ECONOMIC DAMAGE:
GETTING MORE ACCURATE COMPENSATION

Georg Finder has over 15 years dealing with credit reports, credit report violations, debt counseling, credit related continuing education for licensed professions and credit damage measurement. Over the years Georg has written several “How to” books and seminars on these matters.

The latest work is CREDIT DAMAGE, EVALUATION & COMPENSATION and can be found at www.creditdamageexpert.com

As an experienced consultant/expert witness with a proven, successful process to identify how many of the following three kinds of credit related damage have been inflicted on a victim by the responsible parties:

- increased out-of pocket credit cost
- loss of credit capacity
- loss of credit expectancy

He can be reached at

Phone: (714) 441-0900
Email: CreditDamageExpert@gmail.com
Web: http://www.creditdamageexpert.com

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## Contents

Summary .......................................................................................................................... 3

Damage to credit is a type of injury .................................................................................. 3

History of credit damage ................................................................................................. 4

The credit report: A person’s financial reputation in print ............................................ 6

Measuring loss of credit reputation ............................................................................. 7

Credit Damage Measurement report options ............................................................... 9

The Credit Damage Measurement (CDM) report ............................................................ 9

What a Credit Damage Measurement (CDM) report covers .......................................... 9

Sample Credit Damage Analysis report (CDA): .......................................................... 10

How a credit expert can help ....................................................................................... 14

The detriment of credit damage ................................................................................... 15

Conclusion .................................................................................................................... 15
Summary

Many of today’s compensation laws were in place long before credit reports became such a key personal profile of an individual. Whereas in the past a person would have a personal word-of-mouth reputation among friends, now a credit report is the person’s financial reputation in print – a reputation that must be protected to prevent serious financial consequences and loss to quality of life. Credit damage is a special damage consisting of reduced credit capacity, increased out-of-pocket expenses, or loss of credit expectancy because of third-party actions that cause negative information to appear on a client’s credit report. When personal injuries or other wrongful acts force people to default on their credit obligations, they suffer financial harm. Injury to one’s financial reputation is real, not speculative, and it can be objectively measured to add substantial monetary damages to settlements and jury awards.

Damage to credit is a type of injury

Since damage to credit is not a theory of liability, but rather a type of injury, no separate cause of action is required.
History of credit damage

Since 1970, the most frequent targets of credit damage complaints are the three national credit bureaus: TransUnion, Experian and Equifax. The second most frequent group of credit damage defendants are collection agencies. Lenders that misreport payments are also popular defendants.

Since 1995, allegations of credit damage are increasing. At present, injury to credit can be alleged in more than 14 causes of action, including fraud, breach of contract, breach of fiduciary duty, negligence, personal injury and wrongful termination. Defendants accused of injuring credit can include anyone: individuals, businesses of all sizes, insurance companies, even public entities.

When filing a complaint, you should always review the impact the wrongful act has on your client’s credit reputation and creditworthiness so that you can recover the complete amount of compensatory damages your client is entitled to. Not doing so can cause some of your client’s damages to be uncompensated, thus leaving money on the table.
## ECONOMIC DAMAGE: GETTING MORE ACCURATE COMPENSATION

### COMPARISON CHART

SEE THE PRICE DIFFERENCE PRE & POST CREDIT DAMAGE

### HOME LOAN
Based on $400,000 Loan Amount
30-year fixed rate mortgage

<table>
<thead>
<tr>
<th>Credit Rating</th>
<th>Loan to Value</th>
<th>Down Payment</th>
<th>Interest Rate</th>
<th>Monthly Payment</th>
<th>7 Year Payout</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-1 pt</td>
<td>up to 95%</td>
<td>$20,000</td>
<td>6.875-7.25%</td>
<td>$2,628</td>
<td>$220,752</td>
</tr>
<tr>
<td>B-1.5-2.5*</td>
<td>80-85%</td>
<td>$15-20,000</td>
<td>9.25-10.5%</td>
<td>$3,292</td>
<td>$376,416</td>
</tr>
<tr>
<td>C-3-5*</td>
<td>75-80%</td>
<td>$20-25,000</td>
<td>10.5-11.5%</td>
<td>$3,812</td>
<td>$320,208</td>
</tr>
<tr>
<td>D-5-10*</td>
<td>65-70%</td>
<td>$25-35,000</td>
<td>12-13%</td>
<td>$4,424</td>
<td>$371,616</td>
</tr>
<tr>
<td>F-10-20*</td>
<td>55-65%</td>
<td>$35-45,000</td>
<td>15-18%</td>
<td>$7,200</td>
<td>$604,800</td>
</tr>
</tbody>
</table>

In California, median mortgage amount is approximately $400,000

By Subtracting the Pre Injury cost to the Borrower, from the higher Post Injury to the Borrower, the increased out of pocket costs are indicated.

