Consumer Protection Project

March 29, 2011
STUDENT LOANS

DEBT

www.chrisco.us

EDUCATION
Overview - Part I

- Student loan interest rates & repayment plans
- Entering repayment, deferment & forbearance
- Default - What is it and what will happen?
  - The collection process
  - What to do after default
  - Loan rehabilitation
- IBR as a public servant
- Loan forgiveness
Overview-Part II

- Credit Reports
  - What is it?
  - How to check?
  - What does it mean?
- Building and Maintaining Good Credit
- Getting Control Over your Finances and Manage your Debt
  - Ways to manage debt
  - Bankruptcy and student loans
  - Bankruptcy in general
  - Common scams
QUIZ TIME!!!!

Take 5 min to Work on Quiz
Student Loan Repayment Options

Chris Innis

• Student Loan Programs
• Interest Rates
• Repayment Options
Student Loan Programs

Federal Direct Loan Program (Direct Loan Program)
◦ Borrow directly from the Education Department. Loans repaid directly to the federal government.
  • Direct Subsidized Loans
  • Direct Unsubsidized Loans
  • Direct PLUS Loans
  • Direct Consolidation Loans

Federal Family Education Loan Program (FFEL Program)-
◦ Borrow from a bank or other private lender. Loans are backed by the federal government and repaid to the bank or other private lender that made the loan.
  • Subsidized Federal Stafford Loans
  • Unsubsidized Federal Stafford Loans
  • Federal PLUS Loans
  • Federal Consolidation Loans
# Loan Interest Rates

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>First Disbursed between July 1, 2010 and June 30, 2011 (Direct Loans Only)</th>
<th>First Disbursed between July 1, 2006 and June 30, 2010</th>
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</table>
| **Direct and FFEL Subsidized Loans**           | **Max Amount**: $8,500.  
Interest Rate: Fixed at 6.8%. (gov. pays interest while in school, during grace periods, and deferment). | **Max Amount**: $8,500.  
Interest Rate: Fixed at 6.8% (gov. pays interest while in school, during grace periods, and deferment). |
| **Direct and FFEL Unsubsidized Loans**         | **Max Amount**: $12,000.  
Interest Rate: Fixed at 6.8%. | **Max Amount**: $12,000.  
Interest Rate: Fixed at 6.8%. |
| **Direct PLUS Loans** (Parent, Graduate and Professional Students) | **Max Amount**: Cost of attendance minus any other financial assistance you will receive.  
Interest Rate: Fixed at 7.9%. | **Max Amount**: Cost of attendance minus any other financial assistance you will receive.  
Interest Rate: Fixed at 7.9%. |
| **FFEL PLUS Loans** (Parent, Graduate and Professional Students) | **Max Amount**: Not Applicable.  
Interest Rate: Not Applicable. | **Max Amount**: Cost of attendance minus any other financial assistance you will receive.  
Interest Rate: Fixed at 8.5%. |
| **Direct Consolidated Loans and Federal Consolidated Loans** | **Max Amount**: Not Applicable.  
Interest Rate: Weighted average of the interest rates on the loans being consolidated, rounded up to the nearest 1/8 of a percent and capped at 8.25%. | **Max Amount**: Not Applicable.  
Interest Rate: Weighted average of the interest rates on the loans being consolidated, rounded up to the nearest 1/8 of a percent and capped at 8.25%. |
Repayment Plans

Non Income Based Repayment Plans
- Standard Repayment
- Extended Repayment
- Graduated Repayment

Income Based Repayment Plans
- Income Based Repayment (IBR)
- Income Contingent Repayment (ICR)
- Income Sensitive Repayment (ISR)
Non Income Based Repayment Plans

Standard Repayment (default)
- **Term**: 0-10 years.
- **Amount**: Fixed monthly payment.
- **Eligibility**: All loan types, everyone eligible.

