Be Money Wise: Check Your Credit Report

Your credit report provides a history of your bill paying practices. Its contents are considered by potential lenders, employers, and landlords as indicative of your future fiscal responsibility. Since credit reports depend on others' record keeping, as a "money-wise" consumer, you are smart to review the contents of your credit report for accuracy and completeness every year or two and before you apply for new credit. If you have been denied credit based on your credit report, you may obtain a copy of that report free of charge.

Request your credit report in writing from one of the credit bureaus listed below. You will need to provide the following information:

- Full name (including generation or any nicknames commonly used)
- Current and previous addresses with zip codes
- Spouse's first name, if married
- Social Security number
- Year of birth
- Signature

*Proof of current address and identity, such as a photocopy of driver's license, current billing statement, or other valid document that verifies your current address.

Experian (Formerly known as TRW Information Services)
Requests must be mailed to:

Experian
Atten: NCAC
PO Box 2104
Allen, TX 75013
1-800-682-7654 (information line)

Trans Union:

Trans Union
P.O. Box 390
Springfield, PA 19064-0390
1-800-916-8800 (information line)

Equifax:

Equifax
Credit Information Services
PO Box 740241
Atlanta, GA 30374-0241
1-800-685-1111 (information line)
Student loan survey shows Black students feel weight of debt

Sixty-nine percent of African-Americans who enrolled in college but did not finish said they left because of high student loan debt, as opposed to 43 percent of white students who cited the same reason. And 59 percent of African-American student loan borrowers feel extremely or very burdened by their student loan payments, according to the results of the National Student Loan Survey conducted by Nellie Mae, the country’s largest nonprofit provider of student loans.

In addition, 17 percent of African-American student loan borrowers have student loan payments that are greater than 15 percent of their monthly income, and 60 percent of these borrowers wish they had borrowed less. “That 69 percent of African-American students who drop out of college cite high student loan debt as the reason is a statistic we need to pay attention to,” said Lawrence O’Toole, president and CEO of Nellie Mae. “In an era when our higher education institutions are striving to diversify their student bodies and better reflect the make-up of our population in general, large segments are falling through the cracks for financial reasons.”

Data showed that the average student loan debt level, from a population of approximately 65 percent undergraduate borrowers and 35 percent graduate borrowers, increased from $8,200 in 1991 to $18,800 in 1997 (median debt was $13,000). The average debt level for African-American students was $16,800.

Borrowers said that their college education debt is causing them to delay starting families, purchasing homes and making other major life decisions.

The survey included responses from 1,099 undergraduate, graduate, vocational and professional student loan borrowers who began repaying their loans between January 1993 and July 1996. African-Americans accounted for 5 percent of all respondents.

“Our survey confirmed what many have suspected. While student loans have helped millions of students gain access to a post-secondary education, higher debt, incurred from borrowing to cover the increasing cost of college, is becoming more of a burden for some students,” O’Toole said. About 60 percent of college students finance their education in part through loans.

Several factors have contributed to increase in borrowing, including higher college costs, less availability of grant aid, increased eligibility for federal loans beginning in 1992, a larger percentage of older “independent” students who have little family financial help, and starting salaries that have not yet caught up from the wage stabilization that began with the early 1990s’ recession.

“For today’s job seeker, a college education is just as important as a high school diploma was a generation ago,” O’Toole said. “But rising college costs and the growing loan-grant imbalance have meant increased borrowing for students and families.”

To address the issue of student loan debt burden, Nellie Mae encourages greater debt management education for borrowers, employer assistance in repaying employees’ student loans, and college and university financial aid packages that are not heavily comprised as loans. Nellie Mae’s newly redesigned Web site also offers immediate and online information and interactive tools, including the Nellie Mae EDvisor, to help borrowers better understand the implications of loan debt and how it can specifically impact them.
Limit the Number of Credit Cards You Carry

Copyright © Nolo Press

Once you succeed in getting a credit card, you might be hungry to apply for many more cards. Not so fast. Having too much credit may have contributed your debt problems in the first place. Ideally, you should carry one or two bank credit cards, maybe one department store card and one gasoline card. Your inclination may be to charge everything on your bankcard and not bother using a department store or gasoline card. When creditors look in your credit file, however, they want to see that you can handle more than one credit account at a time. You don't need to build up interest charges on these cards, but use them and pay the bill in full.

