



# CREDIT AND MONEY MANAGEMENT WORKSHOP

What You Need to  
Know About Credit

# About Operation HOPE

Since its inception in 1992, the mission of Operation HOPE, Inc. (HOPE) is silver rights empowerment, making free enterprise work for everyone. It promotes financial dignity through the delivery of financial inclusion and education tools to underserved communities. Through its core divisions, the organization has provided youth and adult financial literacy, economic preparedness, digital empowerment, promoted home ownership, and assisted with foreclosure prevention to more than 2 million individuals, families, and small business owners. HOPE's next phase is focused on Project 5117, a multi-year initiative that will track and increase business role models for youth, boost credit scores for adults, and empower underserved communities.

To learn more about Operation HOPE, visit [www.operationhope.org](http://www.operationhope.org), and follow our blog at [www.operationhope.org/blog](http://www.operationhope.org/blog), our Facebook page at [www.facebook.com/operationhope](http://www.facebook.com/operationhope) and Twitter feed at [www.twitter.com/operationhope.org](http://www.twitter.com/operationhope.org)

## WORKSHOP TOPICS

- Budgeting
- Pay Off Debt and Save Money
- Understand Your Credit Score
- Learn How to Read A Credit Report
- Know Your Rights as a Consumer
- Settling Accounts
- Dispute Inaccurate Information
- Establish and Rebuild Your Credit Profile

\* Sources for this workshop are from TransUnion, Fair Issac, Experian, myFICO, About.com, Springboard, The Federal Trade Commission, and the Federal Reserve.

# Why A Credit Workshop?

Your credit score can have a significant impact on your life. A credit report helps lenders see how likely you are to pay back a loan and your credit score is a good calculation of your credit risk level. It can determine the terms of your loan, how much credit is granted to you, and can even determine whether you will be hired by an employer or be accepted to rent an apartment. For these reasons, it is important to know how to read your report, learn how to ensure it is accurate, understand your credit score, and learn how to increase your credit score.

*"There is a difference between being broke and being poor. Being broke is a temporary economic condition, but being poor is a disabling frame of mind and a depressed condition of your spirit, and you must vow to never, ever be poor again."*

JOHN HOPE BRYANT

Founder, Chairman and CEO

Operation HOPE

# BUDGETING Start with a budget

A budget is an important tool to help you understand how and where you spend your money—and a guideline to help you spend your money on the things that are most important to you.

## What's in a budget?

### Money that comes in...

#### Income

- Net Wages
- Overtime
- Bonuses
- Child Support
- Investment Income
- Alimony
- Supplemental Security Income (SSI)
- Retirement Income

### Money that goes out...

#### Home Expenses

- Mortgage or Rent
- Homeowners/Renters Insurance
- HOA Dues
- Property Taxes
- Home Improvement
- Home Repairs/Maintenance

#### Utilities

- Electricity
- Water and Sewer
- Trash
- Telephone (land line, cell)
- Internet
- Natural Gas or Oil

#### Food

- Groceries
- Eating Out
- Snacks

#### Family Obligations

- Child Support
- Alimony
- Day Care
- Babysitting

### Health and Medical

- Insurance (medical, dental, vision)
- Fitness (gym membership, yoga, massage)
- Co-pays
- Non-reimbursed Medical Expenses

### Transportation

- Car Payments
- Gasoline/Oil
- Auto Repairs/Fees/Maintenance
- Transportation (bus, metro, tolls)

### Debt Payments

- Credit Cards
- Student Loans
- Other Loans

### Entertainment/Recreation

- Cable TV
- Computer Expense
- Hobbies
- Subscriptions and Dues
- Videos/Movies
- Vacations

### Pets

- Food
- Vet
- Grooming

### Investments and Savings

- Savings
- 401(K) or IRA
- Emergency Fund
- Stocks/Bonds/Mutual Funds
- College Fund

### Miscellaneous

- Household Products
- Toiletries
- Clothing
- Grooming (hair, make-up, other)
- Gifts/Donations
- Miscellaneous Expense
- Pocket Money

Each person's **budget** is **different**. Remember to **customize** it to **your life** and your own expenses.

### BUDGET WORKSHEET

INCOME	BUDGET AMOUNT	ACTUAL AMOUNT
INCOME 1	\$	
INCOME 2	\$	
TOTAL NET INCOME	\$	

EXPENSES	BUDGET AMOUNT	ACTUAL AMOUNT
HOME		
UTILITIES		
FOOD		
FAMILY OBLIGATIONS		
HEALTH & MEDICAL		
TRANSPORTATION		
DEBT PAYMENTS		
ENTERTAINMENT		
CLOTHING		
INVESTMENTS/SAVINGS		
MISCELLANEOUS		
<b>TOTAL EXPENSES</b>		

MY BUDGET  
(TOTAL NET INCOME - TOTAL EXPENSES)

\$ \_\_\_\_\_

# Paying off debt And Saving money

## An encouraging fact:

You do not have to have "extra" cash to pay off debt and save money. A budget will help you CREATE money to begin paying off debt and saving money for the things that matter most to you.

## Make an action plan:

1. Set short-term and long-term financial goals to work towards, like paying off debt or a down payment for a home.
2. Include the dollar amount and a timeframe.
3. Set up your budget.
4. Choose a percentage of your net income for debt-payments and savings. The percentage you choose has to be feasible for you.
5. Set up a separate savings account.
6. Pay off debt and save on a regular basis. As you pay off debt, more money will be freed up to increase your savings plan.
7. Stick to it!

## Tips:

- Have your employer deduct money from your paycheck and deposit it directly into your savings account.
- Put unexpected income into your savings account (bonuses, salary increases, a gift, tax refunds, rebates, overtime pay, income from hobbies, yard sales, etc.)
- If you dip into your savings for an emergency, consider it a loan and set up a repayment schedule
- Prioritize which debt to pay off first. Pay accounts that are delinquent and cards with the highest interest rates.