---

*One point equals 1% of the face amount of the loan. Payments do not include fees, points, or interest paid on points if they are added to the loan.

FIGURES ON THIS CHART ARE FOR ILLUSTRATION PURPOSES ONLY
The credit report: A person’s financial reputation in print

A person’s credit score is a computerized indication of that person’s creditworthiness, i.e., the perceived likelihood that the person will pay his or her debts fully and on time. The impact of a bad credit rating is much more significant than most people think, because just about every major purchase hinges on one little three-digit credit score that is compiled from numerous sources. Consider what people with poor financial reputations face when they want to lease or buy a vehicle, obtain credit cards or refinance their home. Because a person with bad credit is viewed with suspicion, the lender feels the need to protect against the perceived greater risk of default and charges significantly more for extending credit.

Many people are victims of credit damage through no fault of their own. Wrongful termination, personal injury, identity theft, breach of contract, divorce proceedings, and creditor reporting errors are just a few of the ways someone’s credit can be damaged. When this happens, these people helplessly watch as their good credit reputation, something they worked years to build, is destroyed in a matter of days. As a result, their quality of life diminishes. Because credit reporting companies sell credit report information to businesses that use it when evaluating applications for home loans, rental housing, credit cards, automobile loans, insurance and employment, people with negative credit report information soon pay more for many necessities.
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Measuring loss of credit reputation

Much like awards for pain and suffering were viewed in the past, judges and juries once refused to acknowledge that credit damage was an actual injury, claiming it was speculative because of the difficulty of measuring the amount of damage.
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Credit Card Account Activity
Measuring Credit Damage

<table>
<thead>
<tr>
<th>Pre-Injury</th>
<th>Post Injury*</th>
<th>Pre Injury Mo $</th>
<th>Post Injury Mo $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Card #1</td>
<td>Bal $3,000 @10%</td>
<td>Bal $7,500 @21%</td>
<td>$50-$65</td>
</tr>
<tr>
<td>Card #2</td>
<td>Bal $2,500 @12%</td>
<td>Bal $7,500 @21%</td>
<td>$50-$65</td>
</tr>
<tr>
<td>Card #3</td>
<td>Bal $2,500 @10%</td>
<td>Bal $7,500 @21%</td>
<td>$50-$65</td>
</tr>
<tr>
<td>Card #4</td>
<td>Bal $2,500 @12%</td>
<td>Bal $7,500 @21%</td>
<td>$50-$65</td>
</tr>
<tr>
<td>Totals</td>
<td>$10,000</td>
<td>$30,000</td>
<td>$200-$260</td>
</tr>
</tbody>
</table>

*Typically Credit Cards will increase interest charges to approximately 30% with a late or missed payment for as long as six months from the date of late payment(s)

**Looking at the example above:**
Increase in debt: $20,000
Increase in Monthly Payment: $4,320 - $6,960 annualized
Increase in Monthly Payment with Penalties: $5,520 - $8,160 annualized

Late Pay $25 per event per card* @ 6 times per year = $600.
Over-the-Limit Fee $25 per event/month per card* @ 6 times per year = $600.
Late/Over the limit (otl) fees for 7 years* = $8,400.

Out of pocket Increase for 7 yrs: $30,240 - $48,720
Out of pocket Increase 2/ late & otl fees for 7 yrs: $38,640 - $57,120

*Assumes 4 credit cards
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GETTING MORE ACCURATE COMPENSATION

Credit Damage Measurement report options
For those cases where the extent of loss of credit reputation is not clear, there are two expert valuation report options available:

- The **Credit Damage Analysis report (CDA)** will provide a minimum credit damage valuation at a much lower cost than the more extensive service. It is the equivalent of a Biopsy.

- The **Credit Damage Measurement report (CDM)** this is the full addressing by an appropriate consultant expert witness of the economic damage to be included in a damage demand. It is the full valuation/treatment of properly documented credit damage.

The Credit Damage Measurement (CDM) report
However, since 1995, when reliable Credit Damage Measurement (CDM) reports became available, it became much easier for victims of credit damage to be compensated for the damage to their financial reputation.

