The CONSUMER GUIDE to GOOD CREDIT

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Springboard®

Promoting Financial Literacy


The Consumer Guide To Good Credit

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Special thanks go to former Springboard President & CEO Dianne Wilkman, Lori Lamb, Credit Education Supervisor, Springboard, and Jeff Michael, published author and former Springboard education department manager, for their invaluable assistance in the preparation of this book.

Springboard Nonprofit Consumer Credit Management is a nonprofit consumer credit management organization formed in 1974. Our mission is simple: to provide and promote financial literacy for all consumers. Springboard offers personal financial education and assistance with money, credit, and debt management through educational programs and confidential counseling to strengthen our communities. Springboard is accredited by the Council on Accreditation, signifying the highest standards for agency governance, fiscal integrity, counselor certification, and service delivery policies. We are a HUD-approved housing counseling agency and members of the National Foundation for Credit Counseling (NFCC) and the Association of Independent Consumer Credit Counseling Agencies (AICCCA).

Introduction

This is the fifth edition of our *Consumer Guide to Good Credit*. The original guide was the product of former Springboard President and Chief Executive Officer Dianne Wilkman's vision, passion, and dedication to helping consumers achieve financial freedom.

Now years later, we find that our *Consumer Guide* is more important and more necessary than ever. We've prepared this new edition and added information to apply to as many consumers as possible.

You may not need all of the information contained here; that's okay. Some of it may be too specific to apply to your current situation, but we're sure the *Guide* you now hold contains information that can help you improve your life. It's also likely that someone in your life could benefit from the information contained here. Perhaps they'll come to you seeking some personal advice about their credit. Keep this guide on hand for when that day comes.

In the years since our first *Consumer Guide to Good Credit* was produced, credit scores have become more important to everyday life. Not only are credit scores the cornerstone of the U.S. credit system, they frequently determine access to housing, insurance, utility and telecomm services, bank accounts, student loans, auto financing, and employment. Virtually every area of consumer life is dependent on a healthy credit rating.

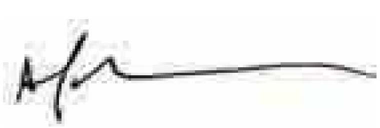
In the years since our first *Guide*, we've also seen the rise of predatory lenders and junk debt buyers, who abuse the credit system to take advantage of consumers. Knowing your rights and being acquainted with the information in this book will help you avoid being victimized by such scammers, abusive lenders, and unscrupulous collectors.

Beyond that, of course, good credit will save you a lot of money. Good credit means you pay less in interest and fees when you use a credit card. It can save you thousands of dollars over the life of an auto loan, and tens of thousands over the life of your mortgage.

Good credit is indeed crucial to financial health. Because credit reports frequently contain errors, we must all check our credit reports regularly and ensure that they are accurate and up to date. This guide will teach you how to do that.

This book is dedicated to the memory of two individuals. The first is Robert "Bob" Cusack, a founding board member of Springboard (then Consumer Credit Counseling Services of the Inland Empire) and a guiding force in the original concept and editorial direction of the *Consumer Guide to Good Credit*. The second is Maria Stevens, whose hard work made this version of the *Guide* possible. Maria and Bob continue to inspire our education efforts to this day.

After you consult this guide, please feel free to call us if you have any further questions. We're here to help.



Todd Emerson
President and Chief Executive Officer
Springboard Nonprofit Consumer Credit Management

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Establishing or Re-Establishing Credit

Establishing credit when you have none can be tricky. It's also difficult to recover from bankruptcy or or other serious financial crisis that has affected your credit or if you are a newcomer to the United States. Little or no credit history often means that creditors and lenders are unsure how you will pay your bills. You must have had credit for at least six months (with a creditor that reports to the credit reporting agencies) and have at least one account that shows activity within that same time period in order to have a credit score. Previous credit problems will most likely signal that you are a poor risk for new credit and any credit you do receive may have higher interest rates.

The Importance of Having Good Credit

If you are thinking of buying a house, a car or simply applying for a new credit card, your credit report represents the first step in the lender's decision-making process. The fact of the matter is that you need to have a good credit history in order to get credit, which means having a well-established history of paying your accounts on time.

Just take a minute to think about how credit affects your everyday life:

- More employers are reviewing credit reports of prospective employees as part of their standard background checks and they look unfavorably on a negative credit report.
- Insurance companies review your credit report when you apply to insure your home and/or car.
- Without good credit, it is very difficult to obtain a credit card, which is helpful if an emergency arises. For example, if your car breaks down and needs repair but you don't have any cash, a credit card can help you pay for the repair and then allow you to pay off the card later on.
- Many businesses prefer the use of credit cards. For example, without a credit card, it is difficult to rent a car, pay for an airline ticket or even book a hotel room, or make purchases online.
- Many employment fields, such as financial services, gaming, and law enforcement, continually monitor their employees' credit reports.

Things you can do to build or rebuild good credit:

1. Start with a savings and checking account. Even though these accounts will not report to credit bureaus, managing your savings and checking accounts responsibly will show that you can manage your money. They also show that you have funds to cover your payments. Although bank credit cards may not be as easy to get as some other cards, you can ask your bank to consider your history with your checking and savings accounts if you apply for credit with them.

2. Get a secured credit card. This card is "secured" by the amount you have deposited into an account against which the card draws funds; this is usually your credit limit as well. You can never charge more than the amount that you have on deposit. There is no risk to the lender, since funds are simply covered from the secured amount if you default on your payment for the account. Just make sure that the secured card reports to the credit bureaus, so you can be certain that you are building a credit history as you use the card and make payments. After about a year of using the secured card, you should be able to "graduate" to an unsecured card.

3. Pay bills on time. 35% of your credit score is based on your payment history, so start off right by paying on time, every time. This habit will serve you well as you build up your creditworthiness. If you have trouble remembering to pay bills, set up automatic payments through your creditor or bank. Just be careful that you always have enough in your account to cover the automatic payments. Best to pay the bills as soon as you receive them, since they usually arrive well before the payment's due date.

4. If you're a student, consider a student credit card. You must be enrolled at a four-year college or university to qualify. Student cards usually have lower credit limits and more liberal eligibility standards, and using them responsibly will make it easier to get a higher-limit card once you graduate. Just remember that many who experience credit problems started out on the wrong foot while they were still in college by using their credit for unnecessary purchases, so remember this tip: Did I think before I charged?

5. Try your local department store. It is usually easier to get a department store credit card than one from a bank or major creditor. These cards usually have lower limits, which helps curtail spending. They do tend to have higher interest rates, so shop around and compare terms and rates before you apply. Remember this tip: Paying your balance in full will help you avoid most finance charges.

6. Have someone with good credit help you out. In the past, having a parent or relative add you to an existing account as an "authorized user" would calculate their good history into your credit score. However, this "piggybacking" on good established credit via an "authorized user" account feature is no longer captured for the credit score formula as it does not add any value to the score. Nowadays, the original account holder may ask their creditor to add you to the account as a "joint" user; however, if the other account holder doesn't pay the balances you can become liable for them. This means you must be careful; if the other person has a late payment or doesn't pay, that negative mark goes on your credit as well. The reverse is also true, so be sure to make your payments on time and help safeguard the good credit you are sharing.

7. Start slow and don't open too many accounts at once. Use your existing accounts responsibly for six months to a year before opening any more, and then think carefully before you apply for new credit. Too many inquiries for credit, as well as too many open accounts, can hurt your credit score. Trying to manage too many accounts at once can result in late payments and for many is the first step on the road to financial trouble.

Causes of Poor Credit

Financial Setbacks: Due to unforeseeable circumstances, individuals sometimes find themselves unable to meet all of their financial obligations. Unfortunately, these setbacks may result in late payments, judgments, and bankruptcies that can affect an individual's credit report for years.

Poor Judgment: Many consumers financially overextend themselves with credit cards, signature loans, car payments, second mortgages, and overdraft checking privileges. Before they know it, they are over their heads in debt and unable to make all of their payments.

Inaccurate or Misleading Information: In some cases, negative items on a credit report are inaccurate or misleading. Clerical errors from furnishers, crossed or mixed files, mistaken identities or fraud can cause such inaccuracies. The important thing to remember is that these kinds of mistakes can and should be corrected.

Divorce or Death of a Spouse: These unfortunate situations usually mean a drastic reduction in income, which can lead to financial disaster. Consumers who are experiencing such difficulties should seek the advice of a financial counselor and may need the help of a lawyer.

Reasons Credit Is Denied

Credit bureaus or credit reporting agencies do not approve or deny credit. Their business is credit reporting and they have a vested interest in the accuracy of those reports. Each credit grantor decides what standards you must meet to be granted credit. There are many reasons why a credit grantor may deny your request for credit:

Low Credit Score: The information contained in a credit report is combined using a complex calculation method that results in a credit score. Often creditors will deny applications based only on the score without looking at the individual elements in the calculation.

Incorrect Information: Your credit report may contain information belonging to another individual. For example, if you are a Junior (Jr.) you may have your parent's (Sr.) credit information in your file. A regular credit report review is the best way of making sure that the information is accurate and true.

Debt to Income Ratio: If the ratio of your total monthly debts compared to your total monthly income is too high, the creditor may decide against extending more credit to you because the lender feels you may not be able to afford the payments. Some banks or lenders may illegally discount non-salary income in arriving at this ratio, but the Equal Credit Opportunity Act requires creditors to consider earned income, Social Security, child support, and alimony as sources of income.

Delinquent Payment History: If the report contains a history of late payments or accounts that were never paid, there is a very strong chance that a future application for credit will be denied.

You Can Opt Out of Credit Offers

Some credit reporting agencies use information from a consumer credit report for target marketing without the consumer's express permission. If you wish to block your name from being sold by credit bureaus, you may choose to "opt out." If later you decide to be put back on the marketing list you can always opt back in. You may request to opt out from pre-approved offer lists for five years or permanently. Even though your request becomes effective with Equifax, Experian, Innovis and TransUnion within five days, an immediate reduction in the offers you receive may not be apparent. This is because some companies who have your name may not have mailed offers to you yet. Removing your name from these pre-approved lists does not affect your ability to apply for or obtain credit or insurance. For purposes of privacy and ID theft prevention, and because collection agencies can use these lists to locate you, it is a good idea to opt out of prescreened credit offers.

To opt out, contact: 888-5OPTOUT (1-888-567-8688) or visit www.optoutprescreen.com

Get Yourself on the Do Not Call Registry

While you're at it, opt out of annoying telemarketing calls. The National Do Not Call Registry set up by the FTC gives you a choice about whether to receive telemarketing calls at home. Most telemarketers should not call your number once it has been on the registry for 31 days. If they do, you can file a complaint at www.donotcall.gov. You can register your home or mobile phone for free, and it will be effective for five years. The Registry's toll-free number is 1-888-382-1222. The online registration process at www.donotcall.gov requires an active email address.

The Do Not Call list does not apply to calls from or on behalf of political organizations, charities, and telephone surveyors, or calls from companies with which you have an existing business relationship, or those to whom you've provided express agreement in writing to receive their calls. Although you can register your cell phone number as well as a land line, it's generally not necessary. Federal law prohibits telemarketers from using automated dialers to call cell phones.

The Cost of Credit

You didn't think using credit was free, did you?

Depending on the terms and conditions outlined in the application and agreement you sign, your overall cost of using credit can be very expensive in the long run. While credit card companies provide a worthwhile service, many of them are driven by industry standards and their own stockholders to earn maximum profits, and they are good at what they do.

Many credit cards are designed essentially to never be paid off; in most cases, consumers who only make the minimum required payment on a credit card balance will take over 20 to 30 years to pay off that debt, depending on the balance and additional charges/fees. Cardholders will incur a great deal of debt in that time, and could have purchased the original items several times over with the amount paid.

Even paying off a loan over 5 years can result in your paying thousands extra in interest. Depending on the loan's interest, or APR (Annual Percentage Rate), here's an idea of how much you'll pay on a ten thousand dollar loan:

How Does APR Affect the Amount I'll Pay?

The following reflects the cost of a $10,000 loan paid off over 5 years.

APR	Monthly pmt	Total cost
5%	$188.71	$11,322.60
6%	$193.33	$11,599.80
7%	$198.01	$11,880.60
8%	$202.76	$12,165.60
9%	$207.58	$12,454.80
10%	$212.47	$12,748.20
11%	$217.42	$13,045.20
12%	$222.44	$13,346.40
13%	$227.53	$13,651.80
14%	$232.68	$13,960.80
15%	$237.90	$14,274.00
16%	$243.18	$14,590.80
17%	$248.53	$14,911.80
18%	$253.93	$15,235.80
19%	$259.41	$15,564.60
20%	$264.94	$15,896.40
21%	$270.53	$16,231.80
22%	$276.19	$16,571.40
23%	$281.90	$16,914.00
24%	$287.68	$17,260.80

Shopping for a Credit Card

Under the Truth in Lending Act, creditors are required to disclose the cost of their credit products. You can use these disclosures to compare one credit card offer with another before filling out the paper application, pre-approved offer, or online form.

Listed below are some questions to ask before applying for credit. Use the answers to compare the cost of each itemsin the chart that follows.

1. Is there an introductory rate? What is it and how long does it last?
2. After the introductory rate expires, what will my rate be?
3. Is there an application fee?
4. Are there processing fees?
5. Is there an annual fee?
6. Is there a late fee?
7. Is there an overlimit fee?
8. Are there any other fees, like account termination fees or balance-transfer fees?
9. When and how can a variable rate be changed?
10. What is the grace period before interest is applied?
11. How will you inform me of any changes in my contract?
12. Will the company inform me if I am about to go over my limit?
13. If I go over my limit, what happens?
14. What is the company policy if I have trouble paying my bill?
15. Can I pay my bill online?
16. Is there a rewards program? Is there a fee for the program?

Institution	Credit Card Type (Amex, Visa, etc.)	Credit Card Class (Platinum, Gold, etc.)	Annual Fee	Purchase Late/over-limit Fee	Purchase Grace Days	Cash Advance APR Fixed or Varied	Cash Advance Fee	Rewards Program	Rewards Program Fee

The Credit CARD Act of 2009

The Credit CARD (Credit Accountability, Responsibility and Disclosure) Act of 2009, also known as the Credit Cardholder's Bill of Rights, made many important changes to the way credit cards are regulated.

With regard to your credit report and scores, the new law makes your score more important than ever. The law limits the fees creditors may charge, restricts the ways those fees can be imposed, and regulates the adjustment of the interest rates on your credit accounts. Because this increases the risk to the creditors and limits their ability to compensate for those risks with higher fees, they will only grant credit to people with the best credit histories and scores. Now, more than ever, your credit score is crucial to your ability to borrow money from credit card companies.

Another important change in the law affects younger consumers. Essentially, anyone under 21 will have a very difficult time getting a credit card under the new law. Most consumers aged 18-21 will need a parent to co-sign on any credit card they obtain. This means that the parent shares responsibility for ther adult offspring's borrowing, and will have to repay the debts incurred if the borrower is unable to repay.

It is important that you set up a credit card account for your children when they reach age 18 and monitor their activity closely. This will give you the opportunity to protect yourself if the borrowing gets out of hand or there are repayment problems. And more importantly, this is how your adult children will establish a credit history and score that will allow them to borrow on their own when they reach age 21.

Be aware that while the Credit CARD Act protects consumers from unreasonable rate hikes and fees, there is no cap on the interest rate creditors may charge. You may find that credit will be more expensive going forward. That means higher interest rates across the board, and many economists expect annual fees to be the norm under the new law.

Here are some more provisions of the new law:

• A ban on universal default and 2-cycle billing

• Industry standard rules requiring creditors to accept payments as on-time if they are paid by 5pm on the due date

• Bills must be sent at least 21 days before the due date

• Creditors must disclose how long it will take a consumer to pay off a balance if only minimum payments are made, as well as a detail how much the debt will cost including principal and interest after making minimum payments

• Customers must be permitted to pay by phone or internet without incurring additional fees

• Creditors must provide 45 days notice before increasing interest rates

• Interest rates cannot be raised within the first 12 months of a new account opening, and promotional rates must remain in effect for no less than 6 months

• Consumers must opt-in before they will be able to exceed their credit limit

• If something happens that causes the creditor to raise your interest rate (if you miss a payment, for example) the creditor must now, by law, re-evaluate your credit standing after six months have passed. If you've had no more missed payments or other problems in your record during the intervening six months, the creditor must return your interest rate to where it was before you incurred a penalty rate. This is yet another reason to always work toward improving your credit histor and ensuring that your credit history is accurate and reflects positively on you.

How to Transfer a Credit Card Balance

More and more, consumers are being tempted by their creditors to transfer balances to a new or existing card at a very low rate. If you receive these offers, read the fine print and ask questions. Otherwise, you could end up paying fees and a much higher interest rate than you expected.

Ask these questions before transferring a credit card balance:

- How long does the introductory rate last?
- What is the card's annual percentage rate after the teaser rate expires?
- Does the teaser rate apply to transferred balances, new purchases, or both?
- Does the card have an annual fee?
- What about late fees and overlimit fees?
- Are there balance transfer fees?

Read through the credit offer a few times. Much of the information can be hard to decipher. For example, some offers waive fees for "initial balance transfers" only. These are the transfers that are authorized when the customer accepts the card and completes the balance transfer form. Some issuers also charge transaction fees as high as four percent. So the higher the balance, the higher the transaction fee. A four percent fee on a $5,000 balance would cost $200! In some cases, every balance transfer is treated as a cash advance and is subject to cash advance fees.

Keep in mind that not everyone who gets an offer qualifies for the low rate quoted. While an offer may boast a 3.9 percent teaser rate that jumps up to 17 percent after six months, some consumers may only qualify for a card with a 7.9 percent teaser rate and a regular annual percentage rate of 21 percent.

Continue to make payments on your initial credit card until the balance transfer to the new card is completed. You can always ask for a refund if you overpay. Also realize that it may take only one slip-up for that low rate to disappear. Some rates can jump as much as 11 percent after one late payment. And if you fall behind on payments on another card, your new card may raise your rate under the rule of universal default.

Remember that applying for a balance transfer on a new credit card will authorize the creditor to review your credit report, thereby creating a credit inquiry on your report. Keep in mind that inquiries, new accounts and high balances all affect your overall credit score. If, after careful consideration, you choose to do a balance transfer, you may want to consider setting up an automatic payment. Set the date a week to ten days before your due date to ensure that the payment is made on time, and be sure to budget a set monthly amount to cover this debt.

Credit Card Reward Programs

Today's credit industry is becoming more and more specialized and targeted towards consumers. While credit cards may all have the same basic function, it's now possible to get cards personalized with your favorite college or professional sports team, your preferred breed of dog or cat, or your college or professional association. Marketing these cards doesn't stop there – you can get cards that give you airline miles, cash back, gifts or gift cards, or dozens of other "rewards" to get you to charge and charge.

The essential things to ask yourself are: "How much will it cost, how long will it take to get the reward being offered, and do I need it?"

Let's take the example of airline reward cards, which are often associated with a particular carrier. Most of these cards come with annual fees which can be expensive. If you don't use the card much, the amount you pay over the time it takes to earn a free ticket can be equal to the cost of a ticket on a discount airline. If you use the card frequently enough to earn the reward in a shorter amount of time, the credit card fees may be less than the cost of the ticket. This is especially useful if you have earned miles and then need to travel at the last minute – the free ticket could save you quite a bit. Some cards offer large numbers of "bonus miles" at signup, which can also speed up earning a free ticket. Some cards now offer partial mileage rewards and will extend a discount on a round trip ticket for the rewards miles accumulated.

Before you sign up, check out the airline's own rewards program. Many offer credits for miles flown and will often extend bonus miles at signup as well. If you routinely fly on the same airline, this may be an effective way to earn free travel without taking on another credit card.

Many consumers are lured by the promise of cash back for purchases made with a credit card. Again, the key is to find out what purchases qualify for the cash back reward, and to determine if it is better in the long run to pay for those purchases with cash or a debit card rather than using credit. Overspending is much more likely with a credit card, since the effect of spending the money often goes unnoticed until the bill arrives. Getting 1% cash back may be great, but if you are carrying a balance from month to month, the finance charges will immediately wipe out any cash rewards you may earn. Also, if the qualifying purchases aren't items you would normally buy, spending where you don't need to won't help your credit or your budget.

Secured Credit Card Scams

A secured credit card is secured by a deposit account; the cardholder must deposit funds equal to the credit limit of the card. The creditor may sieze the deposited funds if the cardholder defaults on the account. Because there is less risk to the creditor, it is easier for consumers with poor credit histories to open a secured credit card account. Unfortunately, secured card offers can be designed to prey on these vulnerable consumers.

Every day, consumers are bombarded with a bewildering array of advertisements for all different types of credit products, and it may be difficult to distinguish legitimate offers from those just waiting to take advantage of unwary shoppers. A typical scam might be something like the following:

An advertisement which offers credit cards to "anyone" with "no credit check." These usually lead consumers to believe they are guaranteed to get a credit card simply by calling the number listed in the advertisement. Often, the type of card is not specified. A "900" type number (one that charges consumers for the call) may ask you to provide your name and address in order to receive a credit application, or give you a list of banks offering secured cards. You may even get a recording directing you to call another "900" number—at an additional charge—for more information, and it's likely that you'll spend a lot of money on phone calls and never receive a credit card.

Deceptive ads for credit card offers often leave out important information, such as:

- The cost of the "900" call;
- The required security deposit, application, and processing fees;
- Eligibility requirements like income or age;
- The annual fee, or the fact that the secured card has a higher than average interest rate. Legitimate offers MUST disclose the cost of credit as part of the offer.

How to Avoid Secured Credit Card Scams

To avoid becoming a victim of a secured credit card scam, look for the following warning signs:

- Guaranteed credit. No one can guarantee to get you credit.
- A claim of "No credit check." Before deciding whether to give you a credit card, legitimate credit providers, even of secured cards, will look at your credit report to assess the risk of extending you credit.
- A call to a "900" type number for a credit card. A legitimate creditor will not charge you for calls to get information about their product.
- Credit cards offered by "credit repair" companies or "credit clinics".

As with most other scams, if an offer seems too good to be true, it probably is.

Other Types of Credit

In your credit lifetime, you will no doubt apply for different types of credit: personal loans, mortgage loans, and auto financing, to name a few. Shop for these credit products as carefully as you shop for a credit card; comparing fees, interest, penalties, and terms and conditions before making a decision. Once you've obtained a loan, handle it responsibly by paying on time and as agreed, since your payment behavior will most likely report to the credit bureaus and affect your score.

Here are a few things to keep in mind when you look for other types of credit:

Know your credit standing. Take advantage of your right to an annual free credit report and check your credit at least once a year. Check your FICO® score at the same time for a small fee. By knowing your score and checking your report, you'll know where you stand when you apply for new credit, and you can start developing the good financial habits that will improve your score. Having good credit can keep you out of sub-prime lending situations since you will quality for better "prime" rates, and it gives you bargaining power to obtain the best rate possible for your situation. You may want to pull your reports again about 30 days before actively shopping for new credit.

Educate yourself. If you are considering buying a home, take a class for first time homebuyers. These classes are offered in many communities through HUD approved housing counseling agencies, fair housing agencies, and even local schools and colleges. They can help you learn how the home buying process works, what the terms and conditions of a mortgage loan are, and how to compare mortgage products. If you are a second or third time buyer, a refresher homebuyer education course is also a good idea, since mortgage products change frequently. For example, the home loan product you are being quoted may have only a fixed payment but not a fixed interest rate. Some "fixed payment" loans may have adjustable interest rates that allow you to make a "fixed payment" even if negative amortization occurs. Negative amortization means your loan balance is actually increasing not decreasing on your loan.

Buyer beware. Car buyers have access to a number of online resources that can reveal the manufacturer cost of a new vehicle or the value of a used vehicle. This can help when negotiating the purchase price and give you an idea of what you will need to borrow in order to buy. In general, leasing (versus buying a car) is a bad idea for most consumers. Be extremely alert when purchasing a used car and ask if the automobile has a "salvaged title" as that too is generally a very bad idea for most consumers.

Remember that wants or wishes aren't needs. Take a step back and evaluate the buying and borrowing decision objectively. Try to eliminate the emotional ("I really love this car") from the practical ("I need a dependable car with good gas mileage"). Remember the reason you are applying for credit and ask yourself, "What am I going to use this money for, and what is the least amount I need to borrow in order to achieve my goal?" Many consumers find this the most difficult step in the borrowing process, since it is easy to become emotionally attached to the object of the loan (house, car, etc.). Also, personal loans are often "packaged" at set amounts or tiers such as $10,000 or $25,000, tempting borrowers to "round up" to the next tier if the amount they need falls somewhere in between.

Stick to your budget. You make the final decision about what's right for you. Don't be pressured into borrowing more than you can reasonably afford if you will have a hard time making the payments. Review your budget before shopping for a loan, and set a limit to what you will pay. Remember to consider all the factors of the loan, not just the monthly payment. And don't count on future events to ease the strain – borrow what you can afford right now rather than counting on a promotion, job change, or other circumstances to help you pay your debts.

Know what's behind the monthly payment. Are there add-ons to the loan for features you did not ask for? After confirming your budget can afford the monthly payment, be sure to verify the rate of interest you are being assessed and understand how many years it will take you to pay off the obligation. You may be able to obtain a better interest rate elsewhere, thereby saving money on finance charges and allowing you to pay the obligation off sooner.

Terms and Conditions

Some of the most common terms and conditions you will find in a credit card agreement or offer are:

Annual Fee: The annual bank charge for use of the card, which can vary from $15 to $300 per year and is billed directly to the customer's monthly statement.

Annual Percentage Rate (APR): The cost of credit on a yearly basis, expressed as a percentage rather than a dollar amount. Creditors are required by law to disclose the APR.

