your free annual reports from one or all national consumer reporting companies, go to **www.annaulcreditreport.com**; call toll-free 877-322-8228. Do not contact the three nationwide consumer reporting companies individually.

Why credit scoring is used

Credit scoring is based on real data and statistics, so it usually is more reliable than subjective or judgmental methods. It treats all applicants objectively. Judgmental methods typically rely on criteria that are not systematically tested and can vary when applied by different individuals.

How credit scoring models are developed

To develop a model, a creditor selects a random sample of its customers or a sample of similar customers if their sample is not large enough, and analyzes it statistically to identify characteristics that relate to creditworthiness. Then, each of these factors is assigned a weight based on how strong a predictor it is of who would be a good credit risk. Each creditor may use its own credit scoring model or different scoring models for different types of credit.

Under the Equal Credit Opportunity Act (ECOA), a credit scoring system may not use certain characteristics -- like race, sex, marital status, national origin, or religion — as factors. However, **creditors are allowed to use age in properly designed scoring systems**. But any scoring system that includes age must give equal treatment to elderly applicants.

How to improve credit scores

Credit scoring models are complex and often vary among creditors and for different types of credit. If one factor changes, your score may change — but improvement generally depends on how that factor relates to other factors considered by the model. Only the creditor can explain what might improve your score under the particular model used to evaluate your credit application.

Credit scoring models generally evaluate the following types of information in credit report(s):

- **Have you paid your bills on time?** Payment history typically is a significant factor. It is likely that your score will be affected negatively if you have paid bills late, had an account referred to collections, or declared bankruptcy, if that history is reflected on your credit report(s).
- **What is your outstanding debt?** Many scoring models evaluate the amount of debt you have compared to your credit limits (capacity). If the amount you owe is close to your credit limit it is likely to have a negative effect on your score.
- **How long is your credit history?** Generally, models consider the length of your credit track record. An insufficient credit history may have an effect on your score, but that can be offset by other factors, such as timely payments and low balances.
- **How can inquires affect your credit?** Many scoring models consider whether you have applied for credit recently by looking at “inquiries” on your credit report(s) when you apply for credit. If you have applied for too many new accounts recently, they may negatively affect your score. However, not all inquiries are counted. Inquiries by creditors who are monitoring your account or looking at credit report(s) to make “pre-screened” credit offers are not counted.
- **How many and what types of credit accounts do you have?** Although it is generally good to have established credit accounts, too many credit card accounts may have a negative effect on your score. In addition, many credit scoring models consider the type of credit accounts you have. For example, under some scoring models, loans from sub-prime companies may affect your credit scores.

Scoring models may be based on more than just information in your credit report(s). For example, the model may consider information from your credit application as well: your job or occupation, length of employment, or whether you own a home.

To improve your credit score under most models, concentrate on paying your bills on time, paying down outstanding balances, and not taking on new debt

How reliable is the credit scoring system?

Credit scoring systems enable creditors to evaluate millions of applicants consistently and impartially on many different characteristics. But to be statistically valid, credit scoring systems must be based on a big enough sample.

Although such a system may seem arbitrary or impersonal, it can help make decisions faster, more accurately, and more impartially than individuals when it is properly designed. And many creditors design their systems so that in marginal cases, applicants whose scores are not high enough to pass easily or are low enough to fail absolutely are referred to a credit manager who decides whether the company or lender will extend credit. This may allow for discussion and negotiation between the credit manager and the consumer.

What happens if you're denied credit or don't get the terms you want?

If you are denied credit, the ECOA requires that the creditor give you a notice that tells you the specific reasons your application was rejected or the fact that you have the right to learn the reasons if you make the request within 60 days. Indefinite and vague reasons for denial are illegal, so ask the creditor to be specific. Acceptable reasons include: "Your income was low" or "You haven't been employed long enough." Unacceptable reasons include: "You didn't meet our minimum standards" or "You didn't receive enough points on our credit scoring system."

If a creditor says you were denied credit because you are too near your credit limits on your charge cards or you have too many credit card accounts, you may want to reduce your balances and reapply later. Credit scoring systems consider updated information and change over time. Therefore, any new accounts generally will out-weigh any old accounts.

If you've been denied credit, or didn't get the rate or credit terms you want, ask the creditor if a credit scoring system was used. If so, ask what characteristics or factors were used in that system, and the best ways to improve your application. If you get credit, ask the creditor whether you are getting the best rate and terms available and, if not, why. If you are not offered the best rate available because of inaccuracies in your credit report(s), be sure to dispute the inaccurate information in your credit report(s).