Extended Repayment
- **Term**: 10-25 years.
- **Amount**: Fixed monthly payment.
- **Eligibility**: All loan types, individuals eligible if…
  - $30,000 in outstanding FFEL Program Loans OR
  - $30,000 in outstanding Direct Loans

Graduated Repayment
- **Term**: 0-10 years.
- **Amount**: Increases every two years.
  - Payment never less than amount of interest that accrues between payments.
  - No single payment will be more than three times greater than any other payment.
- **Eligibility**: All loan types, everyone eligible.
Income Based Repayment Plans: Income Based Repayment (IBR)

- Caps monthly payments at 15% of your monthly discretionary income.
  - **Discretionary Income**: difference between adjusted gross income (AGI) and 150% of the federal poverty line, corresponding to family size and the state in which you reside.
  - No minimum monthly payment.
- **Eligibility**: All major loan types EXCEPT
  - loans that are currently in default,
  - parent PLUS Loans, and
  - Consolidation Loans that repaid parent PLUS Loans.
- Advantages/Disadvantages of IBR
Income Based Repayment Plans: Income Based Repayment (IBR)

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Income Based Repayment Plans: Income Contingent Repayment (ICR)

- **Monthly Payment**
  - Amount you would pay if you repaid your loan in 12 years X an income percentage factor that varies with your annual income, OR
  - 20 percent of your monthly discretionary income (AGI minus the poverty level for your state of residence and family size, divided by 12).

- **Eligibility**: Only for Direct Loans. NOT available for parent PLUS loans.

- **Benefits/Disadvantages of ICR**
Income Based Repayment Plans: Income Sensitive Repayment Plan (ISR)

- Monthly loan payment is pegged to a fixed percentage of gross monthly income, between 4% and 25%.
- The percentage is determined by the borrower.
- Monthly payment must be greater than or equal to the interest that accrues.
- Limited to a ten year repayment term, increases the size of the rest of the monthly payments to compensate.

- Only for FFEL Loans
- Advantages/ Disadvantages of ISR
Postponing Repayment on Student Loans (Delaying the inevitable?)

Crystal Ostrum

Key Points:
• Entering Repayment
• Deferment
• Forbearance
Entering Repayment

“More than 70% of borrowers miss their first payment because they did not know or understand their repayment schedules. This can hurt your credit score and negate your borrower benefits.”

Entering Repayment

- You must repay each loan according to the terms of its promissory note.
- Grace Periods (the time before Repayment begins) **differs with each loan.**
- Call your loan servicer!
- An initial grace period begins the day after the borrower drops below half-time.
- A post-deferment grace period begins on the day immediately after the authorized period of deferment ends.
Entering Repayment

- But, generally:
- **Six months** for a Federal Stafford Loan (Direct Loan Program\textsuperscript{SM} or Federal Family Education Loan (FFEL\textsuperscript{SM}) Program).
- **Nine months** for Federal Perkins Loans
Postponing Repayment on Student Loans (Again, delaying the inevitable?)

- Do not default!!!!!
- If you are having trouble making those payments, call your loan servicer to discuss your options.
  - Who is my loan servicer?
    - The National Student Loan Data System (NSLDS) is the U.S. Department of Education's (ED's) central database for student aid.
What are my postponement options?

- Deferment
- Forbearance
Deferment

- A deferment is a period of time during which no payments are required.
- Interest does not accrue on subsidized loans.
- Interest does **accrue** on unsubsidized (unsubsidized Stafford Loan and PLUS loans).
Deferment Eligibility

- In-school deferment
  - Half-time study at a postsecondary school
  - Study in approved graduate fellowship program
  - Rehabilitation training program for the disabled
Deferment Eligibility

- Military Deferments
- Working Mother
- Parental Leave
- Misc. Forbearance Types
  - Americorps (CNCS) Forbearance
  - Internship/Residency Forbearance
  - Teacher Loan Forgiveness Forbearance
Deferment Eligibility

- Unable to find full-time employment?
  - Up to three years, must reapply every 6 months
  - Diligently seeking but unable to find full-time employment
- Registered with a private or public employment agency if there is one within 50 miles
Deferment Eligibility

- Economic hardship
  - Up to three years. You must reapply every 12 months.
  - You must meet ONE of the following criteria:
    - You are receiving payment under a federal or state public assistance program
    - You are serving as a Peace Corps volunteer.
    - You are working full-time and your total monthly gross income is below a set level – Gross income less than or equal to the larger
      - The monthly minimum wage rate or
      - 150% of the Poverty Guideline amount for your family size
Other Misc. Deferments

