

# Money Smart Week: Debt Management / Credit Repair

State of Connecticut  
Department of Banking  
Bristol Public Library  
April 23, 2013

# Goals

- For you to benefit from every federal, State, and local program---that you qualify for
- Provide you with a plan to improve your credit and your credit report
- Learn about your consumer rights
- Provide you with the resources to identify and pursue your consumer rights for you.

## You will learn about

- Ways to manage your debt
- Repair Your credit
- Common credit mistakes / Scams
- Interpret your credit report

# Collection Agencies

- Collection Agencies must be licensed by the Department of Banking
- Consumer protection of “cease communication” letter from contacting you at home, work, and 3<sup>rd</sup> parties (neighbors)
- Department of Banking pursues collection complaints, including “cease communication”
- Cease Communication – creditor can refer to another collection agency or sue you.
- Company can buy your debt and they become creditor
- Statewide Legal Services. 800-453-3320



# Manage Your Debt

- Gather information and documentation to prepare a budget. Handout of forms to list income and expenses. Checklist of documentation.
- List fixed expenses – mortgage/rent, car payments, insurance premiums
- List variable expenses – groceries entertainment, clothing
- Identify necessary expenses and prioritize the rest

# Bristol Community Organization, Inc.:

- 55 South Street, Bristol, CT 06010
- Ph: (860) 584-2725
- Fax: (860) 582-5224
- Internet: [www.bcoct.org](http://www.bcoct.org)
- Social Services Manager:
- Nancy Micloskey
- E-mail: [nmicloskey@bcoct.org](mailto:nmicloskey@bcoct.org)
- (860) 589-8623

# BCO Programs

Energy Assistance Program  
Eviction Prevention Program  
Grandparents Program  
Head Start  
Homemaker Program  
HUSKY and Healthy Start  
Youth Employment  
RSVP  
\*Social Services  
Transportation



# **Automated Benefits Calculator**

ABC Calculator is an online questionnaire that screens for eligibility of many state and federal human service programs. By answering just a few questions you can see if you may be able to get help with groceries, school lunches, your doctor bills, medication, heating costs, or even money for your day to day expenses.



# Online Assistance

- Money Management International
- Certified HUD Housing Counselor, Bankruptcy Counselors, Reverse Mortgage Counselors, Connecticut Department of Banking licensed Debt Adjuster
- You can reach us 24 hours a day, 7 days a week at  
**866.702.4172**
- <http://www.moneymanagement.org>
- Mymoney.gov

# Personal Action Plan for Your Current Creditors

- Contact your creditors for a reduced payment
- Work with a Credit Counselor:
- Debt Adjusters/ Debt Management Companies, licensed by the Department of Banking
- Debt Negotiators / Debt Settlement Companies licensed by the Department of Banking
- Credit Repair Companies, consumer protections from the Department of Banking
- Avoid Scams



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Commissioner

- Verify a License
- Find a Bank
- Find a Credit Union
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- Alerts
- Helpful Links



News Bulletin

Securities  
Bulletin

Check the Calendar

Receive Updates  
by E-mail  
Sign-Up for E-alerts

## Consumers

- File a Complaint
- Information and Education
- Bank Information
- Credit Union Information
- Landlord/Tenant
- Avoiding Foreclosure
- Para Hacer su Queja en Espanol

## Industry

- Consumer Credit Licensing
- Securities Licensing
- Securities Registration, Exemption and Notice Filings
- Business Opportunity Registration
- Bank and Credit Union Applications
- Forms





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## Verify a License

The Department of Banking regulates the following business types. Follow the links below to check whether a company, an individual, a business entity or a business opportunity is currently licensed or registered with the department.

**Please note:** Additional information on securities registrants (broker-dealers; agents; investment advisers; investment adviser agents) may also be found under Conditional Registrations (Securities).

[ [Find a Bank](#) | [Find a Credit Union](#) | [Who We Regulate](#) ]

[Broker-dealers and their agents](#) (*external link*)

[Business and Industrial Development Corporations](#)

[Business Opportunities](#)

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[Conditional Registrations](#) (Securities)

[Consumer Collection Agencies](#)

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[Debt Adjusters](#)



# Debt Adjusters

- Licensed by the DOB, which provides consumer protections pursues consumer complaints
- [www.ct.gov/dob](http://www.ct.gov/dob), Information and Education, Consumer Information, Debt Adjusters
- Administers Debt Management Plans (DMP) – The Debt Adjuster receives from you deposits of money. It uses your deposits to pay your unsecured debts like your credit card bills, student loans , and medical bills according to a payment schedule that the Counselor develops with you and your creditors.

# Debt Adjuster Free Services

Free credit counseling and budgeting assistance before entering into agreement

- Written agreement of services and fees
- Determine your financial ability before agreement
- Contact each creditor to participate in plan
- Negotiate to lower interest rate and waive fees
- Quarterly statement of payments made by the Debt Adjuster company

# Debt Negotiator / Debt Settlement Companies

- Required to be licensed by the DOB
- Negotiate with secured and unsecured creditors to pay a “settlement” – a lump sum that is less than the full amount you owe.
- To fund the settlement you deposit an amount to a dedicated bank account administered by an independent third party.
- Often instruct clients to stop making payments to their creditors



# Debt Negotiator Risks

- Often require deposits for 36 months or more before all debts will be settled. Difficult to set aside payments for the full length of the program
- Creditors no obligation to negotiate. Negotiate smaller debts first leaving interest and fees on larger debts to continue to mount.
- Bc you stop payments – credit report, debt and fees continue to accrue, calls from creditors, can be sued



# Debt Negotiator Protections

- Complete and detailed list of services, costs, and statement of results to be achieved.
- Evaluation of likelihood that the service will reduce debt / prevent foreclosure
- Notice of 3-Day right of Rescission
- Schedule of Maximum Fees



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## Debt Negotiation

### Schedule of Maximum Fees

The following are the maximum fees that debt negotiators may charge for their services:

#### Initial Fee:

A debt negotiator of unsecured debt may charge the debtor a reasonable one-time initial or set-up fee in an amount not to exceed fifty dollars (\$50).