Improving Your Credit Report(s)

Under the FAIR CREDIT REPORTING ACT, both the consumer reporting company and the information provider (the company, or organization that provides information about you to a consumer reporting company) **are responsible for correcting inaccurate or incomplete information** in your report(s). To take advantage of all your rights under the FAIR CREDIT REPORTING ACT, contact the consumer reporting company and the information provider if you see inaccurate or incomplete information in your credit report(s).

Tell the consumer reporting company, **in writing**, what information you think is inaccurate. Include copies (NOT originals) of documents that support your position. In addition to providing your complete name and address, your letter should clearly identify each item in your report(s) that you dispute, state the facts and explain why you dispute the information, and request that the information be deleted or corrected. You may want to send a copy of your report(s) with the items in question high-lighted. Send your letter by certified mail, return receipt requested, so you can document that the consumer reporting company received it. Keep copies of your dispute letter(s) and enclosures.

You can also dispute any accounts on-line. Be sure to record the dates you disputed the account(s).

Consumer reporting companies **must investigate** the items in question — usually within 30 days — unless they consider your dispute frivolous. They also must forward all the relevant data you provide about the inaccuracy to the organization that provided the information. After the information provider receives notice of a dispute from the consumer reporting company, it must investigate, review the relevant information, and report(s) the results back to the consumer reporting company**. If the information provider finds the disputed information is inaccurate, it must notify all three consumer reporting companies so they can correct the information in your file.**

When the investigation is complete, the consumer reporting company must give you the written results and a free copy of your report(s) if the dispute results in a change. (This free report(s) does not count as your annual free report(s). **If an item is changed or deleted, the consumer reporting company <u>cannot</u> put the disputed information back in your file <u>unless</u> the information provider <u>verifies that the information is accurate and complete</u>**. The consumer reporting company also must send you written notice that includes the name, address, and phone number of the information (creditor) provider.

If you request, the consumer reporting company must send notices of any correction to anyone who received your report(s) in the past six months. A corrected copy of your report(s) can be sent to anyone who received a copy during the past two years for employment purposes.

If an investigation doesn't resolve your dispute with the consumer reporting company, you can ask that a statement of the dispute be included in your file and in future report(s). You also can ask the consumer reporting company to provide your statement to anyone who received a copy of your report(s) in the recent past. Expect to pay a fee for this service.

Fair Debt Collection

If you use credit cards, owe money on a personal loan, or are paying for a home loan, you are a "debtor." If you fall behind in repaying your creditors, or an error is made on your accounts, you may be contacted by a "debt collector."

You should know that in either situation, the **Fair Debt Collection Practices Act** requires that debt collectors <u>treat you fairly and prohibits certain methods of debt collection</u>.

This booklet answers commonly asked questions about consumer’s rights under the Fair Debt Collection Practices Act.

What debts are covered?

Personal, family, and household debts are covered. This includes money owed for the purchase of an automobile, for medical care, or for charge accounts.

Who is a debt collector?

A debt collector is any person or company who regularly collects debts owed to others. This includes attorneys who collect debts on a regular basis.

How may a debt collector contact you?

A collector may contact you in person, by mail, telephone, telegram, or fax. However, a debt collector may not contact you at inconvenient times or places, such as before 8 a.m. or after 9 p.m., <u>unless you agree</u>. A debt collector also may not contact you at work **if the collector "knows" that your employer disapproves of such contacts**. Inform the collector(s) in writing and let them know that your employer prohibits any personal visits or phone calls.

Can you stop a debt collector from contacting you?

You can stop a debt collector from contacting you by writing a letter to the collector telling them to cease calling your home or work place. Once the collector receives your letter by certified mail, they may not contact you again except to say there will be no further contact or to notify you that the debt collector or the creditor intends to take some specific action. Please note, however, that sending such a letter to a collector does not make the debt go away if you actually owe it. You could still be sued by the debt collector or your original creditor.

May a debt collector contact anyone else about your debt?

If you have an attorney, the debt collector must contact the attorney, rather than you. If you do not have an attorney, a collector may contact other people, but only to find out where you live, what your phone number is, and where you work. Collectors usually are prohibited from contacting such third parties more than once. In most cases, the collector may not tell anyone other than you and your attorney that you owe money.

What must the debt collector tell you about the debt?

Within five days after you are first contacted, the collector must send you a written notice telling you the amount of money you owe; the name of the creditor to whom you owe the money; and what action to take if you believe you do not owe the money.

