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How To Use This Product

This software can help you achieve an important legal objective conveniently, efficiently and economically. But it is important to properly use this product if you are to avoid later difficulties.

- ◆ Carefully read all information, warnings and disclaimers concerning the legal forms in this product. If after thorough examination you decide that you have circumstances that are not covered by the forms in this software, or you do not feel confident about preparing your own documents, consult an attorney.
 - ◆ Complete each blank on each legal form. Do not skip over inapplicable blanks or lines intended to be completed. If the blank is inapplicable, mark “N/A” or “None” or use a dash. This shows you have not overlooked the item.
 - ◆ Always use pen or type on legal documents—never use pencil.
 - ◆ Avoid erasures and “cross-outs” on final documents. Use photocopies of each document as worksheets, or as final copies. All documents submitted to the court must be printed on one side only.
 - ◆ Correspondence forms may be reproduced on your own letterhead if you prefer.
 - ◆ Whenever legal documents are to be executed by a partnership or corporation, the signatory should designate his or her title.
 - ◆ It is important to remember that on legal contracts or agreements between parties all terms and conditions must be clearly stated. Provisions may not be enforceable unless in writing. All parties to the agreement should receive a copy.
 - ◆ Instructions contained in this software are for your benefit and protection, so follow them closely.
 - ◆ You will find a glossary of useful terms at the end of this product. Refer to this glossary if you encounter unfamiliar terms.
 - ◆ Always keep legal documents in a safe place and in a location known to your spouse, family, personal representative or attorney.
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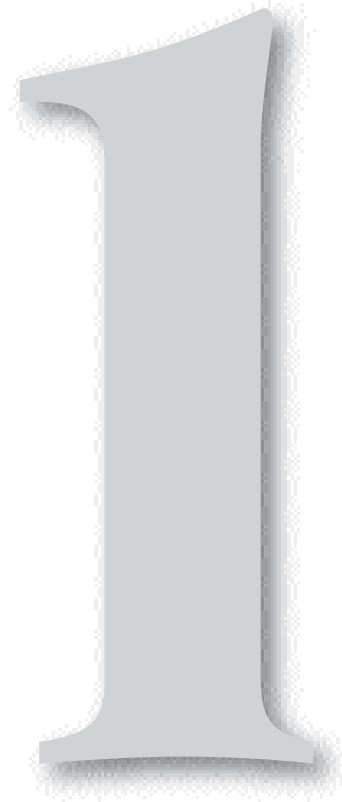
Introduction

Good credit is essential in America today, because so many of the things we want to buy must be financed or bought on credit. And once you have a bad credit rating, it is nearly impossible to avoid detection. A vast network of credit reporting agencies keeps track of every American who does business or buys on credit. These agencies are the gatekeepers of credit. Each time you apply for credit through a bank, store or credit card agency, the prospective lender typically checks your current credit rating with one or more of these agencies.

There are nearly 2,000 credit bureaus in the United States, but there are only a few large regional bureaus, which process millions of credit reports each year and boast tens of thousands of business subscribers. Subscribers are the many businesses that pay to obtain the credit information contained in a bureau's files. Subscribers rightfully believe that the information contained in your credit file is a good indication of your creditworthiness, since how you have paid other creditors in the past is an indication of how you may act in the future. Subscribers also use your credit file to verify information you have provided on your credit application.

Making sure that your credit report is accurate and up-to-date is the first and best step you can take to ensure the strength of your credit. This software shows you how to access your credit report and how to make the bureaus' updates of your report work to your advantage. Start today to build the credit you rating you want.

Test Your Credit- worthiness



Test Your Credit- worthiness



Nothing can hurt you financially like having bad credit. Your *credit report*, the history of your credit activity which credit bureaus keep track of, could be the best asset—or worst liability—you have. Creditors who subscribe to credit bureaus pay to obtain the credit information contained in those bureaus' files. Usually the same potential creditors who receive information about you also provide information to the credit bureaus.

How the credit bureaus work

When you fill out an application for credit from a bank, store or credit card company, that information is forwarded to the bureau, along with constant updates on the status of your account. But not all creditors report what they know about you to the credit bureaus. And of those that do, not all report the entire contents of their files. For these reasons, it is essential to know what is contained in your credit report.

Creditors who deal with the credit bureaus most often, for purposes of both receiving and issuing information, are:

- the commercial banks, including their credit card departments
 - credit card companies
 - larger savings and loans
-

-
- major department stores
 - finance companies

Accounts usually not reported are:

- utilities
- hospitals
- credit unions
- oil company credit cards
- checking and savings account information

For businesses that report to these credit bureaus, transfer of account information is a simple matter of sending the bureau computer disks every month or quarter, transmitted either

Since checking and savings account activity is usually not reported to credit bureaus, there is little chance your bounced check history will be reported.

physically or over telephone lines. The disks contain the account information and any changes and additions to be made to your credit file, and thus ensure continuously updated credit profiles.

The secret to winning credit is building a good credit rating. A good credit history shows the ability and willingness to repay a loan.

What is a credit rating?

Credit ratings are nothing more than an attempt to estimate your ability and willingness to repay a loan or debt, based on your credit history. A *credit history* is a record indicating your trustworthiness and ability to repay a loan. Your loan activities are reported by your creditors to the credit bureaus, who then report your repayment history as delinquent (negative), regular (positive), or neutral (non-rated).

No credit bureau is allowed to evaluate your ability to repay a loan; creditors do have the privilege to rate you privately, but they are prevented from publishing their evaluations.

How to measure your credit rating

Your credit rating is a composite of the information contained in your credit report plus the information provided directly to the lender. Lenders use three types of information to determine your credit rating:

- 1) ***The lender's personal evaluation of your potential.*** Objective criteria give the lending institution a pretty good idea of how you stack up as a credit risk. Borrowers, however, often seek amounts beyond their credit limit. The lending institution leaves it up to the loan officer to pass judgment concerning the fine points of a loan decision, based on his or her professional interpretation of the objective data provided by the credit report scoring system and the "20 percent rule."
- 2) ***A credit scoring system.*** Banks and similar large lending institutions, such as finance companies, savings and loan companies and credit unions, generally employ a scoring system used to rate your creditworthiness. An example of such a scoring system is provided in this chapter.
- 3) ***Short-term-debt-to-income ratio using the 20 percent rule.*** Lenders will calculate what percentage of your annual income your short-term debt represents. (Long-term debt, like a mortgage, is not considered here.) You are generally allowed no more short-term debt than 15 to 20 percent of your total annual income.

By knowing how you will be evaluated, you can begin now to substantially improve your credit rating.

As you look at your credit information, you will discover weak points that stand in need of improvement as well as positive points that can be emphasized. In addition, you will know the amount of credit

for which you qualify given your income, net worth, credit record and other relevant factors.

Improving your creditworthiness

There are two steps you should take before you attempt to improve your creditworthiness.

Step 1

Before applying for any credit, *check your credit report* to be sure that there are no negative marks on it. Even if you are new to the world of credit, or strongly believe that your credit rating is very good already, check your report to be absolutely certain.

Negative marks tend to show up more consistently than positive marks because creditors hire credit bureaus to prevent them from making bad loans. Naturally, creditors and credit bureaus are more likely to seek out and report negative information, so you must first repair the negative marks and then begin to build a positive credit history.

Be sure that prospective lenders see only positive things being reported about you.

Step 2

Score yourself. Most lenders use a scoring system to establish the level of your credit ability. A loan officer or board will disqualify applicants who do not achieve a minimum number of points on the credit scoring test. The number of points required is predetermined by the lender's policy making committee. Then it is given to the officer, who uses it as a guideline in determining whether a loan should be approved.

In addition to having no negative marks, you must have a positive credit history that establishes your track record.

Lending institutions utilize standardized scoring systems to make the process of approving loans more objective. For instance, banks know from experience that individuals at a certain salary

level can handle a combined credit line of a certain amount on their credit cards. Questions on the scoring test clearly reveal your salary level and patterns of living.

While the loan officer's personal judgment of the borrower is important, banks try not to rely too much on the banker's subjective evaluation of the borrower. By following the objective standards set by the scoring system, the banks make fewer bad loans.

Lenders have found that people who move frequently, don't have telephones or can't keep steady jobs are poor credit risks.

Although each lender has its own system and asks its own questions, the key questions are universal. By knowing precisely what lenders are looking for, you can identify areas in your credit profile that need improvement, pinpoint strengths and adjust your credit image.

The scoring system

Test yourself with this sample scoring system to get an idea of how lenders evaluate an applicant's risk. Add up your points for each question, then compare your total to the scoring list below.

Factors	Points
1) Years at present job:	
a) Less than one year	0
b) One to two years	1
c) Two to four years	2
d) Four to ten years	3
e) Over ten years	4
2) Monthly income level:	
a) Less than \$1,000	0
b) \$1,000 to \$1,500	1
c) \$1,500 to \$2,000	2
d) Over \$2,000	3
3) Present obligations past due:	
a) Yes	0
b) No	1

Factors	Points
4) Total monthly debt payments compared to income (after taxes):	
a) 50%	0
b) 40% to 49%	1
c) 30% to 39%	2
d) under 30%	3
5) Prior loans with lender:	
a) No	0
b) Yes, but not closed	0
c) Yes, but closed, or with two or fewer 11-day notices per year	1
6) Checking account:	
a) None	0
b) Yes, but with over five rejected items over past year	1
c) Yes, with no rejected items over past year	2
7) Length at present or previous address:	
a) Less than three years	0
b) Three years or more	1
8) Age of newest automobile:	
a) Over one year old	0
b) Less than one year old	1
9) Savings account with lender:	
a) No	0
b) Yes	1
10) Own real estate:	
a) No	0
b) Yes	3
Factors	Points

- 11) Telephone in own name:
- | | |
|--------|---|
| a) No | 0 |
| b) Yes | 1 |
- 12) Good credit references:
- | | |
|--------|---|
| a) No | 0 |
| b) Yes | 1 |

These questions, or something very close to them, appear on most credit scoring systems. The questions are selected and the points assigned by the bank's Consumer Credit Policy Committee. The policy committee then prepares a set of guidelines for applying the scoring system to guide the loan officer. Not only will this scoring system vary from bank to bank, but even within the same bank the criteria will change, depending on national and regional economic conditions and the bank's own competitive position. Obviously, when loan money is abundant, the criteria will not be as strict as when loan money is tight.

Now put your score in perspective. In this sample, you could score a possible 22 points. The guidelines provided to the loan officer might read like this:

- ◆ **0-11 points** (0-50 percent of possible points):
Reject outright. Don't waste time on this application.
- ◆ **11-13 points** (50-60 percent of possible points):
Review very carefully. Do not approve unless there are other good reasons indicating that credit should be granted.
- ◆ **13-15 points** (60-70 percent of possible points):
Review with a bias toward approval. (This is the profile of the typical consumer and indicates a reasonable risk.)
- ◆ **15-20 points** (70-90 percent of possible points):
Grant the loan unless there is good reason to deny.
- ◆ **20-22 points** (90-100 percent of possible points):
Automatically grant credit within reasonable limits.

If you fall in the lowest category, your application will be rejected outright. But don't give up hope. You may be able to

obtain a small loan with some collateral, or perhaps by finding a *co-signer*. (A co-signer uses his credit to guarantee yours by accepting responsibility to make good on the loan if you don't.) An example of this applicant might be a student without steady employment or a permanent address who may be able to obtain a car loan if his parents co-sign.

If you fall in the 50-90 percent categories, you can expect a full review of your application for credit. Someone in the lower range of this category may require a co-signer and/or collateral. If you are in the 90-100 percent range you can generally get unsecured credit on your signature alone.

Think about this scoring system. Obviously, each bank keeps its point system secret. Only a loan officer knows how many points you need to pass the minimum requirement for credit approval. But you can improve your chances for winning credit once you know the system.

How to
Develop
Triple-A
Credit



How to Develop Triple-A Credit



There are many reasons why you might be denied credit. You may not have enough credit history for a lender to make a judgment from, or you may have a full but complicated credit history that needs to be presented in a more positive light.

Five important tips

Fortunately, there are also many ways to improve your chances for obtaining credit. Here are five of the most important tips you can follow to help you develop good credit.

Tip 1: Know the 20 percent rule

Borrow no more than 20 percent of your income. To attain this figure, add up all your short-term debts, like installment loans and credit card balances, outstanding telephone bills if they are large, and notes due in a year or so. Exclude your long-term debts, such as mortgages. Then figure your annual income from all sources. Divide your annual income into your total short-term debts.

If the answer is 0.20 or greater, then you are borrowed to the limit that is generally considered safe, referred to as the 20-percent rule. If you are

Don't be pulled in by endless offers of credit cards and loans. Apply only for the amount of credit you can handle.

below 0.20, then theoretically you can borrow an amount which, when added to your short-term debt and divided by your annual income, would yield 0.20, or 20 percent.

For example, if your annual income is \$25,000 and your short-term debt is \$5,000, you are at the 20 percent level and are pretty well borrowed to your limit. But if your short-term debt is only \$2,000, then you may have about \$3,000 that is still borrowable.

Tip 2: Accentuate the positive

When applying for credit, emphasize why the credit should be granted. It is important to capitalize on your strong points by making them the focus of your credit strategy.

A good income history is one of the strongest points you can make. A good track record at the credit bureaus, with your banking institution and with creditors such as the telephone company and utilities goes a long way toward making you look good. Lenders like to see evidence of earning power over a period of time, as well as a consistent record of making payments on time.

When you are filling out your applications for credit, notice that requests for information are much the same from application to application. To organize yourself for completing credit applications, use the Master Credit Data form included in this product.

The Master Credit Data form fulfills another purpose. It allows you to submit uniform applications and provides a ready reference in case a creditor calls with further questions.

In addition, the Master Credit Data form helps you put your best foot forward by selecting the most appropriate data to provide answers to a lender's questions. While you must answer all questions truthfully and completely, there are often different ways the same question can be honestly answered. Choose the way that is most favorable to you.

When filling out credit applications, emphasize those features of your credit record that indicate your credit strength.

Be careful, though, since credit fraud is a serious offense. However, being selective is not being dishonest. Lenders are aware of how financial data can be arranged to appear better or worse. They expect you to put your best foot forward, within reason. If you don't, they may believe your financial situation is worse than it actually is. For example, if you fail to check out your credit references and someone you list provides a poor reference, the lender is likely to conclude that that was the best you could do.

Never be dishonest when filling out an application for credit. To knowingly misrepresent yourself on a credit application is fraud and punishable by law.

Tip 3: Get a secured credit card

If you don't yet qualify for an ordinary or unsecured credit card, obtain a secured Visa or MasterCard. A secured credit card is the doorway to establishing a track record of creditworthiness.

A *secured credit card* has a credit limit based on your cash deposit. A minimum deposit must be kept in a savings account and you only have partial access to this money. In other words, your credit line will vary from 50 percent to 100 percent of the minimum deposit secured by your savings account balance, which you agree to leave untouched while you have the secured credit card.

An annual fee will probably be charged for the card. The annual percentage rate may be lower than the industry average, though, since it is backed by collateral. However, some institutions charge an additional processing fee that may be refundable if the card is not granted.

Secured cards look exactly the same as ordinary cards so no one is likely to suspect that your card is secured unless you tell them.

The best places to obtain secured credit cards are through

the highly competitive big national banks, your own local bank where you have cultivated the trust of the loan officer, or savings and loan institutions in your state. The S&Ls will vary widely in their policies, but are worth a try.

Tip 4: Get a retailer's credit card

Apply for credit from local and national retailers. You need only a few of these cards to establish a good credit record.

In many cases, your secured Visa or MasterCard will get you almost instant approval for a department store credit card or charge account. It is often easiest to win credit from retailers. Use their references to secure additional credit from others once you have established your creditworthiness.

Tip 5: Open a checking account

Once you have chosen a bank you would like to work with, establish credit with a checking account. Make your initial deposit as large as possible. During the next few months, when potential lenders check your credit with your bank, they will learn only of your initial deposit. After a few months of deposits and withdrawals, your average daily balance for the month will be reported to creditors who request credit information.

If you don't have the cash on hand to open this account yourself, borrow from relatives or friends. Make this a short-term loan and pay it back in the form of a check once the account is established. Start off on the right step: Keep this new account balanced and *never* overdraw your account.

Successfully borrowing from a bank

Borrowing from a bank need not be difficult. Bankers need customers just as much as customers need bankers, so don't let their formality intimidate you. Bankers like to be in control of the situation, because they are responsible for handling money that is not their own. They give the impression that banking is serious business because it is a serious business. Lending another person's money, on their part, and borrowing money, on yours, involves a

lot of responsibility on both sides.

However, don't let the formality and responsibility get in your way, or prevent you from dealing effectively. Bankers are people just like you. They are also business people. If they see that you are well-groomed and appear reasonably intelligent and responsible, they will take you more seriously. If you appear to be a choice customer, they will jump at the chance to serve you. Remember, banks make their money by making loans, and as a responsible person you are quite important to them.

In addition, bankers are very knowledgeable about the credit world. Their job is to extend credit to creditworthy people. By asking him or her the right questions, you can use your local banker as a free consulting service. Your banker will be happy to give you the advice you need in order to get your business.

A good relationship with your local banker is essential, so start developing it now. A good banking relationship can help you do more than simply obtain a loan.

Points to keep in mind

- ◆ *Your own bank may be best.* If you have a good banking relationship with your local bank, start there. A local bank offers you the opportunity to develop a good credit history. If you have a good relationship with your own banker, you have a slight edge over the prospective borrower who has no personal connection with his bank.

Bankers can bend rules if they feel confident about you, even if there are several questionable marks on your credit record, or your income isn't quite high enough to justify the loan you want.

- ◆ *Choosing a local bank may be helpful.* Even if it's not your current bank, choose a local bank. You will, in time, be applying to nationwide banks for many of your loans or credit cards. Citibank and Bank of America may not be in your neighborhood, nor do you need to start
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your quest for credit through them. For now, a local bank is adequate to start the ball rolling.

- ◆ *Investigate many banks.* Even though you are focusing on a particular local bank, you should contact many banks in your area. If you are developing ties with a dozen banks simultaneously, the odds are good that one bank will come through with the credit you need. Nationwide banks may be too distant to visit in person. You can, however, contact them by mail. Many also have toll-free telephone numbers to enable you to get in touch personally. If yours doesn't have an 800 number and you do any significant business with it, the loan officer will be happy to accept collect calls.
- ◆ *Establish a personal relationship with a loan officer.* Bankers pick up on positive personality traits and, quite often, favor you with the benefit of the doubt. To gain the banker's personal respect, you must establish a personal rapport with him. It's important to deal with the individual loan officer with whom you feel most comfortable.
- ◆ *Don't be intimidated.* Never think of yourself as going to a bank to ask a favor. You are a knowledgeable customer coming to discuss advantageous terms.

Your meetings with bankers will further educate you in the ways of the banking world. Just as an expert chess player becomes a master through playing many different opponents again and again, the more contact you have with banks and other

lenders the more you will learn. As you develop your credit relationships, you will locate more banks and lenders anxious to extend credit to you.

Local bankers are likely to be more receptive and pay more attention to you than the larger institutions.

Obtaining Credit



Obtaining Credit

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Most people emerging from financial difficulties consider it top priority to obtain credit cards, such as Visa and MasterCard, through which they can again charge day-to-day purchases.

Although it is possible to get a credit card without a good credit history or a high income, few people know how to do it. Most go through the ordinary channels and get turned down. Therefore, they incorrectly conclude that a Visa or MasterCard is unavailable to them. Sometimes people with good credit histories and high incomes get turned down when they apply for several cards, yet they hear of people who seem less creditworthy who carry numerous cards.

The credit card world can be pretty simple when you understand the rules it works by, but it is quite challenging, and even mysterious, to the uninformed.

The credit card system

You certainly don't need dozens of credit cards to be successful. Though there are advantages to having many credit cards, it is the proper use of the cards, rather than their total potential dollars of credit available, that is important. At the same time, to get a number of the more valuable credit cards, you must know how the credit card system operates.

By studying the way the banks interrelate, you will understand how to deal with credit card companies. You will find that banks work together to keep track of their cardholders. Most banks want to know how many credit cards you have before considering you for one of their own cards.

Realize that it is the use of credit cards that gives you wealth, not the number you own.

Nor will every lending institution issue you a credit card. This is because many banks share a computer connection that trades vital cardholder information. When banks become aware that you have “too many” cards (each bank has its own policy on how many cards is too many), they automatically reject your applications.

Furthermore, many banks offer the same card, and usually disallow repeat cards to be issued to a cardholder. You may, therefore, receive only one card from this interconnected network of cooperating banks.

