

Business

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Credit card doctors can make you ill

By Janice Brunson staff writer

A new scam is afoot, one involving "doctors" and "patients," but it has nothing to do with medical care.

In this case, "doctors" are computer artists armed with computers, and "patients" are consumers in need of improved credit ratings.

"Doctors" steal good credit ratings from computer files maintained by local credit bureaus and then sell the information to "patients" willing to pay \$500 to \$1,500 for the service. (See accompanying story.)

Relatively new on the consumer scene, the scam is thought to have originated in Houston, Texas, and according to Deborah Nigbor of the Detroit Better Business Bureau. She said police there have uncovered goods amounting to approximately \$15 million, bought by consumers using doctored credit ratings.

"They're buying everything from small merchandise to automobiles to homes," she said, citing one instance in which an unsuspecting Houston auto dealer sold 93 vehicles to different consumers, each using doctored ratings.

Based on the possibility of big profits and the relative ease in fraudulently obtaining credit information, it is believed the scam is apt to spread quickly to other parts of the country.

"There are many techniques for obtaining credit files, and I'm certain profits must be good" based on how fast the scam is growing, Nigbor said.

In Texas operations, "doctors" obtain code numbers to local credit bureaus and access computer files with home computers and telephone modems.

But access to credit bureau files is not easy, according to Darlene Taylor, operations manager of Trans Union Credit Information in Southfield. It is one of the larger credit bureaus in the nation.

"There are levels and levels and levels of security to keep (computer) hackers off the system. It's a must in our business," Taylor said.

Janifer Neu of another major credit bureau, TRW Information

Services in Farmington Hills, agrees.

TRW maintains more than 143 million files in 75,000 locations throughout the country, accessible only through sophisticated codes. Even if codes are broken, stolen or otherwise obtained, requests for information are closely monitored by a security computer program.

"Any deviation from use by legitimate subscribers, time, volume, location, specifics, anything out of the ordinary, is instantly noted," Neu said.

All suspicious use is immediately investigated.

Moreover, files maintained by credit bureaus frequently do not contain detailed information normally required in establishing new credit or securing loans, such as driver license numbers or mother's maiden name and date of birth.

Chris Anderson of Credit Bureau Reports Inc. in Farmington Hills works as a middleman. She solicits credit information from Trans Union, TRW and other credit bureaus, passing the data along to her clients, banks and mortgage companies lending large sums of money for the purchase of new homes.

Anderson receives numerous calls from irate consumers attempting to obtain home loans and claiming credit report information supplied to the bank or mortgage company is inaccurate.

"It happens all the time, people calling and saying information is incorrect," Anderson said.

She ascertains accuracy by contacting the lender in question. "If Art Van says they owe money, I call Art Van directly."

If the information proves inaccurate, she corrects it over, never learning the reason why mistaken information was originally included.

Queries by Anderson and others is often the first time "innocent consumers" learn they owe for goods they have never bought, merchandise bought by others using their credit information, according to Nigbor.

"Negative information is contained in their ratings. Sometimes



they are even asked to foot the bill," she said.

The best guard is periodic inspection of your own ratings maintained by firms like TRW or Trans Union.

Nigbor also advises lenders to verify employment history in addition to credit ratings, as an added precaution against fraud.

In computer credit fraud, both "doctor" and "patient" are liable for prosecution on charges of fraud, according to an agent in the FBI's Troy office — the "doctor" for supplying fraudulent information and the "patient" for using it.

If, for example, a home is bought and the lending institution requests a title search by mail, wire fraud has been committed, punishable by up to five years in prison. If the phone is used to transact business, wire fraud may be involved, also punishable by up to five years in prison.

Supplying fraudulent and false statements to secure new credit or a loan constitutes a felony punishable by a fine of \$5,000 and up to two years in prison.

Computer fraud also violates such federal laws as the Fair Credit Rating Act and the Computer Fraud and Abuse Act, each punishable by up to one year in prison and fines of up to \$5,000.

Texas, an agent said, "makes sense" as a center of credit fraud.

"Whenever the economic climate is poor, people tend to walk away from mortgages they can't pay," Nigbor said.

Rewriting credit history 'cures' deadbeat's woes

Credit "doctor" fraud normally follows a common routine. Let's assume you're an average, hard-working, honest consumer who nearly always pays bills on time. Your credit rating is pretty good.