May a debt collector continue to contact you if you believe you do not owe money?

A collector may not contact you if, **within 30 days after you receive the written notice**, **you send the collection agency a letter stating you do not owe money**. However, a collector can renew collection activities if you are sent proof of the debt, such as a copy of a bill for the amount owed or a signed contract.

What types of debt collection practices are prohibited?
Debt collectors may not harass, oppress, or abuse you or any third parties they contact.

For example, debt collectors may not use threats of violence or harm; publish a list of consumers who refuse to pay their debts (except to a credit bureau); use obscene or profane language; or repeatedly use the telephone to annoy you after you have spoken with them.

Debt collectors **may not use any false or misleading statements** when collecting a debt.

For example, debt collectors may not:

- falsely imply that they are attorneys or government representatives;
- falsely imply that a consume has committed a crime;
- falsely represent that they operate or work for a credit bureau;

- misrepresent the amount of a debt;
- indicate that papers being sent are legal forms when they are not; or
- indicate that papers being sent are not legal forms when they are.

Debt collectors also may not state that:

- a consumer will be arrested if they do not pay their debt;
- they will seize, garnish, attach, or sell a consumer's property or wages, unless the collection agency or creditor intends to do so, and it is legal to do so; or
- actions, such as a lawsuit, will be taken, when such action legally may not be taken, or when they do not intend to take such action.

Debt collectors may not:

- give false credit information about consumers to anyone, including a credit bureau;
- send consumers anything that looks like an official document from a court or government agency when it is not; or use a false name.

Unfair practices. Debt collectors may not engage in unfair practices when they try to collect a debt.

For example, collectors may not:

- collect any amount greater than your debt, unless your state law permits such a charge;
- deposit a post-dated check prematurely;
- use deception to make you accept collect calls or pay for telegrams;
- take or threaten to take property unless it can be done legally; or contact consumers by postcard.

What control do you have over payment of debts?

If you owe more than one debt, any payment you make must be applied to the debt you indicate. A debt collector may not apply a payment to any debt they believe is owed by a consumer.

What can you do if you believe a debt collector violated the law?

You have the right to sue a collector in a state or federal court within one year from the date the law was violated. If you win, you may recover money for the damages you suffered plus an additional amount up to $1,000. Court costs and attorney's fees also can be recovered. A group of people also may sue a debt collector and recover money for damages up to $500,000, or one percent of the collector's net worth, whichever is less.

Where can you report(s) a debt collector for an alleged violation?

Report(s) any problems you have with a debt collector to your state Attorney General's office and the Federal Trade Commission. Many states have their own debt collection laws, and your Attorney General's office can help you determine your rights.

Accurate Negative Information

When **negative information** in your report(s) **is accurate**, only positive action can assure its removal. A consumer reporting company can report(s) most accurate negative information for seven years and bankruptcy information for 10 years. Information about an unpaid judgment against you can be reported for seven years or until the statute of limitations runs out, whichever is longer. There is no time limit on reporting information about criminal convictions; information reported in response to your application for a job that pays more than $75,000 a year; and information reported because you've applied for more than $150,000 worth of credit or life insurance. There is a standard method for calculating the seven-year reporting period. Generally, the period runs from the date that the event took place.

Adding Accounts to Your File

Your credit file may not reflect all your credit accounts. Most national department store and all-purpose bank credit card accounts are included in your file, but not all. Some travel, entertainment, gasoline card companies, local retailers, and credit unions are among those that usually aren't included.

If you've been told that you were denied credit because of an "insufficient credit file" or "no credit file" and you have accounts with creditors that don't appear in your credit file, ask the consumer reporting companies to add this information to future report(s)s. Although they are not required to do so, many consumer reporting companies will add verifiable accounts for a fee. However, if these creditors do not generally report(s) to a consumer reporting company, the added items will not be updated in the file.

Understanding Age, Capacity and Delinquencies

Many credit scoring models will score your credit based on age, capacity and delinquencies or a combination of the three. Therefore you must learn to balance the three.

1. **Age**: If you have opened accounts that are old and have been paid on-time, you will get a higher score for those accounts. By the same token if you have old accounts that are “bad” you will get less-points for those accounts. If you have old accounts that are good but they have been closed, you will get less-points because the scoring model grades you based on the most recent account activities.

2. **Capacity:** The scoring models take into account the amount of credit used opposed to the amount of credit available. Therefore, if you have a credit limit of $3,000 and your balance is $3,000 your capacity is 100% your score may decrease. By the same token if your balance is $1,500 your capacity is 50% and your score will increase.