Balance Transfer Fees: The fee charged to customers for transferring an outstanding balance from one credit card to another. Many card issuers offer "teaser" rates to encourage balance transfers.

Cash Advance Fees: A charge by the bank for using credit cards to obtain cash from the available cash feature on the account. This fee can be stated in terms of a flat per transaction fee or a percentage of the amount of the cash advance.

Default Purchase Rate: If you default on your account, your card issuer may sell your debt to a collection agency or other company. That could make you responsible for a different and higher rate.

Double Billing Cycle: Some companies use a double billing cycle, which means that while the due date on your statement refers to your minimum payment, the due date to pay off your entire balance is different. If that due date is two weeks earlier, and you pay off your entire balance on your card by the due date stated on your bill, then the company could still charge you interest for the two-week interim period.

Finance Charge: The charge for using the card, comprised of interest costs, service fees for transactions, late fees, and balance transfer fees.

Grace Period: A time period that varies for each creditor during which a borrower can pay the full balance of credit due and not incur any finance charges. Some creditors have in their terms and conditions no grace period and the finance charges are based on how many days the account carried a balance before being paid off. There is typically no grace period on cash transactions such as cash advances, balance transfers and the fees associated with the cash transaction.

Insurance/Protection: Protection against loss of life, disability, unemployment, etc. for the cardholder. This coverage pays or cancels the monthly payments for a time period if the cardholder loses a job through no fault of their own. Policies and protection plans vary, and the monthly fee is usually based on the amount of the credit card balance.

Late Fee: The fee charged to customers for paying late or less than the required minimum payment by the due date.

Notice of Reaffirmed Debts: If you have ever defaulted on a debt, be careful that your solicitations for "new" cards don't mention your old debts. Some credit card issuers buy old debts from other companies and then offer "new" cards to people in debt, only to shock the cardholder on their first statement with the old debt. This method may be used by debt buyers or collection agencies.

Overlimit Fee: The fee charged to customers for going over their credit line.

Reward Program Fee: The fee charged to customers to be enrolled in a rewards program. Some creditors do not charge a fee.

Transaction Fees: Fees for various transactions, such as using your card for cash advances.

Universal Default Rate: A policy some lenders/creditors use that allows them to punish borrowers who pay any of their other creditors late by imposing a higher interest rate. It is most commonly used by credit card companies and revealed in the fine print of their contracts with consumers. The Truth In Lending Act will ban Universal Default effective July 1, 2010.

YOUR CREDIT REPORT

Your credit report determines access to jobs and housing as well as credit.

Did you know that your credit history influences not only decisions for loans and credit cards but also employment, purchasing or renting a home, and obtaining insurance? It all starts with knowing what is currently on your credit report. We repeat: GET YOUR FREE CREDIT REPORT EACH YEAR. As we'll discuss in Chapter 11, under the Fair and Accurate Credit Transactions Act (FACTA), consumers have the right to request a credit report by telephone, mail, or internet, for free every 12 months from a centralized service. This service is an important development in the history of the credit reporting system in the United States, designed to empower consumers to gain control of their credit lives. The law requires the three credit bureaus, TransUnion, Equifax, and Experian, to make free credit reports available to consumers through a single source. In addition, FACTA also required national specialty bureaus, such as those that deal with medical payment history, checking account information, employment history or insurance claims, to maintain a toll-free number where consumers can obtain a report from them for free once per year.

Rights and Responsibilities

In everyone's life, there are always instances where credit is needed. Everything from your first credit card to the last mortgage payment and every account in between makes up your credit history. The companies and people that give credit, such as banks, finance companies and other creditors, report information about you. These creditors send information regularly about your accounts to credit reporting bureaus that collect and archive this information. Your credit report can then be accessed by other creditors or distributed to others that are authorized to receive such information.

Types of Credit Reports - “File" vs. "Report"

According to the Fair Credit Reporting Act, “The term 'file,' when used in connection with information on any consumer, means all of the information on that consumer recorded and retained by a consumer reporting agency regardless of how the information is stored." The word “report” relates to what a lender or other third party user of your information receives. Items that are suppressed from other users are: inquiries for pre-approved offers of credit or insurance, ongoing account reviews, and any medical account information. There are a variety of reports:

- Tri-merge/Merged Infile Report – a credit report that combines all three bureau reports into one report, with tradelines arranged so that the same accounts (as reported by the three bureaus) can be viewed next to one another and differences noted. The source of credit information accessed from each bureau is shown.
- Residential Mortgage Credit Report (RMCR) – a merged credit report used for mortgage lending, processed to the specifications of Fannie Mae and Freddie Mac.
- Credit Research Report – an in-depth report that comes under various trade names. It utilizes a flagging system to identify indicators of mortgage fraud.
- Full Factual Report – refers to an RMCR and includes direct verification of employment and other details, such as income and residence information. May go back further than seven years.
- Consumer Disclosure Report – what consumers receive when they request their own credit report. Includes “soft” inquiries, which are past requests for the credit report that are not seen by lenders.

What Information Is Contained In My Credit Report?

1. Identifying Information: Your name, current and previous addresses, telephone number, Social Security Number, date of birth, as well as current and previous employers.

2. Credit Information: Specific information about each account, such as the date the account was opened, the credit limit or loan amount, the balance due, monthly payment, and payment history during the past several years. For open accounts, positive credit information remains on the report indefinitely. Information on closed accounts and negative payment notations remain up to seven years. The report also states whether a spouse or co-signer is responsible for paying the account.

3. Public Record Information: Bankruptcy records, tax liens, monetary judgments, debts referred to collection agencies and, in some states, overdue child support is noted on the credit report. Bankruptcy information can remain on a consumer’s credit report for up to 10 years. Unpaid tax liens can be reported indefinitely, and paid tax liens remain for seven years from the date paid. Other public record information can remain for up seven years.

4. Inquiries: The credit report also lists the names of those who obtained information from the credit report for the past two years. “Hard” inquiries are those that result from an attempt to solicit credit or a loan. Other types of inquiries, such as those that result when a consumer requests a copy of his or her own report directly from the credit reporting agencies, are “soft” inquiries that are not viewed by prospective creditors but are recorded and remain on the report from one to two years. Consumers should be aware that when they request copies of their credit reports from third party vendors, rather than directly from the credit reporting agency, the inquiry often looks like a request for credit.

Other information that your credit report may contain:

- Your job title and employer
- Your spouse's name, Social Security number, and your telephone number.
- Information as to whether you own or rent your home.
- Other names or aliases that you may have used to obtain credit such as a maiden name.
- FICO® Score (more on that in the FICO® Score section).
- Information about fraud.

The credit bureau's business is credit reporting. What they do is collect information about consumers from banks, savings and loan institutions, credit unions, finance companies and other businesses. This information is stored in a database and when you apply for a new loan, the creditor orders information on you from the bureaus. The credit bureaus don't keep track or record the outcome of that credit inquiry of your credit report.

Future Service Contracts

The bureaus do not report information from companies that use future service contracts with their clients or information from collection agencies that collect this type of account, because of the large number of disputes associated with these businesses. In addition, they do not report information on non-credit related obligations. NOTE that many of the businesses listed below will contract with collection agencies or sell off their bad debt entirely, in which case the collection account will most likely be reported to the bureaus by the acquiring entity.

Companies that use Future Service Contracts	Information Not Related To Credit
Health Clubs and Gyms	Property Taxes
Karate Schools	Municipal Taxes (water, trash, etc.)
Dance Schools	Traffic Tickets or Citations
Dating Services	Parking Tickets or Citations
Landscaping Services	Homeowners Association Fees
Time Share contracts	Credit Repair Clinics
Mail Order or Online Music, Book or Movie Clubs	
Magazine Subscriptions	
Cell Phone Providers	

Checking Account, Insurance, Renter, and Medical "Credit Bureaus"

Before applying for a job, before buying new homeowner's or car insurance, opening a new checking account, before applying for private health or life insurance, or before renting an apartment, you should be aware that a "specialty" report may be pulled on you. FACTA (the Fair and Accurate Credit Transaction Act) now gives all of us the right to obtain these reports directly from nationwide specialty bureaus and to dispute errors in them, just like with regular credit reports.

There are three major specialty companies that report on check writing history (have your driver's license number and checkbook handy):

1. ChexSystems is a nationwide specialty consumer reporting agency that collects and maintains information from member financial institutions such as banks and credit unions. If a bank closes your checking account because of insufficient funds, for example, it will make a report to ChexSystems that other banks will check when you apply for new accounts.

   Toll-free number: (800) 428-9623.

   Web: www.consumerdebit.com/consumerinfo/us/en/chexsystems/report/index.htm

2. Shared Check Authorization Network (SCAN) is owned by Deposit Payment Protection Services (DPPS). It maintains a database of returned checks and instances of fraud. It provides check authorization and verification to its members, primarily retailers.

   Toll-free number: (800) 262-7771 (U.S., Guam, and Puerto Rico) Fax: (800) 358-4506
   Web: www.consumerdebit.com/consumerinfo/us/en/consumerreports/index.htm

   To Order by Mail: Print the order form from the www.consumerdebit.com website and mail to:

   Deposit Payment Protection Services, Inc.
   Attn: Consumer Referral Services
   7805 Hudson Road, Suite 100
   Woodbury, MN 55125

   To Order by FAX: Fax the order form to 800-358-4506

3. TeleCheck also maintains a database of returned checks and instances of fraud. It provides check authorization and verification to member retailers.

   Toll-free number: (800) TELECHECK (800-835-3243 not necessary to dial last 2 digits).

   Web: www.telecheck.com.

   TeleCheck Services, Inc.
   5251 Westheimer
   Houston, Texas 77056
   Declined Check Information: (800) 366-2425

Some Nationwide Specialty Consumer Reporting Companies:

Medical records or payments - Medical Insurance Bureau • www.mib.com/html/request_your_record.html

Residential or tenant history - First Advantage SafeRent (Formerly known as Unlawful Detainer Registry UDR) • www.fadvsaferent.com

Employment history - background checks provided by Choicepoint • www.choicepoint.com/

Insurance claims - CLUE • www.choicetrust.com/

Non-traditional Credit Reporting for People with Little or No Credit History: The New Frontier

An estimated 50 million Americans have little or no credit history and therefore can't access mainstream credit, falling prey to payday lenders, rent-to-own financing, and other high cost fringe banking services. Some choose to stay confined in the cash economy, limiting their wealth building capacity. Many businesses are scrambling to develop databases on these millions of "unscoreables" or potential loan prospects who represent an unclaimed frontier for credit reporting.

Landlords are fragmented across the nation and do not have the means to report monthly rent payments. There are many other businesses such as child care, private mortgages, payday lenders, gas, electric, water and telephone utilities and cable TV that create regular monthly payment flows that are not aggregated to a credit history. There are issues with utilities and state laws, many of which are unclear on the question of sharing payment history.

FICO™, all three major bureaus and several smaller entities are rushing to fill this space in order to incorporate this activity into primary credit bureaus. Bringing this payment activity into the realm of the credit bureaus is a different concept from specialty data aggregators, such as tenant screening companies, which is a well established, stand-alone niche used by property managers and landlords.

1. Payment Reporting Builds Credit (PRBC) – http://prbc.com (started out as www.payrentbuildcredit.com). This private company is a web-based self-help service that enables consumers and small business owners to build their credit scores through timely rent, mortgage, and other recurring bill payments. The consumer provides data directly.

2. Rentreporters.com – www.rentreporters.com This is an example of one of many private companies whose business model is to have the renter pay to get their rent payments verified with their landlord, and then this company sends their history along to the bureaus.

3. FICO™ "Expansion" Score – a score based on non-traditional (meaning non-credit bureau) data such as payday loans, purchase payment plans, or deposit accounts. The Expansion score does not use rent payments. At this writing, it is not possible for consumers to pull their Expansion score from myFICO®.com, but the score is available to lenders who subscribe to it from FICO™. When shopping for credit or a loan, consumers can ask creditors and lenders if they are subscribers, and if lending guidelines permit the use of the Expansion score in determining creditworthiness.

4. Anthem Report and Anthem Score – owned by First American Corporation's Credco division, www.credco.com. The Anthem Report is a type of tri-merge report that is supplemented with alternative payment history data for borrowers with little or no credit history. Their Anthem Score is likewise based on non-traditional payment history that evaluates the borrower's payment history, the length of the history, and the type of payments (e.g. rent, gas bill, phone bill, etc.).

How To Obtain Your Free Credit Report

The FACT Act of 2003 mandated that the three major national credit-reporting bureaus establish a website, a toll-free number and a mail address for consumers to request their credit report for free every year. There are three ways you can request your report:

1. Go to the website www.annualcreditreport.com. MAKE SURE you type the address in correctly, or you may end up at an imposter site set up by identity thieves.
   a. Type the exact address of the free report site, INCLUDING the www (that is, type www.annualcreditreport.com).
   b. Verify that you are immediately redirected to the secure page: https://www.annualcreditreport.com/cra/index.jsp is the redirect address.
   c. Verify that the security lock is present in your browser.
   d. On the data entry page (the first page you visit after you tell the site what state you live in), verify that a “VeriSign security” symbol is present near the top right on the page. Click on the certificate to ensure that it is indeed the certificate for www.annualcreditreport.com.
2. Call by phone: 877-322-8228
3. To submit a request by mail, download the Annual Credit Report Request Form located at www.annualcreditreport.com/cra/requestformfinal.pdf and mail it to:

   Annual Credit Report Request Service
   P.O. Box 105281
   Atlanta, GA 30348-5281

(Keep in mind that the location of the form or file name may change.)

Using any of the three methods listed above, you may request a credit report from one, two or all three reporting bureaus at the same time, but we advise staggering your requests over a year to create your own version of a monitoring service. The law allows you to request a copy free every 12 months. If you request the report via the website, the report will immediately be made available to you. If you request it by either telephone or by mail, your report will be sent out to you, by mail, within 15 days.

To request your credit report, you will need to provide some information for identity verification purposes, including your name, address, Social Security number and your date of birth. If you have moved in the last two years, you will need to provide your previous address as well. In addition, each of the bureaus may request their own verification questions that only you would know, such as your monthly auto or mortgage payment.

The web site www.annualcreditreport.com is the only location authorized to give you your free annual credit report from the three major credit bureaus. Information provided at this site will not be shared with any third parties or used in further marketing or email. As a precaution, if you receive an email claiming to be from the www.annualcreditport.com site, or the three bureaus, do not respond or click on any of the links contained in the email. Instead, forward the email to Spam@uce.gov. Similarly, you should not receive any calls from the website or the three bureaus requesting personal information. Stay alert and protect yourself.

Your Rights to Additional Free Credit Reports

Anyone can request an additional free credit report for the following reasons:

- You have been denied credit, insurance, housing, or employment within the previous 60 days.
- You have been a victim of identity theft and have reason to believe that information is incorrect due to fraud.
- You are without employment and plan to apply for employment within the next 60 days.
- You are receiving public assistance.
- If a negative decision, in whole or in part, has been made in relation to the information that is in your credit report.
- If your credit report has been modified due to an investigation that you requested.
- You live in the following states where the law states that you have the right to a free credit report: Colorado, Maine, Massachusetts, Maryland, New Jersey, Vermont and Georgia. (Georgia residents have the right to receive two annual credit reports free.)

TIPS:

- Check your credit report once a year
- Never respond to unsolicited junk mail or email for a “free credit report” or “free score”
- Never respond to unsolicited phone calls or email
- Opt out of pre-screened credit offers (call 888-5OPTOUT or visit www.optoutprescreen.com)

Credit Bureau Contact Information For Ordering Your Report

Below are the telephone numbers, mailing addresses and websites to request a credit report from the three major credit-reporting bureaus. You may have to pay to get copies of your report through these addresses. Note that addresses for disputes and fraud are different. There are also special numbers listed for reporting fraud and identity theft.

Equifax – www.equifax.com
To request your report call: 800-685-1111
Or write to: P.O. Box 740241, Atlanta, GA 30374-0241

To report fraud, call: 800-525-6285
AND write to: P.O. Box 740241, Atlanta, GA 30374-0241
If you are hearing impaired (TDD), call: 800-255-0056 and ask the operator to call 1-800-685-1111 and request a copy of your credit report.

Experian – www.experian.com
To request your report call: 800-EXPERIAN (800-397-3742)
Or write to: P.O. Box 2002, Allen, TX 75013

To report fraud, call: 888-Experian (888-397-3742)
AND write to: P.O. Box 9530, Allen, TX 75013
TDD: 1-800-553-7803

TransUnion – www.transunion.com
To request your report, call: 800-888-4213
Or write to: P.O. Box 1000, Chester, PA 19022

To report fraud, call 800-680-7289
AND write to: Fraud Victim Assistance Division, P.O. Box 6790, Fullerton, CA 92634
TDD: 1-877-553-7803

Innovis Consumer Assistance
P.O. Box 1358
Columbus, OH 43216-1358
1-800-540-2505
Note: credit files may not be free, except in certain states.

www.myFICO.com – This is a website by the FICO™ that generates your true FICO® Score. This is the only credit score we recommend you use; you may encounter other non-FICO credit scores, such as VantageScores, but these are not in wide use by creditors and lenders, and are not as time-tested as the FICO™ scoring model. You can also purchase all of your credit reports at www.myFICO.com, along with your FICO® Score Report, a nifty tool that details what factors affected your score the most and how to improve it. This is not free, however.

Please note that the websites, mailing addresses and phone numbers are subject to changes by the credit reporting bureaus and other companies without notice.

Free Annual Credit Report

Remember, you can get a free credit report once a year by going to www.annualcreditreport.com or by calling 877-322-8228. Request them by mail by writing:

Annual Credit Report Request Service
P.O. Box 105281
Atlanta, GA 30348-5281

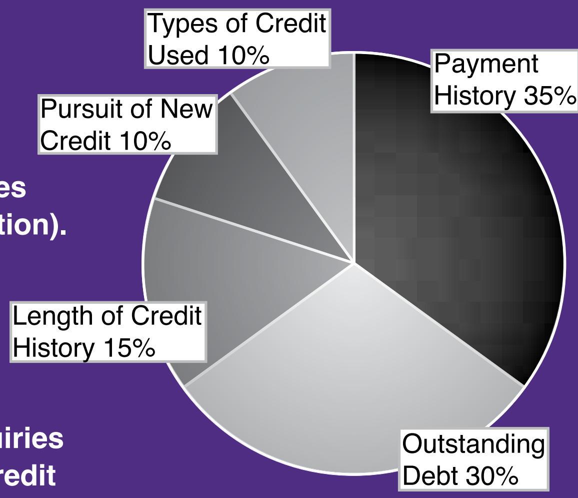
You may also order a credit score from the credit bureaus through www.annualcreditreport.com, but we recommend that you **not** do this. In most cases you will be sold a non-FICO score created by the credit bureaus themselves. These scores are currently used by less than 10% of lenders, and will not be as useful to you as the FICO™ score. You should definitely order your free credit **reports** from annualcreditreport.com, but when it comes to your credit **score**, stick with myFICO.com.

WHAT IS A FICO® OR CREDIT SCORE?

There are many types of proprietary credit scores. FICO™ developed the most widely used scoring algorithm (model). It is a general risk score (some call it a rating) that indicates the probability of default. The higher the FICO® Score, the lower the risk. Creditors have different pricing tiers based on the score level. The number is the result of a complicated calculation based on the data in your credit report. The true FICO® score ranges from 300-850; other scoring models use different ranges. TransUnion and Experian have their own scores, which have different ranges from the true FICO®. TransUnion's is called "Empirica®" and Experian's is called "Experian Risk Model," but these are not true FICO® Scores (some call them "FAKO's"). Equifax uses the true FICO® Score, privately labeled as "Beacon®."

You need three things in order to have a score created on your credit file: (1) at least one account that is 6 months or older; (2) reported activity in the last 6 months: and (3) no deceased indicators, which means no messages stating "Social Security number reported as deceased."

Your credit score is based on five factors. These factors and their percentage impact on the score's calculation are as follows:



1. **35% - Payment history (bankruptcies, late payments and collections).**
2. **30% - Outstanding debt (credit card balances and number of cards, also known as utilization).**
3. **15% - Length of credit history (age of oldest credit card account, average age of accounts, time since accounts were used).**
4. **10% - Pursuit of new credit (number of inquiries from potential lenders and newly opened credit accounts).**
5. **10% - Types of credit (bank cards, department store cards, finance companies, secured, unsecured). The scoring model likes to see a balanced report, with both installment and revolving accounts.**

Items That the FICO® Scoring Model Ignores

FICO® Scores do not take into account:

- Consumer generated inquiries
- Gender, race, religion, occupation, whether the consumer is a homeowner, time lived in a home, zip code or even income level (and credit reports do not show anybody's income).
- "Promotional" and "Account Review" inquiries (Account Review inquiries are the periodic checks done by your current creditors – usually card issuers – to see how you are doing).
- Accounts that are noted as being "under dispute": for example, you question a charge on your credit card billing statement. The creditor should report your account as being under dispute. Keep in mind that this may take an otherwise helpful tradeline out of the scoring mix.
- Participation in a debt management plan (this may be reported by your creditor, but the scoring model does not factor it into your score).
- Newer FICO™ scoring models will ignore an open revolving tradeline if the credit limit is missing.

In addition to computing a credit score based on the factors mentioned previously, The FICO™ model compares consumers in groups with like consumers. This means that a consumer with a bankruptcy, for example, would be scored in a group with others who have bankruptcies and similar credit situations and histories. This prevents the scoring model from unfairly comparing those who have had troubled credit histories with those with better credit, and prevents those with good credit from being penalized for others in the "pool" whose credit is not as solid. While the consumer does not have direct control over this process, its goal is to produce a score that is fair to the consumer and presents the best possible analysis of a person's credit history and behavior.

Recent changes to the FICO™ model have changed how various factors impact one's score. A person with an otherwise good payment history will not be severely punished by one isolated late payment. Similarly, collection accounts for less than $100 will hurt your score less. On the flip side, having a payment more than 90 days late hurts your score more than it used to, as does carrying large balances.

Rate Shopping

The FICO® score allows for "rate shopping", so you won't be penalized for comparing rates and lenders on auto loans and mortgages. Typically, consumers talk to more than one lender in these situations, and this may cause multiple lenders to request your credit report, even though you are only looking for one loan. To compensate for this, the score ignores all mortgage and auto inquiries made in the 30 days prior to scoring. If you find a loan within 30 days, the inquiries won't affect your credit score during rate shopping.

In addition, the scoring model looks on the credit report for auto or mortgage inquiries older than 30 days. If it finds these inquiries, it counts all that fall in a typical shopping period as just one inquiry when determining the score. For FICO® scores calculated from older versions of the scoring model, this shopping period is any 14 day span. For FICO® scores calculated from the newest versions of the scoring model, this shopping period is any 45 day span. Each lender chooses which version of the FICO® scoring formula he wants the credit reporting agency to use to calculate a FICO® score, so how a lender handles the inquiry may also have an effect on the final credit score.

How to Improve Your FICO® Score

All of us have the ability to improve our credit scores. Below are some general tips for improving credit scores:

1. Review credit reports regularly. An accurate report will be an honest representation of a consumer's history. Take control of yours.

2. Pay bills on time. More recent negative remarks on a credit report are worse than problems that occurred years ago. For example, an account that has been delinquent in the past six months will do more damage to a credit score than a similar delinquency five years earlier.

3. Reduce your overall debt.

4. Limit revolving card usage. The goal should be not to max out your revolving or "open" lines of credit. Revolving means you can use it, pay it off, and use it again. Some experts advise no more than 50%, some say 35% as the maximum utilization level. Be aware that closing unused accounts may reduce your score. In choosing to close accounts, older accounts with a good history are the ones to keep because the age of an account and your length of time in the credit world also factors in the score. Easy access to credit may create the potential to get into trouble by going on a spending spree and racking up new debt, and lots of account numbers create more targets for identity theft.

5. Limit the number of inquiries. Apply for credit only when necessary and get your credit report in advance. When shopping for a new car or a mortgage, make all applications within a 30-day period. Too many inquiries in a short period may be seen as an indication of financial problems or loading up on new credit. The scoring model is supposed to consolidate inquiries of the same type within a specific amount of time, which is 30 days.

What is Rapid Rescore?

Rapid Rescore was created in the late 1990's by the bureaus in response to mortgage lenders' frustration over the slow and ineffective credit bureau disputing process that consumers had to go through. It is an expedited service provided by the bureaus to resellers and mortgage lenders that allows the lender to get an applicant's credit file re-scored within 72 hours after the applicant provides documentation of a corrective update to their credit file from a data furnisher with whom they have a disputed item. The advantage to both consumers and lenders is obvious: loan decisions can be made quickly and the revised score may allow applicants to qualify for better loan rates or a wider variety of loan products.

The cost of this service is usually borne by applicants and it is expensive – prices range from $25 to as much as $70 per tradeline for each bureau. There is currently a controversy between the bureaus, resellers, and mortgage lenders as to whether consumers should be charged for this service. (Consumers cannot ask for Rapid Rescore on their own- the request must come from the lender.) Both the Fair Credit Reporting Act and the Fair and Accurate Credit Transactions Act allow consumers expedited dispute resolution at no cost when there is a loan pending, and consumers should be aware of this before paying large sums to have their credit re-scored. Consumers can let lenders know that they are aware of their rights, and, if necessary, should look for other lenders with lower or no fees for the rescore service.

To take advantage of your right to an expedited dispute, provide your lender with appropriate documentation regarding the disputed item(s). The lender can then fax the information to the credit reporting agencies, who will investigate the items in question as quickly as possible. (The usual time frame is within 3-5 business days.) Once the new information can be reviewed and verified, the credit reporting agencies will make the necessary changes to correct the database, update the credit reports and re-score the report for your lender.