The Bank Card System

To make this clear, let's examine what might hypothetically be called the Bank Card System. When you apply for a credit card at your local bank, much more is going on than you realize. Although the name of your local bank may be proudly displayed on your card, chances are your card was issued by another bank working behind the scenes. Because banks are interconnected, they trade favors and reciprocate functions. Most often, however, banks hire each other to perform different services and, as a result, create economies and save themselves money.

This Bank Card System is complicated. First there is the process of accepting the new applications, asking for credit reports, and setting up the approved accounts. Then there is card printing and embossing, as well as ongoing paperwork encompassing year after year of statements, sales brochures, late payment notices, and countless other details that make a credit card program successful.

Most banks cannot afford to support all the functions required to issue and follow through on credit cards. Therefore, to avoid the complicated and costly process, smaller banks act as credit card agents for the larger banks.

In other words, smaller banks contract with larger banks for card-related services. Many service packages are available. The largest card-processing centers therefore do all the accounting, credit checks, mailings, statements, collections, and administrative details for the small banks. The fee that the smaller bank pays is a percentage of the annual credit volume.

Processing an application for a bank credit card requires a bank to perform many functions it normally cannot afford to do on its own, so it often seeks outside assistance by using other banks.

Most banks enjoy and benefit from this relationship. However, many more banks are now purchasing their own computer systems to cash in on the big profits that come from functioning as a large credit card processing center.

The main advantage of the Bank Card System is that it allows the smaller banks to stay in the game. Because there is fierce interbank competition, most banks must offer their customers the convenience of credit cards. This is such an important part of bank promotion that many banks make their credit card package a major advertising tool to attract new customers from the competition. The Bank Card System saves the small bank from having to invest in computers and more personnel to compete.

The larger banks also benefit from the Bank Card System, because their overhead is partially subsidized by collecting the annual service fees from the smaller institutions using their card-processing services. In fact, card processing centers often realize handsome profits.

Some bank networks link different parts of the credit card process in a kind of chain. One bank may offer the card while another does the credit checks and a third (or fourth) does the card embossing and monthly statements. Some of these chains may be short and some may be surprisingly long. Interestingly,

most major banks may have many lines of agent banks stretching out in chains under them. Some of these chains extend through as many as three or four successive agent banks.

Applying for more than one credit card

Now, what happens if you simultaneously apply for credit cards to a dozen banks in your area? Inevitably, although through different chains, many of the banks will be connected to the same major bank. This raises two possibilities:

- 1) *The major bank approves your credit.* The major bank may have a relationship with the agent banks that prevents an applicant from obtaining more than one card from the major bank. In other words, if you apply to 12 banks that are connected to the same major bank, the major bank will issue you only one account. Therefore, only one credit card will result from your efforts.

Duplicate accounts are seldom allowed. Of the 12 applications processed by the major bank, the first one accepted becomes your account; 11 are automatically canceled out as they enter the main computerized system. The credit card will reflect the name of the bank that was on the accepted application. Unfortunately, however, you have needlessly generated 11 useless and potentially harmful inquiries on your credit report.

- 2) *The smaller agent banks approve your credit.* The major bank may issue several cards to the same individual, if the agent banks will assume responsibility for approving your credit instead of leaving it to the major bank. Furthermore, the agent banks would also have to assume responsibility for any defaults in payment.

Determining which chains do or do not issue duplicate cards requires some detective work, but is well worth the effort if your objective is to get more than one or two bank credit cards. Research in your geographic area of the country will give you greater insight into which Bank Card System can best serve your needs.

Shopping for credit cards

Most consumers are surprised to discover they have many choices when it comes to selecting a bank credit card. You should examine all your options carefully before selecting the cards to apply for.

You will learn that there are great credit card bargains all over the nation—as well as deals you should avoid. Compare bank policies before selecting your cards. The following three features are a part of all bank card terms and should be reviewed before selecting a credit card:

Don't believe that all credit cards are alike, or that you must live in the same state to get a certain bank's credit card. And don't be misled into believing that you must have an account with the bank to which you are applying.

- 1) **Transaction Fees.** Banks have discovered that 50 percent of all cardholders pay their total balance at the end of each month. This, naturally, limits the dollar amount of service fees each customer will be required to pay. To remedy this problem and increase revenue, some banks have designed transaction fees.

For example, a major California bank charges 12 cents for each use of the card. The cardholders felt they were getting a deal because the annual fee for this card was only \$10 per year. However, for people who use their cards regularly, transaction fees can add up fast. Many cards charge no transaction fees, and may be far less costly than cards that impose fees.

It is important to check for transaction fees before applying for a bank card.

- 2) **Annual Membership Fees.** Annual fees are designed to boost sagging credit card income for the banking industry. Because most people pay off their monthly statements before finance charges begin, banks feel that annual fees are vital for survival. However, some banks
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waive annual fees if you keep a minimum balance in your checking account. To evaluate the worth of this offer, check what the interest rate would be for your deposit. If it is too low, you would be losing income that could be made from a deposit in another bank at a higher interest rate. The amount lost in interest may be greater than the money saved by not paying an annual membership fee.

3) **Finance Charges/Annual Percentage Rate (APR).**

These rates vary widely from state to state. Although each state has a legal limit or cap above which the rate cannot go, it is a very high ceiling. The District of Columbia, for instance, has a legal ceiling of 18 percent (and also disallows annual fees). Many credit card companies now offer adjustable percentage rates as a way to entice the new cardholder to transfer existing account balances. This

new low rate is only an introductory rate—often limited to as little as six months—after which the rate zooms back up to the card's regular rate. Don't be taken in by offers of low balance

The new cardholder seldom has the willpower to return a new card, even one that arrives with a surprisingly high interest rate.

transfer rates, because within a year you could wind up paying a higher interest rate than you did before the transfer.

Many banks neglect to put their annual percentage rate on their application form. This is because their rates often change, based on other interest rate indicators and the interest charged by competition. You often don't find out the actual interest rate you are asked to pay until the credit card arrives in the mail and you sign on the dotted line. The best advice is to always read the fine print carefully before choosing your credit card.

ATM and debit cards

The credit card field is rapidly changing. Two popular features you should know about are ATM cards and debit cards.

ATM Cards

Plastic cards are issued by banks for use in Automated Teller Machines (ATMs). You receive a personal identification number (PIN) with each card. Each card has a magnetic strip that is activated when you punch in your PIN.

Originally designed as cash dispensing cards, they now perform functions as diverse as deposits and withdrawals, cash advances on charge cards, bank transfers, account inquiries, and, surprisingly, bill payments.

Be careful with your ATM card and PIN number. If you report a stolen ATM card within two days of the theft, you may face a maximum liability of \$50. However, if the theft goes unreported, you may be held responsible for up to \$500 of any resultant loss.

Although a convenient method of banking, ATM plastic does not offer the same degree of consumer protection enjoyed by regular credit cards.

Also, unauthorized withdrawals must be reported within 60 days of their initial appearance on the bank statement or your liability is unlimited. In a situation like this, you could even lose your entire deposit. The rule to follow when handling an ATM account is always to keep your PIN and ATM card separate.

Debit Cards

The *debit card* is a brother to the ATM card. Both cards are merely electronic replacements for a check. They do not represent an extension of credit. Whereas the ATM card electronically draws cash in the same way a check can, the debit card replaces a check by paying bills and making purchases via an electronic hook-up with your account.

Bankers prefer debit cards over checks because check processing is generally unprofitable. If debit cards replace credit cards for purchases, however, bankers will lose finance charges normally collected on credit cards.

Merchants like the debit card system because they get their money immediately, electronically transferred into their company account. This system exists electronically, supported by a minimum of paperwork. Ideally, the merchant doesn't have to worry about a check being misplaced or lost, for example, or about a holdup in the store.

While debit card transactions used to be handled the same way a regular check is handled, the process is now completely electronic. Debit card users can use their PIN numbers to authorize purchases, and the amount is automatically deducted from the linked account. It is just like using cash in many instances.

There is no debit system operating on a national scale, since merchants and banks have yet to agree on a standardized system. Experiments, however, have been initiated in some states to see if an electronic debit system is a viable addition to modern banking.

Because the debit card concept is so new, laws to define the cardholder's liability in the event of unauthorized use or theft are still evolving. Consult with the institution issuing the debit card to establish the terms of your liability.

How to get your credit cards

Here are 13 essential tips to help you obtain the credit cards you want:

- 1) **Assemble a list of banks from whom you will request application forms.** Sometimes it's easier to get credit cards in the state you live in; the very large national banks are generally aggressive in seeking new accounts. Don't overlook savings and loan companies as
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well as credit unions in which you qualify for membership.

- 2) **Request an application form for Visa and MasterCard accounts, either by telephone or in writing.** Be certain to request information pertaining to finance charges and fees, because these are points often not included in the application. You will need this information to evaluate the institution's credit card policies.
- 3) **Obtain your credit report from the credit bureaus used by the credit card issuer to whom you are applying.** If your credit report reveals that you have some negative marks against you, follow the procedures outlined later in this guide to remove them.

If your credit report lacks any details of your positive credit history, try to persuade the creditors to report that information to the credit bureau. The credit bureau can charge a fee for entering these reports, but it may be worth the expense if it allows you to improve your position in the credit world.

- 4) **Apply for a secured credit card if negative marks remain that can't be removed.** If you have gone through the credit repair procedures several times and negative marks such as bankruptcy, judgments, and delinquent payments remain, and you do not presently have any major credit cards, then apply for a secured card, following the

Applying for credit with negative marks on your report invites refusal. Do everything possible to remove the negative marks before you submit your application for credit.

instructions outlined in Chapter 2. Responsible use of a secured card will contribute to the building of a positive credit history. Meanwhile you can be repairing the dings in your credit rating, which

then qualifies you for unsecured credit.

You may discover, however, that not all credit bureaus

have negative reports on you. If you find a credit bureau that does not, apply for credit with an institution that uses this credit bureau and not with the ones with negative histories on you. Most of the large credit card issuers subscribe to the major credit reporting agencies, but you may be able to find a smaller institution that subscribes to the credit bureau you want.

- 5) **Apply for a secured card if your income is less than \$1,000 a month.** If your total income from all sources is less than \$1,000 a month, it may be difficult

The amount of credit you can qualify for is usually directly dependent on the amount of your income.

for you to get an unsecured credit card unless you score very high on all the other credit criteria and show that you can pay your debts from adequate assets.

However, to obtain even secured credit cards, you will generally need to show some income. The income does not need to be from a job. Pension or other retirement benefits, income from investments, or alimony may be sufficient.

If you want to enter the credit world on your terms, work at building your income. If you have no income, it is sometimes possible to get a credit card by obtaining a co-signer, someone who has good credit and agrees to assume responsibility for your debts.

- 6) **Get the number of inquiries on your credit report down to three or four in the past six months.** If you have a number of “active” inquiries—that is, inquiries that have been added to your report within the last six months—either wait until they automatically come off your report or attempt to remove them following the procedures outlined later in this book.
- 7) **Apply for credit cards from retailers in your area.** Department store cards, gas company cards and other retail credit cards are usually fairly easy to obtain. Check to see whether your payments are reported to a credit
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bureau. Sometimes they are not, but if so, then using this card and repaying on time will boost your credit record.

Even if the payments on these accounts are not reported to a credit bureau, many applications for credit ask about your other credit card accounts. A good payment record on these more easily obtained accounts can give you some recommendations on which to build more credit. Often, having a secured Visa or MasterCard is sufficient to get credit from these other companies. They don't have elaborate credit-checking systems, so they will follow the lead of larger institutions that have already approved you.

- 8) **Have your loan officer assist you in getting a Visa or MasterCard.** Ask what your chances are of qualifying at his or her institution. Also ask what your chances are elsewhere. Different institutions have different policies and your loan officer is likely to know about them.

You may be advised to apply at another institution because it is more lenient in its credit requirements. Sometimes a lending institution will offer cards at a lower-than-average annual percentage rate, but tighten its requirements to reduce the chance of loss through bad loans. If this is the case with your bank, the loan officer may recommend that you go to another institution that charges higher rates but has more lenient credit requirements.

- 9) **Review the terms of the various card issuers, and decide what terms are important to you.** For example, if you are planning to use your credit cards to finance consumer purchases or investment opportunities, a low annual percentage rate is desirable. If, on the other hand, you are going to use a card for the convenience of day-to-day purchasing and intend to pay the full amount at the first billing to avoid finance charges, then a no annual fee card with a long grace period is what you are looking for.
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The ideal, of course, is to get cards with no annual fee, low APR with a long grace period, and no other surcharges. You should realize, however, that banks are in business to make money, so no credit card provides all these advantages.

10) **Accurately complete your application forms for those credit cards that meet your requirements.**

If you have a good credit record with a particular credit bureau, it is wise to attach a copy of that credit report to your application form.

Answer all questions truthfully and completely, remembering that you are not required to give any more information than is requested. Type or print clearly. Use a street address—not a post office box number, care of, or general delivery.

- 11) **Don't send more than two or three applications at the same time to card issuers that use the same credit bureau.** This avoids being turned down for too many inquiries. Most credit card issuers will automatically request your credit report from the credit bureau when they receive your application. This will appear on future credit reports as inquiries. More than a few inquiries showing up in a short period may result in your being refused credit.
- 12) **Send out applications for unsecured credit cards to the card issuers you have targeted.** Record your responses and keep track of approvals, declines and requests for further information, as well as your response if called for.
- 13) **Request the reason for any credit declines and ask for the name of the credit bureau used.** If you are denied credit, federal law requires that you be told the reason in writing, as well as the identity of the credit bureau that was used. You further have the right to request a free report from that credit bureau concerning the information contained in your file. You
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must respond to the rejection notice within 30 days to obtain this free credit report. (Order it only if you need one from that credit bureau, because your own requests generate inquiries, too, although these are usually not held against you.)

Determine exactly why you were refused credit. You have a right to know why you were turned down. Once you find out, you'll know exactly what you need to do to get approval, or at least to get to the next step of approval. If you don't understand the reason you were denied credit, contact the lending institution and ask for a specific reason so you can act on it using the strategies contained in this book.

Credit card alternatives

If you didn't pass the tests for unsecured credit, don't give up hope. Even if you have some negative marks on your credit report that you can't remove, it is still possible to get credit. It is also possible to get a loan with a low income level if there isn't a negative credit history. However, the loan must usually be secured with collateral.

Remember, lenders want to lend money because they make money on the money they lend. But also remember that they make money only if the loan is repaid. Therefore, bank policy is strict and loan officers shy away from approving questionable loans. If your income is low or your credit history is either insufficient for evaluation or decidedly poor, you will not be approved for an unsecured credit card.

You may still qualify for a secured card. You may be a borderline case that doesn't qualify for unsecured credit but will qualify if some form of security or collateral is left with the lender to ensure payment. This is usually in the form of a savings account at the bank issuing the card (see Chapter 2).

If you are unable to get a secured credit card on the strength of your collateral, try obtaining a card by having someone co-sign for you. The co-signer should have strong enough credit to act as security for the credit line on the card and some extra, just in case you turn out to be a poor risk. Becoming a co-signer is a big responsibility. Don't ask a person to co-sign for you if you can't live up to the obligations he or she will then be responsible for.

There may be other forms of collateral acceptable to a bank: a pledge of stocks or bonds, a lien on an automobile or boat, or you may have other equally valuable collateral to use.

If you have some capital but a poor credit rating, you may consider a debit card as another type of secured credit card. Debit cards look like ordinary Visa or MasterCard. When you use them, you do not receive credit, but your account gets charged. A debit card provides you the convenience of a credit card while allowing your funds

to earn high interest in a money market account, for example. Many people use debit accounts like checking accounts. The big differences are, it is often easier to use a debit card than to write a check, and some places will accept debit cards but not checks. Many banks now offer ATM cards that double as debit cards.

Your positive credit history using a secured credit card or a debit card may not be reported to the credit bureau. Your possession and responsible use of these cards does, however, create references that you can use in the future.

Comparing credit card terms

After you receive your application forms in the mail, go through each, looking for the following information:

- 1) What is the annual percentage rate used to compute finance charges?

Be a discriminating shopper. Find out what the best deals are before you select a credit card.

- 2) Is there an annual fee? If so, how much?
- 3) What is the policy governing cash advances?
- 4) Are there any restrictions on how you may choose the card?
- 5) Is there a grace period before finance charges begin?
- 6) Does the bank compute finance charges by the adjusted balance method, the previous balance method, or the average daily balance method?
- 7) Does the bank originate its own cards or does another institution originate the cards?
- 8) Does the bank offer special services such as “prestige cards” or automatic teller machine (ATM) facilities?
- 9) What are the bank’s collection practices and how lenient is it with borrower problems?

Credit card brokers

You may have noticed ads in national magazines guaranteeing Visa, MasterCard, or other credit cards even if you have a poor credit history. These companies are, in most cases, merely taking advantage of the consumer’s lack of knowledge. They are simply furnishing applications for secured credit cards, sometimes collecting a non-refundable processing fee for doing so. Others send a booklet or an instructional sheet explaining secured credit cards. Save the \$25 to \$50 these firms will charge you. With the information in this chapter, you are well prepared to obtain credit cards on your own.

What Your Credit Report Discloses



What Your Credit Report Discloses

4

Credit reports may vary slightly between agencies. However, most credit reports include:

- **Identification information:** Your full name, last two addresses, Social Security number, date of birth, and place of employment if the credit bureau has received that information. Length of employment and income are typically not reported, but watch the former if it is reported, because it often is incorrect. Creditors will sometimes reject an application because they can't confirm employment. If you are self-employed, credit bureaus may have you listed as unemployed, which should be corrected immediately.

- **Detailed information on the accounts listed:**

The status of each item is sometimes indicated by a complicated code system that signifies exactly what has happened to the account.

Name of the issuer, date account was opened, original balance or limit, current balance (beginning with the reporting date, which is also listed), terms of account, and the current status of the account. This leaves little room for guessing. It also leaves little room for paying a delinquent account and therefore changing your status so you are cleared. An

example is CO NOW PAY, which means that the account was a charge off (CO) but you are now paying (NOW PAY).

- **Public record information:** Bankruptcies, tax liens, judgments and other filings.
- **Credit report requests:** Each time a creditor requests a copy of your report, it is recorded in your report and it stays on your record for up to one year. This addition is “non-evaluated” by the bureau, but it can be seen as negative if you have many inquiries with no subsequent accounts opened. Creditors who see this will assume you were turned down, even though there are other explanations for the inquiries.
- **Consumer statement:** Finally, there is space on the report for you to place a consumer statement. This allows you to challenge or explain any creditor entry in your file in your own words.

Credit Scoring

The three large credit bureaus have each adopted a ranking or scoring system called a credit score or FICO® score, by which, for a fee, you can receive a numerical evaluation of your present credit condition. This is meant to approximate the score you would receive from a lender such as a bank. The credit score is compiled directly from the positive and negative factors found in your credit report. The score is divided into five categories and breaks down as follows:

Type of credit you use =10%

Your credit history =35%

Amount currently owed=30%

Length of your credit history =15%

New credit obtained =10%

Equifax uses a scoring system which ranges between 300 and 850, TransUnion's system ranges between 150 and 934 and Experian's system ranges from 340 to 820.

For example, under the Experian scoring system a score of

340-600 = highest possible risk to the lender

601-660 = medium-high risk

661-720 = medium risk

721-780 = medium-low risk

781-820 = low risk

When you receive your numerical credit score, you will also receive a national percentile ranking. This number reflects the percentage of the US population with scores higher or lower than yours. For example, under the Experian system, a credit score of 800 puts you into the 92 percentile. This means that only 8% of the population had higher scores than you while 92% of the population had lower scores than you.

Higher scores mean lower delinquency rates. This is the rate at which 100 borrowers in a specific range will default on a loan, declare bankruptcy, or fall 90 days behind in their payments. Thus, a delinquency rate of 50% means that out of 100 borrowers 50 will commit one of the above.

Common factors that can lower your score include:

- *Owning too many credit cards*—simply owning too many credit cards increases your potential for indebtedness.
- *Too many current accounts with outstanding balances*—regardless of your ability to pay, lenders view this as a potential problem.
- *Failure to significantly reduce loan amounts*—your level of debt is too high in relation to your total credit limit and to your total loan amounts. The best strategy is to have few debts and keep balances low.

Be aware that while a lender will certainly evaluate your credit history, it is only one component of the final decision. Your income, employment history, assets, liabilities, and numerous other factors play a significant role in his decision to offer credit. While there are many different scoring models, and not all

bureaus use the same model, lenders will use the score as a timesaving summary of your credit report.