**Use this table to help you determine your action plan to pay off debt:**

ACCOUNT NAME	BALANCE	LIMIT	MINIMUM PAYMENT	ACTUAL PAYMENT	INTEREST RATE

# Types of cards

## CREDIT CARDS

When you use a credit card, you are in fact taking out a loan, with a maximum amount you can borrow (the credit limit). The single most important number related to your credit card is the Annual Percentage Rate (APR), which is the interest you pay on your accrued balance. High interest rates can be deceptively expensive.

### Here's how you can calculate the true cost of your APR.

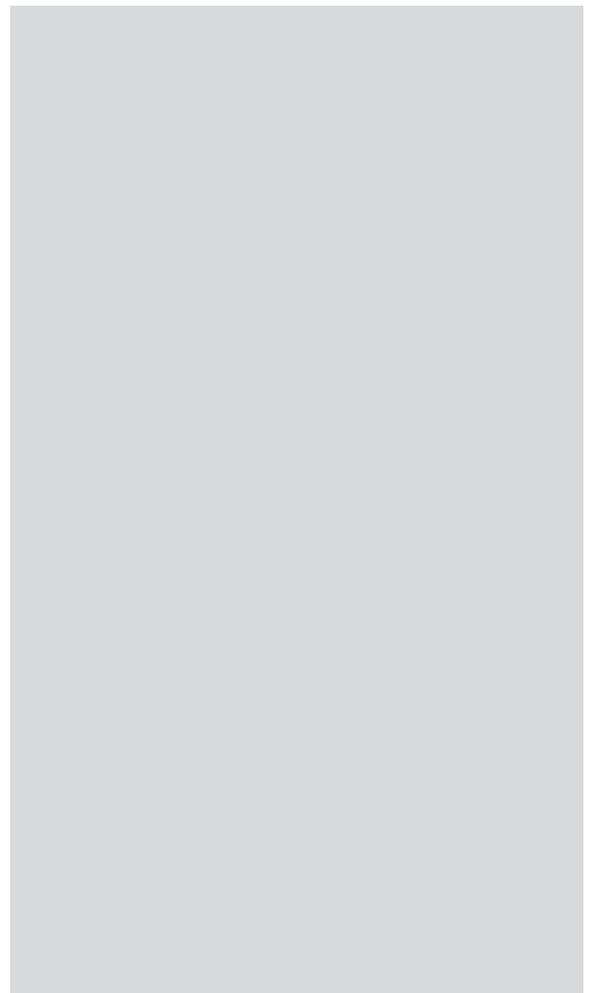
Let's use as an example an APR of 19.9%, which is fairly standard for people without stellar credit. The advertised APR of 19.9% states that, over the course of one year, you'll pay an extra 19.9% on any purchase – that is, you'll pay \$19.90 in interest on a \$100 purchase.

This, however, can be deceiving. 19.9% is a simplified total of what is actually a daily interest rate, which can be calculated by dividing by days in the year, i.e. 0.055% per day. This daily rate is compounded, which means that the interest owed yesterday is itself generating new interest fees today. Your effective interest rate is actually 22% per year.

## Common Credit Card Fees

Credit cards for those with no or low credit can have an APR as high as 35%! This information is usually found in the fine print only. Introductory low rates are just that, introductory. And once that short time period is over, all money owed is charged at the new and higher APR. In addition to the APR expense, common credit card fees include:

- Annual fee - Sometimes referred to as a membership fee. Many credit cards that offer rewards programs charge annual fees.
- Cash advances - Allow you to withdraw cash at ATMs with your credit card or with the checks that your credit card company will send you. However, these transactions can be very costly.
- Balance transfers - Enable you to transfer a balance from one credit card to another card. Banks offering zero percent interest may sound appealing, but read the fine print for hidden costs.
- Exceeding credit limit - Your credit limit is the total amount of money a credit card company grants you permission to spend on its card. If you go over your credit limit you'll pay dearly in fees.
- Late payments - Make your payments on time each month and avoid hefty fees, negative marks on your credit, and increased interest rates.
- Underpayment - Always make at least the minimum payment required each month or you'll incur fees. Ideally pay all of your balance each month.



## DEBIT CARDS

Most banks give you a debit card, also known as a check card, when you open a checking account. It allows you to withdraw or deposit money at an ATM and you can use it to make purchases at stores and online. They look like credit cards (they will have a Visa® or MasterCard® logo on them), and they are accepted anywhere credit cards are accepted, but it is not the same thing as a credit card! The money you spend with it is immediately withdrawn from the money you have in your checking account. A debit card does not help you establish credit.

## ATM CARDS

An ATM card allows you to remove money from your checking account, but only through an ATM. Unlike debit cards, ATM cards do not have the Visa® or MasterCard® logo and, in most cases, may not be used to make store purchases directly or buy items online.

## PRE-PAID CARDS

Pre-paid cards store monetary value without being linked to a bank or credit account. Like debit, ATM, and credit cards, they can be used anywhere the credit card company listed on the card is accepted. This type of card is most often used for gifts, payroll deposits, government benefit payments, and credit card-only purchases. While most pre-paid cards do not offer credit-building programs, they are especially useful to users wishing to prevent incurrence of debt, since there is no credit line provided, and users can choose the amount of money they store on the card to use towards purchases. Pre-paid cards are also beneficial to avoid check-cashing or money-transferring fees, and are a convenient way to manage finances through accessibility to records of past purchases and balance monitoring online or via phone.

Despite these benefits, pre-paid cardholders should be cautious of fees that may be charged for card activation, monthly maintenance, ATM withdrawal, and/or card replacement. Users seeking to build a credit history can look into specific types of pre-paid cards, which allow users to build credit over a several-month period of time at an additional cost.

# Credit reports & Credit scores

## What is a credit report?

A record of your credit activities that lists:

- Credit card accounts
- Loans
- Balances
- How regularly you make your payments

It also shows if any action has been against you because of unpaid bills.

