

**“IN THE CREDIT SYSTEM..YOU ARE GUILTY
UNTIL YOU PROVE YOURSELF INNOCENT”**

--Bud Hibbs

To my beautiful wife, Susan:

You are the reason for this dream
It is your face, your smile that drives me
It is the sacrifices you made that meant so much
You are not just my wife...
you are my life!

THE AMERICAN CREDIT SYSTEM: GUILTY!
UNTIL PROVEN INNOCENT.

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Harvest Media, Inc.
820 North Main Street, Fort Worth, TX 76106
Daniel Collins, President
Phone: (817) 589-4284 Fax: (817) 731-3729

Printed by Pelican Press
11070 North Stemmons Freeway, Dallas, TX. 75229
Tom Keffer, President
Neal Hesler, CFO
Phone: (817) 589-4284 Fax: (817) 731-3729

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For more information contact Bud Hibbs
Hired Gun Productions
PO Box 101672 Fort Worth, Texas 76185-1672
Contact Bud Hibbs on the Internet at www.budhibbs.com.

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Michael Spears
Lisa Hinson

Ernie Brown
Julie Koshy

Production Staff

Curt Koehn
Chad Jourdan
Park Van Nest
Marcus Davis
Tom Gostkowski
Maria Saldana

Senior Art Director
Art Director/Designer
Production Director
Cover Illustration
Production Director
Distribution

DEDICATION

This book is dedicated to the millions of Americans who thought there was no hope for seemingly endless credit problems.

To the single parents who are trying to make it day to day...week to week...month to month.

To the people who have had their lives turned into a living hell by collectors; to those who have had to deal with the IRS and who feel they have failed because they have had to declare bankruptcy. This book will enable you to overcome your problems and give you a second chance in a society that really doesn't give a damn about you or your problems.

DISCLAIMER

Bud Hibbs is not an attorney and does not give legal advice. This book provides information about credit and debt collection and is based on his experience in working with thousands of consumers and every type of credit problem possible over the past twelve years.

Though Mr. Hibbs has done extensive research, worked with attorneys and state and federal organizations, been a guest on hundreds of national television and radio shows, including his own on KRLD Radio and the Texas State Radio Network in Dallas, readers should use their own judgment when using the book. Furthermore, anyone requiring legal advice or having legal problems with their credit should consult with a competent attorney.

WARNING!

This book has not been designed to help anyone evade debts or to undermine the integrity of the credit reporting system. There is a moral and legal obligation to pay all credit accounts owed. However, an often unfair credit system discriminates against those who do not understand how it works and can adversely affect the consumer on a daily basis. This book is intended to help you make drastic changes you thought impossible and take control of your life! Once you have mastered the techniques, you will become a potent weapon against the injustices of the credit system and function again as a normal member of our society. Most folks never get a second chance! What are you going to do with yours?

PREFACE

The number of Americans suffering from credit problems is estimated at over 50 million. They are your co-workers, neighbors and the people you sit next to at your place of worship. Like you, they sit in silence too ashamed and embarrassed to tell anyone.

This book will change your lives in a very positive way. It is not a magical cure for everyone and in order for it to work, you must have a lot of patience. You didn't get into this problem overnight and you won't get out of it that way, but you certainly don't have to be held hostage to the harassment of bill collectors.

Intended to inform and educate, this book will give you the tools to finally exercise control of your situation, eliminate the problems resulting from negative credit reports and strike a mutually beneficial deal with your creditors. The program takes an average of one year to complete depending on your circumstances. You don't need credit repair, or Infomercials that promise more than they can deliver to solve your problems. Read the book at least twice; follow directions closely and it will...**CHANGE YOUR LIFE FOREVER!!**

THE AMERICAN CREDIT SYSTEM: GUILTY! UNTIL PROVEN INNOCENT

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FOREWORD

ABOUT BUD HIBBS

Bud Hibbs, author of *THE AMERICAN CREDIT SYSTEM: GUILTY! UNTIL PROVEN INNOCENT*, is a true “Renaissance Man” of the ‘90s. His energetic personality, vast knowledge and agile intelligence allow Bud to successfully fulfill many different roles for many people.

Nationally recognized as America’s foremost credit specialist, Bud Hibbs has learned firsthand the inner workings of the collection agencies, the Social Security system, the IRS, the credit card companies and banks, the credit reporting bureaus, car dealerships, mortgage companies, insurance companies, law firms, medical providers and any other institution that deals with you and your credit. He’s also an expert in the LAW as it is interpreted by the Federal Trade Commission.

Bud Hibbs’ reputation as the man to call when you have a credit problem, has resulted in invitations to share his expertise on a variety of television talk shows and news programs. You

may have seen him or his first book, *STOP IT*, featured on “THE OPRAH WINFREY SHOW”, “PHIL DONAHUE”, “CNN HEADLINE NEWS”, “THE TODAY SHOW”, “CBS THIS MORNING”, “THE HOME SHOW”, “MORTON DOWNEY JR”, “CNBC’S STEALS ‘N’ DEALS”, as well as countless radio talk shows.

Bud’s own show, “WHAT’S YOUR PROBLEM?”, broadcasts on KRLD Radio (1080 AM) from Dallas. He also makes regular appearances on the Texas State Network.

When Bud is on the air, the switchboard is always jammed with callers seeking his expertise on their own personal consumer credit problems.

Bud’s extensive knowledge and experience stem from his fifteen-plus years spent in the credit trenches helping thousands of consumers combat their own personal credit problems and giving hope to those who felt their situation was hopeless.

There may be several “so-called” credit experts out there, but only a few of them could actually TEACH others what they know. Out of those few who may have the ability, even fewer still would have the desire to educate the public.

It is indeed a rare thing to find a genuine expert like Bud, who not only has the ability, but also the empathy and desire to communicate his knowledge to others effectively.

In his first book, *STOP IT*, Bud published his methods on dealing with collection agencies---methods which use the law to protect the consumer.

STOP IT was an immediate success, proving the great public need for Bud’s brand of consumer credit information.

There is nothing worse than fearing something because you don’t know or understand it. Many people in a bad credit situation are frozen in fear and decide not to take any action at

FOREWORD

all, afraid that whatever decision they made would be the wrong one. Total inaction can be as bad as acting before you know and understand your situation. Both ways, motivated by fear, can only make a bad situation worse.

Throughout his experience, Bud has found that most of the time, because of their fear and anxiety, consumers with credit problems interpret their situation to be much more hopeless than it actually is.

In *THE AMERICAN CREDIT SYSTEM: GUILTY! UNTIL PROVEN INNOCENT*, Bud's second book, there are many references to knowledge being a special kind of power that can go a long way towards alleviating fear. Bud has encountered these truths throughout his life and he incorporates them into his work.

"When you take the time to really learn all there is to know about your situation, then you can make decisions in your own best interest with the power of knowledge to back them up," Bud said.

That is what Bud would like to give to you---the power to eliminate your fear with knowledge.

Bud has empowered many people to regain control of their lives by making knowledge readily accessible, communicating effectively and in an easily-understood format, while motivating them to act on that knowledge

Bud Hibbs cares about YOU!

As a firm believer that you get back from life what you put into it, Bud fervently practices this philosophy in his everyday life and business.

For many years, Bud has donated his time and his specific talents to assist several charitable organizations, including one which assists homeless families and another which provides shelter and other necessities to battered women and their children.

THE AMERICAN CREDIT SYSTEM: GUILTY! UNTIL PROVEN INNOCENT

As many of his clients could tell you, having Bud Hibbs on your side can change your life!

Today's economy is based on lending and borrowing and there are a LOT of businesses whose very existence depends on you NOT PAYING your bills. Just as many businesses count on you NOT KNOWING your rights under the law, many also count on your guilt and fear of them. What is wrong with this picture??

Now that you've opened this book, you need NEVER be intimidated by such ruthless businesses again.

Whether or not you currently have credit problems, *THE AMERICAN CREDIT SYSTEM: GUILTY! UNTIL PROVEN INNOCENT* can be a great asset to you in making ALL of your credit decisions.

Editing this book has been a pleasure, AND an education for me. The information within it is of vital importance to ALL American consumers. In the course of working with Bud, I remarked several times to my family that this book, "provides a community service." I'm excited about the information Bud is "getting out there" with this book's publication and I'm grateful to him and his wonderful family for giving me the chance to have a part in it.

The American consumer needs a guy like Bud Hibbs.

As you probably know, none of us are immune to credit problems or collection agency harassment.

Especially not the editor of this book.

In fact, I've learned so much from working with Bud that I'm going through his process just as soon as I'm finished with the last chapter...if only the doggone phone would stop interrupting me!

Lessee...that Cease-Comm letter is on which page??

---BBP Dec. 1995

INTRODUCTION

YOU THOUGHT THIS COULD NEVER HAPPEN TO YOU!

None of us EVER think it's going to happen to us. When we applied for those credit cards, we felt pretty secure that we could pay another \$2,000 or \$3,000 in bills. We saw something we wanted or needed, decided our income could handle it and then charged it. Sound Familiar? It should. Millions of us have felt the same way at one time or another and then, what we never expected to happen, does.

Words like “downsizing,” “corporate restructuring “ and “getting lean” are the modern day buzz words for “you are unemployed.” Today, no job title is immune. During the ‘80s, we feared a recession would impact our jobs and financial security. The ‘90s, like no other time in our history, have brought us an even wider spectrum of causes for unemployment. Add other problems such as increasing age, the limited ability to learn new job skills and the limited prospects for employment in all geographic areas of the country, and we have what has become a national crisis.

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The specifics of your story are unique and may be colored with your pain and embarrassment, but perhaps you have found that you are now a “statistic with credit problems” due to the fact that you somehow had your ability to earn a living interrupted through no fault of your own.

Well, the time for crying and feeling sorry for yourself is over. It’s time to get off your rear end and get to work to make things normal once again. How do you do that?

First let’s get an idea of what it is exactly that got you into this situation so that you can better understand what you need to do to get out of it.

Somewhere way back when, you (and possibly your spouse) decided that it would be a good idea to give some computer a whole lot of very personal information in the interest of getting a credit card. You also happily agreed to freely provide all this information to a group of strangers and trusted them to store it safely in a computer to which you had no idea who’d be granted access. Sound bad?

That’s not the worst of it. You also agreed to allow these strangers free reign over you if you ever got behind on making your payments. This includes allowing them to freely pass this information along to anyone they deemed appropriate to collect your debt, including their in-house collection staff, outside debt collectors and attorneys.

Unfortunately, you, just like many other Americans, awoke one day to find your financial situation had changed for the worse. Since then, it is likely your days have been filled with anxiety, guilt, remorse and depression.

That’s not the way it was supposed to be.

You never used to not pay your bills. You worked very hard for your credit and were extremely proud of it.

While you still may be adjusting to this credit nightmare,

INTRODUCTION

you begin to think the unthinkable: bankruptcy. Filing bankruptcy at this point can only make a bad situation worse. You shouldn't have to consider bankruptcy as an option just because you're getting threatening and harassing phone calls or because some high-dollar lawyer is trying to convince you it is your only alternative.

When you think of all the interest you paid in the form of finance charges and all the years you were a great customer for that credit card issuer, it's hard to believe they've suddenly turned on you and become your enemy.

You'd think that damn creditor would just cut you some slack until things get better now, wouldn't you?

No Way!

That creditor doesn't give a damn about you or your situation. Compassion was not mentioned in the contract and will have no bearing here. You must now learn how to separate your moral ethics from your business sense and form your decisions with the consideration of solid facts instead of letting emotion based on guilt color your judgment.

I designed this book to empower you to take control of your situation. In the following pages, you will learn how the system was designed, how it operates, the laws that protect you and how to eliminate those obstacles currently blocking your way.

This is NOT a credit repair manual! "Credit repair" is not your solution. The key to resolving your problems is now in your hands---figuratively and literally.

This is the most powerful book ever written about the American credit system. By purchasing it, you have already taken the first step on your road to credit recovery.

The rest is up to you.

**“In the credit system...
you are guilty until
you prove yourself innocent.”
---Bud Hibbs**

THE COLLECTION AGENCY CAN BE STOPPED

---B.H. Dec. 1995; Fort Worth, Texas

“Any fact facing us is not as important as our attitude toward it,
for that determines our success or failure.”

--Norman Vincent Peale

Debt collection in this country is big, big business. According to the American Collectors Association (ACA), in 1993, an estimated 226.2 million accounts were placed for collection with a third party collection business. These accounts had a value of 79 BILLION DOLLARS.

That's right, \$79 billion!

Try this little experiment. Divide the amount you owe into \$79,000,000,000. Now, doesn't that make you feel just a little better?? Everything is a matter of perspective.

Nevertheless, thanks to the manner in which debt collection agencies do business---aggressively and offensively. the mere ring of a telephone can send a few million Americans into a cold sweat.

The amount of money collection agencies actually collect,

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however, is roughly only 16% of the amount of all the accounts they receive. Ultimately, this means they aren't very successful, which only serves to make their tactics more desperate and intimidating.

Often Just glancing at the numbers alone ought to be enough to let on that something is very, very wrong with the American credit system.

without any regard for you or the law, debt collection agents will say anything to get you to send them money.

If the phone rings at your house, do you:

- A. Answer it with confidence?
- B. Not answer it, in spite of the fact you've started to lose friends who complain that you never answer the phone?
- C. Answer it, but use a bad imitation of Ricky Ricardo to say, "I'm sorry, ju' muss haf d' wrong nummer?"

I joke about the phone calls, but truthfully, they are no joking matter. When creditors are after you, it's bad enough. But, when the original creditors turn you account over to a debt collection agency, you don't get a moment's peace. The phone seems to ring constantly and unfortunately, it's never anyone from Ed McMahon's office saying, "You have just won \$10 Million Bucks!"

The amount of pressure from these collection agency calls can overwhelm you. Debtors have been threatened with everything from wage garnishment to the collection agent telling friends, family, co-workers and even employers that they are "deadbeat, lowlife, scum of the earth!" Often without any regard for you of the law, debt collection agents will say anything to get you to send them money.

In fact, the number one complaint to the State Attorney General's office, the Federal Trade Commission and the Better

THE COLLECTION AGENCY CAN BE STOPPED

Business Bureau is from people who have been threatened and/or intimidated by a debt collector.

Okay, if so many people complain about the tactics of collection agencies, how do they get away with everything, from harassment to blatantly breaking the law? The answer is simple.

People who are being harassed by the collection agencies either don't know, don't understand, or simply don't use the law that was enacted to protect them from this type of collection agency abuse.

Not enough people are aware of their rights to stop the collection agencies and even fewer take advantage of the law that allows you (the debtor) to stop the collection agency from EVER contacting you again.

Yes, it is your legal right to stop debt collection agencies from contacting you. This information was virtually kept a secret, until recently, with the publication of my books.

As I frequently emphasize throughout this book, I do NOT advocate ANYONE not paying their bills. After all, you received goods or services in good faith from your creditors and you have an obligation to be met.

But, your obligation is with the creditor only; NOT the collection agency.

The collection agency becomes involved after the creditor has used its in-house collection department for a period of up to five months. If the account is uncollected, the creditor then sends in a charge off (I-9) or profit and loss (P&L) to the credit bureau on you. Then, they contract with an outside collection agency to try and recover their funds.

The majority of debt collectors get paid by commission. Some agencies get up to 50% of the amount that they collect

THE AMERICAN CREDIT SYSTEM: GUILTY! UNTIL PROVEN INNOCENT

Now you can see the motivation behind the collector who is calling and threatening you. It is not personal (although some of the attacks are very personal), however, the rewards are high if the collector is successful in getting you to send them payments. A good collector can earn around \$60-80,000 a year if they play the game right. And, it is a numbers game for collectors, since, as mentioned previously, they only collect about 16% of what they try to collect. Unfortunately, it's at your expense.

That's the BAD news.

The good news is that after weeks, months or years of harassing phone calls you can STOP DEALING WITH COLLECTION AGENCIES!

Under the "Fair Debt Collection Practices Act" enacted by Congress to regulate the activities of the debt collector, you have the power to stop collection agencies dead in their tracks.

If a collection agency fails to comply with the law, you have the right to take civil action against them. If you are successful in your action, you can be awarded damages of up to \$1,000 per violation. For further information, contact your local FTC office for a copy of the law, and reference Section 813, Civil liability, and file a complaint with the FTC.

The Federal Trade Commission takes these complaints very seriously, and follows through on such complaints so that violators can be prosecuted. In fact, in the spring of 1995 in El Paso, TX, a state district court jury ruled that a collection agency went too far and ordered them to pay \$11 MILLION to a married couple they had harassed.

I know most of you are saying, "Hey Bud, I don't want to go to court, I just want that damn telephone to stop ringing and the collection agency off my back!"

THE COLLECTION AGENCY CAN BE STOPPED

Here is the first step of the method I've discussed on many nationwide television and radio shows:

Send the famous BUD HIBBS' CEASE-COMM LETTER by certified mail, the first time a collection agency contacts you! (An example of the letter is at the end of this chapter).

A specific section of the law states that if you (the debtor) send them (the collector) a certain type of letter, herein referred to as a "Cease-Comm" (short for cease communication), they are required by law to cease (stop) all communication with you immediately, except for one last time. This one last time enables them, under the law, to notify you of their intent. On occasion, their "intent" will be to refer your account to an attorney or to take some other type of legal action.

It is possible you may receive a collection agency call years after the account was charged off. This happens when the original creditor gives a new collection agency a batch of its older accounts to collect along with its newer ones. Remember, they play a percentage game, the more calls and contacts, the better their odds at collecting. So, send them the Cease-Comm letter, also---it still applies.

Have the collection agency send you a notice.

Many times, collection agencies harass debtors by telephone, but are not so brave when it comes to sending out written documents. As soon as a collection agency contacts you by phone, request they send you a written notice with their name, address, phone number, the account number, amount owed and the date the debt was incurred (or transferred to the collection agency) and the original creditor (who they represent). Tell them you plan to respond, but you need to have written documentation for your records. When you receive the notice, send them a Bud Hibbs Cease-Comm letter instead of a check.

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If you are already dealing with a collection agency, STOP.

The only way it would be feasible to settle an old account with a collection agency is if you have in writing a document stating the collection agency takes full responsibility for either deleting the account from your credit reports or marking your credit reports “paid as agreed.”

You can stop payment on any postdated checks you may have already sent by telling your bank a breach of contract was involved.

Don't sign for any certified mail.

You will become obligated for what is contained in the certified letter and it can only be bad news. Make sure everyone residing in your household also knows NOT to sign for any certified mail. Don't be embarrassed to refuse to sign, the postal carrier will not mind a bit!

Don't buy their lies!

If the collection agency tells you that they have purchased the debt, this is a common lie, don't buy it. Instead, insist on them sending you written proof that they purchased the debt from your original creditor. You may be waiting for such “proof” for a very long time.

Don't give out information on yourself such as employer, new address, phone numbers, etc. just because they demand it.

Have you ever watched those cop shows when they give the suspect the Miranda Warning--Anything you say can and will be used against you? Remember this well when talking to collection agencies. We've discussed how debt collectors will say anything (including lies, intimidating threats, etc.) in order to

THE COLLECTION AGENCY CAN BE STOPPED

get you to send in a payment and increase their commissions. Collection agents will also use anything they hear (i.e. anything you say) to achieve that same end. You are under no obligation to provide them with any data, so it is best to “remain silent” when they start shooting out the questions.

Make sure you NEVER give a collection agency your credit card numbers or the authorization to draft payments from your bank account!

You can be certain collection agents will use any new information supplied them against you in the future in order to collect a payment or harass you. So, it is best to have as little contact with them as possible in order to protect yourself. Bud Hibbs’ Cease-Comm Letter does just that! It enables you to take control of your situation by allowing the law to do what it was designed to do--protect consumers. And, it does this quickly and efficiently in an overwhelming majority of cases.

In 99% of all the cases on which I’ve worked, once a collection agency received a Cease-Comm letter, they promptly returned the account to the original creditor. The bottom line is, after you’ve sent them a Cease-Comm letter via certified mail, the collection agency will no longer be able to handle your account legally.

If they can’t contact you, they can’t collect the debt. It’s that simple!

I have personally been responsible for tens of thousands of these Cease-Comm letters going out, costing collection agencies an estimated \$400 million in lost commissions and I have NEVER had an instance of noncompliance. To the collection agency, this is a numbers game. If they want to make money, they have to hustle. (They are only successful with about 16%

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of the amount they try to collect). The more calls they can make, the greater the chances of receiving more payments and more commission. Most of them won't get involved with problems that take up their valuable time and lessen their chances to collect. This is how they get paid, after all!

However, if, after you've sent them a Cease-Comm letter via certified mail, a collection agency continues to contact you more than that one last time by phone or by letter, then, **TURN THE TABLES ON THEM.**

The very next time that they contact you, notify them that they are in violation of the law and that you intend to pursue legal remedies with the Federal Trade Commission (FTC). And then, do it. Use the same system that you have been cussing over the past months to work **FOR** you instead of **AGAINST** you.

Obviously, if they don't comply with the law, the collection agency could face the same sort of lawsuit that occurred in El Paso. Attorneys are well aware that a violation of this law would enable them to file against the collection agency and the original creditor, a situation which could be very financially rewarding for the attorney and client. Believe me, many attorneys would relish the opportunity to represent such a case. Most collection agencies are aware of the law, too, so they almost always comply. This just goes further in proving that... **BUD HIBBS' Cease-Comm LETTER really works!**

THE COLLECTION AGENCY CAN BE STOPPED

**FACTS TO KNOW ABOUT
THE BUD HIBBS' CEASE-COMM LETTER**

FACT #1 : You must send the Letter via certified mail.

This is the only legally acceptable means of notifying collection agencies to stop calling you and it gives you the proof that the notice was received. Based on a ruling in favor of the IRS, it is not necessary to have a “return” receipt (a receipt signed by the recipient and returned to the sender to prove an item was delivered) in order to legally prove that you mailed an item via certified mail. You do, however, have to get a receipt at the time you send the letter via certified mail and, as long as the item is not returned to the post office, that receipt is enough to legally prove that you sent an item via certified mail. However, you must keep your Receipt For Certified Mail (Postal form #3800) to ensure that you have proof the letter was indeed sent.

FACT #2 : The Cease-Comm Letter only works on collection agencies or third-party debt collectors. Do not send the Cease-Comm letter to your original creditor.

The law applies only to a third-party debt collector. The original creditor is allowed to contact you in regard to your balance. I discuss how to deal with your original creditors in later chapters.

FACT #3 : The Letter is the only effective and legal way to stop a collection agency.

Up until now, you've been handling this situation from a defensive position. You've probably played enough “telephone

**Remember,
filing
bankruptcy
because you
are being
bothered by
a bill
collector is
like having
your arm
amputated
because you
broke your
wrist.**

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tag” with debt collectors to leave you feeling helpless. You might have even considered bankruptcy. Remember, filing bankruptcy because you are being bothered by a debt collector is like having your arm amputated because you broke your wrist. The wrist will heal and the debt collector will go away if handled properly. You now have the power to stop the collection agency from contacting you!

You no longer have to endure passively. By following the advice between these pages, you can put yourself in an assertive, active position, where you can take charge of the situation. Don’t forget, Congress passed a federal law to help and protect you and millions of others are using it to get their lives in order.

Your defensive position changed the minute you opened this book. You’ve been handed over the ball. It’s time to run towards the goal.

**GO AHEAD! RUIN A DEBT COLLECTOR’S DAY---
SEND A Cease-Comm LETTER TODAY!**

THE COLLECTION AGENCY CAN BE STOPPED

THE BUD HIBBS' CEASE-COMM LETTER

YOUR NAME

YOUR ADDRESS

CITY, STATE, ZIP

VIA CERTIFIED MAIL#

Date

XYZ Collection Agency
A Debt Collection Agency
Any street or P.O. Box
Somewhere, USA 75221

RE: Account # _____/Original Creditor's Name/Amount
Claimed Owed \$00.

Dear Debt Collection Agency:

This will serve as your legal notice under federal law, "The Fair Debt Collection Practices Act," to cease all communication with me in reference to the above account.

If you fail to heed this notice, I will file a formal complaint against you with the Federal Trade Commission who is responsible for enforcement, the state Attorney General's Office, and the American Collector's Association who monitors for noncompliance.

I/We have decided that we do not desire to work with a collection agency under any circumstances. I/We will contact the original creditor to resolve this matter directly.

You are also notified that if any adverse items are placed against my/our credit reports as a result of this notice that I will be forced to take appropriate action against you, and the client that you represent.

Give this matter the attention it deserves as the consequences could be severe.

Yours truly,

(Your Name)

THE AMERICAN CREDIT SYSTEM; GUILTY! UNTIL PROVEN INNOCENT

THE SOCIAL SECURITY CARD: YOUR INFORMATIONAL FINGERPRINT

“Not is so much to be feared as fear.”

---Henry David Thoreau

Before you know where you are going, you have to know where you have been.

I began this book with the chapter titled, THE COLLECTION AGENCY CAN BE STOPPED, because I wanted you to be aware you have the ability to gain control of your situation. When you are in control, you can make positive decisions. However, under the pressure from harassing callers every day, no one can think with a clear head--especially if they see no end to such calls in sight.

Not only do I want for you to see the end of collection agency phone calls, but I also want you to take assertive action so that they can NEVER bother you again. The information in the first chapter gave you the tools with which you can take that action---the Bud Hibbs' Cease-Comm Letter. By now, you should be feeling a little better just knowing there is something you can do and a powerful federal law backing you up!

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Now that your head is clearing a bit from all the (phones) ringing, let's take a look back. Remember not long ago when you received a notice in the mail telling you that you have been pre-approved for a credit card and all you had to do was fill

What you may not know is that your Social Security number is the key to your most personal information.	out a small amount of information and return it? All the creditor wanted from you was your Social Security number, birth date, employer, wages and signature. This is called a "5-line" credit application. By delivering it, you just provided the creditor enough information to pull your credit report and make a determination as to your credit worthiness. In this highly automated world, you are known by your name, gender and Social Security number from birth until death. What you may not know is that your Social Security number is the key to your most personal information.
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In fact, with over 260 million people in this country, your SS# functions as your informational fingerprint.

Your SS# is the one thing that distinguishes you and your credit history from someone else---even someone else with the same exact name as yours.

Why do we have a Social Security number anyway?

When properly used, a SS# entitles you to all the benefits you may deserve, such as Social Security income, disability and retirement payments. Today, your SS# is also your student identification number in almost all schools---elementary through university level---all across the country.

Your SS# indicates the state in which it was issued much like your zip code does. The first three numbers denote the state and approximate date when that number was issued.

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It is of specific interest that the credit reporting bureaus use your SS# to identify you and file your personal credit information. In fact, your SS# is the key to the information the credit bureaus gather on you. Like other organizations, credit bureaus also use your SS# to keep your credit report separate and distinguished from other individuals, who may have your same name, etc. Your SS# is the only way, the credit bureaus have of verifying that their information is accurate.

Creditors use your SS# to check your credit with the credit bureaus. All your credit reports are available to them with those nine little digits. Even at the doctor's office, the forms you must fill out on the first visit almost always request your SS#. Sometimes, the doctor's office needs your SS# to verify your insurance coverage. Other times, they want it to identify you to a credit reporting bureau.

They know more about you than you think they know!

The amount of personal information available about you with just those nine digits is amazing. A friend generously volunteered for this little experiment. The following is a list of the information I was able to obtain merely by referencing his SS#.

1. All three of his credit reports. (one from each of the credit bureaus in the U.S.)
2. His past employment history.
3. His tax records for the past five years.
4. His complete medical history.
5. All his educational records.
6. Any public records that pertained to him for the past seven years.
7. His complete bankruptcy file.
8. Information on his checking account from his bank.
9. Any insurance claims he has been paid over the past five years.

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Does this make you nervous? It should! Furthermore, you don't have to volunteer your SS# to someone in order for them to obtain it. (And they won't get it through the governmental agencies---that's illegal).

Most likely, all one has to do to get your SS# would be to make a trip to the local courthouse. Your SS# is included on documents that are a matter of public record and are available from your courthouse. Anyone who has married, divorced, filed bankruptcy, bought property, had a lien filed against them, changed their name, been convicted of a crime, etc., has provided the key to opening their most personal records to virtually anyone.

There are strict laws governing the use (and sometimes abuse) of Social Security information. The government does not give out your SS# to anyone. You would be refused if you tried to get someone else's SS# from the SSA or the IRS. And, rightly so. It is illegal for governmental agencies to disclose that information.

The only entities that are legally empowered with using your Social Security number are:

1. The IRS.
2. Social Security Administration.
3. Your employer.
4. Your bank.
5. State Department of Motor Vehicles (Public Safety).
6. Other local, state, or federal agencies.

1. The Internal Revenue Service (IRS) - uses your SS# for obvious tax purposes. They not only want your SS#, but your dependent children's numbers as well. The IRS was hit in 1994 with millions of dollars in fraudulent tax returns based on unverified Social Security numbers of dependents which

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resulted in a crackdown on filings and verification of all dependent numbers.

2. Social Security Administration (SSA) - You work hard all your life, so you want to be sure that you get back at least some of the money that you paid in. The SSA credits your account in the same way the IRS does, (filed by your SS#) which ensures that you are properly credited with your withholdings and that you are eligible for benefits.

3. Your employer - Your place of employment uses your SS# to verify that your deductions for both IRS and SSI are properly credited to your account. They also keep up with your vacation, sick leave and retirement benefits.

4. Your bank - They want to properly report your interest dividends, as does any investment banker, so that you can be taxed for any income due the government.

5. Department of Motor Vehicles - uses your SS# to track your driver's license. In fact, some states are now using SS#s as driver's license numbers so that you can be tracked in their data banks for any reason. It's easy for law enforcement to track any individual using this method.

6. Other selected local, state & federal agencies - The FBI has the Crime Information Bureau (CIB) that is available to all law enforcement officers, including the traffic cop who pulls you over. This is used to determine, by your SS#, if you are "wanted" or have a record. All social service organizations, state taxing authorities and most other governmental agencies use your SS#, also.

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Whether you like it or not, your SS# is your federal identification number which can easily be used by almost anyone to provide a wealth of information about your problems with the law (if any), tax filings (state and federal), school records, as well as local, state and federal programs.

However, the information filed under your Social Security number may not be accurate.

Unfortunately, your SS# alone doesn't always prevent the wrong information from ending up on your credit reports, especially if you've been remarried and changed your name, or if you have a "Junior" attached to your name. I urge everyone to look up their credit reports at least once a year and check for problems. Take charge! (I will discuss how to get copies of your credit reports in the next chapter.)

Can you run and hide from your Social Security number?

Simply, the answer is NO. It is illegal to use a stolen or bogus SS#. Besides, the odds of getting caught at it are pretty good.