Some credit bureaus charge for the score, some provide it for free if you purchase your credit report, and others tie the score to a subscription package.

Since your credit score is based upon your credit report, the way to improve your credit score is by improving your credit report.

Remember, credit bureaus accept without your knowledge any negative information about you whether from a creditor or other source, and regardless of whether it is true. The credit bureau is under no obligation to check the accuracy of this credit information until you challenge it. Unfortunately, creditors will rely heavily upon the information in your credit report—though the credit bureau has no responsibility for its accuracy. The burden is on you to keep your report as accurate as possible.

5 common reasons for credit denial

When prospective lenders inquire about your credit standing, they examine your record with certain expectations. To evaluate your own report, you need to know those expectations. The five most common reasons for credit denial based on a credit report are as follows:

- 1) *Delinquent credit obligations.* Late payments, bad debts, or legal judgments against you make you look like a risky customer.
 - 2) *Credit application incomplete.* Perhaps you left out some important information or made an error on the application. Any large discrepancy between your application and your credit file can count against you. The lender will wonder if you are hiding something.
 - 3) *Too many inquiries.* Inquiries are made whenever you apply for credit. Requesting your own report also counts as an inquiry, but is usually not held against you. At the creditor's discretion, as few as four inquiries within six months' time may be considered a sign of excessive
-

credit activity. The creditor may then presume that you are trying desperately to get credit and are being rejected elsewhere.

- 4) *Errors in your file.* These may arise simply from typing mistakes, or from confusing your name with someone else's similar name. Since the credit bureaus handle millions of files, the possibility for error is substantial. Errors can be found and corrected only by carefully reviewing your file for accuracy and then taking the necessary steps to correct any errors that you do find.

If you have changed your address, this can also create problems in the recording of your credit history.

- 5) *Insufficient credit file.* Your credit history is too scanty for the type or amount of credit you requested. You need to develop your credit history more fully before qualifying for the level of credit you are now requesting.

Always examine your credit record before applying for credit. A credit bureau may confuse you with another individual, carry erroneous information in your file, or perhaps include false, incomplete or one-sided information provided by a creditor. Most of these problems can be resolved once you understand the procedures.

Periodic checking of your credit report is important because credit bureaus can and do make mistakes in their credit information.

Get a copy of your credit report

It is easy to get copies of your records from those credit bureaus that have a report on you. Here are the addresses of the major nationwide credit reporting bureaus that may have a credit file on you:

Experian Credit Information Service (formerly TRW)

(Formerly TRW)

1-888-397-3742

<http://www.experian.com>

TransUnion LLC

Consumer Disclosure Center
P.O. Box 2000
Chester, PA 19022-1000
1-800-888-4213
<http://www.transunion.com>

EQUIFAX Credit Information Services

1-800-685-1111
<http://www.equifax.com>

Write, call, or visit online all three of these major credit reporting agencies, requesting a copy of your credit report. In your letter (use the *Request for Credit Report* form), be sure to include your full name, current address, previous address, Social Security number, and date of birth. Call the bureau first, as each may require additional information. With the letter enclose a check for the proper amount (call to verify the exact amount required). Credit bureaus typically charge under \$10 to issue a credit report—the price may vary by state.

The larger credit bureaus allow you to order your credit report by phone, using a credit card.

There are circumstances when you are entitled to a free copy of your credit report. For example, if you have received a credit rejection within the past 60 days, you may enclose a copy of the rejection to the credit bureau listed on the rejection letter and demand the bureau provide a free copy of your credit report. Request a free credit report based on a credit denial using the *Request for Free Credit Report* form, by phone, or online.

Major credit bureaus will also supply credit reports free of charge to:

- Residents of Colorado, Massachusetts, Maryland, New Jersey, Vermont, and Georgia.
 - Consumers who certify in writing they are unemployed.
 - Those who suspect their credit report may contain fraud.
 - Consumers on public welfare assistance.
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The 10-step
Strategy to
Repairing
Your Credit



The 10-step Strategy to Repairing Your Credit

5

With your credit report in hand, you are now ready to repair your credit rating. The first step is to know your legal rights. What can you do if your credit report contains false, misleading or incomplete information?

The Fair Credit Reporting Act (FCRA), 15 USC sections 1681a through 1681t, protects you against credit abuse that might result in an unfair description of your creditworthiness. Knowing the following six basic rights is essential if you are to successfully erase the negative marks in your credit report and regain a good credit status:

- Right #1.** You are allowed to challenge the accuracy of your credit report at any time.
- Right #2.** The credit bureau must reinvestigate anything you challenge.
- Right #3.** The credit bureau must reinvestigate the disputed information within 30 days. The time

As of September 30, 1997, the 30-day period for a credit bureau to respond is a matter of law.

period begins when the bureau receives notice of the dispute from the consumer. The only exception to the 30-day rule: when the consumer sends the bureau additional material within the 30-day period. The

bureau may extend the deadline a maximum of 15 days.

Right #4. If the credit bureau finds any error, it must promptly delete that erroneous information from its files.

Right #5. If the bureau cannot or does not confirm the information you have challenged within a reasonable time period, it also must delete that information from your files.

Right #6. If a creditor verifies the information and the bureau responds in a timely manner, the negative marks must remain on your record. But if you maintain that the information reported is in dispute, you have the right to submit a Consumer Statement of your view of the problem.

In other words, if you as a credit consumer dispute the accuracy of certain information in your report and receive no satisfaction from the bureau or the creditor, then the credit bureau is required by law to attach your explanation to every copy of the report it sends out. You may ask the credit bureau for assistance, but in that case the bureau can limit the statement to 100 words.

You've got rights on your side. Now get to work on this 10-step plan.

The 10-step plan

Step 1. Identify your credit problems

Find the negative remarks, or "dings," in your credit file and circle them. The information on these reports is usually coded like your bank statement. However, the FCRA requires credit bureaus to explain anything on the report that you cannot reasonably understand. Each report contains a key to the coding symbols. Familiarize yourself with the symbols, then look for damaging remarks in these four sections of your report:

- A) The **Historical Status** is a record of your monthly payments. Ideally, this should be free of past-due symbols, which may be 30-, 60- or 90-day periods. Almost 90 percent of the bad marks can be from past-due symbols. These could have been entered accidentally, or because the mail was late, or because of delays in processing your payments. Of course, you may actually have made late payments.
- B) The **Comments** section may contain remarks such as Charged to P&L (profit and loss). That means a company has charged an account off as a bad debt loss, and that it does not expect to collect. This, of course, implies that you are a bad credit risk.
- You must have your payments credited to your accounts before the due date, not just mailed by that time, if you are to avoid past due symbols.
- C) **Inquiries** made by any bank, store or other company to which you applied for credit will be listed in the report. Too many of these may be taken by a potential creditor as an indication that you are in financial difficulty and may be seeking credit as a solution. Creditors will refuse to give credit on the basis of too many inquiries. How many is too many is a subjective judgment by the individual creditor. As few as four or five in six months may be too many for some creditors.
- D) **Public Records** may appear in your credit report as tax liens, bankruptcies, or court judgments that affected you. These entries should also be examined for accuracy.

Step 2. Determine your overall credit score

Somewhere on your credit report you will find a column with a title such as "Account Profile." This column contains a summary rating for each of your accounts. A summary may read positive, negative, or non-rated. *Positive* means you are OK; your payments are all on time. *Negative* means you have a serious credit problem; perhaps you have defaulted on a debt. *Non-rated* may mean you

have a few late payments here and there. Non-rated entries still put you in a weak position, even though there is nothing strongly negative against you. Each negative or non-rated entry has a code reflecting the nature of the problem.

Your goal is to protest, and eventually remove, all negative or non-rated profiles.

Step 3. Draft a protest to the credit bureau disputing each ding

To exercise your legal rights, you must aggressively challenge any bad marks or dings. The credit bureau will only verify the facts if you assert that they are in error. So don't be shy. Draft a strong but polite protest for each item you want to challenge, and tell the credit bureau you are exercising your rights under the FCRA, 15 USC section 1681i.

For example, suppose you find the code Charge Off. This means that the creditor charged your account off to profit and loss and that the creditor thinks your debt is uncollectible. You could protest that this comment should be removed because, in fact, the debt was satisfied and therefore should not be reported as a Charge Off. Or perhaps you later paid off the delinquent account, but the creditor failed to note this in your credit report.

Another problem might be a series of Past Due notations. You could protest that those payments were delayed due to a mix-up with the post office when you changed address. Most often the credit bureau and creditor will state that the payment was in fact late, and therefore it is correctly reported. However, if a post office mix-up occurred, you could submit a consumer statement to the effect that the account is in dispute because bills were not delivered by the creditor even though a change of address was furnished.

Step 4. Send your letter of dispute

Using the sample letters included in this chapter as a guide, write or type a letter of dispute to the credit bureau. *Your letter should not look like a form letter.* List each thing that you want to challenge, and include photocopies of any documents that support your claims. These might include correspondence with your creditors, canceled checks indicating payment, receipts, or other documents. Remember that the law states that you have the right to dispute any citation on your report if the information contained in that citation is inaccurate or incomplete (Fair Credit Reporting Act 15 USC section 1681).

The only limitation to a dispute of items on your credit report is that your claim should not be frivolous or irrelevant.

When you have finished your letter, make a copy for your records. Send your letter certified mail with return receipt requested to be sure the bureau receives it. It is also a good idea to include a copy of your credit report to make sure the bureau checks the right file.

On the following pages are two sample forms as they might be filled out:

Sample *Complaint Letter to Delete Inaccurate Information*

January 2, 2004

ABC Credit Bureau
500 Main Street
Anytown, CA 10000

Re: Complaint Letter to Delete Inaccurate Information

To Whom It May Concern:

I formally request that the following inaccurate items be immediately investigated. They must be removed in order to show my true credit history, as these items should not be on my report. By the provisions of 15 USC section 1681i of the Fair Credit Reporting Act of 1970, I demand that these items be reverified and deleted from my record.

<u>Item No.</u>	<u>Company Name</u>	<u>Account Number</u>	<u>Comments</u>
Item 7	JKL Loan Corp.	9876-5432-1	These payments were made on time.
Item 9	QuickLoans	9181716151	This is not an account of mine.

Since 30 days from the receipt of this letter is your allotted time under the law to reverify these entries, it should be understood that failure to do so within that 30 day period constitutes reason to promptly delete the information from my file (FCRA 15 USC s1681i (5)(A)).

Also, pursuant to 15 USC s1681i (6)(A) of the Fair Credit Reporting Act, please notify me when the items have been deleted. You may send an updated copy of my credit report to the below address. According to the provisions of 15 USC section 1681j, there should be no charge for this notification. Also, please send me names and addresses of individuals you contacted so I may follow up.

Sincerely,

John Doe

John Doe
10 Elm Street
Anytown, CA 10000
SS# 123-45-6789

Sample Addition of Consumer Statement

January 2, 2004

ABC Credit Bureau
500 Main Street
Anytown, CA 10000

Re: Addition of Consumer Statement

To Whom It May Concern:

I have disputed the accuracy and completeness of incorrect information on my credit report. Since reinvestigation has not resolved my dispute, I want the following statement, without alterations, included in my credit report to set forth the nature of my dispute for others to see:

Payment was not made to Acme Company because goods were delivered in a defective condition, and Acme Company refused to repair or replace said items.

According to the Fair Credit Reporting Act 15 USC section 1611i (b), I have the right to enter this "consumer statement" in my credit report. The Act also states that you are obligated to include my statement in any subsequent consumer report that includes the disputed information. Furthermore, because my statement contains less than 100 words, I demand that you include the full text of the statement in my report, without changes, alterations or summaries.

Pursuant to the Fair Credit Reporting Act, please send me a free updated copy of my credit report with the above statement included. I assume that 15 days represents a reasonable time for completing this update, unless you immediately notify me otherwise.

Sincerely,

John Doe

John Doe
10 Elm Street
Anytown, CA 10000
SS# 123-45-6789

Use *Complaint Letter to Delete Inaccurate Information* to draft a letter disputing errors on your credit report. Use *Request for Removal of Outdated Information* to request outdated information be taken off of your credit report. *Request to Merge Inquiries with Account* can be used to merge an inquiry with the account; this helps eliminate excessive inquiries, which can be red flags on your credit history.

Step 5. Record your actions

As soon as you mail the letter, log the date for each ding or negative entry you have protested. Keep related disputes together in a file with copies of the letter, the credit report, and any other documents you include.

Step 6. Wait for a response

By law, credit bureaus must respond within 30 days.

Step 7. Send follow-up letters

If the credit bureau does not respond within a reasonable time, write follow-up letters. Point out that federal law requires the credit bureau to respond to a consumer dispute within a reasonable period of time or the agency is in default. Use *Reminder to Respond* as a reminder. This will be sufficient to prompt a response from most credit bureaus. Should the credit bureau fail to respond within 30 days of the reminder, use *Demand for Corrected Credit Report*. Failure of the credit bureau to respond in the time allotted entitles you to have deleted any negative mark on your report that you challenged.

If the credit bureau fails to provide an immediate updated credit report, free of the disputed entry, you have several methods of recourse:

- the Subcommittee on Banking, Credit and Insurance and the Federal Trade Commission can bring legal action against the bureau

- the bureau can be liable to you for damages resulting from further issuance of the old report
- the bureau can also be liable for your attorney fees

It is frequently possible to eliminate negative marks simply by going through this process of disputing entries. Since many creditors won't take the time or make the effort to defend the negative entry, you can eventually repair your credit through the default of your creditors.

Step 8. Ask for an updated credit report

At the end of your letters are requests for an updated copy of your credit report. 15 USC section 1681j of the FCRA requires the bureau to send a free notification of any updates to anyone who has received a copy of the report within six months previous to any corrections or statements that are added to the report. Therefore, you are entitled to receive a free update. When you request it, include a request to send an update to anyone else who has recently inquired about your credit.

The bureaus are not required to send a copy of the entire report, but they will often do so because that is more convenient for them.

Step 9. Compare the new report with the prior report

Most bureaus send you an updated report. Compare carefully the updated report with the original one. Mark with a star any negative entry that has moved up to non-rated, or any non-rated or negative entry that has moved up to positive. Notice that the bureau may delete some items only because a creditor failed to respond to its investigation in a timely manner.

Chances are that you will not get results on every protest the first time, but some progress is likely.

This commonly occurs; the creditor's failure to deal with a bothersome piece of paperwork has now been turned to your advantage and is helping to clear your record.

Step 10. Repeat the process

Remember that credit cannot be rebuilt in a day. It takes patience and persistence.

There are probably still some bad marks remaining. Also, it sometimes happens that a dispute results in an update to an account that is even more negative than before. For

example, reinvestigation could uncover the fact that you actually had more late payments than were previously reported.

So what do you do? Now it is time to go back to the beginning of the process and start over again. You should put your credit record through this process at least twice before going on to the next phase. Remember that during this process you must be very careful not to allow any new problems to appear on your record. Keep all your accounts current or pay ahead of schedule.

Gaining
Creditor
Cooperation



Gaining Creditor Cooperation



Many negative remarks cannot be deleted without creditor cooperation because the dings are accurate and the creditor persistently cooperates with the bureau's request for verification. Your goal then is to persuade your creditors to soften their stance by either toning down or entirely deleting their remarks on your credit report. In the next stage we will get more creative and attempt to persuade the creditor to remove the damaging remarks completely. But for now we only want to turn those current bad debts into positive credit ratings. Here are eight steps to follow:

Step 1: Set up a worksheet for each creditor

Accurate record keeping is an essential part of your dealings with the creditors who still give you bad marks. Use a creditor worksheet containing names, account numbers, credit remarks, and any other documents, correspondence or notes you have on your dealings with them.

Step 2: Write to each creditor

After studying all the facts concerning each account and the nature of the credit complaints, write each creditor explaining your version of how the problem arose. Use *Explanation for Delinquent Payment* as a guide, but don't be afraid to expand upon it. Be specific and give all the relevant details, including full documentation. Perhaps your company went bankrupt suddenly,

or you lost your job. Or perhaps you were detained several weeks in a foreign country while on a business trip and therefore unable to pay your accounts on time.

Remind the creditor that you eventually paid, and mention that you appreciated his or her services and products in spite of the payment problems that arose. Appeal to the creditor's compassion; ask that the bad marks be removed now that the account is settled, or ask that the creditor put a statement into your credit report stating that the account is paid up.

In letters to your creditor, be factual, but appeal to the creditor's sense of goodwill.

As you write the letter, consider it in light of your other accounts that may have been affected by the same circumstances. Each letter you send should be consistent with the others so that, if your creditors' new comments appear on your credit file, they will appear reasonable and consistent. Don't send in weak excuses for late bill-paying habits. Use strong, compelling reasons. Send the letter by certified mail, return receipt requested. To help document the process, keep a copy of each letter and receipt with your worksheet file.

Step 3: Order an updated credit report after 30 days

Your letters may convince your creditors to cooperate and remove dings. Allow about 30 days for the creditor to respond, and then order a new credit report to see if the creditor has made any changes in your report. Have the remaining bad marks been deleted? Have some softer remarks been added?

Step 4: Contact the creditor by telephone

If letters are futile, use the telephone. This will allow you to interact with the creditor in a more personal way. Before you call, study the information you have gathered from your credit report, your creditors' responses, and the worksheet you have compiled.

Then write a simple outline of all the points that you want to make during your call.

Step 5: Be persistent

Sometimes the first call to a creditor will have no effect. Don't be bashful or discouraged. Try again. Be persistent. Talk to a different person. Large companies will have many people working in their customer relations departments. Each person will react differently to you, and sooner or later you may find someone who will relate more positively to your problem.

Once a creditor agrees that a change in your report is justified, ask on the phone that the change be made in your credit status.

Offer to send the creditor a letter with the agreement to update your status in writing, along with a self-addressed, stamped envelope. (Be certain to obtain the creditor's name and office address.) The creditor should sign the letter

and return it to you for your own records. This letter is important if the creditor forgets to change your status or later changes his or her mind about helping you. You can send this letter to the credit agency yourself to repair your credit.

Step 6: Send your statement to the credit bureau

If the creditor has not improved the marks on your report, you should write directly to the bureau and ask it to add your consumer statement to the account in accordance with 15 USC section 1681i (b) of the FCRA. Your comments as to why the bill was not paid on time will then be submitted with your credit report in response to any credit request. Your comments may greatly mitigate the damage of a particular entry.

You may not want to comment on any one particular entry, but want your credit record to reflect reasons for a generally poor report. For example, if you have several negative entries, were they caused by:

-
- a layoff from work?
 - divorce?
 - personal or family illness?
 - tax problems?

You see the idea. These unfortunate experiences can hit anyone and wreak havoc on an excellent credit history. Let credit inquiries know if there was one definable event that ruined your good credit.

Point out your prior track record. Be convincing that these problems are behind you and are not likely to recur.

Addition of Consumer Statement can be used to ensure that such a consumer statement is added to your credit record.

Step 7: Wait the estimated time for a reply

Now the ball is again with the bureau. You must wait the estimated time that you established when you initially persuaded the bureau to remove the dings. In a few weeks the bureau should reply and may also send you an updated copy of your report. If your statement appears positive, you may be ready to start using your credit again.

Step 8: Try again

Remember persistence. Wait a few months and repeat the process. After the lapse of time the situation may have changed. See what happens when you try the creditor again. After a few months have gone by you may find a new person in the office who will be more cooperative and willing to help you regain a good credit rating.

Turning
Around Your
Bad Credit
Rating



Turning Around Your Bad Credit Rating



Did you know you can successfully turn even current bad debts into a positive credit rating? Your goal is to approach these creditors and negotiate repayment plans that sincerely demonstrate your ability to make regular payments on time, pay off the debts you owe, and revive their interest in you as a customer. In return you are going to ask your creditors to restore your positive credit rating.

Working with your creditors

Even if your account has already gone to a collection agency, deal first with the original creditor. The creditor will not be as persistent as a collection agency, as it may have already given up any expectation of full payment. By dealing with the creditor, you may have more flexibility to negotiate the time or the amount to pay.

Often, because of his agreement with the collection agency, the creditor may not deal with you after turning over your

A collection agency receives a percentage of what it collects from you, so it will try to get as much cash as possible from you.

account for collection. Remember, the collection agency is not consumer-oriented and will be more difficult to negotiate with. Therefore, it's always best to do what you can to avoid having a debt turned over for collection.