Then, out of the blue you receive a call from a collection agency, harassing you about an overdue bill. This is the first you've heard of the bill. No doubt a case of mistaken identity. But the collection agency seems to have detailed and correct information about you and your credit rating.

The collector, familiar with claims of mistaken identity, is persistent. The conversation becomes heated. Chances are, neither of you

suspect credit fraud. Here's how it works, according to Marvin Kaplan of Associated Credit Bureau in Houston, Texas, where this particular form of fraud has found fertile ground. Millions of dollars in merchandise has been purchased by patients of credit doctors.

A poor credit risk needs an improved rating. He or she approaches a credit doctor who, for a hefty fee, sells him your good credit rating.

The credit "doctor" knows the code number and password that allows him entry to computer records maintained by credit bureaus. He or she locates a history that best matches the client. The credit rating happens to be yours.

Once the information is purchased, the buyer changes your address and phone number. Both are usually fictitious. Then, he or she applies for credit, charging merchandise or obtaining a loan without ever making a payment.

The lender, unaware of the scam, sends past due notices to the fictitious address for several months, before turning the account over to a collection agency.

The collector contacts you. He or she has no way of knowing you are not the person who made the fraudulent credit purchase. The collector is as innocent as you are and assumes you are trying to throw him off track in collecting what appears to be a legitimate overdue account.

Know thy credit rating

Stored in the computer of one of the nation's 2,000 credit bureaus is a detailed listing of how much you owe on personal loans and credit cards, how quickly you pay these bills and how many times your payments have been late.

Most of us have no idea what our credit reports say — until it's too late. Jane, for example, didn't know her credit report erroneously said that she had defaulted on a student loan until a bank rejected her mortgage application. By the time the mistake was corrected, the house she wanted to buy had been sold.

To prevent such last-minute credit problems, the Farmington Hills-based Michigan Association of CPAs suggests you check your credit report periodically. In most cases, your record is probably filled with one of the country's five largest credit bureaus: Trans Union, TRW, Chilton, CBA or Associated Credit Services.

As a general rule, credit bureaus usually will charge a fee ranging from \$3 to \$25 for a copy of your credit report. If you have been denied credit on the basis of information supplied by a credit bureau, the creditor must provide the name and address of a credit bureau issuing the report on which it based its decision. You then have 30 days to request a free copy of your report. You must supply the credit bureau with your full name, telephone number, Social Security number and the name of the party that denied your credit application. Expect to receive a copy of your report in two to three weeks.

The average credit report can be bewildering to read. Nowhere in the report will you find a simple sentence explaining whether you are a good credit risk. A credit report does not issue any judgment on your creditability. Instead, it provides a

practically speaking

factual but selective account of your employment and credit history. For example, the credit report may list an inactive department store charge account but make no mention of how you handle your utility bills or your mortgage payments.

At the heart of the report is your credit history, translated into an elaborate system of number and letter codes to indicate how you have handled debt over the years. A key to the codes is found on the form. Although the format of a credit report will vary between credit bureaus, the information contained is essentially the same. Generally, the report will detail the name, number, type and activity of credit cards issued in your name; the amount of your credit limits and the amount of your outstanding balances.

Other items that may be found in a credit file include the names of the companies that have requested copies of your report as well as notations indicating whether you have been involved in civil suits or bankruptcy proceedings. All of this information is provided to the credit bureau by your creditors or other parties.

If you find an error on your credit report, you should write to the credit bureau immediately. When Jane informed the credit bureau she had paid off her student loan seven years earlier, the credit bureau investigated her case and found that the issuer of the loan had somehow switched her records with those of another consumer. When a credit bureau determines

a mistake has been made or if it cannot verify the information in its files, the items in question must be deleted from your credit report. You may discover that a credit report presents certain correct but derogatory information out of context. In such instances, you should mail a concise explanation (approximately 100 words) to the credit bureau summarizing your side of the story.

Consider this example. After being denied a credit card, Paul checked his credit record, which showed he had paid his car loan and credit card bills late for a period of four to five months. The information was correct, but during this time Paul's wife was undergoing treatment for cancer. The late payments were a result of the financial and personal stress he suffered at that time. At the recommendation of his financial adviser, Paul sent a letter to the credit bureau explaining the circumstances behind his uncharacteristic period of late payments.

Paul also asked the credit bureau to send this information to any creditors who had denied his applications in the past six months.

HOW LONG CAN a negative statement be kept on your record? If the statement relates to bankruptcy proceedings, it may stay on file for as long as 10 years.

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