For example, if you give a phony SS# to your employer and use a different name for whom that number was issued, the SSA and the IRS will become aware of it almost immediately. This is considered fraud and you could be facing serious criminal charges.

If you send anything through the U. S. Mail using a bogus number for even a credit card application, you could be facing additional charges for mail fraud. This type of activity is considered a felony. Now, you tell me, is it worth it?

If you have been using a phony Social Security number, count your blessings and STOP doing it now!

There was a time in this country when it was relatively easy to steal a deceased person's SS# and continue using it. Today,

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when someone dies, that person's SS# is fed into data banks as a defunct number for a deceased person and is frozen. This makes it nearly impossible to reuse that number. Again, if you get caught using a Social Security number that does not belong to you, it could mean felony charges. Not many people would think it worth the risk.

You may NOT obtain a new Social Security number just because your credit is messed up and you want a fresh start.

If it were that easy to get a new SS# (and a new BLANK credit history along with it), the line at every SSA office in the country would probably reach across the country! Unfortunately, most all of us have to get through this life with the number we were already issued. Only in certain instances where someone else has illegally used your number or if the number conflicts with your religious beliefs can you get a new one. For further information contact your local SS office.

Would it be wise then to simply not provide a Social Security number on forms that request it?

I asked that question to a government official and he said that although it is not mandatory that you provide them with your number, they can withhold goods and services until you do.

Utility companies use your SS# routinely to verify your identity when you request service in order to prevent fraud. When a medical provider asks for your SS# apart from identifying your insurance coverage, you can safely assume they want it to identify your credit status. Should you not pay the medical bill, it is very easy for the provider (or their collection agency) to place information against your credit reports.

Your alternatives are to refuse to provide your SS# number if it is not a part of your insurance, or to explain to the staff that there is no reason for them to have it. Be aware though, that

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they do have the right to refuse service to you because of your refusal.

Be careful when you give out your Social Security number. If it falls into the wrong hands, it could be both devastating and embarrassing to you.

Be careful when you give out your Social Security number. If it falls into the wrong hands, it could be both devastating and embarrassing to you. You can't keep it from everyone, but you can take steps to ensure that it is being given in confidence and used in confidence.

Don't carry your Social Security card with you. There is no picture, address or any other type of information contained on your card so there is no reason to carry it around with you. It belongs in a safe place at home. You don't need to carry your card around with you for identification and you darn sure don't want to have it printed on your checks.

If you don't have a Social Security number, lost your card and need another one or if you need to change your name on your current card, just call or visit a Social Security office.

Although your number remains the same, you want to make sure that SSA records accurately reflect the correct information on you and your account. SSA will give you a simple one-page application form. You will need to bring some documents with you, such as a birth certificate, driver's license, marriage certificate and/or court papers of a name change.

You should notify the Social Security Administration if you have a baby or a death in the family.

You need to get your new child a number as soon as possible in order to properly claim that deduction on your income tax. Upon notification of a death, the SSA will freeze that number to ensure it is not used.

If you suspect someone is using your Social Security number contact the SSA immediately.

Depending upon the circumstances and the damage done, the SSA will decide whether or not to issue you a new number. If you should ever become a victim of a “Theft of Identity” (someone steals your SS number to obtain credit in your name), take immediate action. I recommend that you file a report with your local police. Obtain all three copies of your credit reports and identify the accounts that do not belong to you. Send a letter to the credit reporting agencies and the creditors who reported the account, along with a copy of your SS card, the police report and a notarized affidavit stating what occurred.

Send all letters via certified mail and wait 30-45 days. You will receive new copies of your credit reports and the bogus accounts should be removed. If not, contact an attorney and begin legal proceedings against anyone who failed to heed your requests. In a case of Theft of Identity, your name and reputation have been harmed through no fault of your own and you alone are the person responsible for correcting that problem.

If you don't know your number, contact the SSA and they will trace it for you. The entire process can take a few weeks. If you are using a false number, stop doing it immediately, contact the SSA and get your correct number back into the system.

You have the right to find out about the benefits you have paid into your Social Security account to date. Your local SSA office is listed in the blue pages of the phone directory under “federal.” sub-heading, “Health & Human Services,” or you can simply call their toll-free number, 1-800-772-1213. Tell them you are requesting your Record of Earnings and Benefit

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Estimate Statement (Form SSA-7004-SM), which shows your earnings to date. I recommend that everyone do this once every two-three years to ensure that you're receiving the proper credits from your employer's withholdings.

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YOU AND YOUR CREDIT REPORT

“People are always blaming their circumstances for what they are. I don’t believe in circumstances. The people who get on in this world are the people who get up and look for the circumstances they want, and, if they can’t find them, MAKE THEM.”

---George Bernard Shaw

For the record, YOU CANNOT “REPAIR” YOUR CREDIT!!

It is impossible. In fact, the system is set up in such a manner that it prohibits you from repairing, cleaning or fixing your credit. Only your former creditor can report your former bad credit as good, and we all know that won’t happen (in most cases). Stay away from organizations that tell you they can do credit repair, cleaning or fixing. Furthermore, stay away from someone who tells you that they guarantee results. If they do, they are not only lying, they are also breaking the law.

Here’s an invaluable tip. Don’t hire a credit repair company for hundreds of dollars when you can do the job yourself!

The MOST a credit repair company can do is dispute a derogatory line of credit from your report. In this book, I show

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you how to do the same thing without you paying them one dime. No matter what they tell you or how convincing they sound on that slicked-up infomercial at 2 a.m., keep in mind that the only way for an item to come off your report is by the action, or inaction of your former creditor.

You have to know what you are working with before you start.

First, you must obtain copies of your credit reports. Many people I've worked with over the years tell me that they don't want to look at their credit report because they know it's bad. I've seen a lot of them, and believe it or not, there is no such thing as a totally unworkable credit report.

Inaccurate information can make a credit report look much worse than it should.

In 1991, the State of Texas filed a class action law suit against TRW Credit Reporting Corporation (one of the three credit bureaus in the U.S.) and was horrified to discover that TRW admitted as much as 51% of their files contained some type of error.

You must request copies of your credit report from all three credit bureaus. (I call them the "CRA's"---more information follows).

It benefits you to have the most accurate information on your credit reports. Therefore, you need to get all three copies of your credit reports. Whether there is a major flaw such as the wrong account information, or a minor error like a mistaken former address on your credit report, it is imperative that you take the time to investigate your reports and correct any errors.

In addition to offering you the chance to correct any misinformation, the most important reason to get all three copies of

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your credit report is to obtain the exact information that your creditors and others have reported about you. You need to be on the same playing field. By getting all your credit reports, you'll have the same advantage as anyone else who looks up your credit history.

The credit reporting agencies only report the information that is supplied to them from your current and former creditors, public records and yourself, when you supply personal information. You should not have any problems with the credit bureau, if the information was reported accurately. Your dispute, however, may be with the creditor who placed the information with the bureau.

Even if you have some credit reports from last year, you still want to order new ones.

All creditors update their files periodically to the credit reporting bureaus. Some report monthly, quarterly, semi-annually or as the need arises. If your report is more than 60 days old, it is outdated. So, in order to have an accurate picture of your current credit situation, I strongly recommend that you obtain current copies of your report.

There are three main credit bureaus from which you should get reports.

The three main credit reporting bureaus in the U.S., the "CRA's," are also known as TRW, Equifax and Trans Union. The business of buying and selling information data banks is a billion dollar industry that continues to grow every year. Each one of these credit reporting agencies compete with each other for the same business. Therefore, each one has a separate file on you.

Many prospective creditors will pull at least two separate

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reports to ensure that they get a complete view of your overall credit status in order to evaluate you. It makes good sense for you to want to know exactly what this information is, good or bad.

It does little good to resolve a problem on one report, only to have one on another credit report jump up and bite you, while yet another problem rears its ugly head on the third credit report. It could happen! You have no way of knowing for sure unless you investigate all three. (A list of all the information you'll need on the three major credit reporting bureaus--- the Bud Hibbs---and how to request copies of your reports, follows this chapter.)

The credit bureaus may go by different names in different areas of the country.

There are credit reporting agencies in smaller towns using names like: Retail Merchant's Association (RMA's) or Credit Bureau of _____ (your town). These smaller bureaus are either a division of one of the top three or else they access all their information from the CRA's. Follow the same instructions in dealing with them that you would for the CRA's. The smaller agencies will usually report any changes that are made into the larger ones' main frame computers. But you must follow through and check this information yourself!

If you recently applied for credit and were turned down, the federal law allows you to receive a free copy from whichever CRA provided the creditor with the information.

Provided that you have been refused credit in the past sixty days, you may get a free copy of your credit report. You may also get a free copy if you were turned down for employment or refused insurance based on the information in your credit

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report. You can only get a free copy from the credit bureau that was used to access your file.

However, if you go out and apply for credit just to get a free copy of your credit report, the denial of credit will result in an additional inquiry on your report. That's too high a price to pay for a free credit report. It's better to get the one free annual report from TRW and then pay for the other two.

If you are married, you must get separate credit reports on each individual.

Just because you are married does not mean that your credit reports will be identical. The information could be accurate on one spouse and not on the other. Suppose there is an error on one of your reports and you fail to take care of it because you only get credit reports for one spouse? You will only be subjecting yourselves to additional lost time, stress and other problems.

After you have ordered your credit reports, only wait two weeks to receive them before contacting the CRA again.

If you don't receive them in two weeks, call that organization and request that a representative investigate your request. They can verify if your request for a report was processed. I STRONGLY caution you however, not to discuss anything with that representative over the phone. Whatever you say will be included on their computer and you may say something that you could regret. It's best to handle these matters via the mail.

When you receive the reports, make copies of them for your records.

You should keep a file on every bit of related correspondence in case a problem comes up somewhere down the road. One of

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your best weapons in dealing with credit agencies is a file full of accurate records of conversations and documents that you have discussed or sent them.

Remember the least amount of information on your credit report the less junked-up it appears when it is reviewed. Less is best.

While you have the right to submit a consumer's statement that will be recorded on your credit report, I strongly advise that you resist this temptation. We would all like the chance to explain ourselves and our situations, however, creditors and the like will often use what you say against you.

In many years of experience, I've found more times than not, the consumer's statement to be more damaging to one's credit than saying nothing at all. Remember. the least amount of information on your credit report, the less junked-up it appears when it is reviewed. Less is best.

There is a good possibility that when you first get your credit reports you are going to find some things on them that are not true.

Don't do anything, yet. Don't call or write anyone! Most of all, don't lose your cool. Stay calm and just keep in mind that you will get the matter resolved. You are a lot more effective if you follow my advice and do exactly what I instruct you to do. After all, isn't this the reason you purchased this book in the first place?

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HOW TO CONTACT THE CREDIT BUREAUS

**TRW CREDIT
PO BOX 2350
CHATSWORTH, CA 91313-2350
Call: 1-800-392-1122 for information**

TRW will send you, and your spouse, one free report per year. In order to receive it, you must send them the following information:

- Your first name, middle initial, and last name.
- Tell them if you are a Jr., first, second, or third generation (if applicable).
- Home address, including zip code.
- Previous address for the past five years.
- Your Social Security number.
- Your date of birth.
- A copy of either your driver's license, or a utility bill in your name showing your current address.
- Sign the request and mail to the above address.

TRW will send your complimentary copy in about two weeks.

**EQUIFAX CREDIT INFORMATION SERVICES
PO BOX 740241
ATLANTA, GA 30375-0241
Call: 1-800-685-1111 for information**

Equifax requests that you send them the following information:

- Your first name, middle initial, last name.
- Tell them if you are a Jr., second or third generation, (if applicable).
- Home address including zip code.
- Previous address for the past two years.
- Your Social Security number.
- Your signature on the letter.

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Equifax has a charge of about \$8.00 per report (+ tax) unless you have been turned down for credit, or have been refused employment or insurance in the past 60 days as a result of your credit report. In any of these cases, the report is FREE!.

TRANS UNION CORP.
PO BOX 390
SPRINGFIELD, PA 19064-0390
Call: 1-800-851-2674 for information

Trans Union requires the following to process your request:

- Your first name, middle initial, last name.
- If you are a Jr., second, or third generation, (if applicable).
- Home address including zip code.
- Previous address for the past two years.
- Your driver's license number.
- Your Social Security number.
- Your date of birth.
- Sign the request.

Their fee is also \$8.00 (+ tax) per report. If you need additional information, please call the number above for a recorded announcement.

BUD'S QUICK TIPS ON GETTING YOUR CREDIT REPORT

Without current copies of all three of your credit reports, you are working blindly.

Remember, the CRA's compete with one another and have separate files on you. Each one of these files could have erroneous information that you need to correct. You can then review them individually line-by-line, account by account, to determine what action needs to be taken.

Federal law allows that you can receive a free copy of your report if you have been turned down for credit, employment or insurance in the past sixty days.

If you want to know who looked at your credit report, such as a prospective employer, there is an easy way to find out.

Simply look at the section called "Inquiries" found at the end of your credit report. You will find a list of those who have looked at your credit report, including employers, collection agencies, IRS, etc. (See Chapter 7 for more information on the Inquiries section of your credit report.)

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YOUR CREDIT REPORTS AND THE SEVEN YEAR CLOCK

"Time is on my side, Yes, it is."

---The Rolling Stones; from "12 x 5, " 1965

Today, over 50 million Americans face credit problems. You probably would not have purchased this book if you did not have some kind of credit problem. Over 50 million Americans have derogatory items on their credit reports, ranging from a few minor "slow pays," to records of bankruptcy---the most credit-devastating move one can make. Due to the recession, corporate downsizing, plant closings, defense cut-backs, illness and the general state of our nation's economy (to name just a few), the number of Americans with credit problems is rising all the time. You are definitely NOT alone.

Once you have received copies of your credit reports and you have thoroughly read through them, you now have all the information (good and bad) that has been reported on you. You have sixty days to respond to any credit problems.

In order to resolve your credit problems, however, you must first understand them.

Credit problems refer to derogatory entries on your credit report. Anytime creditors report to the credit bureau a late or neglected payment, it shows up on your credit report as a derogatory entry.

Remember the consumer's statement I mentioned earlier? I strongly advise you to avoid filling out any such statement to be recorded on your credit report. In many cases, your statement only verifies a derogatory line of credit. And, remember, many creditors will use what you say against you in ways you may not be able to imagine. It is best to say less. Saying nothing is even better when concerning the consumer statement.

As discussed in the previous chapter, the wealth of information (some of which could be inaccurate) in your credit reports can be overwhelming. Don't let it intimidate you. Along with your credit report, all three credit bureaus include an instruction sheet explaining how to interpret the information in your report. Read the instructions carefully, then compare the information.

It is best to take one item at a time and study it. First, check the personal information about you, I. e., name, address, employers, spouses, etc. Is this correct? Do you agree with EVERYTHING?

Secondly, take one credit account with which you're familiar, compare your old bills and statements with the information on your credit report. Do the names, dates and account numbers match? Do you agree with all the information?

Then, compare the other accounts. Make sure all names, dates, account numbers and amounts on your report match those on the corresponding statements, bills and other records in your files.

I advise people NEVER to discuss their credit reports with the credit bureau on the telephone except in certain specific circumstances.

But if you should get completely stuck while trying to interpret your credit report, call the credit bureau and ask specific questions. There is no need to offer any additional information or specifics about any data on your credit report. Resist the impulse to explain your credit history on the telephone. Credit bureau representatives are trained to ask certain questions in phone conversations with debtors that could cause the debtor even more problems. It is in your best interest to resolve problems through the mail, instead of over the phone. In later chapters, I discuss communicating effectively through letters. It is simply your best chance for positive results.

It is in your best interest to resolve problems through the mail, instead of over the phone.

In order to get any problem---large or small---resolved, you must understand how the credit report is structured. Credit reports are usually divided into four separate sections.

1. Personal Section: This is where you'll find the personal information such as your name, previous names, address, previous addresses, spouse, previous spouses, employer, previous employers, Social Security number, date of birth and home phone number.

2. Public Records: If you have ever declared bankruptcy; had a state or federal tax lien, civil judgment, or wage garnishment ruled against you; been convicted of a felony or been ordered by the courts to pay child support, it could end up in this section.

3. Credit History: The status of automobile loans and leases; bank and department store credit cards (revolving &

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installment); mortgages/real estate through finance companies; convenience credit cards such as American Express, Discover, Diner's Club; accounts placed with a collection agency; medical receivables; unpaid rental accounts; apartment leases and any other accounts deemed appropriate by the creditors will fall into this category.

4. Inquiries: Creditors, collection agencies, the IRS, potential employers, insurance companies and anyone else who has checked your credit report will be listed here by name, identifying account numbers and the date they "pulled" your credit report.

All of the CRA's (TRW, Equifax, and Trans Union) credit reports show basically the same information in different formats. They are in competition with one another for the business of the companies which profit by purchasing our credit information. The three credit reporting bureaus follow the same guidelines in the way that they report your credit. Let's review the data that the credit bureaus report.

1. The name (and sometimes the address) of the creditor who extended you the credit.
2. An account number identifying that creditor.
3. Your account number identifying you to the creditor.
4. The date your account opened.
5. The credit limit set by the creditor.
6. Whether the account is a single or joint liability.
7. How long the account has been reviewed on the report.
8. The date of the last activity on the account.
9. Terms and/or your minimum monthly payment.
10. The current balance of your account.
11. Amount past due, if any.
12. The status of your account 1 to 9 ("1" means the status

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- is current and “9” is called a “charge-off”).
13. The date the creditor last verified your report to the credit bureau.
 14. The historical data on your account. In other words, how you paid it. Shows if the account is either on time or 30, 60, 90 or 120 days late and if the account was charged to profit & loss or discharged in bankruptcy.
 15. The type of account; R = Revolving like a credit card with a minimum monthly payment, or I = Installment or making a fixed monthly payment.

RATE YOUR OWN CREDIT

Credit reporting bureaus have their own rating system, but you and I are not going to take their word for it. We are going to rate our own credit, as well

The worst credit report I ever encountered belonged to a man who owed more than five million dollars. I have developed a system that gives you a feeling for what your credit problems really are and how to isolate the really big problems. I've used this as a tool for demonstrating exactly how the system works. You can use this system as a "cred-o-meter" for measuring your credit. Take the time to rate each account fairly and honestly.

CRED-O-METER CREDIT RATING SCALE

(Mark each account according to the scale below.)

0. An account is current and paid on time.
1. An account that is past due 30 days.
2. An account that is past due 60 days.
3. An account that is past due 90 days.
4. An account that is past due 120 days.
5. An account charged off to profit & loss (P&L).
6. Repossession - auto, lease, mobile home, etc.
7. Foreclosure on your home by the lender.
8. Judgment - someone has a court order against you.
9. Tax Lien - either by your state, or the IRS.
10. Bankruptcy - Chapter 7, or chapter 13 (wage earner plan).

How did your credit rate? Some of you may feel better, or vice versa. If most of your accounts are 0's with a couple of 1's, then relax, go to a movie or out to dinner (put it on your credit card!). You can celebrate the fact that you are in good shape.

However, if you have the majority of 6's or higher, then you

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better make some coffee and get some antacids so we can roll up our sleeves and get to work.

No matter how you rated, there is always hope.

People whose credit rating falls in the 6+ range often comment on how bad I must think their credit report is and how embarrassed they are to show it to me. Well, let me explain something to you. I have reviewed tens of thousands of credit reports over the years, and the worst credit report I ever encountered belonged to a man who owed more than five million dollars. His report had 15 pages of charge offs, P&L's and judgments. And, believe it or not, even his credit had hope.

Now, if you can top his credit report, let me know and I'll give you all the credit you deserve---in my next book.

One of the questions my "6 & up" group often asks repeatedly is "how did my credit situation get so bad so fast?" Think back to your first credit card.

In the beginning, getting credit was easy!

You begin your young credit life without having established any prior credit. As far as creditors go, you don't exist. Then one day, XYZ credit card sends you an application. Credit card companies figure that if you become a card member at an early age, perhaps you will stay with them throughout your life.

The application looks simple (and harmless!) enough. All that they want are "5-lines" of information. So, you think, "Gee this is easy. They must think that I am a great guy (or gal) and responsible enough to have one of their cards!"

You fill out their application giving your name, address, Social Security number, etc. and they process it. By putting the information you gave them into the credit bureau's computer, they establish a credit report for you. Now, it isn't really worth

anything until after you've established a track record, but believe me, this card is a great way to begin your credit career.

You get your new credit card, use it a few times, and make a few payments. Then...

Before you know it, every other credit card company is sending you applications for more cards.

As you establish what is referred to as a credit history, your credit report begins to grow as it details this history.

What you don't count on, however, is that life has a way of throwing a curve ball now and then. For any number of reasons, you find yourself behind in your payments. You may think that it does not matter until you apply for yet another card. This time however, you are REJECTED.

If you have a lousy credit history, you will most certainly have difficulty establishing a credit future.

When you apply for a credit card, what you are doing today or plan to do tomorrow is of little significance. It's what you did yesterday that counts! Even if those actions (or inactions) you took yesterday were not planned.

You never intended to let the bills go unpaid.

Less than 2% of all credit card debts that go unpaid in the nation are done so intentionally! The overwhelming majority of people in this situation never intended to neglect a debt. And, while it is "normal" for a person with a conscience to feel guilt and anxiety over unpaid bills, you must also understand that you did NOT neglect your debts on purpose. You need to be clearheaded so you can think and act in your own best interest! (Remember, that's why I began this book telling you how

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to get the collection agencies off your back!) Anxiety, guilt, depression and denial are common feelings for someone with lots of unpaid bills. While they are understandable, they aren't healthy. It is your credit that is flawed at this point, not you!

You must NOT view your credit situation as a MORAL issue.

I know that's difficult, considering some of us grew up with the Puritan Work Ethic. Many "ideals" prevalent in this country not so long ago equated indebtedness to immorality. However, the rise in population, technology and governmental growth in the Information Age have changed the individual's ability to respond. Feeling guilty, anxious and losing sleep will not improve your situation. The fact is, you will improve your chances of success if you...

Treat this predicament as a BUSINESS problem and not a MORAL one.

That way, you can distance yourself from your problem and make decisions based on fact rather than a guilty conscience.

Now, let me cheer you up a bit with some good news.

Time is on your side---seven years to be exact.

Not only is time on your side, but, believe it or not, the law is also! When Congress enacted "The Fair Credit Reporting Act," it was intended to hold the credit reporting agencies responsible for exactly how they gather, store, and retrieve and sell information on us. The "CRA's," TRW, Equifax, and Trans Union, are credit reporting bureaus and they DO NOT extend credit to anyone. They are private companies that gather and sell information to end users. The law regulates how they can do this.

Congress was very precise when they wrote the law. The Federal Trade Commission, who is empowered with enforcement

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of the law, has written its interpretation of the actual time frame for how long an account can remain on our credit report and how it should be handled by creditors. The allotted time is seven years. I call the time period a “bad” credit account has until it must be removed from a credit report, “the Seven Year Clock.”

When does this Seven Year Clock start and end?

The FTC’s document, The FTC’s Interpretation of The Fair Credit Reporting Act, states that the determining factor for when the seven year clock starts and ends is either the date of your last charge, the date of your last payment, OR the date that your creditor charged the item off. The legal term for this date is called, “The Date of Last Activity.” Obviously, the Seven Year Clock ends seven years to the date from the date of last activity.

Does the Seven Year Clock apply to all accounts?

No, it does not apply to a bankruptcy. Bankruptcies can stay on your report for up to ten years after the date of discharge. All other accounts such as tax liens (IRS & state), credit accounts, collection accounts and public records must be removed after seven years.

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However, just because the law requires these accounts be removed after seven years, it doesn't guarantee that they will be removed.

If you find an account has been on your credit report for over seven years, first, double check and make certain that your date of last activity is accurate. Second, you can dispute the account. In the following chapters, I will discuss in detail how to dispute inaccurate information, but I'll let you in on some more good news early. The credit bureau will contact your former creditor and one of two things will happen: (A) The creditor will either delete that account or (B) they will come back to you and confirm it, resulting in the account remaining on your report.

Should you find anything on your credit report that is NOT precise, you should dispute the account to the credit bureau.

In the event that the creditor confirms the account in question, I strongly recommend that you contact the creditor and make them aware of the inaccuracy. If they fail to respond, send them a certified letter DEMANDING an explanation of their error. They will probably respond that they have determined the date of the last activity was "as reported." You must then contact your local FTC office and file a complaint against them. The FTC will, in most cases, give you the assistance you need to remedy the situation.

Collection agencies routinely take it upon themselves to change the date of last activity on your credit report---a practice that is ILLEGAL.

The law states that an account may not be reported by more than seven years from the date of last activity. If a collection agency or anyone else violates this law, they are subject to severe penalties by the feds and by you in a court of law. THERE ARE NO EXCEPTIONS!

Take an aggressive attitude and make the creditor understand that they can be held liable for their actions.

The law is very specific in this matter in that it states that all accounts reported to a credit reporting agency must be accurate. My law dictionary defines “accurate” as “precise.” Therefore, should you find anything on your credit report that is NOT precise, you should dispute the account to the credit bureau.

This is an opportunity to take control of your life again!

Unless the account is less than one year away from coming off of your credit report, you are going to want to get it off of your report. Otherwise, this is not the time to put your life on hold. I’d rather take control myself and make something happen that is going to better my situation. What about you?

Don’t trust your future to anyone but yourself. YOU get the information, YOU check it out, then YOU take action!

BUD'S QUICK TIPS ON CREDIT REPORTS AND THE SEVEN YEAR CLOCK

One of the toughest things for Americans to understand is the amount of erroneous information about them stored in computers and what steps they must take to correct it.

Now that you are aware of the fact that the CRA's make millions selling information to others about you and me, it's easier to understand why you must take the time to review each credit report separately to ensure accuracy.

Creditors pay as much attention in reviewing the personal information on your credit reports as they do your actual credit history.

Remember when I told you earlier about the class action law suit against TRW in Texas? The credit bureaus took the position that the personal information on the credit report wasn't as important as the actual credit history. C'mon now, we didn't buy that for an instant! How would you react to a report that listed up to half a dozen former addresses, employers, spouses and other erroneous information? Since you, and only you, control the accuracy of this information, keep it minimal and keep it correct. Don't let anyone tell you differently.

Don't do what a lot of people do and overlook the inquiries section on your credit reports. I consider it a valuable source of information.

When you spot a name under the Inquiries section of your credit report that you don't recognize, DON'T just fluff it off. It's very important that you know everyone who has looked at your credit report and the reasons why. This is one of the few times when you should call the credit bureau (their number is on your

report) to find out about inquiries you don't recognize. The credit bureau representative will provide you with the name, address and phone number so you can contact them.

Is the date of last activity really that important?

Yes, it is. If you were convicted of a crime and had to spend six months in jail, would you complain if they held you for six months, two weeks, three days and 14 hours? Of course! Why would you allow a creditor to subject you to additional suffering on your credit report when you can take steps to stop it? You shouldn't.

Consider this also. Suppose you have been existing in this credit nightmare for a long time and now you realize that several of your old accounts are nearing that magic seven years deadline since your date of last activity was over six years ago. You certainly aren't going to rush out and pay off these "almost-seven-year-olds," so they can sit as a "paid charge off" for an additional seven years are you?

You should keep close records of your own dates of last activity on each credit account. When you receive your credit report, you must carefully determine that a creditor is reporting your account accurately. You must pay particular attention to the date of last activity!

GETTING PERSONAL WITH YOUR CREDIT REPORTS

THE PERSONAL INFORMATION SECTION OF YOUR CREDIT REPORTS

“Know Thyself.”

---Socrates

The Personal Information section of your credit report is a great place to start checking your report for accuracy. It’s an easy area to understand and to correct.

For the most part, all the credit reports (from each of the three credit bureaus) contain the same personal information, but it is placed within different formats on each one. The personal section in TRW’s credit report is on the back pages. In Equifax’s report, it is at the top and bottom of the page. Trans Union puts it all on the top of the first page. Nevertheless, you will probably find numerous errors in the personal information section of your credit report, especially if you haven’t checked it in a while.

How does all the information get on your credit report in the first place?

The personal information contained on your credit report was reported to the credit bureau by your creditors or potential creditors (or collection agencies, employers, insurance agents, medical providers, etc.). Your creditors probably got that information from you at one time or another when you filled out an application. However, information could have been added to your credit report without your consent or knowledge by a bureau employee, creditor, collection agency or others.

Mistakes happen all the time---especially in the credit business---and a lot of the misinformation on your report can be attributed to clerical errors. Misinformation could be the result of old or outdated information that you failed to have updated over the years.

You have the ability to control this PERSONAL Information.

Many things in the Personal Information section that you feel could cause your report to have a negative rather than a positive influence on a prospective creditor and/or future employer can be removed by writing, "This is incorrect, remove it," on a copy of your report and sending it to the credit bureau. This is much more effective than ranting and raving over the telephone.

For example, say you see a number of previous addresses that go back several years. Underline or circle those you want removed with a red marker and put a notation on them such as: "These addresses are incorrect. Please remove them from my file." (I would remove any addresses that date back more than five years). This is a common problem. If you have the name of a former spouse on your report, underline or circle it and write a note: "This is incorrect, please remove it." You don't have to

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list your current spouse, if you don't want to, so you certainly are NOT required to list former spouses.

For you ladies who are being forced to suffer the indignity of still carrying around the name of that former spouse, underline and/or circle the line where it says "former name," or "also known as," and write: "This is incorrect, please remove it from my report." It is really nobody's business what your former names were. I advise that you remove them.

I had a female client who had been married three previous times. Her report gave that impression that she belonged in prison because of all the junk items on it. She could have easily removed these items earlier, but didn't do so because she wasn't aware she had the right to remove them.

Likewise with names of former employers, there is no reason for them to be listed on your report. Request that they be removed.

Can you have anything removed from this section?

NO. The credit reporting agency has the right to include what they consider accurate and factual data. Your legal name, current address, employer, Social Security number and date of birth are considered part of this information.

You only have the right to remove old, outdated, incorrect and obsolete information that has no bearing on your credit worthiness. The name of your former spouse is certainly old information.

However, you also have the right to enhance your credit profile in a manner that gives you a more positive image.

If you were a potential creditor or employer and had to look at a credit report with the following kind of information, what would be your impression?

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- a. Four previous addresses.
- b. Three previous employers.
- c. One former name from a previous marriage.
- d. The name of a former spouse (or two).
- e. A warning that information on your credit report may belong to other members of your household.

You should do everything you can do to improve your personal information section of your credit report because it does reflect on you.

Now I ask you, would you consider all this information as a positive or a negative? Would you want to extend credit to this person? How about hiring them? All of this information will be seen as a negative!

Don't be naive enough to think that all this junk won't matter, because it does.