If you cannot avoid negotiating with the collection agency, use these five pointers, which are also helpful when dealing with a creditor:

1) **Make a win-win offer.** Keep in mind that your goal is to trade money for a positive credit rating on your credit report. Perhaps you can offer to set up a payment schedule in exchange for a promise to improve your credit rating. For example, you could agree to pay 100 percent of what you owe in 12 monthly installments in exchange for the creditor agreeing to recognize your new bill-paying commitment with better credit ratings. Let's be even more specific: Perhaps you can agree that after three months of punctual payments, a negative rating could be raised to a non-rating. Perhaps after six months of regular payments, the non-rating could be lifted to a positive rating, and so forth.

2) **Obtain open account status.** It looks bad when your account is closed to further purchases, even if you are making regular payments. Therefore, when you are negotiating an offer, ask to reopen your account while you uphold your end of the agreement. If the creditor

You can be very persuasive if you offer to pay 100 percent of the debt, perhaps with some interest or a service charge added.

will give you a clean bill of credit health, your extra effort to pay him is certainly worth it. Caution: Make sure the terms you finally agree upon are within the range of your budget so you can faithfully keep your promise.

3) **Put it in writing.** The win-win negotiation procedure up to this point can be carried out over the telephone. However, once you have reached verbal agreement it is vital to put it in writing. Type up the agreement as a letter, sign it, and send it with a second copy and a stamped, self-addressed envelope. Before you send the letter, however, you may want your lawyer to check the wording. Once the creditor signs the agreement and

returns it to you, it can become part of your credit record (see *Creditor Settlement Agreement*).

Before putting your agreement in writing, carefully repeat all the points of agreement with the creditor over the phone to get verification.

- 4) **Honor the agreement.** Now that you have a written agreement, you need only fulfill it and your credit rating will be restored. So be punctual. Make every payment on or ahead of time. Be responsible. If your ability to meet the payment schedule in the agreement should be threatened by unemployment or illness, inform your creditor right away, before you miss any payments. Let your creditors know your plans for meeting the payments, and explore ways to solve your temporary setback that will meet everyone's needs.
- 5) **Verify your credit upgrade.** Before using your newly improved credit status, remember to order an updated copy of your credit file to verify that the creditor has honored his or her side of the agreement and made the promised changes. Allow a reasonable time period from the date the creditor agreed to make the changes, and then request your update. If the changes have not been made, call the person who made the agreement and remind that person of his or her side of the agreement.

If the agreed changes are not made, you can dispute the information on your credit report. Use a copy of the creditor-signed agreement as supporting evidence for the change.

Tax liens and your credit rating

A tax lien on your credit report will definitely hurt your chances for a loan to buy a home, business, car, boat or any other major purchase. It may also prevent you from obtaining credit cards.

Unfortunately, the fact that you had tax liens may not be erased from your credit report until the taxes have been paid for seven years. However, a past lien isn't nearly as damaging as a current tax lien. That's why you must be certain every credit

bureau updates your credit history to show that your outstanding tax liens have been fully paid and discharged.

Once you have fully paid your taxes, the IRS must send you a *Certificate of Release of Federal Tax Lien* (Form 668Z). You must receive a certificate for each office that has a lien on file. This may include the clerk of your city, town or county, the Federal District Court nearest where you reside, and wherever real estate transactions for your locale are recorded. To ensure that you obtain a Certificate of Release for each lien filed, you must conduct a complete lien search. This can be done in several ways:

If you have moved, there may be liens filed where you originally lived. There may also be several liens for the same tax liability filed in the same place. This commonly occurs if your tax problems extend over a number of years.

- *Ask the IRS agent for copies* of every lien the IRS has filed against you.
 - *Have a commercial lien search service comb the public records.* These firms know how and where to look for liens, but be certain they know everywhere you lived or worked from the very beginning of your tax troubles. Also let them know of any change of name. One reputable company is Docu-Search. The toll-free number is (800) 332-3034. The company gives good, reliable nationwide service at a reasonable cost; however, there are many other excellent firms that provide the same service.
 - *Review your credit report.* This may disclose outstanding tax liens, but don't rely upon your credit report alone. A credit report may easily overlook some tax liens.
 - *Conduct your own lien search.* It's very simple. The clerk at the public recording office is usually cooperative and will assist you in your search.
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Once you are satisfied you have identified all the recorded liens, make certain the IRS files a Certificate of Release for each lien. Don't assume the IRS will do this on its own. Frequently it doesn't. You must be diligent in following up on this or you'll have outstanding tax liens that will haunt you for years.

Remember that even one outstanding tax lien can ruin your chances for credit.

Review your credit reports. For each recorded lien that is not noted as discharged, you must insist that the reporting agency contact the IRS or check the public records to confirm that the lien has been released. You may also send the credit bureaus copies of the Certificate of Release of Federal Tax Lien. Follow up to make sure your credit report reflects the discharge of all tax liens against you.

You can even help your credit picture if you are only now resolving your tax problems. For example, if you pay the IRS in installments, then your credit report can reflect the anticipated discharge of your lien because an agreement has been reached with the IRS. You can submit a statement to the credit bureau and insist that it accompany your credit report.

It is possible to erase existing (and unpaid) tax liens by following the same strategies used for erasing other negatives. If you challenge a tax lien, the government does not always substantiate the lien within the required 30 days. In many instances, the government won't respond to the credit bureau for 45 to 60 days. Nevertheless, since the documentation was not provided within the required 30 days, the credit bureau must delete the tax lien notice and cannot later reinstate it.

You will be most successful if you attempt to erase the tax lien after your tax file has been transferred to the governmental archives. This transfer usually takes about a year. Having your tax file in the archives often increases the turnaround time to retrieve the records beyond the required 30 days.

Bankruptcy, repossession, and foreclosure

We have shown you how to clear up the majority of things that can occur in a credit report. However, you may have encountered some serious problems in your financial past, such as bankruptcies, court claims, repossessions, or foreclosures. These negatives may stick to your credit report after you try every method we discussed. For these major problems we can only recommend the virtues of patience and persistence. You will be surprised at how much you can accomplish merely by sticking it out. As these events drift further into your past, they will become less significant in your credit history.

You should know, however, that any adverse information more than seven years old must be deleted from your file, whether it is challenged or not. You cannot be penalized forever for past mistakes. One exception to this is a bankruptcy, which may be kept on your record up to 10 years. Another exception is that if you request credit or life insurance worth \$50,000 or more, or apply for a job paying \$20,000 or more, the credit bureau may release an unexpurgated version of your credit history. This otherwise-deleted information is kept in a separate file that can only be released in the above-mentioned circumstances.

How credit clinics can ease bad credit

Through vigorous application of the Fair Credit Reporting Act (FCRA), many entrepreneurs have opened businesses that claim the ability to clear your credit record. The strategy these clinics use generally works, clearing most of the negative items (true or not) from your credit profile years before they would have been eliminated under the time limits set by federal law.

How do these credit clinics operate? First, they know what credit bureaus will not tell you—

The strategy of credit clinics is so simple that you do not need one to help you repair your credit; you can easily and inexpensively do it on your own.

that each item on a record must be proven if it is to remain. If the bureau cannot prove the item, it must be removed from the file regardless of whether it is true. The clinics also know that every negative entry can be denied or challenged at any time. The bureau must then reinvestigate. If the item cannot be reverified within 30 days, it is automatically removed from the file.

The clinic will have you send a letter to the credit bureau denying all of the negative items in your file. You will state that the negative items are incorrect, or that it isn't your account, or that you don't recall making a late payment. The letter is sent to the bureau with a demand for reinvestigation of the disputed items. About a month later you will receive a corrected report that likely has some of the negative items removed.

How were these blotches removed? There are several things that can force the credit bureau to erase the items. It may run up against the time limit for reverification. It could have been very busy and not had the time to handle it properly. There's also a small chance that a negative item will be mistakenly erased. Operators do make errors.

Please note that if you currently have a controversy with a creditor, that creditor will almost always make a strong effort to keep the negative item on your record. However, the urge to keep it on diminishes once the problem has been rectified.

When the credit bureau contacts the original source of the data to verify account information, sometimes the creditor does not verify or fails to do so within the time limit. Some creditors do not bother to respond to reverification because it is extra work for them. If you have had trouble with an account in the past but it is corrected now, the creditor may not care to continue punishing you, and eventually may give up on reverification.

Many creditors keep account information for only two or three years. So if you challenge an item that old, it is possible that it cannot be verified, since the records no longer exist.

Credit clinics also understand the value of persistence. After one to six months, the credit clinic will have you send another letter to the bureau, starting the process all over again. And the

clinics usually encourage you to continue this until all of your negative items are removed. Should you tire of this at any point, the clinic will have you add a consumer statement counteracting any negative items that may be remaining on your credit profile.

You don't need to pay a credit clinic to repair your credit. You will still be doing a lot of the work, and they will not do much else. Follow the guidelines in Chapter 6, and save yourself the money

Bolster your credit record

What about all of those positive accounts you have that aren't listed on your credit report? Do you have sterling payment records that are unmentioned? If so, you can have these placed on your report.

The law remains unclear about adding favorable items to a credit report, but the FTC has advised credit bureaus that where a report has resulted in unfavorable action against a debtor, the debtor should be able to add to the report to create a more complete and balanced picture of his or her repayment history. Consequently, most credit bureaus will, for a small fee, contact any creditor you name and add that creditor's favorable information to your file. The charge will usually be \$2 to \$3 per item.

If you feel it will help in offsetting some negative items on your report, or that it will fill out an otherwise incomplete report, adding a creditor's favorable information is well worth the investment.

Call your non-reporting creditors with whom you have a good relationship and a spotless payment record. Let them know you need your account information listed on your credit report. Once they agree to release your account record, tell them which credit bureau will contact them. Do this for each good account you want listed.

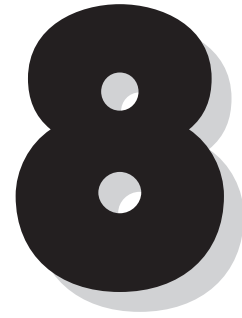
Next, contact the credit bureau with your list of non-reporting creditors. Ask the credit bureau to contact these creditors and add the items to your report as soon as the information is verified, using *Request for Addition of Supplementary Credit References*.

Once you have cleared your credit report of as many negative items as possible and added all possible positive items, you should have a new and reasonably good credit report, one that will give you the credit you need for a more enjoyable future.

**25 Credit
Scams You
Must Avoid**



25 Credit Scams You Must Avoid



People who are most anxious for credit are those most vulnerable to credit scams. Most credit scams are clearly illegal. Others stack the deck so heavily against the borrower that while legal, they are simply unconscionable.

Credit scams prey upon ignorance and desperation. Some of the largest corporations in America are nothing more than sophisticated pool hall loan sharks who routinely fleece their clients. Because credit is big business, all the pressure that Madison Avenue and modern technology can bring to bear is used to convince you to sign on the dotted line and enter into a credit “deal” that is rarely in your best interests.

Your only defenses? Patience. Knowledge. Suspicion. Learn to be patient—even when desperate. And understand thoroughly anything that requires your signature. Aggressively question. Be an educated skeptic!

Exposing the 25 worst credit scams

There are as many credit scams as ways to lend money or extend credit. While some are elaborate “stings” practiced by professional cons, most credit scams are of the garden-variety and more easily detected.

We are each motivated by the fear that we will be denied something we need, want, or deserve. We also are motivated by

greed, or the desire to get something we want for nothing. These two powerful motivators often blind even the most honest and sensible. Thousands of credit-scam complaints to Better Business Bureaus each month prove the point. What about you? Have you been taken by one of these scams?

Credit rackets flourish because they cater to the two basic elements to every credit scam—fear and greed.

1) Catalogue credit cards

Issued by mail order catalog companies, these cards allow you to purchase from their company's catalog. Often called "gold" or "platinum" cards, they sound like bank credit cards, but are not. You will be offered a high credit line without any credit check. And if this offer sounds too good to be true, it is. Why?

- The merchandise in their fancy catalogues is overpriced by 50 percent or more, so you vastly overpay for the credit.
- You must make a large down payment (between 40-85 percent of the price) to cover the seller's product cost. The company thus loses nothing by offering extensive credit—even with no credit checks—because later payments become pure profit to the seller.
- Other credit offers inevitably accompany the cards: expensive application, memberships, or order processing fees. And while these companies claim there are no interest charges, the interest is hidden within the inflated price.

These catalog companies seldom report to credit bureaus, so despite their claims, you cannot rebuild credit by dealing with them. They are simply a very easy way to obtain expensive products with very expensive credit!

2) Telephone credit scams

Here 900 or 976 numbers are leased from the phone companies by other companies that want to sell you a product or

service by phone. But call these numbers and you pay an additional charge above the normal call costs. This charge can top 20 dollars per minute!

How does this relate to your credit? Because credit is the item most commonly advertised by companies who use these 900 or 976 phone numbers, they may invite you to call their 900 or 976 number to obtain a secured bankcard or catalogue credit card. But all you then receive for your money is a credit application—plus a very large phone bill.

3) Advance-fee loans

While illegal in many states, hundreds of thousands of people are still victimized by this scam each year. In its simplest form, someone promises to find you a loan in exchange for an advance fee. This person may call himself a loan broker. However, after you pay this advance fee, the broker disappears with your money.

Legitimate loan brokers usually collect their fee *after* they obtain your loan, with their fee paid from the loan. An advance-fee loan broker, in contrast, collects *before* the loan is found.

There are many sophisticated techniques used to get you sucked into this scam. You might answer an ad from a professional sounding firm urging you to call a 976 number for more information, or to receive an application. The price of the call could be the fee or you may be asked to pay the fee by credit card, check or money order. These advance-brokers frequently advertise via cable television, radio, newspaper, flyers and handouts.

It is virtually impossible to recover your money if the broker fails to deliver. Be suspicious of anyone who asks you to pay for services before delivery.

Before you hand your money over to such a broker, contact the Better Business Bureau, your state Consumer Protection Agency and the Federal Trade Commission.

4) Bogus credit repair companies

These companies promise to fix your credit often for an exorbitant fee that can run into thousands of dollars. Remember, a credit repair company cannot do anything more than you can do yourself through patience, persistence and knowledge. And you can do it for far less than it will cost with a credit repair company.

Credit repair companies often disguise themselves as a legitimate financial-aid company, debt counselling service, loan consolidation company, or credit-fix-it company. Look for certain warning signs when you investigate one of these companies. These include such impossible claims and false promises in the company's advertising, as "No credit beyond repair," "Eliminate all negative reporting including bankruptcies," or "We can get you unlimited credit now, no matter how poor your credit history." Also be wary if the company claims it can get you a major bankcard even if you have poor or no credit.

Credit repair companies use many techniques to draw clients: from court reported bankruptcies and telemarketing to direct mail advertising. Once they contact you, they often prey upon your fears with these lies and deceptions:

- They may claim the company is affiliated with the federal government. In truth, beyond passing laws to protect consumers from unfair credit practices, the federal government is in no way connected with any aspect of credit repair.
- They may tell you that file segregation is a legal credit repair technique. But file segregation is an illegal technique used by some companies to create a separate identity for a client. This is a federal crime that may also involve mail or wire fraud. You may also be sued for civil fraud.

The misrepresentations by credit repair companies are designed to panic you into seeking their help. The more desperate you view your situation, the more you will believe their extravagant claims.

- They may also trade on your fear that bankruptcy destroys your ability to obtain credit for ten years. This also is not true. Most creditors consider bankruptcy case by case, and take into account the reason for the bankruptcy, and whether it was due to circumstances beyond your control, such as illness or job loss.

Some states have laws that regulate credit repair companies. These states usually require credit repair companies to be bonded (or have insurance to cover up-front deposits in case they are sued by clients), abide by the FCRA, inform clients of their legal rights, provide clients with a written contract and allow clients 3 to 5 days to change their mind after they sign a contract. Fifteen states that regulate credit repair companies are:

Arkansas	Louisiana	Oklahoma
California	Maryland	Texas
Connecticut	Massachusetts	Utah
Florida	Nevada	Virginia
Georgia	New York	Washington

Disguised as a debt consolidation company, the credit repair company also may offer you a very high interest loan with large up-front fees, possibly secured with your home as collateral. Also disguised as a debt counseling service may be a bankruptcy attorney using the service as a “front” to attract clients. Another firm may offer you a national bankcard which is only a secured bankcard easily obtained yourself without having to pay an additional fee to the credit repair firm.

What should you do if you do decide to work with a credit repair firm? First, contact the Federal Trade Commission, Better Business Bureau, state’s attorney general or the Department of Consumer Affairs to see if complaints have been filed, or legal action taken against the company. Second, meet personally with a representative of the company. Have the company tell you what it can and cannot do for you and get it in writing. Finally, do not under any circumstances give the company money in advance.

5) Credit card cash advances and cash advance checks

These scams are used by some banks to force you into a high interest loan. Here's how it works: You try to cash a check at a branch of the bank where you have your account. The teller refuses because it is against bank policy to cash checks from its other branches, so he suggests that the bank instead give you a cash advance on your bankcard. But of course, you may pay a huge advance fee to the bank for issuing the card, and also pay high interest from the minute you receive the money because banks often eliminate the interest-free period with cash advances. If the bank eliminates the interest free period because of the cash advance, it can do so for the entire balance of your bill. You could therefore pay as much as 285 percent interest, even though you fully paid the entire cash advance within 30 days. Some banks will charge you additional interest on any unpaid balance in your credit card account. This ploy is known as *pyramiding*.

Madison Avenue has given cash advance checks fancy names, but they are still only another way of using your credit card.

Cash advance checks work exactly the same as credit card advances. The charges still appear on your monthly credit card bills and are subject to the same unconscionable interest rates.

6) Overdraft protection

This so-called "protection" can easily destroy you financially and is a variation of the cash advance scam. Here's how it works: If you write a check that exceeds your account balance, the bank honors the check and charges the difference to your credit card account. The bank will point out that since you avoided bouncing a check you avoided a bounced check fee.

But here's what you will pay: Because "protection" is usually rounded to the nearest 100 dollars, if you exceed the balance in your checking account by even 5 cents, the bank advances you

the full 100 dollars. You are now also liable for all the other costs associated with credit card cash advances. The bank will apply the extra \$99.95 it forced you to borrow and reduce your credit card account, while the bank collects interest on your “loan.”

7) “We waived your minimum monthly payment.”

This is one of the credit card companies most pernicious scams and is ever popular at times of increased spending, such as Christmas. Even though no minimum payment is required that month, you will continue to accrue interest. If your debt is already high, and you accept this offer several times a year, (sometimes you will receive this offer for six consecutive months) you will seriously increase your debt and make the bankcard company considerably wealthier. A minimum payment plan (an average of

Taking advantage of a company’s offer to waive a monthly payment may free you from that month’s payment, but you don’t save money—you simply increase your debt.

18 percent interest with a 2.5 percent minimum payment) will have you pay \$4,230.83 on a \$2,000 debt over the 12 years and 9 months it will take you to pay it down. Imagine how much longer it will take, and how much more it will cost if every one of those 12 years includes months in which you omit the minimum payment.

A popular variation is when you walk into a store in August to buy a big ticket item and the salesperson explains that if you buy the item today, you need not make payments until January. What the salesperson doesn’t mention is that January’s bill will include finance charges from August.

8) Insurance from your credit card issuer

Insurance offered by a credit card issuer is usually unnecessary and always overpriced! The terms are the worst to be found anywhere, whether it be life insurance, disability, unemployment, hospital insurance or any other type of coverage.

Be particularly skeptical about credit insurance. Banks love to sell this overpriced insurance because the banks are the beneficiaries as the payment is used to pay your outstanding balance if you die, while they collect hefty premiums in the interim.

If you want insurance, see an insurance broker who is independent of any bankcard.

9) Credit card registration services

These companies offer you protection from loss of your credit cards with just one phone call. If you pay 15 dollars a year for this protection, it will ultimately cost you hundreds of dollars to have avoided a few toll-free phone calls. And each time you add or subtract a credit card from your list you must still notify the registration service by mail and store that correspondence. It is far easier and cheaper to keep your own records and notify the credit card companies yourself.

Ask yourself: how often in your lifetime are you likely to lose all of your credit cards?

10) Mail order loans

Some bank will eventually send you a non-negotiable check. Simply fill out the short application and the bank will send you a real check for the stated amount.

Beware. This is only another cash-advance mail order scheme. The bank will tempt you with very low minimum monthly payments, but the annual interest is likely to be the highest possible legal rate.

For instance, a \$3,000 loan at 1.8 percent interest per month and paid in monthly installments of 2 percent will take 77 years and 3 months to fully pay. And you will have paid \$24,734.58 in finance charges. Why else would the bank offer to lend you more money?