As with any other dispute or correction to a consumer's credit bureau file, no lender can make any guarantees that the credit score on a newly update credit file will increase or even stay the same. Expediting a dispute is simply that – asking for a quicker response to the dispute with no guarantee that the revised score will benefit the consumer.

Credit Report Monitoring Services

All of the credit bureaus, FICO™, and many other companies have rolled out some version of a credit monitoring service. The benefits that are claimed for these are ID theft prevention, getting alerts when your score changes, and getting notified when you qualify for a lower interest rate. The common business model is based on a monthly or annual fee, with commitment to a minimum of usually three months. You receive alerts when certain changes happen and a common hook is a free 30 day trial period. Costs vary significantly. Before signing up with one of these, be aware of what you are buying, and be sure you have exercised your right to a free credit report once a year and whenever you think you are a victim of identity theft. Remember, staggering access to your free credit report throughout the year provides you a basic form of monitoring service.

BASICS OF DISPUTING ITEMS IN YOUR CREDIT REPORT

The Frequency of Errors on Consumer Credit Reports

The Public Interest Research Group (PIRG) published a study, "Mistakes Do Happen: A Look at Errors in Consumer Credit Reports" (pirg.org), in which it was found that "one in four credit reports contains errors serious enough to cause consumers to be denied credit, a loan, an apartment or home loan or even a job."

The Consumer Federation of America (consumerfed.org) in cooperation with the National Credit Reporting Association (ncrainc.org) published in 2002 a comprehensive review of the state of consumer credit and the relationship to credit inaccuracies, credit pricing models, and the overall effects of inaccurate negative credit items on a consumer's credit profile. The report concluded that over 41% of credit files had incorrect demographic identifying information, and 20% were missing major credit cards, loans, or mortgages. In total, 70% of reports contained an error of some kind. In August 2004, a study by the Federal Reserve Board (FRB) called "Credit Report Accuracy and Access to Credit" identified the many types of data integrity issues in credit reports and provided detail on specific types and frequency of errors or practices that result in ambiguous, duplicative, or incomplete records. It can be found at http://www.federalreserve.gov/pubs/bulletin/2004/summer04_credit.pdf. These errors and practices affect the usefulness of credit scores to lenders and degrade the benefits of scoring to consumers (although it should also be recognized that some errors and practices result in inadvertent benefit to consumers as well, and this point was raised in the FRB report).

"The report concluded that over 41% of credit files had incorrect demographic identifying information, and 20% were missing major credit cards, loans, or mortgages. In total, 70% of reports contained an error of some kind ."

Data integrity problems in credit reports have the cumulative impact of lowering the integrity of what the U.S. credit system is built on: the efficient collection, storage and use of the actual credit history records of individuals and the scores derived from these credit history files. Damage has been done to the integrity of credit reporting and scoring from all sides of the credit granting and receiving spectrum: (1) from the credit bureaus, who are in control of these databases, responsible for their accuracy and integrity, and accountable to consumers, (2) from the creditors and collection agencies, who are responsible for ensuring the accuracy of the data they furnish to both credit bureaus and consumers, and (3) from consumers themselves, who resort to aggressive or even fraudulent methods of credit repair to create a falsely positive credit history for themselves (albeit many times out of necessity, due to unresponsiveness and irresponsibility on the part of bureaus and data furnishers).

What types of errors occur on credit reports?

Here a just a few examples:

- *Closed end credit (auto loans, etc.) reporting as revolving credit*
- *Missing credit limit*
- *Incorrect account numbers*
- *Incorrect balance amount/late payments*
- *Account does not belong to the consumer (this may be a sign of identity theft, especially if more than one unfamiliar account is present)*
- *Status of account is incorrect (closed, settled, settled for less than the full amount, in collections, incorrect late payments, etc.)*
- *Errors in personal information*

What can be disputed?

Negative items that are beyond the statute of limitations for reporting and those that are incorrect can be disputed with the credit bureaus. Positive tradelines with little or no activity do not harm the score and may indeed help it by increasing the amount of available credit without impacting credit utilization. Negative items that have reached the limit of reporting may not “drop off” precisely when the reporting limitation is reached. Outdated information will be purged automatically by the bureaus based on the reported date of last activity; if the creditor/data furnisher does not provide a date or the date is incorrect, this will affect the date of removal from the report.

Incorrect personal information, such as addresses, Social Security numbers, other names under which credit was established (such as a woman’s maiden name, or a variation of a name such as John J. Smith, John Smith, John Joseph Smith) should also be corrected. Correct personal information can help ensure that you are receiving the maximum benefit from your responsible use of credit and not being penalized for someone else’s credit issues due to a similar name or Social Security number.

Legitimate negative items cannot legally be removed until their statute of limitations for reporting has run its course. Do not believe advertising from credit repair organizations that claim they can remove these negative items permanently or even get you a “clean” credit record. Most of the tactics these organizations use are ineffective and even illegal. For more information about credit repair services see www.ftc.gov/bcp/conline/edcams/credit/index.html.

Accurate negative information generally can be reported for seven years, but there are exceptions. According to the FCRA a consumer reporting agency may provide a consumer report containing items that pre-date the reporting periods when the report is to be used in connection with a 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.

Negative entries on your credit report have different reporting limits. Typical retention periods are stated below (may vary by state):

- *Collection or charged off accounts: 7 years from date of last delinquency (this is the most recent date that the account became delinquent). This is NOT the date it was charged off or turned over to an internal or outside collection agency. Suppose an account became delinquent (past due) in June of 2007, and a payment was made in August that brought it current. The account became delinquent again in October 2007, and no further payments were made. The account was turned over to collections in December and charged off in April of 2008. The date of last activity would be October 2007, the most recent delinquency date prior to charge-off. Any payments to the account that bring it current will “reset” the reporting clock, as long as the account has not been charged off. Once the charge-off has occurred, the only date reported should be the last date of delinquency that resulted in the charge-off, regardless of how many times the debt was subsequently sold or transferred.*

- *Chapter 7 Bankruptcy: 10 years from the date of entry of the order of relief or adjudication.*

- *Chapter 13 Bankruptcy: 7 years from the date of filing if discharged. However, if case is dismissed for non-payment and the Chapter 13 plan was not completed, the derogatory tradeline item could then stay on for seven years from the date it became delinquent.*

- *Unpaid tax liens: report indefinitely while unpaid.*

- *Paid tax liens: report for 7 years from the date of payment.*

- *Unpaid child support: varies by state and does not always report, but in general will show as a judgment while unpaid. The judgment may be renewed in some states, so it will continue to report as long as a balance remains. Once paid, may remain for 7 years.*

- *Civil suits and judgments: 7 years from the date of entry or until the governing statute of limitations has expired, whichever is longer.*

- *Late payments: 30, 60, 90 or 120 days late payments may be reported up to 7 years from the date of delinquency.*

Knowing these limits is an important step to determine if the information is obsolete and if a dispute is an appropriate course of action to pursue.

For charged-off accounts, consumers should also be aware that the FCRA mandates at least a 180-day period from delinquency to charge off, although creditors may extend this period according to internal collection policies. If the date of charge off is reporting rather than the date of most recent delinquency, consumers can count backwards 180 days from the charge off date to find the most recent date of delinquency, and insist that the creditor use that date for credit reporting rather than the date of charge off.

How to send in dispute information:

Regardless of the type of error found in a consumer's credit report, the dispute method is the same. Be sure to keep originals of all records of correspondence/documentation that you send to the bureaus and receive from them. Every document that is received from any other party in a credit dispute is equally important; this includes collection companies, original creditors, and courts. These records will be very important if any rules are violated regarding removal of information. Also, if the information should reappear on the credit file, this information can be used to promptly remove it once more and force permanent deletion.

Experience shows us that it is more effective to send disputes via first class mail, return receipt, than to use online dispute systems. By sending a letter, it is possible to include copies of all the relevant documentation that will support your claim, and you have proof of delivery. The return receipt can be delivered either via post card (the green receipt attached to a letter) or electronically via email with a PDF attachment showing the date of delivery and the signature. If you wish to track the progress of the delivery, you can send the item certified mail instead of first class (still with the return receipt) but this adds extra expense to the mailing.

It's a good idea to dispute incorrect items directly with your creditors and/or any collection agencies at the same time you send in your disputes to the credit reporting agencies. That way, both the data furnishers ("creditors") and the reporting agencies (credit bureaus) have the same information and both can correct, update, or delete disputed information. Addresses for sending disputes to data furnishers can be found on bills or collection notices. If you are unable to find the creditor's addresses, contact the credit bureaus (in writing) to provide you their addresses. Be sure to send all letters and supporting documentation via first class mail, return receipt.

What to Include in Your Dispute

We recommend that you send the following items to both the credit bureaus and the data furnishers (creditors) when you present your dispute. It is important to include items such as copies of your Social Security card, photo ID such as a driver's license, and proof of address, which will help establish your identity and legitimate interest in having information corrected (since only you can dispute items on your report). The more complete you are in providing documentation to support your claim and your identity, the less likely it is that you will experience delays in resolving the dispute.

1. A letter listing the item(s) in dispute (including account numbers), what the issue is, and what you want done. A sample dispute letter is included in the last chapter of this book.

- ABC Bank Account # 12445-667-90043 - this account has no balance. It was discharged in bankruptcy in 2006. Update this account listing to show discharge of the debt.
- The name you have listed on my report, May Josephine Smith, is incorrect. My legal name is Mary Josephine Smith. Please correct the name on my report to Mary Josephine Smith.

2. Be sure to include documentation to support your claim. For example, provide a copy of your bankruptcy discharge from the court, and copies of official identification and Social Security card to show legal name status.

3. Include a photocopy of a government-issued identification card with a photo: driver's license, passport, state ID card, resident alien/green card.

4. Include a photocopy of your Social Security card.

5. Include a copy of something that shows your current address (utility bill, pay stub, or a bank statement, for example); you can line out or white out balance or account number information if you desire.

6. Make a short list after your signature of all the items you are enclosing:

Enclosures:
Copy of Social Security card for Mary Josephine Smith
Copy of California driver's license for Mary J Smith
Copy of bill from CC Phone Company in the name of Mary Smith

7. Sign the letter and make a copy of it and your supporting documentation for your files. Staple the documentation to the letter and put it in a file with the credit bureau's name. Make separate files for each bureau.

8. Place the letter and supporting documents in an envelope and take it to the post office or mailing center and send it first class mail, return receipt. Keep the proof of payment and mailing that you receive and put them in the folder with the copy of the letter.

Dispute Calendar

Day 10-30: 10 to 30 days from the date on the receipt card (showing the date the bureau received the dispute letter), you will receive a letter from each of the credit bureaus indicating that the requested disputes are under investigation.

Day 20 – 30: Within another 10 to 20 days, you should receive an updated credit report, indicating that the disputed item(s) has been verified, updated, deleted, or remains the same.

It is possible that the bureau will send a letter requesting additional information. Be prompt in sending any additional paperwork that may aid in the dispute and send everything first class mail with a return receipt.

You may receive a letter indicating that the bureau is not moving forward with the dispute because it appears that the dispute letter has been written by a third party (not the person whose credit report is the subject of the letter). You must request changes to your own reports. Don't be discouraged. Simply re-send the letter and supporting documentation, and indicate in another, short cover letter that you are responding to the bureau letter and that you are disputing these items on your own behalf, and this is your second request to update/correct/remove information.

Day 35: If you have not received a response from the credit bureaus, you will need to copy all letters and supporting documents that were sent in the dispute, and send another letter indicating that no response was received to the first dispute request.

Follow the same procedure as before in requesting your second dispute. You may need to repeat this process several times until each and every questionable item has been deleted, corrected or updated.

If the credit reporting agencies ignore the dispute letter(s), you can contact the Federal Trade Commission (FTC) to file a formal complaint. If you have a legitimate correction that is being ignored by the bureaus, you may consider retaining an attorney as willful failure by the credit reporting agencies to comply may subject them to liability.

Complaints can be filed with the Federal Trade Commission at www.ftc.gov and copies of all supporting documentation mailed to support a complaint.

Federal Trade Commission
CRC-240
Washington, D.C. 20580

Reporting Obligations of the Data Furnisher (Creditor) in a Dispute

Data furnishers (creditors, collection agencies, etc. who report consumer account information to the credit bureaus) must follow certain guidelines when they are informed by a consumer of inaccurate information or if a consumer disputes the accuracy or completeness of an item being reported by that furnisher to the credit bureaus.

- If the information being reported is found to be inaccurate, the furnisher must thereafter report the accurate information to the credit reporting agencies.

- In cases of consumer disputes, the furnisher must provide a notice of the dispute to the credit reporting agencies when reporting information about the account(s) that are the subject of the dispute.

Furnishers who are contacted by consumers to dispute information must complete an investigation of the disputed information within 30 days. This period extends to 45 days if the consumer later provides additional information relevant to the investigation.

Disputes: Top 10 Things to Do

1. Always provide the credit reporting agencies a photocopy of a current government-issue ID card (at least one form of ID must have a picture) with your dispute letters.

2. Provide a copy of your Social Security card.

3. Include proof of address (copy of utility bill, pay stub, or W-2 with current address).

4. Provide any documentation/proof to help the credit reporting agencies identify which items may be incorrect and should be removed or updated.

5. Keep originals and send copies.

6. Send all letters with attached proof first class mail return receipt.

7. Keep a dispute file for each of the three credit reporting agencies.

8. Respond quickly to any letters from the credit reporting agencies.

9. Be patient – the process can take some time.

10. Know your rights.

How much will my score improve if outdated or incorrect items are removed from my report?

Because so many things are taken into account when calculating your credit score, it is impossible to say how much a score can be raised once items have been corrected or removed. It is safe to say that the score should improve with the corrections, but how much it would improve depends in part on the number and severity of the incorrect items. Remember you influence 75% of your score by paying on time, keeping total debt low, and refraining from taking on new credit, and this is often more likely to affect the total score than incorrect or outdated entries.

If negative items remain on the report after disputes, what are the next steps?

1. Use a 100 Word Consumer Statement

   If the creditor asserts that the notation is correct, it will remain on the report. You should continue to address the issue directly with the creditor. You also have the right to have included on your credit reports a statement of no more than 100 words explaining the disagreement. The statement becomes part of the credit report and will remain there as long as the disputed item is on the report. Many credit decisions are based on credit scores and often lenders do not view the consumer statement. Some statements may inadvertently validate negative credit. Sometimes asking the prospective creditor to review the report and read the statement can reverse their decision, but the creditor is not obligated to ignore the negative notation because of a consumer statement.

2. Develop a Plan to Repay Your Debts Or Consider Other Alternatives

   If your credit problems come from having too much debt, develop a plan to reduce your debt. If you would like help to develop a payment plan to reduce your debt, contact an accredited nonprofit consumer credit counseling agency. Remember that your credit utilization is 30% of your FICO® score, so taking steps to pay down debt can positively affect your score.

3. Develop a Plan to Manage Your Money

   Certified credit counselors can also help you develop a spending plan and identity places in your budget where you can save money. Readjusting how you spend may help you “find” extra cash for savings or paying down debt, which may reduce your debt load and allow you pay cash for items rather than using credit.

4. Pay with Cash

   In order to develop better spending habits, you have to start reducing your expenses. To accomplish this, try to pay everything with cash. When you pay with cash or even with a check, you are forced to limit your spending to only what you have on hand or in your checking account.

5. Apply for Secured Credit

   Some lending institutions can give you a credit card if you deposit a set amount with them. These funds are placed in reserve and the consumer is issued a card with a limit equal to the amount that was placed in reserve. Make sure the institution reports to the credit bureaus. Provided you can maintain your payments on time for a year, many creditors will issue the consumer an unsecured credit card.

6. Apply for Unsecured Credit

   It is much easier to get a credit card from a department store or a gasoline card than it is to get a card from a national creditor, if you explain to the local store the reason for the previous poor credit and demonstrate that you are now financially responsible.

7. Obtain and Use Debit Cards

   Apply or request an ATM card that will also function as a Visa/MasterCard. The card is connected to your checking/savings account and the purchases are automatically deducted from these accounts. Your card will have a Visa/MasterCard logo and will be accepted anywhere those credit cards are accepted.

What is E-OSCAR?

The Consumer Data Industry Association (CDIA), in cooperation with Equifax, Experian, Innovis and TransUnion, formed E-OSCAR (Online Solution for Complete and Accurate Reporting). The system is an online mechanism for data furnishers and credit bureaus to process out of cycle updates on consumer disputes. Using this system allows more efficient and timely updates to consumer reports after corrections or changes have been made to accounts by data furnishers.

Reinsertion – Why Does It Happen?

This can happen due to various reasons related to system flaws and discrepancies and multiple subscriber numbers used by data furnishers. A bureau will sometimes remove an item temporarily that is under dispute, but later reinsert the item if it is verified by the creditor. By law, they have to notify you within five days of doing so. Sometimes a bureau will remove an item, but the creditor will not update its routine monthly electronic updates, causing the item to be re-submitted due to negligence. The bureaus have developed cloaking systems to catch reinserted items, but these are not foolproof.

This is why it's important to keep copies not only of the paperwork you send to the bureaus and the furnishers during a dispute, but also your old credit reports. The reports often establish the time frames for obsolete information in event an item suddenly is re-reporting. This can happen because a lender has merged with another company or migrated their software.

Credit bureaus and furnishers continue to rely heavily on automated forms and processes to handle both reporting and disputes. While this may be more efficient and easier for furnishers and bureaus to understand, the danger here is that complex reasons and proof of the validity of a dispute can be reduced to a simple numerical code that may or may not accurately reflect the real issues. This coding is also subject to human error – judgments as what code best describes the situation, poor or inadequate training of those doing the coding, misunderstanding of the precise meaning of the codes and how they affect a consumer's credit report and score, nonstandard application and use of codes, data entry error and misunderstanding of the consumer's dispute, to name a few.

In addition, the credit bureau often does not forward supporting documentation it receives from the consumer regarding a dispute, so the creditor is missing the full story of why the consumer is disputing an entry and never sees the proof that an error was made. Reinvestigation by the creditor under the automatic reporting and dispute system is often a matter of simple verification of existing files, which reaffirms the incorrect information. This may happen even when the consumer disputes directly with the creditor and supporting documentation is provided, and when the creditor has at their disposal original documents such as the account application. The drive for automation and efficiency by both bureaus and creditors often precludes the time to review and assess anything but the existing consumer record.

Lastly, even if information is corrected by the creditor, if it is not updated in the database used for the electronic reporting, the correction will not be sent to the credit bureau and the incorrect information will still appear in your file.

"Split" and "Mixed" Files – What Are These?

You might think that the bureaus hold a complete document that contains all our information in one place in a sort of electronic filing cabinet. It's not like that. It's more like an ongoing blizzard of electronic bits flying around in a large universe. A "query" generated by an outside entity initiates a matching process, whereby various bits are pulled out of that universe and compiled to one report. Partial matches can cause the bits from two different individuals to land in one report as well as create multiple reports on the same person. That is why it's important to consistently apply for credit with your full name.

COLLECTION AGENCIES & CREDIT REPAIR CLINICS

No one ever plans to get into financial hot water. But when you stop making your debt payments, you can bet that it is only a matter of time before you start getting collection letters and are introduced to the world of debt collection. What can you do? You need to know your rights. You have rights under the Fair Debt Collection Practices Act, discussed in Chapter 11.

Disputing A Collection Account

Under the Fair Debt Collection Practices Act (FDCPA) “Validation of Debts”, your can notify the collection agency in writing within 30 days after receiving a collection notice that they are disputing the validity of a debt or any portion of the debt (see the sample Debt Validation Letter at the end of this book for an example). You can also request the original creditor’s name and address and contact them regarding the dispute.

It is best to communicate in writing and send mail first with a return receipt. Upon receipt of your letter of dispute, the collection agency must cease collection activity until they have verified the debt or provided you with the name and address of the original creditor.

Tips for Dealing with Debt Collectors

- Never agree to provide post-dated checks or any automated deduction from your checking account.
- Record the phone call if you can and at a minimum take detailed notes of your conversations.
- Don’t pay anything until you get agreement from the collector for your deal in writing. Delay negotiating till the end of the month – collectors are under monthly quotas for productivity.
- Request that your debt be shown as “paid in full” rather than as “settled.”
- Tell them as little as possible about yourself and don’t be pressured for time.
- Don’t agree to terms that you can’t afford – always offer less.

What happens if a collection agency won't accept my payment offer or I can't meet the repayment terms the collector is offering?

If you truly owe the debt, make sure that you document all contact with the collection agency: phone calls, letters, dates of conversations, etc. This will help if the creditor decides at some point to pursue legal action to collect the debt. For larger debts it's important to have the collection agency state their terms in writing before you make payment. A collector could make a representation that is not ultimately approved by his or her supervisor. Without the terms stated in writing you could find the payment you made intending to settle the debt has just been applied as a "payment" with a balance still owing! If you discuss payment terms in a phone call, be sure to follow up with a letter to the collector stating your understanding of the terms, especially if you made an offer to pay or settle the debt (even if it was rejected). Send your letter first class mail with a return receipt. If the collector states repayment terms different from those you proposed, ask to have a letter sent to you detailing exactly how much they are asking for (amount to bring current, monthly payments, rates, due dates, etc.) before you agree to or decline the offer. If the amount you owe is substantial, you may want to work with an attorney to discuss a settlement or to negotiate an acceptable repayment plan.

Debts that are in collections may be included in a debt management plan administered by a non-profit credit counseling agency. Some plans may also include debts that are the subject of legal judgments, provided the judgment has not proceeded to wage garnishment. A certified credit counselor can also help you review your spending and help you develop a budget, both of which can help you decide how much you can reasonably afford to pay towards the debt.

What happens when a collection agency pursues legal action?

It is possible that the collection agency will decide to pursue legal remedies to collect the debt. DO NOT IGNORE any communications from the court regarding summons or information pertaining to the lawsuit. If you fail to appear in court on the day the summons specifies, the creditor will usually win by default. Bring all your paperwork regarding the debt to court, including your previous offers to make payments.

If the collection agency receives a judgment against you, they can proceed with a request to garnish your wages (i.e., have your employer send them a certain percentage of the disposable income you earn). Federal law limits the amount of earnings that may be garnished to 25 percent of the debtor's disposable income. (Disposable earnings are the amount of earnings left after legally required deductions e.g., federal, state taxes, Social Security, unemployment insurance and medical insurance.) Individuals earning minimum or near minimum wage must be left with an amount equal to 30 times the federal minimum hourly wage.

Social Security benefits can by levied for payment of federal taxes, and garnished to collect unpaid child support or alimony. Benefits can also be offset (reduced) to collect other federal debts, such as Department of Education student loans. Unemployment insurance benefits, workers' compensation awards, relocation benefits or disability or health insurance benefits are usually exempt from garnishment, except for the type of debts mentioned above.

Claiming Exemption From Wage Garnishment

If the garnishment does not leave you with enough money for basic support of yourself or your family (and you will be asked to provide documentation to that effect), you can file a claim of exemption once the garnishment has started. Having documentation to show good faith efforts to repay the debt (history of payments, letters stating what you can afford to pay) as well as a budget showing your current financial situation will be helpful to your case. After reviewing the documents, the judge may decide to reduce or dismiss the garnishment, or to let it continue.

Special Alert on Junk Debt Buyers

Junk debt buyers are collection agencies that purchase "old" debts – they are working for themselves as they now "own" the debt. Junk debt buyers are subject to the Fair Debt Practices Collections Act (FDCPA) just like regular collection agencies because the debt was in default when they purchased it. Sellers of "old" debt include cell phone companies, utilities, medical companies, card issuers, and many other types of businesses.

How are Junk Debt Buyers different from other collectors?

Because junk debts are purchased for pennies on the dollar, collectors and junk debt buyers usually seek to negotiate a settlement with the debtor. Often, they report the debts as delinquent to the consumer's credit reports in order to trigger a settlement offer. Sometimes these debts are too old to be legitimately included on credit reports as they are past the 7 year statute of limitations for reporting since the original date of the derogatory antedates the 7 year reporting period. It's important to determine if your rights are being violated as reporting out of statute debts may be a violation of the Fair Credit Reporting Act FCRA. If the debtor goes along and settles the debt this activity runs the risk of having a recent paid collection on their credit file. Another common error is reporting the debt as revolving, which is not only inaccurate, but may cause the credit score to further decrease. The collection now looking like another revolving account in default, will be scored along with other revolving accounts on the credit report.

In some cases, junk debts are misrepresented as more recent than they really are. Another tactic is to report the debt as revolving, which is not only inaccurate, but also causes the credit score to further decrease. If the debtor goes along and settles the debt, this has the perverse impact of causing the credit score to plummet even further, since activity has been updated to the current time period.

Examples of Fair Credit Reporting Act and Fair Debt Collection Practices Act Violations

- *Re-aging is the practice of reporting a bad debt account as more recent than it really is. This may cause the FICO® score to drop dramatically since the scoring model interprets the re-age as a more recent default. Under the FCRA, the date the debt first becomes delinquent is the actual date that is supposed to be reported. If a consumer pays any amount toward the debt, the account is brought back under the statue of limitations for collection. Note that the state statutes of limitations for collection are different from FCRA statues of limitations for credit reporting.*

- *Misreporting the legal status (e.g., an open charge-off that was actually discharged in bankruptcy).*
- *Misreporting the "open date" and "date of last activity" on an account.*
- *Various state Penal Code violations (e.g., in California, consumers must be notified if their calls are being monitored or recorded).*
- *Multiple listings of the same debt. The same debt may be reported several times as it changes hands among buyers and sellers. Usually, these same debts are reported by the original creditor as well.*
- *Collectors pretending to be lawyers.*

It does not improve your credit score to settle an old debt unless the item is completely deleted from your credit report (not just reported as "paid in full").