It is in your best interest to closely check the personal information on your credit report and remove the obsolete and incorrect information. You should do everything you can to improve your personal information section of your credit report because it does reflect on you.

Don't worry that changing your personal information by removing obsolete and unflattering information will get you into trouble. It is perfectly legal, as long as you don't lie. The feds won't come knocking on your door because you had the names of former employers and spouses removed from your credit report!

Actually, there are no provisions in the law that governs credit about how this particular information is to be handled, except where it states that all information must be ACCURATE!

Besides, unless you want to trust your image to a computer, who knows what would better enhance your credit profile than you?

GETTING PERSONAL WITH YOUR CREDIT REPORTS

If you see personal information on your report that you feel should not be there for any reason, then take matters into your own hands to have it removed.

Go over all three of your reports carefully, get familiar with the personal information and start removing all the unwanted items by notating that the data is incorrect, as previously mentioned.

If anyone needs any of the unwanted information about you, have them make a specific request, so you can decide if they should have it, not some computer. Better yet, let them go to the courthouse and look it up.

Also, let's not forget that the real money that organizations like TRW, Equifax & Trans Union make is not in selling credit reports to you and me. If that were the case, they would all be out of business. The real money in this industry, and I mean in the billions, is in selling information about us to others.

I will say this many times throughout the book, but it's worth repeating.

Make absolutely sure that the information contained on your credit reports is completely accurate.

The Personal Section may be a small matter to some, but I can assure you that incorrect personal information contained on your credit report will adversely affect your ability to get credit in the future, perhaps even effect that job you've been wanting or some other important item. You can do something about your future, today.

So what are you waiting for? Get to work on straightening out that obsolete information and getting it off your credit reports---
NOW!!

**ASK BUD ABOUT...
PERSONAL INFORMATION ON YOUR REPORTS**

Is what you are telling me about removing old names, addresses, spouses, etc. from my credit report legal? Could I get in trouble for doing it?

There is nothing illegal about you taking the initiative to have your credit reports give the most current and factual information about you and your personal life. No, you cannot get into trouble for doing it.

What if the credit reporting agency refuses to remove these items once I have notified them to?

Under the law, everything on your credit report must be accurate. The credit reporting agency is required by law to investigate any written requests from you to ensure that the information is accurate. If it cannot be verified as accurate, then it must be removed. How do you think a credit bureau can verify a former name, address, spouse, etc.? They can't. That's why I told you that you and you alone have the power to ensure that only the most current and correct information is allowed to remain on any of your credit reports. They will not refuse to remove those items, they may in some instances have documents or information to verify them. If this happens, you have the right to see and dispute their validity, if warranted.

Do the credit bureaus really devote a lot of time and energy to this issue?

In my opinion and experience this is the area they devote the least amount of time to.

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THE PUBLIC RECORDS OF YOUR CREDIT REPORTS

*“Be thou chaste as ice,
as pure as snow,
thou shalt not escape calumny.”*
---Shakespeare’s “Hamlet”

Wise men have said we are known more by the actions of our enemies than we are known by our own actions. If that is the case, your credit report tries to capture a little of “who you are” by recording in the Public Records section what actions your “enemies” (i.e. creditors/etc.) have taken against you in the courts.

That surely leads the way for many things to become a part of your credit profile.

They include items such as:

- a. a civil judgment
- b. state or federal tax lien
- c. bankruptcy - Chapter 7 or Chapter 13 wage earner
- d. felony convictions

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- e. foreclosure
- f. ordered to, or failure to pay court-ordered child support
- g. a divorce

Anything that is done at or with the courthouse becomes part of the legal records that are open to the public. Under federal law, “The Fair Credit Reporting Act,” all of this information is allowed to become a part of your credit report.

There is nothing you can do to prevent an item from going on your credit report if it is a matter of Public Record.

By law, anything that takes place in the courts is allowed to be on your credit report. The reason for this is to give potential creditors, employers and insurers an indication of your character, general reputation, personal characteristics and mode of living.

If you are ever involved in any type of activity that involves lawyers, courthouses, the IRS, your state tax collector, etc., a record of it will become a part of what is known as Public Records.

A bankruptcy is allowed to remain on your credit report for 10 years from the date it was discharged by the courts---not seven as a lot of you many have thought.

A civil judgment brought against you by a creditor is allowed to remain on your credit report for seven years. A tax lien, either from the feds or your state, is allowed to remain for seven years, the same with all other public records.

The removal of a lien or judgment from your credit record after seven years does not mean you are free of it, however.

It just means that it can no longer be listed on your credit reports. Anyone conducting a search of public records (a mortgage company,

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for example) will certainly turn up the debt if it is still owed. Don't be mistaken into believing that just because it's off your record that it's off your back. Unfortunately, it just doesn't work that way.

There is a large margin for error in the public records section because of the manner in which public information is posted to your report.

Just because you cannot prevent a matter of public record from going onto your credit report, don't think that you have no control at all over the Public Records section.

Bear in mind that the public records picked up at the courthouse and placed on your credit reports change hands many times. From the clerk in the courtroom, to the records-posting clerk, to the credit bureau employee gathering the information, to the data processor inputting that information, the chance for errors is great.

Just because you cannot prevent a matter of public record from going onto your credit report, don't think that you have no control at all over the Public Records section.

Under the law, you have the right to dispute the accuracy of any item on your credit report. The Public Records section is no exception.

TAKE NOTHING FOR GRANTED AND TRUST NO ONE!!

You are sometimes better off if you assume that the information is inaccurate and dispute it. That way, the credit reporting agency must send a request back to the courthouse and have it verified.

The credit reporting agency must notify you of the results of their investigation.

If it is verified, it will (in most cases) remain on your credit

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report. If it is NOT verified, or not verified within the thirty days as specified by law, then it MUST be removed from your report.

If you dispute an item on your credit report and it comes back verified, but you know it is incorrect, then dispute it again.

If you allow some time to pass between disputes, you may see positive results at a later date. I have disputed many items three and four times before they were removed, or corrected. This is why I told you earlier this process may take up to a year or more, depending on your situation.

A lot of people are under the impression that the IRS and your state taxing authority place a lien against your credit just to harass and intimidate you.

This is not true. The IRS and your state tax collectors file a lien or obtain a judgment against you in a court of law. This information is no different from a judgment or a bankruptcy in regard to how it is allowed to become a part of your credit report. It too, is subject to the same conditions as the rest of the information.

If you feel that an IRS item on your credit report is wrong or erroneous, then circle it, draw a line under it, and send a request to the credit bureau to investigate it. You will find that just like other incorrect information, in most cases, it will either be removed or verified as correct.

Tax liens, bankruptcies and judgments fall under the same provisions as the credit items reported on your credit.

If you disagree with the accuracy of any item on your credit report, you have the right to dispute it. The credit reporting agency will

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investigate your request and cause one of two things to happen to that item---it will be verified as accurate and allowed to remain, or it will be deleted from your credit report.

Once a public records item has been removed from your credit report, it will never be put back on.

It's your life, your situation...TAKE CONTROL!!

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7

THE INQUIRY SECTION OF YOUR CREDIT REPORTS

*“To whom you tell your secrets,
to him you resign your liberty.”*

---Spanish Proverb

Let’s say you’ve made significant progress. You’ve cleaned up the personal information on your credit reports so that it is accurate and MINIMAL. You’ve kept time by the seven year clock and had the overdue accounts removed. You’ve disputed any public records and a few other accounts so that your report is starting to look pretty darn good...uh oh, wait just a minute...

What’s that long list under Inquiries and why is it the only thing left “junking up” my credit report?

Just when you get to the point where your credit report is in a more manageable state, you realize that the number of inquiries could cause you as much trouble as that bad line of credit.

Why? Aren't inquiries just that---inquiries? To "inquire" seems like a positive thing---to seek knowledge. When is "Inquiries" a dirty word?

Inquiries can be a dirty word when it heads a long list of names

on your credit report and possibly prevents you from obtaining something you want or need.

The best looking credit reports have little or no additional personal information no public records, a few credit accounts and

When you apply for credit, and your credit report has a long list under the Inquiries section, it can look like you are applying for credit all over town. Furthermore, if you have a lot of names in the Inquiries section and none of them show up in your Credit History section, most creditors feel that you've applied everywhere, but failed to gain approval. Creditors may interpret that as a sign you've been REJECTED and they just might not risk extending credit to you if other entities were unwilling to take that risk.

have few inquiries.

The best looking credit reports have little or no additional personal information, no public records, a few credit accounts (those you really need) and have few inquiries. Make it your goal to look respectable, but conservative on your credit report.

Perhaps the reason you didn't get that job is because your prospective employer reviewed your credit report as a basis for your employment.

It is legal for a potential employer to check your credit report if you apply for a job that pays more than \$20,000 per year. You can find out if a potential employer did check your credit report by calling the potential employer and asking them, or you can call the credit bureau and ask them to identify any entity or individual who accessed your file. They'll give you the name and the date your credit report was pulled. You are entitled to a free copy of your credit report, as a result.

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But, HOW did all these inquiries get there in the first place?

An inquiry pops up on your credit report anytime someone looks at the report for any reason.

I didn't give anyone permission to look at my credit report, why are they doing it without my okay?

You may have given your permission without realizing it. When you opened an account with a creditor, you signed an application that contained a clause permitting your creditor to look at your report from time to time to ensure that you have not become a credit risk. This clause, while usually in the fine print of the agreement and rarely read, also permits the creditor to buy or sell your report for a promotion.

But, you don't have to grant your permission for anyone with a "legitimate business reason" to obtain your credit report.

Not only is your former creditor allowed to review your credit report from time to time, but, when one of your accounts is turned over to a collection agency, they too are permitted under law to review it. This is why I strongly advise you in chapter one to send the debt collector a Cease-Comm letter at the very first contact.

It is not unusual to see inquiries on your report that you know nothing about. A fact that most people don't realize is that most of those who look at your credit report do not have or need your permission by law to do so.

An inquiry contains the following information:

- a. The name of the creditor or entity looking at your credit.
- b. An account number that identifies them to you, and others.
- c. The date they pulled your report.

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- d. A tag line (sometimes) that identifies the reason for the inquiry (auto, real estate, employment, etc.).

Remember the potential employer and creditor mentioned earlier, who wouldn't take a chance on you after viewing the long list of inquiries on your credit report? Well, guess what? They just added to that list of inquiries merely because they pulled your credit report up to review it. So, you sacrificed (by having more inquiries added to your credit report) to have that employer or creditor check your credit, whether you knew it or not. You stuck your neck out, but you didn't even benefit from your risk since you weren't hired and/or granted credit. The ultimate in Catch-22 examples!

Be sure to identify any inquiry you do not recognize on your credit reports.

In these cases, I recommend that you call the credit bureau and tell them you want to identify inquiries on your report by their name and/or account number. The representative will give you the names, addresses, and phone numbers, if you ask. It is important that you know the identity of each inquiry on your report.

Your credit report represents a lucrative mailing list business that brings in billions of dollars to credit reporting agencies. If your report plummeted from showing real good credit to real bad credit in a short period of time, you know this situation first hand. Your name has probably been thrown around like a baseball at spring practice, from company to company.

Here's how it works: Citibank is the largest issuer of credit cards in the nation. They now control about 19% of the market. Even though it doesn't say Citibank, it still belongs to them if the issuer uses Citibank for processing. Now, Citibank goes to the

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credit bureau and requests to buy a list of all files representing individuals who qualify but do not yet have one of Citibank's cards.

BANG! The next time you go to your mailbox, there is an application waiting for you with a great reason to sign up now!

For a company that gets upwards of 21% interest on a credit card, it makes sense for these issuers, such as Citibank, to blanket the market any way they can. So, they often scan the market for potential clients by reviewing credit reports on a mass scale. These "promotions" result in inquiries appearing on each file reviewed. Even if you didn't accept their credit card, such a market survey could leave an inquiry on YOUR file.

I advise that you not apply for credit anywhere if you feel it would result in a rejection. That would do your credit more harm.

Notify the credit bureaus to delete your name from any lists they sell to creditors.

If you don't want these types of inquiries (from promotional market scans) appearing on your credit report, and would rather have less junk mail in your box, then notify the credit bureau in writing to delete your name from these lists.

Remember, ...the law states that anyone with a "legitimate business reason" can obtain your credit report, thereby resulting in an inquiry!

You should try and keep inquiries down to around six per calendar year.

To keep the inquiries on your report low, I advise that you not apply for credit anywhere if you feel it would result in a rejection. You would be just adding more inquiries that would have no correlation in your credit history. That would do your credit more harm.

Be careful when you apply for credit because one credit application can result in multiple inquiries on your credit.

If you apply to a car dealership specializing in dealing with people who have credit problems, the dealer may decide to shop your application with various banks and finance organizations. The end result could be that you end up with a lot of inquiries. Suppose you decide to apply to two or three dealers in a short period. The end result could be a nightmare, causing you more harm than good, and almost always resulting in your being turned down. Ironically, the reason for your denial of credit would be: TOO MANY INQUIRIES!

If you already have about a zillion inquiries on your credit report, there is a solution to your problem.

In most states, an inquiry will remain on your credit reports (all three of them) for two years from the date it went on, so you can see how easy it is to accumulate quite a few rather quickly.

But, you can TRACK them off your credit report. You should be prepared to not use your report for a while. First, look at the oldest inquiries. How much time until they hit the two year mark? If it's only a few months, ignore them. It will take you at least that long to finish getting your report in shape.

Now, take the remainder of inquiries and figure out how much time is left on each one. It takes up to 45 days each time you send your reports through the system. Start the clock from that date and figure out how long the process will take you to address each item on your credit report that you decide to change. If you have a lot of inquiries and you still have work to do in order to get the rest of your credit report in good shape, then

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ignore the inquiries. As they sit there, they are using up their time allowed to be on your report. By the time you get other things in your report taken care of, several of the inquiries may have already expired.

You can dispute an Inquiry and get it removed from your report.

You should dispute an inquiry that you did not authorize or you feel does not belong on your credit report. In your letter to the credit bureau, tell them that you found the following accounts to whom you did not apply under the Inquiries section of your credit report. They don't belong to you, nor did you authorize them to review your credit report. Make certain you specifically mention in your letter that you want these inquiries REMOVED from your credit report.

Remember: Don't make inquiries the focal point of your work until they are the only remaining problems you have.

Get on with the job of disputing or negotiating your other accounts, cleaning up your personal information and public records. When your only credit problems are your inquiries then, just dispute them!

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8

ON THE ROAD TO RESOLVING YOUR PROBLEMS

DISPUTING ITEMS ON YOUR CREDIT REPORT

*“You can’t always get what you want, But if you try sometimes,
You just might find, You get what you need.”*

---The Rolling Stones; LET IT BLEED, 1969

In order for you to resolve your credit problems, you must do the following:

1. Read and understand all the information on all of your credit reports.
2. Dispute ANY information you deem inaccurate.
3. Negotiate settlements on your outstanding accounts with your former creditors in a manner that is beneficial to ALL parties.

As mentioned many times on these pages, the “Fair Credit Reporting Act,” enacted by Congress, governs how the credit reporting agencies can gather and sell information about each of us. This law also ensures we have the right to dispute any inaccurate information contained in our credit reports.

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The disputing process is an extremely effective way to verify that only accurate information exists on your credit report. Thanks to the law, it can be relatively easy, as well. Here are some samples how to dispute an item on your credit report.

1. This is not my account.
2. This account does not belong to me.
3. I have never had an account here.
4. I have never done business with this company.
5. Please remove this, as it is not mine.
6. I have never had a bankruptcy, please remove this immediately.
7. I have never had a (tax lien, IRS problem, etc.) remove this at once.
8. Your information is incorrect, remove this from my credit file.
9. None of the information shown in this (highlighted) area is correct, please remove it at once.
10. I have never applied to any of these organizations (underlined), please remove them from my report.
11. These items are duplicated, please remove them from my report.

It is very important that you do NOT use the consumer statement---the right you have to put a statement on your credit report---to dispute derogatory items. As stated earlier, it is best to have less on your credit report and to give creditors, etc., NO ammunition to use against you. I advise that you do NOT give a consumer statement, at all.

Disputing is a simple matter of stating what is inaccurate and requesting in a letter, it be deleted or changed. Some items, however, are easier to dispute than others.

When I look at a credit report, I split the credit history section into two parts: 1) legitimate credit transactions; 2) junk accounts.

Accounts you obtained by filling out an application, that have an annual percentage rate (APR), specific terms and /or a minimum payment; and accounts for which you were approved a specific dollar amount in relation to the loan are legitimate credit transactions. They include auto-mobile purchases; a Visa/MasterCard/American Express credit card; department store and gasoline credit cards; and bank loans. When you acquired these credit accounts, you should have had a good understanding of your obligation.

Most people study these junk items and have NO idea as to what they are or how they came to be a part of their credit history.

Junk accounts consist mainly of accounts which have no specific terms, no APR or minimum payment and those accounts for which you did NOT apply. You could find accounts involving medical providers; apartment complexes or former landlords; video stores; utility companies; Public Records; and of course, collection agencies, make up the majority of derogatory information on your credit report. Most people have NO idea as to what they are or how they came to be a part of their credit history.

In my opinion, the legitimate credit transactions should be the only accounts allowed to be reported on your credit report. Based on the thousands of credit reports I've reviewed, I've found that these junk accounts should be disputed 99% of the time.

Furthermore, I've found the number of errors on your credit reports involving junk accounts to be higher than the number involving legitimate credit accounts. Junk accounts are initially

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handled by people who don't understand how the system works and aren't properly trained as to what constitutes a legitimate credit transaction. Therefore, I was not surprised when I discovered that 40-50% of the information involving junk accounts on credit reports was completely inaccurate.

For the same reason, junk accounts are also the easiest items to have removed from your credit report. Only a few of the organizations that list "junk" information with credit bureaus have an automated data system in place to ensure that such information remains on the credit reports.

For example, as discussed in Chapter One, a collection agency will usually send your entire file back to the original creditor after receiving a Cease-Comm letter. So, the collection agency will not be able to verify the information with the credit bureau when you dispute it. This will result in the removal of the "junk" account from your credit report since an account has 30 days to verify the disputed information as correct with the credit bureau.

EVERYTHING on your credit report is subject to review and if it is wrong, it is subject to dispute! When you study your credit reports, follow these guidelines.

If there is an erroneous item---DISPUTE IT!

If there is a wrong amount---DISPUTE IT!

If the dates are wrong---DISPUTE IT!

If there is a discrepancy in the account number---DISPUTE IT!

If you disagree with a creditor's claim that you were 30,60, 90 or 120 days late on a payment---DISPUTE IT!

If a medical provider places a derogatory line of credit against you for an item that you thought was paid by insurance---DISPUTE IT!

If a former landlord or apartment complex says you owe them money and you disagree---DISPUTE IT!

If a collection agency says you owe money---DISPUTE IT!

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If a utility company says you still owe them money and you disagree---DISPUTE IT!

If the credit card company says you owe on an account that is not yours---DISPUTE IT!

If the courthouse says you owe a judgment or have a bankruptcy or lien and you disagree---DISPUTE IT!

If you disagree with what the state or IRS is showing on your credit report---DISPUTE IT!

If an educational organization shows that you owe on a student loan and you disagree---DISPUTE IT!

If a department store, jewelry store, or any other retailer puts any information on your credit report that is not accurate ---DISPUTE IT!

If any item found on your credit report is not accurate or if you disagree with it for any reason---DISPUTE IT!

If an account is listed on your credit report more than once---DISPUTE THEM BOTH! (It is up to the original creditor to put the correct account back on the credit report if they deem it necessary).

Learn how to dispute effectively and you WILL get results!

Before you write your dispute letter, sit down with a copy of your credit report, and make a list of each item you want changed, updated or deleted. Then, go over the list again and write down each problem with each item. Double-check the date of last activity and/or the date your creditor last verified the information on each account you are disputing. Write the dates on the list also. You don't want to dispute an account that will run out of time within the next few months according to the Seven Year Clock, because if it is verified, it could be on your credit report another seven years! (See Chapter Four for more

information on the Seven Year Clock).

Once your list is complete, you are ready to begin the first draft of your dispute letter. In my years of experience, I've learned specific ways to ensure that requests are taken seriously. The manner in which you write your dispute letter is perhaps the most important thing to consider as you go about the process of resolving your credit problems.

If the credit bureaus decide for any reason that you are just trying to waste their time, they are not powerless. Part of the same law which protects the consumer, also protects the credit bureaus by enabling them to legally ignore your request by dismissing it as "frivolous and irrelevant," also defined as "lacking in proper seriousness." You know and I know that you are very serious when it concerns resolving your credit problems, however, you need to be aware that the credit bureaus could suspect you of frivolous intent, if you don't take a few simple precautions.

First, DON'T MENTION THIS BOOK IN YOUR LETTER OR COPY ANY LETTER FROM THIS BOOK WORD FOR WORD!

Feel free to use the letters in this book as examples. Use this book as a guide. Follow my instructions exactly, but for your own sake, **USE YOUR OWN WORDS** in your letter or your letter will end up sounding exactly like others who, despite my warning, **WILL** use exact copies from this book.

I cannot express this enough. It can only hamper your progress if the credit bureaus are suddenly flooded with nearly identical letters. To paraphrase Arlo Guthrie from his famous protest song, "Alice's Restaurant"---One is a protest, two is a conspiracy and any more than that is a movement. It is somewhere between a "conspiracy" and a "movement," when the credit bureau

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clerk will jump up and alert the supervisor that they've received 100 identical letters and the credit bureau honchos will decide to retaliate by summarily dismissing the entire batch as "frivolous and irrelevant!"

Remember, there are far more people with credit problems than there are credit bureau clerks-odds are it won't take long for clerks to begin seeing identical letters if you don't **USE YOUR OWN WORDS!**

When choosing your own words to use in your dispute letter, keep in mind that the credit bureau clerk who opens your letter can **HELP** you to solve your problems. The manner in which you present your request can determine success or failure. Your dispute is not with the credit bureau clerk, but with the creditors or collection agencies or whoever delivered the inaccurate information. **Be nice.**

In other words, don't lose your cool. Be nice. Polite. You can be firm without being offensive. Above all, don't threaten them!

In effect, "kill them with kindness."

Use words you use everyday in conversation. Try to avoid using technical or legal terms. Phrases like "or else," "under the law," "my legal rights," and "according to Federal Law," won't impress anyone in this case, but might alienate the reader.

Also, avoid the word, "because" -it is an excuse. You don't need to make excuses for anything to the credit bureau. Their job is not to collect money from you. The paltry sum they make from charging fees for mailing out credit reports to consumers means very little compared to the billions they can bring in from buying and selling information to your creditors. But, they **CAN** use things you say against you. For example, if you say, "I didn't pay this because

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it belonged to...,” you only give them additional information to put on your report so that those who DO collect money from consumers will use it against you.

Once you’ve written your first draft, reread it and check for information that could be used against you. Then, make your final draft legible. It is best to use a typewriter, word processor or computer. If you don’t have access to those implements, make sure your letter is neatly and legibly written in ink.

Make a copy of your letter for your records and keep a copy of your credit report!! You may need to mail a copy of your report along with your letter so you can highlight, underline or circle the information you want changed or deleted. However, remember to keep a copy for your files so you can refer back to it later and mark your progress.

Finally, DO NOT use certified mail to send the letter of dispute.

Remember, unlike the Cease-Comm letter to the collection agencies (Chapter One) where you want to draw attention to yourself, with the letter of dispute, you don’t want to do anything that will jeopardize the credit bureau taking your request individually and seriously. The immediate goal with your letter of dispute is to blend in with the others, without of course, imitating them to the point that you alert their attention. Sending your letter of dispute via certified mail would only draw unwanted and unnecessary attention to your letter and cannot help you in your goal to remain low-profile. **USE ONLY REGULAR POST TO MAIL YOUR LETTER OF DISPUTE.**

Be smart. Plan ahead and follow through. Disputing items on your credit report is that easy if you follow the simple instructions. Then, you can sit back and relax while you wait for a response,

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relishing the feeling that you have taken steps to change your situation for the better!

Don't forget, the credit bureaus have thirty days from receipt of your letter to verify an account you've disputed or else that account must be removed. All three of the credit bureaus are aware of the time limits set for them by the law and they strive to adhere to them. However, it is in your best interest to keep accurate records of all your dealings with them, especially noting the dates involved. Don't trust anyone but yourself to keep your own records.

Persistence pays off.

If you do not succeed in getting an item removed from your credit report the first time you dispute it, then try again after 45-60 days. Remember to always check the last date your creditor updated your file to the credit bureau. If your account was just updated last month due to your dispute, wait at least 45-60 days before attempting to dispute the item again. I've found that allowing a sufficient interval between disputes is one of the best ways to get an item removed from your account. Persistence tempered with patience will win the day.

The CRA's

Make certain to get a copy of your credit report from each one of the three credit bureaus. Compare all three reports for consistency, but don't be alarmed if an account appears on one report and not the others. If you have a good account that you want to be recorded on your reports, contact your creditor and request that they place it on your credit report for you. Remember neither you nor the credit bureau can have something removed or added to your credit report. Only your creditor has that power, although sometimes it is through their inaction instead of their action whereby something is removed.

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Remember that the credit reporting bureaus do not share information with one another. If you have an account listed on all three of your credit reports that you wish to dispute, you must send a letter to each of the three credit bureaus. If you are successful in getting an account removed from one of your credit reports, you must send a letter of dispute to the other two in order to get it removed from them, also.

You may have instances in which an account will be removed from one account and yet it will be verified and therefore, remain on another. Don't get frustrated and give up. Wait about 60 days and dispute it again.

It is important to understand the various differences between the bureaus and how they handle your information. On your credit reports, Equifax and Trans Union will include more information than TRW. However, TRW will usually include addresses for your creditors which the other two do not provide. If you can decipher the subtle differences between the CRS's, you can use the information to your best advantage.

TRW's response and information about their response to your dispute may be incomplete. This particular credit bureau does NOT update each account showing that they did indeed verify that it was correct. You'll only be able to find records of their contacts in the section called "Explanatory Comments." Here, TRW lists the names of who they contacted. Unless the item was deleted, however, you have no real proof TRW did go back to the original creditor to verify your account. This is an illegal breach. According to the law, they have to give you, the consumer, a complete and accurate account of your dispute.

Equifax and Trans Union will verify their contacts in response to your dispute under the heading "Date Reported" or "Date Verified." Here you will find whether or not the creditor did reply to that dispute.

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When you receive a response (a new credit report) to your letter of dispute, it can be difficult to determine exactly which items were changed or removed until you sit down and compare your new report to your old one.

There are instances when an item will be removed from your report and then reappear at a later date. The credit reporting agency is bound by law to respond to your dispute within thirty days. If the item cannot be verified by the creditor in that time, it must be removed. However, the creditor is allowed to place it back on your report at a later date if they can justify its accuracy.

Remember, nothing is too small or trivial to dispute!

Based on my experience in working with thousands of people just like you, I've found that you must pay as much attention to the trivial information as you would the major items, in order to be successful getting negative items removed from your credit report.

I have used this system for more than fourteen years and have removed or caused to have removed more than 25,000 items from credit reports.

It works!...It's legal!...WHAT ARE YOU WAITING FOR??

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NEGOTIATING WITH YOUR FORMER *CREDITORS*

*“Let us never negotiate out of fear,
but let us never fear to negotiate.”*

---John F. Kennedy

My critics have claimed that I spend much more time showing you how to remove items from your credit report than I do giving you instructions on how to pay off your old accounts.

You will get no argument from me on that point. The critics are correct. I DO spend more time teaching how to dispute items on your credit reports and thus, getting them removed.

It just doesn't make sense to me that a convicted felon can walk out of a state or federal prison after serving as little as six months time (or even less with parole) and absolutely no one knows about it unless he decides to tell them. You, on the other hand, lose your job after busting your butt for a number of years and miss a few payments on a credit card or car and, suddenly, you are treated like a **SECOND CLASS CITIZEN**.

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The convicted felon has no one calling and interrupting his dinner on a daily or weekly basis. He doesn't get threatening letters from companies reminding him of his "debt to society." In fact, unless he is on parole, he has no one at all to whom he must answer. If he is on parole, he must call/visit one person-his parole officer; unlike the debtor, who must state in regular, frequent contact with his three or four (at the least) bill collectors just to keep them from calling his employer or previous employer; his family members (brothers, sisters and parents); neighbors; and virtually anyone with whom they believe he's had contact, with no regard to the debtor's privacy.

I've known of convicted felons who served less than six months time and were given nonadjudicated probation-meaning they were totally set free of the penal system, but also had their records wiped clean-as long as they didn't repeat their crimes. You, on the other hand, miss some of your credit card payments and wham! you automatically get a credit record sentence of seven long years!

These days, seven years is far too long to have to pay for having credit problems.

Having worked with hundreds of debtors who are honest, hard-working, everyday people just like you and me, I have concluded that the credit system is not only very unfair, but that it is also devised so that it keeps people like you and me in debt and unable to break free, without sinning the lottery.

Just when we get close to paying off a credit card, we are inundated with more cards, more "offers we just can't refuse" with even higher limits and even higher interest rates! The minimum payments are jokes-we all know we never make a dent in our balance by paying those! And, that's what the credit system wants.

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Yet, a young couple starting out cannot hope to buy a house or a car unless they have applied for and used a credit card (or two or three) so that they've established a credit history. I know of one married couple in particular, who worked hard, saved their money and when they found their dream house, applied for a loan. They had no credit cards, thus no credit history, so they were automatically denied a loan.

It was hard to beat this particular couple down. With the optimism of youth and love, they said, "maybe next year," and went out and applied for a few credit cards. After a few tries and a few denials, they finally obtained one credit card which accepted them for a small credit limit on a "trial basis." After three short months, they had three more cards, extended credit limits on all their cards and a hefty finance charge to boot. They didn't even have to seek out the additional charge cards, which had been sent to them when the banks realized (through reading their credit reports) that the first credit card had been used and payments had been made.

The next year came, but, still no house for our couple. One of their credit card accounts had combined two of their cards into one account without their notification or permission. (It was two major different charge cards from the same bank.) Suddenly instead of two cards with a \$500 limit on each, they had one account with \$700 charged on a \$500 limit-an overdue account complete with overdue charge, late fees and a nasty credit report. Once again, they were refused a mortgage loan. This time they had credit, but they also had a bad credit report. (Plus, the inquiries section of their credit report grew every time they tried to get credit or a loan and were denied!)

Chances are, by the time they would've gotten the bad items off their credit report on their own (by waiting out the seven year period), they would have lost the chance to buy the house they

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wanted or perhaps they would've been divorced- since money and credit problems are the leading cause for marriages breaking-up according to statistics-or, worse, they would've been too old to want a house. (We've seen how one little derogatory item can be renewed again and again so that it adds years to that "clock" by sevens each time it is renewed.)