11) Advance tax-refunds

This loan is against an anticipated tax refund and only begins to make sense if you have a large tax refund. Why? This is because the fee you are charged is computed on an annualized rate, as though you borrowed the money for an entire year. But you may be borrowing the money for only four weeks. If you expect a \$1,100 refund and pay a flat fee of \$84 you are paying an effective annual interest rate of 92 percent. However, if you expect a \$3,000 refund, the annualized rate drops to only 12 percent.

12) Second mortgage scams

These are most-common to the home improvement industry where con men offer to make home improvements in poor neighborhoods to people with considerable equity in their homes. They are always prime targets of this scam. The contractor arranges financing for his victims with lenders who offer second mortgages with very high interest rates and loan origination fees. Sometimes a contractor can convince the home owner to sign a trust deed to secure the work on the home. Even if the owner is dissatisfied with the work, the contractor can force the sale of the home to collect his money.

Avoid contractors who offer “package deals” which usually involve kickbacks.

13) Bait and switch conversion loans

Here unscrupulous loan brokers offer you a below market rate mortgage—if you first accept a mortgage loan with very high interest. You are promised that it will be converted to a lower interest mortgage, but until that happens you must continue to pay the interest. Beware. Conversion to the low-interest loan seldom happens.

14) Waiving your rights

Always read finance agreements carefully. Some agreements contain clauses stating that in the event of legal action, the consumer waives all legal defenses. Never waive your legal rights. You absolutely need them in the credit game!

15) *Illegal finance charges*

Any credit card issuer that provides an interest free grace period must mail your bill at least 14 days before interest is due. This gives you the chance to pay the bill without incurring a finance charge. If you receive the bill too late you are essentially forced to accept a finance charge—and this is illegal.

16) *Invasion of privacy*

While not a scam, it is a serious credit problem and one that continues to grow. This usually involves a technique called prescreening—or prequalification for credit.

Here's how this happens. Suppose the issuer of a new bankcard wants to find people with perfect credit who also earn at least \$50,000 per year. The credit bureau, from their own files, can generate a list of potential customers featuring those qualifications. The company can also send its own list to the credit bureau, and the credit bureau can delete non-qualifying names. You may be on this list with neither your knowledge nor consent. Companies can then uncover your financial characteristics without seeing your actual credit report.

The only way you can discover this is by inspecting your own credit report. If the word “promotional” or letters “prm” appear in the “inquiries” section, it means your file was prescreened. You can request that the credit bureau not include your file in any prescreening program, but presently, the credit bureau is not obligated to honor your request.

Other examples of irresponsible data collection:

- A company maintains a computerized list of persons who file malpractice suits against doctors and hospitals. This list enables medical personnel to screen out potential “troublemakers.”
 - A company keeps an index of patients who don't pay their bills, and hotel guests who damage or steal property and don't pay their lodging bills.
-

- A company that offers landlords “inside information” on tenants.

These bureaus and services do not notify you when your name is used by a third party. You are thereby denied your right to question the agency and have them reinvestigate. This is illegal because it violates the FCRA.

17) Suicide rollovers

This scam plays on the pressure of mounting debt and pretends to be a simple debt reliever: Take a cash advance from one credit card and use it to repay other credit cards. The more credit cards you have, the more credit cards you can manipulate. No cash is required. And if you have a large portfolio of credit cards you can continue to make minimum payments for a long while.

In the credit business these are called *suicide rollovers* because instead of facing your debt, you choose to commit financial suicide. This scheme contains most of the negative points discussed in the other scams. You don't buy time, you simply buy more debt and gain more creditors. Some financial advisors even suggest that in “good times” you obtain as many credit cards as possible so you will be prepared for the “tough times.” This is one dangerous trap on the road to sound credit management.

18) Shotgunning credit applications

This is just dumb. By mailing in as many credit applications as possible, you end up with a massive inquiry list on your credit report. That will only further hurt your chances for credit. Still, this is recommended by some credit advisors who should know better.

19) Debt consolidation

You apply for more credit to combine your debts into one payment. However, this immediately signals to a lender that you cannot meet your monthly payments. Additionally, interest rates

are usually high or you must put up collateral to guard against default. This is a good strategy if you can repay the loan, but a bad strategy if you cannot.

20) Mortgage reduction information kits

These expensive kits which cost hundreds of dollars, and are peddled door to door, contain no information that you cannot find elsewhere for free or a few dollars. They all tell you the same thing: cut your mortgage payments into bi-weekly installments to save interest! the problem is that only a few banks will accept bi-weekly payments.

21) Pre-payment penalties

This costly provision, usually found in the fine print of a loan agreement, is designed to keep you forever in debt. If you should fully pay the loan before it is due, the lender then forces you to pay a penalty. To pay a 5 percent penalty of the remaining \$50,000 on your mortgage, will cost you an extra \$2,500. Negotiate this out of the contract! Also find out if your state restricts this type of clause. Many do.

22) Prepaid interest

The fine print may also include an “add-on-interest” clause. Such interest is added to the total amount of your loan before the lender calculates your monthly payments. The total amount of the loan is then divided by the number of required payments. There is no advantage to discharging the loan early, because the fine print says interest will not be refunded, so you would not save if you pay early. For example, if you borrow \$5,000 and the interest for the term of the loan is \$500, your total loan is \$5,500, whether you pay in 20 months or two months.

23) Uncapped variable interest rates

These are also dangerous to your financial health. A capped variable interest rate is an interest rate that fluctuates with the prime interest rate, but never rises above a certain point. In contrast, an uncapped variable rate may start at nine percent, but with no

ceiling, can rise to 20 percent or more as happened in the early 1980s. Variable rates are always dangerous but this type of rate leaves you without any protection whatsoever.

24) Non-interest bearing deposits

These deposits do draw interest—but not for you! Insist that if the terms of the contract are not satisfied by a certain date, any monies deposited by you will begin to earn interest at prevailing money market rates.

25) Food freezer plans

This plan has many interesting variations. Some sell you food with low monthly payments. Others force you to buy enormous quantities, while others only discount your opening order. And still others are not transferable outside your geographic area. These plans eagerly extend credit because they all have one goal—to get you to buy the freezer at three to five times what you can buy a comparable freezer for at a local store. These plans are even more grateful if you lease the freezer, because at the end of the contract you must return the freezer. Be very careful with food plans. Read the fine print carefully. Do the math. Joining these plans is rarely a good deal from a credit viewpoint.

Things to keep in mind

There are, of course, many other credit scams. And new ones are conceived daily. But how do you avoid them?

- be patient
- be suspicious
- read the fine print
- do not sign anything that you do not understand
- check references
- practice good credit management

Avoid quick-fix solutions. If it sounds too good to be true, it probably is.

Key points to remember:

- If monthly payments are low, the interest rate is usually high.
 - Always figure the total cost of your loan at the end of the loan period.
 - Have all charges explained to you and put in writing.
 - Be sure any merchandise you buy on credit is competitively priced.
 - Be wary of deals that seem too good to be true.
 - Do not be afraid to negotiate
 - Seek credit from those who report to the credit bureaus.
-

Glossary of Useful Terms

A-Ch

Agent banks

Smaller banks that act as credit card agents for larger banks.

Annual membership fee

A charge paid by holders of some credit cards for the privilege of using that card.

Annual percentage rate (APR)

The percentage of the loan that is paid to the creditor, as established by each state.

ATM cards

Plastic cards issued by banks for use in automated teller machines.

ATM

An automated teller machine.

Bank card system

Since most banks cannot afford to support all of the functions associated with credit cards, smaller banks contract with larger banks for card-related services.

Bankruptcy

The legal process under which the debtor is given a new start and the creditors receive a fair distribution of the debtor's assets.

Chain

The line of support that extends from the major bank through its agent banks.

Charge off

To charge an account off to profit and loss because the debt is considered uncollectible.

Co-D

Collateral

Something of value that can be sold by the lender in the event of a default on the loan.

Collection agency

A company that attempts to collect bad debts for a percentage of what is collected.

Credit bureau

A company or reporting agency that receives and reports information on consumers' credit reports.

Consumer Statement

A written statement by the consumer disputing the accuracy of certain information in the credit report.

Co-signer

A person who has good credit and agrees to assume responsibility for your debts in the event that you default.

Credit history

A record indicating your trustworthiness and ability to repay a loan.

Credit report

A report issued by a credit reporting agency listing five types of information: 1) identifying information 2) account information 3) public record information 4) credit report requests and 5) a consumer statement.

Credit scoring system

A system used to rate creditworthiness.

Creditor

One who extends credit: bank, store, credit card company, etc.

Debit card

A card that allows money to be electronically deducted from an account to pay a bill or make a purchase.

Ding

A negative or neutral entry or remark on a credit report.

F-R

Finance charge

See annual percentage rate (APR).

Fair Credit Reporting Act

A federal law that protects against credit abuses.

Federal Trade Commission

The federal agency responsible for bringing legal action against a credit bureau.

Foreclosure

Repossession and sale of property that has been used as collateral for a debt that has not been paid.

Grace period

The period during which no interest is charged for credit card usage.

Historical status

A record of your monthly payments.

Lien

An interest in property securing the repayment of a debt.

Major bank

The largest bank in a chain, which provides credit card services to its agent banks.

PIN

Personal identification number issued with each ATM card.

Reasonable time

Federal law requires the credit bureau to respond to a consumer dispute within a reasonable period of time (usually no longer than eight weeks) or the agency is in default.

Repayment history

Creditors report your credit payments as either delinquent (negative), regular (positive), or neutral (non-rated).

S-T

Secured credit card

A credit card backed by the holder's cash deposit in a designated savings account.

Short-term-debt-to-income ratio

The percentage of your annual income that your short term debt represents.

Subscribers

Businesses that pay a credit reporting agency for access to the files of people who bought on credit.

Transaction fee

A fee charged by some credit cards for each use of the card.

20 percent rule

A guideline that suggests that short-term debt be no more than 20 percent of your annual income.

Resources

What you'll find in Resources:

- ▣▣▣▣➔ Online resources
- ▣▣▣▣➔ Consumer Credit Laws
- ▣▣▣▣➔ Related sites
- ▣▣▣▣➔ Legal search engines
- ▣▣▣▣➔ State Bar Associations

Online Resources

- ◆ **American Bankruptcy Institute, The**
<http://www.abiworld.org>

 - ◆ **American Consumer Credit Counseling**
<http://www.consumercredit.com>

 - ◆ **Bankruptcy Online**
<http://www.fedfil.com/>

 - ◆ **Center for Debt Management**
<http://www.center4debtmanagement.com/>

 - ◆ **Commerical Law League of America**
<http://www.clla.org>
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- ◆ **Consumer Counseling Centers of America, Inc.**
<http://www.consumercounseling.org/>

 - ◆ **Myvesta**
<http://www.dca.org/>

 - ◆ **Debtors Anonymous**
<http://www.debtorsanonymous.org>

 - ◆ **Federal Trade Commission-Consumer Protection**
<http://www.ftc.gov/bcp/menu-credit.htm>

 - ◆ **Findlaw's Bankruptcy**
<http://www.findlaw.com/>

 - ◆ **InterNet Bankruptcy Library (IBL)**
<http://bankrupt.com>
-

Consumer Credit Laws

- ◆ **Fair Credit Reporting Act**
<http://www4.law.cornell.edu/uscode/15/1681.html>
- ◆ **Fair Credit Billing Act**
<http://www.law.cornell.edu/uscode/15/1637.shtml>
- ◆ **Equal Credit Opportunity Act**
<http://www4.law.cornell.edu/uscode/15/1691.html>
- ◆ **Fair Debt Collection Practices Act**
<http://www4.law.cornell.edu/uscode/15/1692.html>

Related Sites

- ◆ **National Association of Personal Financial Advisors**
<http://www.napfa.org>
 - ◆ **National Foundation for Consumer Credit (NFCC)**
<http://www.nfcc.org>
 - ◆ **Employee Benefits Security Administration**
<http://www.dol.gov/ebsa>
-

Legal Search Engines

- ◆ **All Law**
<http://www.alllaw.com>

 - ◆ **American Law Sources On Line**
<http://www.lawsources.com/also/also.cgi?src>

 - ◆ **Catalaw**
<http://www.catalaw.com>

 - ◆ **FindLaw**
<http://www.findlaw.com>

 - ◆ **Hieros Gamos**
<http://www.hg.org/index.html>

 - ◆ **LawAid**
<http://www.lawaid.com>

 - ◆ **LawCrawler**
<http://www.lawcrawler.com>
-

- ◆ **Internet Legal Resource Guide**
<http://www.ilrg.com/>

 - ◆ **LEXIS/NEXIS**
<http://www.lexis-nexis.com/default.asp>

 - ◆ **Meta-Index for U.S. Legal Research**
<http://gsulaw.gsu.edu/metaindex>

 - ◆ **USALaw**
<http://www.usalaw.com/linksrch.cfm>

 - ◆ **WestLaw**
<http://creditcard.westlaw.com/>
(Registered users only. Fee paid service.)
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State Bar Associations

ALABAMA

Alabama State Bar
415 Dexter Avenue
Montgomery, AL 36104
mailing address:
PO Box 671
Montgomery, AL 36101
(334) 269-1515
<http://www.alabar.org>

ALASKA

Alaska Bar Association
510 L Street No. 602
Anchorage, AK 99501
mailing address:
PO Box 100279
Anchorage, AK 99510
(907) 272-7469
<http://www.alaskabar.org>

ARIZONA

State Bar of Arizona
111 West Monroe
Phoenix, AZ 85003-1742
(602) 340-7200
<http://www.azbar.org>

ARKANSAS

Arkansas Bar Association
400 West Markham
Little Rock, AR 72201
(501) 375-4605
<http://www.arkbar.org>

CALIFORNIA

State Bar of California
555 Franklin Street
San Francisco, CA 94102
(415) 561-8200
<http://www.calbar.org>
Alameda County Bar Association
<http://www.acbanet.org>

COLORADO

Colorado Bar Association
No. 950, 1900 Grant Street
Denver, CO 80203
(303) 860-1115
<http://www.cobar.org>

CONNECTICUT

Connecticut Bar Association
30 Bank Street
New Britain, CT 06050
(860) 223-4400
<http://www.ctbar.org>

DELAWARE

Delaware State Bar Association
201 Orange Street #100
Wilmington, DE 19801
(302) 658-5279
(302) 658-5278 (lawyer referral
service)
<http://www.dsba.org>

DISTRICT OF COLUMBIA

District of Columbia Bar
1250 H Street, NW, 6th Floor
Washington, DC 20005
(202) 737-4700
Bar Association of the District of
Columbia
1819 H Street, NW, 12th floor
Washington, DC 20006-3690
(202) 223-6600
<http://www.badc.org>

FLORIDA

The Florida Bar
The Florida Bar Center
650 Apalachee Parkway
Tallahassee, FL 32399-2300
(850) 561-5600
<http://www.flabar.org>

GEORGIA

State Bar of Georgia
800 The Hurt Building
50 Hurt Plaza
Atlanta, GA 30303
(800) 334-6865
<http://www.gabar.org>

HAWAII

Hawaii State Bar Association
1136 Union Mall
Penthouse 1
Honolulu, HI 96813
(808) 537-1868
<http://www.hsba.org>

IDAHO

Idaho State Bar
525 Jefferson Street
PO Box 895
Boise, ID 83701
(208) 334-4500
<http://www2.state.id.us/isb>

ILLINOIS

Illinois State Bar Association
424 South Second Street
Springfield, IL 62701
(217) 525-1760
<http://www.illinoisbar.org>

INDIANA

Indiana State Bar Association
107 N. Pennsylvania St. #200
Indianapolis, IN 46204
(317) 639-5465
<http://www.ai.org/isba>

IOWA

Iowa State Bar Association
521 East Locust
Des Moines, IA 50309
(515) 243-3179
<http://www.iowabar.org>

KANSAS

Kansas Bar Association
1200 Harrison Street
Topeka, KS 66612
(785) 234-5696
<http://www.ksbar.org>

KENTUCKY

Kentucky Bar Association
514 West Main Street
Frankfort, KY 40601-1883
(502) 564-3795

<http://www.kybar.org>

LOUISIANA

Louisiana State Bar Association
601 St. Charles Avenue
New Orleans, LA 70130
(504) 566-1600

<http://www.lsba.org>

MAINE

Maine State Bar Association
124 State Street
PO Box 788
Augusta, ME 04330
(207) 622-7523

<http://www.mainebar.org>

MARYLAND

Maryland State Bar Association
520 West Fayette Street
Baltimore, MD 21201
(301) 685-7878

<http://www.msba.org/msba>

MASSACHUSETTS

Massachusetts Bar Association
20 West Street
Boston, MA 02111
(617) 338-0500
(617) 542-9103 (lawyer referral service)

<http://www.massbar.org>

MICHIGAN

State Bar of Michigan
306 Townsend Street
Lansing, MI 48933-2083
(517) 372-9030

<http://www.michbar.org>

MINNESOTA

Minnesota State Bar Association
514 Nicollet Mall
Minneapolis, MN 55402
(612) 333-1183

<http://www.mnbar.org>

MISSISSIPPI

The Mississippi Bar
643 No. State Street
Jackson, Mississippi 39225
(601) 948-4471

<http://www.msbar.org>

MISSOURI

The Missouri Bar
P.O. Box 119, 326 Monroe
Jefferson City, Missouri 65102
(314) 635-4128

<http://www.mobar.org>

MONTANA

State Bar of Montana
46 North Main
PO Box 577
Helena, MT 59624
(406) 442-7660

<http://www.montanabar.org>

NEBRASKA

Nebraska State Bar Association
635 South 14th Street, 2nd floor
Lincoln, NE 68501
(402) 475-7091

<http://www.nebar.com>

NEVADA

State Bar of Nevada
600 E. Charleston Blvd.
Las Vegas, NV 89104
(702) 382-2200

<http://www.nvbar.org>

NEW HAMPSHIRE

New Hampshire Bar Association
112 Pleasant Street
Concord, NH 03301
(603) 224-6942

<http://www.nhbar.org>

NEW JERSEY

New Jersey State Bar Association
One Constitution Square
New Brunswick, NJ 08901-1500
(908) 249-5000

NEW MEXICO

State Bar of New Mexico
5121 Masthead N.E.
Albuquerque, NM 87125
mailing address:
PO Box 25883
Albuquerque, NM 87125
(505) 843-6132

<http://www.nmbar.org>

NEW YORK

New York State Bar Association
One Elk Street
Albany, NY 12207
(518) 487-5557

<http://www.nysba.org>

NORTH CAROLINA

North Carolina State Bar
208 Fayetteville Street Mall
Raleigh, NC 27601

mailing address:

PO Box 25908
Raleigh, NC 27611

(919) 828-4620

North Carolina Bar Association
8000 Weston Parkway
Cary, NC 27513
(919) 677-0561

<http://www.ncbar.org>

NORTH DAKOTA

State Bar Association of North
Dakota
515 1/2 East Broadway, suite 101
Bismarck, ND 58501

mailing address:

PO Box 2136
Bismarck, ND 58502
(701) 255-1404

OHIO

Ohio State Bar Association
1700 Lake Shore Drive
Columbus, OH 43216

mailing address:

PO Box 16562
Columbus, OH 43216-6562
(614) 487-2050

<http://www.ohiobar.org>

OKLAHOMA

Oklahoma Bar Association
1901 North Lincoln
Oklahoma City, OK 73105
(405) 524-2365

<http://www.okbar.org>

OREGON

Oregon State Bar
5200 S.W. Meadows Road
PO Box 1689
Lake Oswego, OR 97035-0889
(503) 620-0222

<http://www.osbar.org>

PENNSYLVANIA

Pennsylvania Bar Association
100 South Street
PO Box 186
Harrisburg, PA 17108
(717) 238-6715

<http://www.pabar.org>

Pennsylvania Bar Institute

<http://www.pbi.org>

PUERTO RICO

Puerto Rico Bar Association
PO Box 1900
San Juan, Puerto Rico 00903
(787) 721-3358

RHODE ISLAND

Rhode Island Bar Association
115 Cedar Street
Providence, RI 02903
(401) 421-5740

<http://www.ribar.org>

SOUTH CAROLINA

South Carolina Bar
950 Taylor Street
PO Box 608
Columbia, SC 29202
(803) 799-6653

<http://www.scbar.org>

SOUTH DAKOTA

State Bar of South Dakota
222 East Capitol
Pierre, SD 57501
(605) 224-7554

<http://www.sdbar.org>

TENNESSEE

Tennessee Bar Assn
3622 West End Avenue
Nashville, TN 37205
(615) 383-7421

<http://www.tba.org>

TEXAS

State Bar of Texas
1414 Colorado
PO Box 12487
Austin, TX 78711
(512) 463-1463

[http://www.texasbar.com/start.](http://www.texasbar.com/start.htm)

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UTAH

Utah State Bar
645 South 200 East, Suite 310
Salt Lake City, UT 84111
(801) 531-9077

<http://www.utabbar.org>

VERMONT

Vermont Bar Association
PO Box 100
Montpelier, VT 05602
(802) 223-2020

<http://www.vtbar.org>

VIRGINIA

Virginia State Bar
707 East Main Street, suite 1500
Richmond, VA 23219-0501
(804) 775-0500

Virginia Bar Association
701 East Franklin St., Suite 1120
Richmond, VA 23219
(804) 644-0041

<http://www.vbar.org>

VIRGIN ISLANDS

Virgin Islands Bar Association
P.O. Box 4108
Christiansted, Virgin Islands
00822
(340) 778-7497

WASHINGTON

Washington State Bar
Association
500 Westin Street
2001 Sixth Avenue
Seattle, WA 98121-2599
(206) 727-8200

<http://www.wsba.org>

WEST VIRGINIA

West Virginia State Bar
2006 Kanawha Blvd. East
Charleston, WV 25311
(304) 558-2456

<http://www.wvbar.org>

West Virginia Bar Association
Route 1, Box 18, P.O. Box 180A
100 Capitol Street
Charleston, WV 25339
(304) 342-1474

WISCONSIN

State Bar of Wisconsin
402 West Wilson Street
Madison, WI 53703
(608) 250-6101

***[http://www.wisbar.org/home
.btm](http://www.wisbar.org/home.btm)***

WYOMING

Wyoming State Bar
500 Randall Avenue
Cheyenne, WY 82001
PO Box 109
Cheyenne, WY 82003
(307) 632-9061

<http://www.wyomingbar.org>
(304) 342-1474

Appendix:

The Federal Credit Acts

Fair Credit Reporting Act

Fair Credit Billing Act

Equal Credit Opportunity Act

Fair Debt Collection Practices Act

Fair Credit Reporting Act

s 1681. Congressional findings and statement of purpose

(a) The Congress makes the following findings:

- (1) The banking system is dependent upon fair and accurate credit reporting.