Example: If you have five open accounts that have been paid on-time but your balances are at 100% capacity on each account, your score may go down. If the capacity on three accounts is at 50% your scores may go up. Also, if you close some of these accounts your scores may decrease.

3. **Delinquencies:** Delinquent accounts are always affect credit scores regardless of the age or capacity. Many consumers think that a $50.00 delinquent doesn't matter, but it does. If you have a $50.00 cell phone bill that is in collections and the credit limit is $50.00, your capacity is 100% plus you get points deducted for the account being in collections, and if it is a recent account you may get more points deducted. Therefore if you have several small accounts in the same category your scores with be lower.

Things to Do

1. Pay good accounts on-time.
2. Keep the capacity on credit card accounts at or below **60%** capacity.
3. Pay-off collection or charged-off accounts, regardless of the age. Negotiate for lower payoffs on any of these accounts, and request the collection agency(s) to put in writing that the account will be "Permanently" deleted from your credit report within 45 days from the time the payment is received by them.

Establishing or Re-establishing Credit

If your credit scores of low because you haven't used credit recently or all the accounts that you do have are bad, then you should focus on re-establishing your credit. There are several ways to do this.

1. **Secured Credit Card:** Get a "Secured" credit card. Most financial institutions offer secured credit cards with limits as low as $200 to $5,000. **Example:** You put $500.00 in the bank and they give you a line of credit for $500.00. You can do this two this two or three times, depending on what you are trying to accomplish. Make your payments on-time and in a few months you will see your scores increase.

2. **Certificate of Deposit (CD):** You can do the same with a CD as you can with a credit card. The only difference is you won't have to pay fees and higher interest rates that are associated with the credit card. So if you take $1,000 and get a secured credit card and a CD you will be establishing two sources of new credit.

3. **Retail Purchase:** You can locate a retail store that offers payment terms and make a small purchase and make payments for several months. Some stores will do in-house financing but you will pay a high interest rate. Make sure they report to the credit bureaus.

Summary

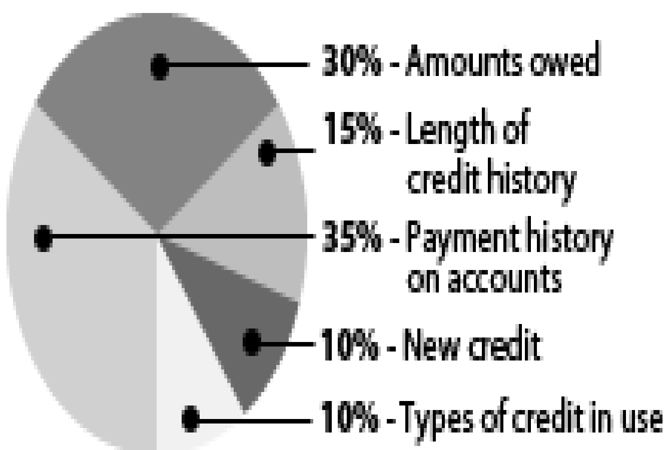
By knowing and understanding your rights you can better manage your credit. This information is the same information professional credit counselors use to guide their clients to better credit and credit scores. If you follow these steps you will see your credit scores improve dramatically.

Time is a key factor when you're establishing or re-establishing credit. The longer you use and pay your accounts on-time the higher your scores will go. Also the higher credit limits you establish and pay on-time the higher your scores will go. If you pay on a house or automobile for two years your scores will increase more than if you pay on a $1,500 credit card account for two-years.

Use these basic steps and you will notice the difference in how you manage credit.

Customized Credit Resolutions

At Greenway Capital Management, we understand that everyone's credit and financial situation is unique, which is why we offer comprehensive, personalized, and proven credit resolution programs that get results. Our financial experts understand the importance of providing individual services that are tailor-made to effectively meet your personal credit needs.



Greenway Capital Management

About Greenway Capital Management

Greenway Capital Management (GCM) is a full service “Holistic” personal financial management company that provides professional educational and mentoring services to consumers.

We specialize in educating and mentoring consumers on how-to manage their personal finances.
This includes:

1. Creating and Managing Budgets
2. Pre-purchase planning for automobiles, auto insurance, real estate and other consumer product or services.
3. Credit & Debt Management.
4. Personal Financial Management with emphasis on cash-flow management.

Our services are geared to consumers who have a desire to manage their personal finances in an efficient manner that will enable them to save money and personal build wealth.