However, this story has a happy ending. Mr. & Ms. Optimism called my talk show one day and I told them to call me the following day so we could talk privately. We were able to work together to get the bad items removed from their credit report. A few months after we met, they were approved for that loan and signed the papers on their first house.

That is the American credit system for you. It's a Catch-22, and you've got to have an edge to survive it.

Let me be your edge.

You must understand that just paying your old debts is not the only answer to your problems. In most cases, your honesty could result in several more years of a bad credit report, due to provisions of the seven year clock we discussed earlier.

My solution to this dilemma is to provide you, the consumer, with as much education and information as possible, so that you, and ONLY you, make the intelligent decisions that will affect your life. So, yeah, I've got critics. Anybody with anything to say nowadays attracts them like flies.

But, don't bend over to critics!

My concern is that you, your family and a lot of other folks who care about you have paid a high enough price for all that you've been through/ That's why I say, "DISPUTE IT, FIRST! THEN, NEGOTIATE."

NEGOTIATING WITH YOUR FORMER CREDITORS

Perhaps after months or years of not being able to pay on an account, you may find yourself in a position to pick up where you left off. Perhaps you were laid off and recently got a better job so that you are more financially secure. You still have that bad debt looming over your head, however, and you'd like to get rid of it.

Most of us decide at some point it's time to begin paying back what you legally and morally owe. Let me emphasize again, I NEVER advocate ANYONE not paying their bills! The overwhelming majority of people who owe money and find themselves unable to pay never intended to let a bill go unpaid, either. As I quoted earlier, only 2% of unpaid bills in this country are intentional-that is, theft. The rest-a whopping 98%-find that life has thrown the ol' curve ball their way and that their creditors aren't about to back off until they can find another job or work their way through a medical crisis, for example.

In essence, no one from the creditor's side of the fence is eager to cut any slack. That goes for those of you in the position to start resuming payments again, as well. Be very careful. When you approach the negotiating table, if you don't have a bargaining chip, your past debt could get the best of your future.

If you have an account on your credit report that has already been charged-off, you probably think you should contact your former creditor to tell them that you are ready to resume paying off that debt you owe and set up a monthly payment plan. One would think the creditor would gladly say, "Sure! That would be great," and that he'd think what a swell guy/gal you are to want to make things right.

When you approach the negotiating table, if you don't have a bargaining chip, your past debt could get the best of your future.

And, everyone would live happily ever after...right??

WRONG.

I'm not saying ALL stories only end that way in fairy tales, but, for credit-problem stories, that fairy-tale ending just ain't gonna happen.

But, let's see what WOULD happen if you were to take that action. By checking in with your former creditor and offering to make a payment or making a payment, you just restarted that Seven Year Clock and chances are, it had already run out the first time around. So, you would have just allowed your creditor to report the account as delinquent ALL OVER AGAIN!

You may pay off the debt today, but it will most likely be SEVEN YEARS before the debt comes off your credit report, if you take the action mentioned above.

Another option would be for you to dispute the information first and if you fail to get the item removed from your credit report, then contact your former creditor and negotiate. This is the only real solution in this case. You have to negotiate from a position of strength.

You have what your former creditor wants, which is YOUR MONEY!

It stands to reason that if you have something they want, you should be in a position to negotiate at least part of the terms of settlement. Doesn't it make sense that before you part with your money, you should negotiate some items that favor you as well as the creditor?

There is nothing immoral and/or unethical about negotiating a settlement.

All creditors are fully aware that there is an inherent risk involved in lending out credit. The creditor tries to minimize the risk by setting credit granting standards that you must meet when you apply for credit. When that creditor issued you a credit card, they made a determination as to your ability to pay, based on your present circumstances. High finance charges, low pay-off benefits, minimum payments that do not decrease the principle significantly are all indicators of the creditors' knowledge of risk. So, wouldn't you think creditors would work with you to get some or all of your payment?

Creditors are not going to offer you some type of amnesty on old accounts. Sure, it would be great if they would be willing to mark your credit report as "paid as agreed" or even better if they'd delete the account entirely from your credit report if you contacted them and began making monthly payments. But, they are not going to offer you that.

Just think of all the millions and millions of dollars that companies would recover that they had written off as loss if only they were more willing to negotiate! However, the creditors and others involved in the process argue that such an arrangement would mean the creditor was not giving an accurate credit report on the debtor. They say this would "undermine the integrity of the credit reporting bureaus!"

Don't buy that garbage about "integrity of the credit reporting system!" And, don't believe them when they say they'd be violating the law to make a deal with you about reporting this account, because it is a lie.

An organization that collects on old accounts does not hurt its integrity or yours because 99% of you are in much better shape

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now then you were when the accounts went bad. Furthermore, the only thing they'd be violating if they made a deal with you might be company policy. There is nothing in the law that dictates how a creditor must report you to the credit bureau.

The absolute WORST thing you could do would be to pay the creditors without getting some sort of written document that explains exactly what they will do for you. **The fact is, creditors usually don't have the guts to make a deal. After all, this is only about MONEY!**

The absolute WORST thing you could do would be to pay the creditors without getting some sort of written document that explains exactly what they will do for you. If you were to call the 1-800 number from your last billing statement you would probably hear a clerk recite, "of course we will accept your payments, however our company policy dictates that we notify the credit bureau that you now have a paid charge-off." This may be "company policy," but it is not the law.

If you run into this kind of response, your only alternative is to keep taking your offer higher up the organizational ladder. I've never met a clerk with the authority to negotiate and chances are, you won't either.

You must make contact with someone in management, not a pre-programmed 1-800 clerk. Speaking to a title such as "Collections Manager" won't cut it.

Make sure you are negotiating with someone who has the authority to do something! When I'm negotiating for a client, I would prefer to speak to department heads or higher. People such as Vice Presidents, Presidents and CEOs are even better, IF you can get to them. These people usually won't feed you a lot of garbage and will tell you straight up if they are willing or able to deal with you.

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How do you know if the person who is negotiating your account has the authority? Simply ask them. Try this: “Mr. Smith, do you have the authority to negotiate a settlement, and to confirm our agreement to me in writing?” If not, find out who can. Be sure to keep a record of everything you do and the name of each person to whom you talk.

Keep in mind that it is your money and as long as you are holding onto it, you have the power to negotiate! Don't give it up without a deal that favors you as equally as it favors them.

Don't take the word of anyone who assures you over the phone that your best interests will be served by sending in your payment. Get it in writing!

You may find this hard to believe, but a lot of these people will lie to you. They will tell you anything to get your money, agree to anything, and then turn around and mess up your credit report for another seven years.

You would be amazed at the number of people who have come to me complaining that they either thought they were doing the right thing or were assured over the phone that sending their money into the creditor would help their situation. The sad fact is that once you have given up your money, you have nothing left to negotiate.

Your money is your negotiating tool. The longer you have it, the better your chances of getting a fair deal.

In order to protect yourself, your credit report and your future, you must make sure you have an agreement in writing before you send any money to a former creditor. Once you've sent in money based on the word of an 1-800 clerk, you have NO recourse. Then, all you'd accomplish is making yourself feel worse and probably making your credit worse, too. So, don't do it.

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In addition, be careful what anyone tells you over the phone or in writing! If you are told by a former creditor that they will notify the credit bureau that your account was paid, they are really saying that they will reopen your account for seven years showing that you paid a charge-off. That's not good enough! For a debtor in this position who has already suffered enough hardship, it might be tempting to want to hurry and send in the money on someone's telephone word, in the hopes that it will all just be taken care of and finished.

That is the worst thing to do. The only thing you have to bargain with is your money, and once you let go of it, you can kiss negotiating good-bye. Therefore, be careful of terms such as "we'll mark it paid" or "trust us" or, one of my favorites "it's against company policy," all of which do NOTHING to benefit you.

Know when to hold 'em.

If your creditor refuses to negotiate and won't even discuss your credit report, hold your cards. YOU are holding the money. The creditor WANTS the money. YOU are trying to give it to them, but you want something in return for it.

Remember how they kept calling sometimes DAILY when you were first late with a payment? Learn from the example they set for you then. Keep bugging them on a weekly, biweekly or monthly basis. Always keep sending your SAME offer in. Persistence pays off when disputing and when negotiating, as well. Try it, what have you got to lose?

By all means, if you contact your former creditor, do NOT accept it if they refer you to the Collection Agency, they "sicked on you" in the first place...the one to whom you should have sent the Bud Hibb's Cease-Comm Letter!! Believe it or not, creditors actually try this sometimes with debtors who attempt negotiations.

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If they try with you, send the creditor a copy of the Cease-Comm Letter you sent to the collection agency. Inform them that the collection agency is prohibited by federal law from contacting you in this matter. Tell them you are now willing to work out an amicable settlement, but you will only work with the original creditor. If the original creditor is interested in dealing with you, they will contact you.

Remember that the creditors were willing to give up 30-50% of your debt to a collection agency in order to settle your old account before. Surely they would consider a better offer in return for removing the item from your credit report or marking it as “paid as agreed.”

Persistence. If you fail to get what you want from one individual, try another and another. What have you got to lose? A few phone calls, a few letters?

What is the point of settling if you can just wait out the seven years?

You always have the option of waiting out the seven years and if the former creditor won't concede, if you offer to pay, then that may well be your best option. However, most debtors fall into a bind for a year or two and then find themselves back on top and eager to get rid of outstanding debts. In order to make this program work for you, you have to take a very aggressive (as in assertive, not hostile) approach with your former creditors to settle these accounts.

Don't take “NO” for an answer. Not for awhile, anyway. Don't get upset if they constantly refuse your offer. Simply keep sending letters and/or calling.

Every company has a policy to which they claim to adhere. Some-

Remember that the creditors were willing to give up 30-50% of your debt to a collection agency in order to settle your old account before.

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times they are as adamant about getting what they want as you are about getting what you want. One thing to consider is that the credit business is high pressure and therefore has an unusually high turnover rate of employees. One day, the stubborn department head who has refused your offer to negotiate for months may be gone and someone else willing to work with you may be in. Maybe that new department head didn't have the power before to negotiate, but with the new job title came new authority. S/He just might be willing to negotiate because s/he admires your persistence and remembers how polite and kind you've been to her/him when you called... It could happen sooner than you think. So, keep an open mind when negotiating-don't close any doors.

NEGOTIATING WITH YOUR FORMER CREDITORS

BUD'S NEGOTIATING TIPS

Never negotiate from a position of weakness. Hold your money until you obtain a written agreement promising what you want -an amicable agreement from someone with the authority to make it count!

For example, if you decide to buy a home or purchase a new car and remember that you have a charge-off on your credit reports, do NOT tell the former creditors how desperate you are and that you have to settle or you will not be able to get a loan on the house or car. The same principle holds true for negotiating as it does for disputing items with the credit bureaus-the less you volunteer in the way of information the better off you are. It is best not to be in a desperate situation when you begin negotiating an old account. But, if you are, don't show it. Adopt a "poker face."

Know EXACTLY what you want to accomplish BEFORE you make contact. If you don't, you will be at their mercy and probably not get what you want. Be prepared to settle. Have the cash ready if you are close to an agreement. Offer to send them either a cashier's check or a money order (you can get these from your bank or local post office). Don't ever send a certified or regular check-they don't represent immediate cash to the creditor.

Show that you have a lot of time and patience. It's best to start when you have the funds, but are in no particular hurry. This position gives you a lot of confidence because you don't feel that you have to take their deal unless it suits you and your situation. If you have time and money, you are DEFINITELY in control.

All debt is negotiable once it has been charged off or gone to a lien. If you owe the IRS, state taxes, a student loan, a repossession, a

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judgment or any other type of debt, always try and negotiate it, if time and money are your best friends. After all, what have you got to lose?

Likewise for both disputing and negotiating-don't do by phone what you can do by mail. Sometimes your phone voice can give away a lot of clues to a skilled listener. That can't be done as easily in a letter. Furthermore, in a letter you can take your time and compose your thoughts much better. Use a typewriter, word processor or computer if you can. It conveys an air of professionalism that your creditor will notice.

Be cool, professional, polite and to the point. Let your letter carry an aura of confidence and maturity. Never beg, or give the idea you are desperate. Never cave-in to phrases like, "it's against our policy." Remember that you have a policy too. Your policy is to ensure that your best interests are looked after and who else is more qualified than you? Let them know that you know the law!

Perhaps your spouse has a more assertive nature than you do. Or vice versa. If he/she is better at negotiating than you are, then let her/him negotiate for you. While resolving your credit problems is very serious business to you, negotiating is often considered a game to be played by others. You want to play to win. So use the best negotiator you've got.

Always keep a record (copy) of every letter sent, every phone call made, every person you talked to including addresses, dates and phone numbers. This will prove invaluable in dealing with them later.

Finally, don't despair. If you follow these instructions, you can't be any WORSE off than you were when you started. Even if it takes you quite a while to negotiate an amicable settlement, you stand to benefit a great deal.

10

DEALING WITH DEBT AND MEDICAL PROVIDERS

“Look to your health; and if you have it, praise God, and value it next to a good conscience; for health is the second blessing that we mortals are capable of; a blessing that money cannot buy.”

---Izaak Walton 1653.

Three years ago, my wife Susan and I faced a medical nightmare that began with the discovery of a lump in her breast. Things got even worse, before they got better. I’ll be honest with you, finding out it was cancer scared the hell out of us. Through each step of the medical process-mastectomy, reconstruction, chemotherapy-we fought hard to not give in to fear.

When you experience such a medical crisis, fear becomes your shadow-your ever-present companion that can darken every corner of your life. However, Susan was MY strength during this time-and it was HER medical crisis! We both did our best to feed strength to each other.

During this time, however, my fears of losing her and my inability to do anything to lessen her pain, sculpted me into a different person. Fear can change you that way-especially the fear of the unknown when

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it involves someone you love. That helpless, nagging fear becomes your worst enemy and you want to conquer it, but you cannot because it is a part of you, integrated with your soul.

So you live with that fear. And you cry and you pray and you wait. But most of all you hope that someday soon you'll wake up from this nightmare.

Today, my beautiful, intelligent wife Susan is the light of my life. We emerged from our crisis changed, but, much the wiser -more committed to each other than ever before for having battled cancer and survived.

When we were in the midst of the fight, the farthest thoughts from our minds were medical expenses. We had what most people consider "good insurance," and a relatively low deductible. However, after being through \$50,000 worth of medical expenses, even paying the deductible can be financially devastating.

Still, we were very lucky that we had insurance at all and that we did NOT have to base any of our medical decisions on our financial limitations. There are so many people who DO have to consider how much they can afford and where they can find treatment for their catastrophic illness.

If close to 50,000 women contract breast cancer each year, that amounts to roughly 2.5 billion dollars in medical costs for that disease alone. Fortunately, when found early enough, breast cancer is one form of cancer that can be treated successfully. IF it is detected early enough. But, what about the people who have no insurance?

A staggering number of women in the United States today have undetected breast cancer, but don't have sufficient insurance coverage (if any) even to pay for a mammogram (the early screening test for breast cancer), much less to pay for cancer treatment, such as surgery

DEALING WITH DEBT AND MEDICAL PROVIDERS

and chemotherapy. It's bad enough to be stricken with a life-threatening illness, it's even worse to put off early diagnosis out of fear that you do not have the financial means to seek treatment.

This national crisis is only compounded by the fact that insurance companies DISCRIMINATE against anyone who has ever had a devastating illness, even if they no longer have any trace of the disease.

My wife and I know first hand that once you've been diagnosed with a catastrophic illness, you are a pariah to the insurance companies. They often respond by either raising your rates through the roof or canceling your policy outright, just when you NEED insurance the most. If you should change jobs and your insurance isn't portable, the situation can be even worse-you can be completely denied coverage since you're now in a "high-risk" group.

Hopefully, now that this insurance crisis has been recognized and debated publicly and in the media, our representatives in Congress, the Senate and the White House will take effective steps to protect people who've paid their premiums for many healthy years and are suddenly canceled (or have their rates quadrupled) due to an illness. Isn't that what we purchased insurance for in the first place-to help us pay our medical bills if we became ill?

It is definitely unethical that insurance companies are allowed to penalize you for USING what you've already purchased. Unfortunately, the policies of insurance companies are not based on a moral, but rather a profit, incentive. And, they DO profit-by discriminating against the very ill.

You cannot experience something so emotionally, mentally and

My wife and I know first hand that once you've been diagnosed with a catastrophic illness, you are a pariah to the insurance companies.

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physically draining as a major illness without it having a great effect on your outlook. Since Susan's illness, one of the changes in our perspective has been a sort of wake up call to the fate of others who may not have the advantages we did.

The VERY LAST thing someone needs immediately following a medical crisis is to be faced with overwhelming financial concerns. Sometimes, these financial worries can aggravate your physical condition to the point that your recovery is hampered.

You suffer a mental, emotional and physical beating from your illness compounded by other worries such as threats from your insurance company to cancel your policy or raise your premiums; creditors demanding payment or threatening lawsuits or judgments for other bills you haven't been able to pay since you've been ill and unable to work; and a couple of collection agencies calling night and day (when your doctor told you to get plenty of rest!) about your unpaid medical bills. So, what can you do? Knowledge is power, begin there.

The majority of doctors, hospitals and medical clinics have a standing relationship with a collection agency. Once you miss a few payments or if your insurance fails to pay a portion of the bill which you thought they'd pay, the clinic/office/hospital will usually turn your file over to a collection agency.

Medical providers will usually try to work out some kind of payment schedule with you before they turn your case over to the collection agency. But, don't think they'll accept a periodic payment of \$5 unless they agreed on that amount with you when they set up your payment plan. You have to prove to them that you intend to actually make the payments in order to keep your account out of collections.

Once a medical account is turned over to a collection agency, they usually send out 1-3 notices and make several phone calls before they contact the credit bureaus to place a derogatory line of credit against your report.

DEALING WITH DEBT AND MEDICAL PROVIDERS

Ironically, it is when your medical account goes to “collections,” that you have perhaps the best chance of getting that medical bill removed from your credit report. Medical providers are more cautious of lawsuits than perhaps any other group. Their insurance premiums are already astronomical. The possibility of litigation that could potentially cost them thousands in order for them to recover hundreds isn’t usually worth the time, aggravation and expense. Of all the creditors and others trying to get your money, you’ll probably find the medical providers more willing to negotiate a settlement.

In all fairness, I’m not trying to pick on the medical field. We all know they work long, hard, stressful hours and face an incredible amount of government regulations and insurance industry headaches, most of which are unwarranted. They gave you (in most cases) excellent services and are entitled to their just compensation. I’m certainly NOT advocating that you avoid paying your medical bills or that you threaten litigation! If you feel you have a problem with a medical provider that is so severe no solution can be reached without the courts, then, you need to find an attorney.

Nevertheless, through my years of working with debtors and negotiating debts, I have found that your medical providers will be more aware of your power under the law and, because of their own past experiences, may be quicker to see the benefits of working WITH you, rather than working against you.

When I see a credit report that states you were given a line of credit by a medical practice or facility, however, I have a real problem with that. What this implies is that you were given a line of credit much like a Visa card for say \$5,000 worth of medical services and you defaulted on the agreement. We all know this is not true and, if you have

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such an item on your credit report, I suggest you get yourself a supply of certified mail receipt slips (postal form 3800) and begin a letter writing campaign. If you ARE a medical provider and are engaging in this practice, using the credit bureau as your own personal collection agency, I strongly urge you to stop doing so and consult with an attorney qualified to interpret the “Fair Credit Reporting Act” and licensed to practice in federal court because that is exactly where you may soon find yourself as a result of this activity.

You, the debtor, can get rid of any collection agency harassment immediately-whether the account is old or new-by sending my now famous Cease-Comm letter to the agency. As with all letters and contacts, make sure you keep a copy of this letter for your records. Once the letter is sent and you desire to resolve the matter with the medical provider, contact them via mail and let them know that the collection agency is out of the picture (send along a photocopy of the Cease-Comm Letter you sent via certified mail to their collection agency) and you desire to resolve this matter directly with them. Advise them that part of the agreement will include their agreement, in writing, to notify the collection agency that is under contract to them to delete all derogatory information placed on your credit files and you will agree NOT to seek legal action in federal court against them as a result of their actions.

In the meantime, take my earlier advice and send in a dispute to the credit bureaus about anything that a collection agency may have placed against your files. By waiting a few weeks until after you have sent the collection agency their legal notice (the Cease-Comm letter), your chances for success increase dramatically since the collection agencies often purge your file from their computer after receiving a Cease-Comm letter. Therefore, when you send a letter of dispute to

DEALING WITH DEBT AND MEDICAL PROVIDERS

the credit bureau disputing the item, the credit bureau will attempt to verify the item with the collection agency, but the collection agency will have no record of your account (if they returned your file to the original creditor). If your dispute is not verified within thirty days, the item **MUST** be removed. (see the previous chapters about disputing information in your credit report to find out more about writing and mailing such letters).

If you succeed in getting the item removed from your credit report, you've given yourself a much better position from which you can now negotiate. If you've "Cease-Commed" the collection agency, they are out of the picture and won't care about your credit report. The medical facility, however, will most likely be unaware that you have already had the item removed from your credit report, and this gives you more power in negotiating with them, since you are holding the only thing they want-your money, and have already gotten part of what you want-the item removed from your credit report. So, make a deal that equally benefits both of you and move onwards. Keep in mind that you received quality medical treatment which you needed and deserved. The people who treated you did so in the belief that you would honor your commitment to pay them, so **PAY THEM!**

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ASK BUD ABOUT... MEDICAL PROVIDERS AND YOUR CREDIT

My insurance was supposed to handle the bills, why should I have to kick in more money?

Because you owe it. Most insurance policies do not pay 100% on the charges because if they did, the premium would be too high. Therefore, you are responsible for whatever balance remains. Be sure you understand from your carrier exactly what you owe before you pay, and review your policy conditions. Never assume that everything about our medical bill is going to be handled by your insurance carrier. Remember that in a lot of cases, your deductible starts over at the beginning of each calendar year.

What action should I take if my credit report shows the name of a medical provider such as doctor, hospital, or clinic?

Send that facility a certified letter requesting all documentation that substantiates the fact that they did indeed give you a line of credit as defined by federal law. This should include a credit application, complete disclosure of financing, i.e.; APR., term, conditions, etc., and the line of credit they have extended you. If they fail or refuse to do this I would let them know that you are taking the position that they have violated federal law (the Fair Credit Reporting Act) and as such could be liable for damages.

Keep accurate records of your correspondence. It's real easy to converse with your creditors when you know what you are talking about and are able to back it up with documents.

What if the medical provider simply turns this account over to a collection agency and refuses to deal with me?

Do not deal on a medical bill with a collection agency. You can do much better with the medical provider. Just remember that the original creditor has already allocated anywhere from 20-50% for collection agency fees, so why wouldn't they want to deal with you especially if they know you have invoked the law on their agency?

Get rid of the collection agency via a certified Cease-Comm letter and notify the medical provider that under federal law they (the collection agency) can no longer legally contact you in that matter and you now wish to deal directly with them. Remember this is a business arrangement-treat it as such. Don't make unwarranted threats and keep in mind that the only thing the medical provider wants is that which they are entitled to-their money. So, make a deal that benefits you both and either pay or set up a payment arrangement with them.

What if the medical provider refuses to make removal of the items from my credit a part of the deal?

Don't pay them a cent until they do. It is against your best interest to shell out your money after the damage has been done to your credit. You lose two ways. First, you have nothing to bargain with in the future, and secondly, you will be paying the price of increased time to suffer a derogatory line of credit on your report. (Remember the date of last activity starts the clock. If you restart the clock on that account, by paying it or activating it without a written agreement that your creditor will remove it, that account can stay on your credit for another seven years!)

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Don't begin your negotiations with the medical provider by threatening them with a lawsuit unless you expect to file it. Just remember that they are there to provide the very best in medical care and to get paid for their services. I have dealt with some unbelievably ignorant office managers in this field and you must realize that the majority of them are unaware of the potential liability to the organization. Have a lot of patience if you are dealing with an office that does not understand the gravity of their actions. Most folks have to talk to their attorney before realizing that they may have some serious problems over the placement or your account.

What if they still refuse to remove it?

You always have the option of disputing it and sooner or later it will come off your credit reports. Keep those dispute letters flying through the mail, especially if you feel the account is incorrect or inaccurate. I promise, you have time and percentages on your side.

Some organizations say that it is against their policy to remove an item from a credit report, but that they will mark it paid... is that a good idea?

No! It's never a good idea to have anything unfavorable on your credit report if you can avoid it. An item marked "paid charge off" is definitely unfavorable, so why allow this? Just let them know that you have a policy of not letting go of your money, until the arrangements are put in writing and benefit you both equally.

DEALING WITH DEBT AND MEDICAL PROVIDERS

Suppose the medical provider and/or the collection agency has gotten a judgment against me; can this also be negotiated off my credit as a condition of payment?

Unfortunately, no, it cannot. If you have a judgment against you, it is a matter of public record and is allowed to stay on your credit report for up to seven years from the day it was placed or paid. Your only chance of removing it is to dispute it until it is gone, or wait out its clock.

Are there any other things I should know about the medical providers that affect me or my credit?

Yes, there is an organization called the Medical Information Bureau (MIB) that keeps files on you for insurance carriers and medical verifications. You should ALWAYS be aware of the information regarding you stored on computers. I urge you to contact this organization for a copy of your report. They can be reached at:

MEDICAL INFORMATION BUREAU
160 University Avenue
Westwood, Massachusetts 02090
Call: (617) 426-3660

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11

WHAT TO DO ABOUT STUDENT LOANS

*“Education is an ornament in prosperity
and a refuge in adversity.”*

--Aristotle

Getting an education is never expensive as paying it back!

Believe me, I should know with two kids in college. The demands for money never end.

The current political climate forecasts stormy weather in store for those who still owe on their student loans. Not long ago, the Bush Administration cracked-down on student loan debtors with some tough federal laws that allow the seizure of your tax refund, as well as garnishment of your wages in most instances, for failure to pay.

The coming storm seems to cross party lines. President Clinton and Congress have targeted defaulted student loans as a priority for collection. To prove that they really mean business, our leaders are presently considering such drastic measures as tossing the morsel of student loan debtors to the voracious IRS, and granting

this beast the authority to pursue collections. Having worked with hundreds of clients who had outstanding student loans, I've found the majority used the money for legitimate education.

Many student loan debtors feel cheated and frustrated that they were "ripped-off" by the school, which promised more than it delivered. However, many student loan debtors feel cheated and frustrated that they were "ripped-off" by the school, which promised more than it delivered. One of the reasons both recent presidential administrations targeted student loan collections is most likely because it is not a risky move. There is little public sympathy for the student loan debtor, a large consensus being that they are "deadbeats" -just taking advantage of yet another federal program. If you still owe on your student loan, unfortunately, just like the IRS debts, it won't go away. However, there are some steps you can take that will benefit you. As is the case with finding solutions to many problems, knowledge is power and that's usually the best place to begin.

Some of the notices bombarding you about your unpaid student loans are actually from collection agencies rather than the original loan guarantor, the student loan organization. I have actually seen notices that look very much like the official student loan letter. Don't fall for a fancy letterhead. As mentioned previously, a collection agency usually gets 20-50% commission for making you miserable. They will try any means in order to accomplish the end goal of getting your payment.

Your debt, however, is not with the collection agency. You do not have to deal with them. Nor should you attempt to deal with them. Send them the Cease-Comm letter discussed at length in Chapter One. This letter invokes the law to protect you from their contacting you. It's pretty tough for them to collect from you if they cannot contact you

WHAT TO DO ABOUT STUDENT LOANS

and you have the power to achieve this.

If your student loan account has been sent to a collection agency, you might be surprised to discover that your balance has gone up as much as 44% in order to cover the cost of collections. This is only legal if you agreed to it with your signature on a contract (which you will probably be surprised to learn that you did).

If you don't know or remember what you signed to get your loan, send a certified letter to the student loan organization handling your account and request copies of all of your records and transactions. Specify that you are requesting copies of all original documents bearing your signature. Ask them to explain how much you owe and exactly how they arrived at that particular amount.

Chances are you are not an accountant or a legal attorney. You haven't been trained to read and understand all the legal mumbo-jumbo that goes into the fine print. However, if you owe someone money, you want to know exactly what they expect of you and how they have calculated your debt. This is the same lesson as understanding your credit report. You must understand the student loan contract you signed before you resume payment.

When a creditor hires an outside collection agency, they are either adding on, or discounting, the amount owed in order to pay for their services. Therefore, this amount-usually mentioned as a percentage of the total debt, is always an item to negotiate when you work out a repayment plan. And, most likely you will be repaying.

A student loan is different from any other item/account on your credit report in that the account number to identify you is usually your Social Security number. There may be a few numbers in front or

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behind it, but in all cases your student loan account number is your Social Security number. While it is possible to get this removed from your credit report by disputing it, people fail more than they succeed.

If the student loan organization sees that you are serious about taking control of your situation, they will be more inclined to deal with you. If you have a legitimate problem (a mistake) such as it being the wrong number (not your account), it being already paid or being the incorrect amount, then, by all means, dispute it! Like past due taxes, student loans should be paid. I never advocate NOT paying your bills. And you do have an obligation to pay the money that was paid in your benefit. It is pretty embarrassing to have your wages garnished, and I've heard angry complaints about losing tax refunds as a result of defaults. However, there is a way out of your dilemma.

The student loan people are not the IRS. They have limited legal recourse and cannot use the gestapo tactics employed by their IRS cousins (YET), so take advantage of this. If you investigate your case and understand that you do indeed owe them a balance, but that balance has a bunch of penalties and interest tacked onto it, your option is to contact them with a negotiated settlement at a smaller amount. Most penalties, interest and collection fees can be negotiated down or off a loan, depending on your willingness to pay. The student loan people would (in most cases) prefer to accept a smaller amount on a settlement, than to hold your account out as uncollectible.

I suggest that if you are contacted by a collection agency or if you are already dealing with one, that you send them the Cease-Comm letter, immediately. Make two copies of this letter before you send it. You'll want to send one copy enclosed in your next correspondence with your loan guarantor and keep one for your records.

WHAT TO DO ABOUT STUDENT LOANS

If the student loan organization sees that you are serious about taking control of your situation, they will be more inclined to deal with you. Set up a payment amount that is realistic to you, but try to keep away from making this debt drag out as long as a home mortgage. Be realistic in your offer, also.

For example, I doubt seriously whether the guarantor would entertain settlements at the rate of ten cents on a dollar. Don't forget, you probably got a quality education at taxpayer expense, and there is not a whole lot of public sympathy for you. (There are sample letters in another chapter to help you in contacting the guarantor).