If it is in your best interest to settle the debt, make sure the debt is included in your budget. Do not provide bank account or credit card account numbers, only pay by cashiers check or money order and keep originals of everything and get all agreements to delete the obsolete account entirely off your credit report in writing prior to paying any amount towards the debt.

Statute of Limitations for Debt Reporting vs. Statute of Limitations for Collection

If an unsecured debt has passed the statute of limitations for collection, debt collectors and debt buyers often can not collect on it, and may threaten to sue you to pay it even though that usually isn't permissible (contact the FTC or an attorney for more information). The important point to keep in mind when you are contacted by a collector in regard to an unsecured debt that sounds familiar but on which you have not made a payment for several years (either because it was settled for less than the full balance, unable to pay due to financial difficulties, or included in chapter 7 bankruptcy, etc…). Just because the debt is past the time it can be collected, does not stop collectors from trying to get you to pay, or from deliberately reporting it as more recent than it is.

Desperate consumers, often seeking to improve their credit in order to buy a home or car or maintain a job, will sometimes pay what they do not owe to stop collection calls and show debts as paid in order to satisfy a lender's or employer's requirements.

For credit bureau reporting purposes, the 7-year statute of limitations for old debt begins from the date of last activity (i.e., the date the account become delinquent, usually 30 days after the last payment made).

Once the debt is charged off by the original creditor, this derogatory date clock cannot legally be "reset" to reflect a newer date for reporting purposes, even if payment is later made as the Fair Credit Reporting

Act starts the clock at the original date of the derogatory rating.

For collection purposes, each state has different laws for collectors that govern the length of time collection activity can be pursued and legal action brought against a debtor. These time periods can vary, depending on the type of agreement – oral, written, promissory note, or open-ended account (credit cards are considered open ended accounts). Your state's statute of limitations for collection is usually identified in your state's civil code.

> IMPORTANT NOTE: If at any time you make a payment on a debt, this may re-start the clock for the collection period, but not for the reporting period. Say you owe $2,000 on a debt that is five years old, and the statue of limitations for collection is four years. You make a payment of $500 at the five-year mark – this starts a new four-year period for collections all over again, and collectors may pursue legal action to collect the remaining $1,500 you owe. On your credit report, the debt may remain for two more years (a total of seven years of reporting).

For the different types of agreements and the statutes that pertain to your state, please see the appendix, "State Statues of Limitations" at the back of this book. Be sure to check your state civil code for updates or changes, as this chart is provided for general reference only and is not intended as a legal guide or substitute for legal advice. If the contract for the debt was signed in one state and the debtor now lives in another state, often it is left to the collector to choose under which state's statue of limitations to pursue collection. If the collector is seeking a legal remedy for payment, you may want to consult a legal professional regarding the debt.

Example for illustrative purposes only:

1. *You make a payment on your credit card bill in June of 2004, and do not make another payment even though there is a balance. This is your official "date of last activity." Your account becomes delinquent in July of 2004.*

2. *The creditor charges off the debt six months later after it's collection efforts fail, in January of 2005.*

3. *In California, the debt cannot be legally collected after July of 2008, according to the state statute of limitations for collection (4 years for open-ended accounts).*

4. *The debt cannot be reported on your credit report past July of 2011 (7 years from date of last activity - July 2004). If the debt has been sold, it may appear with another creditor or collection agency's name as the "owner" of the debt, but the date of last activity should be the same as the original creditors (and the collection should not appear more than once with a balance owing). Remember that not all creditors or collectors report on the same schedule to the credit bureaus, so it may take up to a couple of months for a a credit entry ("tradeline") to be removed once the reporting limitation has expired.*

What to do if you are contacted regarding old debt or debt you do not owe:

- Don't assume you are wrong – assume instead that your rights are being violated.
- Keep all letters, account statements, and court records indefinitely (even from years ago).
- Do not provide the collection agency/junk debt buyer with updated personal information. Never acknowledge a debt with a collector or agree to any payment until the agency validates the debt (provides proof that you are indeed the party they are asking to pay the debt, and that there is some contractual obligation that is binding on you to pay this debt). Past billing statements are not proof.
- Don't accept credit card offers that come with an offer for settlement or request a payment in any other way.
- Monitor your own credit report – call 877-322-8228 to get your free annual credit report. You can also go to www.annualcreditreport.com. Be alert to the practice of "pharming" or "phishing" via imposter websites that are set up to mimic real financial institutions and other businesses in order to steal your identity.
- Contact an attorney who specializes in lawsuits for FCRA and FDCPA violations.
- Do not submit a "100 word statement" of explanation regarding a junk debt buyer to the credit bureaus as these may serve to validate what is in the report, which could be inaccurate or incomplete.
- Mail all dispute letters first class mail with a return receipt, and keep the return receipts (green cards) as proof of their receipt of your letter.
- If collection efforts persist after you have requested (verbally and in writing) that the collector cease communication with you, report the collector/agency to the Federal Trade Commission (www.ftc.gov) and to your state Attorney General's office (www.naag.org.)

A Word about Credit Repair Clinics

Having debts with collection agencies is only one indication that your credit report has taken a turn for the worse. In an attempt to remedy the situation, thousands of consumers are lured to credit repair companies each year with the promise of a quick fix. These companies are trying to exploit a valid need on the part of the public for credit repair assistance. Unfortunately, consumers often receive little or no help in exchange for the exorbitant fees charged by these so-called credit clinics. In many cases, these companies skip town with the consumers' hard-earned money, then continue operating under various aliases.

The important thing to remember is that credit repair companies cannot make all of your past credit mistakes magically disappear from your reports. Many try to sell you on a fraudulent repair technique called "file segregation", or practice frivolous bombardment with multiple disputes to the bureaus. Multiple disputes may be warranted, but this method can be ineffective. Disputing directly with the data furnisher can be more effective.

The Law Protects You From Unethical Credit Repair

In 1996, Congress passed the Credit Repair Organizations Act (CROA), which imposed strict regulations on credit service organizations and the credit repair industry. The purpose of the law is to provide prospective buyers of credit repair services with the information necessary to make intelligent decisions regarding the purchase of those services and to protect the public from unfair or deceptive advertising and business practices. The law was well intended but it has had the effect of driving the credit repair industry underground, where it currently thrives in various business models, especially on the Internet and in the back offices of mortgage lenders. Note that attorneys are legally able to conduct credit repair and there are some large law firms pursuing this business. It thrives because of the public's need for credit report correction assistance and because it's ideally suited for a home-based business. Despite the proliferation of credit repair operators on the Internet, pricing for this service seems to remain strong - in the several hundred-dollar range - while barriers to entry in this business are low.

The law defines a credit repair organization as a person or company which, in return for the payment of money or any other valuable consideration, offers to provide or perform any service, or provide any advice or assistance which would improve a consumers' credit record, history, or rating, or obtain a loan or other extension of credit. Although this definition encompasses many organizations, it does have some notable exemptions such as attorneys, chartered or licensed loan makers, banks and savings institutions, and non-profit organizations such as Springboard.

One consumer protection that was built into CROA is the rule that prohibits credit repair organizations from charging you money up-front for their services. In the past, credit repair organizations commonly required a large payment in advance, usually several hundred dollars, before performing any service.

The law requires credit repair organizations to:

- Refrain from engaging directly or indirectly in any act, practice, or course of business that would operate as a fraud or deception upon any persons in connection with services.
- Provide complete and detailed written description of the services to be performed and the total amount the buyer will have to pay.
- Refrain from charging or receiving any money or consideration prior to the full and complete performance of the service.
- Complete the performance of contracts within 90 days.
- Provide clients with a complete and accurate statement of the availability of non-profit credit counseling services.
- Print a statement in at least 10 point boldface type stating, "You have a right to sue a credit services organization if it misleads you."
- Register and receive a certificate of registration from the Attorney General's Office before doing business in California.

- Post a bond of $100,000 and maintain that bond for two years after the organization ceases to do business. Also, disclose in writing the consumer's right to proceed against the bond and provide the name and addresses of the surely company which issued the bond.

- Maintain copies of personally signed contracts in the business for two years.

The law further allows:

- Harmed buyers to bring action for injunctive relief and damages.

- Harmed credit reporting agencies may bring an action for damages or injunctive relief, or both.

Frivolous Bombardment

The Fair Credit Reporting Act of 1971 mandates that credit bureaus be given a period of 30 days in which to investigate consumer credit report disputes. If disputes are not settled within the 30 days, the credit bureau is then obligated to eliminate the item. In the past, credit repair companies have used this time limitation to their advantage by bombarding the credit bureaus with disputes that were too numerous to handle in the allotted time. Consumers' negative items may have been removed, but the relief is only temporary: the items will re-appear on the report the next time the data furnisher makes a report to the bureaus.

FACTA provides for the first time the right for consumers to dispute directly with the data furnishers themselves about inaccuracies on their personal credit report and get a response in a timely fashion. It is much better to use this avenue for a stale or incorrect item on your report than to pay a credit repair organization for a credit "band-aid".

File Segregation

Another technique favored by credit repair clinics is file segregation. Here, the credit repair clinic encourages its clients to apply for a new Social Security number, Employer Identification Number (EIN), Individual Taxpayer Identification Number (ITIN) or Bank Identification number in order to start a new credit history. The problem with this method is that it is a federal crime to misrepresent your Social Security number or obtain an EIN or ITIN from the IRS under false pretenses. The ITIN will not help in establishing a "new" credit history, as most automated credit approval and reporting systems require a valid Social Security number to establish and report credit accounts. In addition, people who change their Social Security numbers could be cheating themselves out of future Social Security benefits. Promoters of these file segregation scams have been arrested for numerous charges, including conspiracy to defraud the government. In other words, stay away from this illegal and potentially damaging credit repair scam.

WARNING SIGNS OF DEBT TROUBLE

Many people go through debt issues and don't realize that they are in debt trouble until their credit has been affected. Debts don't appear all of a sudden without warning. Like any other problem, consumers should pay attention to the warning signs in order to deal with the issues early on. Take a minute to review the list below to see if any of the situations apply to you.

- *Do you argue with your spouse about bills?*
- *Is an increasing percentage of your income being used to pay off debts?*
- *Have you reached or are about to reach the limits on your credit cards?*
- *Are you only able to make minimum payments on all your revolving charge accounts?*
- *Are you extending repayment schedules – paying a bill in 60 to 90 days that you once paid in 30?*
- *Are you chronically late in paying bills?*
- *Are you borrowing to pay for items that you used to buy with cash?*
- *Are you putting off a trip to the doctor or dentist because you can't afford it right now?*
- *If you were to lose your job, would you be in immediate financial difficulty?*
- *Do you know the total amount of all your debt, or are you afraid to add it all up?*

If you can say yes to any of the above statements, be careful. Your debts have reached a dangerous level and it is time to act now.

What To Do When You Can't Pay Your Bills

Don't ignore the problem – it will only get worse!

Get in contact with your creditors and explain your situation. Maybe you had a loss of employment, illness or other family emergency that has made it difficult to keep up with your bills. Explain this situation to your creditors.

Negotiate a Payment Plan. As surprising as it sounds, many creditors are willing to give you an opportunity if you let them know that you are going through rough times. Ask them to accept a partial payment this month or ask them to allow you to skip a payment so that you can get back on your feet.

- *Follow the repayment plan to which you have agreed.*
- *Make your plan realistic. Don't make false promises that you will be unable to keep.*
- *Keep continuous contact with your creditors until the problem is resolved.*
- *If feel you need help structuring or negotiating a repayment plan, talk with an accredited nonprofit consumer credit counseling agency.*

What Can Credit Counseling Do For You?

Seeking help from an accredited nonprofit consumer credit counseling agency can be the first step toward creating a better financial future. A reputable counseling agency can help you analyze your spending habits. The certified credit counselor will discuss your financial situation with you, help you understand what may cause financial stress, and help you develop a personalized budget and savings plan. The counselor will discuss options and solutions and an action plan with you for managing debt.

If it is in your best interest and if the payment fits within the proposed spending plan, the counselor may recommend a debt repayment through a debt management plan (DMP). A DMP alone is not credit counseling, and you should not sign up for a DMP until a certified credit counselor has spent time thoroughly reviewing your financial situation, and has offered you customized advice on managing your money. A debt management plan folds all eligible debt into one monthly payment, usually made through the counseling agency. The agency negotiates with your creditors to receive concessions to reduce costs to make it easier to pay the debt in full. These concessions may include lowering the interest rate and/or waiving certain fees, as well as halting collection efforts. The goal of the DMP is to repay debt completely within three to five years. During the your time on the plan, credit accounts will be closed and you are asked to refrain from using or taking on new credit. A good counseling agency will provide ongoing counseling during your time on a debt management plan, as well as provide education to help you improve your money management skills.

Be wary of credit counseling organizations that:

- charge high up-front or monthly fees for enrolling in credit counseling or a DMP.
- pressure you to make “voluntary contributions,” another name for fees.
- won’t send you free information about the services they provide without requiring you to provide personal financial information, such as credit card account numbers, and balances.
- try to enroll you in a DMP without spending time reviewing your financial situation.
- offer to enroll you in a DMP without teaching you budgeting and money management skills.
- demand that you make payments into a DMP before your creditors have accepted you into the program

How is a Debt Management Plan Reported to the Credit Bureaus?

Counseling agencies do not report to the bureaus themselves. While you are enrolled in the debt management plan (DMP), some creditors may report a narrative or notation underneath their tradeline that says "managed by consumer credit counseling" or something similar. Some creditors don't report at all. This is supposed to be removed by the creditors once you are no longer enrolled in the DMP. If it is not removed by the creditor it is easily corrected. Request that the creditor removes their "Y" (Yes) code (Yes on CCC) since continuing to report such is inaccurate.

Creditors report DMP participation to ensure you do not take on more credit card debt, as they want to make sure you are taking steps to reduce their unsecured debt. Since creditors are extending relief in the form of a reduced interest rate and waived late and/or over limit fees, they will view new unsecured debt (with their competitor's credit cards) as a threat to the success of the DMP. FICO™ removed the DMP notation from their scoring calculation as they found consumers enrolled in DMPs had no higher risk of defaulting on their credit card debt than non-DMP consumers. If you apply for a mortgage loan while in a DMP, your FICO® Score would not be dampened because of the notation itself, but the mortgage broker and underwriter will usually request an explanation when they spot the narrative. Some lenders will require that you be un-enrolled from their DMP so the narrative can be removed before passing the loan on to the underwriter. Mortgage lenders who still view participation in a DMP the “same as a Chapter 13 bankruptcy” are old fashioned, misinformed, and misguided.

Debt Settlement – What Is It?

A settlement is a negotiated payment arrangement between a creditor and debtor that allows the debtor to resolve his or her debt by paying only a portion of the balance due, not the full balance. Usually a third party, such as an attorney or a private "debt negotiator" (same as a settlement company) will handle the negotiation on behalf of the debtor. In recent years, a large industry of debt negotiators has evolved, and some have preyed upon consumers with high fees and poor servicing practices. The National Consumer Law Center has published a critical report on the debt settlement industry detailing practices that NCLC considers abusive or predatory. The report is titled "An Investigation of Debt Settlement Companies: An Unsettling Business for Consumers" and can be downloaded from www.consumerlaw.org. The report was critical of settlements done as an installment plan, which nonetheless is an option that is needed by many.

Q. What type(s) of accounts can be settled?

Many types of account issues can be resolved through a settlement. Although you should check with a certified consumer credit counselor, the typical debts that may be satisfied include:

- *Accounts in the process of collection*
- *Charged-off debt(s)*
- *Deficiency balances*
- *Defaulted student loans*
- *Legal claims on property*
- *Defaulted second mortgages and home equity loans*
- *Judgments*
- *Business debts*

Q. How does a settlement company work?

Debt settlement companies will suggest that you stop paying a creditor and instead pay into an account with the debt settlement company, who will in turn negotiate an account pay-off in a lesser amount with the creditor. Payment to the settlement company can be for 6-12 months in order to build up sufficient cash for the settlement.

Here's an example: If you owe a major credit card company $5,000 and your account is in default, the settlement company will recommend that you discontinue payments to your account. The payment funds are then redirected to the debt settlement company. In the meantime, penalties and interest continue to accrue on your account with the credit card company.

Once you have paid a certain amount to the debt settlement company – say, $4,000 - they'll contact that major credit card company on your behalf to settle the debt for an amount that's less than you owe. The creditor will often accept this payment and consider the debt settled.

Here's the danger in these services: once you stop paying your creditors, they can report negative payment information on your credit report. This is damaging to your credit, since credit profiles are largely based on payment behavior. Some settlement companies claim that they will have the negative information removed from your report as part of their negotiation with the creditors. This is not guaranteed, since accurate account payment history can stay on your credit report for seven years – and the "settled" notation is often worse than showing a delinquent payment history (e.g., 30, 60, 90-day lates). The account may even charge off while waiting for enough payments to build for the negotiation. (Charge-off is usually 180 days from your last payment.) There is also the possibility that the creditor will decide to take legal action to collect the debt once you stop paying on your account. Some creditors won't work with third parties and insist on communicating directly with their customers. Lastly, be aware that some debt settlement companies levy hefty fees as part of their services and that these fees are sometimes not disclosed to consumers.

To learn more about debt settlement companies, visit the Federal Trade Commission's website, www.ftc.gov and/or www.bbb.org, the website for the Better Business Bureau. You can also contact your state attorney general's office regarding state regulations that govern how settlement companies do business.

Q. What's the difference between a settlement and a DMP?

One of the major differences is the status of your account(s). If you are being threatened with litigation, or your account(s) are in the collection process, a settlement might make better sense. You can quickly reduce your debts, and the collection process or legal action is halted.

There is also a difference in the amount of time it takes to resolve your financial issues. Unlike a DMP, which can run three to five years, a settlement may be structured as a single payment or a short series of payments. (Recent changes to bankruptcy laws may well have a wide-ranging effect on how future settlements will be structured and the settlement terms.)

In addition, the amount "saved" by settling a debt rather than paying it in full may result in a tax liability. The IRS considers that the money not paid can be counted as income, and if that amount is over $650, it will be reported via Form 1099 as income, and must be declared on your tax return as such. Under a debt management plan, the debt is paid in full, so there are no tax consequences.

Q. Why would a creditor want to settle my debt?

Lenders take a risk when they loan people money and bankruptcy rates have been very high over the last 15 years. If your accounts are in delinquent status, your creditors are probably worried about the possibility of your declaring bankruptcy. Rather than receive little or nothing through the bankruptcy courts, they would prefer to accept a settlement to minimize their losses.

Q. What is a charge-off?

Because of government regulatory rules, banks have to remove bad debts from their books after six months. “Charge-off” is a financial accounting term for loss. It does not mean you are released from any obligation to pay the debt. The bank should report the account with a zero balance, but this is often not the case. Your credit report may also show an item from a collection agency for the same account. Mortgage lenders will want open charge-offs to be paid or settled before the closing of your loan to avoid the risk of future liens on a house.

Q. How is a Settled Account Reported to the Credit Bureaus?

As should be expected, settlements have a negative effect; they are reported as “settled” next to the account and this lowers the credit score. Sometimes it’s possible to get a “pay for delete” agreement, whereby the collector deletes the item from the credit bureaus in exchange for the settlement, but their contracts with the bureaus usually forbid this. Get all agreements in writing and never believe what the collection agent claims will be the effect on your credit.

SPECIAL CREDIT ISSUES

Credit Life After Bankruptcy

The Bankruptcy Reform Act of 2005

The Bankruptcy Reform Act of 2005 enacted the most sweeping changes in bankruptcy laws since 1978. These changes include:

- "Means Testing" for prospective filers, meaning you will have to qualify for bankruptcy relief as you do for public assistance, food stamps, Medicaid and other social safety net services.
- A prospective filer must have credit counseling with an approved non-profit credit counseling agency prior to filing. Agencies are approved by the Executive Office of the U.S. Trustees – the Justice department that oversees the bankruptcy system.
- A filer must complete a personal financial management instructional course for debtors (Debtor Education) before final discharge.
- Attorneys have significantly more documentation duties and liabilities. They are referred to as "Debt Relief Agencies" under the law.

The vast majority of bankruptcy filings in the U.S. are consumer filings, rather than business filings. Chapter 7 is the full discharge of one's debts; Chapter 13 allows you to retain assets, but you agree to a repayment plan.

Bankruptcy Background

The bankruptcy system is designed to help overburdened consumers resolve their debt problems and gain a financial fresh start. Over a million consumers declare bankruptcy each year.

There are two primary types of personal bankruptcy:

- Chapter 7, known as straight bankruptcy, which may involve liquidating all assets that are not exempt.
- Chapter 13, also known as a Wager Earner Plan, is a court approved repayment plan that allows a consumer to pay off debt(s) during a period of three to five years.

How Long Are Chapter 7 and Chapter 13 Reported to the Bureaus?

Chapter 7 - 10 years from the date of filing (same for Chapters 11 and 12).

Chapter 13 - 7 years from the date of filing if discharged. However, if case is dismissed for non-payment and the Chapter 13 plan was not completed, the derogatory tradeline item could then stay on for seven years from the date it became delinquent. For example, if three years into the Chapter 13 plan your bankruptcy is dismissed for non-payment, the account then becomes delinquent and may stay on for seven years from that date, which means 10 years after all.

Credit Report Problems After Bankruptcy

Open charge-offs often remain on the credit report – this is illegal and inaccurate.

Statistics show that three out of four people struggle with serious financial problems for up to three years before filing bankruptcy. Most are regular citizens who, unfortunately and for whatever reason, find themselves with more debt than they can repay. They are embarrassed, depressed, scared, and angry about what is happening to them. While there are those that abuse the system, they tend to be the exception rather than the rule.

As consumers emerge from bankruptcy, many find numerous tradelines on their credit reports indicating bad debts or charge-offs with balances still owing. In reality, these same accounts were liquidated via administrative relief and should be updated to zero balances and shown as discharged in bankruptcy.

Bankruptcy filers are natural prospects for high-interest loans. The bankruptcy alone will cast the filer into an undesirable rate tier and make it difficult and expensive to obtain new credit. Therefore, it is important to confirm your credit report and credit score are not damaged even further due to both the public record and the open charge-offs (balances owing) remaining on the credit reports.

Recent studies on data integrity issues in credit reporting touch on this issue, but just barely. Credit bureaus are supposed to receive updates from their subscribers (data furnishers) indicating which consumer accounts were included in bankruptcy. If those accounts are not updated, tradelines that were actually included and discharged in the bankruptcy will often indicate open balances and/or additional derogatory ratings. This misrepresentation of information may further negatively impact those reviewing the consumer's credit report as well as affecting the consumer's FICO® score. Accounts that are not updated have the potential to re-punish the score beyond the damage already inflicted by the public record notice of the bankruptcy itself.

"Bankruptcy Relisting" – What It Does

"Relisting" updates the tradelines to reflect a zero balance and as "discharged in bankruptcy." This will accurately update the credit report and often raises the credit score. Factors that primarily influence the credit scoring algorithm are payment history, utilization, length of time credit has been established, and inquiries for new credit. There may be some other dynamics within these primary influencing factors that lower a credit score when there has been inaccurate reporting of accounts discharged in bankruptcy, these are:

- *Additional tradelines appearing as seriously delinquent or in collections.*
- *Number of accounts delinquent.*
- *High amounts owed on accounts (that were discharged).*
- *Proportion of "balances" to credit limits on revolving accounts are high. (Another possible factor and inadvertent impact that needs further study is how much the "open charge-off with balance" raises the utilization factor. Under the FICO® model, higher utilization makes a score go down.)*

When data furnishers do not update the charge-off balance as discharged, it's twice as devastating to the consumer's credit rating. Many consumers are unaware their credit score is being damaged even more by misrepresentation of bad debts discharged in bankruptcy. Note: "twice" is just an estimate - none of us are able to predict the exact mathematical impact in the FICO® model.

Since so much in our lives depends upon our credit history, everyone has a big stake in making sure our credit reports are accurate. This inaccurate reporting situation can be common with creditors who stop working an account when a bankruptcy is filed, but fail to update the tradeline when the bankruptcy is actually discharged by the court. Without this update/relisting, the charge-off and/or high balances owing will further hurt a credit score that is already damaged from the public record entry item bankruptcy places on the credit report. Without the update/relist on the creditor tradeline portion of the credit report, it appears that the debt was not included in the bankruptcy and/or that there is new bad credit after the bankruptcy (a real score killer).

A debt discharged in bankruptcy would require a charge-off by the creditor, since they have to write the debt off their books as uncollectible. To report the tradeline with a balance owing (as an open charge off) is misleading. The "charge-off with balances owing" part of the notation must be deleted since the debt was discharged in bankruptcy. When a debt is discharged in bankruptcy and correctly reported to the credit bureaus, the updated credit reports display a narrative indicating the creditor's name, account number, and "discharged in bankruptcy," with no balance owing.

Often open charge offs may occur through: negligence on the part of data furnishers, or it may result from changes to technology as creditors or collection agencies merge with other companies, poor training of those who submit consumer data to the bureaus, or simply the length of time that it takes for the furnishers to receive notice of the bankruptcy. For example, a consumer may get collection calls because filers have not been scrubbed from the lists of debtors that are sold all over the place to junk debt buyers. No matter what the reason, both incorrect reporting and attempted collection of discharged debts is illegal, and the public is largely unaware of what's happening.

Why focus on this issue?

