

Special Edition

NCP Week-ly

National Consumer Protection Week Know the Rules, Use the Tools

February 1 is the first day of the first-ever National Consumer Protection Week. All across America, organizations will be highlighting consumer protection and education efforts relating to credit fraud.

Credit fraud can raise interest rates, increase financial service fees, and even put our homes at risk. Indeed, it can take a fraudulent actor only minutes to destroy a solid credit record that may have taken an honest consumer years to build.

Unfortunately, credit fraud can be difficult to detect. Transactions can be complicated and essential information may be hidden or undisclosed. In addition, credit fraud appears in many forms: guaranteed credit repair flimflams, advance fee loan scams, abusive lending practices, and hijacked credit identities to name a few. In any form, it is hazardous to one's financial health and well-being.

The good news is that consumers can empower themselves by learning to recognize credit scams and abuses and knowing how to respond. The most important tool is information. That's why the theme of this National Consumer Protection Week is Know the Rules, Use the Tools.

This special issue alerts you to some common scams, gives consumer protection tips, outlines federal laws, and lists resources for additional help. Use this information yourself and share it with others. Every educated consumer helps us fight fraud and abuse in the marketplace.

Know the Rules
Use the Tools

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Credit Repair: Self-Help May Be Best

“The ads say they can remove bankruptcies, judgments, liens, and bad loans and credit accounts from my credit report. Should I believe them?”

No one can legally remove accurate and timely information from a credit report. Only time, a conscientious effort, and a personal debt repayment plan will improve your credit report.

Everyday, companies appeal to consumers with poor credit histories. In exchange for a fee, they promise to clean up your credit report so you can get a car loan, a home mortgage, insurance, or even a job. The truth is, they can't deliver. After you pay them hundreds of dollars in advance, these companies do nothing to improve your credit report; many simply vanish with your money.

The Warning Signs

If you decide to respond to a credit repair offer, beware of companies that:

- ☞ Want you to pay for credit repair services before they provide any services. Under the Credit Repair Organizations Act, credit repair companies cannot require you to pay until they have completed the promised services.
- ☞ Don't tell you your rights and what you can do — yourself — for free.

- ☞ Recommend that you not contact a credit bureau directly.
- ☞ Suggest that you try to invent a “new” credit report by applying for an Employer Identification Number instead of using your Social Security number.
- ☞ Advise you to dispute all information in your credit report or take any action that sounds questionable, such as creating a new credit identity. If

you follow illegal advice and commit fraud, you may be subject to prosecution.

The truth is you can help yourself to re-build a better credit record.

Start by contacting your creditors as soon as you realize you can't make the payments. If you need help working out a payment plan and a budget, contact your local credit counseling service. There are non-profit groups in every state that offer credit guidance to consumers. These services are available at little or no cost. Also, check with your employer, credit union or housing authority for no- or low-cost credit counseling programs.

The truth — You can help yourself re-build a better credit record. There are services available for little or no cost.

In addition, you have specific rights under the Fair Credit Reporting Act:

- ☞ You are entitled to a free copy of your credit report if you've been denied credit, insurance or employment and ask for the report within 60 days of notice, or if you can prove that (1) you're unemployed and plan to look for a job within 60 days, (2) you're on welfare, or (3) your report is inaccurate because of fraud.
- ☞ If your application for credit, insurance or employment is denied because of information supplied by a credit bureau, the company you applied to must provide you with that credit bureau's name, address and telephone number.
- ☞ You can dispute mistakes or outdated items for free. Ask the credit bureau for a dispute form or submit your dispute in writing, along with any supporting documentation. Do not send original documents.

Other Facts You Should Know

Accurate negative information generally can be reported for seven years, but there are exceptions:

- ☞ Bankruptcy information can be reported for 10 years.
- ☞ Information reported because of an application for a job with a salary of more than \$75,000 has no time limit.
- ☞ Information reported because of an application for more than \$150,000 worth of credit or life insurance has no time limitation.
- ☞ Information concerning a lawsuit or judgment against you can be reported for seven years or until the statute of limitations runs out, whichever is longer.
- ☞ Default information about U.S. Government insured or guaranteed student loans can be reported for seven years after certain guarantor actions.

Easy Credit? Not So Fast: The Truth About Advance-fee Loan Scams

"The company guaranteed I would get the loan if I paid an up-front fee. I never got the loan and now they won't refund the \$150 I paid in advance."