Also, be advised that a student loan gets no special treatment on your credit report. It is subject to the same laws that govern every other credit account, meaning it cannot remain longer than seven years from the date of last activity. When trying to make a deal with them, include clearing your credit report as part of your negotiations. In my opinion, it is not feasible for anyone to resume payments on an old debt and pay it off, only to have their credit report reflect the problem for a much longer period of time. If the creditor refuses to include this, or Congress fails to address this in legislation, then you must weigh the consequences of it yourself.

A student loan should be paid. However, NO ONE should be subjected to the unfairness that our credit reporting system inherently applies as a result of it. Unpaid student loans are a serious issue in this country. In most cases, it's not as simple as just writing a check. Be certain that you take time, gather all the information you need to make an intelligent decision, negotiate with your creditor and stay away from debt collection agencies.

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A lot of student loan guarantors like Guaranteed Student Loan Association and Sallie Mae are offering consolidation loans so that you can pay off your old loans for one payment that is sometimes a lot smaller. Be sure that you are not obligating yourself to a longer period at a higher rate of interest, but do consider this alternative. Also, if you have defaulted on your loan, contact the guarantor to make arrangements to resume payments.

Be sure to collect all the data such as the original documents you signed with the amount, annual percentage rate (APR) and term (length of the contract). These are important facts you need to know and understand, much the same as if you were purchasing a new car or truck.

When you enter into an agreement on a defaulted loan, do so with the expectations of paying it off entirely. Otherwise, you run the risk of never being given the opportunity to pay it off again and then you may have to face the hassles of collections all over again.

You may also qualify for a “forbearance,” which allows you a “grace” period before you must begin payments. If you are currently having your wages garnished due to a defaulted loan, there are avenues available that can suspend the garnishment for a period of time. You may have a hardship clause, a disability, or if you change jobs during the garnishment, it can be suspended in most cases for at least a year.

ASK BUD ABOUT... STUDENT LOANS

I owe a lot of money on student loans and can't pay them. What are my alternatives?

Slim and none...almost. If you can't pay them because you are not working, or working with a very limited cash flow, keep in contact with the student loan guarantor and make them aware of your situation. If you can't pay that's one question, but if you won't pay, that's another.

If you owe back taxes, get them retired first, then make the student loan your next priority.

I have a large debt owed to both the IRS (state) and the student loan people, who gets priority?

The tax man always gets priority over the student loan people. The IRS can come after you in more ways and make your life a lot more miserable. If you owe back taxes, get them retired first, then make the student loan your next priority.

My student loan has almost doubled from what I originally borrowed-what's going on?

It's called penalties, interests and collection fees. Amazingly, some student loans that have defaulted allow for collection fees as much as 44% of the original note. Sounds ridiculous doesn't it? Unfortunately, when you signed the agreement, you most likely paid no attention to the fine print that now is your curse. Be sure to get copies of all your original documents to verify exactly what you signed.

Does a student loan stay on your credit report until it's paid?

No, a student loan gets no favored treatment on your credit report. It's limited by the seven year clock from the date of last activity just like the

other accounts. Be aware that if and when you resume payments on a defaulted loan, that you can also restart the seven year clock that governs it and it could stay on your report an additional seven years unless you specify in your negotiations that you obtain in writing that the student loan organization agrees to remove your negative credit item.

Can a student loan be removed from a credit report by disputing it?

Yes, it can. A student loan is considered a normal credit account and does not receive any favorable treatment on your credit. So if you feel your credit report does not accurately reflect the condition of your student loan, by all means go ahead and dispute it. But be advised that getting it off your credit does not relieve you of your responsibility.

When I applied for my student loan, I was promised a job by the school upon my graduation, and of course, it never happened... do I have any recourse?

Unfortunately not. That is a difficult thing to prove and I have heard hundreds of stories of guaranteed high-paying jobs at the schools as an enticement to apply for a loan. If you received the loan (or it went directly to the school) and you did not graduate or get a job as a result, you are still responsible for paying it back.

What about if the school closed before I was able to complete my studies?

Under those conditions you may be able to have the loan forgiven. Contact your loan guarantor for details.

I got a student loan but was unable to finish my studies due to personal reasons, can my loan be forgiven?

No, it cannot. You must understand that a sum of money that was guaranteed by the federal government was sent to the school for your

WHAT TO DO ABOUT STUDENT LOANS

benefit. That money was lent to you and if you did not receive education because you did something else it does not matter, the note is still owed by you. However there are circumstances when a loan is forgiven such as a disability-Contact your original guarantor for details.

I don't have any paperwork on my loan and don't have a clue on how to contact the lender. What do I do?

Order a copy of your TRW credit report by calling 1-800-422-4879. It will contain the name and address of the original lender to write or call for further information.

Why should I not deal with a collection agency on my student loan?

There is no reason to deal with a collection agency. You did not enter into an agreement with a debt collector and you can usually get better negotiating terms from the guarantor. That is the law! There is no valid reason to deal with them when you don't have to. If you have defaulted, your guarantor can give you a lot more information on the various programs available and assist you in getting back on track with them. This will prove especially helpful if you are facing a wage garnishment.

If I file bankruptcy, will that get rid of my student loan debt?

Don't be so afraid of the consequences of a defaulted loan that you rush into bankruptcy. You always have alternatives. The laws, however, are clear that in most cases you cannot discharge a student loan via bankruptcy and they can try to collect it from you for as long as they want. (See the following chapter on bankruptcy for more information).

NEED A STUDENT LOAN?

If you are in need of a student loan for yourself or a family member, I am including the following information for your review.

The following publications will provide you with answers to most any questions regarding obtaining a student loan.

Contact the following:

The College Cost Book
College Entrance Examination Board
P.O. Box 886
New York, NY 10101-0886

The College Financial Aid Emergency Kit
Sun Features, Inc.
P.O. Box 368
Cardiff, CA 92007-0368

The College Money Handbook
Petersons Guides, Inc.
P.O. Box 2123
Princeton, NJ 08543-2123

The Students Guide: Five Federal
Financial Aid Programs
Consumer Information Center
Dept. 511S
Pueblo, CO 81009

STAY AWAY FROM BANKRUPTCY

*“The line between success and failure is so fine
that we scarcely know when we pass it:
so fine that we are often on the line and do not know it.”*

---Elbert Hubbard

It's worse than a defaulted student loan, worse than a mortgage foreclosure and yes, it's even worse than owing the IRS. As mentioned previously, the absolute worst thing you can do to your credit situation is to declare a bankruptcy.

You, the consumer, are concerned with two types of bankruptcy. Chapter Seven enables you to discharge all of your debts. Chapter Thirteen, called the “wage earner plan,” affords you the option of repaying a portion of your debts, and, in my opinion, take the biggest screwing of your life!

Both types of bankruptcy will leave you and your credit report scarred for a long time, with little or no hope for recovery.

I don't think you purchased this book because you're thinking about declaring bankruptcy. Most likely, you are more concerned

with finding a way to wake up from the credit nightmare. That's what I want to give you—a good night's sleep.

If you have already declared a Chapter Thirteen bankruptcy and are still making payments, please investigate the possibility of getting out of it. The idea of dragging out a Chapter Thirteen for up to four years (and that's before you add on the 10 years a bankruptcy can stay on your credit report) is synonymous with doing time in credit hell. It takes forever to accomplish something you hate, and even when you are finished filing, you are only about halfway through the process. Consider converting to a Chapter Seven and dumping all the accounts, or, stop making payments and go for a dismissal. If you're going to pay the penalty of having a 10-14-year sentence on your credit report, go ahead and get the most out of it, at least by switching to a Chapter Seven. If you've experienced the horrors of a Chapter Thirteen, you know too well what I'm talking about.

There are generally two types of bankruptcy cases in relation to your credit report. The first kind represents the person (Chapter Seven) who decides to flush every account on his credit report, and it is reflected in that manner. Almost every credit account on all three reports has the tag line, "account included in bankruptcy." You may wonder how these accounts can still show up on your credit report after a bankruptcy. Doesn't the bankruptcy itself flush all your debts? Not as far as your credit report is concerned.

It is 100% legal for the credit reports to list the accounts included in bankruptcy for seven years from the date of discharge. The bankruptcy itself, now classified as a matter of public record, is allowed to remain for a period of ten (10) years from either the date it was dismissed or discharged. I do not believe that having to suffer the indignity

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of having a bankruptcy on your credit report accomplishes anything. The term should be shortened to seven years.

Our society moves too fast and we go through far too many changes to allow this procedure to reflect our true credit status anymore. Yes, you have the right to challenge each and every account for accuracy regardless of whether or not you discharged it in a bankruptcy proceeding. Give the same scrutiny to dates, amounts, account numbers and all other information, to ensure that it is being reported properly. If you disagree, let the credit reporting agency know by sending in your letter of dispute detailing each account, thereby forcing them to verify that information with your former creditor.

I have been successful about 70% of the time in getting these disputed items, which are listed in bankruptcy, removed from credit reports.

If you didn't have to include every account in your bankruptcy, your chances are obviously far greater of recovering from it at a faster pace.

Still, I urge you to examine your credit reports very carefully for errors in case numbers, dollar amounts, dates, number of times each case appears on your reports and any other item that allows you to legitimately dispute it under the law.

If you go through the disputing process and your report is verified as accurate, you still have alternatives to waiting out the long clock.

You can always dispute an item until such time as you are happy with the results. The only people who really have to suffer now are the ones who don't bother to take matters into their own hands.

The people at the courthouse don't care about you, or what's on your credit report. The only way this information is on your report is

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because each credit bureau had a separate method of obtaining that information and reporting it. Doesn't it seem logical that if three, four, or five people are inputting a zillion bits of information each and every day, that SOMEONE could possibly make a mistake? Of course they can. And they do.

If you filed bankruptcy and you have the time, visit your local courthouse where you filed. The court clerks there (as in most courts) are very dedicated hard-working folks who get taken for granted. If the clerk can spare the time ask them about the process of credit verification. Among other things, you will learn that they just don't do it. You will also learn that they don't care. Why? They are far too busy with their more important business of serving the public to pay attention to such trivial matters.

The court system, like every other business, has its strengths and weaknesses. If a large number of consumers were to put a lot of pressure on the weaker area of this credit system at once, it might not make the local newspaper, but you could greatly benefit by the results.

Before I start getting complaints that I'm instructing people how to take advantage of the system or even to rip it off, let me tell you that TRW admitted in court in 1991 that 52% of ALL its files contained some type of errors.

Furthermore, it is my position that only a small percentage of the American population is aware that they CAN take action themselves to correct all inaccurate information on their credit reports. **THAT'S THE LAW!**

The laws governing credit are old and outdated. We've adopted a policy of leniency for many lawbreakers and flagrant violators of human rights. Yet, the credit/debit/borrowing and lending laws in this country are a little too close to the "debtor's prison" philosophy of old. Remember my analogy of the convicted felon's

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rights compared to the debtor's lack of rights? It's absolutely insane that a person who is forced to endure the humiliation and suffering of a bankruptcy is often forced to suffer a longer sentence on his credit report than a person convicted of a crime is incarcerated.

The convict does not have to walk around with a sign on him, labeling his crime. Yet, when the debtor attempts to process any paperwork; apply for a credit card; get a loan; interview for a new job; attend a university or do any number of "normal" things which force him to navigate through the crowded bureaucratic channels of red tape, a virtual red flag pops up on a computer screen labeling the person a "debtor with bad credit" and that person is rejected or denied. Not only that, but that person is also pushed even farther away from reaching the end of his sentence every time the little flag pops up.

If you are still considering filing bankruptcy because you think it will end the harassment, think again. Remember the powerful tool I gave you in Chapter One to stop collection agencies from contacting you—the Cease-Comm letter? Use it. You can get an unlisted phone number also. Keeping in touch with your original creditors and explaining why you haven't paid will also go a long way to keep them from harassing you or turning your account over to the dreaded collection agencies. Get the collection agencies off your back and then, see if you are still so desperate to consider bankruptcy. Stopping the phone calls takes a lot of pressure off.

Have you been told more fairy tales that filing bankruptcy will make it easier to begin anew? That it will give you a fresh start? Don't buy the fairy tales. Now, I have nothing against fairy tales—they can be great reading—except when they're spouted as truths. The reality to this little fib is that filing bankruptcy will make it even harder for you to start over because your credit report will reflect your decision for the next ten years,

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at least. That is a decade. In addition, each account included in your bankruptcy will be listed on your credit report with the tag line, “account included in bankruptcy,” for seven years. And remember, a bankruptcy is a matter of public record, available for all to see. How about the other fairy tale/line of crap: “The majority of people I’ve met in my 15-plus years of experience who have declared bankruptcy only ones that lose in bankruptcies are the creditors”? PEOPLE, WAKE UP!!! It won’t happen that way and you are dreaming if you think it will. Sometimes a bankruptcy does very little to damage a creditor (especially if they are paid off anyway with a Chapter Thirteen!), but it will hurt you for a long, long time. I will lay odds that if you file for bankruptcy, you will regret it. When an attorney sells you on all the benefits of a bankruptcy, remember that he, too, is benefiting from your problems by an average of \$1,500 per case.

Remember that you alone (and your spouse), not your attorney or your creditors, will have to live with this decision for the rest of your life, so try and keep outside influences outside.

The vast majority of people I’ve met in my 15-plus years of experience who have declared bankruptcy admit that they would not have done so, if they had known and fully understood the consequences. If you’re still considering bankruptcy, at least read, ask questions, visit your local federal courthouse and your library. Ask more questions, review former cases, seek more than one legal opinion and consider all of your alternatives before making a decision.

Then, perhaps you can make a decision based upon facts and not emotions.

ASK BUD ABOUT... BANKRUPTCY

You are always telling consumers not to file a bankruptcy, why?

I tell consumers NOT to file bankruptcy because I've found the majority of people are not aware of the alternatives (or the consequences). Alternatives such as stopping the debt collector from harassing them by using my Cease-Comm letter, and understanding the motives given by some attorneys who recommend a Chapter Thirteen or Chapter Seven and even by such organizations as Consumer Credit Counseling Service (CCCS) who have been known to recommend it to people who sought their sound advice.

How long will a bankruptcy stay on my credit report?

Federal law, the "Fair Credit Reporting Act," allows that a bankruptcy may stay on your credit report for ten years from the date it was discharged. This means that, for example, if you are in a Chapter Thirteen Wage Earner Plan that takes three years to complete, your date of removal will be thirteen years from the date you filed your bankruptcy. Why would anyone want to subject themselves to such an extended nightmare, if they didn't have to?

Is there such a thing as a fresh start after bankruptcy?

NO, absolutely not. The only thing that happens is that you are immediately out from under the tremendous pressure that brought you into bankruptcy court. Remember---your credit report and each account that was entered into the bankruptcy will reflect that from seven to ten years from the date the bankruptcy was discharged. I recommend calling

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around to banks, car dealers, loan companies and other credit grantors and asking what their policy is in relation to a bankruptcy.

In most cases, the response will be “you don’t meet our credit granting standards.” After a number of years, some creditors will (in certain cases) allow you to have credit if you follow their guidelines. A car dealer, for example, will finance a new or used car if you can put 20% down. In most cases, the dealer will use a previous bankruptcy as the reason for charging interest rates as high as 22% APR. PLUS, you sometimes have to take out the loan for as long as 60-72 months just so you can afford the payments.

My attorney said bankruptcy was my best alternative, do you agree?

No. No. No. Look at this from your attorney’s point of view, a bankruptcy is relatively easy to file with the court. It will stop the harassment immediately and in most cases, there is only a courtesy hearing where few, if any, former creditors show up to challenge your case. The attorney will make (on average) about \$1,500 for his troubles. What most people do not realize is that a lot of attorneys only see you as another fee, not someone who will be paying for this for the next ten years. I have been doing this work for over 15 years and the one universal comment I hear from folks who have declared bankruptcy is that they would not do it again, given the chance. The main reason given is they did not realize there were other alternatives and the attorney (in a lot of cases) gave the appearance that the price they were paying would be short-lived. This usually is never the case.

Don’t let a collection agency, attorney, Consumer Credit Counseling or other source talk you into bankruptcy. It’s kind of like having elective

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surgery that will leave a deep scar on you for the rest of your life. You wouldn't do the surgery without exploring all of your alternatives, so why should this be any different? There are a lot of people who cave-in to the suggestion from outsiders because of the enormous pressure. You should never make that large of a decision under pressure.

Is bankruptcy a good idea when you have a large debt owed to the IRS?

In some rare cases, yes, it is the best method available. You are not allowed to include an IRS debt in your bankruptcy unless the taxes have been filed at least three years prior to the bankruptcy filing. If you owe an amount that is so high you cannot even fathom the idea of paying it off, then by all means consider a bankruptcy. However, if you owe an amount that you just can't pay even though you are continually making monthly payments, consider an alternative such as an Offer in Compromise as discussed in the IRS Chapter of this book. If you cannot include an IRS debt in your filing, you must consider all your alternatives to be sure there is not a workable solution to your problems.

Why are you against filing a Chapter Thirteen as opposed to filing a Chapter Seven bankruptcy?

A Chapter Thirteen allows you to pay out your debt over a period of up to four years. During that time, your credit report will constantly reflect that status. Under the law, your credit report can reflect the status of your bankruptcy for ten years from the date it was discharged. That means you could stay in limbo for as long as 14 years. Why put yourself through such torture? It's almost like serving a prison sentence on the grounds of not being able to pay your bills. Other than relieving your conscience and paying a fee to

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the court trustee, what are you accomplishing? Your creditors really don't care. If you do file a bankruptcy, file a Chapter Seven; you get it over and get it behind you the minute you walk out of the courthouse. There is no logical reason (in most cases)

Make a point to extend it beyond that time frame.

to bring your

problem of **What happens if I decide to do nothing-to just ignore my situation?**

having filed a

bankruptcy to

a prospective It will just get worse if you choose to do nothing.

employer's A lot of people simply sit back and wait until they

attention can justify to themselves that things have gotten so

before you bad, it is now the time to file a bankruptcy. You

finish your must always ask yourself one question: WHY?

job interview. What is the main reason you're heading to the

attorney's office? What other things can you do to forestall it?

Always keep your options open when there is the slightest hint of

an alternative.

Can I pick which accounts to include in my bankruptcy?

No. The law is very adamant that you must include all of your creditors, so you can kiss that credit card goodbye if you thought you were going to keep it. The only way to keep any of your credit cards, etc., is to completely pay them off prior to filing. If you do decide to file bankruptcy, pay off a few of your credit card accounts, so that you can keep them. Having a few good accounts can be invaluable assets on the road to recovering from bankruptcy.

How long should the entire process of filing bankruptcy take?

It is best to get it over with as quickly as possible, if you absolutely have to file. Once you make your decision to file, you should be able to get the matter behind you in no more than 60-90 days. Make your

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attorney aware of that and stay on his/her case until it is finished. (You understand, though, that the credit problems can last for years after the filing is complete and the public records remain in the courthouse for 20 years).

Are there any special precautions I should take after I file bankruptcy?

Yes. Try to avoid giving anyone your Social Security number after filing, to prevent any more inquiries popping up on your credit reports. Your credit is a mess and the only thing that will heal it after a bankruptcy is time and this book.

Make it a point to bring your problem of having filed a bankruptcy to a prospective employer's attention before you finish your job interview. That gives you a chance to explain your reasons why you had to do it. This should increase your chances of getting hired, rather than letting the employer be surprised when your credit is looked at.

Try to keep a positive attitude after you have gone through this traumatic ordeal. Once it's over...it's over. You can't undo it, so live with it and get it behind you. Most creditors will remove your files off their records after about two years and then you can begin the slow process of getting your life back together again.

Remember what it was like for you so that you'll know not to file bankruptcy again.

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THE I.R.S.----- A PRIORITY

*“Let me tell you how it will be:
There’s one for you, nineteen for me,
Cause I’m the taxman...
And you’re working for no one but me.”*

-THE BEATLES: YESTERDAY...AND TODAY
“The Taxman,” 1965.

The greatest response I ever receive on my radio show occurs when I discuss the Internal Revenue Service. IRS-three little letters which can cause a big stir among consumers. Even for those who have never been late filing or paying their income taxes, a call of letter from the IRS can cause a great amount of fear and trepidation. Why?

Mortimer Caplan said, “There is one difference between the tax collector and the taxidermist-

“The taxidermist leaves the hide.”

Perhaps a lot of consumers resent paying income taxes, but a lot of fear surrounds the tax collector. Most likely, that fear stems from not completely understanding your rights and obligations under

the law. Knowledge is power and without it, we often feel helpless. There is no need to feel helpless.

From my years of experience, I believe that most people-while they complain about the IRS vehemently-understand that while our system is not perfect, it IS one of the best around and they truly WANT to pay their taxes. Most of the valid complaints, however, come from citizens fed up with the INEQUALITY involved in the tax system, the IRS “Gestapo” tactics, the overwhelming bureaucracy involved and the inefficiency exhibited by it, or the fact that April 15th comes around every twelve months-way too frequently for most of us!

If you have several problems with your credit report, bankruptcy, and/or the IRS, it is important that you make finding a solution to your IRS problem a priority. It seems we just finish paying or filing our income taxes one year, and it is time to start figuring our taxes again! The fact that we’re NEVER out of debt with the IRS in one aspect-at least we owe them a pile of paperwork, even if we don’t owe them money-can be enough to cause the resentment of the IRS. Many people just get fed up with the whole thing and decide to stop filing for a few years.

Then, although they’d like to get back into the system, they fear the penalties they might suffer if they called the IRS, so they try to hide.

If you have several problems with your credit report, bankruptcy, and/or the IRS, it is important that you make finding a solution to your IRS problem a priority. Nothing else can be as damaging to you or as stressful. It will do your credit no good to get minor items disputed and removed from your credit report if you have a major debt to the IRS.

If you owe the IRS money, have been audited, or have not filed for a while, it is very important that you solve this problem by first finding out all the information you can about your tax return and

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the IRS's claim about you.

The IRS is not impossible to work with. Just like any other organization, the IRS has a lot of hard-working, considerate and caring human beings working for them-as well as a lot of jerks. From my experience, most of the less compassionate workers are assigned as revenue officers instead of phone assistance personnel. It shouldn't surprise you that another term for revenue officer is "tax collector," and we all know that anyone who collects money for a living is not to be trusted.

I learned an interesting fact during one of my visits to the Dallas IRS office. Ironically, a large number of people who have NOT filed their income taxes, actually had money coming back to them! But, there is no way they will get the money owed to them unless they file a tax return.

In the past two years, I've had the opportunity to meet and see firsthand how a lot of the different departments of the IRS work. And, I've learned some things that might surprise you and some things that might help you.

First of all, the IRS will not ignore you if you don't pay your taxes! However, they are willing to negotiate a payment settlement with you-even if you haven't filed a return in several years! But, don't just ignore their letters if you owe them or if they think you owe them. They won't go away. If you ignore it, this problem will only get worse.

The IRS has the right to track you by your Social Security number, thereby finding you every time an employer pays into your account. This is very simple for them. Most people who have IRS problems will ignore all the letters sent to them, then get angry when their bank account of wages are garnished. The answer is simple. Get in contact with them and work out your problems in a manner that will improve your situation, or take the proper steps to protect yourself.

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Your Social Security number is the key to locating you at anytime. If, for example, you take a job and give your proper SS#, it's only a matter of time until the IRS catches up with you. If you use a phony SS#, you run the risk of getting caught and prosecuted for a felony. If you have any problems with the IRS, please call the numbers listed later in the chapter to get information that could help you and your situation. As I said earlier, they are NOT going to go away or forget about you.

In fact, the IRS will use all means they can to find you, including your credit report. Your credit report gives them a wealth of information such as accounts, access to credit information, bank information and more. (They play by the rules, even if it IS their OWN set of rules.)

If you do call them to find out information on your account, the IRS does not trace your call or penalize you for calling them if you haven't filed. Their non-filer program was designed to bring back the estimated 3.5 million people who would like to rejoin the system after not filing for a number of years, but have been afraid to call because they were afraid of getting caught.

I have personally visited with and talked to many IRS representatives and found the majority of them trained to be sensitive to your needs. But, like most bureaucracies, they have their share of dummies who have trouble remembering their names, so proceed cautiously. However, don't lose sight of the fact that they are there to collect your taxes and that they have their own set of rules in which to do it. So, proceed cautiously, but go forward. One cannot possibly flourish in this country if they are hiding out from the IRS. They are simply everywhere and will most likely find you sooner or later. It is much better if you call them and make arrangements to make payments if you owe them.

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If you owe the IRS, or think you may have problems with them down the road, and are considering getting married, PLEASE take this advice, especially if you have been married before. When you are married, DON'T ever file a married, joint return. File your returns as married, but separate to ensure that you don't become liable for your spouse's liability.

If you owe a huge amount of money and feel there is no hope for your situation, there are two possible options. One possibility is called an "offer in compromise," whereby you offer (if able) to pay a much smaller amount than owed. The other possibility is that a bankruptcy (in some cases will dissolve your IRS liability. Consult with a competent tax specialist and attorney for advice, though, before you take this drastic step. And, see the chapter on bankruptcy to be sure that is your only recourse. Your taxes must have been filed three years prior to declaring a bankruptcy.

If you need only to order tax forms call the IRS at: 1-800-829-3676 (FORM) toll free from anywhere in the USA. For taxpayers who have access to TDD equipment, call: 1-800-829-4059.

According to an IRS booklet I have, they state that when you call these numbers seeking IRS assistance, NO record is kept of any taxpayer's name, address or Social Security number. You will receive answers to your questions without fear of anyone coming after you, or using the equipment to track you, just because you called them.

If you're worried about an audit, and filed your tax return for a specific year, the IRS only has three years to decide to audit your tax return. Unless you lied when you filed, the IRS forfeits the right to audit you if the clock runs past three years.

The NON-FILER Program is designed to help people who

When you are married, DON'T ever file a married, joint return. File your returns as married but separate to ensure that you don't become liable for your spouse's liability.

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haven't filed for awhile work their way back into the system while resuming a normal lifestyle. Why keep running if you are so afraid that you can't even find a legitimate job for fear of being discovered and facing jail time?

Perhaps you are self-employed and you weren't aware that you HAD to file. Yes, you must file if you made \$400 or more. This applies to persons of all ages.

If you fail to file for a specific year, they have the right to come after you for as long as they want, until such time as you do file for that year.

It is NOT the goal of the IRS to put you in jail if you haven't filed your back taxes. To get information about the Non-Filer Program, call them at: 1-800-829-1040.

WAGES

If you are currently working and having your wages garnished by the IRS and it is causing a hardship, call the number above and request a Form 911. This form will, in most cases, lift the garnishment and give you an opportunity to work out a pay-back.

I was in the middle of writing this chapter and decided to call the IRS about a letter I had received, to see how well they performed.

For speed and efficiency, I gave them an F-. I spent 28 minutes trying to connect and when I finally did, I spent a frustrating 34 minutes on hold.

The clerk who took my call, however, was very courteous. I actually think my frustration with their phone system helped me in my negotiations! She knew I had already been inconvenienced. It still amazes me that we have to put up with so much crap when we call them, considering how much money they have to run their

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agency! Still, to prove my heart is in the right place...

TO ALL THE IRS WORKERS: ...HAVE A NICE DAY!!

IRS's MISSION: The purpose of the Internal Revenue Service is to collect the proper amount of tax revenue at the least cost; serve the public by continually improving the quality of our products & services; and perform in a manner warranting the highest degree of public confidence in our integrity, efficiency and fairness.

-From IRS Publication 504

The following information is taken from IRS publication #594, "Understanding the Collection Process." I am including parts of it here (with a few of my comments in parentheses) for your convenience.

UNDERSTANDING THE COLLECTION PROCESS

When You Do Not Agree with Decisions of IRS Employees

If at any step of the collection process you do not agree with the recommendations of the IRS employees, you have the right to an administrative review of the matter with the employee's manager. At your request, the employee will either arrange for you to meet with the manager or tell you the manager's name and where to contact them.

Who Can Represent You in IRS Matters?

You may represent yourself or you may have an attorney, certified public accountant, enrolled agent, your tax preparer, or any person enrolled to practice before the IRS.

Problem Resolution Program (PRP)

PRP is a program designed to help taxpayers who have been unable to resolve their tax problems after repeated attempts to do so with another IRS department.

Before contacting PRP, you should first request assistance from an employee or manager in an IRS Collection office. If the problem is still not resolved, you should contact your local IRS district office and ask for PRP.

PRP provides an avenue to help resolve your problem when you believe that:

1. your account information is incorrect,
2. a significant matter or event is not being considered in your case,
3. your rights as a taxpayer have been violated.

If You Suffer a Significant Hardship

If you have or are about to have a significant hardship because of the collection of your tax debt, additional assistance is available. A significant hardship may occur if you cannot maintain necessities such as food, clothing, shelter, transportation, and medical treatment.

“9-1-1”

To apply for relief, you can submit Form 911, Application For Taxpayer Assistance Order (ATAO) To Relieve Hardship, or contact the district PRP office if the employee assigned to your case cannot, or will not, take action to relieve your hardship. Any IRS employee can help you obtain and complete the form, take the information by phone, or you can contact the district PRP office in order to obtain and complete the form and submit it to PRP. You can also obtain form 911 by calling 1-800-829-3676.

Making Arrangements to Pay Your Bill

If you cannot pay your bill in full, you should pay as much as you can and immediately contact (call, write, or visit) your nearest IRS office to explain your circumstances. After they receive your explanation, they will try to find the best way for you to pay your tax bill.

Making Installment Payments for Individuals or Businesses

The IRS will help you complete a Collection Information Statement, Form 433A, 433F, or 433B. They use these forms to help compare your monthly income with your expenses, determine if you qualify for an installment agreement, and the amount you can pay.

(Caution: When you are making installment payments, your account will continue to be charged with interest and penalties on the unpaid balance of taxes you owe, plus interest on the unpaid balance of penalties and interest you owe.)

Simplified Installment Agreements

A simplified process enables many taxpayers to qualify for a streamlined installment agreement. In most cases, applying requires little paperwork and a Federal tax lien may not be required. To apply, call or visit your local IRS office for details about completing Form 9465, Installment Agreement Request.

Delaying Collection if You Cannot Pay

If the IRS determines that you cannot pay any amount of your tax debt, they may temporarily delay collection until your financial condition improves. If they delay collection, the amount of your debt will increase because they will continue to charge a penalty for late payment and interest on your debt. During a delay, they will review your ability to pay.

They may also file a Notice of Federal Tax Lien to protect the Government's interest in your assets and send you a reminder to pay.