## What is on my credit report?

- Identifying information
- Trade line/account Information (installment and revolving debt)
- Public record and collection items
- Inquiries

## Where do credit reports come from?

Credit reports are generated by consumer reporting agencies (CRA). They collect information about your credit activities, store it in giant databases, and charge a fee for supplying the information. The most common type of CRA is the credit bureau. Three major credit bureaus that operate nationwide:

## How do you get a credit report?

You can receive a free credit report every 12 months from each of the credit reporting companies. There is small fee for the report to include your credit score. Request yours at [annualcreditreport.com](http://annualcreditreport.com) or contact the agencies directly:

- Experian.com
- TransUnion.com
- Equifax.com

### The 3 Major Credit Bureaus

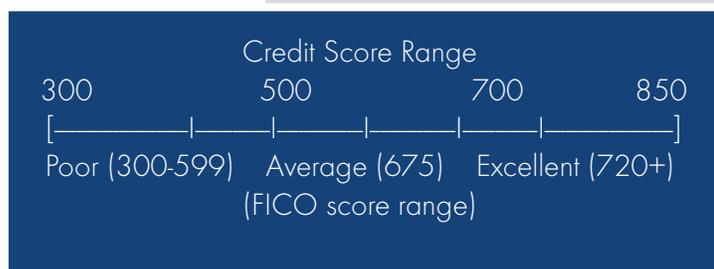
Experian

TransUnion

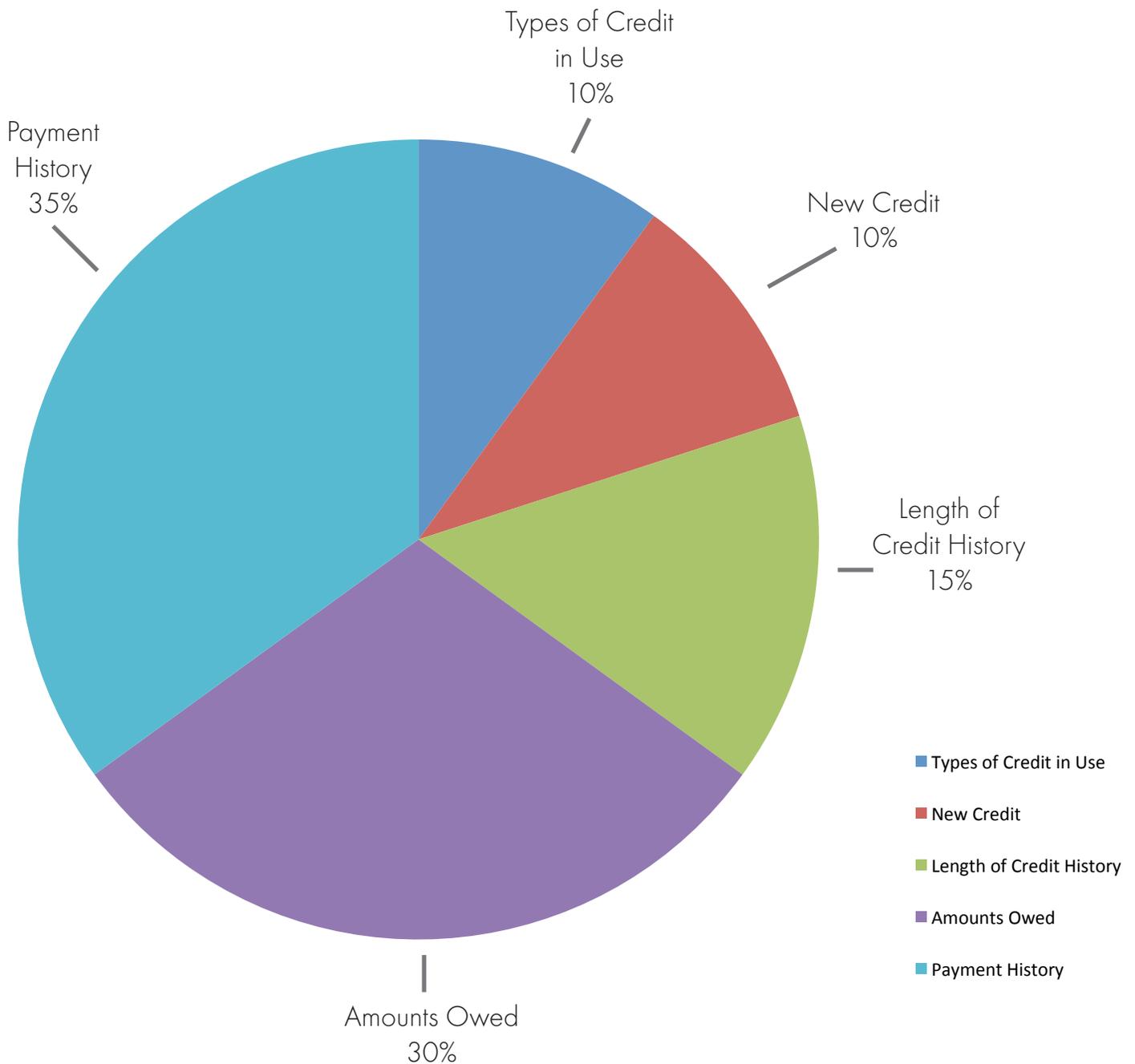
Equifax

# What is a credit score?

A rating is drawn from your credit report, which outlines your borrowing, charging, and repayment activities. A good rating helps you reach financial goals; a poor rating limits your financial opportunities. Not all credit scores are the same and different logic is used depending which score is presented to the consumer. There are dozens of various score models (ways that credit scores are calculated) out there for purchase, e.g., FICO and Vantage Score. Consumers are more likely to receive the Vantage Score when pulling a tri-merge report. The Vantage score has a range of 501-990, FICO has a range of 300-850, and the TransRisk New Account 3.0 score has a range of 150-950.



