

Chapter 9-Section 1

Resolving Credit Problems

Managing and resolving your credit problems are key to your financial future.

Credit problems can arise from things beyond your control (identity theft) or from mismanagement of your finances.

Disputing Charges—Credit Card

- Disputing Charges—the process of informing a credit card company of an error on your bill
 - Compare charges on your credit card statement to your receipts
 - How to resolve an error on a credit card statement:
 - Contact credit card company by phone
 - Write down when and who you spoke with
 - Follow up with a written letter explaining the issue
 - If necessary send copies of receipts
 - Document-Keep copies of everything (receipts, statements, correspondence)

Dispute Letter

- A letter written to inform a credit company of an incorrect charge on your account.
- Things to include:
 - Your address
 - Date
 - Credit card Number in Subject Line
 - State the problem clearly
 - Give details needed to make the problem easy to understand
 - State earlier steps taken
 - Enclose copy of statement and receipts needed to prove your dispute
 - Follow up with the credit card company until dispute is resolved

Credit Card Fraud

- Intentionally using someone's credit account to steal money or goods
 - Improper charges appear on your account
 - Serious crime
 - If you are a victim notify creditor as soon as possible
 - Personal liability is usually limited to \$50 or less
 - Merchants, banks and credit card companies pass the costs on to consumers in form of higher fees and interest charges

Preventing Credit Card Fraud

- Carry only the cards you need
- Keep a list of credit card account numbers and phone numbers
- Verify purchases and account balances on your statement
- Shred old receipts and statements
- Do not loan your credit card to others
- Know where your credit cards are at all times
- Close inactive accounts (a target for thieves)
- Get mail delivered to secure mailbox or post office
- Use only secure websites
- Mail bill payments from a secure mailbox or the post office
- Do not give out credit card info or personal info over the phone to people who have contacted you
- Monitor credit activity online

Help for Consumers

- Consumer Advocacy—process of helping consumers resolve problems
- Groups are nonprofit organizations
- Provide information about laws related to consumer rights
- Work to get laws passed that will be beneficial to consumers
- Websites provide information for consumers

Government Consumer Protection Agencies

- Bureau of Consumer Protection (part of the FTC)
 - Protect consumers against unfair, deceptive or fraudulent practices
 - Publishes tips for avoiding scams and rip-offs
 - Provides information on identify theft, fraud, scams, recalls, credit reports and debt abuse
- Consumer Action Handbook
 - Available for download from Consumer Action website
 - Provides information about federal, state, and local consumer agencies
 - Provides consumer tips about identity theft, credit, filing complaints

Warning Signs of Debt Problems

- Credit card balances are at or near your credit limit
- Only making minimum payments on credit card bills
- Skip some payments to make other payments
- Shift credit card balances from one card to another
- Credit card companies are reducing your credit limit
- Credit score is falling
- Phone calls from collectors/creditors
- Unable to save or invest money do to debt
- Feeling stressed
- No money left for basic needs—because monthly payments are too high

Way to resolve debt problems

- Actions to help preserve your credit rating and minimize costs:
 - Call each creditor to discuss your situation
 - Negotiate lower payments or other ways to meet your obligations
 - Loan modification-a new loan arrangement that allows you to make reduced payments, usually on a temporary basis
 - Follow up with a letter-confirm your agreement
 - Meet your new arrangement obligations
 - Keep your creditors informed of your situation

Credit Delinquency

- The failure to pay debts as required by agreement or by law
 - Credit contract requires that you make payments on time
 - Account is delinquent when payments are not made on time
 - Credit score and credit rating will drop

Collection Agencies

- Collection agencies legally have the right to represent the creditor to collect the amount due
- Judgment-a ruling by a court of law
 - Gives legal right to take assets away or garnish wages
 - Has negative affect on credit rating
- In a collection proceeding, you pay interest and collection fees

Garnishment

- A legal process that allows part of an employee's paycheck to be withheld for payment of a debt.
 - Money paid directly from the employer to creditor
 - Way for creditors to enforce judgments to receive payment for a debt

Repossession and Foreclosure

- Collateral for a secured loan may be taken away to pay a debt
 - Repossession—the act of taking an asset used as collateral and selling it to pay the debt
- Foreclosure—the legal process of taking possession of a house when a borrower does not make mortgage payments
 - Creditor may force the sale of the property
 - Money from sale is used to pay the debt
 - May have to pay foreclosure costs (attorneys' fees, court costs, interest charges)
 - Has negative impact on credit score