Under certain conditions the IRS will settle unpaid accounts less than the full amount of the balance due.	If You Are Bankrupt If you are involved in an ongoing bankruptcy proceeding, contact your local IRS office. While the bankruptcy proceeding may not eliminate your tax debt, it will temporarily stop IRS enforcement action to collect a debt related to the bankruptcy.
	Submitting an Offer in Compromise

In some accounts the amount of accruing penalties and interest is so large that the monthly payments never pay off the tax. The Offer in Compromise may be a practical way for you to resolve your outstanding tax bill. You have a legal right to submit an Offer in Compromise on your tax bill. Under certain conditions the IRS will settle unpaid accounts less than the full amount of the balance due. This applies to all taxes (including interest, penalty, or additional amount) arising under the Internal Revenue laws.

How to File an Offer in Compromise

You can get Form 656, Offer in Compromise, and Form 433A, Collection Information Statement for Individuals, or Form 433B, Collection Information Statement for Businesses, plus additional information regarding the filing procedure, at any IRS office. Or call toll free 1-800-TAX-FORM (800-829-3676).

What Happens When You Take No Action

If you do not take some action to pay your tax bill, the (IRS) may

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take any of the following actions:

- File a Notice of Federal Tax Lien
- Seize a Notice of Levy
- Seize and sell your property, (personal, real estate, and business property)
- Notifying payers of your interest and dividend income to begin backup withholding
- Assess a trust fund recovery penalty, if you owe employment taxes.

Some of these actions are referred to as “enforced collection actions” because they are the means by which the IRS can enforce the notice and demand for tax.

Lien

Before the IRS files a Notice of Federal Tax Lien, three requirements must be met.

1. The IRS must assess the tax,
2. The IRS must send you a notice and demand for payment,
3. You must neglect or refuse to pay the tax or otherwise resolve your tax problems.

Once these requirements are met, a lien is created for the amount of your tax debt. This lien attaches to all of your property (such as your house, or car) and to all your rights to property (such as your accounts receivable).

A lien is not valid against the claims of other creditors until the IRS files a Notice of Federal Tax Lien with an appropriate official to establish priority status among these creditors. An example of this is filing a lien in the county where you own property or in the state where you conduct business. By filing a Notice of Federal Lien, the Government is providing a public notice to your creditors that the Government

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has a claim against your property, including property that you acquire after the lien is filed.

Caution: Once filed, a lien may harm your credit rating.

Releasing A Lien

The IRS will issue a Release of the Notice of Federal Tax Lien:

1. Within 30 days after you satisfy the tax due (including interest and other additions to the tax)
2. Within 30 days after we accept a bond that you submit guaranteeing payment of the debt.

In addition, you must pay all fees charged by a state or other jurisdiction for both filing and releasing the lien. These fees will be added to the balance you owe.

Automatic Release of a Federal Tax Lien

A lien will release automatically if the IRS has not refiled it before the time expires to legally collect the tax. This is usually a period of 10 years.

Levy

A levy is one method the IRS uses to collect tax that you have not paid voluntarily. It means they can, by legal authority, take property to satisfy a tax debt. Levies can be made on property that you hold (such as your vehicle, boat, or house) or on property that is yours, but is held by third parties (such as wages, or funds on deposit at a bank).

For example, IRS may levy your wages (salary), commissions, the cash value of life insurance, licenses, or franchises, securities, contracts, demand notes, accounts receivables, rental income, dividends, retirement accounts, etc.

Also in most states that have state income taxes, the IRS can levy a state refund check and apply the state refund to a federal tax debt.

A levy is different from a lien. A lien is a claim used as security for the tax debt, while the levy is used to actually take the property to satisfy the tax debt.

Levy on Wages

If the IRS levies your salary or wages, the levy will end when one of the following occurs:

- The levy is released
- You pay your tax debt
- The time expires for legally collecting the debt

Levy on Your Bank Account

If the IRS levies your bank account, your bank is required to hold funds you have on deposit, up to the amount you owe, for 21 days. This period allows you time to resolve any problems about the levy or make other arrangements to pay. The bank is then required to send the money, plus interest if it applies, to the IRS.

Property that Cannot be Levied

Certain types of property are exempt from seizure (levy) by Federal law.

They include all of the following items:

- Wearing apparel and school books. (However, expensive items of wearing apparel such as furs, are luxuries and are not exempt from levy).
- Fuel, provisions, furniture, and personal effects for a head of household, that total up to \$1,650.

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- Books and tools you use in your trade, business or profession, that total up to \$1,100.
- Unemployment benefits.
- Undelivered mail.
- Certain annuity and pension benefits.
- Certain service-connected disability payments.
- Workman's compensation.
- Salary, wages, or other income that have been included in a judgment for court-ordered child support payments.
- Certain public assistance payments.
- Assistance under the Job Training Partnership Act.
- Deposits to the special Treasury fund made by members of the armed forces and the Public Health Service employees who are on permanent duty assigned outside the United States or its possessions.
- A minimum weekly exemption for wages, salary, and other income based on the standard deduction plus the number of allowable personal exemptions divided by 52. In the case of no response to the certification of exemptions, the exempt amount will be computed as if you were married filing separately with one exemption.

For further information contact the IRS at 1-800-829-1040. To order any IRS form call 1-800-TAX-FORM (1-800-829-3676).

**ASK BUD ABOUT...
THE I.R.S.**

What should I do if I have not filed my taxes for previous years?

Call the IRS at 1-800-829-1040 and ask them to assist you. You won't be sent to debtor's prison. They have trained representatives who will assist you in getting your prior years filed and show you how to get caught up.

What if I don't have the money to pay, yet still have not filed for previous years?

You must understand it is not the fact that you have not paid, it is the fact that you have not filed that is hurting you now. Only you know just how bad this has affected your life and that of your family. Once you file, you have many options that are not open to you now such as an agreeable payment program and in some instances... bankruptcy.

How does the IRS know if I have money owed to me?

They don't...until such time as you tell them. Here's how it works. During the time that you didn't file, you fell into one of the following scenarios. Your employer sent them a W-2 wage statement stating that you were paid \$X amount and that \$X amount was withheld from your pay for taxes. If this is your case, chances are real good that you don't have a problem with the IRS and they could owe you money for that year. However you won't know until such time as you file and determine your deductions and how much is owed. The beauty of it is if you have money owed you, there is no penalty...no interest...and no sweat...just call them.

Suppose I earned money for a previous year but none was deducted by my employer?

Then more than likely you have what is called a Form 1099. This is commonly used when you are a commissioned sales agent, self-employed or a subcontractor. The employer sends a Form 1099 to the IRS that your Social Security number was paid \$X amount without any deductions. In that case, you are responsible for filing and paying the taxes owed on those earnings. The best way is to request the IRS verify the amount shown debited against your SS# for that given year. They will then send you the forms needed to properly file your tax return and work with you on a payment arrangement if needed.

What if I was self-employed and have no records indicating how much I earned for a year that I did not file taxes?

In that case, you must document your earnings based on the records that you have available. For example, if you performed services and were paid by check, then your bank statements should give you a reasonable idea as to what your earnings were. If you dealt in products, you should be able to trace your paper trail to give you a figure.

If I never file, will the IRS eventually forget about me?

Only if you die. You see, the IRS has direct access to your Social Security number and therefore has the ability to track you wherever you go, or whatever you do. Eventually you will end up in a situation where you must use your correct number and you will get caught.

Suppose I just use a fake Social Security number?

That will complicate your situation by increasing your chances of getting caught and most likely have you facing charges of fraud

when you are caught. Be aware that your SS# must be made available to your employer, the IRS, your bank upon opening a new account. You also use your SS# when you renew your driver's license, apply for a student loan, and apply for credit. Chances are, you will get caught. My advice is...DON'T DO IT!! The price you may pay is by far too high. Read the chapter on SS#'s and pay attention. If you send money by mail using a phony number, or obtain credit with someone else's number, you are not only facing charges of fraud (a felony), but you could also face further federal charges of misusing the mail, which is also a felony. You cannot imagine how easy it is to trace a phony card number, so don't be stupid.

I haven't filed because I don't have the money to pay and I don't want the IRS on my back...what do I do?

I guess that depends on your circumstances. If you owe taxes for a lot of years and you think it's more money than you'll ever be capable of paying then you must first contact the IRS and file for all the years you missed. Then if necessary, wait them out for three years and flush them in a bankruptcy if warranted. You then can really have a fresh start without fear of reprisals.

Are there any alternatives to doing this?

Yes, two. The first is to work out a satisfactory repayment arrangement and retire the debt. The second is to make them an offer in compromise, whereby you may be allowed to pay them a fraction of what is owed, sometimes as small as ten percent depending on your unique circumstances. This method is used by a lot of folks to get the IRS off their back for good and resume a normal lifestyle of tax paying. In both cases you must first get caught up by filing for your previous years in order to be eligible for these programs. Again, I

call the 800 number and ask for details.

What happens if I never file and never call the IRS because I'm too frightened of what may happen to me?

Then, you've probably been underground and living in fear of being caught. The only way for you to surface legally is to begin using your Social Security number. Once you do this and there are any withholdings of taxes or SSI, the IRS will know about it. Or, if you open a bank account that pays interest, or apply for any type of government assistance, your SS# will give you away. The best way to handle this problem is to call the IRS. You don't have to give your SS# when you call, just tell them you are interested in getting information about the non-filer program and ask all the questions you can. They will tell you your options and hopefully give you the right advice.

At least call them from a pay phone if necessary to discuss your problem. You don't have to give your SS# if you don't want to. I know a lot of you are suffering from this problem and scared to death at the realities of it. The only way it is going to go away is for you to die or call the IRS (what a choice!), so get it over with...call 1-800-829-1040.

I am marrying again and have heard you say that it is not a good idea to file a joint tax return...why?

You could be opening yourself up to a lot of liability on the part of your spouse. This typically happens to a lot of women who are marrying again, and is especially true when the spouse is self-employed or has a side business that produces income. Just remember that if you file a joint return and it is determined that your spouse is liable for taxes on that return, you will also face the same liability. Therefore, consider filing as married, but separate on both your state

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and federal tax forms. Never sign a blank tax form for your spouse under the guise of “trust me” or you may find yourself with a lot of problems.

I’m not sure but my former spouse may have caused me some IRS problems...what do I do?

Contact the IRS and ask them to review your status for the year(s) in question. They have your files on microfiche and can usually get them to you in 30-60 days for a small fee. A lot of women who have divorced find themselves facing this dilemma. Remember-if you filed joint and signed the return, you are liable for whatever was disclosed on that return no matter how long you have been separated or divorced. Also, your divorce decree does not relieve you of your tax responsibility as some of you may think. Therefore, ask the IRS to send you copies of your tax filings so that you will have exact information on your status and possible liability. Also, keep these copies for at least seven years so you can answer any future inquiries that may arise.

Is there a program for people who have been cheated on their taxes by their former spouses?

Yes, and it is called the “Injured Spouse Program.” If you have been lied to or conned by your former spouse, contact the IRS and ask about this program. In the majority of cases, if you can prove your allegations, the IRS will relieve you of the tax burden. Even if you are not sure if you qualify or if you have insufficient documentation to substantiate your claim, contact your IRS office for assistance. After all, what have you got to lose?

Will the IRS ever have a tax amnesty?

I doubt it. There is a lot of talk about a flat tax, or value added tax (VAT), or national sales tax that could replace our present tax system

with the next presidential election. If this should become a reality, you will still be liable for all taxes owed up to that time. I think that any candidate who pushes that idea deserves to be heard because the IRS is too big, too wasteful, and has far too much power. We may soon be able to deal with them at the voting booths...WHAT A GREAT IDEA!

What happens when the IRS gets a tax lien against me?

Basically, not much. The lien is a twofold item. First, it is a legal instrument that allows them to attach assets to satisfy your account, and secondly, it is a mental weapon that scares the heck out of anyone who is even thinking of extending you credit. Nothing will scare off a potential creditor more than a state or federal tax lien and that is one reason why they are placed against your credit.

What happens to my credit when the lien is paid?

The taxing entity (state or federal) will file a release of lien with the courthouse notifying them that you have satisfied the debt. Unfortunately for you, it is then allowed to stay there for seven years from the date of release. Can you get it off? YOU BET! Just dispute that sucker and watch it fly away quicker'n you can blink.

Why does an IRS or state tax lien scare potential creditors so badly?

The reason is no one wants to put themselves in a position whereby they (the creditor) may have to get involved in reclaiming their property from the IRS because of your tax problems. So it's easier to just say no!

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What else should I know about dealing with the IRS, if I have a problem?

If you are making payment to them, do it with money orders obtained from your local convenience store or the post office. If you use a personal check, they can garnish your wages if there is a problem on down the road, based on the information on your check. Remember...you don't want them to have all your personal information, do you?

Keep accurate records of all phone calls and written correspondence to the IRS or other taxing entity. Remember... they don't always hire college graduates to work there and I can attest to the fact that their people are not always prepared to correctly answer your questions. Always record the name of the person to whom you talk.

Make this problem your highest priority, even higher than your credit reports. You wouldn't want the IRS looking up your GREAT credit report if you owe them money, do you? Call them. It is such a relief to finally get them off your back.

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SINGLE PARENTING

*“Lady Madonna, children at your feet,
Wonder how you manage to make ends meet?
Who finds the money? When you pay the rent?
Did you think that money was Heaven sent?”*
- “Lady Madonna,” THE BEATLES, 1968.

The single parent is, in my opinion, one of the most overlooked minorities in this country. In the State of Texas where I live, the divorce rate is 52%. The number of children being born out of wedlock has never been higher. The amount of single moms and dads trying to raise these kids alone is at an all time high.

There is no better gift that we as Americans can give our children than to provide them with a decent standard of living.

Far too many single parents are struggling day to day, trying to provide just the basics of food, clothing, and shelter. This overlooked minority suffers far more than anyone else could ever imagine, especially when it comes to the credit system.

For everyone who is married with children think about all the millions of decisions we make in the course of raising our kids. Try and think how much harder that would be if you didn't have your spouse with which you could discuss those decisions. What

if you were the only parent and the only income?

From Not a pleasant thought, is it? From working with
working with charitable groups that offer counseling services for
charitable homeless families and abused women, I can attest to
groups that the fact that there is NO harder job than single
offer parenting. If you are a member of this army of single
counseling parents, tackling this load, I salute you. Single parents,
services for you have my utmost admiration and respect! As we
homeless all know, it takes a lot of money to raise a family. For
families and a single parent, every cent in the household is usually
abused spoken for, even if the parent's job is a good-paying
women, I can one. When there is only one income instead of two, the
attest to the household budget is not a question of need, but rather
fact that it's just a matter of trying to survive day to day, week to
there is NO week on whatever income you have available.
harder job This uphill fight is further complicated by credit
than single problems. A single parent often has to reorganize their
parenting. priorities to make a dollar stretch.

Obviously, the kids come first. Even if your ex-spouse is behind in his/her payments for child support, you have to budget yourself from payday to payday in order to survive. Take care not to "badmouth" your ex in front of the kids. They will learn more by your example than anything you will say.

For the spouse who is behind on their payments for child support, you're not hurting just your "ex" by your actions. The kids are the ones suffering most for what you're doing. Think about this: an extra \$25 per week can buy up to six sacks of groceries using coupons and planning

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ahead. That's a lot of food for a household where there is little to eat.

The next time you're wasting money, just think about how much food it will buy and how much it will mean to those kids. After all, the kids are merely the victims of your divorce. If you don't do it for any other reason, do it for your kids.

We almost always think about the moms when we talk single parenting. Women still comprise the majority of single parents with children. But there are a whole lot of dads out there struggling, too. It's so difficult to take an average case because the single parents I've worked with over the years have a multitude of various problems-kids, rent, cars, insurance, groceries, electricity, gas, water, school lunches, clothing, hair cuts, so many of the things that many of us take for granted on a daily basis. It's really tough to survive when your survival in most cases is just making it day to day.

When I counsel single parents, I tell them to try to keep as many of the problems away from the children as they can. Children have enough worries without shouldering the heavy adult burdens, too. Besides, what good would it do? Find a friend or support group to which you can air your concerns, so you'll be at your best for the kids. A lot of love and attention can make up for other things that may be missing in a child's life. In fact, some kids who grow up in a single parent household don't feel deprived if there is enough love to make up for it. Yesterday is gone, it is nothing but memories-cut it loose and get on with your life. Concentrate on today, and tomorrow, they are where you can make a difference. You may not yet realize it, but those kids are going to be grown quicker'n you can blink, so enjoy them.

If your credit report is a mess, take your time and work on

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it little by little. Don't worry about any of those unpaid bills if you're struggling to get enough food on the table. Get rid of the debt collectors first, and you will soon see sanity back in your life.

Judgments, charge-offs and repossessions can all be removed from your credit report by simply following my instructions in this book. You just need time, and patience.

SURVIVAL TIPS FOR SINGLE PARENTS

Here are some additional tips that may help you and your children:

- If you are being harassed by debt collectors from a collection agency, get rid of them by sending my Cease-Comm letter, as discussed in the first chapter. You'll be surprised how much better you will feel when you can answer the phone without worrying if it's a harassment call. This will end a lot of stress.
- Get a copy of your credit reports and study them so you will fully understand how your situation has been reported.
- If you are making payments on old accounts that are charged-off by the creditor, STOP doing it. You may be throwing your money away. Besides, your kids need it more.
- Take advantage of every free program you can. Apartment or home locators, job finders and job training, education, food, school supplies, clothes, utilities and many services are available through your city, state and federal government, as well as through many churches. Don't be ashamed to take government (or any other kind of) assistance when you need it. Teach your children how to save such things as electricity, water, food and clothing, and use coupons.
- If you are a poor money manager, get some help from a professional organization. Managing your money will be the most important thing that you will do and you want to be the very best at it.
- If you owe the IRS or student loans, make them aware of your situation very early so you can prevent added stress,

nasty surprises and unwanted expenses. If your wages are currently being garnished for a payment to the IRS or another agency, let them know it is a hardship and they may suspend it for a while.

- Don't think people don't care about you, because they do. There are a lot of programs out there to assist you in handling your daily needs. Contact churches of all faiths, local, state and federal programs and talk to your children's school counselors. There is a wealth of information available, just be sure you can get it and use it to your advantage.
- Plan your day, week and month so you don't run out of your valuable resources like food and money before payday. Take a course on nutrition (free courses are offered all the time through government agencies-call around in the blue pages of your phone book) to ensure the kids are getting the most for what you are spending. I can't tell you how many moms I have worked with have turned into supermoms when they realized they were the only one their kids had to rely on.
- Unless you have automotive-mechanical skills, take advantage of anyone who has a reputation for quality car repairs. This is one of the biggest areas where single parents get ripped-off big time. A lot of churches have people to whom they can refer you. Be sure and ask a lot of questions upfront, like "Would you please give me an estimate in writing that covers all repairs and warranties?" The right discussion upfront can save you a lot of headaches later.
- Far too many of you are out there driving without automobile insurance because you can't afford the premiums. Unfortunately, this is illegal and could result in criminal charges filed against you,

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if you get caught, or are involved in an accident. Make getting insurance a priority.

- Don't make your kids part of the problem. They need a daily dose of love and encouragement just like we do, and besides, you have so much to give to them and love doesn't cost us a dime ...just remember... Kids Just Wanna Be Kids! No one else can offer you the love they can, either.

**ASK BUD ABOUT...
SINGLE PARENTING**

What does a single parent do when there is never enough money to go around?

You must realign your priorities in such a way as to take care of what is most important. I work with a non-profit group that helps put their clients, mostly homeless people, on a strict budget. If you get a receipt for every dime you spend, even for stopping at McDonald's, you'll learn very quickly exactly where your money is being spent. Enroll in a course that can assist you in budgeting your money and take advantage of every kind of cost saving idea you can think of. One of the most overlooked, yet efficient ways of saving money, is to use coupons at the grocery store. I know of many households who get upwards of 20-30% off their food bills every time they go out shopping. Check with your local community colleges, churches and civic organizations to see what programs are available in your area.

What are the biggest problems a single parent makes in relation to their credit and financial problems?

Underestimating your strengths. You don't have the time or inclination to use most of your strengths. For example, when you get paid do you really know where every penny of that check is going to be spent? Are you counting on money from your former spouse that may or may not be there? Do you feel that asking for assistance from a government agency or local charitable organization is not for you? Are you constantly stressed out because of your situation? If any of this sounds familiar, you are not alone. There are millions of people just like you going through

the same problems. Your first goal must be to recognize that you are the only person who is going to change this situation and you must set up a game plan to do so.

How can you have a game plan when there is little or no money available to do it with?

You must take whatever resources you have available and figure out a way to make them fit within your limits. First, get yourself set up on a strict budget for three months. Keep a record of every cent you spend. Invest in a notebook to list your expenses-nothing fancy, just some paper and a pocket folder would do. Make your list a daily priority in your life. Allocate your valuable time as you do your money because you must be able to handle the kids, working, shopping, day care, cleaning, and yes, even precious time off for yourself.

Make time in your busy schedule that allows you the chance to shop for bargains. Things like garage sales, cutting out coupons from the newspaper (make a game of it with your kids so you can spend time together), and wholesale clubs can put many extra bags of groceries on your shelf each week.

Your local library, churches and community organizations can be the single parent's best friend when it comes to learning how to economize and stay sane. My experience has shown that these places usually provide the most knowledgeable people in your community. Even if they can't give you assistance, they are invaluable in providing you with information on where to go and how to handle your requests. Always write down what information you get and ask that person if you can use their name. Be on constant lookout for places like thrift stores, where you can buy food and clothing at huge discounts, while keeping your kids well fed and clothed.

**If my spouse would only help out, we wouldn't be in this mess.
How do I handle that?**

Keep the pressure on. If you owed child support, make sure it is paid through the courts. If your spouse is behind, use the courts in the manner that they were intended. Unfortunately, far too many women in this country are the only ones contributing to their children's support and usually, that is not enough. Keep accurate records of all payments, court dates, and other pertinent information, so that your former spouse will quickly realize that you are not going to let your kids go without ANYTHING to which they are entitled.

My "ex" ran up a lot of bills and I can't pay them, yet I catch all the heat from the collectors-what do I do?

First, tell your creditors that you will not allow them to worsen your situation. Use the Cease-Comm letter every time you hear from a collection agency. Don't pay off old bills if they are taking food from your table and try to keep your personal problems away from your kids. After awhile, things will calm down and you can get to work on your credit reports.

Is there any hope when you are drowning in debt and don't know where to turn?

Absolutely, yes! There is always hope.

A lot of single parents have been financially dependent on others for so long, sometimes simple everyday tasks-like writing checks-that we might take for granted, seem impossible to them. That MUST change starting right now. Begin the process of getting back on your feet.

You will figure out the best way to live on a really tight budget, and you will likewise be able to eventually get your credit back to a level whereby you can use it to your advantage. I have done it

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hundreds of times and have never seen a case that could not be helped. Our credit system allows that after a period of time, nobody will bother you for payments since there is nothing to be gained by it. So, use that time to your advantage and get the system to work for you in a positive way. You must learn to discipline yourself to winning small victories at first, then the larger ones will come.

Get your family and friends to help you. They can be a powerful resource for you. When everyone is involved, it's a lot easier on you and it's more difficult for you to give up. You need a support group and if your present family and friends aren't up to the job, contact one of the single parents' groups. The last thing you need is to feel that you are totally alone in your situation, because you are NOT. Your situation is only temporary and the road is a lot easier when someone is there to help you with your burden—even if it is only to listen when you need to talk.

Hold your head up and keep a positive attitude. Your kids will pay you back a thousand times over in many ways, for example, with a good report card, to let you know they appreciate all that you're doing for them. You are doing a terrific thing by taking care of them and keeping things going. You are very much appreciated for what you are doing.

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SECOND MARRIAGES----- MARRIAGE AND REMARRIAGE

*“Precision of communication is important,
more important than ever, in our era of hair-trigger balances,
when a false or a misunderstood word may create as much disaster
as a sudden thoughtless act.”*

--- James Thurber

Here comes the bride...for the second time. Sometimes, for the third, fourth or fifth time. I knew a man here in Texas who was married five times before he was 40! Nothing wrong with that, except that your legal liability increases each time you marry.

If you know the wedding march by heart; if each time you enter a church your feet automatically begin to pause between steps -step, half-step, step, half-step; if your car has permanent stains outlining “Just Married,” from repeated applications of shaving cream, then, this chapter is especially for you.

But, even if you’ve only made one trip to the altar, there are some very important facts you should know about protecting your-

self and your credit.

A wise anonymous individual once said: Love is like a hourglass-the heart fills up as the head empties!

When you are engaged to be married, the last thing you want to think about are the hard realities of personal finance and merging two credit histories. However, in order to preserve your own credit stability and protect your future, you certainly should think about them.

The same community property laws designed to treat both sides of divorce fairly can also enable you to be taken advantage of by your ex if you don't make it a point to educate yourself about your finances and tax returns. It makes no difference if the injured spouse is male or female, however my experience has shown that in these cases, women generally suffer the most. The times are changing, but perhaps not fast enough.

I hate to admit it, but the number one reason many women wind up as the "injured spouse" is because they believed their husbands when they said "trust me," concerning their income tax returns.

Any time you marry, you are legally entitled to participate in the profits (AND losses) from the marriage, in most states Community property laws mean that anything acquired by the two of you during the marriage (a house, boat, condo, furniture, pets, oh yes and kids) belongs equally to you both. In a divorce, a judge would take the position that you would split everything right down the middle, if everything were sold. Sounds like a really good deal, doesn't it? Especially here in my state of Texas, where the divorce rate is 52%.

But, as mentioned earlier, the community property laws also make each spouse liable for taxes and any other debts incurred during the marriage.

To avoid any nasty surprises, both partners should be aware

SECOND MARRIAGES---MARRIAGE AND REMARRIAGE

of all their financial obligations, but most of all, they should make a special point to be aware of the IRS tax returns. A married couple should consider filing separate but married, instead of jointly, if there is any question about liability.

Let's take a scenario. Remember Dick and Jane from your (or your parents') primary readers? When the Education authorities at long last decided to finally do away with the Dick and Jane readers in elementary schools, the two eternal children suddenly grew up. They were tired of chasing the same old ball down the street, anyway, so they went their separate ways-off to seek their fortune and adventure on other pages. Dick and Jane met many other Dicks and Janes, got married and divorced. Jane is 35, Dick is 40. Jane has two kids, 11 and 15. Dick has a 20-year old son in college.

Jane works in an office, makes very decent money, having been there for about 10 years. Dick is a salesman for an area company that pays him a commission for his sales. Dick and Jane got married in November.

The following April, it's time to file their taxes. Jane has a Form W-2 Wage & Tax Statement that shows her earnings and tax deductions. Dick has a Form 1099 which shows the total commissions paid to him by his employer, except that Dick has never had any money withheld from his pay as Jane did. To maximize their allowable deductions, Dick and Jane file the long form claiming her two kids as deductions, and end up owing the IRS about \$8,500 because the deductions don't cover all the money that Dick earned.

Now, to make matters worse, Dick gets laid off because business is bad, and he can't find another job. While this is going on, Jane is fighting to keep the bills paid and still meet the constant needs of her children. Unfortunately, Dick and Jane are unable to send the IRS any money because they can barely make ends meet.

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After a year and a half of this, Jane is fed-up and leaves Dick, who by now has lost the house and put on forty pounds. She keeps her sanity, rents and apartment for herself and her kids and struggles to put her life back together.

Then one day, Jane gets a knock on the door. “Hi,” says the caller, “I’m from the IRS and you owe us \$12,594.87 in back taxes.” “Oh no,” says Jane, confidently, “I don’t owe you any money, you see I get a refund every year.”

“Not so,” says the friendly, courteous, clean-mannered IRS clerk, “You see the money you owe is for the year you and Dick were married and filed a joint return.”

“The problem we have now, Jane, is that Dick is not working, in fact he’s living with another woman, and because you were so gracious in filing a joint return, we can now seek you out and legally make you pay every dime that is owed. With penalties and interest it comes to \$12,594.87 and will continue to accrue penalties and interest until you or Dick pay us.”

Jane fainted at the door.

As ridiculous and unfair as this sounds, it happens every day of the week.

I had a record day for responses to my radio show the day I discussed the damages of filing joint returns. Most of the victimized callers were women and here are some of the things they said.

“He told me to just sign the blank IRS forms and he would take care of it.”

“I was told we were getting a refund back and didn’t question it.”

“He said not to worry, that he could handle the IRS.”

“He knew a CPA that guaranteed him, we’d never have to pay.”

SECOND MARRIAGES---MARRIAGE AND REMARRIAGE

Poor Jane, she really got it put to her by Dick.

Are you wondering about your situation about now? Just get out of a marriage? Thinking about getting hitched again? Make sure you ask plenty of questions. “Is he telling me the truth?” “Should I believe her?” “Does s/he understand what s/he’s doing?” “How can I check him out?”

If you think you could be facing some liability on both state and federal taxes for a situation you are/or were in similar to Dick and Jane’s, then you may want to take a close look at your options.

If you’re getting this advice after you’ve already been injured financially by a former spouse, don’t feel that it is hopeless. If you suddenly find you have an IRS problem which you never knew existed, contact them and ask for advice. Refer to the IRS chapter for details. Also, do the same if you find you have a state tax liability.

BUD'S QUICK TIPS ON SECOND MARRIAGES

Ask a lot of questions if your spouse is either self-employed or an officer of a small corporation in which s/he owns a stake.

Ask to see records. If there is nothing to hide, you have nothing to fear. If s/he refuses or makes excuses, raise the red warning alert flag.

Money is always the biggest problem and when you compound that with a new family and stress, the chances of that marriage failing really skyrocket. What kind of shape are his/her credit reports in? Can you see them? A credit report will tell you immediately if there are tax liens, judgments, or charge-offs against him/her. If his/her excuse is that there is a mistake, get all three copies from each credit bureau. Mistakes like that don't happen on all three...RED FLAG!!

If you are married and not sure what your latest tax returns contained, write both the IRS and your state tax authority and request that copies be sent to you. Be sure that the request includes all schedules that show things such as self-employment tax, Social Security taxes, and other assets. If you signed a joint tax return, then you have the right to inspect a copy. **THAT'S THE LAW!**

If you are out of a marriage and suddenly find that you have a tax liability as Jane did, contact the IRS Office of Special Procedures and request an "Injured Spouse" claim form 911, Application For Taxpayer Assistance Order (ATAO) or call 1-800-TAX-FORM to receive a copy by mail. Use this especially if you are having your wages garnished as a result of the filing. This is for the IRS only; contact your state tax authority separately.

I always advise couples who think there might be a problem, especially if one of the spouses is self-employed and using an IRS form 1099 (commissions), to file their taxes as married, but filing separate.

SECOND MARRIAGES---MARRIAGE AND REMARRIAGE

Yes, you do lose a little in your deductions and your tax base is higher. However, think about your long term liability. Would you rather lose a few deductions now, or pay a whopping tax bill later? A tax bill that wasn't even yours.