- National Oceanic & Atmospheric Administration Deferment
- Public Health Service Deferment
- Tax Exempt Organization Deferment
- Teacher Shortage Area Deferment
- Temporary Total Disability Deferment
Forbearance

- Forbearance allows you to *postpone* or *reduce* your monthly payment amount for a limited time and specific period if you are willing but unable to make your scheduled loan payments.
- During forbearance, principal payments are postponed but *interest continues to accrue.*
- Accrued unpaid interest will be added to the principal balance of the loan(s) at the end of the forbearance period.
- This will increase the amount borrowers owe.
Forbearance

If you are repaying under the Income-Based Repayment (IBR) Plan and have a partial financial hardship when a forbearance ends, interest accrued during forbearance will not be capitalized until after your partial financial hardship ends or you leave the IBR Plan.
**Forbearance**

- **General Forbearance:**
  - Must reapply every 12 months
  - You must be in repayment.
  - You must be willing but unable to pay the scheduled monthly payment because of a temporary financial hardship.
  - You must select to either:
    - temporarily stop making payments for a specific period of time; or
    - make a smaller monthly payment (than previously scheduled) for a specific period of time.
Forbearance

- Loan Debt Burden Forbearance
  - Up to 3 years
  - The following conditions must be met in order to qualify:
    - You must be in repayment.
    - Your monthly payments on your eligible education loans must be greater than or equal to 20% of your total monthly gross income.
Important!

- Continue making payments on your loan while you’re waiting for deferment or forbearance approval until you have been notified that your request has been approved.
- Keep a copy of any request form you submit and document all contact you have with the loan servicer.
- You don’t want to be in *default*!
Implications of Student Loan Default
Andrew Baginski

- Default - What is it and what will happen?
- The Collection Process
- What to do after Default
- Loan Rehabilitation
What is Default?

- Occurs when one fails to repay a loan according to the terms agreed upon in the promissory note that the borrower has signed.
- Generally, after default, a lender may take legal action to recover the money owed to them under the agreement.
When will a Borrower Default on their Student Loan?

- Generally, if no monthly payments are made on the loan for 270 days (assuming they are not deferring or have fallen under one of the previously discussed exceptions) they will be in default.
- If the payments are less frequent than monthly, then default occurs after 330 days of non-payment.
- Although the loan may not default until after these time periods, the borrower will be delinquent in their payments prior to this.
Consequences of Student Loan Default

- If one is in default, they are no longer eligible to receive any further Title IV student Aid
- No longer eligible for loan forgiveness or payment relief
- Default will be reported to all national credit bureaus, which will be discussed later
- Loan Payments can be deducted from paychecks
- Collection Processes
The Collection Process

- Demand for payment in full, regardless of previous payment arrangements or plans
- Lawsuits where a judgment can be placed to prevent you from purchasing or selling your assets
- The account can be given to a collection agency which may include significant fees that will be added to the balance
Options After Default

- Obviously, pay the full loan amount
- Speak with the lender about establishing a repayment plan by making monthly payments on the account
  - Standard
  - Graduated
  - Extended
  - Income Contingent/Sensitive
- Loan consolidation
- Get yourself into Rehab!! (loan rehabilitation)
Loan Rehabilitation

- Allows the lender and borrower to agree on a reasonable and affordable payment plan for nine months over a 10 month period.
- Generally, a rehabilitation agreement is signed specifying the payments and responsibilities.
- Once the borrower has voluntarily made the agreed upon payments on time, the loan will be rehabilitated.
Loan Rehab Benefits

- The nine monthly payments made will be subtracted from the maximum repayment term of the loan.
- Rehabilitating the loans will remove the default status from the loans and national credit bureaus will be notified when the loan is out of default.
- After rehabilitation, the borrower regains all the benefits of the Title IV loan program including the ability to defer or forebear.
- Repayment plans that are available to other borrowers may now be made available to the borrower again.
Things to Keep in Mind About Rehab

- Following rehab, the monthly payments will likely be more than the amount the borrower was paying during the nine month rehab process.
- Outstanding interest at the time of rehabilitation will be added to the outstanding principal balance increasing the amount owed.
- Collection costs can be added to the balance also increasing the amount owed.
- Delinquencies reported prior to default will remain on credit reports.
NEVER ignore delinquency notices from your lender!!!!
Student Loan Forgiveness
Bill Anglin