# What makes up your credit score?

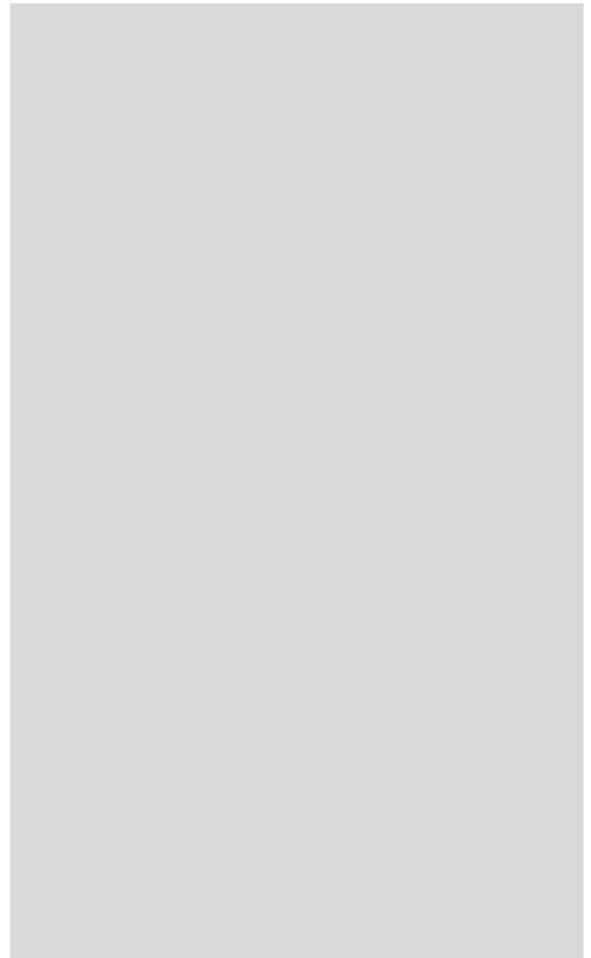






# More About Inquiries

- Inquiries do not significantly affect scores
- There are 2 types of inquiries: Hard inquiries and soft inquiries. Soft inquiries do not affect your score.
- Hard inquiries are inquiries where a potential lender is reviewing your credit because you've applied for credit with them.
- Types of soft inquiries: Ordering directly from a credit-reporting agency (services like myFICO) and credit counseling agencies, when lenders send you "Pre-Approved" credit offers, when lenders review your account with you, requests from employers
- Report lists everyone who has accessed your credit report within the last 2 years
- Only the last 12 months are calculated for your credit score
- Multiple inquiries in any 14 day period is documented as 1 inquiry (this is looked as "rate shopping")
- Score ignores all inquiries made in a 30 day period prior to scoring



## COMMON TYPES OF NEGATIVE ITEMS

### Charge-off

A change in status for a past due account that has been recorded as a loss by the creditor. This may have already been referred to an in-house collection department or a third party collection agency.

### Collection Account

A past due account that has been charged-off and referred to an in-house collection department or a third party collection agency.

### Tax Lien

A claim filed by the taxing authority for unpaid taxes.

### Judgment

A court order to provide payment of the claims presented to the court or awarded as damages.

### Bankruptcy

A legal proceeding in a federal court that can legally release a person from repaying all or part of debts that a person cannot pay back.

# How Long Do Negative Items Stay On My Report?

Type of Negative Information	Maximum Time on Credit Report
Charge-off & Collection Accounts	7 years from the date it became delinquent.
General Civil Judgments	7 years from the filing date.
City, County, State and Federal Tax Liens	7 years from the date paid (if not paid it may remain on your report indefinitely).
Chapter 7, 11, & 12	10 years from the filing date. Accounts included in bankruptcy (BK) will remain 7 years from the date they were reported as included in the BK or from original delinquency date.
Chapter 13	7 years from the filing date. Accounts included in bankruptcy will remain 7 years from the date they were reported as included in the bankruptcy or from original delinquency date.

# Sample Credit Report

This sample report is intended for educational purposes and cannot be used for testing. The actual Credit Report you receive will be customized to meet your specific request.



## TRANSUNION CONSUMER CREDIT REPORT

Subscriber Name: ABC DEPARTMENT STORE  
 Subscriber Code/Market: 1D248 06 CH  
 Results Issued: 05/20/10 09:36 CT

### INPUT PARAMETERS FOR SECONDARY SUBJECT

Reference ID: 1234  
 SSN: XXX-XX-1111  
 Name: duncan, elizabeth  
 Current Address: 9932 woodbine  
 chicago, il 60068

Duncan, Elizabeth  
 Also Known As: SSN: 111-11-1111 Phone: 555-555-5555 In File Since: 4/78  
 Cook, Elizabeth Date of Birth: 02/14/1954

Current Address: 9932 WOODBINE, #9B CHICAGO, IL. 60068 Reported 1/05  
 Previous Address: 10 N. CAMINO OAKLAND, CA. 94583 Reported 4/01  
 Previous Address: 8500 N. WESTERN AV. CHICAGO, IL 60645

### EMPLOYMENT

ABC HOTELS Position: CONCIERGE Start: 3/01 In File Since: 5/07  
 ANYTOWN, IL. End: Effective: 5/07  
 ACME SYSTEMS INC Position: ADMIN ASST Start: In File Since: 3/00  
 OAKLAND, CA. End: Effective: 3/01

### ALERTS AND SPECIAL MESSAGES

Type	Explanation
ID MISMATCH ALERT	PREVIOUS INPUT ADDRESS DOES NOT MATCH FILE ADDRESS(ES)
HIGH RISK FRAUD ALERT	INPUT SSN NOT ISSUED BY SOCIAL SECURITY ADMINISTRATION
SSN YEAR OF ISSUANCE	FILE SSN ISSUED: 1957-1960; STATE ISSUED: IL; EST. AGE OBTAINED: 4-8
IDENTITY MANAGER VERIFICATION	FRAUD MODEL SCORE: +200, ID SCORE: 500, SCORE FACTOR CODES: 345 PHONE NUMBER ASSOCIATED WITH A MAIL BOX FACILITY, 678 IDENTITY ELEMENTS LINKED TO SUSPECTED FRAUD ACTIVITY, 901 IDENTITY LOW RISK FOR IDENTITY FRAUD; (IDA TRANSACTION#: 73126113617059)
OFAC NAME SCREEN ALERT	CLEAR
CONSUMER STATMENT	SEE END RPT

### SCORING

Type	Score	Explanation
VANTAGESCORE	<b>+590</b>	TK Worst status on accounts is delinquent/derog 52 No real estate accounts with valid credit amount RF Worst status of any revolving account is delinquent/derog 10 No usable installment accounts SCORECARD: 02
TRANSUNION BANKRUPTCY MODEL	<b>+533</b>	24 Insufficient credit experience 07 Delinquent credit obligations 15 Number of recent inquiries on credit report 08 No real estate accounts with valid credit amount