Creditors frown on applicants who have a lot of open credit. So keeping many cards may mean that you'll be turned down for other credit--perhaps credit you really need. And if your credit applications are turned down, your file will contain inquiries from the companies that rejected you. Your credit file will look like you were desperately trying to get credit, something creditors never like to see.
Tips on Avoiding Future Financial Problems

Copyright © Nolo Press

There are no magic rules that will solve everyone's financial troubles. But nine suggestions should help you stay out of financial hot water. If you have a family, everyone will have to participate--no one person can do all the work alone. So make sure your spouse or partner, and the kids, understand that the family is having financial difficulties and agree together to take the steps that will lead to recovery.

1. Create a realistic budget and stick to it. This means periodically checking it and readjusting your figures and spending habits.

2. Don't impulse buy. When you see something you hadn't planned to buy, don't purchase it on the spot. Go home and think it over. It's unlikely you'll return to the store and buy it.

3. Avoid sales. Buying a $500 item on sale for $400 isn't a $100 savings if you didn't need the item to begin with. It's spending $400 unnecessarily.

4. Get medical insurance if at all possible. Even a stopgap policy with a large deductible can help if a medical crisis comes up. You can't avoid medical emergencies, but living without medical insurance is an invitation to financial ruin.

5. Charge items only if you can afford to pay for them now. If you don't currently have the cash, don't charge based on future income--sometimes future income doesn't materialize. An alternative is to toss all of your credit cards in a drawer (or in the garbage) and commit to living without credit for a while.

6. Avoid large rent or house payments. Obligate yourself only for what you can now afford and increase your mortgage payments only as your income increases. Consider refinancing your house if your payments are unwieldy.

7. Avoid cosigning or guaranteeing a loan for someone. Your signature obligates you as if you were the primary borrower. You can't be sure that the other person will pay.

8. Avoid joint obligations with people who have questionable spending habits--even a spouse or significant other. If you incur a joint debt, you're probably liable for it all if the other person defaults.

9. Don't make high-risk investments, such as investments in speculative real estate, penny stocks and junk bonds. Invest conservatively, opting for certificates of deposit, money market funds and government bonds.
Credit cards in college can mean trouble

Web-posted August 31, 1996

By Laura Perry
Correspondent

It's hard to believe that a little piece of plastic could be so dangerous.

Yes, it's a frightening combination and a parent's worst nightmare: an unsupervised 19-year-old with credit.

But with credit card applications mailed routinely to college students, preapproved cards are too easily obtained. And the nightmare could become the student's.

Betty Ashley, president and chief executive officer of Consumer Credit Counseling of Augusta, is all too familiar the financial problems facing students.

"Credit is a way of life for college students," she said. "But it's an uneducated way of life. After college, those minimum payments on credit cards can get deeper and deeper, and then student loan payments start. Before (students) know it, they're filing for bankruptcy. A few of these students have come in for counseling."

According to the 1995 Roper CollegeTrack Financial Services Study, 64 percent of the nation's 9 million college students have a credit card. That's up five percentage points from last year. About one-third of those card-carrying students have four or more credit cards.
Credit help

The following groups, people and courses offer assistance to those who need help with debt:

Consumer Credit Counseling of Augusta. Contact: Betty Ashley, president and chief executive officer, 736-2090.

Personal finance course, Augusta State University. Contact: Joseph D. Greene, business professor, 737-1560.

CardTrak, Ram Research Corp.; call (800) 344-7714.

Bankcard Holders of America, Salem, Va.; call (703) 917-9805.

Joseph D. Greene, a business professor at Augusta State University, teaches a personal finance course that attracts about 25 students each quarter. He said many of the students take the elective class because they may already be in a financial crunch.

"Many are taking the class after the fact rather than before," he said. "It's my policy that a student should not have more than one credit card because of the temptations. This way, students would be forced to live within their credit range. Loading themselves with eight or nine cards can run up $10,000 in debt.

"One of things I teach is that first of all you should establish a budget based on your income. You've got to make sure that your expenditures do not exceed your income," said Mr. Greene, who has been teaching the class for six years. "I also tell my students to leave a 10 percent safety margin. Emergencies always come up, and things happen that you are not anticipating."