#### Service Fees:

A debt negotiator of unsecured debt may charge a monthly service fee not to exceed eight dollars (\$8) for each creditor that is listed in the debt negotiation service contract. The total service fee charged to a debtor may not exceed forty dollars (\$40) per month.

#### Aggregate Fees:

A debt negotiator of unsecured debt may collect total aggregate fees including the initial fee and service fees, not to exceed ten percent (10%) of the amount by which the consumer's debt is reduced as part of each settlement as agreed to in the debt negotiation service contract as each settlement is achieved. A debt negotiator may not charge more than ten percent (10%) of the amount by which the consumer's debt is reduced on the basis that the consumer has entered into a debt negotiation contract for joint obligations of a consumer and a consumer's spouse or other member of the consumer's household.

#### Debt Negotiators of Secured Debt:

A debt negotiator of secured debt, including Short Sales and Foreclosure Rescue Services, may impose a fee upon the mortgagor or debtor for performing debt negotiation services not to exceed five hundred dollars (\$500). Such fee shall only be collectable upon the successful completion of all services stated in the debt negotiation service contract. Nothing herein shall prohibit any person from receiving compensation from the mortgagee or its assignees.

# Debt Negotiator

## Questions to Ask

- Explain its fees and any conditions on its services
- How long will it take to get results – how many months or years before it will make an offer to each creditor for a settlement
- How much money or what percentage of each outstanding debt you must save before it will make an offer to each creditor on your behalf

# Credit Repair Companies

- Not required to be licensed by the Department of Banking
- Consumer Protections: Credit Repair company must provide a written summary of consumer's rights under the State and federal consumer Credit Repair Statutes



# Credit Repair Company Notice

- All actions you can do on your own for free:
- Right to obtain copy of credit report
- Right to dispute inaccurate information by contacting the Credit Reporting Bureau
- Credit Reporting Bureau has 30 days to investigate remove inaccurate information
- If your dispute is not resolved you can prepare 100 word statement to be included in your file and future reports

# Free Credit Report

- Free report every year from each of the nationwide credit reporting bureaus (Experian, Equifax, TransUnion).
- [www.annualcreditreport.com](http://www.annualcreditreport.com) or, from landline phone (877) 322-8228
- DOB Consumer Protection of 30 days from your dispute to correct errors.
- Basis of credit score for best rates on insurance and loans. Identity Theft/Scams

# Credit Reports

## Your Credit History

- Lenders
- Insurance Companies
- Employers
- Telephone and Utility Companies
- Landlords



# Improve Your Credit Report

- Obtain a copy of your credit report
- Report credit report errors
- Statement of your dispute to be included with all credit reports
- Pay your bills on time
- Use a secured credit card account



## ***Your Rights***

- **Right to a free report every 12 months, after adverse action, or under other limited circumstances**
- **Right to dispute inaccurate or outdated info**
- **Right to contact the source of the disputed information directly**
- **Right to include a statement of explanation**
- **Right to sue**
- **Other rights under state law**



## ***Reasons to Improve Your Credit***

- **Increases chances your applications will be approved**
- **Makes it possible to achieve important goals**
- **Reduces the cost of credit (lower interest rates)**
  - ◆ ***good credit can save you many thousands of dollars over time!***





# ***Financial Cost of Bad Credit***

## ***Cost of a 36-month car loan of \$18,000***

	<b>Borrower One</b>	<b>Borrower Two</b>
Credit score	695	600
Interest rate	8.138%	15.277%
Monthly payment	\$785	\$870
Total paid	\$28,260	\$31,320
<b>Cost of a low score</b>	<b>\$3,060</b>	

Source: myFICO.com. Scoring is on a scale of 300 to 850.



## ***Preventing Credit Damage from ID Theft***

- Anyone with a Social Security number can become a victim of identity theft
  - ◆ *Check your children's reports, too*
- Check credit reports regularly to spot suspicious activity sooner rather than later
- Flag credit reports for deceased family members so ID theft doesn't go undetected
- Consider a fraud alert on credit reports if you are or may be an identity theft victim

# Read Your Credit Report

- Verify personal information. your name, social security number, date of birth, current and previous address etc.
- Check the credit history - when the accounts were opened, maximum credit limit and so on.
- Check the public record section - bankruptcies, tax liens, judgments
- Look at the inquiries - . Soft pull is recorded when anyone looks at your credit history to send promotional credit offers. Hard pulls are recorded in the credit report when the credit checked for real financial transactions such as new loans, accounts etc.



# Avoid Scams

Advance-Fee Guarantees loan or credit card regardless of credit history. You have to pay fee in advance. You never receive loan.

Payday loans – impose very high interest rates. Small loan companies are required to be licensed by the Department of Banking. We pursue complaints.

Out of DOB jurisdiction – American Indian Tribe and located outside the United States

# Contact the Department of Banking

- Deborah Ellen Buckley
- Associate Financial Examiner
- Toll Free: 800-831-7225, extension 8187
- Fax: (860) 706-5733
- E-Mail: [deborah.buckley@ct.gov](mailto:deborah.buckley@ct.gov)