Budgeting Services
It is a known fact that the average consumer does not use budgeting as a financial tool to manage their finances. GCM specializes in helping consumer’s set-up and manage their budget. We walk each client through the budgeting process and help them use budgeting as tool for saving and managing cash-flow.

Pre-purchase Planning Services
Most purchases are made on “Impulse” and are unplanned. This type of purchasing is what gets many consumers deep in debt. GCM help clients make informed decisions when making purchases. We save consumer hundreds or thousands of dollars by providing pre-purchase planning. Pre-purchase Planning is designed to provide consumers a way to make purchases that are cost-efficient and has a positive effect on their financial future.

Credit Management
Over 82 million American's live with poor credit scores. According to the Government Accountability Office, many consumers are aware of the basics of credit scores, but they are not aware of the factors that can lead to a high or low score.

This is a serious problem for individuals who are in the market for a large purchase such as a new home, car or boat. For example, they don't know that just a 50 point increase in their credit score could save them hundreds or thousands of dollars over the life time of a 30 year fixed rate mortgage.

Because of this, there is a high volume of individuals with poor credit that need assistance. Educating and advising these consumers on how to rectify their credit problems presents a huge financial opportunity for them to change their credit status. Due to recent down-turn in the economy the market for credit education and management is growing and is expected to continue growing for many years to come.

Services We Offer

1. On-going mentoring and counseling.
2. Assist you in obtaining your credit reports from Experian, TransUnion, and Equifax.
3. Teach you how to identify any inaccurate or negative information.
4. Teach you how to analyze your credit reports.
5. Assist you with disputing any derogatory, obsolete, or inaccurate information.
6. Provide solutions to cure any information that has an adverse affect on your credit scores.
7. Teach you how to negotiate fair and equitable settlements with creditors.
8. Teach you how to follow-up on all disputed or challenged accounts.
9. Teach you how to structure a Work-out Plan.

Credit Resolutions
The ability to raise credit scores can save consumers hundreds or thousands of dollars. That’s why being knowledgeable of how to resolve credit issues is cost-effective.

Greenway Capital Management applies a combination of sound advice and planning strategies that are used to increase a consumer’s credit scores in a few months. GCM does not just focus on having items removed from a credit file. We use pre-planned strategies tailored to each individual's situation. We do not use the old "Shot Gun" approach when trying to resolve credit problems.

Resolving credit issues is a serious business, and we treat it that way.

The Fair Credit Reporting Act provides numerous steps an individual can take to challenge negative items on their credit report. Unfortunately, while consumers have the ability to make these disputes on their own, as in most complicated issues, it is always best to have the advice of an expert to be as effective as possible.

What about a Guarantee?

We "Guarantee" that we will get favorable results based on achieving your stated goals. We can guarantee that if you follow our **"Action Plan,"** you will get positive results over a period of time.

- As per Federal Law credit repair service providers cannot guarantee that they can remove or have certain item(s) removed from a consumers credit file.

How Can Some Companies Guarantee to Have Certain Information Removed?

If any company or person guarantees you they can have certain information removed, they are acting outside the law. Many companies will offer a money back guarantee if they don't get items removed, but they will also charge a high non-refundable Administration fee, therefore they make money whether they get results or not.

Below is an example of what some companies put in their advertisements.

We remove bankruptcies, collections, repossessions, late pays, and charge offs.

Again, no company other the company that reported the information to the credit bureau can remove information from a credit file.

Why does GCM credit services cost so much less than some credit repair services?
Greenway Capital Management is not a "Credit Repair Service" we are a Credit Management and Resolution service. We are in the business of providing cost-effective resolutions to individuals who are, or has experienced credit situations that has an adverse affect on their credit scores. Our focus is on consumer credit resolutions, management and education.

Consider:
- GCM using the latest technologies in order to operate efficiently.
- GCM minimizes administrative expenses by using contract labor on an as-need basis.
- GCM minimizes advertising cost by relying on "Word of Mouth" advertising and referrals.
- Most of all, we believe in charging a "Fair" price based on the number of hours we project it will take to complete our services.

Our Objective is to:
- Help you enhance your financial status.
- Assist you with improving your credit scores to a reasonable average of 650 or above, within a reasonable time-frame between 6-12 months.
- Help you decrease debts and increase savings.
- Stabilize your over financial situation.

Note: Time frames for increasing credit scores will vary based on each individual's situation.

If you desire additional information please call Greenway Capital Management at 1 888-489-6476 ext. 700.

Thank you,
Ray Williams – Risk Aversion Mentor (RAM)