Ruth Susswein, executive director of Bankcard Holders of America, said most college students received their first credit card offer while they were still in high school, and about one-third got their first card before they ever set foot on campus.

Ann Mohney, who got her first credit card - a Rich's card - as a senior at the Academy of Richmond County, said she applied for credit cards because she was attracted to the discounts offered.

"I would open an account at a store just to get the discount," she said.

Now a University of Georgia senior, she said she got credit cards in college thinking that she would get a summer job to pay the bills.

"But something else would always come up that I needed the money for, or I would use it because it was convenient for restaurants or gas when I didn't have time to go get money. Having the credit cards tempted me to use them. And it's not that I was using them too much - I was opening too many accounts."

This summer, she took a course in housing and consumer economics that was required for her major. She cut her credit cards in half and combined all of her accounts onto one Visa with a 5.9 annual percentage rate.
"I learned from my personal finance class to keep one credit card and keep switching companies in order to always have a low APR, because most companies offer a short-term low APR for an introductory rate. My goal is to pay it all off by March."

Miss Mohney said interest charges were her downfall, and continually transferring a balance keeps interest charges at a minimum.

"I learned a lot from that class and I really think it should be a requirement for all University of Georgia students."

Miss Mohney's story is typical of many college students, said Ms. Ashley. The lack of education about what they're getting into, she said, is a large part of the reason behind students' credit card debt.

"Anytime having a credit card is encouraging you to spend more than you would if you just pulled the money out of your pocket, it can become a huge problem," Ms. Ashley said. "The temptations are too great unless you are very well disciplined, something that is especially hard for students."

Consumer Credit Counseling offers educational programs for managing personal finances as well as dealing with credit debt for all age groups.

"I really think that finance management should be taught at all grade levels in the school system. It would really help the situation," Ms. Ashley said. Mr. Greene said students' credit problems are just a reflection of American society.

"Our students are not alone in finding themselves in financial difficulty," he said. "Our nation has a huge deficit and a major problem with credit. Our economy has been called a credit economy, always using tomorrow's dollars when tomorrow's dollars may not always be there. Students are just mimicking what's happening in our society."
FAQ

Credit Cards

The rules of the game

Rule (1): Credit card collectors (or operators or employees) will **tell you things that are not true.**

Rule (2): Credit card companies do not want you to pay off your debt in full each month.

Rule (3): Credit card companies are not **real** disappointed if you are 10-30 days late on your payment because then they can assess a penalty to your account as well.

Rule (4): Even though the credit card operator is asking you questions, he or she is probably looking at a history of your account on the computer screen in front of them. They are asking questions to see if you will give different information than is provided to them on the screen.

Rule (5): Credit card operators talk to one another and keep a history of your file. This may seem to be the same as the rule up above but what it means is, they will infer to you that if you spoke to Gladys last week, they could not possibly know what you said to Gladys. In fact, they are probably looking at a transcript of your conversation with Gladys but acting to you like they have no idea what you are talking about just simply to get you to say it again to see if there is any difference in what you say.

Rule (6): A credit card operator is not trying to be fair, reasonable, friendly, conversational, good, polite, or any other positive feeling to or for you. The **sole objective** of the credit card operator is to **extract money** from you.

Rule (7): Credit card operators do not always play fair. What does that mean? It means, for example, if you have more than one account with a particular credit card company, the operator may make an agreement with you to bring one card current. Unknowingly, you send the money requested to bring that one card current. Immediately thereafter, you are contacted by the same operator or a different one in the same company to say that, "Oh gosh", we didn't realize that you had this other account and you are not current after all. "Now we want you to send X amount of dollars in addition". This will be said to you in a way that is almost believable if you are not familiar with the **tactics** of the credit card operator.

Rule (8): Do not bother **explaining to the credit card operator** that your mother is on her death bed, your father 97 years of age is working in the fields 12 hours a day, your kid brother has leukemia, your oldest daughter is in danger of her life and that your wife was just diagnosed with cancer. The credit card operator cares about none of these things and will grant no sympathy whatsoever. Refer back to the "sole purpose" above.