Inaccurate credit reports directly impair the efficiency of the banking system, and unfair credit reporting methods undermine the public confidence which is essential to the continued functioning of the banking system.

- (2) An elaborate mechanism has been developed for investigating and evaluating the credit worthiness, credit standing, credit capacity, character, and general reputation of consumers.
- (3) Consumer reporting agencies have assumed a vital role in assembling and evaluating consumer credit and other information on consumers.
- (4) There is a need to insure that consumer reporting agencies exercise their grave responsibilities with fairness, impartiality, and a respect for the consumer's right to privacy.

(b) It is the purpose of this subchapter to require that consumer reporting agencies adopt reasonable procedures for meeting the needs of commerce for consumer credit, personnel, insurance, and other information in a manner which is fair and equitable to the consumer, with regard to the confidentiality, accuracy, relevancy, and proper utilization of such information in accordance with the requirements of this subchapter.

s 1681a. Definitions; rules of construction

- (a) Definitions and rules of construction set forth in this section are applicable for the purposes of this subchapter.
- (b) The term “person” means any individual, partnership, corporation, trust, estate, cooperative, association, government or governmental subdivision or agency, or other entity.
- (c) The term “consumer” means an individual.
- (d) The term “consumer report” means any written, oral, or other communication of any information by a consumer reporting agency bearing on a consumer’s credit worthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living which is used or expected to be used or collected in whole or in part for the purpose of serving as a factor in establishing the consumer’s eligibility for creditors insurance to be used primarily for
 - (1) personal, family, or household purposes, or
 - (2) employment purposes, or
 - (3) other purposes authorized under section 1681b of this title.

The term does not include

- (a) any report containing information solely as to transactions or experiences between the consumer and the person making the report;
 - (b) any authorization or approval of a specific extension of credit directly or indirectly by the issuer of a credit card or similar device; or
 - (c) any report in which a person who has been requested by a third party to make a specific extension of credit directly or indirectly to a consumer conveys his decision with respect to such request, if the third party advises the consumer of the name and address of the person to whom the request was made and such person makes the disclosures to the consumer required under section 1681m of this title.
-

- (d) The term “investigative consumer report” means a consumer report or portion thereof in which information on a consumer’s character, general reputation, personal characteristics, or mode of living is obtained through personal interviews with neighbors, friends, or associates of the consumer reported on or with others with whom he is acquainted or who may have knowledge concerning any such items of information. However, such information shall not include specific factual information on a consumer’s credit record obtained directly from a creditor of the consumer or from a consumer reporting agency when such information was obtained directly from a creditor of the consumer or from the consumer.
 - (e) The term “consumer reporting agency” means any person which, for monetary fees, dues, or on a cooperative nonprofit basis, regularly engages in whole or in part in the practice of assembling or evaluating consumer credit information or other information on consumers for the purpose of furnishing consumer reports to third parties, and which uses any means or facility of interstate commerce for the purpose of preparing or furnishing consumer reports.
 - (f) 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.
 - (g) The term “employment purposes” when used in connection with a consumer report means a report used for the purpose of evaluating a consumer for employment, promotion, reassignment or retention as an employee.
 - (h) The term “medical information” means information or records obtained, with the consent of the individual to whom it relates, from licensed physicians or medical practitioners, hospitals, clinics, or other medical or medically related facilities.
-

(i) Definitions relating to child support obligations:

- (1) The term “overdue support” has the meaning given to such term in section 666(e) of Title 42.
- (2) The term “state or local child support enforcement agency” means a state or local agency which administers a state or local program for establishing and enforcing child support obligations.

s 1681b. Permissible purposes of consumer reports

A consumer reporting agency may furnish a consumer report under the following circumstances and no other:

- (a) In response to the order of a court having jurisdiction to issue such an order, or a subpoena issued in connection with proceedings before a federal grand jury.
 - (b) In accordance with the written instructions of the consumer to whom it relates.
 - (c) To a person which it has reason to believe:
 - (1) intends to use the information in connection with a credit transaction involving the consumer on whom the information is to be furnished and involving the extension of credit to, or review or collection of an account of, the consumer; or
 - (2) intends to use the information for employment purposes; or
 - (3) intends to use the information in connection with the underwriting of insurance involving the consumer; or
 - (4) intends to use the information in connection with a determination of the consumer’s eligibility for a license or other benefit granted by a governmental instrumentality required by law to consider an applicant’s financial responsibility or status; or
 - (5) otherwise has a legitimate business need for the information in connection with a business transaction involving the consumer.
-

s 1681c. Reporting of obsolete information prohibited

- (a) Except as authorized under subsection (b) of this section, no consumer reporting agency may make any consumer report containing any of the following items of information:
- (1) Cases under Title 11 or under the Bankruptcy Act that, from the date of entry of the order for relief or the date of adjudication, as the case may be, antedate the report by more than 10 years.
 - (2) Suits and judgments which, from date of entry, antedate the report by more than seven years or until the governing statute of limitations has expired, whichever is the longer period.
 - (3) Paid tax liens which, from date of payment, antedate the report by more than seven years.
 - (4) Accounts placed for collection or charged to profit and loss which antedate the report by more than seven years.
 - (5) Records of arrest, indictment, or conviction of crime which, from date of disposition, release, or parole, antedate the report by more than seven years.
 - (6) Any other adverse item of information which antedates the report by more than seven years.
- (b) The provisions of subsection (a) of this section are not applicable in the case of any consumer credit report to be used in connection with:
- (1) a credit transaction involving, or which may reasonably be expected to involve, a principal amount of \$50,000 or more;
 - (2) the underwriting of life insurance involving, or which may reasonably be expected to involve, a face amount of \$50,000 or more; or
 - (3) the employment of any individual at an annual salary which equals, or which may reasonably be expected to equal, \$20,000 or more.
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s 1681d. Disclosure of investigative consumer reports

(a) Disclosure of fact of preparation

A person may not procure or cause to be prepared an investigative consumer report on any consumer unless:

- (1) it is clearly and accurately disclosed to the consumer that an investigative consumer report including information as to his character, general reputation, personal characteristics, and mode of living, whichever are applicable, may be made, and such disclosure (A) is made in a writing mailed, or otherwise delivered, to the consumer, not later than three days after the date on which the report was first requested, and (B) includes a statement informing the consumer of his right to request the additional disclosures provided for under subsection (b) of this section; or
- (2) the report is to be used for employment purposes for which the consumer has not specifically applied.

(b) Disclosure on request of nature and scope of investigation

Any person who procures or causes to be prepared an investigative consumer report on any consumer shall, upon written request made by the consumer within a reasonable period of time after the receipt by him of the disclosure required by subsection (a)(1) of this section, shall make a complete and accurate disclosure of the nature and scope of the investigation requested. This disclosure shall be made in a writing mailed, or otherwise delivered, to the consumer not later than five days after the date on which the request for such disclosure was received from the consumer or such report was first requested, whichever is the later.

(c) Limitation on liability upon showing of reasonable procedures for compliance with provisions

No person may be held liable for any violation of subsection (a) or (b) of this section if he shows by a preponderance of the evidence that at the time of the violation he maintained reasonable procedures to assure compliance with subsection (a) or (b) of this section.

s 1681e. Compliance procedures

- (a) Every consumer reporting agency shall maintain reasonable procedures designed to avoid violations of section 1681c of this title and to limit the furnishing of consumer reports to the purposes listed under section 1681b of this title. These procedures shall require that prospective users of the information identify themselves, certify the purposes for which the information is sought, and certify that the information will be used for no other purpose. Every consumer reporting agency shall make a reasonable effort to verify the identity of a new prospective user and the uses certified by such prospective user prior to furnishing such user a consumer report. No consumer reporting agency may furnish a consumer report to any person if it has reasonable grounds for believing that the consumer report will not be used for a purpose listed in section 1681b of this title.
- (b) Whenever a consumer reporting agency prepares a consumer report it shall follow reasonable procedures to assure maximum possible accuracy of the information concerning the individual about whom the report relates.

s 1681f. Disclosures to governmental agencies

Notwithstanding the provisions of section 1681b of this title, a consumer reporting agency may furnish identifying information respecting any consumer, limited to his name, address, former addresses, places of employment, or former places of employment, to a governmental agency.

s 1681g. Disclosures to consumers

- (a) Every consumer reporting agency shall, upon request and proper identification of any consumer, clearly and accurately disclose to the consumer:
- (1) The nature and substance of all information (except medical information) in its files on the consumer at the time of the request.
 - (2) The sources of the information; except that the sources of information acquired solely for use in

preparing an investigative consumer report and actually used for no other purpose need not be disclosed. Provided that in the event an action is brought under this subchapter, such sources shall be available to the plaintiff under appropriate discovery procedures in the court in which the action is brought.

- (3) The recipients of any consumer report on the consumer which it has furnished:
 - (a) for employment purposes within the two-year period preceding the request, and
 - (b) for any other purpose within the six-month period preceding the request.
 - (c) The requirements of subsection (a) of this section respecting the disclosure of sources of information and the recipients of consumer reports do not apply to information received or consumer reports furnished prior to the effective date of this subchapter except to the extent that the matter involved is contained in the files of the consumer reporting agency on that date.

s 1681h. Conditions of disclosure to consumers

(a) Times and notice

A consumer reporting agency shall make the disclosures required under section 1681g of this title during normal business hours and on reasonable notice.

(b) Identification of consumer

The disclosures required under section 1681g of this title shall be made to the consumer:

- (1) in person if he appears in person and furnishes proper identification; or
 - (2) by telephone if he has made a written request, with proper identification, for telephone disclosure and the toll charge, if any, for the telephone call is prepaid by or charged directly to the consumer.
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(c) Trained personnel

Any consumer reporting agency shall provide trained personnel to explain to the consumer any information furnished to him pursuant to section 1681g of this title.

(d) Persons accompanying consumer

The consumer shall be permitted to be accompanied by one other person of his choosing, who shall furnish reasonable identification. A consumer reporting agency may require the consumer to furnish a written statement granting permission to the consumer reporting agency to discuss the consumer's file in such person's presence.

(e) Limitation of liability

Except as provided in sections 1681n and 1681o of this title, no consumer may bring any action or proceeding in the nature of defamation, invasion of privacy, or negligence with respect to the reporting of information against any consumer reporting agency, any user of information, or any person who furnishes information to a consumer reporting agency, based on information disclosed pursuant to section 1681g, 1681h, or 1681m of this title, except as to false information furnished with malice or willful intent to injure such consumer.

s 1681i. Procedure in case of disputed accuracy

(a) Dispute; reinvestigation

If the completeness or accuracy of any item of information contained in his file is disputed by a consumer, and such dispute is directly conveyed to the consumer reporting agency by the consumer, the consumer reporting agency shall within a reasonable period of time reinvestigate and record the current status of that information unless it has reasonable grounds to believe that the dispute by the consumer is frivolous or irrelevant. If after such reinvestigation such information is found to be inaccurate or can no longer be verified, the consumer reporting agency shall promptly delete such information. The presence of contradictory information in the consumer's file does not in and of itself constitute reasonable grounds for believing the dispute is frivolous or irrelevant.

(b) Statement of dispute

If the reinvestigation does not resolve the dispute, the consumer may file a brief statement setting forth the nature of the dispute. The consumer reporting agency may limit such statements to not more than one hundred words if it provides the consumer with assistance in writing a clear summary of the dispute.

(c) Notification of consumer dispute in subsequent consumer reports

Whenever a statement of a dispute is filed, unless there is reasonable grounds to believe that it is frivolous or irrelevant, the consumer reporting agency shall, in any subsequent consumer report containing the information in question, clearly note that it is disputed by the consumer and provide either the consumer's statement or a clear and accurate codification or summary thereof.

(d) Notification of deletion of disputed information

Following any deletion of information which is found to be inaccurate or whose accuracy can no longer be verified or any notation as to disputed information, the consumer reporting agency shall, at the request of the consumer, furnish notification that the item has been deleted or the statement, codification or summary pursuant to subsection (b) or (c) of this section to any person specifically designated by the consumer who has within two years prior thereto received a consumer report for employment purposes, or within six months prior thereto received a consumer report for any other purpose, which contained the deleted or disputed information. The consumer reporting agency shall clearly and conspicuously disclose to the consumer his rights to make such a request. Such disclosure shall be made at or prior to the time the information is deleted or the consumer's statement regarding the disputed information is received.

s 1681j. Charges for disclosures

A consumer reporting agency shall make all disclosures pursuant to section 1681g of this title and furnish all consumer reports pursuant to section 1681i(d) of this title without charge to the consumer if, within thirty days after receipt by such consumer of a notification pursuant to section 1681m of this title or notification from a debt collection agency affiliated with such consumer reporting agency stating that the consumer's credit rating may be or has been adversely affected, the consumer makes a request under section 1681g or 1681i(d) of this title. Otherwise, the consumer reporting agency may impose a reasonable charge on the consumer for making disclosure to such consumer pursuant to section 1681g of this title, the charge for which shall be indicated to the consumer prior to making disclosure; and for furnishing notifications, statements, summaries, or codifications to a person designated by the consumer pursuant to section 1681i(d) of this title, the charge for which shall be indicated to the consumer prior to furnishing such information and shall not exceed the charge that the consumer reporting agency would impose on each designated recipient for a consumer report except that no charge may be made for notifying such persons of the deletion of information which is found to be inaccurate or which can no longer be verified.

s 1681k. Public record information for employment purposes

A consumer reporting agency which furnishes a consumer report for employment purposes and which for that purpose compiles and reports items of information on consumers which are matters of public record and are likely to have an adverse effect upon a consumer's ability to obtain employment shall:

- (1) at the time such public record information is reported to the user of such consumer report, notify the consumer of the fact that public record information is being reported by the consumer reporting agency, together with the name and address of the person to whom such information is being reported; or
 - (2) maintain strict procedures designed to insure that whenever public record information which is likely to
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have an adverse effect on a consumer's ability to obtain employment is reported it is complete and up to date. For purposes of this paragraph, items of public record relating to arrests, indictments, convictions, suits, tax liens, and outstanding judgments shall be considered up to date if the current public record status of the item at the time of the report is reported.

s 1681l. Restrictions on investigative consumer reports

Whenever a consumer reporting agency prepares an investigative consumer report, no adverse information in the consumer report (other than information which is a matter of public record) may be included in a subsequent consumer report unless such adverse information has been verified in the process of making such subsequent consumer report, or the adverse information was received within the three-month period preceding the date the subsequent report is furnished.

s 1681m. Requirements on users of consumer reports

(a) Adverse action based on reports of consumer reporting agencies

Whenever credit or insurance for personal, family, or household purposes, or employment involving a consumer is denied or the charge for such credit or insurance is increased either wholly or partly because of information contained in a consumer report from a consumer reporting agency, the user of the consumer report shall so advise the consumer against whom such adverse action has been taken and supply the name and address of the consumer reporting agency making the report.

(b) Adverse action based on reports of persons other than consumer reporting agencies

Whenever credit for personal, family, or household purposes involving a consumer is denied or the charge for such credit is increased either wholly or partly because of information obtained from a person other than a consumer reporting agency bearing upon the consumer's creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living, the user of such information shall, within a

reasonable period of time, upon the consumer's written request for the reasons for such adverse action received within sixty days after learning of such adverse action, disclose the nature of the information to the consumer. The user of such information shall clearly and accurately disclose to the consumer his right to make such written request at the time such adverse action is communicated to the consumer.

(c) Reasonable procedures to assure compliance

No person shall be held liable for any violation of this section if he shows by a preponderance of the evidence that at the time of the alleged violation he maintained reasonable procedures to assure compliance with the provisions of subsections (a) and (b) of this section.

s 1681n. Civil liability for willful noncompliance

Any consumer reporting agency or user of information which willfully fails to comply with any requirement imposed under this subchapter with respect to any consumer is liable to that consumer in an amount equal to the sum of:

- (1) any actual damages sustained by the consumer as a result of the failure;
- (2) such amount of punitive damages as the court may allow; and
- (3) in the case of any successful action to enforce any liability under this section, the costs of the action together with reasonable attorney's fees as determined by the court.

s 1681o. Civil liability for negligent noncompliance

Any consumer reporting agency or user of information which is negligent in failing to comply with any requirement imposed under this subchapter with respect to any consumer is liable to that consumer in an amount equal to the sum of:

- (1) any actual damages sustained by the consumer as a result of the failure;
 - (2) in the case of any successful action to enforce any liability under this section, the costs of the action together with reasonable attorney's fees as determined by the court.
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s 1681p. Jurisdiction of courts; limitation of actions

An action to enforce any liability created under this subchapter may be brought in any appropriate United States district court without regard to the amount in controversy, or in any other court of competent jurisdiction, within two years from the date on which the liability arises, except that where a defendant has materially and willfully misrepresented any information required under this subchapter to be disclosed to an individual and the information so misrepresented is material to the establishment of the defendant's liability to that individual under this subchapter, the action may be brought at any time within two years after discovery by the individual of the misrepresentation.

s 1681q. Obtaining information under false pretenses

Any person who knowingly and willfully obtains information on a consumer from a consumer reporting agency under false pretenses shall be fined not more than \$5,000 or imprisoned not more than one year, or both.

s 1681r. Unauthorized disclosures by officers or employees

Any officer or employee of a consumer reporting agency who knowingly and willfully provides information concerning an individual from the agency's files to a person not authorized to receive that information shall be fined not more than \$5,000 or imprisoned not more than one year, or both.

s 1681s. Administrative enforcement

(a) Federal Trade Commission; powers

Compliance with the requirements imposed under this subchapter shall be enforced under the Federal Trade Commission Act by the Federal Trade Commission with respect to consumer reporting agencies and all other persons subject thereto, except to the extent that enforcement of the requirements imposed under this subchapter is specifically committed to some other government agency under subsection (b) hereof. For the purpose of the exercise by the Federal Trade Commission of its functions and powers under the Federal Trade

Commission Act, a violation of any requirement or prohibition imposed under this subchapter shall constitute an unfair or deceptive act or practice in commerce in violation of section 5(a) of the Federal Trade Commission Act and shall be subject to enforcement by the Federal Trade Commission under section 5(b) thereof with respect to any consumer reporting agency or person subject to enforcement by the Federal Trade Commission pursuant to this subsection, irrespective of whether that person is engaged in commerce or meets any other jurisdictional tests in the Federal Trade Commission Act. The Federal Trade Commission shall have such procedural, investigative, and enforcement powers, including the power to issue procedural rules in enforcing compliance with the requirements imposed under this subchapter and to require the filing of reports, the production of documents, and the appearance of witnesses as though the applicable terms and conditions of the Federal Trade Commission Act were part of this subchapter. Any person violating any of the provisions of this subchapter shall be subject to the penalties and entitled to the privileges and immunities provided in the Federal Trade Commission Act as though the applicable terms and provisions thereof were part of this subchapter.