Advance-fee loan scams "guarantee" or represent a "high likelihood of success" that the advertiser will be able to get or arrange a loan or other form of credit for a consumer, *regardless of the consumer's credit history*. These scams differ from legitimate, guaranteed offers of credit in one critical way: they require payments up-front, before the lender is identified and the application is completed. The fee may range from \$100 to several hundred dollars. Legitimate lenders may require consumers to pay application, appraisal, or credit report fees, but these fees never are required before the lender is identified and the application is completed. In addition, the fees generally are made payable to the lender, not the broker or arranger of the supposed "guaranteed" loan or extension of credit.

Legitimate lenders rarely guarantee a loan or extension of credit before evaluating a consumer's creditworthiness. However, there are legitimate guaranteed offers of credit. For example, guaranteed offers of credit cards or other extensions of credit do *not* require any payments up-front for a consumer to accept the offers. These are firm offers of credit that require a consumer to accept the offer; they are advance-fee loans only if they offer the consumer the "opportunity to apply" for credit.

Advertisements that promise loans generally appear in the classified section of newspapers and magazines. Often, the ads feature “900” telephone numbers, which result in charges on your phone bill. Advance-fee loan scams also are promoted through direct



mail and radio and cable TV spots. The appearance of an ad in recognized media outlets — such as your local paper or radio station — does not guarantee the legitimacy of the company behind the ad.

You can avoid advance-fee loan sharks. Here’s how:

- ☞ Don’t pay for a promise. It’s illegal for companies doing business by phone to promise you a loan and ask you to pay before they deliver.
- ☞ Ignore any ad — or hang up on any caller — that guarantees a loan in exchange for an advance fee. Legitimate lenders never “guarantee” or say that you will receive a loan before you apply, especially if you have bad credit or no credit record.
- ☞ Never give your credit card or bank account numbers, or Social Security number on the telephone unless you are familiar with the company and know why the information is necessary.

Home Equity Scams: Borrowers Beware

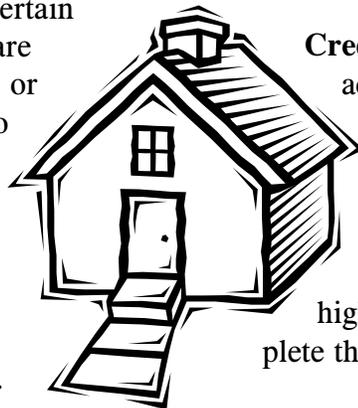
“I don’t have much income and I need money. A local lender is offering me a home equity loan. Is this a good idea?”

You could lose your home and your money if you borrow from unscrupulous lenders who offer you a high-cost loan based on the equity you have in your home. Certain lenders target homeowners who are elderly or who have low incomes or credit problems — and then try to take advantage of them by using deceptive practices. Be on the lookout for:

Equity Stripping: The lender gives you a loan, based on the equity in your home, not on your ability to repay based on your income. If you can’t make the payments, you could end up losing your home.

Loan Flipping: The lender encourages you to repeatedly refinance the loan and often, to

borrow more money. Each time you refinance, you pay additional fees and interest points. That only serves to increase your debt.



Credit Insurance Packing: The lender adds credit insurance to your loan, which you may not need.

Bait and Switch: The lender offers one set of loan terms when you apply, then pressures you to accept higher charges when you sign to complete the transaction.

Deceptive Loan Servicing: The lender doesn’t provide you with accurate or complete account statements and payoff figures. That makes it almost impossible for you to determine how much you have paid or how much you owe. You may pay more than you owe.

Some of these practices violate federal credit laws dealing with disclosures about loan terms, discrimination based on age, gender, marital status, race, or national origin; and debt collection.

You also may have additional rights under state law that would allow you to bring a law suit.

If you're thinking about using your home as collateral for a loan, be careful. Unless you can make the loan payments out of current income, you could lose your home as well as the equity you've already built up. Some other tips to remember:

- ☞ The lure of extra money or the chance to reduce monthly credit payments can be very costly in the long run. High interest rates and other credit costs could get you in over your head.
- ☞ Credit insurance may not be a good deal from a lender. If you want the added security of credit insurance, shop around.
- ☞ Don't sign a loan agreement if the terms are not what you were given when you applied.
- ☞ Ask for an explanation of any dollar amount, term, or condition that you don't understand. Federal law is very clear about what credit and loan term information *must be provided in writing* when you apply for a loan and before you sign any agreement.