- Key Points
- IBR as a Public Servant
- Loan Forgiveness
Loan Forgiveness

To qualify for Federal loan forgiveness, you must:

- Either:
  - Perform volunteer work
  - Work in a public service job
  - Perform military service
  - Teach or practice medicine in certain types of communities

- And meet other criteria specified by the forgiveness program that you apply to (for certain state programs – contact your potential employer for specifics)
A Life of Public Service

Eligibility Requirements for Public Service Loan Forgiveness

- Borrower must not be in default on any of the loans for which they are seeking forgiveness for.
- Must be employed full-time by an approved public service organization
- Making the necessary 120 monthly payments, at the time the borrower applies for forgiveness, and when the remaining balance on the borrower's federal loans are forgiven.
A Life of Public Service

Qualifying Public Service Jobs

- Full time employment, in any position at an approved public service organization.
- Including:
  - A federal, state, local, or Tribal government organization, agency, or entity (includes most public schools, colleges and universities)
  - A public child or family service agency
  - A non-profit organization
Other Qualifying Service

Military service          Public safety
Law enforcement          Early childhood education
Public health            Public education
Public library or school library services
Emergency Management

To determine if the organization or job you work for qualifies for public service loan forgiveness, you can contact the Federal Student Aid Information Center (800) 433-3243.
Volunteer Service

- Some programs offer money to be used towards your loan
  - AmeriCorps
  - Volunteers in Service to America (VISTA)
Other Service

Service in the Army National Guard
Become a Teacher (at a university)
Serve as a State Employee
Law School Specific Forgiveness

- Many law schools forgive law school loans of students who serve in public interest or non-profit positions.
- Contact Equal Justice Works (2120 L St., NW, Suite 450, Washington, DC, 20037-1541; 202-466-3686; www.equaljusticeworks.org)
Credit Reports
By Marianna Beddard

Key Points
• What is it?
• How to check?
• What does it mean?
What is a Credit Report?

- A record of an individual’s borrowing and repaying.
- It includes:
  - Your bill-paying history
  - How many accounts you have and what kind
  - Late payments
  - Longevity of accounts
  - The unused portions of lines of credit
  - Collection actions
  - Outstanding debt
What is a Credit Report cont...

- It also includes personal identification information like:
  - Full name and variations of it (such as maiden names)
  - Social security number
  - Birth date
  - Current and previous addresses
  - Current and past places of employment
  - Driver's license number and state where issued

**Identification Information is not used in determining credit scores**
How does information get placed on your Credit Report?

- Info collected from:
  - Court system
  - Debt collection agencies
  - Credit Card Companies, Lenders (student loans, auto loans, etc)

- Fwd to credit bureau
What is reported by Creditors?

- Dates accounts were opened
- Types of accounts (revolving, installment loan, mortgage)
- Account balances and credit limits
- Payment history for each account, including late payments
- Sometimes Unpaid child support and overdrawn checking accounts
Where to get your Credit Report

annualcreditreport.com
Annualcreditreport.com

- Free!! unlike freecreditreport.com
- Access to reports from each of the 3 nationwide consumer reporting companies
  - Equifax
  - Experian
  - TransUnion
- Free copy of your credit report once a year
  - Request all at once or
  - Request individually
Credit Inquiries

- Viewed negatively
  - inquiries made when you are seeking new credit
  - too many inquiries in a short time

- No affect
  - inquiries made for promotional mailings
  - by your current creditors
  - by yourself for informational purposes
What is a Credit Score?

- Different from your Credit Report but is based on your Credit Report
- Like a grade
- AKA: FICO score
- Credit scores range between 300 and 850.
- Higher=Good
Credit Score Cont...

- Quick method for potential lenders to determine eligibility of repayment
- Higher score = more trustworthy in financial manners
- Not free through credit report!! (must pay)
Example of a Credit Report
Consumer Information

Name: Sample Report
Current Address: 123 Main St, Los Angeles
Previous Address: 000 Garden St, Orange, CA
Current Employer: TrueLink

TransUnion
Name: Sample A. Report
Current Address: 123 Main Street, Los Angeles
Previous Address: 000 Garden St, Orange, CA
Current Employer: TrueLink, Inc

Equifax
Name: Sample Report
Current Address: 123 Main Street
Previous Address: 000 Garden St
Current Employer: 

Consumer Statement

I did not make the payment to ABC Electronics because the radio I bought was delivered in defective condition. ABC Electronics would not repair or replace the radio and they would not let me return or exchange the radio. Since the radio was defective and un-useable I refused to pay for it.