(b) Other administrative bodies

Compliance with the requirements imposed under this subchapter with respect to consumer reporting agencies and persons who use consumer reports from such agencies shall be enforced under_

(1) section 8 of the Federal Deposit Insurance Act [12 U.S.C.A. s 1818], in the case of:

(A) national banks, Federal branches and Federal agencies of foreign banks, and by the Office of the Comptroller of the Currency;

(B) member banks of the Federal Reserve System (other than national banks), branches and agencies of foreign banks (other than Federal branches, Federal agencies, and insured State branches of foreign banks), commercial lending companies owned or controlled by foreign banks, and

organizations operating under section 25 or 25(a) of the Federal Reserve Act [12 U.S.C.A. ss 601 et seq., 611 et seq.], by the Board of Governors of the Federal Reserve System; and

- (C) banks insured by the Federal Deposit Insurance Corporation (other than members of the Federal Reserve System) and insured State branches of foreign banks, by the Board of Directors of the Federal Deposit Insurance Corporation;
- (2) Section 8 of the Federal Deposit Insurance Act [12 U.S.C.A. s 1818], by the Director of the Office of Thrift Supervision, in the case of a savings association the deposits of which are insured by the Federal Deposit Insurance Corporation.
- (3) the Federal Credit Union Act, by the Administrator of the National Credit Union Administration with respect to any Federal credit union;
- (4) subtitle IV of Title 49, by the Interstate Commerce Commission with respect to any common carrier subject to such subtitle;
- (5) the Federal Aviation Act of 1958, by the Secretary of Transportation with respect to any air carrier or foreign air carrier subject to that Act; and
- (6) the Packers and Stockyards Act, 1921 (except as provided in section 406 of that Act), by the Secretary of Agriculture with respect to any activities subject to that Act.

The terms used in paragraph (1) that are not defined in this subchapter or otherwise defined in section 3(s) of the Federal Deposit Insurance Act (12 U.S.C. 1813(s)) shall have the meaning given to them in section 1(b) of the International Banking Act of 1978 (12 U.S.C. 3101).

(c) Enforcement under other authority

For the purpose of the exercise by any agency referred to in subsection (b) of this section of its powers under any Act referred to in that subsection, a violation of any requirement imposed

under this subchapter shall be deemed to be a violation of a requirement imposed under that Act. In addition to its powers under any provision of law specifically referred to in subsection (b) of this section, each of the agencies referred to in that subsection may exercise, for the purpose of enforcing compliance with any requirement imposed under this subchapter any other authority conferred on it by law.

s 1681s-1. Information on overdue child support obligations

Notwithstanding any other provision of this subchapter, a consumer reporting agency shall include in any consumer report furnished by the agency in accordance with section 1681b of this title, any information on the failure of the consumer to pay overdue support which:

- (1) is provided:
 - (a) to the consumer reporting agency by a State or local child support enforcement agency; or
 - (b) to the consumer reporting agency and verified by any local, State, or Federal Government agency; and
- (2) antedates the report by 7 years or less.

s 1681t. Relation to State laws

This subchapter does not annul, alter, affect, or exempt any person subject to the provisions of this subchapter from complying with the laws of any State with respect to the collection, distribution, or use of any information on consumers, except to the extent that those laws are inconsistent with any provision of this subchapter, and then only to the extent of the inconsistency.

Fair Credit Billing Act

s 1666. Correction of billing errors

(a) Written notice by obligor to creditor; time for and contents of notice; procedure upon receipt of notice by creditor. If a creditor, within sixty days after having transmitted to an obligor a statement of the obligor's account in connection with an extension of consumer credit, receives at the address disclosed under section 1637(b)(10) of this title a written notice (other than notice on a payment stub or other payment medium supplied by the creditor if the creditor so stipulates with the disclosure required under section 1637(a)(7) of this title) from the obligor in which the obligor—

- (1) sets forth or otherwise enables the creditor to identify the name and account number (if any) of the obligor,
 - (2) indicates the obligor's belief that the statement contains a billing error and the amount of such billing error, and
 - (3) sets forth the reasons for the obligor's belief (to the extent applicable) that the statement contains a billing error, the creditor shall, unless the obligor has, after giving such written notice and before the expiration of the time limits herein specified, agreed that the statement was correct—
 - (A) not later than thirty days after the receipt of the notice, send a written acknowledgement thereof to the obligor, unless the action required in subparagraph (B) is taken within such thirty-day period, and
 - (B) not later than two complete billing cycles of the creditor (in no event later than ninety days) after
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the receipt of the notice and prior to taking any action to collect the amount, or any part thereof, indicated by the obligor under paragraph (2) either—

- (i) make appropriate corrections in the account of the obligor, including the crediting of any finance charges on amounts erroneously billed, and transmit to the obligor a notification of such corrections and the creditor's explanation of any change in the amount indicated by the obligor under paragraph (2) and, if any such change is made and the obligor so requests, copies of documentary evidence of the obligor's indebtedness; or
- (ii) send a written explanation or clarification to the obligor, after having conducted an investigation, setting forth to the extent applicable the reasons why the creditor believes the account of the obligor was correctly shown in the statement and, upon request of the obligor, provide copies of documentary evidence of the obligor's indebtedness. In the case of a billing error where the obligor alleges that the creditor's billing statement reflects goods not delivered to the obligor or his designee in accordance with the agreement made at the time of the transaction, a creditor may not construe such amount to be correctly shown unless he determines that such goods were actually delivered, mailed, or otherwise sent to the obligor and provides the obligor with a statement of such determination.

After complying with the provisions of this subsection with respect to an alleged billing error, a creditor has no further responsibility under this section if the obligor continues to make substantially the same allegation with respect to such error.

(b) Billing error; for the purpose of this section, a “billing error” consists of any of the following:

- (1) A reflection on a statement of an extension of credit which was not made to the obligor or, if made, was not in the amount reflected on such statement.
- (2) A reflection on a statement of an extension of credit for which the obligor requests additional clarification including documentary evidence thereof.
- (3) A reflection on a statement of goods or services not accepted by the obligor or his designee or not delivered to the obligor or his designee in accordance with the agreement made at the time of a transaction.
- (4) The creditor’s failure to reflect properly on a statement a payment made by the obligor or a credit issued to the obligor.
- (5) A computation error or similar error of an accounting nature of the creditor on a statement.
- (6) Failure to transmit the statement required under section 1637(b) of this title to the last address of the obligor which has been disclosed to the creditor, unless that address was furnished less than twenty days before the end of the billing cycle for which the statement is required.
- (7) Any other error described in regulations of the Board.

(c) Action by creditor to collect amount or any part thereof regarded by obligor to be a billing error;

For the purposes of this section, “action to collect the amount, or any part thereof, indicated by an obligor under paragraph (2)” does not include the sending of statements of account, which may include finance charges on amounts in dispute, to the obligor following written notice from the obligor as specified under subsection (a) of this section, if—

- (1) the obligor’s account is not restricted or closed because of the failure of the obligor to pay the amount indicated under paragraph (2) of subsection (a) of this section, and
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(2) the creditor indicates the payment of such amount is not required pending the creditor's compliance with this section.

Nothing in this section shall be construed to prohibit any action by a creditor to collect any amount which has not been indicated by the obligor to contain a billing error.

(d) Restricting or closing by creditor of account regarded by obligor to contain a billing error

Pursuant to regulations of the Board, a creditor operating an open end consumer credit plan may not, prior to the sending of the written explanation or clarification required under paragraph (B)(ii), restrict or close an account with respect to which the obligor has indicated pursuant to subsection (a) of this section that he believes such account to contain a billing error solely because of the obligor's failure to pay the amount indicated to be in error. Nothing in this subsection shall be deemed to prohibit a creditor from applying against the credit limit on the obligor's account the amount indicated to be in error.

(e) Effect of noncompliance with requirements by creditor

Any creditor who fails to comply with the requirements of this section or section 1666a of this title forfeits any right to collect from the obligor the amount indicated by the obligor under paragraph (2) of subsection (a) of this section, and any finance charges thereon, except that the amount required to be forfeited under this subsection may not exceed \$50.

Regulation of credit reports

(a) After receiving a notice from an obligor as provided in section 1666(a), a creditor or his agent may not directly or indirectly threaten to report to any person adversely on the obligor's credit rating or credit standing because of the obligor's failure to pay the amount indicated by the obligor under section 1666(a)(2), and such amount may not be reported as delinquent to any third party until the creditor has met the requirements of section 1666 and has allowed the obligor the same number of

days (not less than ten) thereafter to make payment as is provided under the credit agreement with the obligor for the payment of undisputed amounts.

(b) If a creditor received a further written notice from an obligor that an amount is still in dispute within the time allowed for payment under subsection (a) of this section, a creditor may not report to any third party that the amount owed by the obligor is delinquent because the obligor has failed to pay an amount which he has indicated under section 1666(a)(2) unless the creditor also reports that the amount is in dispute and, at the same time, notifies the obligor of the name and address of each party to whom the creditor is reporting information concerning the delinquency.

(c) A creditor shall report any subsequent resolution of any delinquencies reported pursuant to subsection (b) to the parties to whom such delinquencies were initially reported.

Length of billing period

(a) If an open end consumer credit plan provides a time period within which an obligor may repay any portion of the credit extended without incurring an additional finance charge, such additional finance charge may not be imposed with respect to such portion of the credit extended for the billing cycle of which such period is a part unless a statement which includes the amount upon which the finance charge for that period is based was mailed at least fourteen days prior to the date specified in the statement by which payment must be made in order to avoid imposition of that finance charge.

(b) Subsection (a) does not apply in any case where a creditor has been prevented, delayed, or hindered in making timely mailing or delivery of such periods statement within the time period specified in such subsection because of an act of God, war, natural disaster, strike, or other excusable or justifiable cause, as determined under regulations of the Board.

Prompt crediting of payments

Payments received from an obligor under an open end consumer credit plan by the creditor shall be posted promptly to the obligor's account as specified in regulations of the Board. Such regulations shall prevent a finance charge from being imposed on any obligor if the creditor has received the obligor's payment in readily identifiable form in the amount, manner, location and time indicated by the creditor to avoid the imposition thereof.

Crediting excess payments

Whenever an obligor transmits funds to a creditor in excess of the total balance due on an open end consumer credit account, the creditor shall promptly

- (1) upon the request of the obligor refund the amount of the overpayment, or
- (2) credit such amount to the obligor's account.

Prompt notification of returns

With respect to any sales transactions where a credit card has been used to obtain credit, where the seller is a person other than the card issuer, and where the seller accepts or allows a return of goods or forgiveness of a debit for services which were the subject of such sale, the seller shall promptly transmit to the credit card issuer, a credit statement with respect thereto and the credit card issuer shall credit the account of the obligor for the amount of the transaction.

Use of cash discounts

(a) With respect to a credit card which may be used for extensions of credit in sales transactions in which the seller is a person other than the card issuer, the card issuer may not, by contract or otherwise, prohibit any such seller from offering a discount to a cardholder to induce the cardholder to pay by cash, check, or similar means rather than use a credit card.

(b) With respect to any sales transaction, any discount not in excess of 5 percent offered by the seller for the purpose of inducing payment by cash, check, or other means not involving

the use of a credit card shall constitute a finance charge as determined under section 106(m) if such discount is offered to all prospective buyers and its availability is disclosed to all prospective buyers clearly and conspicuously in accordance with regulations of the Board.

Prohibition of tie-in services

Notwithstanding any agreement to the contrary, a card issuer may not require a seller, as a condition to participating in a credit card plan, to open an account with or procure any other service from the card issuer or its subsidiary or agent.

Prohibition of offsets

(a) A card issuer may not take any action to offset a cardholder's indebtedness arising in connection with a consumer credit transaction under the relevant credit card plan against funds of the cardholder held on deposit with the card issuer unless—

- (1) such action was previously authorized in writing by the cardholder in accordance with a credit plan whereby the cardholder agrees periodically to pay debts incurred in his open end credit account by permitting the card issuer periodically to deduct all or a portion of such debt from the cardholder's deposit account, and
- (2) such action with respect to any outstanding disputed amount not be taken by the card issuer upon request of the cardholder.

In the case of any credit card account in existence on the effective date of this section, the previous written authorization referred to in clause (1) shall not be required until the date (after such effective date) when such account is renewed, but in no case later than one year after such effective date. Such written authorization shall be deemed to exist if the card issuer has previously notified the cardholder that the use of his credit card account will subject any funds which the card issuer holds in deposit accounts of

such cardholder to offset against any amounts due and payable on his credit card account which have not been paid in accordance with the terms of the agreement between the card issuer and the cardholder.

- (b) This section does not alter or affect the right under State law of a card issuer to attach or otherwise levy upon funds of a cardholder held on deposit with the card issuer if that remedy is constitutionally available to creditors generally.

Rights of credit card customers

(a) Subject to the limitation contained in subsection (b), a card issuer who has issued a credit card to a cardholder pursuant to an open end consumer credit plan shall be subject to all claims (other than tort claims) and defenses arising out of any transaction in which the credit card is sued as a method of payment or extension of credit if

- (1) the obligor has made a good faith attempt to obtain satisfactory resolution of disagreement or problem relative to the transaction from the person honoring the credit card;
 - (2) the amount of the initial transaction exceeds \$50; and
 - (3) the place where the initial transaction occurred was in the same State as the mailing address previously provided by the cardholder or was within 100 miles from such address, except that the limitations set forth in clauses (2) and (3) with respect to an obligor's right to assert claims and defenses against a card issuer shall not be applicable to any transaction in which the person honoring the credit card
 - (A) is the same person as the card issuer,
 - (B) is controlled by the card issuer,
 - (C) is under direct or indirect common control with the card issuer,
 - (D) is a franchised dealer in the card issuer's products or services, or
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(E) had obtained the order for such transaction through a mail solicitation made by or participated in by the card issuer in which the cardholder is solicited to enter into such transaction by using the credit card issued by the card issuer.

(b) The amount of claims or defenses asserted by the cardholder may not exceed the amount of credit outstanding with respect to such transaction at the time the cardholder first notifies the card issuer of the person honoring the credit card of such claim or defense. For the purpose of determining the amount of credit outstanding in the preceding sentence, payments and credits to the cardholder's account are deemed to have been applied, in order indicated, to the payment of:

- (1) late charges in the order of their entry to the account;
- (2) finance charges in order of their entry to the account;

and

- (3) debits to the account other than those set forth above, in the order in which each debit entry to the account was made.

Relation to State laws

(a) This chapter does not annul, alter, or affect, or exempt any person subject to the provisions of this chapter from complying with, the laws of any state with respect to credit billing practices, except to the extent that those laws are inconsistent with any provision of this chapter if the Board determines that such law gives greater protection to the consumer.

(b) The Board shall by regulation exempt from the requirements of his chapter any class of credit transactions within any State if it determines that under the law of that State that class of transactions is subject to requirements substantially similar to those imposed under this chapter or that such law gives greater protection to the consumer, and that there is adequate provision for enforcement.”

Conforming amendments

(a) The table of chapters of the Truth in Lending Act is amended by adding immediately under item 3 the following: “4. Credit billing 161.”

(b) Section 11 (d) of such Act (15 USC 1610(d)) is amended by striking out “and 130” and inserting in lieu thereof a comma and the following “130, and 166.”

(c) Section 121(a) of such Act (15 USC 1610(d)) is amended—

(1) by striking out “and upon whom a finance charge is or may be imposed;” and

(2) by inserting “or chapter 4” immediately after “this chapter.”

(d) Section 121(b) of such Act (15 USC 1631(b)) is amended by inserting “or chapter 4” immediately after “this chapter.”

(e) Section 122(a) of such Act (15 USC 1632(a)) is amended by inserting “or chapter 4” immediately after “this chapter.”

(f) Section 122(b) of such Act (15 USC 1632(b)) is amended by inserting “or chapter 4” immediately after “this chapter.”

Effective date

This title takes effect upon the expiration of one year after the date of its enactment.

Equal Credit Opportunity Act

s 1691. Scope of prohibition

(a) Activities constituting discrimination

It shall be unlawful for any creditor to discriminate against any applicant, with respect to any aspect of a credit transaction—

- (1) on the basis of race, color, religion, national origin, sex or marital status, or age (provided the applicant has the capacity to contract);
- (2) because all or part of the applicant's income derives from any public assistance program; or
- (3) because the applicant has in good faith exercised any right under this chapter.

(b) Activities not constituting discrimination

It shall not constitute discrimination for purposes of this subchapter for a creditor—

- (1) to make an inquiry of marital status if such inquiry is for the purpose of ascertaining the creditor's rights and remedies applicable to the particular extension of credit and not to discriminate in a determination of credit-worthiness;
 - (2) to make an inquiry of the applicant's age or of whether the applicant's income derives from any public assistance program if such inquiry is for the purpose of determining the amount and probable continuance of income levels, credit history, or other pertinent element of credit-worthiness as provided in regulations of the Board;
 - (3) to use any empirically derived credit system which considers age if such system is demonstrably and
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statistically sound in accordance with regulations of the Board, except that in the operation of such system the age of an elderly applicant may not be assigned a negative factor or value; or

- (4) to make an inquiry or to consider the age of an elderly applicant when the age of such applicant is to be used by the creditor in the extension of credit in favor of such applicant.

(c) Additional activities not constituting discrimination

It is not a violation of this section for a creditor to refuse to extend credit offered pursuant to—

- (1) any credit assistance program expressly authorized by law for an economically disadvantaged class of persons;
- (2) any credit assistance program administered by a nonprofit organization for its members or an economically disadvantaged class of persons; or
- (3) any special purpose credit program offered by a profit-making organization to meet special social needs which meets standards prescribed in regulations by the Board; if such refusal is required by or made pursuant to such program.

(d) Reason for adverse action; procedure applicable; definition

- (1) Within thirty days (or such longer reasonable time as specified in regulations of the Board for any class of credit transaction) after receipt of a completed application for credit, a creditor shall notify the applicant of its action on the application.
- (2) Each applicant against whom adverse action is taken shall be entitled to a statement of reasons for such action from the creditor. A creditor satisfies this obligation by—
- (A) providing statements of reasons in writing as a matter of course to applicants against whom adverse action is taken; or
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(B) giving written notification of adverse action which discloses

(i) the applicant's right to a statement of reasons within thirty days after receipt by the creditor of a request made within sixty days after such notification, and

(ii) the identity of the person or office from which such statement may be obtained.

Such statement may be given orally if the written notification advises the applicant of his right to have the statement of reasons confirmed in writing on written request.

(3) A statement of reasons meets the requirements of this section only if it contains the specific reasons for the adverse action taken.

(4) Where a creditor has been requested by a third party to make a specific extension of credit directly or indirectly to an applicant, the notification and statement of reasons required by this subsection may be made directly by such creditor, or indirectly through the third party, provided in either case that the identity of the creditor is disclosed.

(5) The requirements of paragraph (2), (3), or (4) may be satisfied by verbal statements or notifications in the case of any creditor who did not act on more than one hundred and fifty applications during the calendar year preceding the calendar year in which the adverse action is taken, as determined under regulations of the Board.

(6) For purposes of this subsection, the term "adverse action" means a denial or revocation of credit, a change in the terms of an existing credit arrangement, or a refusal to grant credit in substantially the amount or on substantially the terms requested. Such term does not include a refusal to extend additional credit under an existing credit arrangement where the applicant is delinquent or otherwise in default, or

where such additional credit would exceed a previously established credit limit.

(e) Appraisals; copies of reports to applicants; costs

Each creditor shall promptly furnish an applicant, upon written request by the applicant made within a reasonable period of time of the application, a copy of the appraisal report used in connection with the applicant's application for a loan that is or would have been secured by a lien on residential real property. The creditor may require the applicant to reimburse the creditor for the cost of the appraisal.