Rule (9): Threats to **refer you to a collection agency, to an attorney, to turn you in to a credit agency, to file suit against you, to garnish your wages, to take your property or anything like that are gauged to find your "hot button". If you ever disclose your "hot button", rest assured that it will be logged into the computer for each and every operator to look at and use from that point forward.

Rule (10): There are limits to what a credit card operator can legally say, when they can appropriately call and things of that sort.
Debt Collections Fast Facts

Copyright © Nolo Press

Laws prohibit debt collectors from using abusive or deceptive tactics to collect a debt, although many collectors ignore the law. In addition, creditors and debt collectors have powerful collection tools once they have won a lawsuit for the debt. Here are six frequently asked questions and answers about debt collections.

Collection agencies have been calling me all hours of the day and night. Can I get them to stop contacting me?

It's against the law for a bill collector who works for a collection agency (as opposed to working in the collections department of the creditor itself) to call you before 8 am or after 9 pm. The law, the federal Fair Debt Collection Practices Act (FDCPA), also bars collectors from calling you at work, harassing you, using abusive language, making false or misleading statements, adding unauthorized charges and many other practices. Under the FDCPA, you can demand that the collection agency stop contacting you, except to tell you that collection efforts have ended or that the creditor or collection agency will sue you. You must put your request in writing.

I'm also getting calls from the collections department of a local merchant I did business with. Can I tell that collector to stop contacting me?

No. The FDCPA applies only to bill collectors who work for collection agencies. While many states have laws prohibiting all debt collectors—including those working for the creditor itself—from harassing, abusing or threatening you, these laws don't give you the right to demand that the collector stop contacting you. There is one exception: Residents of New York City can use a local consumer protection law to write any bill collector and say "Stop!"

A bill collector insisted that I wire the money I owe through Western Union. Am I required to do so?

No, and it could add more money to your debt if you did do it. Many collectors, especially when a debt is more than 90-days past due, will suggest several "urgency payment" options, including:

- Sending money by express or overnight mail. This will add at least $10 to your bill: a first class stamp is fine.
- Wiring money through Western Union's Quick Collect or American Express' Moneygram. This is another $10 waste.
- Putting your payment on a credit card not charged to its maximum. You'll never get out of debt if you do this.
Can a collection agency add interest to my debt?

Yes. The FDCPA allows a collector to add interest if your original agreement calls for the addition of interest during collection proceedings or the addition of such interest is allowed under state law. Every state authorizes the collection of such interest.

A collection agency sued me and won. Will I still be called and sent letters demanding payment?

Probably not. Before obtaining a court judgment, a bill collector generally has only one way of getting paid: demand payment. This is done with calls and letters. You can ignore the phone calls and throw out your mail, and the collector can't do much else short of suing you. Once the collector (or creditor) does sue and get a judgment, however, you can expect more aggressive collections actions. If you have a job, the collector will try to garnish up to 25% of your net wages. The collector may also try to seize any bank or other deposit accounts you have. If you own real property, the collector will probably record a lien, which will have to be paid when you sell or refinance your property. Even if you're not currently working or have no property, you're not home free. Depending on the state, court judgments can last up to 20 years, and in many states, can be renewed.

What can I do if a bill collector violates the FDCPA?

First, try to get the collector back on the phone and repeat whatever you said the first time that caused the collector to make the illegal statement(s). Have a witness listen in on an extension or tape the conversation. Taping is permitted without the collectors knowledge in all states except California, Connecticut, Delaware, Florida, Illinois, Maryland, Massachusetts, Michigan, Montana, New Hampshire, Pennsylvania and Washington. Then file a complaint. You can even file a complaint if you don't have a witness, but a witness helps.

File your complaint with the Federal Trade Commission, 6th & Pennsylvania Ave., NW, Washington, DC 20850, 202-326-2222. Next, complain to your state consumer protection agency. Finally, send a copy of your complaint to the creditor who hired the collection agency. If the violations are severe enough, the creditor may stop the collection efforts.

If the violations are ongoing, you can sue a collection agency (and the creditor that hired the agency) for up to $1,000 in small claims court for violating the FDCPA. You probably won't win if you can prove only a few minor violations. If the violations are outrageous, you can sue the collection agency and creditor in regular civil court.