### CREDIT INFORMATION, Summary (Total History)

Public Records:	2	Collections:	1	Trades:	4	Inquiries:	4
Negative Trade Accounts:	1	Trade Accounts with Any Historical Negatives:	2	Occurrence of Historical Negatives:	9		
	Count	High Credit	Credit Limit	Balance	Past Due	Payment	Available
Revolving	2	\$10,100	\$18,200	\$5,350	\$0	\$225	71%
Installment	1	\$16,900	n/a	\$12,900	\$1,128	\$282	n/a
Mortgage	1	\$232,500	n/a	\$173,200	\$0	\$1,470	n/a
<b>Total</b>	<b>4</b>	<b>\$259,500</b>	<b>\$18,200</b>	<b>\$191,450</b>	<b>\$1,128</b>	<b>\$1,977</b>	

**TRANSUNION CONSUMER CREDIT REPORT**

Results Issued: 5/20/10 09:36 CT  
Page: 2 of 3

**PUBLIC RECORDS**

DAUPHIN CP (Z 4937063)	Docket # 99B38521		
Type: CHAPTER 7 BANKRUPTCY		Assets: \$2,668	Filed: 10/05
	Location:	Liabilities: \$14,668	Verified:
Court:	Plaintiff:	Orig Balance:	Paid:
Responsibility: C	Attorney: D. WINSLOW	Curr Balance:	
<hr/>			
KINGS BK (ZP 5027011)	Docket # 98M987654		
Type: PAID CIVIL JUDGMENT		Assets:	Filed: 4/05
	Location:	Liabilities:	Verified:
Court:	Plaintiff: BANK A	Orig Balance: \$3,128	Paid: 6/05
Responsibility: I	Attorney: WILLIAMS	Curr Balance: \$0	

**COLLECTIONS**

ADVANCED COL (Y 999C004)	Account # 12345		Account Rating 09B
Original Creditor: ABC BANK	Remarks:	Amount Placed: \$2,500	Opened: 5/02
Account Type: AG		Balance: \$1,000	Paid:
Responsibility: I		Past Due:	Closed:
		Last Payment:	Verified: 4/07 A

**TRADES**

ABC BK (B 6781001)	Account # 9876543210		Account Rating I05
Account Type: AUTOMOBILE	Credit Limit:	Balance: \$12,900	Opened: 8/05
Responsibility: I	High Credit: \$16,900	Past Due: \$1,128	Paid:
Remarks: ACCOUNT IN DISPUTE	Terms: 60M282		Closed:
			Verified: 5/07 A
<b>Late Payments</b> (20 months)	<b>Delinquency</b>	<b>Maximum:</b> 1/07 <b>Amount:</b> \$1410	<b>Payment Pattern</b> Months 1 -12: 445543211111 Months 13 -24: 11111111
1 1 5 30 60 90			

ABC RETAILER (D 1234567)	Account # 1234567890		Account Rating R01
Account Type: CREDIT CARD	Credit Limit: \$16,700	Balance: \$5,200	Opened: 12/04
Responsibility: I	High Credit: \$9,600	Past Due: \$0	Paid:
Remarks:	Terms: MIN200		Closed:
			Verified: 5/07 A
<b>Late Payments</b> (29 months)	<b>Delinquency</b>	<b>Maximum:</b> 2/05 <b>Amount:</b> \$230	<b>Payment Pattern</b> Months 1 -12: 111111111111 Months 13 -24: 111111111111
1 1 0 30 60 90			

ABC MORTGAGE (Q 1111111)	Account # 111223333		Account Rating M01
Account Type:	Credit Limit:	Balance: \$173,200	Opened: 11/01
Responsibility: C	High Credit: \$232,500	Past Due:	Paid:
Remarks: CONVENTIONAL MORTGAGE	Terms: 360M1470		Closed:
			Verified: 5/07 A
<b>Late Payments</b> (48 months)	<b>Delinquency</b>	<b>Maximum:</b> <b>Amount:</b>	<b>Payment Pattern</b> Months 1 -12: 111111111111 Months 13 -24: 111111111111
0 0 0 30 60 90			

ABC DEPARTMENT (D 7654321)	Account # 123123123123		Account Rating R01
Account Type: CREDIT CARD	Credit Limit: \$1,500	Balance: \$150	Opened: 12/06
Responsibility: I	High Credit: \$ 500	Past Due:	Paid:
Remarks:	Terms: MIN25		Closed:
			Verified: 5/07 A
<b>Late Payments</b> (5 months)	<b>Delinquency</b>	<b>Maximum:</b> <b>Amount:</b>	<b>Payment Pattern</b> Months 1 -12: 11111 Months 13 -24:
0 0 0 30 60 90			

**INQUIRIES**

Date	Subscriber Name (Code)	Type	Amount
5/20/10	ABC DEPT STORE (DCH248)		
3/07/07	TEST BANK (BPH9999 EAS)		
2/20/07	MAIN ST AUTO (ASD1234 CAL)		
1/01/07	123 RETAILER (DNY777 EAS)		

**INQUIRY ANALYSIS**

Date	Subscriber Name (Code)	Identifying Info
03/07/07	TEST BANK (B 9999)	DUNCAN, ELIZABETH (773) 123-4567 9932 WOODBINE, CHICAGO, IL 60693
02/20/07	MAIN ST AUTO (A 1234)	DUNCAN, ELIZABETH (773) 555-1234 9932 WOODBINE, CHICAGO, IL 60693 10 N. CAMINO, OAKLAND, CA 94583 EMPLOYER: GRAND HOTEL

**CONSUMER STATEMENT**

#HK#EFCRA EXTENDED FRAUD ALERT: ACTION MAY BE REQUIRED UNDER FCRA BEFORE OPENING OR MODIFYING AN ACCOUNT.