One might ask: "Why focus on this issue since having just the bankruptcy on one's record will prevent you from getting any sort of loan?" This is no longer true. There are mortgage loan programs out there for people one and two years out of bankruptcy, so inaccurate post-bankruptcy reporting can make a difference. Creditors need to update their internal records, recall accounts that have been sent to collection, and report correctly to credit bureaus. If this does not happen, there are situations where consumers have paid a debt that was already discharged in bankruptcy just to clear up a balance so they can get a loan or begin to re-establish credit. If their credit score is artificially lowered by inaccurate reporting, they may end up paying more than they should for credit products.

In addition, consumers undergoing an employer's background check should not have it appear as though they have experienced new problems or new bad credit after their bankruptcy. Having an accurate credit report after bankruptcy goes beyond reestablishing good credit, it means better rates, access to rental housing (tenant credit checks), insurance, education and other necessities of life.

My spouse filed bankruptcy and I didn't. How does this affect my credit score?

If you have a joint credit account with your spouse, and he or she files bankruptcy, then your credit report must reflect the discharge of the debt in bankruptcy as well. You are as legally responsible for charges and activity on a joint account as the person with whom you share it. Credit reporting agency guidelines that are given to data furnishers (credit granting companies who provide credit accounts and activity to credit reporting agencies) have provisions to indicate which of the couple is the primary consumer (the one who filed bankruptcy) and which is the secondary consumer (the one who did not file but was affected due to joint accounts). Often this difference is coded incorrectly or left blank on the reporting form, resulting in one spouse's bankruptcy public record showing on the other spouse's record as well and unfairly lowering the score.

- The primary consumer's report should show both the public record item of bankruptcy and the tradelines that were affected (reporting as zero balance and "discharged in bankruptcy").
- The secondary consumer's report should show the affected tradelines only, and not the public record item. The tradelines that were discharged in the bankruptcy will remain as a negative on the report for seven years and will be taken into account when the credit score is computed.

Tips:

- Check your credit report 90 to 120 days after your bankruptcy has been discharged and at least once a year afterwards. Make sure that the debts that were discharged are showing a zero balance.
- Always keep your bankruptcy documents, court filing paperwork and confirmation of the bankruptcy discharge.
- If you find mis-reporting, provide documentation to the bureaus and insist that any inaccuracies are cleared.

Using The "100 Word Statement" To Explain a Bankruptcy

Under the Fair Credit Reporting Act, consumers have the right to place a 100 word statement on their credit reports. Exercising this right when the bankruptcy is due to extraordinary circumstances or events outside a filer's control may help lenders make a more informed decision when deciding to grant credit after a bankruptcy. Below are some examples of statements that can be used:

> I attempted to repay my debts with the assistance of a non-profit consumer credit counseling service; unfortunately, I was unsuccessful. I then filed bankruptcy only as a last resort. I learned a great deal from the experience of bankruptcy and the educational programs offered by the credit counseling service, and I will have better control of my finances in the future.

> My bankruptcy filing resulted from the failure of my small business. We were not paid for services rendered, as a result could no longer afford to keep operating. I have taken measures to avoid experiencing this problem again in the future.

> I recently experienced the tragic death of a loved one. This situation caused a great financial hardship for my family and me, and I was unfortunately forced to declare bankruptcy. We have worked hard to get through this difficult time, and in the future will not experience the same financial difficulties.

> My bankruptcy filing was the result of a recent period of unemployment. Having lost my job during a period of economic downturn, I was unable to make my debt payments, and after exhausting every alternative, was forced to file bankruptcy. I am now employed again, and working to be better prepared for this kind of situation in the future.

> My bankruptcy filing was the result of a serious health crisis I experienced recently. With the tremendous expense of health care and the loss of income I experienced, I was left with no alternative but to file for bankruptcy protection.

> After going through a long and costly divorce, I was left with no alternative but to file bankruptcy. The cost of the legal proceedings coupled with the breakdown of our joint finances contributed to this situation, which I intend never to repeat.

Special Problems of Previously Married Individuals

If you have recently become divorced, separated or widowed, then you have entered a new phase in your life that can have a dramatic effect on your credit. Making wise decisions today can help you establish a favorable credit history independent of your former or deceased spouse. The following recommendations regarding credit can help you make wise decisions regarding your situation.

1. Obtain a Copy Of Your Credit Report

   - This will allow you to clearly see your actual credit history and will facilitate your ability to pursue the following recommendations.

2. Protect Your Good Credit

   - During the negotiations of divorce, continue to send a minimum payment to all joint accounts. If you stop making even just one payment, it will appear and remain on your credit report for seven years. This will make it very difficult for you to open new credit lines in your own name. Beware of well-meaning friends and relatives who may tell you to ignore making payments or to run up debts. In the long run, this will only hurt you.

   - Close and separate joint accounts. If it is possible, review and analyze with your former spouse all your debts and decide who will be responsible to pay each account. Once this has been decided, call the creditors and ask that they transfer your joint accounts to the person who is now going to be responsible for them. Be aware that the creditors have no obligation to comply with your request. In some cases, the sole cardholder may have to apply and qualify for a new account before the debt can be transferred. Until this happens you are still legally required to make the payments on this account.

   - If you have any mortgages, in most cases you will need to refinance the mortgage in order to take one of the names off the mortgage. If it is not possible for one person to qualify for the mortgage, it may be necessary to sell and split the profit.

3. Establish Your OWN Good Credit.

   - Start small and increase slowly. Apply for a credit card, on your own, with a low credit limit. You can find these at department store credit cards or from your bank. Once this credit line is opened, make sure to make payments on time in order to maintain a good credit rating. At about six months, apply for another card with a higher limit and keep making your regular payments. Of course, you want to be careful not to fall into any debt problems. Don't charge what you can't afford. Also, don't obtain too many new cards. Three or four should be your maximum.

- Ask a friend or family member to co-sign. If you can't qualify for a line of credit on your own, then you should ask a friend or family member with established credit to co-sign with you. Again, make sure to keep the account current by making all your payments on time. Remember that any negative history created in your credit file on this account will also appear on the credit file of the person who was kind enough to co-sign with you. After six months, try again to qualify for an account on your own.

- Consider getting a secured credit card. Many financial institutions will give you a secured credit card by just opening a savings account. These funds are put into a reserve and remain in the account at the bank as a guarantee of credit. If you make your payments on time for about a year, the institution might release the reserve funds and allow you to maintain the account as an unsecured credit card.

4. Pay Your Accounts On Time!

- The best way to prove that you are a good credit risk is by paying your accounts on time. Your payment habits during the first two years after a death of a spouse or a divorce are most important. It is during this time that creditors look to see if you will fulfill your financial obligations. So make sure you make it a priority to pay your accounts on time.

5. If You Are Sinking Financially, Get Help!

- If it seems like you can't cover your expenses on your own, an accredited nonprofit consumer credit counseling agency can help you create a budget and, if appropriate, design a debt management plan to pay your bills. Don't wait until your bills have piled up and creditors come knocking on your door. At the first sign of problems, seek help.

- Remember that declaring bankruptcy is not an easy way out. First of all, just presenting a bankruptcy request doesn't guarantee that it will be accepted. But whether or not you are allowed to declare bankruptcy, the fact that you filed will be noted on your credit report and will be viewed negatively. Even if your filing is accepted, there is no guarantee that all debts will be discharged. For example, you can't get rid of student loans, alimony, child support and taxes secured by liens through a bankruptcy filing.

- By far the worse part of bankruptcy is that it will remain on your credit report for up to 10 years. While declaring bankruptcy can eliminate some debts, filling Chapter 13 bankruptcy will remain for seven years and a Chapter 7 will remain for 10 years.

Frequently Asked Questions

Question: I recently lost my spouse and I have found out that all the accounts that were just in his/her name were closed. Can creditors do this even though I have a substantial income from my spouse's estate?

Answer: Yes. If the accounts were only in your spouse's name, upon his or her death, they can discontinue your right to use them. But you can apply for credit in your own name.

Question: Before my spouse and I were separated, he/she ran up sizable bills on my credit card. Am I responsible for these bills?

Answer: Yes. If the accounts are in your name, then you are responsible for paying the debts. You should advise the creditors in writing that your spouse is no longer authorized to use the card. You can have the credit card company close that account and issue you a new card. Be aware that if your spouse has been assigned to pay for the account by the court and he/she fails to make payments on it, it will affect your credit report. Let the creditor know of the arrangement, make sure they have your new address and phone number in order to let you know if the account becomes past due.

Question: My spouse left me and now I get calls from creditors for things that he/she bought for his/her own use. Am I responsible for these bills?

Answer: If the accounts were in both names, then yes, you are also responsible for the debts. If the accounts were solely in your spouse's name then you are not responsible for the debts. Should you and your spouse separate or divorce, the matter of these debts should be part of your legal settlement.

Question: My spouse and I recently separated. Can I keep my spouse from using our joint credit cards?

Answer: If either party of a joint account notifies the creditor that he/she wants to close the account, the creditor will close it. Neither party will then be able to use it. Both spouses can then apply for credit in their own names, based on their own creditworthiness. If the account was a joint account, both spouses are liable for all charges made up to the time the account was closed.

Question: My spouse and I recently divorced. I just found out he/she is continuing to charge on my credit accounts. Am I responsible for paying these bills?

Answer: Yes, if you did not give notice to the creditors that you no longer allow your ex-spouse to charge on your account. Once you notify a creditor (in writing) that you no longer authorize him/her to use your account, you are not responsible for the charges he/she makes.

Question: I am separated from my husband and receive monthly child-support payments from him. Must I disclose these payments when I apply for credit in my own name?

Answer: No, you don't have to disclose monthly child-support payments received from your ex-spouse. If you decide to disclose them, a creditor must consider child-support payments as part of your income, assuming the stability of these payments can be verified (usually by canceled checks or bank statements).

Question: Must credit bureaus maintain separate files on me now that I am divorced from my spouse?

Answer: Yes, credit bureaus must report information about you separately. However, that information may include your credit history on accounts that you held jointly with your spouse prior to your divorce, or information on accounts that were in your spouse's name but authorized for your use.

Question: My former spouse was a poor credit risk and had an unfavorable credit history. Can I be denied credit after we divorce based on information creditors receive about accounts I shared with my ex-spouse?

Answer: According to the Equal Credit Opportunity Act (ECOA), if you have been denied credit simply because an ex-spouse was a poor credit risk, a creditor must consider any information that you can offer to show that the unfavorable credit history on a former joint account does not accurately reflect your own credit history. In addition, the Fair Credit Reporting Act allows you to include a statement of dispute concerning inaccurate information on your credit report.

Question: After our divorce, my ex-spouse declared bankruptcy. Will that affect my credit rating?

Answer: Not if the bankruptcy occurred after the divorce. Once you are divorced, the credit history of your ex-spouse would have no effect on your credit standing. The Equal Credit Opportunity Act requires creditors to consider applicants on the basis of their own creditworthiness and not that of their spouses or ex-spouses.

Student Loans

The U.S. Department of Education's 2003–04 National Postsecondary Student Aid Study indicates that over half of students attending both public and private 4-year colleges are borrowing to pay for it. With education costs rising, more and more students are turning to both public and private student loans to help them get an education and, after graduation, good jobs. It also means that increasing numbers of students are graduating with long-term debt.

Student loans are often a young person's first experience with large-scale borrowing. Student loan debt is serious – virtually all student lenders report to the credit bureaus and, like any other debt, late payments, missed payments, default, and collections are all part of the payment record. In addition, federal student loans (and federal education loans to parents) that fall under Section 484A(a) of the Higher Education Act are not considered time-barred debt, so no statute of limitations applies to their collection and time limitations are not a defense for non-payment. Most student loans cannot be discharged through bankruptcy.

Certain types of student loans may be canceled under certain circumstances, such as disability or the death of the student, closure of the school the student was attending, and special programs such as forgiveness of loans for teachers or military service. Lenders will be able to work with students or their families regarding eligibility requirements for forgiveness or cancellation of student loans; ask about this upfront when you are applying.

How Students Can Pay for Higher Education:

Saving for Education: there are many programs available for both parents and children to save toward the cost of a college education. Coverdell Education Savings Accounts, (previously known as Education IRAs) allow yearly, capped contributions to savings accounts specifically earmarked for education. Interest accumulates tax-free and qualified deductions are not taxed. Either students or their parents may own these accounts, although contributions are limited above certain income levels. These accounts and other savings or investments that have been set up for the student may have an impact on the amount of additional aid a student may receive from other sources. Those who receive tax-free distributions from Coverdell accounts may also benefit from Hope Credits or Lifetime Learning Credits in the same year.

Scholarships and grants: Millions of dollars are available each year in scholarships and grants; these are funds that do not need to be repaid. Scholarships may be awarded for academic achievements, athletic achievements, artistic ability, major field of study, or other criteria. Check your high school or college counseling centers, college financial aid offices, or local libraries–all excellent places to begin searching for scholarship and grant opportunities. The internet also offers countless places to apply, but exercise caution before submitting online applications that ask for personal identifying information such as Social Security numbers or financial information. Check out the organization or institution that is offering the scholarship; ask what schools recipients have attended and verify requirements for application.

Loans: Both public (Federal and State supported) and private loans are available for students attending both public and private 2- and 4-year educational institutions. Each lender and/or loan type will have its own eligibility requirements, repayment options, interest rates, fees and penalties, and all these should be compared when shopping for an education loan. In short, you should shop as carefully for a student loan as for any other credit product, taking into consideration not only the terms and conditions of the loan, but also their own financial situations and ability to repay the loan when payment comes due.

Working through school: Based on your financial situations and academic and career goals, you may choose to offset all or part of the cost of your education by working while attending school. Many academic programs are set up to accommodate working students, with classes offered in the evenings, weekends, or available through internet study. If you will be working while attending school, keep this in mind when choosing a college or university and planning your academic career.

How Parents Can Pay For Higher Education:

Educational Loans: Parents as well as students can apply for educational loans. PLUS loans, available through the Federal Family Education Loan (FFEL) Program and the William D. Ford Federal Direct Loan (Direct Loan) Program, are examples of federal education loans parents can apply for to help pay costs for dependent undergraduates who meet enrollment, program, and school eligibility requirements. These loans will require a credit check, and there are fees and interest attached to them. Parents must also meet other general eligibility requirements for federal student financial aid. Loan amounts are limited to the cost of school attendance, minus any other financial aid the student received. There is no grace period for these loans, and interest accrues from the time the first disbursement is made. First payment is usually due within 60 days after the loan is fully disbursed.

Parents may also apply for private loans to help cover the cost of education from a variety of private lenders, or take out a home equity loan or line of credit to help pay educational costs. Interest on these loans may be tax-deductible.

Investments and IRA withdrawals: If you have a student in school, you may choose to cash in investments or make withdrawals from an Individual Retirement Account (IRA) to help defray educational expenses. Interest on loans may be tax deductible and there may be tax consequences for IRA withdrawals, so you should consult a tax professional before deciding on a loan or financing option.

Tax Incentives for Education-Related Expenses

The IRS does offer tax credit programs for individuals and dependent children who have education-related expenses.

The Hope Credit is up to $1,500 a year for each eligible student; grants and scholarships will reduce the credit amount. There are other restrictions, and tax credits are a benefit only to the extent that you owe income tax.

Lifetime Learning Credit: up to $2,000 a year in federal taxes, with no limit on the number of years you may claim Lifetime Learning Credit. This program also has guidelines for eligibility and how much you may claim.

Refer to IRS Publication 970, *Tax Benefits for Higher Education*, for more information. This booklet is available in PDF format at www.irs.gov.

Loan Repayment Options

Many student loans have low interest rates, and repayment is not required until graduation or a student leaves school. If students leave school, don't graduate or can't find employment once they do, the loans still must be repaid. If you find yourself with student loan debt and without the means to repay it, there are several options that you can discuss with your lenders:

Graduated payments: Loan repayment amounts are lower at the beginning of the repayment period and increase over time. This may be a good option if you are having trouble finding work after graduation but have in-demand skills that are likely to lead to higher paying jobs as time goes on.

Extended payments: This option stretches the life of the loan out as much as 25 years, depending on the type of loan and/or the lender.

Deferred payments: Deferment is a postponement of repayment under various, specific conditions, and is a temporary situation for a specified period of time. You must apply for a deferment and continue making regular payments until the deferment is granted. Different types of loans have different conditions for deferment and different pay schedules – some will allow deferment of both principal and interest, while others may only allow deferment of the principal amount. Check with your lender or loan servicer for conditions and requirements for deferment.

Income-sensitive payments: In this case, monthly payments are based on a percentage of the borrower's monthly income (certain loans only).

Forbearance: You can reduce or suspend payments for specified periods and under certain circumstances. Interest will continue to accrue during forbearance periods and if, not paid, will be capitalized.

Loan Consolidation: This option consolidates all of your student debt from various lenders into one payment, made to one loan servicer. It is refinancing existing loans into one new loan. This can potentially lower the interest rate (and allow conversion from a variable to a fixed rate) and lower monthly payments by extending the life of the loan from a standard 10 years to as much as 20 or 25 years. Consolidation loans are available from Sallie Mae as well as various private loan companies.

All of these options have specific guidelines and requirements established by the lenders and/or servicers, so if you are considering a payment modification program, you should check with your lender regarding costs and eligibility.

Loan Default

If a student loan goes into default, a number of things may happen:

- If your original lender fails to collect on the delinquent payments, the loan may be turned over to a guaranty agency in your state or the U.S. Department of Education for collection.
- The loan may be "accelerated", in which case the entire balance of the loan (principal and interest) becomes due in a single payment.
- The U.S. Treasury may withhold the amount of your loan payment from your Federal or State tax refund, if you are eligible to receive one.
- Additional costs for collection may be added onto the loan after it is turned over to a private collection agency.

- Your wages may be garnished, and your employer will be required to forward 15% of your disposable pay toward repayment of your loan. Federal employees may have the same amount forwarded to satisfy repayment through the Federal Employee Salary Offset Program.

- Legal action may be taken to collect the loan.

- Your credit score will be lowered by the negative marks created by late or missed payments and any collection activity.

- Those who have defaulted on their student loans may find themselves ineligible for other federal loan programs such as FHA or VA loans, which can damage the ability to get a loan for a home or another student loan if the student returns to school.

Loan “Rehabilitation”

This allows you to bring defaulted loans current and then continue to make regular payments as before. Usually, it involves making a certain number of payments on a prearranged schedule, often over several months. “Involuntary” payments, such as wage garnishments, do not count towards rehabilitation. Once the loan has been rehabilitated, it will no longer be considered in default and the lender should cease reporting the negative status to the credit bureaus. Eligibility for other payment options such as deferment and forbearance will be restored. Any collection efforts such as wage garnishment or withholding of tax funds will cease.

Resources

These sites also have excellent information on saving for college, choosing a college, and have easy-to-use interfaces to apply for and manage student loans, as well as resources for repayment options.

U.S. Department of Education
Information on applying for student loans, PLUS loans for parents, repayment options, and loan consolidation
www.ed.gov

Federal Student Aid Information Center (FSAIC) 1-800-4-FED-AID (1-800-433-3243)
http://studentaid.ed.gov

Sallie Mae
The nation’s largest provider of student loans
Toll free: (888) 2-SALLIE (888-272-5543)
www.salliemae.com

Internal Revenue Service
Information on tax credit programs, Coverdell accounts, and tax-related questions.
www.irs.gov

Medical Debt

The rising costs of health care mean that the share of any medical bills consumers pay is likely to be higher, and the possibility that future care from the same provider will be denied due to debt is very real, especially for those in areas with limited healthcare facilities. Medical debt is often cited as one of the reasons for bankruptcy – not only because of the costs of care, but also because serious illness or injury may reduce a person's ability to work or force him or her into a lower-paying job, thus reducing income.

Medical debt is also quick to go to collection, due in part to doctors and hospitals employing third-party billing services. If payment is not prompt, the next phone call a patient gets may not be from the doctor's office, but rather a bill collector. Medical debt collection is subject to the same regulations as other debt collection under the Fair Debt Collection Practices Act (FDCPA), so a review of your rights under FDCPA will help if calls are escalating.

If you are contacted regarding medical debt, here are some suggestions:

Review your insurance policy. Virtually every health care facility asks patients to sign a Patient Financial Responsibility document. In basic terms, this states that you as the patient are responsible for paying your medical bills, regardless of whether you have insurance. Even if you have insurance, it probably won't cover everything. With rising medical costs, consumers are being asked to pay more of the costs of their health care through co-pays, restrictions in coverage, and reductions in covered benefits. If you have insurance, take some time to go over the policy and make sure you understand the coverage. Visit the company website or call to ask about any specifics of your coverage you don't understand. Make sure the insurance company receives claims paperwork for any covered costs you are being asked to pay, and remember it is your responsibility as the policyholder to keep track of payments for claims. Many policies have time limits on when claims can be filed, so don't assume that everything is fine just because you don't receive a bill from the doctor's office or hospital. Follow up and make sure you are receiving all the coverage you are paying for.

Check the bill carefully. Medical billing errors are common, and it pays to check the bill. Pay attention to items that appear more than once on the same day to avoid being billed twice for the same item or service. Check quantities – did you receive 2 pain tablets or 20? Were you billed for a full day's medications or treatments when you may have been in the hospital for only a few hours after being admitted? Dispute charges that may be due to hospital error – a test was delayed, you were "bumped" from a scheduled procedure due to emergency patients, etc. Are there charges that should have been billed to your insurance company? Ask about any items listed that you don't understand.

Negotiate. Hospitals and doctor's offices often have one rate for patients with insurance and one for "cash only" patients. The rate for those with insurance is almost always lower, since the rates are pre-established with the insurance companies or medical network, such as a Health Maintenance Organization (HMO). Ask for the lower rate. Most facilities can work out a payment plan. Make sure that any payment agreement is in writing, and that payments are at an amount you can afford.

Explore your alternatives for care. There are alternatives (albeit not always ideal ones) for those who simply cannot afford the cost of medical care or insurance. If a true medical emergency (serious injury, heart attack, serious illness, etc.) occurs, there are hospitals that may provide treatment regardless of the patient's ability to pay. Once the patient is stabilized, hospital policy may dictate that he/she be moved to another facility for further treatment. Low-cost medical clinics are available in many cities or may be run under county or other government oversight. Disability programs may help cover medical care if your ability to work is compromised and many drug manufacturers have programs for providing essential medication at reduced costs. Those who have served in the armed forces may be eligible for care through veteran's benefits. Faith-based or charily programs may also be available for those needing assistance with bills. Be sure to explore all these options if outstanding medical debt prevents a return to your original doctor or medical facility.

Don't turn medical debt into secured debt through a second mortgage or a home equity loan. You risk losing your home if you can't keep up with the increased payments, whereas the only legal recourse a medical collector has is to sue you for the debt. Since medical debt is unsecured debt, it can be repaid through a debt management plan or, in cases of extreme financial hardship, discharged in bankruptcy (although real property may still be lost). If medical debt is truly overwhelming, you may want to consult an attorney about your legal options.

Give priority to bills that affect your daily living. A place to live, food, basic utilities, and transportation to work are all "essential" expenses. Pay medical debt that has gone to collections after these. Putting your home, family, or job at risk won't help you pay the debt – it will only increase stress and possibly jeopardize your future ability to pay other bills as well.

Resources:

American Association of Family Physicians
www.aafp.org
Understanding Your Medical Bills – a basic explanation on reading medical bills and Explanation of Benefits (EOB) statements from your insurance company http://www.aafp.org/fpm/20040300/medicalbills.pdf

National Consumer Law Center (NCLC)
www.consumerlaw.org
Unhealthy Pursuits - How the Sick and Vulnerable are Harmed by Abusive Medical Debt Collection Tactics, December 2005, PDF (382KB)

Tax Debt

The following information is from the website of the Internal Revenue Service, www.irs.gov, and is current at the time of this writing. Consumers with specific tax questions should contact the IRS, a tax professional or an attorney for guidance to ensure that the information they receive is up to date and in accordance with current tax law.

The American Jobs Creation Act signed by the President on October 22, 2004 created section 6306 of the Internal Revenue Code permitting private sector debt collection companies to collect federal tax debts.

5 Things You Should Know

- The IRS and State Collection Divisions can and will levy bank accounts, garnish wages and seize assets.
- Just because the IRS letters stopped showing up in your mailbox, does not mean that you're off the hook.
- The problem is not going to go away on its own. Letting time pass without taking action will only make it worse.
- Dealing with a tax issue can be overwhelming. You don't have to go through it alone. You may consider contacting a tax attorney or legal aid to guide you through the process.
- A Notice of Federal Tax Lien could be filed that may have a detrimental effect on a taxpayer's credit standing.

It's Important to Pay Taxes in Full

Whether paying with a timely filed tax return, or filing late and paying late after receiving a bill from the IRS (and the bill is correct), taxpayers are encouraged to pay the taxes they owe in full. If taxes are not paid, and no effort is made to pay them, the IRS can ask a taxpayer to take action to pay the taxes, such as selling or mortgaging any assets owned or getting a loan. If effort is still not made to pay the bill, or make other payment arrangements, the IRS could also take more serious enforced collection action, such as levying bank accounts, wages, or other income, or taking other assets.

Receiving a Bill From the IRS

If payment for the full amount of tax due is not sent with the tax return, a bill called a Notice of Tax Due and Demand for Payment is mailed to the taxpayer. The notice, or bill, includes unpaid taxes due, plus applicable penalties and interest. It is best to pay the amount due on the bill in full to help minimize the amount of penalties and interest charged. The interest rate a credit card issuer or bank charges may be lower than the combination of interest and penalties imposed by the Internal Revenue Code.

What If the Bill is Wrong?

Taxpayers believing that a bill or notice is wrong should contact the IRS as soon as possible by calling the number on the bill, writing to the IRS office that sent the bill, calling 1-800-829-1040, or visiting a local IRS office.