Consider some more advice I've found particularly helpful in a second marriage. When both of you are working and there is a question as to how the money is handled, here are some helpful tips that may keep you two happier:

1. If you have two incomes and they are lopsided (one brings home more than the other), then consider dividing up the bills such as one paying the mortgage, the other paying the utilities. You pay the car payment, I'll buy the groceries, etc. If you can work out an amicable arrangement that suits you both and your household, you cut way back on the need to argue over money.
2. Get separate checking accounts and a dual savings account so neither spouse can complain about the other buying things. Also, it's a great way to handle giving money to the kids. When you get paid, you each put your money into your own checking accounts. You both place an agreed upon amount into savings. Then, you are both free to budget and spend your money as you see fit without hassles from your spouse. Try it for six months and you will agree there is less stress in your marriage.
3. Shop together whenever possible. How else are you both going to know how much groceries cost? If you do most of the shopping, this will show your spouse how much things cost and how expensive the basic necessities are.
4. Shop around for such things that are taken for granted such as car insurance, long distance service, etc., and look for ways to cut your utilities. It's amazing what you can save when you shop.

ASK BUD ABOUT... SECOND MARRIAGES

What are the biggest problems encountered in a second marriage?

I have worked with hundreds of couples who have found out that their spouse didn't always tell them the truth, understand the taxes, or just flat out lied about their situations. Money is always the biggest problem and when you compound that with a new family and stress, the chances of that marriage failing really skyrockets.. You must find an area in handling your money that is mutually agreeable and beneficial to you both. If the first idea doesn't work, don't give up. Keep trying until you are both comfortable and the stress is gone.

Should all couples who have remarried file a separate tax return?

No, because that is not necessary. I advise you to file a separate tax return if either of you feels there is even a small chance that one of you could be facing IRS liability. This usually happens when one of you is self-employed, works on straight commissions, or is the owner of a small business and has liability for payroll taxes. The idea for this is to isolate the other spouse from potential problems with the IRS. It's better to play safe now, than to be sorry later on.

What does filing a separate tax return do to help me?

A separate tax return filing will keep you away from any problems your spouse may encounter with the IRS, including liability for taxes he/she may owe. Once you file a joint tax return, you automatically become liable for all taxes owed from that return. This is an area

SECOND MARRIAGES---MARRIAGE AND REMARRIAGE

where I have seen a lot of women who have no knowledge of their spouse's business dealings suddenly become an IRS target for back taxes. It's a real hard problem convincing the IRS, once you have signed that joint tax return form, that you shouldn't be liable.

When you are married, is all your credit in one name?

No, never! Credit is something that you qualify for and are granted based on your own merits. Just as you and your spouse have separate Social Security numbers, you also have a separate credit report. When checking your credit you must always request a copy of both spouses' reports and check them over carefully.

In our divorce decree the judge ordered my former spouse to pay off several of our old accounts. It was never done and now I can't get the credit bureau to remove it. Why?

When you walk out of divorce court, the only thing that really matters is that you are no longer married. When a divorce judge orders one spouse to pay the bills, he cannot legally have the original creditor release the other spouse from the liability of the contract they signed prior to going into divorce court. In other words, the order is almost unenforceable. If your former spouse refuses to pay, you can be guaranteed that you will be getting phone calls from the debt collectors and facing charge-offs on your credit report. You will even be hit with a repossession, if the car is not paid for.

So, don't assume just because the divorce court ordered it, that your former spouse is going to pay off all those charge accounts or auto loans. The original creditor takes the position that you both signed the contract, therefore you are both liable.

What's the best way to protect myself from these problems?

Before you marry, don't take everything you hear from your fiancée at face value. It could be fear of embarrassment, ego or just fear of getting caught that is preventing your fiancée or spouse from being totally honest with you. Take the time to ask a lot of questions and if the answers don't jive, start doing a little detective work.

Talk a lot about such things as money, credit and the liability you two face separate of each other. Open communications is the key to a lasting marriage. How else are you going to react when there is a problem? Set up a home budget just as you do at your place of employment. This way you both always know what is being paid, when it is being paid and where the money is coming from to pay it. You will be able to save more and be a much more positive influence on your children. After all, who were you influenced by?

It is wise, when married, to not put all your money into one checking account every payday and give one person all the responsibility of paying all your bills. Divide them up equally based on the amount of money each of you brings home. For example, if one of you earns 60% of the income and the other earns 40%, then pay the bills and put money into savings based on those percentages. That way you will both be aware constantly of what is being paid and equally share in the responsibility of it. The net result is less arguing over money and bills.

Once you are sure that you are definitely headed into divorce court, you should contact your creditors and close all accounts that are jointly issued to you both. Then, figure out how you two are going to pay down whatever balance is left. After they are paid off, apply to that creditor for another account in your name only. This way, you have no liability except for what you charge on it yourself.

My credit report is full of bad credit because my former spouse didn't pay as ordered by the court. What other alternatives do I have, if any?

You always have an alternative. The first thing to do is to get all three copies of your credit reports and identify the accounts not paid. Under each account that you were told not to pay, tell the credit bureau that "these accounts do not belong to me---remove them from my file" and send them back. Some will come off, some will stay. Then write to the creditor including the part of your divorce decree that shows liability on your former spouse. A few more should come off. Then, if all else fails, negotiate a settlement that is fair to both you and the creditor in return for their either removing or re-reporting the account as favorable.

Can I check the credit of my fiancée before we get married to be sure there are no problems?

No, not without his/her consent. But consider the fact that if you are willing to do it, why wouldn't your fiancée? It's the old "I'll show you mine, if you show me yours" trick so go ahead and ask. If your fiancée has nothing to hide then you'll see it, if not, you two will be having a nice fight before you get done reading this book.

What if one of us has good credit and one has bad credit?

Then never fill out an application such as a car loan using both Social Security numbers. You will just get turned down. Use only the good credit and avoid the bad. Also, be sure to avoid having your credit reports reflect the name of the other spouse, if at all possible.

THE AMERICAN CREDIT SYSTEM: GUILTY! UNTIL PROVEN INNOCENT

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SECURED CREDIT CARDS

“Even after a bad harvest, there must be a sowing.”

---Seneca

A secured credit card is the greatest thing a person with problem credit can have. I recommend these types of cards to anyone trying to rebuild their credit. They force you to spend only what you can afford, while giving you the freedom to make whatever purchases you want, without alerting every merchant to the fact that you have credit problems.

In a secured credit card program, you put up a specified amount of cash in a savings account and are issued a Visa or MasterCard with a credit limit equal to your balance. Your savings account balance acts as security for the line of credit, thus the name “secured credit card.” However, it offers the very same services that regular credit cards offer, such as the convenience of a cash advance from an Automated Teller Machine (ATM). You receive a personal identification number (PIN) from the card issuer that allows you to access any ATM.

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Your secured credit card savings account will earn interest, usually in the 4-5% range. Most banks will allow you to place up to \$5,000 in your account (some higher), and in most cases will increase your line of credit after one year of satisfactory service.

You are required to make a minimum payment to the bank each month depending on your purchases and your account balance. You will also receive a monthly statement detailing your purchases, APR, account balance and interest paid. Make your payments on time to ensure that the bank will report you as favorable to the credit bureau.

Once you have a secured card, you can usually acquire a second card for your spouse or children, which is secured by the same account. In many cases, you can open separate accounts for as many cards as you need.

To obtain a secured credit card, you must fill out an application at a bank authorized to offer either a Visa or MasterCard credit card. The acceptance rate for secured cards is about 95%. So you will almost always be accepted unless you are still in a bankruptcy or have an outstanding state or federal tax lien against you. Most banks don't want to deal with bankruptcies or liens.

When choosing a bank for a secured credit card, you should always be sure that the institution is insured by the Federal Deposit Insurance Corporation (FDIC), and that you are dealing with a federally chartered bank. This will ensure that your funds are safe and always available upon demand. Take the time to understand what services they are offering and the amount of interest paid on your savings. You should also ask if the bank will report your card as secured to the credit bureau.

SECURED CREDIT CARDS

Beware of banks that charge a high fee for secured cards. Average fees run \$25 - \$50, which you usually don't need to pay until after your application has been approved. Also beware of any card issuer claiming something outrageous-such as a "gold secured card." While these claims may be legitimate, it is best to fully check out anything that sounds too good to be true.

Secured credit cards are now being offered by major banks and some credit unions who are affiliated with Visa and MasterCard. As always, shop around, ask questions and make sure you fully understand the terms of the contract before you enter into it. Secured cards are welcomed just like Visa and MasterCard, at all merchants who accept other major cards. You can use your secured card for virtually any type of purchase including hotel accommodations, airline tickets, car rentals, restaurants, or anything else for which you can use a Visa or MasterCard.

Be careful not to get secured cards confused with bank debit cards. Debit cards usually draw directly from your checking account and are issued instead of ATM cards at many banks, since debit cards also enable you to withdraw from the ATM. Secured cards are usually easier to obtain if you have problem credit.

It is extremely important that you are always aware of your balance with a secured credit card. When you use your secured card, a call is placed to your bank and upon verification of your balance, the purchase is either approved or denied. Most of the time, the merchant will not know that your card is secured.

If you open an account with a secured credit card, your credit report will reflect that you have a credit card with the issuing bank and that will enhance your credit profile.

The idea of the (secured) card is to open doors which were slammed in your face when you began having credit problems, not to go crazy.

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Although your credit report will rarely tell anyone that you have a secured credit card, a few banks do place the tag line, “secured card” under the account.

There are other clues as well, which indicate your card is “secured,” especially to someone who is skilled at reading credit reports. The most obvious clues are 1) the name of the bank (since some banks deal exclusively in secured cards); and 2) the amount listed on your credit line. A normal credit grantor usually starts your line of credit at \$750 or higher, so when you pick up a credit report and see that your line of credit is only \$300 or \$400, it’s usually a sign that the account is a secured credit card.

However, don’t let these issues prevent you from considering a secured credit card, especially if you’re trying to rebuild or reestablish good credit. The benefits of having one far outweigh the risks, even though a secured card will not solve ALL of your credit problems.

In resolving your credit problems, you are putting together a large puzzle that affects your life. A secured card is a great way to gain back the dignity and freedom to conduct your business affairs with some degree of normalcy in this credit-based economy. Make sure you use it wisely.

ASK BUD ABOUT... SECURED CREDIT CARDS

What's the advantage of having a secured credit card?

A secured card can be obtained in the matter of a few weeks by just about anyone. Once you have it you can charge your purchases from department stores and restaurants, to airline tickets, hotels and rental cars. It affords you a lot of freedom that you do not have without it.

Be careful to NOT use the secured card everywhere instead of cash or checks, however. The idea of the card is to open doors which were slammed in your face when you began having credit problems, not to go crazy.

Used wisely, secured credit cards can be a great way to rebuild your credit after having credit problems, or to establish credit if you've never had it. They are usually listed in your credit report and since you cannot exceed your balance, it is almost impossible for your secured card account to result in a negative line of credit.

What kind of secured credit cards are available?

The most popular and easiest to obtain and use are Visa and MasterCard. Both of these cards are universally accepted and also provide you with another source of identification.

How much credit line can I obtain on my secured card?

As little as \$300, or as much as \$5,000, depending on the card issuer and the amount you wish to place on deposit with the bank. Essentially, you have control over the amount of credit and how the card is used.

How will my credit problems affect my ability to obtain a secured credit card?

Unless you are still in bankruptcy or have tax liens on your credit that are unpaid, you should be accepted for a secured card. The reason the bank draws the line on liens and bankruptcies is that they don't want the burden of having to deal with either of those organizations-the courts or tax collectors. There are some banks that will still give you a secured card in spite of tax liens, though, so shop around.

How will a secured credit card affect my credit report in a positive way?

Two ways. First, you have new activity on your report which is a very positive sign. Second, it demonstrates to your future creditors that you are establishing or reestablishing a credit history. It is pretty much a win-win situation.

Does the merchant accepting my credit card know that it is a secured card?

No, not at all. There is nothing on the card indicating it is "secured," nor is there anything involved in the transaction that will alert the merchant to the fact that it is secured. You can usually use a secured credit card with full assurance of confidentiality. The only sure way someone else can tell if your credit card is secured is if your bank decides to notate that fact on your credit report.

What if I need to obtain a cash advance from my secured card?

Simply go to any ATM and get the cash you want. You will be given a pin number to protect your account, so you can feel free to use it for any purpose, up to your limit.

Does my secured card automatically become unsecured after a year?

No, the only time that a card would revert to unsecured status is if, and when, the bank issuing the card notifies you that it has indeed become an unsecured card. Most accounts stay secured for a portion of the funds, at least, for as long as the card is issued.

How does the savings account work?

When you place an amount into the savings account, it acts as security for the line of credit against your card. Banks are required to pay you interest on that deposit.

Why should I choose an FDIC bank for my secured card?

For protection to you and your money, FDIC accounts are insured up to \$100,000 by the government and you also have the satisfaction of knowing you are dealing with an institution that will always be there for you. In some areas of the country, credit card brokers have been known to collect your money and skip town, so, be careful.

Beware of certain gimmicks that banks and companies use to pull you into them. One in particular offers an instant line of credit if you bring in your credit card. Don't believe it. They still take a 5-line credit application and pull your credit reports.

How do I get the bank to report my secured card to the credit bureau?

They will do it automatically for you. It's part of their service. It normally takes at least sixty days from the date your card was issued before it will show up on your credit report.

What about getting an extra card for my spouse or my children?

Easy, just ask for it. The bank will issue you a second card in the name of anyone you want. Be aware that both of you will then be drawing off the same secured savings account and credit line. Remember, you must remain aware of your balance whenever you use your card. Most banks include an 1-800 number for you to call and get your balance instantly.

WHO IS ON YOUR SIDE AND WHO IS NOT---FEDERAL LAWS THAT PROTECT YOU

“Justice should remove the bandage from her eyes long enough to distinguish between the vicious and the unfortunate.”

--Robert G. Ingersoll

This is a list and explanation of the various federal laws that pertain to you and your rights reprinted from the federal publication entitled: “Consumer Handbook to Credit Protection Laws” from the Board of Governors of the Federal Reserve System, Washington, D. C. 20551.

“Equal Credit Opportunity Act” requires that all credit applicants be considered on the basis of their actual qualifications for credit and not be turned away because of certain personal characteristics. The “Equal Credit Opportunity Act” covers your application for a mortgage or home improvement loan. It bans discrimination because of such characteristics as your race, color, sex, or because of the race or national origin of the people in the neighborhood where you live or want to buy your home.

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If you think you can prove that a creditor has discriminated against you for any reason prohibited by the act, you, as an individual, may sue for actual damages plus punitive damages---that is, damages for the fact that the law has been violated---of up to \$10,000. In a successful lawsuit, the court will award you court costs and a reasonable amount for attorney's fees. Class action suits are also permitted.

“Fair Credit Billing Act” sets up procedures requiring creditors to promptly correct billing mistakes, allowing you to withhold credit card payments on defective goods, and requiring creditors to promptly credit your payments. A creditor who breaks the rules for the correction of billing errors automatically loses the amount owed on the item in question and any finance charges on it, up to a combined total of \$50---even if the bill was correct. You may also sue for damages as pointed out above.

“Fair Credit Reporting Act” sets up procedures for correcting mistakes on your credit records. If a lender refuses you credit because of unfavorable information in your credit report, you have the right to the name and address of the agency that keeps your report. Then, you may either request information from the credit bureau by mail or in person. You will not get an exact copy of the file, but you will at least learn what is in the report. The law also says that the credit bureau must help you interpret the data - because it's raw data that takes experience to analyze. If you're questioning a credit refusal made within the past thirty days, the bureau is not allowed to charge you a fee for giving you the information. Any error you find must be investigated with the creditor who supplied the data. The bureau will remove from your credit file any errors the creditor admits are there. If you disagree with the findings, you can file a short statement in your record giving your side of the story.

“Fair Debt Collection Practices Act” is an act to prohibit

WHO IS ON YOUR SIDE AND WHO IS NOT

abusive practices by debt collectors. This act requires that debt collectors treat you fairly by prohibiting certain methods of debt collection. A debt collector is any person, other than the creditor, who regularly collects debts on a regular basis. Within five days after you are first contacted, the debt collector must send you a written notice telling you the amount of money you owe, the name of the creditor to whom you owe the money and what action to take if you believe you do not owe the money. A collector may not contact you if, within 30 days after you are first contacted, you send the collection agency a letter stating you do not owe the money. However, a collector can renew collection activities if you are sent proof of the debt, such as a copy of the bill for the amount owed. Report any problems you have with a debt collector to the Federal Trade Commission or your state Attorney General's office.

YOUR FEDERAL TRADE COMMISSION OFFICES

National:

Federal Trade Commission Headquarters
Pennsylvania Avenue, NW
Washington, D.C. 20580
(202) 326-2222

**Alabama, Florida, Georgia, Mississippi, North Carolina,
South Carolina, Tennessee & Virginia:**

Federal Trade Commission
1718 Peachtree St., NW, Room 1000
Atlanta, GA 30367
(404) 347-4836

**Connecticut, Maine, Massachusetts, New Hampshire, Rhode
Island & Vermont:**

Federal Trade Commission
10 Causeway St., Suite 1184
Boston, MA 02222
(617) 565-7240

**Illinois, Indiana, Iowa, Kentucky, Minnesota, Missouri &
Wisconsin:**

Federal Trade Commission
55 E. Monroe St., Suite 1437
Chicago, IL 60603
(312) 353-4423

**Delaware, Maryland, Michigan, Ohio, Pennsylvania & West
Virginia:**

Federal Trade Commission

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668 Euclid Avenue, Suite 520-1
Cleveland, OH 44114
(216) 522-4207

Arkansas, Louisiana, New Mexico, Oklahoma & Texas:

Federal Trade Commission
100 North Central Expressway, Suite 500
Dallas, Texas 75201
(214) 767-5501

**Colorado, Kansas, Montana, Nebraska, North Dakota, South
Dakota, Utah & Wyoming:**

Federal Trade Commission
1405 Curtis Street, Suite 2900
Denver, CO 80292
(303) 844-2271

Arizona & Southern California:

Federal Trade Commission
1100 Wilshire Blvd.
Los Angeles, CA 90024
(310) 575-7575

Northern California, Hawaii & Nevada:

Federal Trade Commission
901 Market Street, Suite 570
San Francisco, CA 94103
(415) 744-7920

New Jersey & New York:

Federal Trade Commission
150 William Street, Suite 1300

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New York, NY 10038
(212) 264-1207

Alaska, Idaho, Oregon & Washington:

Federal Trade Commission
915 Second Ave., Suite 2806
Seattle, WA 98174
(206) 220-6363

CONSUMER & OTHER ORGANIZATIONS

Listed below are organizations that can offer you information and assistance in resolving your problems, or other services that may benefit you or your situation.

American Council on Consumer Reporting Accuracy
(ACCRA)
4000 Albemarle St. NW, Suite 402
Washington, D.C. 20016
(202) 363-1534 Fax (202) 362-1648

The national trade and professional association for credit counseling, debt management, credit correction, financial advising, credit assistance, debt consolidation and loan acquisition firms. ACCRA believes that credit services are a necessary service for consumers who desire to obtain professional assistance with their credit and financial dealings.

American Collectors Association (ACA)
P.O. Box 39106
Minneapolis, MN 55439-0106
(612) 926-6547 Fax (612) 926-1624

Founded in 1939, ACA is the world's largest and most widely recognized organization of consumer debt collection services.

WHO IS ON YOUR SIDE AND WHO IS NOT

Members within the United States are affiliated with one of 44 state or multi-state units. When you are mistreated or wish to file a complaint about a debt collector, be sure and send a copy of your complaint to their national and state office. I have been assured many times by the elected officers of this organization that they want to hear about complaints so that they can investigate it and take action against their own members as needed.

I have been in contact with many officials of the ACA and they are trying very hard to alert the public to the fact that they, and their members, strive to educate their employees and live up to the laws that govern their industry. If you are ever contacted by a collection agency and they treat you in any way other than professional, I urge you to contact your state ACA or call their national headquarters and tell them you wish to lodge a complaint about one of their members. Give the details of who, when and how you were being harassed. They have assured me that every legitimate complaint will be looked into and appropriate action will be taken. I would also appreciate hearing from you if you have a horror story, or can't get any action on your complaint.

National Coalition for Consumer Education (NCCE)
295 Main Street, Suite 200
Madison, NJ 07940
(201) 377-8987 Fax (201) 377-4828

The NCCE, a unique national partnership of leaders from business, education, government, consumer groups, the media and community organizations, was formed in 1981. It's the only national organization which promotes consumer education. Everyone participates equally in the coalition. NCCE reaches out to educators in schools, communities and work places.

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U. S. Public Interest Research Group
215 Pennsylvania Ave. SE
Washington, D.C. 20003
(202) 546-9707

The U. S. Public Interest Research Group (U.S.PIRG) investigates problems, educates the public about solutions and lobbies about reforms that preserve the environment, protect consumers and renew American democracy. When I requested information, I was deluged with information about credit bureaus and how bad they screw up your credit report. I would strongly recommend you contact this organization and review their literature on the subject.

There are numerous other local, state and federal agencies that provide a wealth of consumer information upon request. Among them are your local Better Business Bureau's who have a pamphlet on just about every consumer subject.

If you want to find out to whom you can complain about any consumer issue, send your name and address to:

Consumer Information Center
Consumer Information Catalog
Pueblo, CO 81002

When you get their terrific catalog, be sure and order their latest copy of the "Consumer's Resource Handbook" (Form #583B), which is free for the asking. It contains a wealth of information on organizations and businesses and who to contact with your problems.

The catalog you will receive contains information on almost every kind of consumer problem and information from credit to parks, to Social Security, to tax help and on and on. Both are free so take advantage of this super deal. With all the programs being cut in Washington, this may not be around forever.

CONSUMER CREDIT COUNSELING SERVICES (CCCS)

“A clean glove often hides a dirty hand.”

--English Proverb

Consumer Credit Counseling Service (CCCS) is not your friend.

While CCCS claims to be a non-profit organization to help you pay your bills without going through bankruptcy, they do NOT look out for your best interest.

In fact, while their advertising words may make them seem that they will “be there” for you-to hold your hand and advise you throughout your period of unemployment, illness or other problems, their ACTIONS very much resemble the actions of a collection agency. The credit reporting bureaus even provide an endorsement and phone number for CCCS in their literature with your credit report.

Don't be fooled by the term, “non-profit.” CCCS is no charity. Most of us tend to place that term with charitable institutions such as the United Way. There are a lot of good, non-profit, charitable organizations out there, but CCCS isn't one of them. In this case, “non-profit” means that CCCS does not hold or distribute

profits to shareholders, as do other companies. “Shareholders” is the operative word here. CCCS distributes its profits annually to the people who own the particular CCCS office, or its board of directors.

If you are considering CCCS, ask a lot of questions before you commit to anything. If you don't get the right answers right away, walk away. In fact, CCCS receives a commission for each debt they collect from you and deliver to you creditors. The usual commission rate is 13-15% of all the money they collect. While the rate might be less, the structure and operations of CCCS sounds very similar to those of the debt collection agencies. Now, if you're collecting millions of dollars for one CCCS office in one city, you're going to have a tidy sum to divide up between the owners or board of directors at the end of the year, aren't you? Sometimes, CCCS harms you more than they help. I've talked to many clients of CCCS, who feel that CCCS doesn't fully disclose to the consumer EXACTLY what they do. In a lot of cases, CCCS has given advice which has caused even worse financial problems (such as their advice to file bankruptcy).

I've always had difficulty trusting someone who claimed to be on my side, but who profited from those who profit from me and my hardship. CCCS gets paid by the same creditor you owe. Using your money. To me, that sounds like a real conflict of interest.

Most agencies that assist consumers with paying off their debts provide counseling in return for a “fair share contribution” of from 8 to 15% of what they collect. CCCS has traditionally shunned creditors who will not pay this “fair share.” Furthermore, CCCS, which claims to be non-profit, is, in fact, in the primary business of licensing offices in designated and exclusive geographic areas of the country.

CONSUMER CREDIT COUNSELING SERVICES (CCCS)

In other words, CCCS operates a monopoly.

CCCS does not provide full service credit counseling to those organizations that do not pay them their “fair-share commission,” but they do NOT disclose this fact to the consumer. Therefore, you visit their offices, perhaps thinking they can help you handle all your debts, but you find out that they only handle the selected debts that have agreed to pay them the commission they have requested, so CCCS refuses to handle the debt.

Why does CCCS require that its local board of directors be made up of the very people to whom they are sending your money? It’s because these people want, and get, favored treatment on your past due bills. In other businesses this may be construed as a criminal offense. Why do organizations like TRW, Equifax and Trans Union provide free advertisement for CCCS and no other organizations? So that CCCS can control 70% of the consumer credit counseling market and handle the billions of dollars in consumer debt.

CCCS is being sued for over \$50 million dollars in a class action suit in the Eastern District of New York for violations of the Sherman Act in their attempts to monopolize the consumer credit counseling business. Discover card, in particular, will not accept consumers from anyone except CCCS, so Discover Card is included in the class action suit and is accused of contributing to the monopolizing practices.

Furthermore, CCCS insists that you cut up your credit cards before they will accept you into their program. So, if you happen to have good credit and are just pulled in by their propaganda, you could stand to lose your good credit standing. Creditors will most likely

THE AMERICAN CREDIT SYSTEM: GUILTY! UNTIL PROVEN INNOCENT

think twice before granting you credit if they see the tag line that CCCS records on all your credit reports. CCCS can hurt your credit report more than help it by tagging all your accounts- “accounts in credit counseling.” They do this automatically, without asking you or telling you.

I am not telling you to stay away from CCCS. I am only saying that you should be very careful when dealing with them because they owe their loyalty to your creditor, not to you!

Don't for a minute believe that CCCS is a cure-all for your problems. They simply collect your money for a fee from your creditors and pay your selected bills on a monthly basis. If you are considering CCCS, ask a lot of questions before you commit to anything. If you don't get the right answers, walk away!

**ASK BUD ABOUT...
CCCS**

Why are you so hard on CCCS? They are a good organization.

Says who? They may be great for the creditors for whom they collect money AND from whom they earn their commissions, but my loyalty is to the consumer who may not be well informed about their services. What CCCS does not disclose to the consumer either in their promotional literature or in their contracts, is that they are paid by the creditor, and I think that is a conflict of interest.

What about all the people CCCS has helped?

In what way? Sure perhaps a lot of folks feel good that they were eventually able to pay off their debts. But at what price? I wonder how many of them would do it again knowing what they now know. If the motive or intent of CCCS was to only assist the consumer, then why doesn't the consumer receive the benefits of ALL the services available? Furthermore, how long have the majority of the debtors taken to pay off these debts? On an average, that time is longer than a Chapter 13 wage earner plan. In other words, you can declare bankruptcy and get over it quicker than you can deal with CCCS.

How much of the consumer credit counseling business does CCCS control in this country and why?

According to legal papers filed in their class action lawsuit, attorneys for the plaintiffs state that CCCS controls more than 70% of the credit counseling business in this country, which hurts the consumer by not allowing them the opportunity to shop for services. Comparison

shopping should be our right in credit counselors.

Does going to CCCS affect my credit reports?

Yes, it certainly does and, sadly, you won't be told of the damage until it's too late. You see, CCCS does not care if you are just in a temporary situation or if you are deep in debt. They will force you to cut up your credit cards and then notify your (selected) creditors that you are now paying your debts through them. Your creditor will then (at their option) tell everyone who looks at your credit reports about your problem. This is done by putting the tag line "account in credit counseling" on your credit reports, without your consent or knowledge. Unfortunately, this is NOT illegal, you have no say in the decision.

What should I do if I am in CCCS or thinking about joining?

Ask a lot of questions and get your answers in writing. If the deal sounds too good, or they refuse to handle all of your debts, be smart...walk out of there as fast as you can. Be careful not to obligate yourself to a four-year nightmare of dealing with CCCS.

Whatever you do, don't enter into an agreement unless or until all your questions are answered to your satisfaction. Ask questions like: Why won't you handle all my debts? Where does all money come from to pay your costs of business? How will my affiliation with you affect me long term as far as my credit standing is concerned? What proof can you offer to back up your statements?

If you feel you are not being treated fairly, don't be intimidated into staying with CCCS-follow your instincts and get out. For your information, there is no way they can enforce your contract

SAMPLE LETTERS

with them.

Finally, consider your other options, even negotiating with your original creditors. If you could work something out with just a few of them, perhaps that would be enough to get the pressure off and get you back on your financial feet so that you can resume paying your bills on time, as agreed . Be aware that most credit grantors will treat you less than favorable if your accounts are old and charged-off because they are guided by their policy that only allows certain applications. If you don't get what you want, wait. Make another offer and use the one item that you have as a bargaining tool...your money!

Check out your alternatives. CCCS is never the only option!

THE AMERICAN CREDIT SYSTEM: GUILTY! UNTIL PROVEN INNOCENT

SAMPLE LETTERS

*“Those who are absent, by its means become present;
it (mail) is the consolation of life.”*

-Voltaire

The following letters are designed to assist you in contacting organizations in order to get what you need or to resolve your problems.

There are many different styles and methods to letter writing. I prefer to do mine on a computer using all the different fonts and techniques that are available. It does not matter if you write your letters on a computer, a typewriter, word processor or in long hand on yellow or white paper. Just be sure that you are getting your point across in a clear, concise manner.

Unless you give the credit bureau a reason to claim your letters are frivolous or irrelevant, it does not matter in what form they are received. Just make sure that you get your point across in a plain, easy-to-read format and that your letter does not look exactly like all the others pouring into the same organization.

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As I have told you many times, always keep a copy of your letters for your own records and keep all your receipts from the post office. They will prove invaluable should you have a problem at a later time.

Strive to make your letters as different in style from these as you can so that the people who get them don't immediately realize the source of origination. The less you stand out, the better are your chances for success in most cases.

When dealing with a collection agency, however, I recommend you send it exactly as you take it out of this book. The Cease-Comm letter to get collection agencies off your back is the **ONE EXCEPTION** to the above rule. That way there will be no question of your intent.

CEASE-COMM LETTER INSTRUCTIONS

If you have a letter from a collection agency, on the letter, usually above your name, there is a computer number that identifies you to the collection agency. Use it when filling out the letter.

If you have never received a letter from them, and just have been receiving threatening phone calls, tell them you'd really like to take care of this matter but they are just a voice over the phone. Say you'd like for them to send you something in writing to confirm this debt and that they will hear from you, as soon as you receive it.