Summary Information

Real Estate Accounts

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### Seven Year Payment History:

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<td>0</td>
</tr>
<tr>
<td>90 Days Late:</td>
<td>0</td>
<td>1</td>
<td>0</td>
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</tbody>
</table>
## Public Record Information

### Bankruptcy

<table>
<thead>
<tr>
<th></th>
<th>Experian</th>
<th>TransUnion</th>
<th>Equifax</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type:</strong></td>
<td>Chapter 7 Bankruptcy</td>
<td>Chapter 7 Bankruptcy</td>
<td>Chap 7 Bankruptcy</td>
</tr>
<tr>
<td><strong>Status:</strong></td>
<td>Filed</td>
<td>Filed</td>
<td>Filed</td>
</tr>
<tr>
<td><strong>Date Filed/Reported:</strong></td>
<td>08/1996</td>
<td>08/1996</td>
<td>08/1996</td>
</tr>
<tr>
<td><strong>How Filed:</strong></td>
<td>Individual Acct</td>
<td>Individual Account</td>
<td>Individual Acct</td>
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<tr>
<td><strong>Reference #:</strong></td>
<td>10-11-15</td>
<td>10-11-15</td>
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<tr>
<td><strong>Closing Date:</strong></td>
<td>12/15/1996</td>
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<td>12/15/1996</td>
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<tr>
<td><strong>Court:</strong></td>
<td>County Court</td>
<td>County Court</td>
<td>County Court</td>
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<tr>
<td><strong>Liability:</strong></td>
<td>$50,000</td>
<td>$50,000</td>
<td>$50,000</td>
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<tr>
<td><strong>Exempt Amount:</strong></td>
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<td>$1,000</td>
</tr>
<tr>
<td><strong>Asset Amount:</strong></td>
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<td>$15,000</td>
<td>$15,000</td>
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<td><strong>Remarks:</strong></td>
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### Inquiry Information

<table>
<thead>
<tr>
<th>Creditor Name</th>
<th>Date of Inquiry</th>
<th>Credit Bureau</th>
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<tbody>
<tr>
<td>Bank</td>
<td>01/02/2002</td>
<td>TransUnion</td>
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<tr>
<td>Credit Card Company</td>
<td>12/13/2001</td>
<td>Equifax</td>
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<td>Credit Card Company</td>
<td>12/05/2001</td>
<td>Experian</td>
</tr>
<tr>
<td>Mortgage Lender</td>
<td>11/19/2001</td>
<td>Experian</td>
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</table>

### Creditor Information

<table>
<thead>
<tr>
<th>Creditor Name</th>
<th>Address</th>
<th>Phone Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Credit Card</td>
<td>123 Main Street, Los Angeles, CA</td>
<td>(800) 000-1234</td>
</tr>
<tr>
<td>Bank Credit Card</td>
<td>333 Garden Street, Orange, CA</td>
<td>(800) 000-1234</td>
</tr>
<tr>
<td>Auto Lender</td>
<td>000 Main Street, New York, NY</td>
<td>BY MAIL ONLY</td>
</tr>
</tbody>
</table>
Building and Maintaining your Credit

Brynne Bisig
Consumer Protection Project
Building and Maintaining Credit

- Credit Report Uses
What is my credit report used for?

- Accessed and taken in account by to make decisions about you by:
  - Creditors
  - Insurers
  - Employers; and
What is my credit report used for?

- Some state bars require applicants to submit a copy of a credit report from the past 60 days
Why should I be worried about having good credit??

