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How to add a written statement to your credit report

Consumers may insert a letter in credit files, but don't expect miracles



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By Melody Warnick

Want to buy a house? Get a better credit card rate? Score a decent car loan? When it comes to telling your financial story, your credit report -- and the credit score determined by it -- always seems to have the last word. But you can write some of those words yourself.

A provision of the Fair Credit Reporting Act allows you to add comments to your [credit report](#) that can cover "any number of items or topics they wish," according to Steven Katz, a spokesman for credit bureau TransUnion. Whether you use it to explain a dispute, [a mistake](#) or your own personal money apocalypse, the statement theoretically gives you more of a voice in your financial future.

There's a lot of flexibility in the Act. For example, it allows, but doesn't require, credit bureaus to limit the consumer statement to just 100 words, and the Big Three -- [Experian](#), [TransUnion](#) and [Equifax](#) -- do just that. It also doesn't specify how many statements an individual can add to their report, and the credit bureaus differ on this.

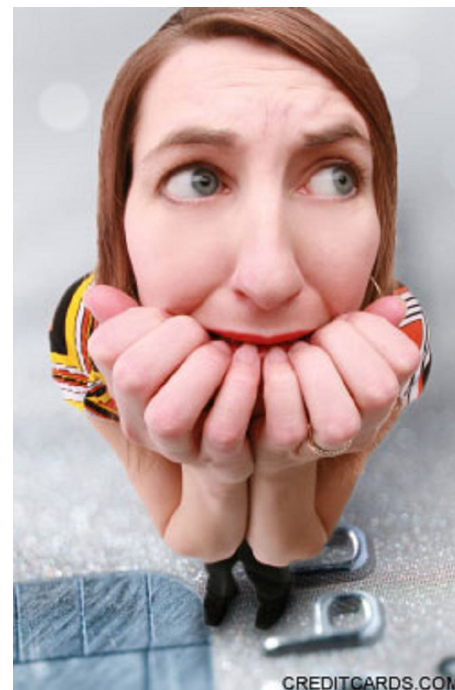
Experian allows multiple statements -- one general statement that applies to the report as a whole, and then one specific statement per item on your credit report -- while TransUnion and Equifax allow only one statement on your credit report at a time, period.

Still, regardless of how much you're able to write, a larger question remains: Do the statements actually work to a consumer's advantage?

Know when to speak up

As a credit counselor and representative of Clearpoint Financial Services, in Richmond, Va., Bruce McClary knew all the right moves to make when he noticed a fraudulent cell phone account on his credit report -- the result of identity theft. He immediately contacted the cell phone company's fraud department, filed an affidavit with local authorities and sent copies of the documentation to the three major credit reporting agencies.

Despite his precautions, McClary knew that on his credit report, the situation could raise curiosity, maybe even red flags. "There was a fraud alert on my report, but I knew that if anyone pulled my credit report, they might be hungry for a little more detail as to what was going on and why it was happening." McClary whipped up a personal statement to explain the situation and the ongoing investigation. Even after the credit reporting agencies all removed the charges, McClary left the statement on his report, "just in case."



It gives people a

Identity theft isn't the only credit crisis that a consumer statement may help clear up. A statement can say anything from "I'm

feeling of power. You feel like, 'At least I put my side of the story down.'

-- Brette Sember
credit repair expert

currently disputing this charge with the lender" to "I fell behind on payments after I had a stroke." In the case of a genuine error on your credit report, the statement allows you to document the steps you took to correct the mistake, whether or not you

were successful in the end.

Prepare to be ignored

Don't think, however, that these statements are magic bullets. Many experts believe that they're pointless, primarily because, in an age of automated underwriting, nobody reads them. "Your credit report is evaluated by computers," says Brette Sember, author of "The Complete Credit Repair Kit." "When you apply for a loan, there's not a guy sitting down reading your report and looking for a statement, saying, 'Oh, OK, she was sick and that explains it.' That's not happening anymore."

Even if someone does happen to glance at your consumer statement, it rarely has the desired effect, lenders admit. Timothy Palla of McDermott, Ohio, who spent 15 years working for consumer banks and in the finance office of a large car dealership, says, "Customer's comments on credit reports were far and few between, but to tell you the truth, I can't recall one single time when it made any difference in considering an application for credit."

What's worse, adding a statement to your credit report can draw attention to problems or exacerbate them. When your statement says something like, "I was late on this account because ...", you're validating that the negative information in the report is accurate. Disputing an error may falsely indicate that everything else on your report is totally accurate. Also, while a statement about your medical history or the divorce that knocked you financially off kilter may explain your terrible credit score, it could also just underscore that you're a bad risk.

When it works

So what's the point of adding a consumer statement? For starters, you may simply feel better after having had your say. "It gives people a feeling of power," says Sember. "You feel like, 'At least I put my side of the story down.'" For someone frustrated by the effects of a negative financial history, that's no small comfort.

Also, although many lenders rely on computers to determine your creditworthiness, some still do things the old-fashioned way. "With every lender I worked for, we were encouraged to look beyond the credit score," says McClary. "Not to say the score wasn't a large component, but there are things you can tell if you look at the details of the report with your own eyes that might be overlooked or missed with just a score."

Some experts even think that the current credit crisis may mark a return to more manual underwriting. "Given the current economic environment, the shift to automated approvals may be reversing itself," says TransUnion's Katz. "Banks are clearly scrutinizing every aspect of candidates' qualifications for a loan, so your paperwork may be more important than ever before."

Another option: Explain in person

Not all lenders will read the statement you slaved over -- but you're desperate to explain why your credit score is so low. There is one more option: Grab the loan officer and say it yourself.

"Lenders -- at least seasoned ones -- can look into a person's eyes and listen with their mind and heart and discern whether or not the applicant is lying or telling the truth," says longtime Ohio lender Timothy Palla. "Often, the consumer's passion and determination have more weight than the problems on a credit report."

The danger, of course, is coming off like a psycho. Palla offers these tips for keeping the conversation polite and effective:

- Practice articulating the details surrounding the credit problems in three minutes or fewer. "The officer doesn't have all day, and they are not interested in hearing about the cat that got hit by a car," says Palla.
- Show you've made a good-faith effort to resolve problems and dispute errors.
- Come armed with documentation, in case the loan officer asks to see it.
- Don't take "no" personally. Instead, take it as a challenge to clean up your credit so that next time, they'll have to say "yes."

At the very least, a consumer statement can make you look proactive about your credit situation in a way that appeals to potential lenders. It can even scare off debt collectors. "Filing a statement shows that the consumer is educated about their rights, and that's what debt collectors try to avoid," says Jonathan G. Stein, a consumer law attorney in Elk Grove, Calif. "They can't collect money as easily from people asserting their rights."

If an undeserved ding on your credit affects your credit score or your borrowing ability, a statement of explanation may serve you well. When in doubt, however, you may find that you say it best when you say nothing at all.

See related: [100-word statement sample letters](#), [How to read, understand your credit report](#), [Credit reports -- How to get the one that's actually free](#), [How errors on your credit report get fixed](#)

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