To help correct the problem, a copy of the bill along with copies of any records, tax returns, and canceled checks, etc., should be gathered to help explain why the bill is wrong. A response by letter should explain why the bill is wrong and include copies of all documents to explain the situation. Original documents should not be submitted. If the IRS confirms the error, an adjustment will be made to the taxpayer's account and, if necessary, a corrected bill sent.

Payment Plans, Installment Agreements

Whether you call it an installment agreement, payment agreement, payment option or a payment plan, the idea is the same — you make payments on the tax you owe. For those who cannot resolve their tax debt immediately, however, an installment agreement can be a reasonable payment option. Installment agreements allow for the full payment of the tax debt in smaller, more manageable amounts.

Offer in Compromise

If taxpayers are unable to pay a tax debt in full and an installment agreement is not an option, they may be able to take advantage of an offer in compromise (OIC). Generally, an OIC should be viewed as a last resort after taxpayers have explored all other available payment options. The IRS resolves less than one percent of all balance due accounts through the OIC program.

An offer in compromise OIC is an agreement between a taxpayer and the IRS that resolves the taxpayer's tax debt. The IRS has the authority to settle, or "compromise," federal tax liabilities by accepting less than full payment under certain circumstances. A tax debt can be legally compromised for one of the following reasons:

- **Doubt as to collectibility** - Doubt exists that the taxpayer could ever pay the full amount of tax owed.
- **Doubt as to liability** - Doubt exists that the assessed tax is correct.
- **Effective Tax Administration** - There is no doubt the tax is correct and could be collected but an exceptional circumstance exists that allows the IRS to consider a taxpayer's OIC. To be eligible for a compromise on this basis, the taxpayer must demonstrate that collection of the tax would create an economic hardship or would be unfair and inequitable.

As the result of the issuance of the revised Form 656, Offer in Compromise (2/2007 revision), a taxpayer is now required to file a Form 656 – L, Offer in Compromise (Doubt as to Liability) when it is believed that the tax liability is incorrect, while Form 656, Offer in Compromise should be filed only when there is doubt as to collectibility that the tax liability could ever be paid in full, or under the basis of Effective Tax Administration (ETA). A taxpayer is no longer able to file offers concurrently claiming both that the tax liability is incorrect along with an inability to pay it.

Form 656, Offer in Compromise (2/2007 revision) also incorporates changes in the processing guidelines as the IRS will no longer investigate an offer for a tax year or tax period that has not been assessed. The IRS will return the offer back to the taxpayer if it is submitted solely for an unassessed tax year or tax period.

Taxpayers should beware of promoters' claims that tax debts can be settled for "pennies on the dollar" through the offer in compromise program. Check the OIC requirements to see if an offer in compromise is right for you.

Is an Offer in Compromise Right for You?

Should the IRS determine that a taxpayer is unable to pay the liability in a lump sum or through an installment agreement and has exhausted the search for other payment arrangements the last option would be to file an Offer in Compromise (OIC).

An OIC allows taxpayers to settle their tax liabilities for less than the full amount. Taxpayers should use the checklist in the Form 656, Offer in Compromise, package to determine if they are eligible for an offer in compromise. The objective of the OIC program is to accept a compromise when it is in the best interests of both the taxpayer and the government and promotes voluntary compliance with all future payment and filing requirements. See IRS Policy Statement P-5-100 for the complete OIC policy statement.

SOURCE: Web page(s). IRS and States Announce Partnership to Target Abusive Tax Avoidance Transactions (Sept. 16, 2003) Retrieved July 17, 2007, from Internal Revenue Website (www.irs.gov) Web site: http://www.irs.gov/newsroom/article/0,,id=112866,00.html

PREDATORY LENDING AND OTHER SCAMS

Don't be lured by what seems to be a favorable deal but which may be predatory lending. In these cases, the lender takes advantage of people by charging high interest rates and excessive fees (without verifying the person's capability to pay back the loan), doing repeated refinancing, or requiring balloon payments that the person cannot pay. These predatory lenders frequently seek out desperate consumers with little understanding of credit who are the sole homeowners and have low income. These lenders give loans to people who usually will not be able to finish paying the debt.

Illegal Practices

It is not illegal to loan money at a higher interest rate than normal to people who have bad credit, although in certain states interest rates have a limit to avoid unfairness. The Truth in Lending Act states that the lending companies have to inform the loan applicant in advance of all the terms and costs of the loan, including the annual interest rate (APR). If you are considering refinancing your home, federal law gives you three days to cancel the loan after signing the refinancing papers, a loan on home equity or to purchase an additional home. This is your "right of refusal." Within 20 days of cancellation you should receive a full refund of the money you paid out. The law also offers further protection against higher interest rates or fees if the loan is a refinance, an equity loan, or second mortgage. This law includes loans with interest rates of at least 10 points more than that of the Treasury index with the same expiration time.

Advice And Assistance

The Federal Trade Commission accepts consumer complaints that it utilizes for investigations of illegal practices and offers a variety of publications on credit, home improvement, and consumer rights. (They do not deal with individual complaints.) For more information call 877-FTC-HELP (877-382-4357), or go to www.ftc.gov.

Stop mortgage fraud (www.stopmortgagefraud.com) is a web page sponsored by the Mortgage Bankers Association. It has information on how to know when you have been a victim of abusive lending and gives advice as to where you can present a complaint if this has happened to you.

How To File A Claim

Offices of the National Association of Attorneys General
Look up the state government offices section of your phone book, or visit the National Association of Attorneys General web page at www.naag.org, there you can get a list of the state attorneys general.

State Officials on Mortgages
Look up the state government offices section of your phone book, or visit the Mortgage Bankers Association web site at: www.mortgagebankers.org/state_update to obtain a list of state officials.

Currency Comptroller
(For federal law violations on loans and processes and real estate agreements) consumer assistance line 800-613-6743, can also be reached at www.occ.treas.gov.

Department of Housing and Urban Development (HUD)
Department of Consumer Claims and Regulations, interstate land sale, division RESPA 202-708-4560, www.hud.gov/complaints/landsales.cfm.

Federal Deposit Insurance Corporation (FDIC)
Division of consumer claims 877-ASK-FDIC (925-4618), web page: www.fdic.gov.

Federal Trade Commission
(For federal law violation on consumer mortgage companies and financial institutions loans) call 877-FTC-HELP (382-4357); or visit their web site: www.ftc.gov; TTY 202-326-2502.

Federal Reserve Board of Governors of the Federal Reserve System, consumer claims 202-452-3693; web page: www.federalreserve.gov/pubs/complaints.

Don’t Become A Victim

The best way to protect yourself is by not signing any loan that is not to your advantage. If you fall victim, it will be difficult to get your money back and, in many cases, victims of predatory mortgage or auto loans will lose their car or house.

If your lender has taken advantage of you, immediately call the bank loan commissioner and the attorney general of your state; also contact the Currency Comptroller for advice on how to file a claim. You can also file a claim with the Federal Trade Commission and with counseling and defense groups (see previous section entitled How to File a Claim). When contacting the proper authorities, document your claim to assist the regulating agencies to identify abusive lenders.

In most cases, victims of abusive and deceptive lending will have to hire a lawyer to sue the lender.

Don’t Be Misled With A Loan

Compare loans with various lenders, including banks and loan companies. Never let anyone pressure you into signing, a tactic many lending companies use to take advantage of you.

Before signing, talk it over with a friend, family member, or someone at work who understands about loans, or call local community consumer organizations for advice. Read completely all contracts before signing; don’t sign them if you don’t understand them. Ask for general information on the terms of the loan as it is being explained to you. You have a legal right to know your monthly payment, interest rate and length of the loan as well as the total amount you will pay (including interest and charges) until you finish paying the loan.

Real Estate Property Fraud

For many people, few things would be more devastating to their financial security than losing their home or being taken in a real estate scam. Yet every year, many people fall victim to the schemes of clever con men who are out to do just that.

Perhaps the most dangerous part of this type of fraud is that many people are unaware that their property is in any danger until it’s too late. To protect yourself, it’s important to become familiar with some common examples of real property fraud.

Foreclosure Scams: If your home goes into foreclosure, chances are good that you’ll receive dozens of letters from foreclosure consultants and equity purchasers who promise to stop the foreclosure by purchasing your home, or by getting you a new home loan. Beware of these offers! In some cases, if your home is worth more than you owe on it, they may have you sign your home over to them on the promise that they will get you a loan. Once your home is in their name, they take out loans and keep the proceeds. Some have you “rent” your own home from them, promising they will sell the house back to you later. This never happens. Instead, they keep your rent payments until your home is lost in foreclosure.

Undeveloped Land Fraud: In this type of real estate fraud, unscrupulous sellers unload property that does not comply with subdivision laws and/or cannot be used as you intended. For example, a seller of land may represent that the property has access to water, roads and utilities, and is ready to build on. Later, when you apply for building permits, you learn that the seller’s promises were false. Another common practice in undeveloped land fraud is for the seller to show you one property, then sell you a different property. This is accomplished by falsifying the land sale contract or deed (a deed is a signed and usually sealed instrument containing some legal transfer, bargain, or contract).

Home Equity Fraud: This type of fraud occurs when your signature is forged on a deed and the equity in your home is stolen through loans taken against your property. A missing property tax bill is often the first sign of home equity fraud. Receiving mortgage documents or payment books for loans you never applied for is another common sign.

How You Can Protect Yourself

To protect yourself from real property fraud, obtain title insurance before you buy any property and consider having purchase documents recorded with the County Registrar-Recorder. To protect the public, the Registrar-Recorder mails property owners copies of recorded documents that impact ownership of their property. If you receive notice that a property document has been recorded and you have no knowledge of the transaction, it may be a sign of real property fraud. For more information or to report a fraud, contact:

California Department of Consumer Affairs
400 R Street
Sacramento, CA 95814
800-952-5210
www.dca.ca.gov

Check under the state government offices in your phone book for a similar listing in your state.

Prize Offers – Too Good To Be True?

If you receive a letter or phone call touting a prize offer that sounds too good to be true, it probably is. So don’t waste your time. However, if you wish to file a complaint about a fraudulent prize offer contact your state Attorney General, local consumer protection office, and the Better Business Bureau.

You also may contact the National Fraud Information Center (NFIC), a nonprofit organization that operates a consumer hotline to assist in filing complaints. Contact information is listed below:

National Fraud Information Center
Phone: 800-876-7060
Internet address: www.fraud.org

In addition, you may want to file a complaint with the Federal Trade Commission by writing to:

Correspondence Branch
Federal Trade Commission
Washington, DC 20580

Although the FTC generally does not intervene in individual disputes, the information you provide may indicate a pattern of possible law violations requiring action by the Commission. If you received the fraudulent offer through the mail, the U.S. Postal Service wants to know. Contact information for California is listed below:

Postal Inspector Los Angeles
P.O. Box 2000
Pasadena, CA 91102-2000
Phone: 626-4051200
Fax: 626-405-1207

To locate a post office near you, you can go to www.usps.com and click on Postal Inspectors.

Pyramid Schemes

Thousand of Americans have lost millions of dollars participating in illegal scams known as pyramid schemes.

Pyramid schemes come in many forms, but they all require large numbers of people (at the bottom of the pyramid) to pay up-front money to a much smaller group of people (who have been in the organization longer and are therefore at or near the top of the pyramid). Each new participant pays for the chance to advance and profit from payments of others who might join later.

If you suspect that a company may be an illegal pyramid scheme, contact your local law enforcement office or the district attorney of the county in which the pyramid is operating.

Pre-Paid Calling Card Scams

For many consumers, pre-paid phone cards provide a convenient and economical alternative to cell phones or coin calls. But as the pre-paid phone card industry mushrooms, and as more people buy and use the cards, some problems are coming to light.

If you've purchased a calling card that doesn't work even after you've called the customer service number, call or write to your local Consumer Affairs Department, state Attorney General, or Better Business Bureau to file a complaint. You may also contact:

The Federal Trade Commission
Division of Service Industry Practices
Washington, DC 20580
Phone: 202-326-2222

To find a Better Business Bureau office nearest you, go to their web site: www.bbb.org.

PRACTICAL ADVICE FOR YOUR CHECKING AND DEBIT ACCOUNTS

Your Checking/Debit History

Having a checking account is a privilege, not a right. That's why it's important to maintain your account responsibly. If you don't have a checking account, you may be susceptible to the high fees of check cashing businesses and payday lenders as well as be subject to the risks of always carrying around cash. Some low cost or free bank accounts only have access via an ATM card. Just as your credit history is important to obtain credit, your checking/debit history is important to your current and prospective financial institutions in order to evaluate your ability to manage your deposit accounts responsibly. Your checking/debit history may also be reviewed by credit issuers to make decisions about lending when you have little to no credit history.

There are a number of unpleasant consequences for writing bad checks:

- *Your bank or credit union could charge you an overdraft fee.*
- *The place you wrote the check to could also charge you a fee.*
- *The place you wrote the check to could refuse to take any more checks.*
- *Your name and account information could be reported to a "debit bureau" such as Telecheck, ChexSystems, or SCAN, where it would be placed on a bad check writers list.*
- *Other places could refuse to take your checks.*
- *Your bank could close your checking account.*
- *Other banks could refuse to open a checking account for you for some time.*
- *You may face criminal charges*

Keep your checkbook up-to-date

If you don't keep your checkbook organized and up-to-date, you could lose track of how much money you have and start bouncing checks. Following are some tips to help you keep your checkbook in order:

1. Review your monthly bank statement. Make sure that neither you nor the bank have made any errors. Check off everything recorded in your checkbook by comparing it to the details on your bank statement. Check off everything that matches. Then, if you have forgotten to log something in your checkbook, now is the time to do it.

2. Take advantage of technology. You don't have to wait for the monthly statement to arrive to find out what is going on with your account. Many banks have 800 numbers you can call to find out your balance, what checks have cleared and the fees you have been charged. Balance inquiries can also be made at ATMs, and you should be able to access account information over the internet.

3. Keep up with fees. Reading the inserts that come with your account statement can help you keep on top of changes in bank charges.

4. Record fees and all transactions immediately. If you have a debit card, it takes more discipline to keep up with what you are spending. Keep your receipts in one place. Put them between the pages in your check register or in a designated envelope, and then update your checkbook every few days.

5. Choose an overseer of your joint account. Somebody needs to do it. Try to agree on where you will keep receipts and what checks will be written each month.

6. Get checks with carbon copies. A good way to keep track if you write a lot of checks.

7. Use overdraft protection. Some banks give you the option of linking your checking account to another account, such as savings, and will automatically make the transfer if you don't have enough money to cover a transaction. There is usually a fee for this service.

8. Go with direct deposit. Having your paycheck or federal payments such as Social Security deposited electronically avoids mail delays and lost or stolen checks – all of which can help you avoid bounced checks.

9. Check your bank's policy on when funds are available. Knowing how long it will take to have funds credited to your account, and what portion of those funds are immediately available, are both important tools in managing your account. Just because you deposited a check doesn't mean the money is automatically there.

Debit vs. Credit for Purchases

When you pay for purchases with your debit card, you often have a choice of submitting the transaction as a debit (using a PIN – Personal Identification Number) or credit (authorizing the purchase by signing for it). The money comes directly out of your account either way, so does it matter how the transaction is processed? Yes, it does.

Debit

Debit transactions require a PIN to authorize the transaction. Instead of simply signing for purchases, the user must know the PIN number, and it's unlikely a thief or unauthorized user would know the number. Some merchants may charge a small fee for processing a debit transaction. This fee must be disclosed to and accepted by the user before the transaction can be completed. Banks may also charge a fee for debit transactions - check with your bank regarding their policy.

When the user authorizes a debit transaction, the purchase amount is subtracted (debited) from the corresponding account immediately, providing that funds are available. If the debit card is stolen and used in fraudulent debit transactions, the account holder's liability is $50 if the card is reported as lost or stolen within two days. The longer you wait to report the loss, the greater the liability: $500 after two days, and up to the entire account balance after 60 days. It can be very difficult to have funds returned to the account in a timely manner if fraudulent transactions occur. Treat your debit cards like cash, and report stolen or lost cards immediately.

Exercise caution when using a PIN for transactions. Don't use the last four digits of your phone number as your PIN, especially if this number is printed on your checks or any ID cards. Avoid sequences like the first or last four digits of your Social Security number or your year of birth. It's just too easy for a thief to find this information somewhere in your wallet or purse and gain access to your debit account. Also, be on the lookout for "shoulder surfers": people looking over your shoulder during the debit transaction or ATM withdrawal, trying to see the numbers as you use the keypad to input your PIN.

Credit

If the debit card is used in a "credit" transaction, the user must sign the sales slip in order to authorize the transaction. Debit card purchases processed as "credit" may take up to 48 hours for the funds to be debited from the account. Don't count on that as an opportunity to "float" purchases if the account doesn't have funds to cover this or subsequent transactions. The 48 hours isn't a firm timeline. Using the card as "credit" offers additional fraud protection, since the same rules apply as for credit cards, and consumer liability is limited to $50. Contact your bank immediately if you see "credit" transactions with your debit card that you don't recognize.

IDENTITY THEFT

You paid your bills on time. Your credit report was spotless. Then you began getting phone calls from lenders and collection agencies who wanted you to pay up on a slew of past-due credit accounts you never opened. Your bank thinks you are a bad credit risk and has refused to refinance your home mortgage. The Internal Revenue Service says you owe taxes on income you have never seen.

How could all of this have happened without your knowledge? You are the victim of identity theft, a crime that defrauds more than a thousand people a day. An employee in an office where you had once gotten an X-ray stole your name and Social Security number from medical files. With this information, the thief was able to open credit lines worth over ten thousand dollars, rent apartments, sign up for utilities, and even earn income in your name. It will take years to get the credit industry to straighten out your files, during which time the thief will most likely continue to use your name and creditors will continue to harass you.

Family and Friends – A Common Source of Identity Theft

According to the 2005 Identity Fraud Survey Report by the Better Business Bureau, most identity theft occurs offline and is conducted by friends, relatives and other people known to the victim. This is contrary to our fears that ID theft is committed anonymously through computers. However, online ID theft is still a very real danger and computer-based thieves have achieved considerable success in stealing bank and credit account information.

How Identity Thieves Operate

Identity thieves range from old-fashioned pickpockets to sophisticated theft rings. All that's needed is a little personal information and the thieves are in business. To help collect personal information, ID-theft rings enlist cleaning people (who retrieve data from office wastebaskets), corrupt merchants (who sell credit-card sales receipts), and employees of bank and brokerage backroom operations that process financial transactions. What are they looking for? Anything that will lead them to the one piece of information they need to steal your identity – your Social Security number. Online, there are many types of sophisticated identity theft methods, including "phishing" and "pharming." According to the Anti Phishing Working Group, "Phishing attacks use 'spoofed' e-mails and fraudulent websites designed to fool recipients into divulging personal financial data such as credit card numbers, account usernames and passwords, Social Security numbers, etc. Pharming uses the same kind of spoofed sites, but uses malware [malicious software]/spyware to redirect users from real websites to the fraudulent sites (typically DNS hijacking). By hijacking the trusted brands of well-known banks, online retailers and credit card companies, phishers are able to convince recipients to respond to them." Check the ID theft resources in this booklet to stay informed of their changing methods.

Who is Most at Risk?

It should come as no surprise that thieves target those with the most to lose. That's why credit worthy people with good incomes are often victims to this type of fraud. Also on the list are people who share the same name such as Juniors and Seniors, or other relatives. Identity thieves exploit the inherent confusion over such names to obtain personal information.

How do Thieves Obtain Social Security Numbers?

Once thieves have a name, getting the Social Security number is the next step. According to authorities, identity theft rings sometimes pay low-level employees of the Social Security Administration or Internal Revenue Service to get the numbers. Several states use Social Security numbers as driver's license numbers and since driving records are public documents, the number is then easy to obtain. Schools, health care businesses and the IRS use Social Security numbers as personal identifiers. For example, if your wallet is stolen your Social Security number is likely there, on your insurance card.

Credit bureaus and other data providers can unwittingly provide identity thieves with Social Security numbers by allowing them access to their databases. Legitimate companies often buy this type of access from the credit bureaus to evaluate potential customers. However, sale of such information by credit reporting agencies is not regulated by federal law and is, therefore, susceptible to fraud.

Several documents containing your Social Security number are also likely to show up in any month's mail. By filing a temporary change of address form with the post office in your name, an identity thief can divert mail to his or her mail drop for up to 30 days. It resumes at your address before you catch on. Your mail may also contain several of the billions of credit solicitations and pre-approved card offers sent out each year, which makes the next step–opening new accounts in your name–that much easier.

In recent years, increased efforts have been made to stop the over-use of consumers' Social Security numbers as universal identity numbers. Health care providers, schools, and others now issue their own type of numbers in order to identify group members. There is steady pressure on the military to cease printing Social Security numbers on military ID card, especially since deployed personnel are a higher risk for identity theft and may be unaware that the theft has occurred until they return home.

How Can You Protect Yourself?

Consumers can take important steps to protect themselves against identity theft.

- Use "opt out." Block the credit bureaus from selling your name to lenders who want to send out pre-approved credit solicitations via www.optoutprescreen.com. These solicitations can easily be stolen by identity thieves and used to steal your identity.

- Get a locking mailbox and a cross-cut shredder. Keeping thieves from accessing your mail and finding account numbers and personal information is a simple but effective step in protecting your identity. Using a cross-cut shredder to dispose of old bills, unwanted credit and insurance offers, and any paper with personal information will keep "dumpster divers" out of your trash and your information out of their hands. Better yet, pay bills online and eliminate the paper statements.

- Use an “Alert” or “Freeze.” If you think your privacy may have been compromised, go to the bureau websites or call and have an alert placed on your file. An alert is not as drastic as a freeze, and placing the alert will always trigger another free report being sent to you. You are also allowed to have a security freeze placed on your credit report, meaning your credit report is locked and nobody can access it unless you contact the bureaus with a security code. If somebody tries to access your locked accounts, the bureaus will have to notify you. Freezing and “thawing” your report is free if you are a victim of identity theft; if not, you may have to pay a nominal fee when “thawing” your credit report.

- Pay attention to change of address notifications. The U.S. Postal Service recently modified change-of-address procedures to thwart identity thieves. Now, after a post office receives a change-of-address request, it sends a confirmation letter to the old address. If you receive such a notice and did not file for the change, contact your local post office immediately.

- Get an unlisted phone number. Identity thieves often choose their victims out of the phone book by looking for addresses in affluent neighborhoods or towns. If you must be listed in the phone book, consider listing only your name and phone number (no address) and do not attach “Dr.”, “Atty.”, or other monikers announcing you’re an affluent professional.

- Request a new driver’s license number. If you live in a state that uses your Social Security number as your driver ID number, ask your department of motor vehicles for a different number.

- Do not provide personal information when writing a check. Retailers often try to write your credit card, driver’s license, phone, or Social Security number on your personal check to identify you. To avoid identity theft, do not give them this information unless absolutely necessary or pay with a national-brand check card, which debits your account for purchases without paper checks. When paying bills by check, do not write your entire account number in the memo section; using just the last four digits of the number is sufficient for the creditor to find your account.

- Handle your credit card accounts with care. Close all unused accounts, or, if you keep them open for the sake of your credit history, destroy the cards by shredding. Keep a copy of all credit-card numbers, expiration dates, lines of credit and company phone numbers for the fraud and customer-service departments in your personal files at home. Never leave credit card or ATM receipts behind, and don’t toss them in a public trash can. Buy a shredder and always rip them up before throwing them in your garbage.

Steps to Take If Your Identity is Stolen

1 Start keeping records. At the first sign of fraud, begin a log of dates and time spent solving this problem; take notes on every phone conversation, including the date; keep copies of every document you create, send out and receive; and get names, titles, and phone numbers of everyone you talk to. Also, everything you send by mail should be sent certified with a return receipt requested.

2 Call and write the big three credit reporting agencies' fraud departments. Your notification will automatically cause a copy of your credit report to be mailed to you – this is required by FACTA. Dispute the fraudulent information and tell the credit bureaus to remove it. Also, demand a fraud alert for your file, and ask to include a statement about the fraud, in which you tell creditors to call you at a phone number you provide to verity all future applications. Contact information is listed below.

Equifax Credit Information Service P.O. Box 740241 Atlanta, GA 30374-0241 Report fraud: 1-800-525-6285 www.equifax.com	Experian P.O. Box 9530 Allen, TX 75013 To report fraud: 1-888-397-3742 www.experian.com	TransUnion Fraud Victim Assistance Division P.O. Box 6790 Fullerton, CA 92634 800-680-7289 www.tuc.com

3 Call and file a report with your local police, or with the police department where the ID theft has occurred. Get a copy of the police report and file it with your documents. The credit companies and financial institutions may ask for a copy of the police report to verify the crime. Keep your detective's phone number so you can give it to your creditors and other people that may require it to verify the case. Also, call and write law enforcement authorities, report the fraud to the U.S. Secret Service and the FBI (if a bank is involved) and the U.S. Postal Inspector. You're doing this largely for the record. Don't expect the credit card companies to take action unless the dollar losses exceed $50,000.

4 Call and write all the creditors that are on your credit report. Alert all credit card companies, department stores and other creditors about the fraud (use the addresses listed on the back of your monthly statement or in your written agreement with the creditor in order to be protected by the Fair Credit Billing Act). For every account that was fraudulently accessed or opened, contact the billing inquiries and security departments of that financial institution or credit company. Close these accounts and all other accounts that you have even if they have not been accessed by the thief. Get replacement cards and new account numbers for all your legitimate accounts. Use passwords, (do not use your mother's maiden name), to open your new accounts and confirm your contact in writing. Request that your old accounts be processed as "account closed by consumer request." Having a reference in your credit report as "card lost or stolen" could be interpreted that you were responsible for the loss. Demand that all inaccurate information that appears on your credit report be removed. Closely monitor your mail and credit card bills and immediately report any fraudulent activity to your creditors.