**REPORT SERVICED BY**

TRANSUNION  
(800) 888-4213  
P.O. BOX 1000, CHESTER, PA 19022  
CONSUMER DISCLOSURES CAN BE OBTAINED ONLINE THROUGH TRANSUNION AT:  
[HTTP://WWW.TRANSUNION.COM/DIRECT](http://www.transunion.com/direct)

**END OF TRANSUNION REPORT**

Manage Your Credit. Manage Your Life with [transunion.com](http://transunion.com).

## Credit Report Codes

### Responsibility

CODE	DESCRIPTION
A	Authorized user of shared account
C	Joint contractual liability
I	Individual account for sole use of customer
M	Account for which subject is liable but co-signer has liability if the maker defaults
P	Participant in shared account which cannot be distinguished as C or A
S	Account for which subject is co-signer and becomes liable if maker defaults
T	Relationship with account terminated
U	Undesignated
X	Deceased

### Date Indicators

CODE	DESCRIPTION
A	Automated
C	Closed
F	Repossessed/Written Off/Collection
M	Manually Frozen
P	Paid Out
R	Reported
V	Verified

### Current Manner of Payment (MOP)

CODE	DESCRIPTION
01	Pays as agreed
02	30–59 days past the due date
03	60–89 days past the due date
04	90–119 days past the due date
05	120 days or more past the due date
07	Paying or paid under Wage Earner Plan or similar arrangement
08	Repossession
8A	Voluntary repossession
8P	Paying or paid account with MOP 08
09	Charged off to bad debt
9B	Collection account
9P	Paying or paid account with MOP 09 or 9B
UR	Unrated

### Type of Account

CODE	DESCRIPTION
O	Open Account (30, 60 or 90 days)
R	Revolving or Option
I	Installment
M	Mortgage
C	Check credit (line of credit)

### Kind of Business Classifications (KOB)

CODE	DESCRIPTION
A	Automotive
B	Banks and Savings and Loan Institutions
C	Clothing
D	Department, Variety and Other Retail
E	Educational Organizations and Employment Services Companies
F	Finance, Personal
G	Groceries
H	Home Furnishings
I	Insurance
J	Jewelry, Cameras and Computers
K	Contractors
L	Lumber, Building Material and Hardware
M	Medical and Related Health
N	Credit Card and Travel/Entertainment Companies
O	Oil Companies
P	Personal Services Other Than Medical
Q	Credit Unions and Finance Companies Other Than Personal Finance Companies
R	Real Estate and Public Accommodations
S	Sporting Goods
T	Farm and Garden Supplies
U	Utilities and Fuel
V	Government
W	Wholesale
X	Advertising
Y	Collection
Z	Miscellaneous



# Your rights as a consumer

## The Fair Credit Reporting Act (FCRA)

It is a federal legislation governing the actions of credit reporting agencies.

### Under the FCRA:

- You have the right to ask for your credit score
- You have the right to dispute incomplete or inaccurate information
- Consumer reporting agencies must correct or delete inaccurate, incomplete, or unverifiable information.
- Consumer reporting agencies may not report outdated negative information
- Access to your file is limited
- You must give your consent for reports to be provided to employers
- You may limit "pre-screened" offers of credit and insurance you get based on information in your credit report by electing to "opt out". You can call 1.888.5OPTOUT (1.888.567.8688)
- You may seek damages from violators

## Fair Debt Collection Practices Act (FDCPA)

A federal law which regulates the activities of a "debt collector".

### Under the FDCPA, debt collectors:

- May not harass, oppress, or abuse consumers
- Must cease certain contracts and communications when requested to do so and must identify themselves. They cannot misrepresent themselves.
- May contact consumers, generally, only between the hours of 8:00 a.m. and 9:00 p.m., local time of the consumer
- Must send to the consumer a written notice, within five days after first contact, advising the consumer of the amount of money owed, the name of the creditor to whom owed, and a notice of rights
- May not communicate with anyone other than the attorney, if the consumer is represented by one

You have rights as a consumer! To learn more about them visit the Consumer Financial Protection Bureau's website at [www.consumerfinance.gov](http://www.consumerfinance.gov) or call them at (855) 411-2372.

A debt collector is any person, other than the creditor, who regularly collects debts owed to others. This now includes certain lawyers that collect debts. Debt collectors are required to follow specific rules to protect the rights of consumers.

## Credit Card Accountability, Responsibility, and Disclosure Act (CARD Act)

The Credit CARD Act is often called the Credit Cardholders Bill of Rights. The bill was signed into law in May, 2009. Many of the most significant provisions of the law took effect in February 2010. The law has two main purposes:

- Fairness - Prohibit certain practices that are unfair or abusive, such as hiking up the rate on an existing balance or allowing a consumer to go overlimit and then imposing an overlimit fee.
- Transparency - Make the rates and fees on credit cards more clear so consumers can understand how much they are paying for their credit card and can compare different cards.

## The Equal Credit Opportunity Act (ECOA)

Prohibits credit discrimination on the basis of sex, race, marital status, religion, national origin, age, or receipt of public assistance. Creditors may ask for this information (except religion) in certain situations, but may not use it to discriminate when deciding whether to grant you credit. [For more information see The Equal Credit Opportunity Act]

### Under the ECOA:

- You cannot be denied credit based on your race, sex, marital status, religion, age, national origin, or receipt of public assistance.
- You have the right to have reliable public assistance considered in the same manner as other income.
- If you are denied credit, you have the right to know why.

# Settling accounts

1. **Build a relationship with your creditors and collectors.** Life happens! Unemployment, an unexpected death or illness are just some of life's surprises that can affect your income and credit rating. Dealing with collectors and creditors can be intimidating. Keep in mind that you created the debt and although you may be a victim of circumstance, you still owe the money.