In addition, shop around for the best loan terms and interest rates. Contact lending institutions, such as banks and credit unions, and consult a legal or financial advisor, or someone you can trust before you make any loan decisions. Or contact your local Fair Housing Office, legal aid, or senior services organization for information and help.



Make contacts.
Ask questions.
Shop around.

Identity Theft Can Ruin Your Good Name

"I lost my wallet and now someone is using my identity to open charge accounts in my name. I'm getting all the bills. What can I do?"

If your wallet is lost or stolen:

- ☞ File a report with the police immediately. Get a copy in case your bank, credit card company or insurance company need proof of the crime.
- ☞ Cancel each credit and charge card. Get new cards with new account numbers.
- ☞ Report missing cards to the major credit reporting agencies. Ask them to flag your accounts and add a "victim's statement" to your file.

Equifax: (800) 525-6285

www.equifax.com

TransUnion: (800) 680-7289

www.tuc.com

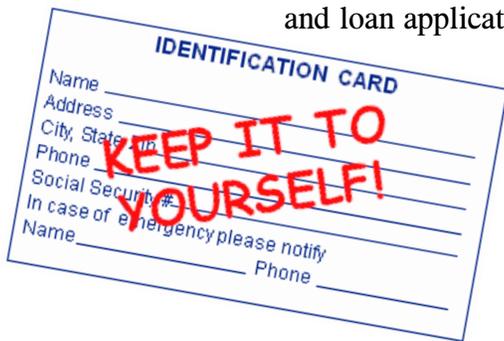
Experian: (800) 422-4879

www.experian.com

- ☞ Report the loss to your bank. Cancel checking and savings accounts and open new ones. Stop payments on outstanding checks.
- ☞ Call your utilities, including your phone company. Tell them that someone may try to get new service using your identification.
- ☞ Report your missing driver's license to the department of motor vehicles. Get a new number that's not your Social Security Number.
- ☞ Change the locks on your home and car if your keys were taken. Don't give an identity thief access to even more personal property and information.

A lost wallet is just one way identity thieves can steal your personal information and wreak havoc with your personal finances. Others methods include:

- ☞ fraudulently accessing your credit report by posing as an employer, loan officer or landlord;
- ☞ “shoulder surfing” at automated teller machines (ATMs) and phone booths to capture your personal identification numbers (PINs);
- ☞ stealing mail from mailboxes to get newly issued credit cards, bank and credit card statements, pre-approved credit offers and tax information; and
- ☞ going through trash bins for credit card and loan applications.



Minimize Your Vulnerability

- ☞ Keep items with personal information in a safe place; tear them up when you don't need them anymore. Make sure charge receipts, copies of credit application, insurance forms, bank checks and statements, expired charge cards, and credit offers you get in the mail are disposed of properly.
- ☞ Minimize the identification information and the number of cards you carry to what you actually need. If your I.D. or credit cards are lost or stolen, follow the steps listed above. Do not carry your Social Security card, birth certificate or passport except when needed.
- ☞ Give your Social Security Number only when absolutely necessary. Ask to use other types of identifiers if possible. Do not have your Social Security Number printed on your checks.

- ☞ Order a copy of your credit report from the three credit reporting agencies every year. Make sure it's accurate and includes only those activities you've authorized.

Equifax: (800) 685-1111
www.equifax.com
TransUnion: (800) 916-8800
www.tuc.com
Experian: (800) 682-7654
www.experian.com

- ☞ Pay attention to your billing cycles. Follow up with creditors if bills do not arrive on time.
- ☞ Carefully review your credit card statements and phone bills each month. Immediately report any discrepancies to the companies.
- ☞ Before revealing personal identifying information, find out how it will be used and if it will be shared with others. Ask if you have a choice about the use of your information: can you choose to have it kept confidential?
- ☞ Be aware of others when using an ATM or phone card. Shield your hand when entering your PIN.
- ☞ If your state uses your Social Security Number as your driver's license number, ask the department of motor vehicles if another number can be used instead.
- ☞ Never give out your credit card or bank account information over the phone unless you're familiar with the business and have initiated the call.
- ☞ When creating passwords and PINs, avoid using your birth date, the last four digits of your Social Security Number or your phone number, or a series of consecutive numbers.