- Poor credit history could result in denial of admission to the bar.
- Prospective employers often access
- Having a good credit report means it will be easier for you to get loans and lower interest rates. Lower interest rates usually translate into smaller monthly payments.
Improving your Credit

Access your credit report from annualcreditreport.com
Credit Inquiry

- On a credit report, when a party looks at your credit score/report
- All inquiries, however, are not created equal. Some hurt your credit score, and some do not.
Credit Inquiry: Soft Pull (or Soft Inquiry)

- An inquiry into your credit history that does not adversely affect the credit score.
- If you check your own credit report, which you can do for free once a year, this is done with a soft pull. Most of the time, you do not even know when they occur, and they do not affect your credit report.

http://www.lendingtree.com/credit-resources/advice/credit-reports/soft-pull-vs-hard-pull/
Hard Inquiry

- **Does** affect your credit score.
- Anytime there is a hard pull, it is recorded and lowers your credit score by about five points for six months.
- Guard your credit report from too many hard pulls.
  - If you get a store credit card just to save 10 percent on a single purchase, you have hurt your credit score.
  - Some banks even use a hard pull if you are opening a savings account, so be sure to check your potential bank’s policy.
  - Incentives that credit card companies offer for signing up may not be worth the hit to your credit score.
- Try to avoid any inquiries that are considered hard pulls until you apply for a loan that you truly need.
What if I find inaccurate information on my credit report?

- Under the Fair Credit Reporting Act (FCRA) both the credit information provider AND the information provider are responsible for correcting inaccurate or incomplete information in your report.
What if I find inaccurate information on my credit report?

- First, contact the credit reporting company and the information provider.
- If you pull your credit report online you can dispute inaccurate information right then.
Disputing inaccurate information

- Send a certified letter with return receipt requested to the credit reporting company.
Sample Dispute Letter

Date
Your Name
Your Address, City, State, Zip Code

Complaint Department
Name of Company
Address
City, State, Zip Code

Dear Sir or Madam:

I am writing to dispute the following information in my file. I have circled the items I dispute on the attached copy of the report I received.

This item (identify item(s) disputed by name of source, such as creditors or tax court, and identify type of item, such as credit account, judgment, etc.) is (inaccurate or incomplete) because (describe what is inaccurate or incomplete and why). I am requesting that the item be removed (or request another specific change) to correct the information.

Enclosed are copies of (use this sentence if applicable and describe any enclosed documentation, such as payment records and court documents) supporting my position. Please reinvestigate this (these) matter(s) and (delete or correct) the disputed item(s) as soon as possible.

Sincerely,
Your name

Enclosures: (List what you are enclosing.)
Credit Report Inaccuracy Investigation

- Credit reporting companies must
  - investigate the items with in question within 30 days unless they consider your dispute frivolous and

- They must forward all relevant data you provide them about the inaccuracy to the information provider.
Credit Report Inaccuracy Investigation

Once the information provider receives notice of a dispute from the credit reporting company, the information provider must:

- investigate and review the relevant information; and
- report the results back to the credit reporting company.
Credit Report Inaccuracy Investigation

• If the information provider finds disputed information is inaccurate, they must notify all three nationwide credit reporting companies of inaccurate information
Once the investigation is complete

- The credit reporting company must give you the written results.
- If the dispute results in a change of your credit report, they must provide you with a free copy of your report (this does not count as your annual free report under the FACT Act).
- You may request the credit reporting company to send notices of any correction to
  - anyone who received your report in the past six months.
  - anyone who received a copy during the past two years for employment purposes.
What happens if disputed information is verified?

- Credit reporting companies can only put the disputed information back in your file if the information provider verifies that it is, indeed, accurate and complete.

- The credit reporting company must send you written notice with the name, address, and phone number of the information provider.
If an investigation doesn’t resolve your dispute

• You can ask that the credit reporting company to:
  • Include a statement of the dispute in your file and in future reports.
  • provide your statement to anyone who received a copy of your report in the recent past (expect to pay a fee for this service).
How long does information stay on my report?