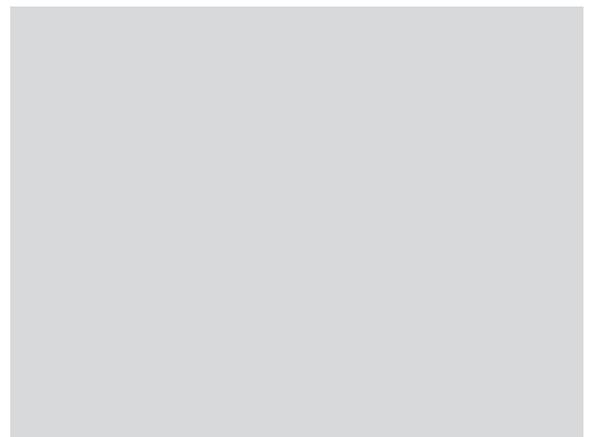
2. **Make them validate the debt.** Collection agencies either work on behalf of the original creditor or they purchased the debt from them or another collection agency. If you are contacted by a collection agency to repay a debt, you can ask them to verify that you owe the debt to them. According to the FDCPA, collection agencies that have been assigned a debt are NOT the creditor and therefore they cannot prove that you owe them any money because you never signed a contract with them. Therefore they cannot place this item on your credit report. The exception to this rule is if the contract that was signed with the original creditor has the insertion "...debtor agrees to be responsible for payment of this debt to creditor OR ITS ASSIGNS".

3. **Before calling your creditor to make payment arrangements make sure you have enough money to negotiate with.** If you do not have enough money to negotiate with, you should negotiate realistic monthly payment terms that are acceptable to your creditor and to your budget.

4. **The power of negotiation lies within your ability NOT to get emotional.** Remember the creditor/collector is only doing their job. You must get them to trust you. Give them your new address and telephone number. Remember you are no longer trying to avoid them. On the contrary, get in their face. Call them daily or in a consistent basis, even if it is just to say hello. Let them know that you are serious about settling this debt. Professional and ethical collectors will work with you. If you are getting nowhere with one ask to speak to a manager or owner. If you still don't get anywhere, move on to another account. Eventually they will come around and dance to your tune.

5. **You have rights under the Fair Debt Collection Practices Act.** Although creditors and collectors can appear to be "anal retentive", for a lack of better words, they are just doing their jobs. But being abusive and or harassing you are not part of it.

6. **Document! Document! Document!** Get everything in writing. Once you have negotiated a settlement payment or plan, ask them to send you confirmation of this or fax them your own.



# Sample settlement letter

Date: \_\_\_\_\_

Name/Address of Creditor/Collection Agency: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Attention: \_\_\_\_\_

RE: Account Number \_\_\_\_\_

Dear: \_\_\_\_\_

This is to confirm our previous conversation on \_\_\_\_\_ (date) regarding the settlement of the above account, I will pay your company \$ \_\_\_\_\_ as full settlement of this account.

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

Your cooperation in this matter is appreciated, and if this settlement agreement is acceptable to your company, please so acknowledge with your signature and title in the space provided below and return a copy to me. Upon receipt of this signed acknowledgement, I will immediately forward you a cashier's check in the amount stated above.

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

Thank you for your immediate attention and cooperation.

Sincerely,

Your Signature

Your Printed Name

Your Address

Your Social Security Number

Signature of Authorized Officer: \_\_\_\_\_

Date: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_



# Sample dispute letter

Date: \_\_\_\_\_

John Doe (first, middle, last, Jr./Sr.)

1111 Hope Drive

Hope City, CA 46737

SS#: \_\_\_\_\_

Experian

Consumer Assistance

P.O. Box 2002

Allen, TX 75013

Re: Notice of Dispute Pursuant to Section 611 of the Federal Fair Credit Reporting Act

To Whom It May Concern:

I recently obtained a copy of my consumer's credit report from your bureau and hereby dispute the completeness and accuracy of the following information. This information is injurious to my consumer report and I request that you correct this information immediately. The information I am disputing is as follows:

This account does not belong to me. Please remove from my files and your records and/or show me proof of such account belonging to me:

- Account: RICKENBACKER GROUP  
Account Number: 123456789

Please remove this account from my records it is inaccurate/outdated information:

- Account: PROFESSIONAL COLLECTIONS  
Account Number: 123456789

My consumer report is extremely valuable to me, please be advised that willful non-compliance is a violation of the Federal Fair Credit Reporting Act. I assume 30 days is a reasonable amount of time for your investigation unless I am notified otherwise. Please provide me with an updated credit report.

Respectfully,  
John Doe

# Instructions for mailing Dispute letters

1. Mail an individual letter to each of the three credit bureaus.
2. Date and sign the letters.
3. Enclose a copy of your Driver's License or ID, a utility bill, and social security card. The items must have your current address on them. The enclosures should include all of this information:
  - First, middle, and last names (including Jr., Sr., III, etc.)
  - Current Address (for the last two years if you've moved in the last 6 months)
  - Social Security Number
  - Date of Birth
  - Signature (locate at the bottom of the page)
4. If necessary, include supporting documentation and a copy of your recent credit report with the items that you are disputing circled.
5. Mail the letters. Get Certified Mail. Request a return receipt. The credit reporting agencies have thirty days from the day they receive the letters to respond to your request. The return receipt is the only proof that you have confirming the agency received your dispute.
6. Once you have received a response and updated credit reports from ALL three credit reporting agencies, save all documentation. Remember DOCUMENT EVERYTHING!

TransUnion  
Consumer Dispute Center  
P.O. Box 2000  
Chester, PA 19022  
(800) 916-8800

Equifax  
P.O. Box 740241  
Atlanta, GA 30374  
(800) 685-5000

Experian  
Consumer Assistance  
P.O. Box 4500  
Allen, TX 75013  
(800) 493-1058

NOTES

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*\*Be sure to verify the mailing addresses. They change from time to time.*





## ADDITIONAL RESOURCES & INFORMATION

- BANKRATE.COM
- BANKRUPTCIES
- CHEXSYSTEMS
- EQUAL CREDIT OPPORTUNITY ACT
- FAIR CREDIT BILLING ACT
- FAIR CREDIT REPORTING ACT
- FAIR DEBT COLLECTION PRACTICES ACT
- FDIC MONEY SMART
- FRANCHISE TAX BOARD
- FREE ANNUAL CREDIT REPORT
- IDENTITY THEFT

### BANKRATE.COM

Helpful information on debt management, credit cards, CDs and investments, mortgages, and more.