For More Information

Privacy Rights Clearinghouse,
1717 Kettner Avenue, Suite 105,
San Diego, CA 92101; (619) 298-3396;
fax: (619) 298-5681;
e-mail: prc@privacyrights.org;
web: www.privacyrights.org

File Segregation: A New Credit Repair Scam

"I filed for bankruptcy and then got a letter telling me how to hide my unfavorable credit information and get a new credit identity. Is this legal?"

File Segregation is illegal. If you use it, you could face fines or even a prison sentence. If you have filed for bankruptcy, you may receive a letter from a credit repair company that warns you about your inability to get credit cards, personal loans, or any other types of credit for 10 years. For a fee, the company promises to help you hide your bankruptcy and establish a new credit identity to use when you apply for credit. These companies also make pitches in classified ads, on radio and TV, and even over the Internet.



If you pay the fee and sign up for the service, you may be directed to apply for an Employer Identification Number (EIN) from the Internal Revenue Service (IRS). Typically, EINs — which resemble Social Security Numbers — are used by businesses to report financial information to the IRS and the Social Security Administration.

After you receive your EIN, the credit repair service will tell you to use it in place of your Social Security Number when you apply for credit. They'll also tell you to use a new mailing address and some credit references.

The Catch: False Claims

To convince you to establish a new credit identity, the credit repair service is likely to make a variety of false claims. Listen carefully; these false claims, along with the pitch

for getting a new credit identity, should alert you to the possibility of fraud. You'll probably hear:

Claim 1: You will not be able to get credit for 10 years (the period of time bankruptcy information may stay on your credit record).

Each creditor has its own criteria for granting credit. While one may reject your application because of a bankruptcy, another may grant you credit shortly after you file for bankruptcy. And, given a new reliable payment record, your chances of getting credit will probably increase as time passes.

Claim 2: The company or "file segregation" program is affiliated with the federal government.

The federal government does not support or work with companies that offer such programs.

Claim 3: The "file segregation" program is legal.

It is a federal crime to make any false statements on a loan or credit application. The credit repair company may advise you to do just that. It is a federal crime to misrepresent your Social Security Number. It also is a federal crime to obtain an EIN from the IRS under false pretenses. Further, you could be charged with mail or wire fraud if you use the mail or the telephone to apply for credit and provide false information. Worse yet, file segregation likely would constitute civil fraud under many state laws.

Know the Rules, Use the Tools

The Federal Trade Commission enforces credit laws that protect your right to obtain, use and maintain credit. These laws do not guarantee that everyone will receive credit. Instead, the credit laws protect your rights by requiring businesses to give all consumers a fair and equal opportunity to receive credit and to resolve disputes over credit errors.

The Fair Credit Reporting Act

Your credit payment history is recorded in a file or report. These files are maintained by credit reporting agencies (CRAs). One type of CRA is commonly known as a credit bureau. You have a credit record on file at a credit bureau if you have ever applied for a credit or charge card account, a personal loan, insurance, or a job. Your credit record contains information about your income, debts and credit payment history. It also indicated whether you've been sued, arrested or have filed for bankruptcy.

The FCRA is designed to help ensure that CRAs furnish correct and complete information to businesses when evaluating your application.

The Credit Repair Organizations Act

By law, credit repair companies must give you a copy of the "Consumer Credit File Rights Under State and Federal Law" *before* you sign a contract. They also must give you a written contract that spells out your rights and obligations. The law also contains specific consumer protections.

The Fair Credit Billing Act and the Electronic Fund Transfer Act

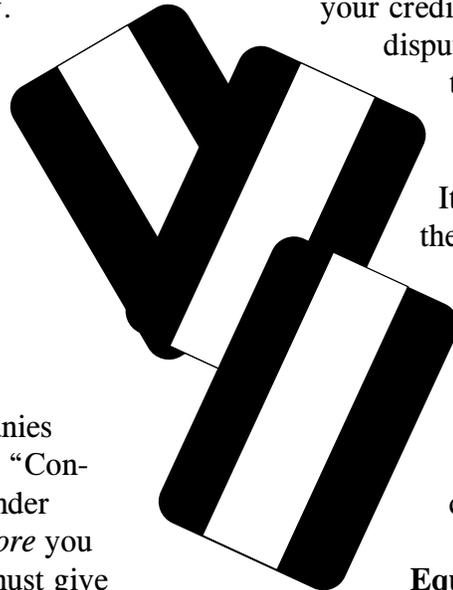
It is important to check credit billing and electronic fund transfer account statements regularly. These documents may contain mistakes that could damage your credit status or reflect improper charges or transfers. If you find an error or discrepancy, notify the company and contest the error immediately. These laws establish procedures for resolving mistakes on credit billing and electronic fund transfer account statements. They also protect your credit rating while a transaction is in dispute and limit your liability for unauthorized electronic fund transfers.