5 As a victim of identity theft you can get a free copy of your credit report; review all information for any new activity at least every two months. Ask the credit bureaus for names and phone numbers of the creditors with whom the fraudulent accounts were opened. Ask the credit bureaus to remove inquiries that have been generated due to the fraudulent access. Under California state law (California Civil Code 1785.16(k)), a consumer submitting a valid police report can have the credit-reporting

agency block the reporting of any information that the consumer alleges appears on the credit report as a result of identity theft. You also may want to ask the credit bureaus to notify those who have received your credit report in the last six months in order to alert them to the disputed and erroneous information.

6 Contest bills that result from identity theft. Consumer and privacy advocates suggest not paying any portion of a bill that is a result of identity theft and NOT filing for bankruptcy. This will involve disputing credit card charges with the card company by writing to the address for billing error disputes – not the bill payment address. You should follow the directions given by the credit card company for disputing charges. The company must provide this information. Your credit rating should not be permanently affected, and no legal action should be taken against you as a result of identity theft. If any merchant, financial institution or collection agency suggests otherwise, simply restate your willingness to cooperate, but don't allow yourself to be coerced into paying fraudulent bills. Report such attempts to government regulators immediately.

7 If a loan, credit or utility service account has been opened fraudulently in your name, you now can obtain a copy of the application used and a record of transactions or charges associated with that account. The information you learn may be useful in determining what personal identifying information was stolen, help clear your good name and credit, and even lead to the identity of the thief.

California has the most advanced privacy and identity theft laws in the country. Here's a checklist for accessing account information under California Penal Code section 530.8:

- *File a police report stating that you believe you are a victim of identity theft. Keep a copy of the police report.*
- *Fill out the request forms provided by the law enforcement agency or use the Fraudulent Account Information Request Form found at:www.privacy.ca.gov/lawenforcement/leinstructions530.8.htm.*
- *Fill out the Identity Theft Affidavit located at: www.ftc.gov/bcp/online/pubs/credit/affidavit.pdf. This form will need to be notarized.*
- *Send complete package (Info Request/ID Theft Affidavit/police report) to each creditor where the thief opened an account using your stolen identity.*
- *Provide account information you receive to the police officer investigating your ID theft case.*

8 You could face false civil and criminal judgments as a result of identity theft. Sometimes victims of identity theft are wrongly accused of crimes committed by the identity thief. If a civil judgment has been entered in your name for actions taken or debts incurred by your impostor, contact the court where the judgment was entered and report that you are a victim of identity theft. If you are wrongfully prosecuted for criminal charges, contact the state Department of Justice and the FBI and obtain information on how to clear your name. In September of 2001 the California Department of Justice established a statewide database that provides certain information about identity theft crimes to victims and law enforcement agencies.

9 Review and correct any other identity violation. Review all your accounts, any change of address request and all new accounts opened in your name in the following institutions/agencies:

- Notify your state Department of Motor Vehicles of misuse of driver's license number. You may need to change your driver's license number if someone is using yours as identification on bad checks. Call the DMV to see if another license was issued in your name. Put a fraud alert on your license. Go to your local DMV to request a new number. Also, fill out the DMV's complaint form to begin the fraud investigation process. Send supporting documents with the completed form to the nearest DMV investigation office. California website: www.dmv.ca.gov.

- Report stolen checks and stop payment immediately. If you have had checks stolen or bank accounts set up fraudulently, report it to the appropriate check verification companies. Put stop payments on any outstanding checks that you are unsure of. Cancel your checking and savings accounts and obtain new account numbers. Give the bank a secret password for your account (not your mother's maiden name!). If your own checks are rejected at stores where you shop, contact the check verification company that the merchant uses. To report fraudulent use of your checks:

  - **Telecheck: 800-710-9898**
  - **ChexSystems: 800-428-9623**
  - **CrossCheck: 800-843-0760**
  - **International Check Services: 800-631-9656**
  - **SCAN: 800-262-7771**
  - **Certegy: 800-437-5120**

- Report stolen ATM cards and change passwords immediately. Get a new ATM card, account number and password. When creating a password, don't use common numbers like the last four digits of your Social Security number or your birth date. Monitor your account statement. You may be liable if fraud is not reported quickly.

- For suspected fraudulent change of address, notify your local postal inspector. Call the U.S. Post Office at 800-275-8777 to obtain the local phone number. Find out where fraudulent credit cards were sent. Notify the local Postmaster for that address to forward all mail in your name to our own address. You may also need to talk with the mail carrier. Web address: www.usps.gov/websites/depart/inspect.

- Report misuse of Social Security number by calling the Social Security Administration. Order a copy of your Personal Earnings and Benefits Statement and check it for accuracy. The thief might be using your SSN for employment purposes. If you fit specific fraud victim criteria, the Social Security Administration may change your Social Security number. Report fraud: 800-269-0271. To order your Personal Earning and Benefits Statement: call 800-772-1213, or access online: www.ssa.gov.

- For suspected misuse, cancel long distance calling card accounts. If your long distance calling card has been stolen or you discover fraudulent charges, cancel the account and open a new one. Provide a password that must be used any time the account is changed.

- For missing or fraudulent passports, notify the U.S. State Department. Whether you have a passport or not, write the passport office to alert them to anyone ordering a passport fraudulently.

- Seek legal advice. You may want to consult a lawyer to determine legal action to take against creditors and/or credit bureaus if they are not cooperative in removing fraudulent entries from your credit report or if negligence is a factor. Call the local Bar Association or Legal Aid office to find an attorney who specializes in consumer law, the Fair Credit Reporting Act and the Fair Credit Billing Act.

Resources for Identity Theft Victims

Beginning July 1, 2003, a California identity theft law went into effect that requires businesses that maintain electronic personal information to notify any California residents whose information may have been accessed by unauthorized persons.

www.privacy.ca.gov/recommendations/secbreach.pdf

www.idtheftcenter.org (also serves as a clearinghouse for excellent resources for ID theft victims)

www.antiphishing.org (dedicated to Internet fraud)

www.consumer.gov/idtheft

YOUR CONSUMER RIGHTS

In the United States, consumers are protected by certain federal laws when it comes to credit. While none of these laws guarantees that an individual will be granted credit, they protect consumers from discrimination, retaliation, abusive lending and collection practices and unfair billing practices, as well as providing the means to dispute billing and account reporting errors. In addition, no one can be denied credit or punished by a lender for exercising his or her rights under the law. These rights are the basis for all the information in this Guide. While space prohibits our exploring all these laws in detail, following are highlights of the essential legislation that governs the world of credit.

Truth in Lending Act (TILA, “Regulation Z”)

This law mandates the disclosure of certain terms and conditions of a loan or the cost of buying on credit. Under Truth in Lending, before you sign any agreement, the creditor must tell you in writing what these terms will be. This includes the finance charge and the annual percentage rate (APR), which will help you compare rates and shop for the best credit. TILA also covers special rules that apply to credit card transactions, treatment of payments and credit balances, procedures for resolving credit billing errors, annual percentage rate calculations, rescission requirements, and advertising rules. It also applies to certain aspects of mortgage and home equity lending. You may sometimes see the Truth in Lending Act referred to as “Regulation Z”, referring to the codified section of the Consumer Protection Act where these rules are found.

Equal Credit Opportunity Act (ECOA)

In the broadest terms, this law prohibits credit grantors from discrimination based on age, gender, marital status, race, color, religion, and national origin. The act also bars discrimination because you receive public income, such as veteran’s benefits, public assistance or Social Security, or because you exercise your rights under federal credit laws, such as filing a billing error notice with a creditor.

Credit applicants must still meet the lender’s guidelines for creditworthiness, but these guidelines must be applied equally and impartially to all applicants.

The Fair Credit Reporting Act (FCRA) and the Fair and Accurate Credit Transactions Act (FACTA)

Congress enacted the Fair Credit Reporting Act (FCRA) in April 1971. This established guidelines for credit bureaus, credit reporting agencies, and creditors to follow in reporting our individual credit history. The Fair and Accurate Credit Transactions Act (FACTA - HR 2622) is the name of the new law, which amended FCRA in late 2003. It establishes uniform national standards and preempts state laws in most instances, although some states were able to maintain their own laws regulating credit reporting and consumer access. The law provides significant new consumer protections regarding resolution of disputes and identity theft, among others. Important features of FACTA are summarized below:

- Provides everybody the right to get one free credit report from each bureau each year. A special website and toll-free number were established by the FTC and the credit bureaus for consumers to request their reports.
- Provides consumers with clear instructions on how to opt out of information sharing between affiliated companies for marketing purposes and how to stop companies from sending unsolicited offers of credit.
- Ensures that consumers are notified prior to or within 30 days if financial companies are going to report negative information about them to the credit bureaus. Allows consumers to dispute directly with data furnishers for credit reporting purposes.
- Lenders must provide written notice to consumers if the terms of credit are higher than the prevailing market interest rates.
- Restricts access to consumers' sensitive health information.

Identity Theft Protections:

FACTA includes provisions designed to help reduce identity theft, including:

- Allows consumers to place fraud alerts in their credit reports, which may remain for up to 90 days, to prevent identity thieves from opening accounts in their names. The alert entitles consumers to a second free report so they can check for unusual activity.
- Consumers will be able to block information from being given to a credit bureau and from being reported by a credit bureau if such information results from identity theft. In addition, no debt may be turned over to a collection agency if it results from identity theft.
- Prohibits companies from printing credit/debit card expiration dates or account number (other than the last 5 digits) on electronically printed customer receipts.

The Fair Credit Billing Act (FCBA)

This federal law provides dispute settlement procedures for consumers with "open end" credit accounts such as credit cards and revolving charge accounts who experience billing errors such as:

- Unauthorized charges. Federal law limits your responsibility for unauthorized charges to $50;
- Charges that list the wrong date or amount;
- Charges for goods and services you didn't accept or weren't delivered as agreed;
- Math errors;
- Failure to post payments and other credits, such as returns;
- Failure to send bills to your current address - provided the creditor receives your change of address, in writing, at least 20 days before the billing period ends;
- Charges for which you ask for an explanation or written proof of purchase along with a claimed error or request for clarification.

Consumers are not responsible for paying the portion of their bill that is in dispute, but must continue to pay all items not in dispute, including finance charges. The creditor may not take any legal or other action to collect the disputed amount and related charges (including finance charges) during the investigation.

The creditor may not report you as delinquent while your bill is in dispute. The Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants who exercise their rights under the FCBA. Simply put, you cannot be denied credit just because you've disputed a bill.

To exercise your rights under FCBA:

- *Write to the creditor at the address given for "billing inquiries," not the address for sending your payments; include your name, address, account number and a description of the billing error.*
- *Send your letter so that it reaches the creditor within 60 days after the first bill containing the error was mailed to you.*

Send your letter with a return receipt so you have proof of what the creditor received. Include copies (not originals) of sales slips or other documents that support your position. Keep a copy of your dispute letter. The creditor must acknowledge your complaint in writing within 30 days after receiving it, unless the problem has been resolved. The creditor must resolve the dispute within two billing cycles (but not more than 90 days) after receiving your letter.

The Fair Debt Collection Practices Act (FDCPA)

In 1970 the Fair Debt Collection Practices Act (FDCPA) became law. Its purpose is to prevent abusive, deceptive and unfair debt collection practices by debt collectors. The law defines a debt collector as "any person who, in the ordinary course of business, regularly, on behalf of himself or others engages in debt collection." The FDCPA does not apply to originating creditors collecting on their own behalf.

The Fair Debt Collection Practices Act Prohibits:

- contacting third parties, with the exception of the debtor's attorney or a credit bureau, except to locate the debtor.
- contacting a consumer known to be represented by an attorney.
- contacting consumers at unusual or inconvenient times or places before 8 a.m. or after 9 p.m.
- contacting consumers at work if they know that the employer prohibits collection calls at work.
- making violent threats against a debtor or another person.
- threatening damage to the reputation or property of the debtor.
- using obscene or profane language.
- publishing a debtor's name on a "deadbeat" list, as a person who doesn't pay bills.
- calling the debtor or any other person repeatedly without identifying themselves as a debt collector.
- falsely claiming to be law enforcement officers, government agents, or attorneys.
- adding interest, fees or charges not authorized in the original agreement.
- threatening to seize or repossess property if they have no right or intention of doing so.
- communicating by postcard or put any words or symbols on the outside of an envelope that indicate they are trying to collect a debt.

Consumers who are being harassed by a debt collector have the right to tell the debt collector to leave them alone. Consumers must make this demand in writing, but once the demand is made, according to the FDCPA the debt collector must then stop all communications, except to advise the consumer that:

- *Collection efforts have ended, or*
- *They or the original creditor may or will invoke a specific remedy, such as a lawsuit, against the consumer.*

A request for cessation of communication does not mean that the collection account will go away. Depending on the terms of the agreement with the creditor, there will usually be a continuation of the collection efforts through legal means. However, the harassing phone calls and letters should stop.

If collectors persist in contacting you, file a complaint with the Federal Trade Commission. A complaint can be filed in writing, by phone or on the Internet.

The Federal Trade Commission
CRC-240
Washington, D.C. 20580

1-877-FTC-HELP (382-4357)

www.ftc.gov

REFERENCES & RESOURCES

The organizations and individuals listed below have all contributed in some way to the research and information contained in this book. Many of the websites in particular have excellent information and tools for consumers seeking to learn more about how credit works and how to manage it successfully. We encourage you to use this section to explore these resources and to check them often for updates and new information.

Credit Reports

Free Annual Credit Report

For more information on obtaining your free credit report from each of the nationwide consumer credit reporting companies – Equifax, Experian or Trans Union you may call or visit on-line.

If you prefer not to use the internet to obtain access to your credit report, you may download a mail-in form from annualcreditreport.com to complete and mail it in.

877-322-8228

www.annualcreditreport.com

Annual Credit Report Request Service
P.O. Box 105281
Atlanta, GA 30348-5281

Credit Bureaus

Equifax – www.equifax.com

To request your report call:
800-685-1111

Or write to:

P.O. Box 740241
Atlanta, GA 30374-0241

To report fraud, call:
800-525-6285

AND write to:

P.O. Box 740241
Atlanta, GA 30374-0241

If you are hearing impaired (TDD), call: 800-255-0056 and ask the operator to call 1-800-685-1111 and request a copy of your credit report.

Experian – www.experian.com

To request your report call:
800-EXPERIAN (800-397-3742)

Or write to:

P.O. Box 9530
Allen, TX 75013

To report fraud, call:
888-Experian (888-397-3742)

AND write to:

P.O. Box 9532
Allen, TX 75013

TDD: 1-800-553-7803
To place an extended (7 year) fraud alert:

P.O. Box 9556
Allen, TX. 75013

TransUnion – www.transunion.com

To request your report, call:
800-888-4213

Or write to:

P.O. Box 1000
Chester, PA 19022

To report fraud, call
800-680-7289

AND write to:

Fraud Victim Assistance Division
P.O. Box 6790
Fullerton, CA .92634

TDD: 1-877-553-7803

CBCInnovis – www.cbcinnovis.com

Innovis provides your credit information to creditors, auto & mortgage lenders, insurance providers, property managers and employers. If you are denied credit, insurance, or employment based on information provided by Innovis, you are entitled to a free copy of your report.

P.O. Box 1358
Columbus, OH 43216-1358
1-800-540-2505

Government Agencies

Federal Trade Commission – www.ftc.gov

Consumers can find a wealth of information on many topics, including fraud, credit and debt, consumer safety, and the like. Consumers can also file complaints. Although the FTC does not investigate individual complaints, it may choose to investigate or take other action based on the number and type of complaints it receives.

The Federal Trade Commission
CRC-240
Washington, D.C. 20580
1-877-FTC-HELP
(1-877-382-4357)

Local or state government agencies

Check the “Government Pages” of your phone book, usually found in the front of your white pages directory.

FTC Consumer Information - www.consumer.gov

Quick and easy links to a variety of consumer information from the federal government.

Offices of the National Association of Attorneys General

Look up the state government offices section in your telephone directory, or visit the National Association of Attorneys General web page at www.naag.org, there you can get a list of the state attorneys general.

State Officials on Mortgages

Look up the state government offices section in your telephone directory, or visit the Mortgage Bankers Association web site at: www.mortgagebankers.org/state_update to obtain a list of state officials.

Currency Comptroller - www.occ.treas.gov

For federal law violations on loans and processes and real estate agreements.

Consumer assistance line:
1-800-613-6743

Department of Housing and Urban Development (HUD)

www.hud.gov/complaints/landsales.cfm.

1-202-708-4560

Department of Consumer Claims and Regulations, interstate land sale, division RESPA.

Federal Deposit Insurance Corporation (FDIC) – www.fdic.gov

Information, alerts or advice a identity theft, financial education, banking tools and resources and more.

If you need to file a consumer claim you may call:
1-877-ASK-FDIC
(1-877-925-4618)

Federal Reserve Board of Governors of the Federal Reserve System

www.federalreserve.gov/pubs/complaints

How to resolve a dispute with a bank or financial institution.

1-202-452-3693

General Credit Information

Jeff Michael's Credit Blog - http://credit.typepad.com

Former Education Director at Springboard, Jeff continues to give updates on many credit issues and news in the credit industry that affects consumers.

FICO™ - www.myFICO.com

This is a website by the FICO™ that generates your true FICO® score. You can also purchase all of your credit reports by going to this site, along with your FICO® Score Report, a nifty tool that details what factors affected your score the most and how to improve it.

www.myFICO.org – FICO's consumer educational resources on credit and scores.

Bankrate.com - www.bankrate.com

Provides consumer information on many credit topics; information on the latest credit card offers, rate comparisons for many financial products; variety of calculators consumers can use to better understand the costs of credit. Consumers can apply online via this site for some products.

Cardtrak .com - www.cardtrak.com

Compare credit card offers and see what's available before you apply for credit. Tips and consumer education on credit.

Institute for Consumer Financial Education ICFE – www.icfe.info

Helping consumers through educational programs.

PO Box 34070
San Diego, CA 92163-4070
1-619-239-1401

Consumer Advocacy

Consumers' Union - www.consumer.org	
Publisher of Consumer Reports; independent nonprofit organization focused on testing and reporting on quality and safety of consumer products.	Consumer Reports address: 101 Truman Avenue Yonkers, NY 10703-1057 www.consumerreports.org
Consumer Action - www.consumer-action.org	
A national non-profit education and advocacy organization offering many free services to consumers. Links to resources, free reports and publications on consumer issues.	Consumer Action P.O. Box 1762 Washington, DC 20013 (offices also in San Francisco and Los Angeles, CA) Hotline San Francisco: 1-415-777-9635 Hotline Los Angeles: 1-213-624-8327
Consumer Federation of America - www.consumerfed.org	
Consumer advocacy, research, education, and service organization.	1620 I Street, NW Suite 200 Washington, DC 20006 1-202-387-6121
National Consumer Law Center – www.nclc.org	
America's consumer law experts.	Boston Headquarters: 77 Summer Street, 10th Floor Boston, MA 02110-1006 Fax 1-617-542-8028 Washington Office: 1001 Connecticut Avenue, NW, Suite 510 Washington, DC, 20036 Fax 1-202-463-9462 E-mail: consumerlaw@nclc.org
Public Interest Research Group (PIRG) - www.uspirg.org	
U.S. PIRG's mission is to deliver persistent, result-oriented public interest activism that protects our environment, encourages a fair, sustainable economy, and fosters responsive, democratic government. (Many states also have PIRG organizations.)	Federal Advocacy Office: 218 D Street SE Washington, DC 20003-1900 Phone 1-202-546-9707 Fax 1-202-546-2461

Credit Counseling

National Foundation for Credit Counseling (NFCC) - www.nfcc.org	
Association for nonprofit consumer credit counseling agencies; NFCC seal represents accredited agencies with high standards, ethical practices, certified counselors, and policies and practices which help consumers achieve financial stability.	1-888-388-2227 Springboard, 1-800-947-3752, is an NFCC member agency.

Privacy And Related Issues

Privacy Rights Clearinghouse – http://www.privacyrights.org	
Nonprofit consumer information and advocacy organization.	3100 - 5th Ave., Suite B San Diego, CA 92103 Phone: 1-619-298-3396 Fax: 1-619-298-5681

State of California Office of Privacy Protection	
A state agency dedicated to promoting and protecting the privacy rights of consumers.	1625 North Market Blvd., Suite N324 Sacramento, CA 95834 Direct 1-916-574-8180 Toll free: 1-866-785-9663 e-mail privacy@dca.ca.gov

Security Freeze – www.privacy.ca.gov – search for Security Freeze	
Check your state listings for similar offices in your state, often under the state's Department of Consumer Affairs	

Opt out of prescreened credit offers – www.optoutprescreen.com	
The official agency to accept and process requests from consumers to opt-in or opt-out of offers for credit or insurance.	1-888-5OPTOUT (1-888-567-8688)

National Do Not Call Registry - www.donotcall.gov	
To add your name and telephone number to the Federal Trade Commission's National "Do Not Call List". By adding your name to the list you are requesting you be removed from telemarketing lists temporarily or permanently.	1-888-382-1222
Marketing mailings - Many companies market consumer products and services by mail. If you prefer to reduce the number of mailings you receive, you can write to the address at right. (Provide your complete name, full address and sign your letter requesting to be removed from Direct Marketing Association member lists.)	Direct Marketing Association Mail Preference Service P.O. Box 643 Carmel, NY 10512-0643

Fraud

Anti-Phishing Working Group - www.antiphishing.org	
Information on Internet scams and fraud	1-866-658-5758

California Department of Motor Vehicles fraud line	
(For non-California residents: please check your state government pages of your telephone directory for similar listing)	1-800-876-7060

National Fraud Information Center - www.fraud.org	
National Consumer League's fraud information center – news on scams and fraud alerts and tips to help consumers avoid becoming victims.	

www.toogoodtobetrue.com	
Website that lists common scams and how to avoid them.	

Checking Account And Other Specialty "Consumer Reporting Agencies"

A-Plus Report	
A-Plus is a auto, property and liability claims database designed for insurance underwriters. You may obtain a free copy of your report once a year.	1-800-709-8842 A-Plus Consumer Inquiry Center ISO 545 Washington Blvd, 22nd floor Jersey City, NJ. 07310 – 1686

Certegy Check Services (Formerly Equifax Check Systems)	
Understand why a check was denied at the time of purchase. Provides credit, debit, and merchant card processing, e-banking and check cashing services.	1-800-437-5120

ChexSystems Inc. – www.consumerdebit.com/consumerinfo/us/en/chexsystems/report/ index.htm	
Understand why you were denied an account at a financial institution where ChexSystems, Inc. was used in the decision process. You may also obtain for free once a year your report - If no data is returned, that is a good thing! If you suspect fraud, contact to notify not to accept the stolen checks.	1-800-428-9623

Choicepoint – www.choicepoint.com/	
You may request a consumer file disclosure only on yourself or minor child. This includes items such as real estate transaction data, lien, judgment, and bankruptcy records, professional license information and historical addresses on file. (Used for Employment history - background checks.)	ChoicePoint Consumer Center Attn: Full File Disclosure P.O. Box 105108 Atlanta, GA. 30348 - 5108
CrossCheck – www.cross-check.com	
Provides check approval for thousands of merchants and auto dealerships. If your check was denied you may contact for the reason.	1-800-552-1900
First Advantage SafeRent – http://www.fadvsaferent.com/	
If you have been denied housing or employment based on information provided by First Advantage (formerly known as Unlawful Detainer Registry UDR), you are entitled to a free copy of your report.	1-888-333-2413 First Advantage SafeRent Consumer Relations Dept. 7300 Westmore Rd. Suite 3 Rockville, MD. 20850 - 5223
Insurance claims – www.choicetrust.com/	
ChoiceTrust by ChoicePoint provide C.L.U.E. Personal Property Report and C.L.U.E. Auto Reports for homeowner and auto insurance claims. You may also obtain a free copy of your report once every 12 months.	1-866-312-8076
Medical Information Bureau MIB – http://www.mib.com/html/request_your_record.html	
MIB will provide consumers with copies of their MIB consumer file, once annually without a charge.	1-866-692-6901 TTY 1-866-346-3642
Shared Check Authorization Network (SCAN) –	
www.consumerdebit.com/consumerinfo/us/en/consumerreports/index.htm Understand why you were denied check writing privileges or had difficulty opening a bank account where SCAN was used in the decision process. To Order by Mail: Print and complete the order form from the www.consumerdebit.com website and mail to: Deposit Payment Protection Services, Inc. Attn: Consumer Referral Services 7805 Hudson Road, Suite 100 Woodbury, MN 55125	1-800-262-7771 (U.S., Guam, and Puerto Rico) Fax: 1-800-358-4506 To Order by FAX: Fax the order form to 800-358-4506
TeleCheck – www.telecheck.com	
Toll-free number: 1-800-TELECHECK (1-800-835-3243 not necessary to dial last 2 digits).	TeleCheck Services, Inc. 5251 Westheimer Houston, Texas 77056 Declined Check Information: (800) 366-2425

Non Traditional Credit Reporting Agencies

These websites enable consumers to build their credit scores through timely rent, mortgage, and other recurring bill payments.

Payment Reporting Builds Credit (PRBC) – http://prbc.com

Rentreporters.com – www.rentreporters.com

Debt Collection Industry Information

www.insideARM.com

Newsletter for the collection industry. Often has information that affects consumers. Free subscription.

www.debtconnection.com

An industry clearinghouse for junk debt buyers; good place to look up junk debt buyer phone numbers and sometimes addresses.