### BANKRUPTCIES

- The Bankruptcy Reform Act of 2005 includes these changes:
- “Means Testing”—Now a person must qualify through a test similar to qualifying for welfare or food stamps
- Must have credit counseling with an approved credit counseling agency prior to filing
- Must complete a financial instruction course prior to final discharge
- Attorneys that assist with a bankruptcy are now called “Debt Relief Agencies”

#### Chapter 7 Bankruptcy

Chapter of the Bankruptcy Code that provides for court administered liquidation of the assets of a financially troubled individual or business.

#### Chapter 11 Bankruptcy

Chapter of the Bankruptcy Code that is usually used for the reorganization of a financially troubled business. Used as an alternative to liquidation under Chapter 7. The U.S. Supreme Court has held that an individual may also use Chapter 11.

#### Chapter 12 Bankruptcy

Chapter of the Bankruptcy Code adopted to address the financial crisis of the nation’s farming community. Cases under this chapter are administered like Chapter 11 cases, but with special protections to meet the special conditions of family farm operations.

#### Chapter 13 Bankruptcy

Chapter of the Bankruptcy Code in which debtors repay debts according to a plan accepted by the debtor, the creditors and the court. Plan payments usually come from the debtor’s future income and are paid to creditors through the court system and the bankruptcy trustee.

*For more information, visit the American Bankruptcy Institute at [www.abiworld.org](http://www.abiworld.org)*

## CHEXSYSTEMS

US banks and credit unions report to ChexSystems when they are unable to collect amounts owed to them, when there is abuse of a savings account, debit card, or ATM, when there is fraud, or when false information is provided to open an account. ChexSystems is considered a consumer reporting agency governed by the Fair Credit Reporting Act (FCRA). Being on ChexSystems can prevent you from opening a bank account (which may lead to being unable to apply for a loan). For information call (800) 428-9623 or visit them at [www.consumerdebit.com](http://www.consumerdebit.com). On their website you can look at the FAQs and also the site can help you to develop good debit practices, give you basic knowledge, and skills to manage and maintain checking accounts.

## EQUAL CREDIT OPPORTUNITY ACT

[www.ftc.gov/bcp/online/pubs/credit/ecoa.htm](http://www.ftc.gov/bcp/online/pubs/credit/ecoa.htm)

## FAIR CREDIT BILLING ACT

[www.ftc.gov/bcp/online/pubs/credit/fcb.htm](http://www.ftc.gov/bcp/online/pubs/credit/fcb.htm)

## FAIR CREDIT REPORTING ACT

[www.ftc.gov/os/statutes/fcrajump.htm](http://www.ftc.gov/os/statutes/fcrajump.htm)

## FAIR DEBT COLLECTION PRACTICES ACT

[www.ftc.gov/os/statutes/fdcpa/fdcpact.htm](http://www.ftc.gov/os/statutes/fdcpa/fdcpact.htm)

## FRANCHISE TAX BOARD

[www.ftb.ca.gov](http://www.ftb.ca.gov) (800) 852-5711

# Free annual Credit report

All consumers are eligible to obtain one free annual credit report from each of the national credit reporting companies every twelve months. You may request your reports at [www.annualcreditreport.com](http://www.annualcreditreport.com) or by calling (877) FACTACT. If you prefer to write, a request form is available at [www.annualcreditreport.com](http://www.annualcreditreport.com).

You also have a right to a free credit report within 60 days of you being denied credit or if you suspect identity theft and have placed a "fraud alert" on your credit report.

## FDIC MONEY SMART

An online adult financial education program.

<http://www.fdic.gov/consumers/consumer/moneysmart/mscbi/mscbi.html>

# Identity theft

Identity Theft occurs when an identity thief obtains some piece of sensitive information and uses it without your knowledge to commit fraud or theft. It is a serious crime and can cause a person to spend months or even years to repair the damage done.

## Tips to prevent identity theft

- Be careful about disclosing personal information such as your social security number and account numbers
- Keep a close eye on your financial statements and inquire right away about any unfamiliar items
- Opt out of pre-approved credit solicitations ([www.optoutprescreen.com](http://www.optoutprescreen.com)) these can easily be stolen
- Pay attention to change of address notifications, if you did not file for a change and received a notice, contact your post office right away
- Do not write your personal information when writing a check unless it is absolutely necessary
- Beware of computer viruses and update your virus protection software regularly
- Try not to store personal information on your computer unless absolutely necessary
- Buy a shredder and use it with documents/statements that have personal and account information

## What to do if you are a victim of identity theft

1. Contact your creditors.
2. Place a fraud alert on your credit report. Once you place a fraud alert with one credit-reporting agency, they will automatically alert the other two agencies to place a fraud alert on your file.
3. Review your credit reports (after the fraud alert is on your reports, you are entitled to a free credit report from all three credit-reporting agencies).

### Equifax Fraud Division

P.O. Box 740250  
Atlanta, GA 30374  
[www.equifax.com](http://www.equifax.com)  
Automated Fraud Alert: 1.800.525.6285  
Order Credit Report: 1.800.685.1111

### TransUnion Credit Bureau

P.O. Box 2000  
Chester, PA 19022-2000  
[www.transunion.com/](http://www.transunion.com/)  
Automated Fraud Alert: 1.800.680.7289  
Order Credit Report: 1.800.888.4213

### Experian Fraud Division

P.O. Box 1017  
Allen, TX 75013  
[www.experian.com](http://www.experian.com)  
Automated Fraud Alert: 1.888.397.3742  
Order Credit Report: 1.888.397.3742

4. Close any accounts that have been tampered with or opened fraudulently.

5. File a report with your local police or the police in the community where the identity theft took place.

6. Finally, you need to contact the Federal Trade Commission online at [www.ftc.gov/idtheft](http://www.ftc.gov/idtheft) or call them toll-free at 877-ID-THEFT to report it to them. Your information also helps law enforcement officials across the country to track down and stop ID thieves.

For more information visit:

[www.ftc.gov/idtheft](http://www.ftc.gov/idtheft)  
[www.usdoj.gov/criminal/fraud/idtheft.html](http://www.usdoj.gov/criminal/fraud/idtheft.html)  
[www.idtheftcenter.org](http://www.idtheftcenter.org)