The Truth in Lending Act

It is important to shop around to get the best deal on credit. Federal law requires disclosure of the "finance charge" and the "annual percentage rate" (APR) — and certain other costs and terms of credit — so that consumers can compare the price of credit from different lenders.

Equal Credit Opportunity Act

This law 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.



The ECOA protects consumers who deal with companies that regularly extend credit, including banks, small loan and finance companies, retail and department stores, credit card companies and credit unions. Everyone who participates in the decision to grant credit, including real estate brokers who arrange financing, must follow this law.

**The Home Equity Loan
Consumer Protection Act**

Your home may be your most valuable asset. It is important to carefully read and understand all aspects of your credit agreement. This law requires lenders to disclose terms, rates and conditions for home equity lines of credit with the applications and before the first transaction under the home equity plan. If the disclosed terms change, the consumer can refuse to open the plan and is entitled to a refund of fees paid in connection with the application. The law also limits the circumstances under which creditors may terminate or change the terms of a home equity plan after it is opened.

The Fair Debt Collection Practices Act

You are responsible for your debts. If you fall behind in paying your creditors or an error is made on your account, you may be contacted by a “debt collector.” A debt collector is any person, other than the creditor, who regularly collects debts owed to others. This includes lawyers who collect debts on a regular basis.

The law is designed to eliminate abusive, deceptive and unfair debt collection practices. It applies to personal, family and household debts. This includes money owed for the purchase of a car, for medical care or for charge accounts.

Where to Complain

If you’ve had a problem with any of the scams described here, contact your local consumer protection agency, state attorney general, or Better Business Bureau. Check your local directory assistance. Or file a complaint with the Federal Trade Commission. Contact the Consumer Response Center by phone: 202-FTC-HELP (382-4357); by mail: Consumer Response Center, Federal Trade Commission, Washington, DC 20580; or by e-mail: use the complaint form at www.ftc.gov.

Solving Consumer Problems

No doubt you've purchased a product or service that you weren't happy with. Rather than accept the situation, you could choose to take action. After all, reputable businesses want to keep you happy so you'll keep coming back.

Here's how to do it effectively. Discuss your complaint with the seller first. If the first person you talk to cannot help, go to the manager and continue up the line until you receive satisfaction.

If necessary, write a letter to the consumer affairs office or the company's president. Most often, management is grateful when you bring a complaint to their attention. It can help them identify problems that could be bad for business. An effective complaint letter should be clear and concise, and include all the facts. Include copies — not originals — of documents regarding your complaint, such as sales receipts, repair orders, warranties, and any correspondence with the company. Your complaint letter might look something like this sample.

(Your Address)
(Your City, State, Zip Code)
(Date)

(Name of Contact Person)
(Title)
(Company Name)
(Street Address)
(City, State, Zip Code)

Dear (Contact Person):

On (date), I purchased (or had repaired) a (name of the product with the serial or model number, or service performed). I made this purchase at (location, date, and other important details of the transaction).

Unfortunately, your product (or service) has not performed well (or the service was inadequate) because (state the problem).

Therefore, to resolve the problem, I would appreciate (state the specific action you want). Enclosed are copies (copies, NOT originals) of my records (receipts, guaranties, warranties, canceled checks, contracts, model and serial numbers, and any other documents).

I look forward to your reply and a resolution to my problem, and will wait (set a time limit) before seeking third-party assistance. Please contact me at the above address or by phone (home or office numbers with area codes).

Sincerely,

(Your Name)
(Your Account Number)

You may want to send your letter by certified mail, return receipt requested.

The extra money this costs pays for your proof that the company got your letter and who signed for it.