- Most accurate negative information for 7 years
  - paid tax liens
  - accounts placed for collection or charged to profit and loss
- Bankruptcy cases - 10 years
- Civil suits, civil judgments, and records of arrest for 7 years or until the governing statute of limitations has expired, whichever is the longer period.
- No time limit:
  - Criminal convictions
  - information reported in response to your application for a job that pays more than $75,000 a year; and
  - information related to application for more than $150,000 worth of credit or life insurance.
Student Loans and your Credit Report

Student loans are reported in your credit report. The following information may be included:

(1) that the loan is an education loan

(2) the total amount of loans made to you and the remaining balance of the loans;

(3) information concerning the repayment status of the loan

(4) information concerning the date of any default on the loan and the collection of the loan, including information concerning the repayment status of any defaulted loan

(5) the date of cancellation of the note upon completion of repayment by the borrower of the loan
Ways to Increase your Credit Score

- Get a Credit Card
- Add an installment loan to the mix

Good news! You'll get the fastest improvement in your scores if you show you're responsible with both major kinds of credit:
  - revolving (credit cards) AND
  - installment (personal loans, auto, mortgages and student loans).
Improving your Credit Score

Blitz significant errors

- Information usually worth the effort of correcting with the bureaus:
  - Late payments, charge-offs, collections or other negative items that aren't yours.
  - Credit limits reported as lower than they actually are.
  - Accounts listed as "settled," "paid derogatory," "paid charge-off" or anything other than "current" or "paid as agreed" if you paid on time and in full.
  - Accounts that are still listed as unpaid that were included in a bankruptcy.
  - Negative items older than seven years (10 in the case of bankruptcy) that should have automatically fallen off your reports.
Improving your Credit Score

Blitz significant errors

- Items you don't need to correct:
  - Accounts you closed listed as being open.
  - Accounts you closed that don't say "closed by consumer."

- Closing an account can't help your scores and may hurt them.
  - If your goal is boosting your scores, leave these alone.
  - Once an account has been closed, it doesn't matter to the scoring formulas who did it -- you or the lender. If you messed up the account, it will be obvious from the late payments and other derogatory information included in the file.
Pay down your credit cards

- Pay down -- or pay off -- revolving accounts such as credit cards.
- Get your balances below 30% of the credit limit on each card can really help; getting balances below 10% is even better.
- Though most debt gurus recommend paying off the highest-rate card first, a better strategy here is to pay down the cards that are closest to their limits.
Improving your Credit Score

Use your cards lightly

• Limit your charges to 30% or less of a card's limit (10% is even better)
• set up e-mail or text alerts with your credit card companies to let you know when you're approaching a limit you've set.
• If you regularly use more than half your limit on a card, consider
  • using other cards to ease the load; or
  • try making a payment before the statement closing date to reduce the balance that's reported to the bureaus.
  ***Just make sure to make a second payment between the closing date and the due date, so you don't get reported as late.
Check your limits

- If your is showing a lower limit than you've actually got, your scores might be artificially depressed if your lender.
- If your issuer makes it a policy not to report consumers' limits, however -- as is sometimes the case with "no preset spending limit" cards -- the bureaus may use your highest balance as a proxy for your credit limit.
Improving your Credit Score

**Dust off an old card**

- The older your credit history, the better BUT Unused accounts may be closed or the issuers may stop updating them to the credit bureaus.
- If these accounts still appear, they won't be given as much weight in the credit-scoring formula as your active accounts SO
- Charge a recurring bill to one of those little-used accounts or use them for special occasions.

**Always pay off the balance in full!!**
Improving your Credit Score

Get some goodwill

• If you've been a good customer, a lender might agree to simply erase that one late payment from your credit history.
  ◦ You usually have to make the request in writing, and your chances for a "goodwill adjustment" improve the better your record with the company (and the better your credit in general). But it can't hurt to ask.

• Request that the account be "re-aged." If the account is still open, the lender may erase previous delinquencies if you make a series of 12 or so on-time payments.

• http://money.msn.com/credit-rating/9-fast-fixes-for-your-credit-scores-weston.aspx
Identity Theft

- Protecting Yourself
  - Keep wallet and purse in safe place at all times
  - Don’t carry your social security card
  - Review bank and credit card statements EVERY month for any unusual charges or suspicious activity.
  - Shred, shred shred!

- What to do If your Identity's been Stolen
  - Please a fraud alert on your credit reports and review your credit reports
  - Close the accounts that you know, or believe, have been tampered with or opened fraudulently
  - File a report with your local police or the police in the community where the identity theft took place.
  - File a complaint with the Federal Trade Commission at ftc.gov/idtheft
Get Control Over Your Finances and Manage Your Debt

Camellia Safi

- Ways to Manage Your Debt
- Bankruptcy and Student Loans
- Bankruptcy in General
- Common Scams
Budgeting

- **The Plan:**
  - how much money you have
  - how much money you spend.