To explain the significance of this change, it helps to look at how credit has been viewed historically. The credit-reporting industry is a multi-million dollar business that was completely unregulated from 1899 until 1970, and continues to operate in relative secrecy today. Because of this secrecy, and because defense lawyers successfully argued that credit damage is speculative, credit damage rarely appeared as an item of damage. However, as more courts determined ways to award monetary damages for other hard-to-calculate injuries, such as emotional distress, humiliation and loss of consortium, recovering for the injury to financial reputation became more acceptable.

What a Credit Damage Measurement (CDM) report covers
A CDM report measures the actual out-of-pocket dollars reasonably expected from loss of creditworthiness, including having to make higher down payments, pay higher interest rates and pay higher points and costs on loans over a seven-year period.

One of the key points of using a CDM report is to detail how it affects a client. For example, a client’s credit may have been nearly perfect before the negative information appeared on the client’s credit report. By comparing the client’s pre-injury credit with the client’s post-injury credit, the CDM report sets forth the damage to the client. For example, a CDM report might measure the cost of a loan at the pre-injury rate compared to the same cost of the loan at the post-injury rate.

Hiring an expert to evaluate damage to credit can increase the value of the client’s case. For example, in the 1995 case of Bauer v. ERA Realty, an Ontario, California, arbitrator awarded the plaintiff $33,000 for the damage to her credit reputation, as opposed to the defendant’s insurance carrier’s $6,500 offer. Being able to show the higher cost of refinancing a $140,000 loan with the plaintiff’s damaged credit compared to what the cost of the loan would be had the plaintiff’s credit not been damaged was key to achieving the higher award.
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Sample Credit Damage Analysis report (CDA):

CM Financial Services
2501 E Chapman Ave Suite 100 Fullerton, CA 92831
email: creditdamageexpert@gmail.com

Credit Damage Analysis (Hypothetical based on real case)

Susan Domino
c/o Law office of Sterling Example
1072 Campaway Ave
Beverly Hills, CA 90200
Date: March 2, 2009
Re: Domino v. Strange, et al:

Dear Ms. Domino and Mr. Example,

Listed below are my preliminary findings after review of the documentation, including pre injury (4/17/08) and post injury (2/19/09) tri-merged subscriber credit reports.

Your tri-merged subscriber credit reports reveal payment history & credit scores as follows:

<table>
<thead>
<tr>
<th></th>
<th>Pre-Injury (Report Date)</th>
<th>Post Injury (Report Date)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equifax</td>
<td>738</td>
<td>511 Erosion of 227 pts</td>
</tr>
<tr>
<td>Transunion</td>
<td>742</td>
<td>546 Erosion of 196 pts</td>
</tr>
<tr>
<td>Experian</td>
<td>712</td>
<td>557 Erosion of 155 pts</td>
</tr>
</tbody>
</table>

This reveals credit score erosion of 155 – 227 pts, or average of 192 pts.

Number of Late payments | 0 | 10 – all mortgage lates
Number of Active accounts | 22 | 17
Number of Closed accounts | 26 | 29

Your credit Usage/capacity | $1,018,000. | $318,500
Mortgages in good standing | $978,150. | $318,500

Number of Derogatory Accounts | 0 | 3 - this includes Foreclosure ($640,000)

In summation, based on loss of credit capacity for mortgages of approximately $658,000.00, plus $60,000 in out-of-pocket costs which reduced the financial liquidity required by lenders as a condition of credit granting and loss of approximately $40,000 in credit card capacity, and erosion of credit score status, it is my opinion that your credit reputation has been measureably damaged.

It is my opinion that your minimum credit damage is $80,900.

For a more accurate measurement of your credit damage, which I believe will result in a substantial increase in the credit related damage demand, it will be necessary to develop a credit damage measurement report.

If you were to obtain a credit damage measurement report the damage demand would be expanded to included increased cost of borrowing due to credit score damage.

Yours Truly,

Georg Finder,
Independent Credit Evaluator
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GETTING MORE ACCURATE COMPENSATION

CREDIT REPORT NEGATIVES by CATEGORY

This list of Negative items is from your subscriber credit report(s), date indicated for one person. Positive accounts are not included. The content of the credit negative items have been reorganized for efficiency of co-ordinating and categorizing the reported negative information revealed by review of the credit report(s).

Date information is presented year first, then month.

Credit bureau scoring is EXP for Experian Credit Information, TU for Transunion Information, EFX for Equifax Report.