Student Loans

U.S. Department of Education – www.ed.gov

Information on applying for student loans, PLUS loans for parents, repayment options, and loan consolidation

Federal Student Aid Information Center (FSAIC) – http://studentaid.ed.gov

1-800-4-FED-AID (1-800-433-3243)

Sallie Mae – www.salliemae.com

The nation's largest provider of student loans

Toll free: 1-888 2-SALLIE (1-888-272-5543)

Tax Issues

Internal Revenue Service – www.irs.gov

Information on tax credit programs, Coverdell accounts, and tax-related questions.

If you are experiencing economic harm or seeking help in resolving tax problems that have not been resolved through normal channels, you may be eligible for Taxpayer Advocate Service assistance.

Call the Taxpayer Advocate Service Case Intake Line to see if you are eligible: 1-877-777-4778 or TTY/TTD: 1-800-829-4059.

See also http://www.irs.gov/advocate/index.html for additional information for consumers with tax issues.

Medical Debt

American Association of Family Physicians – www.aafp.org

Understanding Your Medical Bills – basic information on reading medical bills and Explanation of Benefits (EOB) statements from your insurance company http://www.aafp.org/fpm/20040300/medicalbills.pdf

National Consumer Law Center (NCLC) – www.consumerlaw.org

Unhealthy Pursuits - How the Sick and Vulnerable are Harmed by Abusive Medical Debt Collection Tactics, December 2005, PDF (382KB)

Identity Theft

Federal Trade Commission – http://www.ftc.gov/bcp/edu/microsites/idtheft/	
Identity theft program "Deter – Detect – Defend" This website is a one-stop national resource to learn about the crime of identity theft. It provides detailed information to help you deter, detect, and defend against identity theft. Also provides an online complaint form for victims.	1-877-438-4338
Identity Theft Resource Center – www.idtheftcenter.org	
A national, non-profit organization dedicated to helping people who are victims of identity theft. Also advises government and corporations about ID theft.	1-858-693-7935 (California)
Department of Motor Vehicles	
If your driver's license is stolen, call the DMV fraud hotline number immediately. (For non-California residents: please check your state government pages of your telephone directory for similar listing)	1-866-658-5758 (California residents)
Deposit Payment Protection Services, Inc.	
www.consumerdebit.com/consumerinfo/us/en/scan/affidavitforms.htm If your checks have been lost stolen contact and complete an Affidavit of Forgery. If you are a victim of identity theft contact and complete Affidavit of Fictitious Account Form.	Attn: Consumer Referral Services 7805 Hudson Road, Suite 100 Woodbury, MN 55125 To Order by FAX: Fax the form to 1-800-358-4506
Social Security Administration – http://ssa.gov/pubs/idtheft.htm	
If you suspect someone has used your social security number or your card is stolen, call the Social Security Fraud Hotline.	1-800-269-0271
Federal Deposit Insurance Corporation FDIC – www.fdic.gov/consumers	
Consumers are protected against liability for unauthorized bank accounts or transactions under federal and state law. If your bank account information has been stolen contact the FDIC.	
US Postal Inspection Service – http://www.usps.com/postalinspectors/	
Notify the Postal Inspector if you think someone has stolen your mail or filed a change of address request in your name.	1-800-275-8777
United States Department of State USDS – www.travel.state.gov	
If your passport was lost or stolen you may contact the USDS or you may contact your local USDS field office located in the blue pages of your telephone directory.	1-202-647-5225
FBI Internet Fraud Complaint Center – www.ifccfbi.gov	
The Internet Fraud Complaint Center IFCC mission is to address fraud committed over the internet.	1-310-996-3582 (Victim's Specialist Unit)

Statutes of Limitations on Debt Collection by State:

State	Written contracts	Oral contracts	Promissory notes	Open accounts (including credit cards)
Alabama	6 years	6 years	6 years	3 years
Alaska	6	6	6	6
Arizona	6	3	5	3
Arkansas	6	3	5	3
California	4	2	4	4
Colorado	6	6	6	6
Connecticut	6	3	6	6
Delaware	3	3	6	3
D.C.	3	3	3	3
Florida	5	4	5	4
Georgia	6	4	6	4
Hawaii	6	6	6	6
Idaho	5	4	10	4
Illinois	10	5	6	5
Indiana	10	6	10	6
Iowa	10	5	5	5
Kansas	5	3	5	3
Kentucky	15	5	15**	5
Louisiana	10	10	10	3
Maine +	6	6	6	6
Maryland	3	3	6	3
Massachusetts +	6	6	6	6
Michigan	6	6	6	6
Minnesota	6	6	6	6
Mississippi	3	3	3	3
Missouri	10	5	10	5
Montana	8	5	8	5
Nebraska	5	4	6	4
Nevada	6	4	3	4
New Hampshire	3	3	6	3
New Jersey	6	6	6	6
New Mexico	6	4	6	4
New York	6	6	6	6
North Carolina	3	3	5	3
North Dakota	6	6	6	6
Ohio	15	6	15	6
Oklahoma	5	3	5	3
Oregon	6	6	6	6
Pennsylvania	6	4	4	6
Rhode Island	15	15	10	10
South Carolina	10	10	3	3
South Dakota	6	6	6	6
Tennessee	6	6	6	6
Texas	4	4	4	4
Utah	6	4	6	4
Vermont	6	6	6***	6
Virginia	5	3	6	3
Washington	6	3	6	3
West Virginia	10	5	6	5
Wisconsin	6	6	10	6
Wyoming	10	8	10	8

** Five years if promissory note is added to a bill of sale.

+ The applicable statue of limitations in Maine and Massachusetts on a debt owed to a bank or on a promissory note signed before a witness is 20 years. (Me. Rev. Stat. Ann. Tit.14, s 751; Mass. Gen. Laws ch. 260, s 1.)

*** Vermont's statue of limitations on a promissory note signed before a witness is 14 years.

Source: Bankrate.com (updated October 2006)

GLOSSARY OF CREDIT TERMS

Annual Fee • The bank charge for use of the card levied each year, which can range from $15 to $300, billed directly to the customer's monthly statement.

Annual Percentage Rate (APR) • The cost of credit on a yearly basis, expressed as a percentage rather than a dollar amount. Creditors are required by law to disclose the APR.

Balance Transfer Fees • The fee charged customers for transferring an outstanding balance from one credit card to another. Many card issues offer "teaser" rates to encourage balance transfers.

Bankruptcy • A legal proceeding that can legally release a person from repaying debts.

Budget • A detailed written record of income earned and spending plan for a specific time period.

Cash Advance Fees • A charge by the bank for using credit cards to obtain cash from the available cash feature on the account. This fee can be stated in terms of a flat per transaction fee or a percentage of the amount of cash advance.

Charge Off • A debt that has been written off by the creditor as uncollectible; the debt remains valid and subject to collection.

Collection • A creditor's attempt to recover a past-due payment by turning the account over to a collection department or company. Having a debt in collection is a serious negative item on a credit report.

Credit Bureau • A credit reporting agency that gathers information on the credit rating of individuals or firms. Often called a "credit repository" or a "consumer reporting agency." The three largest credit bureaus in the U.S. are Equifax, Experian and TransUnion.

Credit History • A record of an individual's use of credit over time.

Credit Report • The document of a consumer's credit history, including a record of current and past debts and the timeliness of their repayment.

Debt Management Plan • A repayment plan that helps consumers pay off their debts over a set period of time with consolidated payments, often with reduced monthly payments, interest rates, and fees.

Debt-to-Income Ratio • A comparison of gross income to expenses.

Default Purchase Rate • If you default on your account, your card issuer may sell your debt to a collection agency or other company. That could make you responsible for a different and higher rate.

Double Billing Cycle • Before this practice was banned by the Credit CARD Act of 2009, some companies used a double billing cycle, which meant that while the due date on your statement referred to your minimum payment, the due date to pay off your entire balance was different. If that due date was two weeks earlier, and you paid off your entire balance on your card by the due date stated on your bill, then the company could still charge you interest for the two-week interim period.

FICO® Score • A credit score, ranging from 300-850, devised by FICO™, which lenders use to determine whether they will extend credit to a consumer and at what interest rates.

Finance Charge • The charge for using the card comprised of interest costs and other fees. The finance charge can be calculated with the following formula: Average daily balance x Daily periodic rate x number of days in billing cycle.

Grace Period • A time period during which a borrower can pay the full balance of credit due and not incur any finance charges. Some creditors have in their terms and conditions no grace period and the finance charges are based on how many days the account carried a balance before being paid off. There is typically no grace period on cash transactions such as cash advances, balance transfers and the fees associated with the cash transaction.

Hard Inquiry • An item on an individual's credit report that indicates that someone has requested a copy of the report. Hard inquiries are requests that result from an application for credit, such as a mortgage, car loan, credit card or rental application. These inquiries affect an individual's credit score.

Insurance/Protection • Protection against loss of life, disability, unemployment, etc. for the cardholder. This coverage pays or cancels the monthly payments for a time period if the cardholder loses a job through not fault of his own. Policies and protection plans vary, and the monthly fee is usually based on the amount of the credit card balance.

Investigative Consumer Reports • Consumer reports that are usually requested for background checks or security clearances. An investigative consumer report usually contains information obtained from a credit report, but it is more comprehensive than a credit report. It contains subjective material on an individual's character, habits and mode of living, which is obtained through interviews of associates.

Judgment • A court order placing a lien on a debtor's property as security for a debt owed to a creditor.

Late Fee • The fee charged customers for paying late or less than the required minimum payment due by the due date.

Loan • Money borrowed that is typically repaid with interest.

Notice of Reaffirmed Debts • If you have ever defaulted on a debt, be careful that your solicitations for "new" cards don't mention your old debts. Some credit card issuers buy old debts from other companies and then offer "new" cards to people in debt, only to shock the cardholder on their first statement with the old debt.

Opt Out • A consumer's ability to notify credit reporting agencies, direct marketers and list compilers to remove their name mailing lists. To opt out of prescreened credit offer lists, call 1-888-5OPTOUT (1-888-567-8688).

Overlimit Fee • The fee charged customers for going over their credit line. Under the Credit CARD Act of 2009, consumers must "opt in" to be able to go over their credit limit and incur a fee.

Personal Statement (also called a "1200 Word" statement) • Consumers may write a general explanation about the information on their credit reports and have it added to the report. The statement lasts for two years and is presented to anyone who reviews the credit report.

Rate shopping • Applying for credit with several lenders to find the best interest rate, usually for a mortgage or a car loan. If done within a short period of time, it should have little impact on a person's credit score.

Reward Program Fee • The fee charged customers to be enrolled in a rewards program. Some creditors do not charge a fee.

Secured Loan • A loan that is backed by collateral, such as an auto loan or a loan that finances the purchase of some appliances or furniture.

Security Freeze • A temporary hold on one's credit report, preventing new credit grantors from seeing it until the freeze is released. Court orders, child support enforcement, and companies with which the consumer already has a credit relationship are not subjected to the freeze.

Soft Inquiry • An item on a credit report that indicates that someone has asked for a copy of the report. Soft inquiries include requests from current creditors to review the file, prospective creditors who want to send out a pre-approved credit card offer, or an individual's review of his or her own file. Soft inquiries are not included when determining an individual's credit score.

Tax Lien • A claim against property, or assets, filed by the taxing authority for unpaid taxes.

Tradeline • An entry by a creditor to a consumer's credit report, describing the consumer's account status and activity. A tradeline includes names of companies with which the consumer has accounts, dates accounts were opened, credit limits, types of accounts, balances owed and payment histories.

Transaction Fees • Fees for various transactions, such as using your card for cash advances.

Trustee • An impartial representative of the bankruptcy court who handles an individual's bankruptcy case.

Universal Default Rate • Was a policy, banned by the Credit CARD Act of 2009, that some lenders/creditors used to punish borrowers who paid any creditor late. It was most commonly used by credit card companies and revealed in the fine print of their contracts with consumers.

Unsecured Loan • A loan that is not backed by collateral; it is guaranteed only by the borrower's promise to repay.

Verification • With regard to credit reports, verification is the process of checking the accuracy of information. Credit grantors or employers may use your credit report information to verify your application information is correct or you may verify your own credit information in case of inaccuracy. Credit bureaus will accept documentation from the consumer to help in the verification of data.

Victim statement • A statement that can be added to a consumer's credit report to alert credit grantors that the consumer's identification has been used fraudulently to obtain credit. The statement requests the credit grantor verbally contact the consumer by telephone before issuing credit. It remains on file for seven years unless the consumer requests to have it removed sooner.

SAMPLE LETTERS

Credit Report Request

Sample Dispute Letter

Sample Payment Agreement Letter for Collection Agency

Sample Payment Agreement Letter for Original Creditor

Sample Cease Communication Letter

Sample Consumer Dispute Statements for Credit Reports

Sample Debt Validation Letter

SCAN Report Order Form

Sample Credit Report Request

Date: __________
Name/address
of Credit Bureau: __________
____
____

Attention: Consumer Relations

Please send me a copy of my credit report. Enclosed is a copy of my driver's license, and the fee requested for a copy of my credit report.

My full name is: ____________________
My Social Security # is: ____________________
My date of birth is: ____________________
My home phone number is: ____________________
My address is: ___________ (Ave., St., etc.) Apt.:___
City:__________ State:__________ Zip:_____
Previous address(es), (last five years):
____
____
____
____

Any former names credit may be listed under:
____

Thank you for your prompt attention in this matter.

Sincerely,

Signature: ____________________

Sample Dispute Letter

Date: __________
Name/address
of Credit Bureau: __________
____
____

Attention: Consumer Relations

I recently obtained a copy of my credit report from your service, and have found the following items to be in error.

EXAMPLES
Item #1 – I dispute ABC National Bank account #12345. I have never been late on this account.
Item #2 – I dispute ABC Financial Services account #4545. This account was not a charge-off, please delete.

According to Section 611 of the Fair Credit Reporting Act, I am requesting that you re-investigate those items indicated, and promptly delete any unverifiable, inaccurate, or outdated information from my credit report.

In addition, I am requesting a description of how the investigation was conducted along with the name, address and telephone number of anyone contacted for information. Furthermore, if there is a change in my credit history resulting from your investigation, I am requesting that an updated report be sent to those who received my report, within the last two years for employment purposes, or within the last one year for any other purposes.

Please send me an updated copy of my report, and notification that items have been deleted. I will consider 30 days a reasonable time for your re-verification of these items.

Thank you for your prompt attention in this matter.

Sincerely,

Signature: __________
Name (print): __________
Address: __________
City, State, Zip: __________
Social Security #: __________

Sample Payment Agreement Letter For Collection Agency

Date:
Name/address of
Collection Agency:

Attention:
RE: Account #:

Dear:
Confirming our previous telephone conversation on________(date) regarding the settlement of the above account, I will pay your company $___________as full settlement of this account.

However, upon receipt of the above consideration, your company has agreed to completely delete this tradeline information from my Experian, TransUnion and Equifax credit reports. Furthermore, any references to late payment, charge-off/paid charge-off, collection account/ paid collection account or settlement will be deleted from my Experian, TransUnion and Equifax credit reports.

Your cooperation in this matter is appreciated, and if this settlement agreement is acceptable to your company, please so acknowledge with your signature and title in the space provided below and return a copy to me. Additionally, I will send a copy of this settlement offer to ___________ _________(original creditor).

Upon receipt of this signed acknowledgement, I will immediately forward you a cashier's check in the amount stated above.

After receipt of payment please provide me with verification that any reference to this item has been deleted from my Experian, TransUnion and Equifax credit reports.
Thank you for your immediate attention and cooperation

Sincerely,

Signature: _____________
Name (print): _____________
Address: _____________
City, State, Zip: _____________
Social Security #: _____________
Signature of authorized officer: _____________
Date: _____________
Print name: _____________
Title: _____________

Sample Payment Agreement Letter For Original Creditor

Date: ___________
Name/address of Creditor: ___________

Attention: Consumer Relations

Dear:
Confirming our previous telephone conversation on________(date) regarding the settlement of the above account, I will pay your company $__________as full settlement of this account.

However, upon receipt of the above consideration, your company has agreed to completely delete this tradeline information from my Experian, TransUnion, and Equifax credit reports. Furthermore, any references to late payment, charge-off/paid charge-off, collection account/ paid collection account or settlement will be deleted from my Experian, TransUnion and Equifax credit reports.

Your cooperation in this matter is appreciated, and if this settlement agreement is acceptable to your company, please so acknowledge with your signature and title in the space provided below and return a copy to me.

Upon receipt of this signed acknowledgement, I will immediately forward you a cashier's check in the amount stated above.

After receipt of payment please provide me with verification that any reference to this item has been deleted from my Experian, TransUnion and Equifax credit reports.

Thank you for your immediate attention and cooperation.

Sincerely,

Signature: ____________
Name (print): ____________
Address: ____________
City, State, Zip: ____________
Social Security #: ____________
Signature of authorized officer: ____________
Date: ____________
Print name: ____________
Title: ____________

Sample Cease Communication Letter

(Send via certified mail, return receipt requested)

Date: ____________
Name/address
of Collection Party: ____________

Attention: ____________

Re: Account #: ____________

Dear:

As per our telephone conversation on__________(date) regarding the above referenced account in accordance with the Fair Debt Collections Practice Act (FDCPA) Section 805(c), this letter serves as notification to Cease and Desist any further communication activity regarding the above debt.

If you fail to comply with my request, it will result in charges being filed against your company, along with any employee attempting to collect the above debt, with the state and federal regulatory agencies empowered with enforcement.

Thank you for your immediate attention and cooperation.

Sincerely,

Signature: ____________

Name (print): ____________

Address: ____________

City, State, Zip: ____________

Social Security #: ____________

Sample Consumer Dispute Statements

There are several thousand credit bureaus collecting credit information about consumers. Many of these credit bureaus are connected to centralized computer files which contain data on millions of individuals. From these files, a credit bureau can produce almost instantaneously a revealing report about your past and present credit activity for a subscribing creditor. All credit reporting bureaus are for-profit businesses and not public agencies, although they are subject to increasing regulation.

Under the Fair Credit Reporting Act you have the right to add to your credit report a statement of up to one hundred words regarding any item(s) you wish to clarify. This statement will then appear on all subsequent reports.

Examples:

"This is not my account. I have never owed money to this creditor. Apparently, a mistake was made in the reporting."

"On _______________(date), I moved to another address. I notified all creditors, including _________________ (name of creditor) promptly. ____________________ (name of creditor) was slow in changing my address in their file. Subsequently, I did not receive my billing statement for ____________________(how long). Once I received the statement at my new address, I paid this creditor."

"On _______________(date), I was hospitalized at __________________(facility). The medical bills were forwarded to my insurance company for payment. My insurance company delayed in paying the medical bills and the hospital turned my account over for collection. Afterwards my insurance company paid the hospital bill in full. The hospital's collection agency refused to change the negative rating on my account."

"This account belongs to my former spouse. My name was deleted from the account at the time of the divorce, and I am not responsible for any debts incurred on the account since that time."

"On___________________(date), I ordered merchandise from________________________(name of company) on my account. The merchandise was defective and I returned it to the sender. The company continued to send me a bill for the returned defective merchandise. The company went out of business before I was able to have my account properly credited."

Sample Debt Validation Letter

(Send via certified mail, return receipt requested)

Date:

Your Name
Your Address
Your City, State, Zip

Collection Agency Name
Collection Agency Address
Collection Agency City, State, Zip

RE: Account # (Fill in Account Number)

To Whom It May Concern:

Be advised this is not a refusal to pay, but a notice that your claim is disputed and validation is requested.

Under the Fair Debt collection Practices Act (FDCPA), I have the right to request validation of the debt you say I owe you. I am requesting proof that I am indeed the party you are asking to pay this debt, and there is some contractual obligation that is binding on me to pay this debt.

This is NOT a request for “verification” or proof of my mailing address, but a request for VALIDATION made pursuant to 15 USC 1692g Sec. 809 (b) of the FDCPA. I respectfully request that your offices provide me with competent evidence that I have any legal obligation to pay you.

At this time I will also inform you that if your offices have or continue to report invalidated information to any of the three major credit bureaus (Equifax, Experian, Trans Union), this action might constitute fraud under both federal and state laws. Due to this fact, if any negative mark is found or continues to report on any of my credit reports by your company or the company you represent, I will not hesitate in bringing legal action against you and your client for the following.

Violation of the Fair Debt Collection Practices Act

Defamation of Character

I am sure your legal staff will agree that non-compliance with this request could put your company in serious legal trouble with the FTC and other state or federal agencies.

If your offices are able to provide the proper documentation as requested in the following declaration, I will require 30 days to investigate this information and during such time all collection activity must cease and desist. Also, during this validation period, if any action is taken which could be considered detrimental to any of my credit reports, I will consult with legal counsel for suit. This includes any listing of any information to a credit-reporting repository that could be inaccurate or invalidated. If your offices fail to respond to this validation request within 30 days from the date of your receipt, all references to this account must be deleted and completely removed from my credit file and a copy of such deletion request shall be sent to me immediately.

It would be advisable that you and your client assure that your records are in order before I am forced to take legal action.

CREDITOR/DEBT COLLECTOR DECLARATION

Please provide the following:

- Agreement with your client that grants you the authority to collect on this alleged debt.
- Agreement that bears the signature of the alleged debtor wherein he/she agreed to pay the creditor.
- Any insurance claims been made by any creditor regarding this account.
- Any Judgments obtained by any creditor regarding this account.
- Name and address of alleged creditor.
- Name on file of alleged debtor.
- Alleged account number.
- Address on file for alleged debtor.
- Amount of alleged debt.
- Date this alleged debt became payable.
- Date of original charge off or delinquency.
- Verification that this debt was assigned or sold to collector.
- Complete accounting of alleged debt.
- Commission for debt collector if collection efforts are successful.

Please provide the name and address of the bonding agent for «COLLECTIONAGENCY» in case legal action becomes necessary.

Your claim cannot and WILL NOT be considered if any portion of the above is not completed and returned with copies of all requested documents. This is a request for validation made pursuant to the Fair Debt Collection Practices Act. Please allow 30 days for processing after I receive this information back.

Best Regards

[Your Signature]

cc Federal Trade Commission

SCAN Consumer Report Order Form

Obtaining information under false pretenses is illegal. Obtaining a report on someone other than yourself is punishable by law, and can result in fines and/or imprisonment.

To process your request for a SCAN report, we need the following information:

Last Name: ______________________
First Name: ______________________
Middle Name or Initial: ______________________
Address*: ______________________
(Street, P.O. Box, Apt#) ______________________
City: ___________State:_______Zip: _______

Daytime Phone*: (___)___-_______
Evening Phone*: (___)___-_______

Bank Routing Number (nine digits) ___________
Checking Account Number: ___________

If your check writing privileges were declined by a retailer please provide the following:

Retailer Name: ______________________
City and State: ______________________
Date Check was declined: ______________________

Circle the type of ID(s) used and provide the necessary information for that ID.

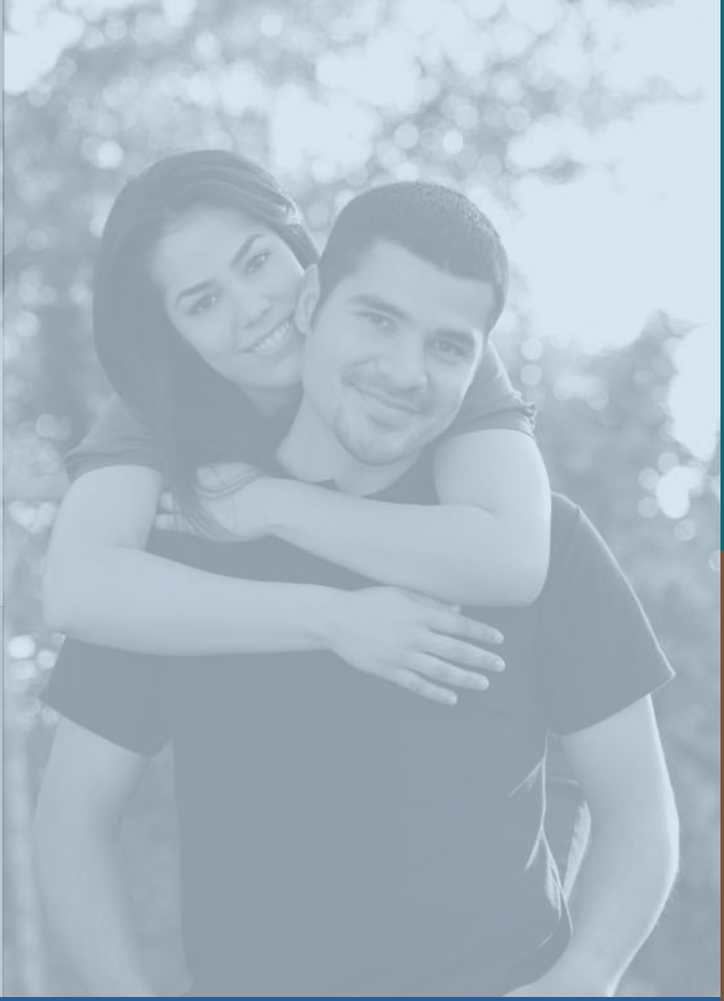
U.S. Drivers License: Number:_________________State of issuance:___
State ID: Number:_________________State of issuance:___
Military ID: Number:_________________
Resident Alien Card: Number:_________________

Signature: _________________________________ Date: _________

*SCAN will correspond with you at the above address and phone numbers unless you request otherwise

Order by mail: DPPS / SCAN
Attn: Consumer Referral Services
7805 Hudson Road, Suite 100
Woodbury, MN 55125

Order by FAX: Fax to: SCAN 1-800-358-4506
Attn: Consumer Referral Services Order Desk



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