

About South Carolina Department of Consumer Affairs

- ❑ Consumer issues: mediation, education, advocacy
 - ❑ Ask Consumer Affairs
 - ❑ Shred Day: June 12
 - ❑ Mortgage Fraud Hotline
 - ❑ Homeownership Forum: June 25
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Today we will discuss:

- Credit reports and scores
 - Self-help credit repair
 - Mortgage fraud
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Credit Report

- Contains information about your credit history, address, place of employment
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Credit Report Tidbits

- ❑ Lenders generally look at the last two years – they are looking for trends
 - ❑ Some estimates show 80% of credit reports have misinformation
 - ❑ You are entitled to a free report if negative action has been taken due to something on report
 - ❑ The three major credit reporting agencies may have different information – so your score may be different at each agency
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Credit Scores

- ❑ Predictors of future payment
 - ❑ Lenders base approval and interest rate on the score
 - ❑ Several names are used, most frequently it is called FICO
 - ❑ Lowest possible FICO is 300 – highest is 850
 - ❑ New name: Vantage – consists of a number and a letter grade
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How The Number Is Figured

- ❑ Payment History (35%)
 - ❑ Length of credit history (15%)
 - ❑ New credit (10%)
 - ❑ Types of credit used (10%)
 - ❑ Debt (30%)
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Free Annual Credit Report

- You are entitled to a free copy of your credit report annually
 - www.annualcreditreport.com
 - 877-322-8228
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How To Read The Report

- Usually divided into four sections: identifying information, credit history, public records, and inquiries
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Identifying Information

- ❑ Includes current and previous addresses, date of birth, telephone numbers, driver's license number, employer and spouse names
 - ❑ Review carefully – sometimes incorrect information may indicate attempted or actual identity theft
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Credit History

- ❑ Credit accounts are listed - may be referred to as trade lines
 - ❑ Name of creditor and account number
 - When you opened the account
 - Kind of credit
 - Individual or joint
 - Total amount of loan/high credit
 - How much presently owed
 - Fixed monthly payment/minimum monthly payment
 - Status
 - How well you have paid
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Public Records

- Best if this section is blank!
 - Financial-related data: bankruptcies, judgments, tax liens
 - Does not include criminal activities or arrests
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Inquiries

Two sections under this heading

- “Hard” inquiries – consumer initiates this by filling out credit application
 - “Soft” inquiries – companies want to send promotional information to pre-qualified groups – or – current creditors who are monitoring your account
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Impact of Inquiries on Your Score

- Not much
 - Counts two or more “hard” inquiries in the same 14 day period as just one inquiry
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Reviewing Your Credit Report

- Date of last activity: Last payment made (plus 30 days). If more than 7 years, delete.
 - Accuracy of information: amount owed, when last payment made, status, payment history
 - Is it your debt?
 - Any other issues or disputes?
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Credit Report Reality

- No one can remove information that is accurate and timely
 - You can request an investigation of information that is inaccurate
 - You are entitled to a free credit report if you have been denied credit, insurance or employment based on an item on your credit report
 - Disputes are free
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How To Dispute

- Send letter to credit reporting agencies as well as company that provided the information
 - Clearly identify yourself – use report ID number, if available
 - Be specific as to inaccuracy
 - Explain why it is in error
 - State how it needs to be corrected
 - Keep copy of letter
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If Your Dispute is Not Resolved

- ❑ You have the right to place information in your report, 100 words or less, explaining why you dispute the item
 - ❑ You can go to court – must be done within 2 years of item appearing on report
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Self Help May Be The Best Help

- Take control of your finances
 - Review your debt
 - Keep a log of your spending
 - Create a budget and stick to it
 - Cut spending
 - Pay more than the monthly minimums
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Repayment and Elimination of Debts

Prioritize repayment: many theories

- Pay off smaller debts first

- Pay off high interest credit cards first

When a card is paid off, close the account

Other Ideas

- Contact your creditors on your own to set up alternative payment arrangements.

Some companies have divisions that assist debtors.

Try to work out a payment plan, but get it in writing and follow through

If You Have “Old Debt”

- ❑ Statute of limitations for unsecured credit accounts: 3 years from delinquency
 - ❑ Statute of limitations on store credit cards: 6 years from date of delinquency
 - ❑ Negative items remain on credit report: 7 years from date of delinquency
 - ❑ It is possible to revive old debts! Any payment (cash, electronic, credit card, checks) or other acknowledgment in writing will start the statute of limitations running again!
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Avoid Mortgage Fraud

- ❑ Shop around! Check with your bank, research on the internet, read the paper to learn about interest rates
 - ❑ Ask questions! DO NOT assume anything! If you don't understand, ask questions! Keep asking until you understand!
 - ❑ Ignore high pressure tactics! If someone wants an immediate answer, tell them no!
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Mortgage Fraud Issues, continued

- ❑ Look at all aspects of the loan – not just the monthly payment! Beware of interest only loans, loans with balloon payments, ARMs.
 - ❑ NEVER sign papers that are not true and accurate! You are responsible for the contents of the applications and paperwork.
 - ❑ Be wary of promises to refinance in the future! Any “guarantees” or promises must be in writing to be enforceable.
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Resources

- www.sccoconsumer.gov
 - www.ftc.gov/consumer
 - www.bankrate.com
 - www.moneycentral.msn.com
 - <http://www.fdic.gov/quicklinks/consumers.html>
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