- **Will it work for you?** This option may work for you if you want to get your debt under control.

- **Why it will work for you?** You may be able to pay off your debt and start saving too.

\[ \text{Budget Plan} = \text{Calculated Income} + \text{Expenses} \]

\[ + \]

\[ = \]

\[ \text{Budget Plan} \]
Credit Counseling

Do you owe a lot of money to various credit companies?
Find a credit counseling organization and work on a debt repayment plan.

Why? Creditors may be willing to accept reduced payments
Where? Universities, military bases, credit unions and housing authorities (non-profit)
• Fees

Be Careful: Check with the Better Business Bureau: www.bbbonline.org, for any complaints against a counselor or counseling organization.
Negotiate with Creditors

Still having trouble? Try this Option

- Creditors willing to decrease amounts owed to them.

- **Do this immediately:** Do **NOT** wait until your accounts have been turned over to a collection agency (debt collector).
LAST RESORT

Have you exhausted all your other options, and feel you have no other way of paying off all your debt?

Declaring **Bankruptcy** is a credit solution you may want to look into.
Bankruptcy and Student Loans

BAD NEWS: almost IMPOSSIBLE to apply to student loans

- **Undue Hardship:** Three elements- all must be met.
  - Minimal Standard of Living
  - Financial Hardship will continue for a significant period of time
  - Good Faith Effort to Repay.
BOTTOM LINE

Unless you become disabled, declaring Bankruptcy to erase student loans is **NOT** an option for you.
Pros of Declaring Bankruptcy

Ray of HOPE! Filing bankruptcy can give you extra time to pay off your student loans

Fresh Start
  - Liquidating assets to pay your debts OR
  - Repayment plan.
Cons of Declaring Bankruptcy

- **Credit Report:** Declaring Bankruptcy will stay on your credit report for **10 years**.

- **Difficult to get More Loans:**
  - To rent an apartment or buy a house or condo
  - Get some types of insurance
  - Get additional credit
  - Get a Job
Types of Bankruptcy (2 Main Types)

CHAPTER 7 BANKRUPTCY: “Liquidation”

- **Who can file:** Individuals, as well as businesses
  - “Means test”: looks at a debtor’s income to determine if the debtor is eligible.
- Court-appointed trustee or administrator takes possession of any nonexempt assets, liquidates these assets- then uses the proceeds to pay creditors.
- Assets that are secured and exempt
CHAPTER 13 BANKRUPTCY
“Adjustment of Debts of an Individual with Regular Income”

- **Who can file:** Individuals who have a regular source of income and/or do not qualify to file Chapter 7 can file Chapter 13 bankruptcy.
- **Repayment Plan:** the debtor proposes a plan to repay debt (three to five year time period).
  - The debtor usually remains in possession of any assets
  - Plan payments made to the trustee
  - Trustee disburses the funds to creditors.
  - While the plan is in effect, the debtor is protected from lawsuits, garnishments and other creditor actions.
Some Things to Be Cautious About (Common Scams)

- Advance Fee Loan Scams

- Offers to Solve Debt Problems
  - **Remember:** Companies that help people improve their credit rating cannot
    - Make false claims about their services
    - Charge you until the services are completed
    - Perform services until the waiting period has passed. After you sign the written contract, you have three day to change your mind and cancel the services.
  - If something is on your credit report- it will remain there for **seven years**.
Some Things to Be Cautious About (Common Scams) Continued…

- **Ads Promising Debt Relief:** Ads promising debt relief may be offering Bankruptcy.
- **Debt Collectors:** Will try to reinstate statute of limitations
GRADUATION IS QUICKLY APPROACHING – AND SO IS EXIT COUNSELING!

Exit Counseling is the resource for managing your Federal Student loans after graduation.

Please complete Exit Counseling online at www.nslds.ed.gov by May 27th

OR

Attend one group Exit Counseling Session
Wednesday, April 6th
12:00 pm or 6:15 pm – both in Room 204

OR

Make an appointment by April 12th to complete individual Exit Counseling in our office. Call xt. 5143 or email fin-aid@law.edu to set up a time.

Contact us with any questions
– Bart, Tracey, and David –