Fair Debt Collection Practices Act

s 1692. Congressional findings and declaration of purpose

- (a) There is abundant evidence of the use of abusive, deceptive, and unfair debt collection practices by many debt collectors. Abusive debt collection practices contribute to the number of personal bankruptcies, to marital instability, to the loss of jobs, and to invasions of individual privacy.
- (b) Existing laws and procedures for redressing these injuries are inadequate to protect consumers.
- (c) Means other than misrepresentation or other abusive debt collection practices are available for the effective collection of debts.
- (d) Abusive debt collection practices are carried on to a substantial extent in interstate commerce and through means and instrumentalities of such commerce. Even where abusive debt collection practices are purely intrastate in character, they nevertheless directly affect interstate commerce.
- (e) It is the purpose of this subchapter to eliminate abusive debt collection practices by debt collectors, to insure that those debt collectors who refrain from using abusive debt collection practices are not competitively disadvantaged, and to promote consistent State action to protect consumers against debt collection abuses.

s 1692a. Definitions

As used in this subchapter—

- (1) The term “Commission” means the Federal Trade Commission.
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- (2) The term “communication” means the conveying of information regarding a debt directly or indirectly to any person through any medium.
- (3) The term “consumer” means any natural person obligated or allegedly obligated to pay any debt.
- (4) The term “creditor” means any person who offers or extends credit creating a debt or to whom a debt is owed, but such term does not include any person to the extent that he receives an assignment or transfer of a debt in default solely for the purpose of facilitating collection of such debt for another.
- (5) The term “debt” means any obligation or alleged obligation of a consumer to pay money arising out of a transaction in which the money, property, insurance, or services which are the subject of the transaction are primarily for personal, family, or household purposes, whether or not such obligation has been reduced to judgment.
- (6) The term “debt collector” means any person who uses any instrumentality of interstate commerce or the mails in any business the principal purpose of which is the collection of any debts, or who regularly collects or attempts to collect, directly or indirectly, debts owed or due or asserted to be owed or due another. Notwithstanding the exclusion provided by clause (F) of the last sentence of this paragraph, the term includes any creditor who, in the process of collecting his own debts, uses any name other than his own which would indicate that a third person is collecting or attempting to collect such debts. For the purpose of section 1692f(6) of this title, such term also includes any person who uses any instrumentality of interstate commerce or the mails in any business the principal purpose of which is the enforcement of security interests. The term does not include—
- (A) any officer or employee of a creditor while, in the name of the creditor, collecting debts for such creditor;
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- (B) any person while acting as a debt collector for another person, both of whom are related by common ownership or affiliated by corporate control, if the person acting as a debt collector does so only for persons to whom it is so related or affiliated and if the principal business of such person is not the collection of debts;
 - (C) any officer or employee of the United States or any State to the extent that collecting or attempting to collect any debt is in the performance of his official duties;
 - (D) any person while serving or attempting to serve legal process on any other person in connection with the judicial enforcement of any debt;
 - (E) any nonprofit organization which, at the request of consumers, performs bona fide consumer credit counseling and assists consumers in the liquidation of their debts by receiving payments from such consumers and distributing such amounts to creditor; and
 - (F) any person collecting or attempting to collect any debt owed or due or asserted to be owed or due another to the extent such activity
 - (i) is incidental to a bona fide fiduciary obligation or a bona fide escrow arrangement;
 - (ii) concerns a debt which was originated by such person;
 - (iii) concerns a debt which was not in default at the time it was obtained by such person; or
 - (iv) concerns a debt obtained by such person as a secured party in a commercial credit transaction involving the creditor.
 - (G) Redesignated (F).
- (7) The term “location information” means a consumer’s place of abode and his telephone number at such place, or his place of employment.
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- (8) The term “State” means any State, territory, or possession of the United States, the District of Columbia, the Commonwealth of Puerto Rico, or any political subdivision of any of the foregoing.

s 1692b. Acquisition of location information

Any debt collector communicating with any person other than the consumer for the purpose of acquiring location information about the consumer shall—

- (1) identify himself, state that he is confirming or correcting location information concerning the consumer, and, only if expressly requested, identify his employer;
- (2) not state that such consumer owes any debt;
- (3) not communicate with any such person more than once unless requested to do so by such person or unless the debt collector reasonably believes that the earlier response of such person is erroneous or incomplete and that such person now has correct or complete location information;
- (4) not communicate by post card;
- (5) not use any language or symbol on any envelope or in the contents of any communication effected by the mails or telegram that indicates that the debt collector is in the debt collection business or that the communication relates to the collection of a debt; and
- (6) after the debt collector knows the consumer is represented by an attorney with regard to the subject debt and has knowledge of, or can readily ascertain, such attorney’s name and address, not communicate with any person other than that attorney, unless the attorney fails to respond within a reasonable period of time to communication from the debt collector.

s 1692c. Communication in connection with debt collection

(a) Communication with the consumer generally—Without the prior consent of the consumer given directly to the debt

collector or the express permission of a court of competent jurisdiction, a debt collector may not communicate with a consumer in connection with the collection of any debt—

- (1) at any unusual time or place or a time or place known or which should be known to be inconvenient to the consumer. In the absence of knowledge of circumstances to the contrary, a debt collector shall assume that the convenient time for communicating with a consumer is after 8 o'clock antimeridian and before 9 o'clock postmeridian, local time at the consumer's location;
- (2) if the debt collector knows the consumer is represented by an attorney with respect to such debt and has knowledge of, or can readily ascertain, such attorney's name and address, unless the attorney fails to respond within a reasonable period of time to a communication from the debt collector or unless the attorney consents to direct communication with the consumer; or
- (3) at the consumer's place of employment if the debt collector knows or has reason to know that the consumer's employer prohibits the consumer from receiving such communication.

(b) Communication with third parties—Except as provided in section 1692b of this title, without the prior consent of the consumer given directly to the debt collector, or the express permission of a court of competent jurisdiction, or as reasonably necessary to effectuate a postjudgment judicial remedy, a debt collector may not communicate, in connection with the collection of any debt, with any person other than the consumer, his attorney, a consumer reporting agency if otherwise permitted by law, the creditor, the attorney of the creditor, or the attorney of the debt collector.

(c) Ceasing communication—If a consumer notifies a debt collector in writing that the consumer refuses to pay a debt or that the consumer wishes the debt collector to cease further communication with the consumer, the debt collector shall not

communicate further with the consumer with respect to such debt, except—

- (1) to advise the consumer that the debt collector's further efforts are being terminated;
- (2) to notify the consumer that the debt collector or creditor may invoke specified remedies which are ordinarily invoked by such debt collector or creditor; or
- (3) where applicable, to notify the consumer that the debt collector or creditor intends to invoke a specified remedy. If such notice from the consumer is made by mail, notification shall be complete upon receipt.

(d) Definitions—For the purpose of this section, the term “consumer” includes the consumer's spouse, parent (if the consumer is a minor), guardian, executor, or administrator.

s 1692d. Harassment or abuse

A debt collector may not engage in any conduct the natural consequence of which is to harass, oppress, or abuse any person in connection with the collection of a debt. Without limiting the general application of the foregoing, the following conduct is a violation of this section:

- (1) The use or threat of use of violence or other criminal means to harm the physical person, reputation, or property of any person.
 - (2) The use of obscene or profane language or language the natural consequence of which is to abuse the hearer or reader.
 - (3) The publication of a list of consumers who allegedly refuse to pay debts, except to a consumer reporting agency or to persons meeting the requirements of section 1681a(f) or 1681b(3) of this title.
 - (4) The advertisement for sale of any debt to coerce payment of the debt.
 - (5) Causing a telephone to ring or engaging any person in telephone conversation repeatedly or continuously with intent to annoy, abuse, or harass any person at the called number.
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(6) Except as provided in section 1692b of this title, the placement of telephone calls without meaningful disclosure of the caller's identity.

s 1692e. False or misleading representations

A debt collector may not use any false, deceptive, or misleading representation or means in connection with the collection of any debt. Without limiting the general application of the foregoing, the following conduct is a violation of this section:

- (1) The false representation or implication that the debt collector is vouched for, bonded by, or affiliated with the United States or any State, including the use of any badge, uniform, or facsimile thereof.
 - (2) The false representation of—
 - (A) the character, amount, or legal status of any debt; or
 - (B) any services rendered or compensation which may be lawfully received by any debt collector for the collection of a debt.
 - (3) The false representation or implication that any individual is an attorney or that any communication is from an attorney.
 - (4) The representation or implication that nonpayment of any debt will result in the arrest or imprisonment of any person or the seizure, garnishment, attachment, or sale of any property or wages of any person unless such action is lawful and the debt collector or creditor intends to take such action.
 - (5) The threat to take any action that cannot legally be taken or that is not intended to be taken.
 - (6) The false representation or implication that a sale, referral, or other transfer of any interest in a debt shall cause the consumer to—
 - (A) lose any claim or defense to payment of the debt; or
 - (B) become subject to any practice prohibited by this subchapter.
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- (7) The false representation or implication that the consumer committed any crime or other conduct in order to disgrace the consumer.
 - (8) Communicating or threatening to communicate to any person credit information which is known or which should be known to be false, including the failure to communicate that a disputed debt is disputed.
 - (9) The use or distribution of any written communication which simulates or is falsely represented to be a document authorized, issued, or approved by any court, official, or agency of the United States or any State, or which creates a false impression as to its source, authorization, or approval.
 - (10) The use of any false representation or deceptive means to collect or attempt to collect any debt or to obtain information concerning a consumer.
 - (11) Except as otherwise provided for communications to acquire location information under section 1692b of this title, the failure to disclose clearly in all communications made to collect a debt or to obtain information about a consumer, that the debt collector is attempting to collect a debt and that any information obtained will be used for that purpose.
 - (12) The false representation or implication that accounts have been turned over to innocent purchasers for value.
 - (13) The false representation or implication that documents are legal process.
 - (14) The use of any business, company, or organization name other than the true name of the debt collector's business, company, or organization.
 - (15) The false representation or implication that documents are not legal process forms or do not require action by the consumer.
 - (16) The false representation or implication that a debt collector operates or is employed by a consumer reporting agency as defined by section 1681a(f) of this title.
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s 1692f. Unfair practices

A debt collector may not use unfair or unconscionable means to collect or attempt to collect any debt. Without limiting the general application of the foregoing, the following conduct is a violation of this section:

- (1) The collection of any amount (including any interest, fee, charge, or expense incidental to the principal obligation) unless such amount is expressly authorized by the agreement creating the debt or permitted by law.
 - (2) The acceptance by a debt collector from any person of a check or other payment instrument postdated by more than five days unless such person is notified in writing of the debt collector's intent to deposit such check or instrument not more than ten nor less than three business days prior to such deposit.
 - (3) The solicitation by a debt collector of any postdated check or other postdated payment instrument for the purpose of threatening or instituting criminal prosecution.
 - (4) Depositing or threatening to deposit any postdated check or other postdated payment instrument prior to the date on such check or instrument.
 - (5) Causing charges to be made to any person for communications by concealment of the true purpose of the communication. Such charges include, but are not limited to, collect telephone calls and telegram fees.
 - (6) Taking or threatening to take any nonjudicial action to effect dispossession or disablement of property if—
 - (A) there is no present right to possession of the property claimed as collateral through an enforceable security interest;
 - (B) there is no present intention to take possession of the property; or
 - (C) the property is exempt by law from such dispossession or disablement.
 - (7) Communicating with a consumer regarding a debt by post card.
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- (8) Using any language or symbol, other than the debt collector's address, on any envelope when communicating with a consumer by use of the mails or by telegram, except that a debt collector may use his business name if such name does not indicate that he is in the debt collection business.

s 1692g. Validation of debts

(a) Notice of debt; contents

Within five days after the initial communication with a consumer in connection with the collection of any debt, a debt collector shall, unless the following information is contained in the initial communication or the consumer has paid the debt, send the consumer a written notice containing—

- (1) the amount of the debt;
- (2) the name of the creditor to whom the debt is owed;
- (3) a statement that unless the consumer, within thirty days after receipt of the notice, disputes the validity of the debt, or any portion thereof, the debt will be assumed to be valid by the debt collector;
- (4) a statement that if the consumer notifies the debt collector in writing within the thirty-day period that the debt, or any portion thereof, is disputed, the debt collector will obtain verification of the debt or a copy of a judgment against the consumer and a copy of such verification or judgment will be mailed to the consumer by the debt collector; and
- (5) a statement that, upon the consumer's written request within the thirty-day period, the debt collector will provide the consumer with the name and address of the original creditor, if different from the current creditor.

(b) Disputed debts

If the consumer notifies the debt collector in writing within the thirty-day period described in subsection (a) of this section that the debt, or any portion thereof, is disputed, or that the

consumer requests the name and address of the original creditor, the debt collector shall cease collection of the debt, or any disputed portion thereof, until the debt collector obtains verification of the debt or a copy of a judgment, or the name and address of the original creditor, and a copy of such verification or judgment, or name and address of the original creditor, is mailed to the consumer by the debt collector.

(c) Admission of liability

The failure of a consumer to dispute the validity of a debt under this section may not be construed by any court as an admission of liability by the consumer.

s 1692h. Multiple debts

If any consumer owes multiple debts and makes any single payment to any debt collector with respect to such debts, such debt collector may not apply such payment to any debt which is disputed by the consumer and, where applicable, shall apply such payment in accordance with the consumer's directions.

s 1692i. Legal actions by debt collectors

(a) Any debt collector who brings any legal action on a debt against any consumer shall—

- (1) in the case of an action to enforce an interest in real property securing the consumer's obligation, bring such action only in a judicial district or similar legal entity in which such real property is located; or
- (2) in the case of an action not described in paragraph (1), bring such action only in the judicial district or similar legal entity—
 - (A) in which such consumer signed the contract sued upon; or
 - (B) in which such consumer resides at the commencement of the action.

(b) Nothing in this subchapter shall be construed to authorize the bringing of legal actions by debt collectors.

s 1692j. Furnishing certain deceptive forms

(a) It is unlawful to design, compile, and furnish any form knowing that such form would be used to create the false belief in a consumer that a person other than the creditor of such consumer is participating in the collection of or in an attempt to collect a debt such consumer allegedly owes such creditor, when in fact such person is not so participating.

(b) Any person who violates this section shall be liable to the same extent and in the same manner as a debt collector is liable under section 1692k of this title for failure to comply with a provision of this subchapter.

s 1692k. Civil liability

(a) Amount of damages

Except as otherwise provided by this section, any debt collector who fails to comply with any provision of this subchapter with respect to any person is liable to such person in an amount equal to the sum of—

(1) any actual damage sustained by such person as a result of such failure;

(2)(A) in the case of any action by an individual, such additional damages as the court may allow, but not exceeding \$1,000; or

(B) in the case of a class action,

(i) such amount for each named plaintiff as could be recovered under subparagraph (A), and

(ii) such amount as the court may allow for all other class members, without regard to a minimum individual recovery, not to exceed the lesser of \$500,000 or 1 per centum of the net worth of the debt collector; and

(3) in the case of any successful action to enforce the foregoing liability, the costs of the action, together with a reasonable attorney's fee as determined by the court. On a finding by the court that an action under this section was brought in bad faith and for the purpose of harassment, the court may award to

the defendant attorney's fees reasonable in relation to the work expended and costs.

(b) Factors considered by court

In determining the amount of liability in any action under subsection (a) of this section, the court shall consider, among other relevant factors—

- (1) in any individual action under subsection (a)(2)(A) of this section, the frequency and persistence of noncompliance by the debt collector, the nature of such noncompliance, and the extent to which such noncompliance was intentional; or
- (2) in any class action under subsection (a)(2)(B) of this section, the frequency and persistence of noncompliance by the debt collector, the nature of such noncompliance, the resources of the debt collector, the number of persons adversely affected, and the extent to which the debt collector's noncompliance was intentional.

(c) Intent

A debt collector may not be held liable in any action brought under this subchapter if the debt collector shows by a preponderance of evidence that the violation was not intentional and resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adapted to avoid any such error.

(d) Jurisdiction

An action to enforce any liability created by this subchapter may be brought in any appropriate United States district court without regard to the amount in controversy, or in any other court of competent jurisdiction, within one year from the date on which the violation occurs.

(e) Advisory opinions of Commission

No provision of this section imposing any liability shall apply to any act done or omitted in good faith in conformity with any advisory opinion of the Commission, notwithstanding that after

such act or omission has occurred, such opinion is amended, rescinded, or determined by judicial or other authority to be invalid for any reason.

s 1692l. Administrative enforcement

(a) Federal Trade Commission

Compliance with this subchapter shall be enforced by the Commission, except to the extent that enforcement of the requirements imposed under this subchapter is specifically committed to another agency under subsection (b) of this section. For purpose of the exercise by the Commission of its functions and powers under the Federal Trade Commission Act, a violation of this subchapter shall be deemed an unfair or deceptive act or practice in violation of that Act. All of the functions and powers of the Commission under the Federal Trade Commission Act are available to the Commission to enforce compliance by any person with this subchapter, irrespective of whether that person is engaged in commerce or meets any other jurisdictional tests in the Federal Trade Commission Act, including the power to enforce the provisions of this subchapter in the same manner as if the violation had been a violation of a Federal Trade Commission trade regulation rule.

(b) Applicable provisions of law

Compliance with any requirements imposed under this subchapter shall be enforced under—

(1) section 8 of the Federal Deposit Insurance Act [12 U.S.C.A. s 1818], in the case of—

- (A) national banks, and Federal branches and Federal agencies of foreign banks, by the Office of the Comptroller of the Currency;
 - (B) member banks of the Federal Reserve System (other than national banks), branches and agencies of foreign banks (other than Federal branches, Federal agencies, and insured State branches of foreign banks), commercial lending companies owned or controlled by foreign banks, and
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organizations operating under section 25 or 25(a) of the Federal Reserve Act [12 U.S.C.A. ss 601 et seq., 611 et seq.], by the Board of Governors of the Federal Reserve System; and

- (C) banks insured by the Federal Deposit Insurance Corporation (other than members of the Federal Reserve System) and insured State branches of foreign banks, by the Board of Directors of the Federal Deposit Insurance Corporation;
- (2) section 8 of the Federal Deposit Insurance Act [12 U.S.C.A. s 1818], by the Director of the Office of Thrift Supervision, in the case of a savings association the deposits of which are insured by the Federal Deposit Insurance Corporation;
- (3) the Federal Credit Union Act, by the National Credit Union Administration Board with respect to any Federal credit union;
- (4) subtitle IV of Title 49, by the Interstate Commerce Commission with respect to any common carrier subject to such subtitle;
- (5) the Federal Aviation Act of 1958, by the Secretary of Transportation with respect to any air carrier or any foreign air carrier subject to that Act; and
- (6) the Packers and Stockyards Act, 1921 (except as provided in section 406 of that Act), by the Secretary of Agriculture with respect to any activities subject to that Act.

The terms used in paragraph (1) that are not defined in this subchapter or otherwise defined in section 3(s) of the Federal Deposit Insurance Act (12 U.S.C. 1813(s)) shall have the meaning given to them in section 1(b) of the International Banking Act of 1978 (12 U.S.C. 3101).

(c) Agency powers

For the purpose of the exercise by any agency referred to in subsection (b) of this section of its powers under any Act referred to in that subsection, a violation of any requirement imposed

under this subchapter shall be deemed to be a violation of a requirement imposed under that Act. In addition to its powers under any provision of law specifically referred to in subsection (b) of this section, each of the agencies referred to in that subsection may exercise, for the purpose of enforcing compliance with any requirement imposed under this subchapter any other authority conferred on it by law, except as provided in subsection (d) of this section.

(d) Rules and regulations

Neither the Commission nor any other agency referred to in subsection (b) of this section may promulgate trade regulation rules or other regulations with respect to the collection of debts by debt collectors as defined in this subchapter.

s 1692m. Reports to Congress by the Commission

(a) Not later than one year after the effective date of this subchapter and at one-year intervals thereafter, the Commission shall make reports to the Congress concerning the administration of its functions under this subchapter, including such recommendations as the Commission deems necessary or appropriate. In addition, each report of the Commission shall include its assessment of the extent to which compliance with this subchapter is being achieved and a summary of the enforcement actions taken by the Commission under section 1692l of this title.

(b) In the exercise of its functions under this subchapter, the Commission may obtain upon request the views of any other Federal agency which exercises enforcement functions under section 1692l of this title.

s 1692n. Relation to State laws

This subchapter does not annul, alter, or affect, or exempt any person subject to the provisions of this subchapter from complying with the laws of any State with respect to debt collection practices, except to the extent that those laws are inconsistent with any provision of this subchapter, and then only to the extent of the inconsistency. For purposes of this section, a

State law is not inconsistent with this subchapter if the protection such law affords any consumer is greater than the protection provided by this subchapter.

s 1692o. Exemption for State regulation

The Commission shall by regulation exempt from the requirements of this subchapter any class of debt collection practices within any State if the Commission determines that under the law of that State that class of debt collection practices is subject to requirements substantially similar to those imposed by this subchapter, and that there is adequate provision for enforcement.