If you cannot get satisfaction with the merchant or manufacturer, contact the following state and local organizations for help:

- ☞ Your state Attorney General usually has a division that deals with consumer protection issues;
- ☞ Your local consumer protection agency;
- ☞ The Better Business Bureau in your state and where the company is located;
- ☞ Your local Postmaster;
- ☞ The local media — television, radio, or newspaper consumer actionlines.

If you're not sure what federal agency has jurisdiction over your inquiry or complaint, contact the Federal Information Center (FIC). It's listed in the U.S. government section of your phone book.

Finally, many consumers and businesses use dispute resolution programs — mediation and arbitration — as alternatives to going to court. Some businesses require consumers to arbitrate their disputes and waive their right to go to court. Check your contract or product packaging for details.

Some programs are free. Others charge a flat fee or a rate based on your ability to pay.

- ☞ Mediation involves a neutral third party — a mediator — who helps you and the other party try to resolve the problem. However, it's up to you and the other party to reach an agreement.
- ☞ Arbitration is less formal than court, though you and the other party may appear at hearings, present evidence, or call and question each other's witnesses. Unlike mediation, an arbitrator or panel makes a decision once you've presented your case. The decision may be legally binding.

The following organizations can help you find a program near you:

- ☞ Your state Attorney General or local consumer protection agency;
- ☞ Small claims courts and court systems;
- ☞ Non-profit dispute resolution organizations;
- ☞ Bar associations and law school clinics;
- ☞ Better Business Bureaus;
- ☞ National Institute for Dispute Resolution (NIDR), 1726 M Street, NW, Suite 500, Washington, DC 20036; (202) 466-4764. Or visit NIDR online at www.crenet.org.

Know the Rules
The Consumer's Resource Handbook offers tips on buying products and services and lists contacts for information and assistance. For your free copy, write: Consumer Information Center, Pueblo, Colorado 81009, or call: 1-888-8-PUEBLO (878-3256). Or visit CIC online at www.pueblo.gsa.gov.
Use the Tools

Publication Order Form

For individual copies, call the FTC's Consumer Response Center at 202-FTC-HELP (382-4357), or write: Consumer Response Center, Federal Trade Commission, 600 Pennsylvania Avenue, NW, Washington, DC, 20580.

Use this form to order bulk quantities of the FTC's credit related publications for National Consumer Protection Week. Please order multiples of 100 (maximum 500). Allow 2 to 3 weeks for shipping. Fax this form to 202-326-2572, or use our online order form at www.consumer.gov/ncpw/onl-order.htm.

Name _____
 Organization _____
 Address _____
 City, State, Zip _____
 Telephone _____ Fax _____
 Email _____

Ads Promising Debt Relief May Be Offering Bankruptcy Alert	ALT-15	_____
Automatic Debit Scams	TEL-06	_____
Avoiding Credit and Charge Card Fraud	CRE-07	_____
Avoiding Home Equity Scams Alert	ALT-31	_____
Credit and ATM Cards: What To Do If They're Lost Or Stolen	CRE-04	_____
Credit Repair: Help Yourself First Alert	ALT-33	_____
Credit Repair: Self-Help May Be Best	CRE-13	_____
Easy Credit? Not So Fast. The Truth About Advance Fee Loan Scams	TEL-16	_____
File Segregation: A New Credit Repair Scam	CRE-23	_____
Getting Purse-onal Alert	ALT-02	_____
Gold and Platinum Cards	CRE-20	_____
High-Rate, High-Fee Loans (Section 32 Mortgages)	REA-19	_____
Home Equity Credit Lines	REA-02	_____
Home Equity Scams: Borrowers Beware!	REA-11	_____
How To Dispute Credit Report Errors	CRE-21	_____
Identity Theft: Identity Thieves Can Ruin Your Good Name	TIP-26	_____
Just When You Thought It Was Safe...Advance Fee Loan "Sharks" Alert	ALT-28	_____
Knee Deep In Debt	CRE-19	_____
Mortgage Discrimination	REA-08	_____
Secured Credit Card Marketing Scams	CRE-25	_____
Y2K? Y 2 Care: Preparing Your Personal Finances for the Year 2000 Alert	ALT-46	_____
NCPW: What's Your Credit Quotient? Quiz	CRE-27	_____
NCPW: Take Some Credit Crossword Puzzle	CRE-28	_____
NCPW: NCPWeekly	CRE-10	_____