Mr. Ronald S. Michaels  Report Date 7-18-02  Date of Injury 7-7-07

<table>
<thead>
<tr>
<th>Creditor</th>
<th>Bureau</th>
<th>Date</th>
<th>Occ</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. G M A C MTG</td>
<td>EFX</td>
<td>99.11</td>
<td>3</td>
</tr>
<tr>
<td>2. CHASE NA</td>
<td>EFX/TU/EXP</td>
<td>00.11</td>
<td>5+</td>
</tr>
<tr>
<td>3. FLEET CC</td>
<td>EFX/TU/EXP</td>
<td>01.08</td>
<td>6+</td>
</tr>
<tr>
<td>4. BANK OF AMERICA</td>
<td>EFX/TU/EXP</td>
<td>00.11</td>
<td>5+</td>
</tr>
<tr>
<td>5. DISCOVER FINANCIAL</td>
<td>EFX/TU/EXP</td>
<td>00.10</td>
<td>7 OF 24</td>
</tr>
<tr>
<td>6. DISCOVER FINANCIAL</td>
<td>EFX/TU/EXP</td>
<td>00.12</td>
<td>7 OF 24</td>
</tr>
<tr>
<td>7. COUNTRYWIDE HOME</td>
<td>EFX/TU/EXP</td>
<td>99.10</td>
<td>6 OF 21</td>
</tr>
<tr>
<td>8. GE CAPITAL FINANCIAL</td>
<td>EFX/TU/EXP</td>
<td>01.02</td>
<td>4 OF 20</td>
</tr>
<tr>
<td>9. GMAC HM EQ</td>
<td>EFX/TU/EXP</td>
<td>99.08</td>
<td>16 OF 17</td>
</tr>
<tr>
<td>10. MBNA AMERICAN</td>
<td>EFX/TU/EXP</td>
<td>00.10</td>
<td>8 OF 32</td>
</tr>
</tbody>
</table>

There are 10 accounts of this type, for 67+ LATE PAYS of 138 payments from 1999 – 2002

<table>
<thead>
<tr>
<th>Charge Off Accounts</th>
<th>Bureau</th>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. AMERICAN EXP</td>
<td>EFX/TU/EXP</td>
<td>00.06</td>
<td>$11749.</td>
</tr>
<tr>
<td>2. CHASE NA</td>
<td>EFX/TU/EXP</td>
<td>00.11</td>
<td>$10190.</td>
</tr>
<tr>
<td>3. FLEET CC</td>
<td>EFX/TU/EXP</td>
<td>01.08</td>
<td>$7433.</td>
</tr>
<tr>
<td>4. BANK OF AMERICA</td>
<td>EFX/TU/EXP</td>
<td>00.11</td>
<td>$6457.</td>
</tr>
<tr>
<td>5. DISCOVER FINANCIAL</td>
<td>EFX/TU/EXP</td>
<td>00.10</td>
<td>$NA</td>
</tr>
<tr>
<td>6. DISCOVER FINANCIAL</td>
<td>EFX/TU/EXP</td>
<td>00.12</td>
<td>$NA</td>
</tr>
<tr>
<td>7. GE CAPITAL FINANCIAL</td>
<td>EFX/TU/EXP</td>
<td>01.02</td>
<td>$NA</td>
</tr>
<tr>
<td>8. GMAC HM EQ</td>
<td>EFX/TU/EXP</td>
<td>99.08</td>
<td>$NA</td>
</tr>
<tr>
<td>9. MBNA AMERICAN BANK NA</td>
<td>EFX/TU/EXP</td>
<td>00.10</td>
<td>$NA</td>
</tr>
</tbody>
</table>

There are 9 accounts of this type, for a total of $35829+
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GETTING MORE ACCURATE COMPENSATION

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**CREDIT FILE INSPECTION REPORT NEGATIVES**

<table>
<thead>
<tr>
<th>Mr. Ronald S. Michaels</th>
<th>Negative Items Summary</th>
<th>5-18-01</th>
<th>Page 2</th>
</tr>
</thead>
</table>

**Collection Accounts**
These accounts were opened by Mr. Sahakian directly or indirectly with promises to repay after discovery

1. CACV023 MBNA 1234203701 07011143 EFX/TU/ 02.04 $ 3727.
2. COLLECTION BUREAU CENT 9A1293314 EFX/TU/EXP 02.02 $ 79.
There are 2 accounts of this type, for a total of $3806

**Foreclosure**

1. COUNTRYWIDE HOME LOANS 43931199 EFX/TU/EXP 99.10 $NA
There is one account of this type, for a total of $NA

**Repossession**

1. NONE REVEALED - There are 0 items for this type.

**Bankruptcy**

1. NONE REVEALED - There are 0 items for this type.

**Judgments**

1. NONE REVEALED - There are 0 items for this type.

**State Tax Liens**

1. NONE REVEALED - There are 0 items for this type.

**Federal Tax Liens**

1. NONE REVEALED - There are 0 items for this type.
# Economic Damage: Getting More Accurate Compensation

## Real Estate Purchase/Refinance

**Comparison of Out-of-Pocket Cost of Transaction**

Based on $470,000 financed at 30 year fixed rate mortgage with 3.5% down payment:

<table>
<thead>
<tr>
<th>Pre Injury Costs</th>
<th>Post Injury Costs</th>
<th>Out of pocket damage</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pts: 1% = $4,700.</td>
<td>Pts: 2.5% = $11,750.</td>
<td>1st yr damage $16,746.</td>
<td>$16,746.</td>
</tr>
<tr>
<td>Closing Costs 4,598.</td>
<td>Closing Costs 4,598.</td>
<td>2nd yr damage $9,696.</td>
<td>$26,442.</td>
</tr>
<tr>
<td>LTV 65%</td>
<td>LTV 65%</td>
<td>3rd yr damage $9,696.</td>
<td>$36,138.</td>
</tr>
<tr>
<td>Interest 6.5%</td>
<td>Interest 8.99%</td>
<td>4th yr damage $9,696.</td>
<td>$45,834.</td>
</tr>
<tr>
<td>Monthly $2970.</td>
<td>Monthly $3778.($308)</td>
<td>5th yr damage $9,696.</td>
<td>$55,530.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6th yr damage $9,696.</td>
<td>$65,226.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7th yr damage $9,696.</td>
<td><strong>$74,922</strong></td>
</tr>
</tbody>
</table>

### Increased Out of Pocket Costs

- First year injury includes additional point(s): $7,050.+
- Plus annualized increased monthly payment amount: $9,696.
- First year Credit Damage Injury Sum: $16,746.

**Fully measured Out-of-Pocket Damage**: $74,922.
ECONOMIC DAMAGE:
GETTING MORE ACCURATE COMPENSATION

How a credit expert can help

Although major financial institutions rely on the accuracy of credit reports, many courts are not always willing to admit credit reports as evidence, because what is contained in the report is considered hearsay. However, if you use an expert witness, you will be able to get your client’s credit report in front of the jury. Because the expert witness is using the client’s credit report as the basis of his or her expert opinion, your client’s credit report will overcome defendant’s objections.

Another helpful tip is to select certain segments of the plaintiff’s credit report. Sections of the credit report can be enlarged and used as a demonstrative exhibit to reveal the chronology of events, show the details on which the expert’s opinion is based and help explain the expert’s testimony.
The detriment of credit damage

Nearly a century ago, when credit was much less important than it is now, courts recognized a ruined credit rating as one of the types of consequential damages that can be recovered. In Siminoff v. Jas. H. Goodman & Co. Bank, (1912) 18 Cal.App. 5, the court recognized the value of good credit even where the victim had no future plans to take out a loan or use the credit. Other courts have even noted that, along with pain and suffering, harm to reputation, medical expenses and lost earnings, “a ruined credit rating” is one of the “traditional harms associated with personal injury.” (United States v. Burke, (1992) 504 US 229.)

Credit damage has even been sought in a bankruptcy case. (See, In re Barnes, (1995) 177 B.R. 635, [overruled on other grounds.] In Barnes, for the purpose of calculating personal injury exemptions, the court classified credit damages as an item of personal damage and awarded the debtor “a personal injury exemption for all claims that were personal in nature, such as humiliation and embarrassment, damage to his credit reputation and mental anguish.” [emphasis added.]

In Pulver v. Avco Financial Services, (1986) 182 Cal.App.3d 622, 637, the court noted that damage to the plaintiff’s credit reputation was an item of special damages that was properly made part of a libel suit. Including permanent damage to her credit rating, the plaintiff sustained economic damage and incurred loss of earnings and earning capacity. It is interesting to note the link the court draws between credit capacity and reputation and earning capacity. (Id. at 630.)

California Civil Code section 3333 allows people to be compensated for damage to their credit reputation: “For the breach of an obligation not arising from contract, the measure of damages, except where otherwise expressly provided by this code, is the amount which will compensate for all the detriment proximately caused thereby, whether it could have been anticipated or not.”

Conclusion

Complete, realistic compensation for measurable credit damage is a more achievable goal than ever before. At the initial client interview, by asking the client a few, simple questions, you can determine whether the client is entitled to damages from an injury to the client’s credit reputation. For example, you should ask whether the client’s monthly payments have increased significantly or whether the client has had credit canceled or withdrawn. The financial cost of damaged credit can significantly increase the value of the client’s case, and should therefore always be included in a demand. Doing this will insure that all of the client’s damages will be compensated.