

Credit and Your Consumer Rights



A good credit rating is very important. Businesses inspect your credit history when they evaluate your applications for credit, insurance, employment, and even leases. They can use it when they choose to give or deny you credit or insurance, provided you receive fair and equal treatment. Sometimes, things happen that can cause credit problems: a temporary loss of income, an illness, even a computer error. Solving credit problems may take time and patience, but it doesn't have to be an ordeal.

The Federal Trade Commission (FTC) enforces the credit laws that protect your right to get, use and maintain credit. These laws do not guarantee that everyone will receive credit. Instead, the credit laws protect your rights by requiring businesses to give all consumers a fair and equal opportunity to get credit and to resolve disputes over credit errors. This brochure explains your rights under these laws and offers practical tips to help you solve credit problems.

Your Credit Report

Your credit report contains information about where you live, how you pay your bills, and whether you've been sued, or filed for bankruptcy. Credit reporting companies sell the information in your report to businesses that use it to evaluate your applications for credit, insurance, employment, or renting a home.

The federal **Fair Credit Reporting Act (FCRA)** promotes the accuracy and privacy of information in the files of the nation's credit reporting companies.

Under the Fair Credit Reporting Act:

- ▶ You have the right to receive a copy of your credit report. The copy of your report must contain all the information in your file at the time of your request.
- ▶ Each of the nationwide credit reporting companies – Equifax, Experian, and TransUnion – is required to provide you with a free copy of your credit report, at your request, once every 12 months. For details, see *Free Credit Reports* at consumer.ftc.gov.
- ▶ Under federal law, you're also entitled to a free report if a company takes adverse action against you, like denying your application for credit, insurance, or employment, and you ask for your report within 60 days of receiving notice of the action. The notice will give you the name, address, and phone number of the credit reporting company. You're also entitled to one free report a year if you're unemployed and plan to look for a job within 60 days; if you're on welfare; or if your report is inaccurate because of fraud, including identity theft.

Your Credit Application

When creditors evaluate a credit application, they cannot engage in discriminatory practices.

The **Equal Credit Opportunity Act (ECOA)** prohibits credit discrimination on the basis of sex, race, marital status, religion, national origin, age, or receipt of public assistance. Creditors may ask for this information (except religion) in certain situations, but they may not use it to discriminate against you when deciding whether to grant you credit.

The ECOA protects consumers who deal with companies that regularly extend credit, including banks, small loan and finance companies, retail and department stores, credit card companies, and credit unions. Everyone who participates in the decision to grant credit, including real estate brokers who arrange financing, must follow this law. Businesses applying for credit also are protected by this law. Under the Equal Credit Opportunity Act:

- ▶ You cannot be denied credit based on your race, sex, marital status, religion, age, national origin, or receipt of public assistance.
- ▶ You have the right to have reliable public assistance considered in the same manner as other income.
- ▶ If you are denied credit, you have a legal right to know why.

For details, see *Your Equal Credit Opportunity Rights* at consumer.ftc.gov.

Your Credit Billing and Electronic Fund Transfer Statements

It is important to check credit billing and electronic fund transfer account statements regularly because these documents may contain mistakes that could damage your credit status or reflect improper charges or transfers. If you find an error or discrepancy, notify the company and dispute the error immediately. The **Fair Credit Billing Act (FCBA)** and **Electronic Fund Transfer Act (EFTA)** establish procedures for resolving mistakes on credit

billing and electronic fund transfer account statements, including:

- ▶ charges or electronic fund transfers that you – or anyone you have authorized to use your account – have not made;
- ▶ charges or electronic fund transfers that are incorrectly identified or show the wrong date or amount;
- ▶ math errors;
- ▶ failure to post payments, credits, or electronic fund transfers properly;
- ▶ failure to send bills to your current address – provided the creditor receives your change of address, in writing, at least 20 days before the billing period ends;
- ▶ charges or electronic fund transfers for which you ask for an explanation or written proof of purchase along with a claimed error or request for clarification.

The FCBA generally applies only to “open end” credit accounts – credit cards and revolving charge accounts, like department store accounts. It does not apply to loans or credit sales that are paid according to a fixed schedule until the entire amount is paid back, like an automobile loan. The EFTA applies to electronic fund transfers, like those involving automatic teller machines (ATMs), point-of-sale debit transactions, and other electronic banking transactions.