DON'T tell them you are sending them a Cease-Comm letter! I can assure you that if you follow my advice, you will force them to stop calling you! Don't forget, they are bound by federal law to obey this letter, and if they don't, you have the right to take serious legal action against them. I've seen several instances where the feds have gone in and fined collection agencies for

SAMPLE LETTERS

failing to adhere to the law, so take the initiative and get rid of these jerks forever.

Information on how to mail a certified letter follows this chapter. Fill them out as shown, and take them back to the post office. Within a week, you will receive the green receipt card showing that your letter was delivered. Keep a copy of your original letter and the postal receipts in your files. That collection agency is history.

If you run into any unusual situations that were not covered in this book, I would enjoy hearing from you. Instructions on how to contact me are in the front of the book, and I will be appearing on television and radio talk shows nationwide. I would live to hear from you.

SENDING CERTIFIED MAIL

The reason for sending certified mail is to ensure the fact that the letter was received. The only letter in this book to send certified mail is the Cease-Comm letter. (Letters of dispute, etc., should not be certified).

If you prefer, send your Cease-Comm letters with a return receipt (PS Form 3811- green card) that will give you a return receipt signed by someone at the collection agency. The extra cost? Only \$1.10 more, well worth the cost to give you proof of delivery.

Once you receive this receipt, it becomes a legal document that will verify that the collection agency did, in fact, receive the letter. There is no other method as accepted as this is and, the good news is, it will only cost you \$2.52, or \$1.42, without the return receipt.

Visit your post office and pick up two forms. The first is USPS form #3800, Receipt for Certified Mail. The second one (optional) is USPS form #3811, Domestic Return Receipt.

**HOW TO CORRECTLY FILL OUT U.S. POSTAL FORM #3800
(RECEIPT FOR CERTIFIED MAIL)**

- Step one: Fill in the name of the collection agency on line one.
- Step two: The second line is for their street address, or post office box of the collection agency.
- Step three: On the third line write the city, state and zip code.
- Step four: Remove the label from the green bottom half of the form and attach directly to the right of your return address (do not cover your return address) and tear off the top half.

**HOW TO CORRECTLY FILL OUT U.S. POSTAL FORM
#3811 (DOMESTIC RETURN RECEIPT)**

- Step one: Fill in your complete address (note: be careful of what address you give to the collection agency).
- Step two: On the back, where it reads SENDER, under 3. Article Addressed to: put the name, address (of post office box) of the collection agency including zip code.
- Step three: Under 4a. Article Number place the number from the top of your Certified Mail receipt.
- Step four: Under 4b. Service Type place an "X" next to Certified.

All other lines should be left blank. They will be filled in by the mail carrier delivering the letter to the collection agency.

Take it to your post office, or place \$2.57 worth of postage on it and kiss the debt collector goodbye!

SAMPLE LETTERS

THE CEASE-COMM LETTER

**YOUR NAME
YOUR ADDRESS
CITY, STATE, ZIP**

VIA CERTIFIED MAIL RRR #Z 683 294 613

Date

XYZ Collection Agency
A Debt Collection Agency
PO Box 4321
Dallas, TX 75221

RE: Account #314075900/ Deadman's Hospital/ Amt: \$343.22

Dear Debt Collection Agency:

This will serve as your legal notice under federal law, the Fair Debt Collection Practices Act, to cease all communication with me in reference to the above account.

If you fail to heed this notice, I will file a formal complaint against you with the Federal Trade Commission, who is responsible for enforcement, and the state Attorney General's Office, as well as the American Collector's Association, who monitors for noncompliance.

I/We have decided that I/We do not desire to work with a collection agency under any circumstances. I/We will contact the original creditor to resolve this matter directly.

You are also notified that if any adverse items are placed against my/our credit reports as a result of this notice that I/We will be forced to take appropriate action against you, and the client that you represent.

Give this matter the attention it deserves, as the consequences could be severe.

Yours truly,

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SAMPLE LETTER TO ORDER CREDIT REPORTS

YOUR NAME
YOUR ADDRESS
CITY, STATE, ZIP

Date

TRW Consumer Assistance (or TRANS UNION or EQUIFAX)
PO Box 2350
Chatsworth, CA 91313-2350

RE: Credit Reports

Dear Credit Bureau:

Per your instructions, please send me a copy of my/our credit report (s).

The information you requested is:

Last name, First name, Social Security#, Date of Birth

Spouse, First name, Social Security#, Date of Birth

Our current address for the past _____ years is:

Our former address for the previous _____ years was:

Enclosed is a copy of my/our _____ proof of identity.

Yours truly,

SAMPLE LETTERS

**EXAMPLE - 1
SETTLEMENT LETTER TO A FORMER CREDITOR**

**YOUR NAME
YOUR ADDRESS
CITY, STATE, ZIP**

Date

Collections Manager
ABC Bank
PO Box 6789
Dallas, TX 75210

RE: Account #017589357 / MasterCard/ Amt: \$2,204.78

Dear Collections Manager:

This letter will serve as my intent to resolve the past due balance that has been written off by your bank.

This debt went unpaid due to circumstances beyond my control and I am now in a position to settle this matter.

Please advise if you are willing to accept payment in full via cashier's check in return for a letter stating that you will "delete" the account from all credit reporting agencies.

Upon receipt and acceptance of your letter agreeing to these terms, I will forward to you payment in full.

Very truly yours,

EXAMPLE - 2
SETTLEMENT LETTER TO A FORMER CREDITOR

YOUR NAME
YOUR ADDRESS
CITY, STATE, ZIP

Date

Department Head / Vice President
ABC Bank
PO Box 6789
Dallas, TX 75202

RE: Account #017589357 / MasterCard / Amt: \$2,204.78

Dear Sir / Madam:

Please be advised that my financial situation has changed to where I am now able to resolve the account referenced above with your bank.

Enclosed is a copy of my letter to your collection agency invoking federal law on my behalf which now prohibits their contacting me.

It is my sincere desire to resolve this matter in a way that benefits us both. However, I cannot allow my credit reports to continue to suffer as a result of this action. Therefore, I am proposing that you contact me with an agreeable settlement amount and I will consider it providing that you either “delete” or mark the account “paid in full” on my credit report.

It is against my policy to have to endure any more hardship with my credit, therefore I must have your agreement in writing before sending you my check.

Please contact me at your earliest convenience.

Very truly yours,

SAMPLE LETTERS

**EXAMPLE - 3
SETTLEMENT LETTER TO A FORMER CREDITOR**

**YOUR NAME
YOUR ADDRESS
CITY, STATE, ZIP**

Date

President
ABC Bank
PO Box 6789
Dallas, TX 75202

RE: Account #017589357 / MasterCard / Amt: \$2,204.78

Dear Bank President:

The account referenced above was charged off by your organization due to circumstances beyond my control. My situation has drastically improved and I am now in a position to pay off this debt.

There is however a problem preventing me from doing this. Your bank has a policy that does not allow for the account to either be removed or re-reported as "paid as agreed" to the credit reporting bureaus.

It has already been four years since the account was charged off and I am faced with the dilemma of negotiating this in a satisfactory manner or waiting an additional three years for the account to fall off. You now have the authority to make that decision.

I look forward to hearing from you.

Yours truly,

EXAMPLE - 4
SETTLEMENT LETTER TO A FORMER CREDITOR

YOUR NAME
YOUR ADDRESS
CITY, STATE, ZIP

VIA CERTIFIED MAIL RRR #P 543 210 789

Date

XYZ Credit Card
PO Box 0000
Wherever, USA

RE: Account #000000000

Dear Sir:

The above account was charged off by your organization due to the fact that: I had lost my job and was unable to pay it. I am now employed and in a position to: either resume making payments of \$00 per month, or send you payment in full.

To resolve this matter in a manner that is fair and equitable to both parties, I hereby propose to pay you: X monthly payments of \$00, or remit a check in the amount of \$00 as payment in full provided you are willing to send me a letter stating you will either report this to any and all credit reporting agencies as: "paid as agreed" or notify me in writing that you agree to "delete" this item from any and all credit reporting agencies.

Due to the inequities of the system I am not agreeable to accepting a "paid P&L" or "charge off" for an additional amount of time on my credit report. It is my position that I have suffered enough as a result of this problem.

Upon receipt of your letter I will forward you a cashier's check or money order in the amount of \$00.

Please give this matter the attention it deserves.

Yours truly,

BUD'S IN YOUR CORNER

*“A man of humanity is one who,
in seeking to establish himself,
finds a foothold for others and who,
desiring attainment for himself,
helps others to attain.”*

--Confucius

Well, kids, it's time to hit the trail. I hope you enjoyed reading this book and that it made a difference in your situation. It took a long time and a lot of people to put this book together, but we feel the effort was worth it.

If you agree, I'd like to hear from you. My address is in the front of the book and your comments **WILL** be read. If you feel that it did **NOT** help you, I'd like to know why and how you think we could improve it.

If you are one of those readers who now feels empowered to go out and change your situation, I applaud you!

THE AMERICAN CREDIT SYSTEM: GUILTY! UNTIL PROVEN INNOCENT

Your success stories are very important to me so, please let me hear them. I'd like to know I did my job right and I'd also like to share your successes with others on my radio and television programs, broadcast nationally. Sometimes it only takes a gentle push

When the power of knowledge meets hard work and an assertive attitude, it's amazing how lucky people can get! to get someone to take an action that makes a world of difference in their lives. I have been out of work many times in my life. I've had my electricity cut off due to late payments. In fact, those pesky calls and threats I received from debt collectors were the motivation for me to write my first book, **STOP IT!** Today, when I think about how many debt collection agencies have received a Cease-Comm letter, I cannot help but laugh! Hey, haven't you ever wanted to actually get back at those who committed injustices against you? Makes you feel good when you know you're right and you can seek justice, doesn't it?

How about when you finally saw some of those items removed from your credit report after sending your dispute letters? Didn't you get excited? Hey, I still get a kick outta doing that and I've been doing it a LONG time! To this day, when I am able to help improve a client's report, I **STILL** call them whooping it up over the phone and I make sure they understand and can celebrate that the problem is **GONE!**

How many of you feel completely different about your credit situation because you now have the Power of Knowledge that you didn't know existed before? That is almost a high unto itself.

I hope you are beginning to feel good about yourself again. You should! It's the ol' "one step at a time," that we hear about so much in life, but it is so exhilarating to know you're steppin' right along!

I'm not a big believer in luck. This is **NOT** luck. When the

BUD'S IN YOUR CORNER

power of knowledge meets hard work and an assertive attitude, it's amazing how lucky people can get! Then, just like magic, it starts to spread into other areas of our lives and improve them, too. Have you experienced this yet? You will, it is part of the program, too.

On the other hand, if things have not gone the way you thought they would, don't even think of giving up. You spent your hard earned dollars for this book and I feel an obligation to my readers to make sure that you get your money's worth. So, let's back up.

Read the book again. Go at a little slower pace. Remember, you have the greatest assets needed to achieve success-time, patience and the money that your creditors want! Put all three of these things to work for you! Spend the time and energy you need to take care of #1. If you don't look out for yourself in this credit situation, no one else will look out for you!

If you feel the book did not cover your specific situation, let me know. I answer hundreds of requests every week and I enjoy communicating with my readers and friends very much. If I overlooked something that is important to you, I sure would like to know, so I could address it.

Those of you who have experienced success with this program and feel real good about your accomplishments, don't think for a minute that I'm finished with you! Oh, no! In every little corner of this great country of ours are millions of people who still need help. Ask yourself, "What can I do to help my neighbor?"

If you benefited greatly from this book, then, I ask you to please do me this favor and help someone else with their problems. Whether you offer advice and assistance, help someone write a Cease-Comm letter, or loan someone your copy of this book, you will be helping to end someone else's nightmare. And if you think you feel

good now, you just wait until you've spread that good feelin' around a bit!

If you assist someone in ordering copies of their credit reports, you take away a LOT of anxiety about their problems. Remember how relieved you felt when you realized your problems weren't as bad as you originally thought? Even if they were pretty bad, remember how good it felt to finally be doing something about them? That feeling of hopelessness evaporates in a flash and is replaced by hope!

When we are in control of our situation, we feel good about ourselves. I love that feeling and I especially love when I can help others achieve it. Man, that feeling goes deep down inside you and warms you all over. And, it is also habit-forming! Once you experience sharing that good feeling with someone else, it beckons you back for more.

So, go ahead and answer the call. Turn your knowledge into a tool that helps others. Share what you have learned with others who need your help. Teach them that a bad credit report is not the end of the world, but just a temporary downturn in your life that will change in a positive way.

Remember how you felt after you lost a job or suffered another financial setback? Sick. Disgusted. Depressed, with no hope for tomorrow? Yeah, I've been there, done that.

How about the feeling when you started back to work at your new job? Talk about walking on clouds!

Attitude is usually the biggest part of our problem. Once your attitude gets the proper adjustment, BAM! You can do just about anything.

In the beginning, I told you this problem didn't start overnight and you won't solve it that fast, either. Now you know I was right. But, you are also aware that you have the most valuable asset known to mankind-the knowledge to resolve your

BUD'S IN YOUR CORNER

problems to your complete satisfaction.

You don't have to end up with a shiny, clean credit report to accomplish your goals. Many have realized already that with each item that changes for the better on your credit report, the door of opportunity swings open a little wider. You can purchase a new car or truck with a less than perfect credit report. You can also be approved for a mortgage and get credit cards. Just be smart when you apply.

Remember to ask questions before you give someone permission to pull your credit report. Don't be embarrassed to discuss your former problems and the actions you've taken to correct them. Feel proud of yourself for succeeding in this accomplishment.

Share your feelings and your knowledge with others in a positive way. Almost every church and place of worship in the United States has the names of people in need. Get involved! Make tomorrow a better day for someone else.

When you finally achieve that success, set your goals for another event. A new job, car, home-whatever it is, be realistic. Make your plan, then work it.

I have seen this program work successfully over and over again and I have never encountered a case I felt was "hopeless." How you know, there is no such thing as "impossible" when you have that magic H-word, HOPE.

God Bless YOU!

-B.H.

THE AMERICAN CREDIT SYSTEM: GUILTY! UNTIL PROVEN INNOCENT

GLOSSARY

- Account:** Term used to describe credit extended by a person or entity which has pre-agreed terms such as payment, annual percentage rate (APR) and conditions of use.
- Action:** A lawsuit, a proceeding taken in a court of law.
- Annual Percentage Rate (APR):** The amount of interest charged by the card issuer on the unpaid balance, charged monthly against your account.
- ACA:** The American Collectors Association; see organizations.
- Affirm:** To make firm, to establish. To ratify or confirm a voidable contract. This is done a lot in bankruptcy court on such contracts as mortgages and auto loans.
- Aggressor:** A person who initiates a quarrel, dispute, or fight. (See Debt Collector, Anal Retentive).
- Ahhshoot:** A term used by someone who just got a letter from a collection agency, as in: "AHHSHOOT, I thought that damn thing was paid by my insurance!"
- Anal Retentive:** A term used to describe individuals who usually have their heads buried in their backsides or who are consumed with their own self-importance. This term generally applies to debt collectors and other very insecure / dysfunctional individuals with large egos.

THE AMERICAN CREDIT SYSTEM: GUILTY! UNTIL PROVEN INNOCENT

- Article:** A portion of a document; as in the part of that contract you never read when you got that credit card.
- Articles of Agreement:** A written memorandum of the terms of a contract; as in what the credit card company can do to you when you don't pay per the agreement.
- Asset:** Property that can be used to repay a debt, such as stocks and bonds, or a car.
- ATMs:** Short for Automated Teller Machines. A walk up, or drive up machine that takes deposits and dispenses cash by using a debit / credit card that accesses your bank funds.
- Available Credit:** The amount of credit you have available left to charge on your account.
- Bad Debt:** A worthless account receivable, an unpaid bill which the creditor perceives to be uncollectible.
- Bankrupt:** Broken up, ruined, insolvent. Generally, someone who has failed at business, or is unable to pay his debts as they become due. Typically, someone is not bankrupt until such time as a bankruptcy court adjudges him to be.
- Bankruptcy:** Jurisdiction exercised by United States Courts and created by a federal statute. A word never to be uttered in the presence of Bud Hibbs for fear of his having an anxiety attack.
- Billing Error:** Any mistake on your monthly statement as defined by the "Fair Credit Billing Act."
- Blackmail:** A crime, sometimes called extortion, by which money is obtained from someone by threats of ill treatment, libelous accusations, or exposure. A tactic used far too often by debt collectors on unsuspecting consumers.

GLOSSARY

- Boycott:** To withhold or abstain from dealing with someone, e.g., a creditor or debt collector, usually on the basis of disapproving of their ethics.
- Brain dead:** The inability of someone to function as needed, e.g., a person going to work for a collection agency thinking it's a career advancement.
- Bulletproof:** A term designed to insulate oneself from the threats, intimidation and coercion of financial problems. Such techniques as obtaining an unlisted phone number, a post office box, answering machines, never signing for certified mail, etc.
- Cash Advance:** The ability to receive cash from an ATM or other source based on your line of credit or funds on deposit.
- Cease-Comm'd:** Term used by the debt collection industry to describe the status of an account. When a consumer has Cease-Comm'd a debt collector this means that they (the consumer) has invoked federal law by sending a "Cease-Comm" letter via certified mail forcing the collection agency to cease collection of that account.
- Certified Mail:** Specialized postal service technique utilized to track delivery and obtain proof of delivery of letters & packages.
- Charge-Off:** When a debt is judged to be uncollectible by a creditor and is charged to profit and loss (P&L). Most debts charged off are reported as such on a credit report for up to seven years.
- Class Action:** also called "representative action," a lawsuit initiated or defended by a person, who brings it on, or defends it for himself and on behalf of all other persons similarly situated.
- Client:** A person who employs an attorney to appear in court, give advice, draft a written instrument, or do any other thing which constitutes the practice of law.

THE AMERICAN CREDIT SYSTEM: GUILTY! UNTIL PROVEN INNOCENT

- Coercion:** Compulsion. Constraining or compelling a person by physical force or by threats and intimidation to do what he otherwise would not do. Example: You paying a debt collector prior to reading my books.
- Collateral:** Property which is subject to security interest, or pledged as security for the satisfaction of an indebtedness.
- Comaker:** One of two or more persons who signs a negotiable instrument.
- Commission:** The compensation of a person employed to sell goods or services, usually a percentage on the amount realized from the sale. ex: Paying some jerk to beat you up, threaten and intimidate you over the phone so he can make money on you, a debt collector.
- Consumer Credit Counseling Service (CCCS):** A collection agency that collects money from unsuspecting consumers under the guise of non-profit status. They are paid a commission for their efforts by the creditor and will gladly screw up your credit report without your consent or knowledge. Unable or unwilling to disclose their true nature to consumers seeking their services and ill advice.
- Consideration:** The price, motive, or matter of inducement of a contract which must be lawful in itself.
- “Consumer Credit Protection Act”:** An act to safeguard the consumer in connection with the utilization of credit by requiring full disclosure of the terms and conditions of the finance charges in credit transactions or in offers to extend credit.
- “Consumer Protection Act”:** Various state laws dealing with unfair, unconscionable, false, misleading, or deceptive actions or practices in the conduct of trade or commerce.
- Contract:** An agreement between competent parties, upon a legal consideration to do, or abstain from doing some act.

GLOSSARY

Credit: The right granted by a creditor for a consumer to pay in the future in order to buy or borrow in the present; a sum of money due a person or business.

Creditor: A person who gives credit.

Credit Bureau: An organization that gathers and disseminates information on the credit worthiness of almost every American. Also called Credit Reporting Agencies, they are governed by federal law, the “Fair Credit Reporting Act” which contains stipulations on how this information is gathered, stored, sold, and shared with subscribers.

Credit Limit: The highest amount you can charge against your credit card.

Credit Repair: A method by which individuals attempt to remove items off a credit report by disputing its accuracy with the credit reporting bureaus. This method is generally described as being unproductive and a waste of money by the credit agencies and the Federal Trade Commission.

Credit Report: National grading system filed by subject’s name, address, zip code, and Social Security number which contains a previous history of seven years of credit worthiness with any creditor who becomes a subscriber to the three major credit reporting agencies. These agencies are: TRW, Equifax, and Trans Union.

Credit Worthiness: Past and future ability to repay debt.

Criss-Cross Directory: A directory sold in almost every U.S. city that divides the city by street address to phone number, and phone number to street address. Frequently used as a tool by debt collectors to embarrass debtors by calling their next door neighbors with a ruse to get the debtor to return their calls.

Date of Last Activity: The date by which a creditor must start the seven year clock on how long an item (good or bad) is allowed to be reported on your credit report. The date of last activity is

defined by the FTC as either the date of your last charge, or the date of your last payment. This is the only method approved to allow any item to stay on your credit reports.

Debit Card: A plastic card, looks similar to a credit card, that consumers may use to make purchases, withdrawals, or other types of electronic funds transfers.

Deceit: A type of fraud in which facts are withheld, misrepresented, or falsely intimated to be true, by which a person is misled to his injury.

Deed in lieu of foreclosure: When a homeowner is about to lose his home for non-payment of the mortgage, this procedure is generally used to deed the property back to the mortgage holder without suffering through the proceedings of a legal foreclosure. Be advised though, the results (foreclosure) are exactly the same no matter how the transaction was handled, and it will show as such (in most cases) in your credit report.

Deep Discounts: Selling accounts receivable (by a creditor) at an amount less than 100%. This happens when accounts are usually deemed a problem or uncollectible. Hence, why pay 100% on the dollar when you can almost always negotiate a discount. The buyer of these contracts is normally not a debt collector, but a loan broker who has the same rights (in most cases) as the original creditor. They are not liable to the Cease-Comm letter.

Default: Failure to repay a loan or otherwise meet the terms of your agreement.

Defaulted Student Loans: When a debtor ceases payment on a student loan under the original terms and conditions as set forth. A defaulted student loan usually ends up in the hands of a collection agency or collection attorney with penalties sometimes as high as 43% to cover their charges.

Defendant: A person against whom an action is brought, a warrant is issued, or an indictment is found.

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Deferments: Usually applied to a student loan. Gives the borrower an additional amount of time before they resume payment on a prior note. On student loans this usually means that interest and late payments are also suspended.

Depositions: Sworn statements made in the presence of a court reporter (usually) as a result of questions posed by an attorney in court or post judgment actions. These statements are normally made outside a court of law, but are legally binding under perjury status.

Discharge of Bankruptcy: The order by which a bankrupt person is released from liability of his debts, which were incurred prior to the adjudication in bankruptcy. It is used as a defense to any lawsuit that might be filed to collect those debts.

Disclosures: Information that must be given to consumers about their financial dealings.

Dismiss: To send a defendant or an action out of court. When the plaintiff is at liberty to bring another action for the same cause. In bankruptcy, to dismiss is to be able to re-file, except it still is allowed to appear on your credit report because it is public record.

Elderly Applicant: As described in the Equal Credit Opportunity Act, a person 62 or older.

Exempt Assets: Assets not at risk of being seized or forfeited as a result of legal action.

Extortion: Purposely obtaining the property of another by threatening to impair his credit or business reputation. (Remind you of anybody?)

Finance Charge: The total dollar amount credit will cost.

Frivolous Disputes: When a credit reporting agency, such as TRW, Equifax, and Trans Union feel you are disputing your account only in the hopes of removing it from their files, they are allowed under federal law to enact this to legally toss your request in the trash and do not have to act on it.

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Greed Factor: The main reason why seemingly normal people go to work as debt collectors. This factor allows them the ability to make money they normally would never be allowed to earn, because they are motivated by greed, and the desire to take at any cost.

Harassment: With purpose to harass another, making a telephone call without purpose of legitimate communication, insulting, taunting, or challenging another in a manner likely to provoke violent or disorderly response, making communication anonymously or at extremely inconvenient hours, or in an offensively coarse language, or being a debt collector trying to collect a debt.

Illicit: Unlawful, or forbidden.

Incumbrance: A claim, lien, or liability attached to property.

Interrogatories: Sworn statements made in writing as a result of a list of questions and inquiries by attorneys in court or part of a post judgment action to collect information on assets.

Intimidation: To inspire fear from another, or induce fear upon someone.

Inquiries: The name, account number and date of any organization authorized to look at your credit report as required by law.

Jobob: Great, alright, best, perfect, king, quality, excellent, solid, genuine, perfect, ideal, superior, exquisite, wonderful, choice, exceptional, terrific, outstanding. (Texas slang)

Joint Liabilities: An obligation in which two or more persons are bound to perform.

Late Payment: A payment made later than agreed upon in a credit contract and on which additional charges may be imposed.

Judgment: The decision of the court, they are rendered when the defendant confesses, on default, when the defendant fails to

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appear, plead or otherwise defend within the allotted time.

Judgment Creditor: A person in whose favor a judgment for money has been entered, and is not satisfied.

Judgment Debtor: A person against whom a judgment determining that he should pay a sum of money stands unsatisfied.

Judgment Proof: Descriptive of persons against whom judgments for recoveries of money are of no effect. (see bulletproof)

Judgment Record: The pleading and proceedings in a court up to and including the judgment, made and kept by the clerk or transcript thereof.

Lessee: A person who signs a lease to get temporary use of property.

Lessor: A company that provides temporary use of property usually in return for periodic payment.

Lien: A security device by which there is created a right to retain that which is in a person's possession, belonging to another, until certain demands of the person in possession, are satisfied.

Liability on Account: Legal responsibility to repay debt.

Mail Drop Box: A place that rents you a mailbox like Mailboxes Etc. and others who provide you with a secondary place to accept mail and register your car, license and other matter, so that you do not have to have your home address on anything. These places can also be instructed not to accept certified mail at your request.

Misrepresentation: A false statement which may constitute for the recession of a contract or the recovery of damages for losses caused thereby. Ex: you signed a contract based on what the salesman said and now found out differently. In the meantime, they have placed something against your credit. You may have grounds for legal action against them.

Negative Remarks: Statements or grades assigned on a credit report that may have occurred because of slow payments, or default. This also includes items placed by debt collection agencies, and public records, bankruptcy, judgments, tax liens.

Offer: A proposition to do a thing, which becomes an obligation or contract if unconditionally accepted by the person to whom it was made. Ex: a debtor offers to pay a debt in full in return for the creditor removing that account from the debtor's credit file.

Old & Cold: A term used to describe information placed against a credit report by a creditor or any other source that has not been updated or verified for a long period of time. This information could be positive or negative, correct or incorrect. If a debtor disputes an item on his report, the older & colder that item is, the easier it is to have it removed because the original creditor may not desire to, or have the access needed to authenticate it, thereby resulting (in most cases) of that item being removed.

Open Account: A running, or unsettled debt that the creditor is allowed to continue to report to the credit bureau for up to seven years from the date of last activity.

Open End Credit: A line of credit that may be used over and over again, including credit cards, overdraft credit accounts, and home equity lines.

Option: A power, or right to choose. You have the option to get your credit back in shape, if you choose, or suffer if you don't.

Overdraft Checking: A line of credit that allows you to write checks or draw funds for more than your balance, with an interest charge on the overdraft.

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- Payment History:** The historical data on your credit report that denotes how your payments were made on a monthly basis. An average account may disclose a 36 month history due. These figures are generally used as a barometer by new creditors when deciding your credit worthiness, and can also be incorrect.
- PIN:** Stands for Personal Identification Number. A secret number used by a cardholder to ensure no unauthorized use of a debit or credit card.
- Plaintiff:** A person who initiates a lawsuit. Could be a creditor, a collection agency or some other entity.
- Point of Sale (POS):** A method by which consumers can pay for purchases by having their deposit accounts debited electronically without the use of checks.
- Policy:** An objective, or intention. Many organizations have a policy of not negotiating a settlement, or not removing or reporting it to the credit bureau on old accounts. So too, should you have a policy of not dealing until you feel your best interests are best being fulfilled. A policy is not a law, it can be shaped to fit most any situation if warranted.
- Postdated Check:** The method by which a debt collector will ask you to date checks for weeks and even months ahead so that they can deposit them when they become due. Never, ever, never, ever, never give out a postdated check. Do you really think you can trust these people? If you have done this, stop payment on your checks.
- Profit & Loss (P&L):** A term used to describe the condition of an account by a creditor on your credit report when it was uncollected. The term reads "Charge to P&L" on your credit.
- Public Records:** All records that are handled by a courthouse are considered public records, which means they are open to anyone who wants to see them. These include judgments, tax liens (state & federal),

and bankruptcy. Some states now report child support obligations as public records which is allowed by law to appear on your credit reports.

Power of Attorney: A written grant of a power or authority, in precise terms.

Pro Se: For himself, herself. Usually referred to in legal proceedings when you are not represented by an attorney.

Punitive Damages: Damages awarded by a court above actual damages as punishment for violation of law.

Regulatory Agency: Any government agency empowered by either federal or state law to enforce civil laws. The Federal Trade Commission is the agency empowered with enforcing collection agencies.

Rescission: The cancellation or “unwinding” of a contract.

Return Receipt: The green postal card you get back signed by the collection agency that is legal proof that you have Cease-Comm’d them.

Security: Property pledged to the creditor in case of a default on a loan; see collateral.

Security Interest: The creditor’s right to take property or a portion of property offered as security.

Service Charge: A component of some finance charges; such as the fee for triggering an overdraft checking account into use.

Seven Year Clock: The time an account is allowed to stay on your credit report is measured (according to the Federal Trade Commission) as the date the account is written off by the creditor, and for collections, the date the collection effort begins. Be sure you understand this as it applies to your accounts.

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- Scoring System:** A numerical ranking system used by some credit reporting bureaus to prospective creditors on your credit worthiness. This system is set up to rate you from 1-1,000, with one being the best and one thousand being the worst. Normally, to qualify for a car loan of say \$20,000, your score cannot exceed 100. Most consumers never get to see their score that TRW and others keep on them.
- Slander:** The malicious defamation of a person in his reputation, profession, or business by spoken word. A tactic commonly used by debt collectors when you don't pay then your debts.
- Summons:** A court order or writ, commanding the sheriff to notify a party named therein to appear in court on or before a specified date, and defend the complaint in an action commenced against him.
- Third Party:** A person who is a stranger to a transaction, contract or proceedings. A third party collector is usually a debt collector or attorney who collects on a commission basis for a creditor (bank, store, etc.) who, by law, is liable for provisions of the law and can be Cease-Comm'd by you.
- Uncollectible:** Term used to describe account which has been charged off, gone to collections and remains unpaid. This type of account is old & cold, and subject to the seven year clock on how long it will remain on the credit report. This is also the type of account that should be negotiated prior to being paid so that the consumer is not forced to endure a time limit in excess of seven years.
- Unsecured Creditor:** An account that does not have collateral behind it and is usually subject only to remaining on the debtor's credit report as a means of loss.
- Unbelievable:** A word used to describe what consumers say after receiving a copy of their credit report showing the results of what this book has done for them.

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CHAPTER TITLE

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