For details, see *Fair Credit Billing* and *Electronic Banking* at consumer.ftc.gov.

Your Debts and Debt Collectors

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

The **Fair Debt Collection Practices Act (FDCPA)** applies to personal, family, and household debts. This includes money you owe for the purchase of a car, for medical care, or for charge accounts. The FDCPA prohibits debt collectors from engaging in unfair, deceptive, or abusive practices while collecting these debts. Under the FDCPA:

- ▶ Debt collectors may contact you only between 8 a.m. and 9 p.m.
- ▶ Debt collectors may not contact you at work if they know your employer disapproves.
- ▶ Debt collectors may not harass, oppress, or abuse you.
- ▶ Debt collectors may not lie when collecting debts, such as falsely implying that you have committed a crime.
- ▶ Debt collectors must identify themselves to you on the phone.
- ▶ Debt collectors must stop contacting you if you ask them to do so in writing.

For details, see *Debt Collection* at consumer.ftc.gov.

Solving Your Credit Problems

Your credit report can influence your purchasing power, as well as your opportunity to get a job, rent or buy an apartment or a house, and buy insurance. When negative information in your report is accurate, only the passage of time can assure its removal. A credit reporting company can report most accurate negative information for seven years and bankruptcy information for 10 years. Information about an unpaid judgment against you can be reported for seven years or until the statute of limitations runs out, whichever is longer. There is no time limit on reporting information about criminal convictions; information reported in response to your application for a job that pays more than \$75,000 a year; and information reported because you've applied for more than \$150,000 worth of credit or life insurance. There is a standard method for calculating the seven-year reporting period. Generally, the period runs from the date that the event took place.

If you are having problems paying your bills, contact your creditors immediately. Try to work out a modified payment plan with them that reduces your payments to a more manageable level. Don't wait until your account has been turned over to a debt collector.

Here are some additional tips for solving credit problems:

- ▶ If you want to dispute a credit report, bill or credit denial, write to the appropriate company and send your letter "return receipt requested."
- ▶ When you dispute a billing error, include your name, account number, the dollar amount in

question, and the reason you believe the bill is wrong.

- ▶ If in doubt, request written verification of a debt.
- ▶ Keep all your original documents, especially receipts, sales slips, and billing statements. You will need them if you dispute a credit bill or report. Send copies only. It may take more than one letter to correct a problem.
- ▶ Be skeptical of businesses that offer instant solutions to credit problems: There aren't any.
- ▶ Be persistent. Resolving credit problems can take time and patience.
- ▶ There is nothing that a credit repair company can charge you for that you cannot do for yourself for little or no cost.

If you're not disciplined enough to create a workable budget and stick to it, work out a repayment plan with your creditors, or keep track of mounting bills, consider contacting a credit counseling organization. Many credit counseling organizations are nonprofit and work with you to solve your financial problems. But not all are reputable. For example, just because an organization says it's "nonprofit," there's no guarantee that its services are free, affordable, or even legitimate. In fact, some credit counseling organizations charge high fees, or hide their fees by pressuring consumers to make "voluntary" contributions that only cause more debt.

Most credit counselors offer services through local offices, the Internet, or on the telephone. If possible, find an organization that offers in-person counseling. Many universities, military bases, credit unions, housing

authorities, and branches of the U.S. Cooperative Extension Service operate nonprofit credit counseling programs. Your financial institution, local consumer protection agency, and friends and family also may be good sources of information and referrals.

Reputable credit counseling organizations can advise you on managing your money and debts, help you develop a budget, and offer free educational materials and workshops. Their counselors are certified and trained in the areas of consumer credit, money and debt management, and budgeting. Counselors discuss your entire financial situation with you, and help you develop a personalized plan to solve your money problems. An initial counseling session typically lasts an hour, with an offer of follow-up sessions.

For more information, see *Coping with Debt* at consumer.ftc.gov.

The FTC works to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint or get free information on consumer issues, visit ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261.

Watch the video, *How to File a Complaint*, at consumer.ftc.gov/media to learn more. The FTC enters consumer complaints into the Consumer Sentinel Network, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.



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